



# *Mortgage Loan Fraud Update*

Suspicious Activity Report Filings  
from April 1-June 30, 2010



December 2010



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# Table of Contents

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<b>Introduction</b> .....	<b>1</b>
<b>Summary of Filings</b> .....	<b>2</b>
<b>Relationships of Subjects</b> .....	<b>5</b>
<b>Subject Locations</b> .....	<b>6</b>
<b>Reported Activities</b> .....	<b>18</b>
<b>Filers and Reported Primary Federal Regulators</b> .....	<b>19</b>
<b>Current Issues</b> .....	<b>21</b>

# *Introduction*

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**T**his update to FinCEN's prior Mortgage Loan Fraud (MLF) studies looks at Suspicious Activity Report (SAR) filings from April through June 2010 (2010 Q2). It provides new information on reporting activities, geographic locations, and other filing trends. Tables and illustrations of various geographies provide a breakdown of activities according to reports by activity date of recent activities versus older activities. Tables covering non-geographic aspects of 2010 second quarter (Q2) filings are compared with filings from the same period in 2009.

# Summary of Filings

In 2010 Q2, filers submitted 15,727 Mortgage Loan Fraud SARs (MLF SARs),<sup>1</sup> a 7 percent decrease in filings over the same period in 2009.<sup>2</sup> The total number of SARs filed in 2010 Q2 also declined, by 5 percent. Nine percent of all SARs filed in 2010 Q2 indicated MLF as an activity characterization, the same percentage as the year ago Q2.<sup>3</sup>

<b>Table 1: Mortgage Loan Fraud SAR Filings Relative to All SAR Filings</b>			
	<b>2010 Q2</b>	<b>2009 Q2</b>	<b>% Change</b>
MLF SARs	15,727	16,836	-7%
All SARs	175,091	183,917	-5%
MLF SARs as a proportion of all SARs	9%	9%	NA

1. For purposes of this report, SARs and totals thereof refer only to the Suspicious Activity Report filed by depository institutions (TD F 90-22.47). Related activities reported on the Suspicious Activity Report by Money Services Business (FinCEN 109) and Suspicious Activity Report by Securities and Futures Industries (FinCEN 101) are not included in table or map totals. Percentages throughout this report are rounded to the nearest whole number.
2. Filing increases are not necessarily indicative of an overall increase in mortgage loan fraud (MLF) activities over the noted period, as the volume of SAR filings in any given period does not directly correlate to the number or timing of suspected fraudulent incidents in that period. For further explanation, see FinCEN's March 2009 report, *Mortgage Loan Fraud Connections with Other Financial Crime: An Evaluation of Suspicious Activity Reports Filed by Money Services Businesses, Securities, and Futures Firms, Insurance Companies and Casinos*, at [http://www.fincen.gov/news\\_room/rp/files/mortgage\\_fraud.pdf](http://www.fincen.gov/news_room/rp/files/mortgage_fraud.pdf).
3. MLF SARs have constituted 9 percent of all SARs filed since 2007 Q4. See "Mortgage Loan Fraud Update," published in *The SAR Activity Review - Trends, Tips & Issues*, Issue 16, October 2009 at [http://www.fincen.gov/news\\_room/rp/files/sar\\_tti\\_16.pdf](http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf), page 5.

Time lapses between filing and activity dates in 2010 Q2 MLF SAR filings showed an increasing focus on older activities. In 2010 Q2, 74 percent of reported activities occurred more than 2 years prior to filing, compared to 54 percent in 2009 Q2 (Table 2).

<b>Table 2: Mortgage Loan Fraud (MLF) SARs</b> Time Elapsed from Activity Date to Reporting Date <sup>4</sup>		
<b>Time Lapsed</b>	<b>2010 Q2</b>	<b>2009 Q2</b>
0 - 90 days	14%	12%
90 - 180 days	4%	6%
180 days - 1 year	4%	6%
1 - 2 years	5%	22%
2 - 3 years	26%	29%
3 - 4 years	30%	17%
4 - 5 years	12%	5%
> 5 years	6%	3%

For 2009 Q2 filings, a majority of activities occurred 1 to 3 years prior to filing. For both quarters, a majority of reported activities took place between April 2006 and June 2008.<sup>5</sup>

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4. Calculations for Table 2 derive from Part III, Field 33 and Part IV, Field 50 of the depository institution SAR form. Table 2 totals are based on commencement dates. SARs with omitted or erroneous filing and activity dates are not represented. While Field 33 allows filers to specify both a *commencement date* and an *end date* of suspicious activities, filers did not report an end date in 11 percent of 2010 Q2 MLF SARs. In previous periods, much fewer SARs included this information; hence, totals relying on activity end dates are significantly less comprehensive than those based on start dates. Further, for MLF SARs reporting multiyear activities, filers frequently relate activities involving older loans that the institution continues to hold. In numerous other reports, filers related older suspected frauds that the filer detected when the same borrower applied for a more recent loan with conflicting information on the loan application, hence their inclusion of more recent activity end dates. For these reasons, calculations herein use the activity start date rather than the activity end date.
  5. FinCEN has previously reported on contributing factors that triggered loan reviews and led to the discovery of more dated suspicious activities. See *Filing Trends in Mortgage Loan Fraud Update*, February, 2009 at [http://www.fincen.gov/news\\_room/nr/pdf/20090225a.pdf](http://www.fincen.gov/news_room/nr/pdf/20090225a.pdf).

During all periods in this review, more than 80 percent of MLF SARs involved *suspicious activity amounts* under \$500,000. A quarter or less of MLF SARs disclosed *loss amounts* (23 percent in 2010 Q2 and 25 percent in 2009 Q2); most of these amounts were also under \$500,000.<sup>6</sup> Consistent with previous periods, a relatively small number of MLF SARs (42 filings) include recovered amounts in 2010 Q2.

<b>Table 3: Mortgage Loan Fraud (MLF) SARs</b>								
Reported Amounts <sup>7</sup> of: (1) Suspicious Activity and (2) Loss Prior to Recovery								
		< \$100K	\$100K - \$250K	\$250K - \$500K	\$500K - \$1M	\$1M - \$2M	> \$2M	Not indicated
(1) SARs reporting <b>suspicious activity amounts</b>		2,822	5,504	4,832	1,561	493	395	120
	2010 Q2	18%	35%	31%	10%	3%	3%	1%
	2009 Q1	19%	36%	34%	11%	3%	2%	2%
(2) SARs reporting <b>loss amounts</b>		2,003	914	474	102	40	24	12,170
	2010 Q2	13%	6%	3%	1%	-	-	77%
	2009 Q2	14%	8%	3%	1%	-	-	75%

6. Filers indicated recovery amounts in only 42 mortgage loan fraud SARs. Consequently this information is not included in Table 3. Percentages under 1% are omitted or indicated with a hyphen in this report.

7. The amount of suspicious activity, loss prior to recovery, and recovery are reported in Part III of the SAR form, Fields 34, 36, and 37.

# Relationships of Subjects

Filers categorized nearly half of subjects in 2010 Q2 as “Borrower” and over a quarter as “Other.”<sup>8</sup> In addition, filers described 10 percent as “Broker” and 6 percent as “Customer” (Table 4).

<i>Relationship to Filer<sup>9</sup></i>	<b>2010 Q2</b>	<b>2009 Q2</b>
Borrower	13,802 (49%)	13,248 (46%)
Broker	2,885 (10%)	3,118 (11%)
Customer	1,586 (6%)	3,009 (10%)
Appraiser	1,577 (6%)	1,795 (6%)
Employee	203 (1%)	238 (1%)
Agent	174 (1%)	104 -
Attorney	62 -	87 -
Officer	43 -	54 -
Director	15 -	45 -
Accountant	11 -	12 -
Other <sup>10</sup>	8,099 (28%)	7,011 (24%)

8. Where applicable, a filer may report one or more subjects in Part II of the SAR. Subject totals in this report represent *total name variations* rather than unique individuals, without consideration for alternate spellings, aliases, identically named subjects, or those with multiple addresses.
9. The “Relationship of the Subject to the Financial Institution” is reported in Part II, Field 30 of the SAR form. For each subject, a filer may report one or more “Relationship of the Subject to the Financial Institution,” where applicable.
10. “Other” is a catchall category that is available to filers to report a relationship that does not fall under any of those specified in Part II, Field 30 of the SAR. For an explanation of the characterization of “Other,” see *The SAR Activity Review - Trends, Tips & Issues*, Issue 16, October 2009, Section Two “Mortgage Loan Fraud Update” found at [http://www.fincen.gov/news\\_room/rp/files/sar\\_tti\\_16.pdf](http://www.fincen.gov/news_room/rp/files/sar_tti_16.pdf).



# Subject Locations

The following tables rank states, metropolitan areas and counties based on number of subjects in Q2 SARs with suspicious activity dates before and after January 1, 2008. The state and metropolitan area tables and maps also show rankings based on numbers of subjects per capita, to highlight areas where MLF activity is greater relative to the population size.

## By State

In 2010 Q2, California and Florida were the highest ranked states based on total numbers of subjects, followed by New York and Illinois. Nevada had the highest number of MLF subjects per capita, followed by Florida, California and Georgia (Table 5).

<b>Table 5: Mortgage Loan Fraud SAR Filings in 2010 Q2<sup>11</sup> Subjects by State</b>					
<b>State</b>	<b>Activity Earlier than January 1, 2008<sup>12</sup></b>	<b>Activity On or After January 1, 2008<sup>13</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>11</sup></b>	<b>Rank by Total MLF Subjects (After January 1, 2008)<sup>13</sup></b>	<b>Rank by MLF Subjects Per Capita (After January 1, 2008)<sup>13</sup></b>
NV	493	157	650	14	1
FL	4,344	1,081	5,425	2	2
CA	4,762	1,934	6,696	1	3
GA	785	485	1,270	5	4
MD	422	290	712	8	5
NC	271	212	483	12	6
IL	1,161	552	1,713	4	7
DC	29	19	48	41	8
WA	345	221	566	11	9
NJ	511	300	811	7	10

11. Based on subjects contained in MLF SARs filed during 2010 Q2.

12. Based on subjects contained in MLF SARs filed during 2010 Q2 with suspicious activity date from Part III, Field 33 of the depository institution SAR form earlier than January 1, 2008.

13. Based on subjects contained in MLF SARs filed during 2010 Q2 with suspicious activity date from Part III, Field 33 of the depository institution SAR form on or after January 1, 2008.

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<b>State</b>	<b>Activity Earlier than January 1, 2008<sup>12</sup></b>	<b>Activity On or After January 1, 2008<sup>13</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>11</sup></b>	<b>Rank by Total MLF Subjects (After January 1, 2008)<sup>13</sup></b>	<b>Rank by MLF Subjects Per Capita (After January 1, 2008)<sup>13</sup></b>
UT	192	86	278	25	11
AZ	779	212	991	12	12
NY	916	570	1,486	3	13
VA	569	227	796	10	14
WI	127	149	276	15	15
DE	38	23	61	39	16
MO	167	147	314	16	17
CO	329	113	442	19	18
MI	519	238	757	9	19
ID	72	33	105	34	20
SC	144	94	238	22	21
RI	44	23	67	39	22
OR	183	76	259	26	23
AL	102	91	193	23	24
MT	19	19	38	41	25
HI	66	25	91	38	26
CT	135	66	201	28	27
MN	361	97	458	20	28
KS	94	46	140	30	29
NM	37	30	67	35	30
MS	50	45	95	31	31
NE	18	26	44	37	32
MA	187	97	284	20	33
IN	241	90	331	24	34
AR	69	39	108	32	35
TX	572	307	879	6	36
TN	132	72	204	27	37
LA	72	51	123	29	38
OH	351	120	471	18	39
PA	307	127	434	17	40
WV	17	18	35	43	41

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<b>State</b>	<b>Activity Earlier than January 1, 2008<sup>12</sup></b>	<b>Activity On or After January 1, 2008<sup>13</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>11</sup></b>	<b>Rank by Total MLF Subjects (After January 1, 2008)<sup>13</sup></b>	<b>Rank by MLF Subjects Per Capita (After January 1, 2008)<sup>13</sup></b>
OK	53	34	87	33	42
ME	27	11	38	45	43
NH	31	10	41	46	44
KY	61	29	90	36	45
SD	7	5	12	47	46
ND	10	4	14	48	47
VT	9	4	13	48	48
IA	30	15	45	44	49
AK	19	1	20	50	50
WY	2	0	2	51	51

## By Metropolitan Statistical Area

Within metropolitan areas, Los Angeles ranked highest in the number of MLF subjects with activity dates after January 1, 2008, and Miami ranked highest based on activity dates before January 1, 2008.

Within the 50 most populous metropolitan areas, Miami ranked highest in terms of subjects per capita after January 1, 2008, followed by Atlanta, Las Vegas and Los Angeles.

<b>Table 6: Mortgage Loan Fraud SAR Filings in 2010 Q2<sup>14</sup></b>					
<b>Subjects in the 50 Largest Metropolitan Statistical Areas (MSAs)<sup>15</sup></b>					
<b>Metropolitan Area</b>	<b>Activity Earlier than January 1, 2008<sup>16</sup></b>	<b>Activity On or After January 1, 2008<sup>17</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>14</sup></b>	<b>Rank by Total MLF Subjects (After January 1, 2008)<sup>17</sup></b>	<b>Rank by MLF Subjects Per Capita (After January 1, 2008)<sup>17</sup></b>
Miami-Fort Lauderdale-Pompano Beach, FL	2,264	601	2,865	3	1
Atlanta-Sandy Springs-Marietta, GA	656	415	1,071	5	2
Las Vegas-Paradise, NV	425	137	562	13	3
Los Angeles-Long Beach-Santa Ana, CA	1,851	880	2,731	1	4
San Jose-Sunnyvale-Santa Clara, CA	249	117	366	16	5
Washington-Arlington-Alexandria, DC-VA-MD-WV	673	347	1,020	6	6
Riverside-San Bernardino-Ontario, CA	631	261	892	7	7
Orlando-Kissimmee, FL	696	118	814	15	8
Chicago-Naperville-Joliet, IL-IN-WI	1,161	516	1,677	4	9

14. Based on subjects contained in MLF SARs filed during 2010 Q2.

15. Metropolitan Statistical Areas (MSAs) are defined by U.S. Census Bureau at <http://www.census.gov/population/www/metroareas/lists/2008/List1.txt>.

16. Based on subjects contained in MLF SARs filed during 2010 Q2 with suspicious activity date from Part III, Field 33 of the depository institution SAR form earlier than January 1, 2008.

17. Based on subjects contained in MLF SARs filed during 2010 Q2 with suspicious activity date from Part III, Field 33 of the depository institution SAR form on or after January 1, 2008.

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<b>Metropolitan Area</b>	<b>Activity Earlier than January 1, 2008<sup>16</sup></b>	<b>Activity On or After January 1, 2008<sup>17</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>14</sup></b>	<b>Rank by Total MLF Subjects (After January 1, 2008)<sup>17</sup></b>	<b>Rank by MLF Subjects Per Capita (After January 1, 2008)<sup>17</sup></b>
San Diego-Carlsbad-San Marcos, CA	410	155	565	11	10
Milwaukee-Waukesha-West Allis, WI	45	77	122	23	11
Tampa-St. Petersburg-Clearwater, FL	412	126	538	14	12
Jacksonville, FL	106	59	165	27	13
San Francisco-Oakland-Fremont, CA	561	191	752	8	14
Seattle-Tacoma-Bellevue, WA	246	148	394	12	15
Salt Lake City, UT	102	46	148	31	16
Birmingham-Hoover, AL	33	46	79	31	17
Phoenix-Mesa-Scottsdale, AZ	656	177	833	9	18
Baltimore-Towson, MD	132	109	241	17	19
New York-Northern New Jersey-Long Island, NY-NJ-PA	1,234	743	1,977	2	20
Detroit-Warren-Livonia, MI	383	163	546	10	21
Sacramento--Arden-Arcade--Roseville, CA	236	70	306	26	22
Charlotte-Gastonia-Concord, NC-SC	106	53	159	29	23
Denver-Aurora-Broomfield, CO	239	74	313	25	24
St. Louis, MO-IL	82	81	163	22	25
Kansas City, MO-KS	115	59	174	27	26
Indianapolis-Carmel, IN	139	48	187	30	27
Minneapolis-St. Paul-Bloomington, MN-WI	321	86	407	21	28
Raleigh-Cary, NC	32	28	60	36	29
Portland-Vancouver-Beaverton, OR-WA	136	41	177	33	30

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<b>Metropolitan Area</b>	<b>Activity Earlier than January 1, 2008<sup>16</sup></b>	<b>Activity On or After January 1, 2008<sup>17</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>14</sup></b>	<b>Rank by Total MLF Subjects (After January 1, 2008)<sup>17</sup></b>	<b>Rank by MLF Subjects Per Capita (After January 1, 2008)<sup>17</sup></b>
Virginia Beach-Norfolk-Newport News, VA-NC	51	30	81	35	31
Houston-Sugar Land-Baytown, TX	200	104	304	18	32
New Orleans-Metairie-Kenner, LA	34	21	55	42	33
Memphis, TN-MS-AR	51	23	74	40	34
Providence-New Bedford-Fall River, RI-MA	63	28	91	36	35
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	246	102	348	19	36
Boston-Cambridge-Quincy, MA-NH	121	77	198	23	37
Nashville-Davidson--Murfreesboro--Franklin, TN	37	26	63	38	38
Dallas-Fort Worth-Arlington, TX	242	100	342	20	39
Buffalo-Niagara Falls, NY	5	17	22	47	40
Cincinnati-Middletown, OH-KY-IN	73	32	105	34	41
Richmond, VA	84	18	102	43	42
Oklahoma City, OK	18	15	33	48	43
Columbus, OH	70	22	92	41	44
San Antonio, TX	28	25	53	39	45
Louisville-Jefferson County, KY-IN	26	15	41	48	46
Austin-Round Rock, TX	32	18	50	43	47
Hartford-West Hartford-East Hartford, CT	13	11	24	50	48
Cleveland-Elyria-Mentor, OH	114	18	132	43	49
Pittsburgh, PA	66	18	84	43	50

## By County

At the county level, Los Angeles had the most subjects with suspicious activity dates after January 1, 2008, while Miami-Dade had the most subjects with activity dates before January 1, 2008 (Table 7).

<b>Table 7: Mortgage Loan Filings in 2010 Q2<sup>18</sup></b>				
<b>Subjects by County</b>				
<b>County</b>	<b>Activity Earlier than January 1, 2008<sup>19</sup></b>	<b>Activity On or After January 1, 2008<sup>20</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>18</sup></b>	<b>Rank for Activities On or After January 1, 2008<sup>20</sup></b>
Los Angeles, CA	1,289	649	1,938	1
Miami-Dade, FL	1,358	368	1,726	2
Cook, IL	812	344	1,156	3
Orange, CA	562	231	793	4
Maricopa, AZ	649	174	823	5
San Diego, CA	410	155	565	6
Broward, FL	620	146	766	7
Riverside, CA	337	142	479	8
Clark, NV	425	137	562	9
Gwinnett, GA	151	120	271	10
Queens, NY	230	119	349	11
San Bernardino, CA	294	119	413	11
Santa Clara, CA	246	108	354	13
Nassau, NY	136	100	236	14
King, WA	133	92	225	15
Kings, NY	163	90	253	16
Palm Beach, FL	286	87	373	17
Fulton, GA	153	80	233	18
Fairfax, VA	197	78	275	19
Prince George's, MD	96	78	174	19
Harris, TX	144	77	221	21
Montgomery, MD	143	74	217	22

18. Based on subjects contained in MLF SARs filed during 2010 Q2.

19. Based on subjects contained in MLF SARs filed during 2010 Q2 with suspicious activity date from Part III, Field 33 of the depository institution SAR form earlier than January 1, 2008.

20. Based on subjects contained in MLF SARs filed during 2010 Q2 with suspicious activity date from Part III, Field 33 of the depository institution SAR form on or after January 1, 2008.

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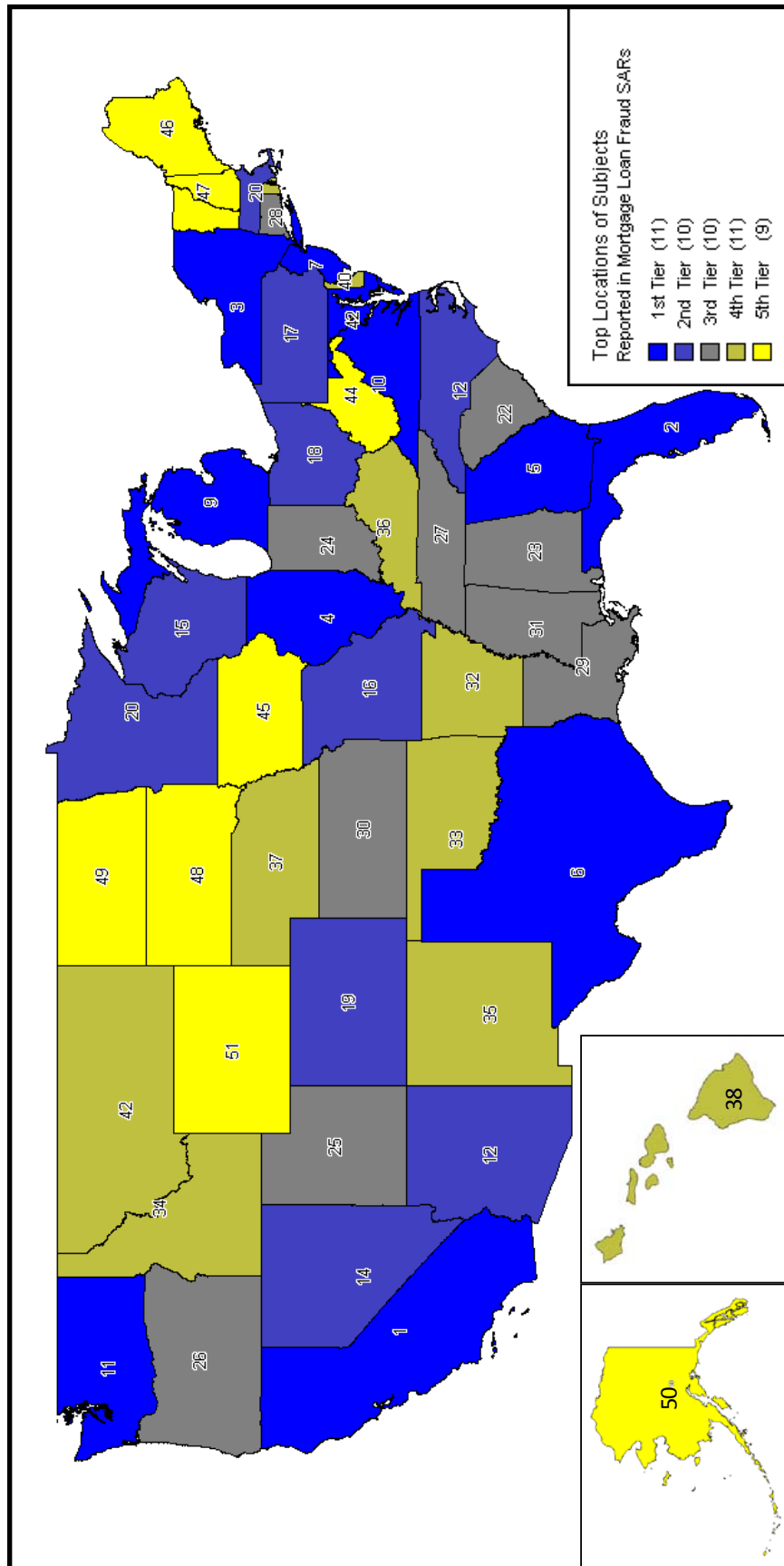
<b>County</b>	<b>Activity Earlier than January 1, 2008<sup>19</sup></b>	<b>Activity On or After January 1, 2008<sup>20</sup></b>	<b>All MLF SARs Filed in 2010 Q2<sup>18</sup></b>	<b>Rank for Activities On or After January 1, 2008<sup>20</sup></b>
Orange, FL	445	74	519	22
Suffolk, NY	124	74	198	22
Alameda, CA	202	72	274	25
Wayne, MI	144	67	211	26
DuPage, IL	123	63	186	27
DeKalb, GA	93	60	153	28
Milwaukee, WI	40	60	100	28
Oakland, MI	176	59	235	30
Hillsborough, FL	226	57	283	31
Contra Costa, CA	158	56	214	32
Essex, NJ	62	56	118	32
Sacramento, CA	158	50	208	34
Cobb, GA	87	46	133	35
Lake, IL	47	45	92	36
Ventura, CA	94	44	138	37
Pinellas, FL	126	43	169	38
Salt Lake, UT	97	42	139	39
St. Louis, MO	43	41	84	40
Dallas, TX	113	40	153	41
Baltimore, MD	28	39	67	42
Pierce, WA	68	37	105	43
San Joaquin, CA	86	37	123	43
San Mateo, CA	112	35	147	45
Jackson, MO	22	34	56	46
Marion, OH	94	34	128	46
Mecklenburg	88	33	121	48
New York, NY	38	33	71	48
Monmouth, NJ	37	32	69	50

The following maps show mortgage fraud geographic concentrations reported in 2010 Q2 for activities occurring on or after January 1, 2008. Maps show subjects by state and metropolitan area, with concentrations based on the number of subjects and the number of subjects per capita.<sup>21</sup>

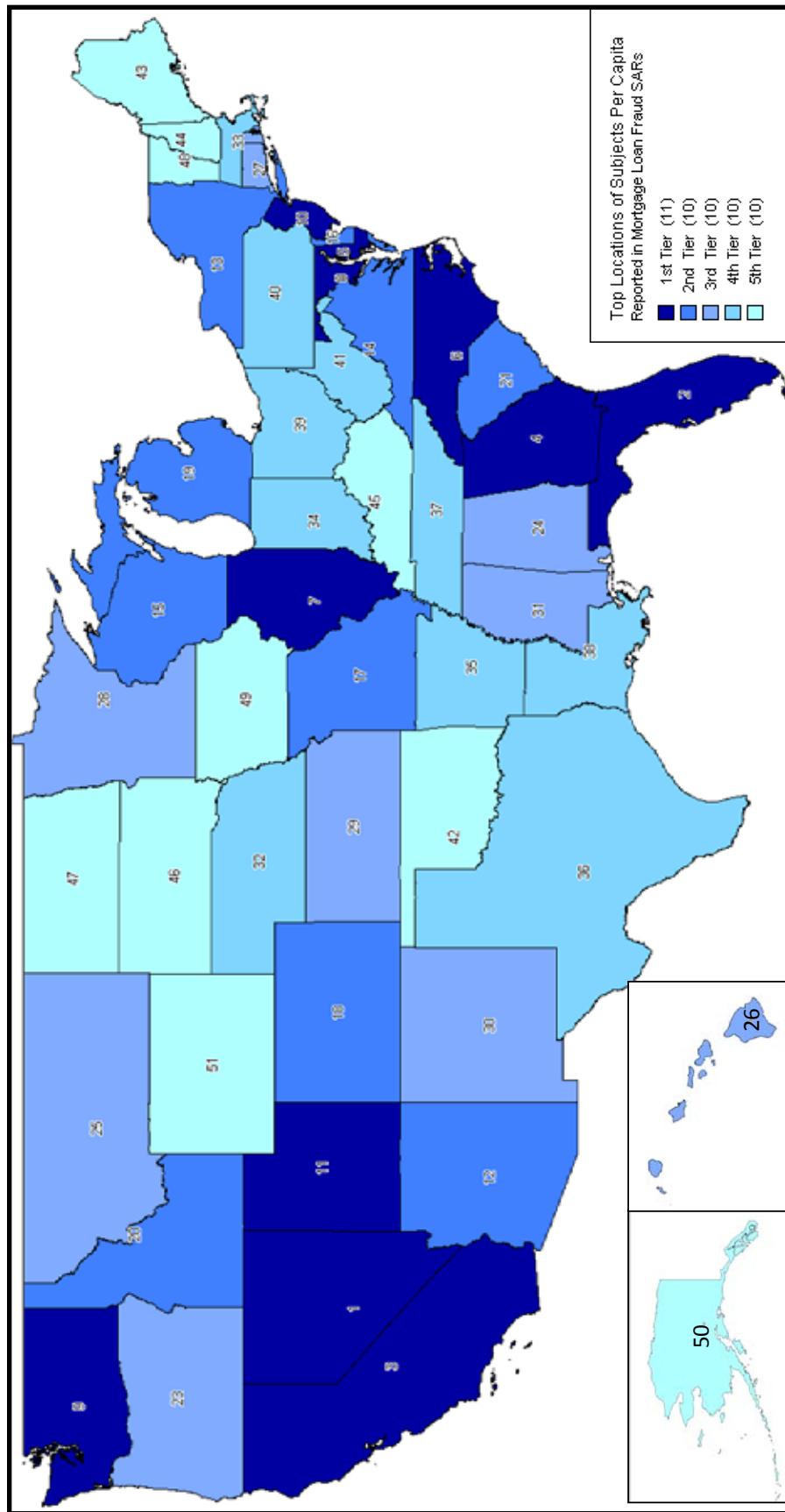
21. Numeric ranges presented in the metropolitan area maps may vary from quarter to quarter based on the number of MLF SARs submitted by filers.



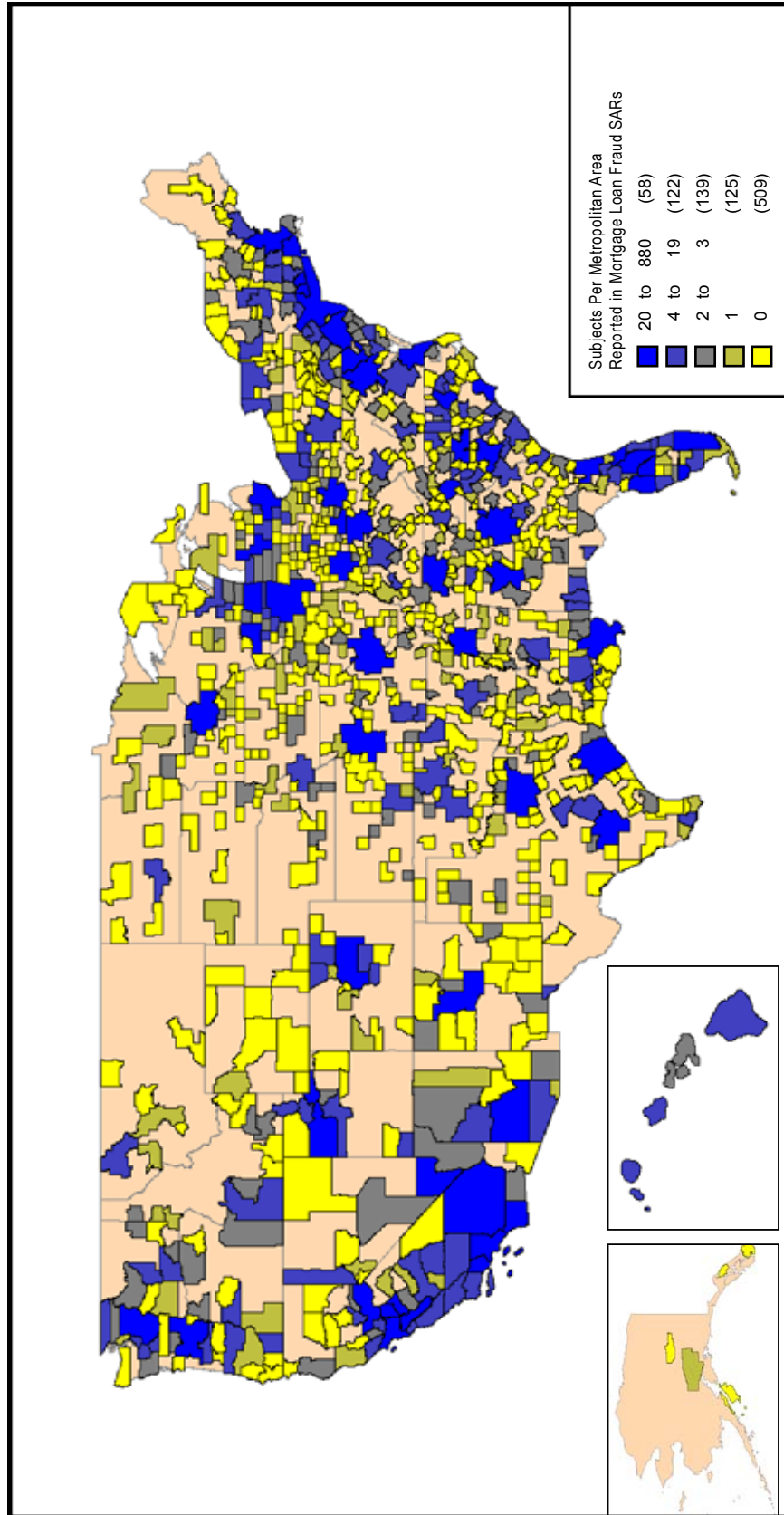
*Mortgage Loan Fraud SAR Subjects  
State Locations, April – June, 2010*



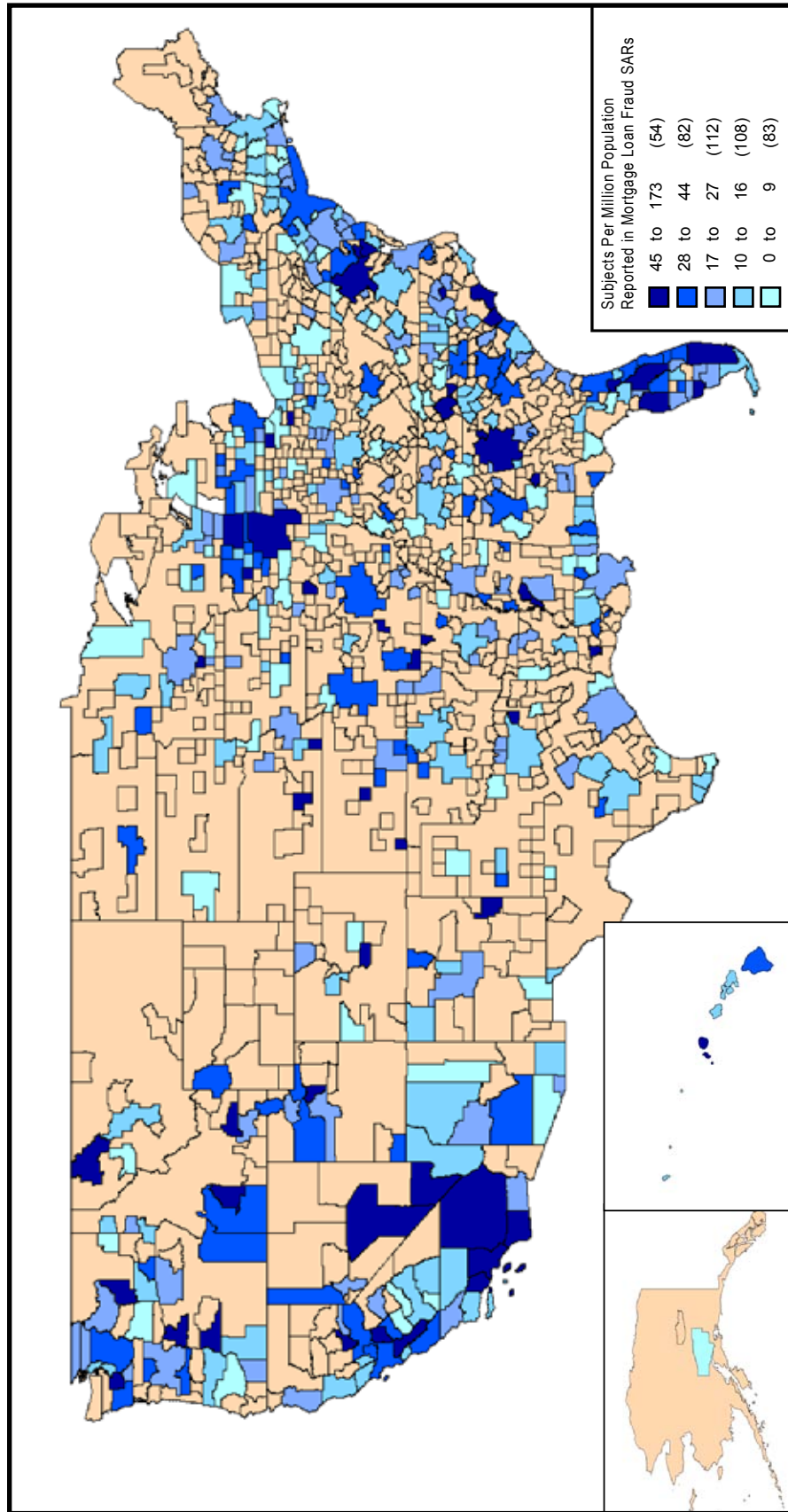
*Mortgage Loan Fraud SAR Subjects  
State Locations, April – June, 2010*



*Mortgage Loan Fraud SAR Subjects  
Top Metropolitan Areas, April – June, 2010*



*Mortgage Loan Fraud SAR Subjects Per Capita  
Top Metropolitan Areas, April – June, 2010*



# Reported Activities

Filers most frequently cited “False Statement” as another listed activity, including this characterization in 18 percent of MLF SARs during 2010 Q2 (Table 8). However, this was a decline from 2009 Q2, when “False Statement” was a secondary activity in 29 percent of MLF SARs.

<b>Table 8: Mortgage Loan Fraud SARs Suspicious Activity Characterizations<sup>22</sup></b>				
<b>Activity</b>	<b>2010 Q2 MLF SARs</b>		<b>2009 Q2 MLF SARs</b>	
Mortgage Loan Fraud	15,727	100%	16,836	100%
False Statement	2,903	18%	4,873	29%
Other	741	5%	456	3%
Identity Theft	428	3%	416	2%
Wire Transfer Fraud	104	1%	47	-
Misuse of Position	67	-	104	1%
BSA/Structuring/Money Laundering	66	-	98	1%
Commercial Loan Fraud	66	-	29	-
Consumer Loan Fraud	48	-	167	1%
Defalcation / Embezzlement	27	-	25	-
Check Fraud	23	-	26	-
Bribery / Gratuity	20	-	6	-
Counterfeit Instrument	19	-	18	-
Check Kiting	8	-	6	-
Mysterious Disappearance	4	-	3	-
Credit Card Fraud	4	-	8	-
Counterfeit Check	4	-	10	-
Debit Card Fraud	3	-	1	-
Counterfeit Credit / Debit Card	2	-	2	-
Terrorist Financing	1	-	-	-
Computer Intrusion	1	-	4	-

22. The characterization of suspicious activity is reported in Part III, Field 35 of the SAR. Where applicable, a filer may report one or more characterizations of suspicious activity in a SAR.

# *Filers and Reported Primary Federal Regulators*

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In 2010 Q2, filers with 436 different Employer Identification Numbers (EINs) submitted 15,727 MLF SARs, a 7 percent decrease in filings from 2009 Q2.

Filers that indicated the Office of the Comptroller of the Currency (OCC) as their primary Federal regulatory authority submitted 65 percent of MLF SARs during 2010 Q2. This was similar to corresponding filings in 2009 Q2 (66 percent). These filers comprised 17 percent of all institutions that filed MLF SARs during 2010 Q2.

Filers that indicated the Federal Deposit Insurance Corporation (FDIC) as their primary Federal regulatory authority submitted 3 percent of MLF SARs during 2010 Q2. For the quarter, these filers comprised 35 percent of all institutions that filed MLF SARs.

Filers that indicated the Office of Thrift Supervision as their primary Federal regulatory authority showed the most significant decrease in filings, submitting 7 percent of MLF SARs in 2010 Q2, down from 13 percent in 2009 Q2. The greatest increase in filings came from filers indicating the Federal Reserve Board (FRB) as their primary regulator, at 22 percent of 2010 Q2 reports, up from 15 percent in 2009 Q2.

<b>Table 9: Mortgage Loan Fraud SARs - Reported Primary Federal Regulators</b>							
		<b>OCC</b>	<b>FRB</b>	<b>OTS</b>	<b>FDIC</b>	<b>NCUA</b>	<b>FHFA<sup>23</sup></b>
<b>2010 Q2</b>	<u>Total MLF SARs</u> indicating	10,278	3,512	1,069	500	102	245
		65%	22%	7%	3%	1%	2%
<b>2009 Q2</b>	Primary Regulator	11,170	2,576	2,169	531	113	254
		66%	15%	13%	3%	1%	2%
<b>2010 Q2</b>	<u>Total Filers</u> Indicating	75	53	84	153	67	
		17%	12%	19%	35%	16%	-
<b>2009 Q2</b>	Primary Regulator <sup>24</sup>	78	70	94	174	62	
		18%	15%	21%	31%	16%	-

23. The Federal Housing Finance Agency (FHFA), which is the Federal regulator for Fannie Mae and Freddie Mac, has established a process for the companies to report possible mortgage fraud to FHFA, which in turn files depository institution SARs with FinCEN.

24. Filer counts are based on unique filer EINs reported in the SARs. As some businesses may use the same EIN for multiple branches or process all SARs at centralized locations for the entire organization, the total does not represent individual branch locations involved in detecting suspicious activities.

# Current Issues

## Bankruptcy Fraud

As a member of the President’s Financial Fraud Enforcement Task Force,<sup>25</sup> FinCEN is coordinating with the United States Trustee Program (USTP) and the Federal Bureau of Investigation (FBI) to identify potential abuses of the bankruptcy system that facilitate mortgage fraud.<sup>26</sup>

References to bankruptcy have steadily increased in MLF SAR filings. The latest available data in 2010 showed that 7 percent of all MLF SARs contained a key term related to bankruptcy in the narrative, compared to one percent in 2006 and 2007. Some of these reports specified the type of bankruptcy filing, most frequently Chapter 7 (specified in 27 percent of reports).<sup>27</sup>

<b>Year</b>	<b>All MLF SARs</b>	<b>MLF SARs referencing bankruptcy</b>	<b>MLF SARs specifying Chapter 7 bankruptcy</b>	<b>MLF SARs specifying Chapter 11 bankruptcy</b>	<b>MLF SARs specifying Chapter 13 bankruptcy</b>	<b>All SARs referencing bankruptcy (Includes SARs with or without MLF activities)</b>
Jan – Jul 2010	38,550	2,619	705	22	232	4,777
2009	67,507	3,479	1,073	35	389	8,345
2008	65,004	1,901	569	19	215	4,853
2007	52,862	748	167	22	125	3,061
2006	37,457	456	95	12	66	2,209
2005	25,988	433	89	-	54	1,879

25. For more information on the Financial Fraud Enforcement Task Force, see <http://www.stopfraud.gov>.

26. For more detail on bankruptcy fraud, see the joint FBI and USTP intelligence assessment, *US Bankruptcy System Exploited to Perpetrate Foreclosure Rescue Schemes*, May 2010, at [http://www.justice.gov/ust/eo/public\\_affairs/reports\\_studies/docs/US\\_Bankr\\_Exp\\_Foreclosure\\_Schemes.pdf](http://www.justice.gov/ust/eo/public_affairs/reports_studies/docs/US_Bankr_Exp_Foreclosure_Schemes.pdf)

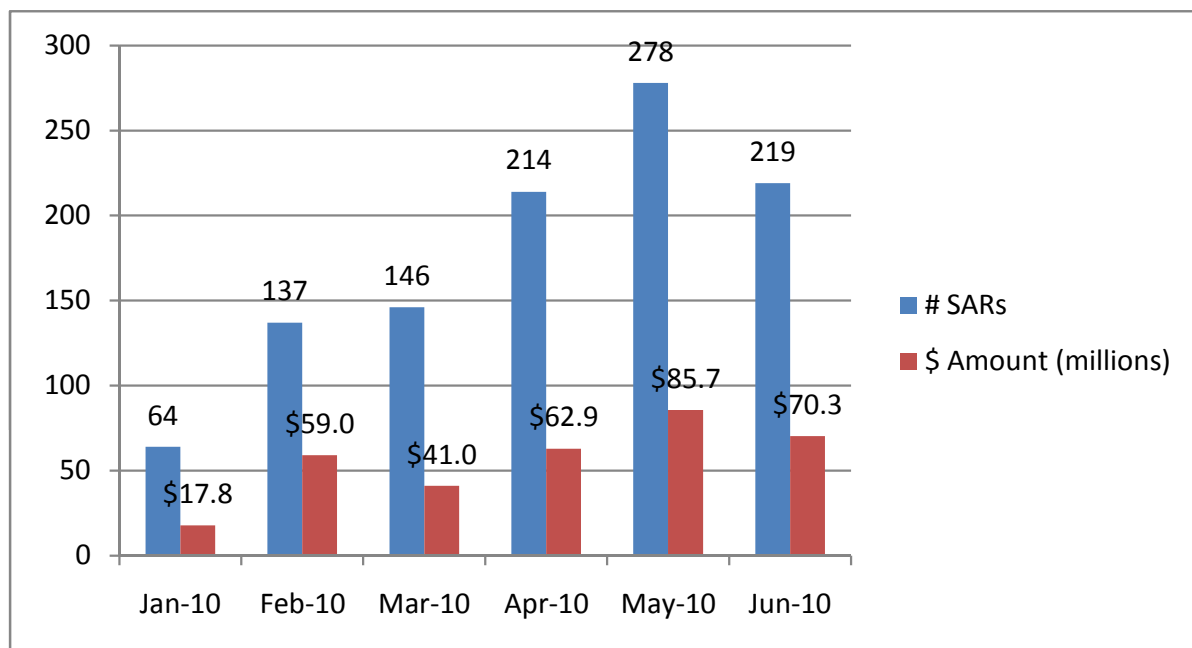
27. The differences between these bankruptcy types are that Chapter 7 requires asset liquidation, Chapter 11 requires business reorganization, and Chapter 13 requires individual debt adjustment. <http://www.uscourts.gov/FederalCourts/Bankruptcy/BankruptcyBasics.aspx>



## Loan modification fraud

In partnership with the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), FinCEN continually monitors SARs for reports of fraud and abuse impacting government housing and mortgage finance relief efforts. In the first half of 2010, depository institutions and regulators submitted over 1,000 SARs citing \$336.7 million in suspicious activity related to applications for government sponsored mortgage relief. The number of SARs referencing these programs increased steadily in 2010, peaking in May at 278 filings and \$85.7 million in suspicious activity.

**Figure 1: 2010 SARs by Month Referencing Government Mortgage Programs**



Reported transaction amounts typically represented either the entire value of the loan modification request or of the original loan. The bulk of reports cited significant discrepancies between the original loan and the modification application. A majority of such reports also cited Social Security Number (SSN) fraud or occupancy fraud.<sup>28</sup>

28. Occupancy fraud occurs when a borrower falsely states that a property is his or her primary residence.



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