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FinCEN Assessment Reveals Suspected Mortgage Loan Fraud Continues to Rise

An assessment released today by the Financial Crimes Enforcement Network (FinCEN) reveals that suspected mortgage loan fraud in the United States continues to rise, and has risen 35 percent in the past year. FinCEN conducted the assessment, which was based on an analysis of Suspicious Activity Reports (SARs) regarding suspected mortgage loan fraud, to identify trends and patterns that may be useful to law enforcement, regulatory authorities, and financial institutions offering mortgage loan products.

FinCEN began its assessment after noticing a significant increase in the filing of SARs concerning mortgage loan fraud. Since the inclusion of mortgage loan fraud as a characterization of suspicious activity, the number of SARs pertaining to mortgage loan fraud increased 1,411 percent by 2005. Many of the SARs reviewed included more than one characterization of suspicious activity in addition to mortgage fraud. "False statement" was the most reported activity in conjunction with mortgage loan fraud, while "identity theft" was the fastest growing secondary characterization reported.

FinCEN's Office of Regulatory Analysis reviewed SARs that depository institutions filed between April 1, 1996 and March 31, 2006. A search of SARs containing "mortgage loan fraud" as a characterization of suspicious activity retrieved 82,851 reports, of which a statistical random sampling of 1,054 were reviewed for additional analysis. SARs included in this assessment reported suspicious activity related to mortgage fraud in all 50 states, the District of Columbia, Puerto Rico, Guam and American Samoa.

"SARs are useful as both a regulatory and law enforcement tool," said Robert W. Werner, Director of the Financial Crimes Enforcement Network. "FinCEN offers a unique analytical perspective because of its position at the intersection of law enforcement and the financial industry. This information will help both constituencies assess the risks to the financial system from their points of view."

FinCEN's findings in the assessment are supported by the recent rise in the number of pending law enforcement cases involving mortgage loan fraud.

FinCEN's Mortgage Loan Fraud Assessment is available at www.fincen.gov/MortgageLoanFraud.pdf.