



Financial Crimes Enforcement Network

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FinCEN Issues Mortgage Loan Fraud Update; Warns of Foreclosure Rescue Scam Techniques

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today released a [new analysis](#) of suspicious activity related to possible mortgage loan fraud reported in the third quarter of 2009. The report also discusses the types of suspected fraud occurring in the foreclosure rescue area as a result of FinCEN issuing a “red flags” guidance on foreclosure rescue scams in April 2009.

The analysis found that suspicious activity reports (SARs) indicating suspicious activity by loan modification or foreclosure specialists, filers most commonly reported two types of schemes. First, subjects conned homeowners into signing quit-claim deeds to their properties and then sold homes from under the former owners to straw borrowers; the homeowners subsequently received eviction notices. Second, others falsely claimed affiliations with lenders to convince distressed homeowners to pay large advance fees for modification services, but failed to take any action on the homeowners’ behalf.

“FinCEN’s tracking of suspected mortgage loan fraud and foreclosure rescue scam SARs has contributed greatly to law enforcement’s ability to better understand the nature of this insidious crime,” said FinCEN Director James H. Freis, Jr. “FinCEN’s efforts in fighting mortgage fraud and foreclosure rescue scams remain a priority. We are harnessing all of our authorities to support this fight.”

Overall, the report shows that in the third quarter of 2009, depository institution filers submitted 15,697 mortgage loan fraud (MLF) SARs, a 7.5 percent increase over the same period in 2008.

In April 2009, FinCEN issued [Guidance to Financial Institutions on Filing Suspicious Activity Reports regarding Loan Modification/Foreclosure Rescue Scams](#), which asked SAR filers to use the words “foreclosure rescue scam” to help law enforcement identify suspected fraud. This report looks at not only MLF SARs, but SARs identified by filers with the phrase “foreclosure rescue scam” filed in the third quarter, 2009.

Among other highlights in the report:

- Filers of SARs in the study population commonly reported foreclosure and loan modification fraud that included occupancy misrepresentation, Social Security number discrepancies, and altered or forged documentation.
- By state, California and Florida represented a combined 42 percent of reported SAR subjects in the study population. The top 10 metropolitan areas by population included 40 percent of all SAR subjects in the study population.
- Filers most frequently reported borrowers as subjects, relating subject descriptions as ‘Borrower’ or ‘Customer’ in a combined 57 percent of MLF SARs.
- Thirty-five percent of the SARs examined in the report indicated an amount of \$100,000 to \$250,000 and an additional 32 percent of these SARs filed involved suspected amounts of \$250,000 up to \$500,000. Five percent of these SARs were for suspected amounts of \$1 million or more.
- One third of MLF SARs examined in this report indicated secondary activities, with ‘False Statement’ as the most frequently reported category.

The report also shows that although subjects of MLF SARs filed in the third quarter 2009 by depository institutions primarily have been borrowers, filers also reported industry insiders as subjects, including loan officers, underwriters, and purported loan modification agents.

SARs involving loan modifications described potential fraud in either the application for the loan modification, or in the older loan which came under review subsequent to the modification application.

An increasing number of filers submitted SARs noting suspicious activity in connection with actual or purported foreclosure rescue specialists. Credit card processors noted multiple transaction charge-backs in accounts held by clients later determined to be loan modification or foreclosure rescue specialists, after homeowners complained that the specialist failed to deliver services.

FinCEN is conducting additional analyses to examine [mortgage loan fraud](#), [foreclosure rescue scams](#) and other financial fraud, and will further explore reported activities, locations, and subjects.

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