



Financial Crimes Enforcement Network

A bureau of the U.S. Department of the Treasury

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FinCEN's 2010 Mortgage Fraud Report: SAR Filings Up; Potential Abuse of Bankruptcy Identified

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) in its new report, [*Mortgage Loan Fraud SAR Filings In Fourth Quarter and Calendar Year 2010*](#), today released full year data showing the number of suspicious activity reports involving mortgage loan fraud (MLF SARs) increased 4 percent in 2010 to 70,472 compared with 67,507 MLF SARs filed in 2009. The report also shows that the growth rate of MLF SARs began to slow over the last two to three years. Looking at just the 2010 fourth quarter, filers submitted 18,759 MLF SARs, a 1 percent decrease from the 18,884 filings over the same period in 2009.

“FinCEN remains active with law enforcement and other partner agencies to provide lead information and to identify and combat potential abuses in the mortgage market,” said FinCEN Director James H. Freis, Jr. “As a member of the President’s Financial Fraud Enforcement Task Force, FinCEN is coordinating with the United States Trustee Program (USTP) and the Federal Bureau of Investigation (FBI) to identify potential mortgage loan fraud in a number of areas including identifying potential abuse of the bankruptcy system to facilitate mortgage fraud.”

The FinCEN report found that references to bankruptcy have steadily increased over time in MLF SAR filings. In 2010, 6 percent of all MLF SARs contained a key term related to bankruptcy in the SAR narrative, compared to 1 percent in 2006 and 2007. In 2010, mortgage loan fraud was cited in 54 percent of all SARs referencing bankruptcy fraud, up from 42 percent in 2009. Some MLF SARs specified the type of bankruptcy filing, most frequently Chapter 7, which was cited in 27 percent of 2010 reports citing both bankruptcy and MLF.

Filers in their SARs also called attention to debt elimination scams as one of the emerging practices. Debt elimination scams were cited in nearly 1,300 MLF SARs in 2010. In these SARs, filers noted subjects sending a variety of documents or bogus payment methods to financial institutions, in attempts to eliminate or satisfy mortgage obligations. SAR filers over the course of 2010 explicitly referenced “flopping” in 112 SARs last year. This compares with relatively stable occurrences of suspicious activity involving broker price opinions and short sales in 2010.

Flopping occurs when a foreclosed property is sold at an artificially low price to a straw buyer, who quickly sells the property at a higher price and pockets the difference. Anecdotal feedback on this practice from law enforcement and industry sources suggests that the volume of related MLF SARs is much lower than the actual number of suspected flopping incidents. The increasingly dated activities reported on SARs suggests a lack of emphasis on this type of current activity.

The FinCEN report also contains data of state, county, and metropolitan statistical area (MSA) by total number of and per capita filings of MLF SARs. For instance, the report shows that Nevada had the highest number of MLF SARs per capita in 2010, followed by Florida, California, Illinois, and Georgia. The five MSAs with the highest per capita filings of MLF SARs in 2010 were Miami; Las Vegas; San Jose, CA; Riverside, CA; and Los Angeles. The five counties with the highest number of MLF SARs per capita were Miami-Dade, Gwinnett in Georgia, Broward and Orange in Florida, and Nassau in New York.

FinCEN reported that all types of SARs filed by depository institutions in 2010 fell 3 percent to 697,389 compared with 720,309 SARs filed by depository institutions in 2009.

Note to reporters: Beginning with this mortgage fraud report, FinCEN has added new features that provide additional data and explanation of MLF SARs. Among the new features include:

- More concise MLF SARs information on all 50 states and the District of Columbia provided by links to spreadsheets.
- An expanded metadata section containing reference information on the derivation and uses of this data.
- Historical quarterly data going back through 2006 for almost 600 metropolitan statistical areas and approximately 960 counties in addition to the states data.
- Trend analysis enabled by linking to electronic spread-sheets and to historical data.
- Ability to drill down to the county or city level revealing more concise information.
- Maps: Calendar year 2010 SAR data provides a new perspective on year-over-year changes enabling more illustrative comparisons with prior years' data.

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FinCEN's mission is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.