Financial Crimes Enforcement Network
A bureau of the U.S. Department of the Treasury

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FinCEN Report Shows Connection With Mortgage Fraud and Other Financial Crime

VIENNA, Va. – The Financial Crimes Enforcement Network (FinCEN) today released a new report that shows subjects reported for suspected mortgage loan fraud may also be involved in other financial crimes such as check fraud, money laundering, stock manipulation, structuring to avoid currency transaction reporting requirements and others. From depository institution Suspicious Activity Reports (SARs), FinCEN identified approximately 156,000 mortgage fraud subjects, and found that 2,360 were reported for suspicious activity in 3,680 of the other SAR types.

"This study analyzes the possible interrelationship of illicit activity occurring across different financial sectors. Criminal actors may attempt to exploit any vulnerability to commit fraud and launder money through a range of financial institutions," said FinCEN Director James H. Freis, Jr. "The interconnected nature of suspicious activity across multiple financial sectors covered by FinCEN's Bank Secrecy Act regulations underscores the immense value of combining insights from the different sectors for the purpose of detecting and thwarting criminal activity."

The report released today reveals the activities of people reported in depository institution SARs for mortgage fraud between July 2003 and June 2008, by evaluating three other types of SARs: those filed by money services businesses (SAR-MSB), by securities brokers and dealers or insurance companies (SAR-SF), and by casinos and card clubs (SAR-C). The study, entitled *Mortgage Loan Fraud Connections with Other Financial Crime*, is FinCEN's fourth mortgage loan fraud study released since November 2006.

Among the findings:

- Suspicious activities of mortgage loan fraud subjects most often reported in the SAR types reviewed were money laundering and transactions apparently structured to avoid currency transaction reporting requirements, accounting for 85 percent of SAR-MSBs, 47 percent of SAR-Cs, and 28 percent of SAR-SFs.

- Approximately 70 percent of the examined SAR-MSBs described suspicious wire transfers, 34 percent of those reports described transfers to foreign countries.
- In SAR-SFs, FinCEN found an unusually high number of reports of suspicious documents, fraudulent identifications (IDs), and forgery.
- Check fraud by mortgage fraud subjects was reported in the SAR-Cs at an unusually high level – 17 percent – compared with only 3 percent of all SAR-Cs during the same five-year period.

In 2009, FinCEN is conducting additional analyses to examine the relationship between mortgage loan fraud and other financial fraud, and will further explore reported activities, locations, and subjects.

Director Freis released the new study during remarks at the Mortgage Bankers Association's National Mortgage Fraud Conference at which he also announced a new section of the agency's Web site at www.fincen.gov specifically focused on FinCEN's analysis in the mortgage loan fraud area.

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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. As part of its regulatory function in administering the BSA, FinCEN requires financial institutions across a broad range of industry sectors to implement anti-money laundering programs, as well as recordkeeping and reporting obligations.