



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-4-2007
January 16, 2007

MORTGAGE LOAN FRAUD

Industry Assessment Based on Suspicious Activity Report Analysis

Summary: The Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) has prepared an assessment of mortgage loan fraud, which it based on its analysis of Suspicious Activity Reports (SARs). Financial institutions offering mortgage loan products may find the assessment useful. The assessment, entitled "Mortgage Loan Fraud," is available on FinCEN's Web site at http://www.fincen.gov/mortgage_fraud.html.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Loan Officer
Security Officer

Related Topics:

- Suspicious Activity Reports
- FFIEC white paper entitled "The Detection, Investigation, and Deterrence of Mortgage Loan Fraud Involving Third Parties." Refer to: http://www.ffiec.gov/exam/3P_Mtg_Fraud_wp_oct04.pdf.
- 2006 Uniform Standards of Professional Appraisal Practice. Refer to: <http://www.fdic.gov/news/news/financial/2006/fil06053.html>.

Attachment:

None

Contact:

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Note:

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Highlights:

- FinCEN analyzed a sampling of SARs to identify any trends or patterns of suspected mortgage loan fraud.
- The assessment reveals that suspected mortgage loan fraud in the United States has risen substantially in the past year.
- 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.
- Mortgage brokers or correspondent lenders initiated loans in nearly 37 percent of the sample.
- Emerging mortgage fraud schemes identified include asset rental and debt elimination fraud.
- The assessment may be useful to law enforcement, regulatory authorities and financial institutions offering mortgage loan products.