

BANK ADVISORY

FinCEN Warns of Fraud in Mortgage Modification and International Trade

Our Financial Institutions Team

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Dear clients and friends:

The Financial Crimes Enforcement Network (FinCEN) on February 18 issued a [report](#) with details on suspicious activities it has found prevalent in loan modification and foreclosure rescue frauds. FinCEN Director James H. Freis announced the release of the report that day during the Florida International Bankers Association's annual Anti Money Laundering Compliance Conference in Miami.

At the conference and in a [news release](#), Freis said a review of Suspicious Activity Report (SAR) filings on those frauds showed numerous cases of quick-claim deeds and of companies falsely identifying themselves as affiliates of lenders. A FinCEN [guidance](#), of April 6, 2009 has recommendations on when financial institutions should include the words "foreclosure rescue scam" on SARs to help FinCEN and law enforcement agencies.

Freis also said that FinCEN, an agency of the U.S. Department of the Treasury, is finding more instances in which international trade is being used to hide proceeds of financial fraud. He said banks should look for "red flags" of apparent inflated pricing of goods and of "a third-party payer who apparently has no reason to be involved."

Joshua Kaptur, a FinCEN Regulatory Project Officer, told the conference that FinCEN is "close to issuing" a final rule and guidance on circumstances under which U.S. depository institutions and companies regulated by the Securities and Exchange Commission and the Commodity Futures Trading Commission could share SARs with domestic affiliated companies. FinCEN issued [proposed rules](#) on March 3, 2009.

If you would like additional information on the anti-money laundering rules of the FinCEN and other federal regulators, do not hesitate to contact us at (305) 373-5500.

Sincerely,



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