

NCUA LETTER TO CREDIT UNIONS

**NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314**

DATE: May 2008 LETTER NO.: 08-CU-12

TO: Federally Insured Credit Unions

**SUBJ: Suspected Money Laundering in the
Residential Real Estate Industry Report**

Dear Board of Directors,

The Financial Crimes Enforcement Network (FinCEN) recently released the report, *Suspected Money Laundering in the Residential Real Estate Industry: An Assessment Based Upon Suspicious Activity Report Filing Analysis*. This report identifies several types of transactions and associated illicit activities that may be perpetrated by individuals or groups seeking to launder funds through residential real estate transactions.

This report differs from the previously released reports, *Mortgage Loan Fraud*, and *Money Laundering in the Commercial Real Estate Industry*, which focused on criminals seeking to profit by committing mortgage fraud. This new report focuses on those seeking to launder money through residential real estate in order to disguise the source of their funds. The money launderer strives to project an image of normalcy by making regular and timely payments on the mortgage loan, thereby providing the illicit funds the appearance of legitimacy.

Identifying mortgage loan fraud for the purposes of money laundering may be difficult. More than 75 percent of the reported suspects had no professional relationship with the residential real estate industry. Money launderers were found to use many techniques, including: structuring large transactions into smaller amounts; using "straw buyers" to front for the true purchaser; and submitting fraudulent documentation.

A complete copy of FinCEN's report, *Suspected Money Laundering in the Residential Real Estate Industry: An Assessment Based Upon Suspicious Activity Report Filing Analysis, April 2008* is located at: http://www.fincen.gov/MLR_Real_Estate_Industry_SAR_web.pdf.

This report is intended to raise awareness of the money laundering vulnerabilities credit unions face. This report will also assist credit unions in recognizing their

money laundering risk, enabling them to establish stronger internal controls and provide better information to law enforcement. If you have any questions, please contact your regional director or state supervisory authority.

Sincerely,

JoAnn Johnson
Chairman