REGULATORY ALERT

NATIONAL CREDIT UNION ADMINISTRATION 1775 DUKE STREET, ALEXANDRIA, VA 22314

DATE: July 2010 NO: 10-RA-09

TO: Federally Insured Credit Unions

SUBJ: Guidance on Filing Suspicious Activity Reports

Regarding Home Equity Conversion Mortgage Fraud Schemes

Dear Board of Directors,

This Regulatory Alert provides you with resources to detect fraud schemes that are stripping consumers of their home equity. In the current economic environment, the ability of long-term homeowners to access existing home equity quickly through reverse mortgages may make them vulnerable to predators committing financial fraud. Law enforcement has identified new schemes where family members, loan officers, and others effectively steal money from senior citizens in home equity fraud schemes.

The Financial Crimes Enforcement Network (FinCEN) recently issued an advisory to highlight reverse-mortgage fraud schemes potentially related to the Federal Housing Administration (FHA) Home Equity Conversion Mortgage (HECM) program. This advisory is intended to empower financial institutions to better assist law enforcement when filing Suspicious Activity Reports (SARs).

Please make sure to review the examples of common fraud schemes and potential "red flags" for fraudulent activity related to home equity.

Credit union activities may intersect with these reverse-mortgage fraud schemes in the following ways:

- HECMs are available only through FHA-approved lenders. HECM originators, sponsors, and servicers collect or have access to HECM loan files, which include copies of deeds, appraisals, bank statements, or proof of down payments;
- Persons or entities perpetrating HECM fraud schemes may seek the services of credit unions for the purpose of receiving, depositing or moving funds relating to the scams; and

 Credit unions may become aware of such scams through their interactions with members who have become victims.

In order to assist law enforcement in efforts to target this fraudulent activity, FinCEN requests that credit unions:

- Include the specific term "HECM" in the narrative portions of all relevant SARs filed: and
- In the Suspect/Subject Information Section of the SAR, include all information available for each party suspected of engaging in this fraudulent activity. This information should include the individual or company name, address, phone number, and any other identifying information.

In many cases, a senior homeowner is a victim of the scam and therefore should not be listed as a suspect. However, a homeowner can be listed as a suspect if there is reason to believe the homeowner knowingly participated in the fraudulent activity.

Where the homeowner is simply a victim of the scam, including all available information in the narrative portion of the SAR about the homeowner and his or her property will assist law enforcement in investigating these potential crimes.

You can use the following link to view a complete copy of FIN-2010-A005: http://fincen.gov/statutes_regs/guidance/pdf/fin-2010-a005.pdf.

If you have any questions regarding this Regulatory Alert or FIN-2010-A005, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

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Debbie Matz Chairman