



Yale SCHOOL OF MANAGEMENT  
*Program on Financial Stability*

## EliScholar – A Digital Platform for Scholarly Publishing at Yale

---

YPFS Resource Library

---

7-29-2010

### FinCEN Report to the FCIC on Countrywide

United States: Department of the Treasury: Financial Crimes Enforcement Network (FinCEN)

<https://elischolar.library.yale.edu/ypfs-documents/4757>

---

This resource is brought to you for free and open access by the Yale Program on Financial Stability and [EliScholar](#), a digital platform for scholarly publishing provided by Yale University Library. For more information, please contact [ypfs@yale.edu](mailto:ypfs@yale.edu).



## COUNTRYWIDE FINANCIAL

### INTRODUCTION/BACKGROUND

In May 2009, the President and Congress established the Financial Crisis Inquiry Commission (FCIC) “to examine the causes, domestic and global, of the current financial and economic crisis in the United States.” In June 2010, the FCIC contacted the Financial Crimes Enforcement Network (FinCEN) to obtain summary data on Suspicious Activity Report (SAR) filings by Countrywide Financial that were related to mortgage loan fraud. The Commission wanted to obtain a sense of how the volume of SARs grew as the housing bubble and mortgage crisis unfolded beginning in 2004.

### METHODOLOGY

FinCEN began receiving reports on mortgage loan fraud in 1996. In recent years, several hundred financial institutions submitted mortgage loan fraud SARs on an annual basis. In addition to acting as mortgage originators, filing institutions fill a variety of capacities in the overall mortgage market such as loan servicers, credit enhancement providers and secondary market purchasers or sellers.

Due to the complexity of mortgage loan fraud and the various roles of market participants, the discovery and reporting of related suspicious activities often takes years. As shown in Table 1, in CY2009 the bulk of reported activities involving suspected mortgage fraud took place one to three years prior to filers submitting a SAR. By contrast, SARs that did not involve mortgage loan fraud indicated most activities occurred less than a year before the reporting date. Note that the data in Table 1 relates to all mortgage loan fraud SAR filings, not those specific to Countrywide Financial.

*Analyst’s comment: The relatively lengthy period between activity (Part III, Field 33) and filing (Part IV, Field 50) dates as reported on SAR forms appears to be driven largely by the increased role of secondary market participants and credit enhancers assuming greater roles in the discovery of potential fraud based on a review of the activity reported. FinCEN examined this relationship in a public report in February 2009<sup>1</sup> and July 2010.<sup>2</sup>*

---

<sup>1</sup> See *Filing Trends in Mortgage Loan Fraud: A Review of Suspicious Activity Reports Filed July 1, 2007 through June 30, 2008* at [http://www.fincen.gov/news\\_room/nr/pdf/20090225a.pdf](http://www.fincen.gov/news_room/nr/pdf/20090225a.pdf).

<sup>2</sup> See *Mortgage Loan Fraud Update: Suspicious Activity Report Filings from October 1 – December 31, 2009* at <http://www.fincen.gov/pdf/MLF%20Update.pdf>.

**Table 1. Suspicious Activity and Filing Dates on SARs filed by All Depository Institutions in CY2009**

Period Lapsed between Suspicious Activity Dates And Filing of SARs in CY2009		
Time between activity and reporting dates	Mortgage Loan Fraud SARs	All other SARs*
0-90 days	12%	53%
90-180 days	6%	19%
180-1 year	6%	12%
<i>1-2 years</i>	<i>21%</i>	9%
<i>2-3 years</i>	<i>30%</i>	3%
<i>3-4 years</i>	<i>18%</i>	2%
4-5 years	5%	1%
>5 years	3%	1%

\* Includes all SARs that do not include "mortgage loan fraud" as a suspicious activity characterization.

Analysts searched Bank Secrecy Act (BSA) databases to obtain summary statistics on SARs filed by Countrywide Financial from January 1, 1999, to July 26, 2010. Due to data limitations, analysts have not attempted to determine what role Countrywide Financial played in relationship to the suspicious loans. It is unclear whether Countrywide Financial reported suspicious activity in their capacity as loan originators, servicers of their own *or other institutions' mortgages*, or as secondary market purchasers of loans originated by others. In short, findings do not necessarily reflect the number of suspicious loans originated by Countrywide Financial.

Countrywide Financial merged into Bank of America on July 1, 2008. Search parameters included all variations of its corporate and subsidiary names—Countrywide Bank, Countrywide Home Loans, Countrywide Hillcrest, Countrywide Warehouse Lending—as SAR filers. (Results filed under Countrywide's names after the effective date of the merger are included in the tables in italics.<sup>3</sup> Results from 2008 after the effective date of the merger are displayed separately from results prior to the merger.) Analysts found 10,980 SARs meeting these criteria and citing mortgage loan fraud (Part III, Field 35p) as a characterization of suspicious activity, compared to a total of 35,705 SARs across all suspicious activity characterizations reported by Countrywide Financial and its subsidiaries over the same time period. Analysts then drilled down into the mortgage loan fraud SARs for detail on the reported suspicious activity amounts.

<sup>3</sup> Countrywide Financial changed its name to Bank of America Home Loans on April 27, 2009. The new name was not included in the search parameters for this report.

## SIGNIFICANT FINDINGS

The following four tables contain summary statistics about Countrywide Financial mortgage loan fraud SARs beginning in 1999.

**Table 2. Number of mortgage loan fraud (MLF) SARs filed by Countrywide Financial since 1999**

<b>Countrywide Financial MLF SARs</b>	
Annual Totals	
<b>Year</b>	<b># MLF SARs</b>
2010*‡	0
2009‡	150
2008‡	726
2008	2,128
2007	2,621
2006	2,894
2005	855
2004	1,189
2003	417
2002	0
2001	0
2000	0
1999	0
<b>Total</b>	<b>10,980</b>
<i>*Through July 26, 2010      ‡Following merger with Bank of America</i>	

**Table 3. Mortgage loan fraud (MLF) SARs as percentage of total SARs filed by Countrywide Financial since 1999**

<b>Countrywide Financial MLF SARs</b>	
Percentage of Its Total SARs	
<b>Year</b>	<b># MLF SARs</b>
2010*‡	0%
2009‡	5%
2008‡	23%
2008	45%
2007	30%
2006	34%
2005	19%
2004	49%
2003	69%
2002	0%
2001	0%
2000	0%
1999	0%
<b>Average</b>	<b>31%</b>
<i>*Through July 26, 2010      ‡Following merger with Bank of America</i>	

**Table 4. Reported suspicious activity amounts for all Countrywide Financial mortgage loan fraud (MLF) SARs – Volume by Dollar Range**

<b>Countrywide Financial Mortgage Loan Fraud SARs</b>								
Reported Suspicious Activity Amounts — Number of SARs by Dollar Range								
<b>Year</b>	<b>&lt;\$100K</b>	<b>\$100K– \$249.99K</b>	<b>\$250K– \$499.99K</b>	<b>\$500K– \$999.99K</b>	<b>\$1M– \$1.99M</b>	<b>&gt;\$2M</b>	<b>Not indicated</b>	<b>Total</b>
2010*‡	0	0	0	0	0	0	0	0
2009‡	21	36	48	23	11	6	5	150
2008‡	132	246	215	96	23	11	3	726
2008	461	689	588	274	53	28	35	2,128
2007	1,018	637	546	284	96	34	6	2,621
2006	798	736	709	318	255	44	34	2,894
2005	186	238	191	105	94	30	11	855
2004	327	491	242	54	18	18	39	1,189
2003	91	162	81	9	14	5	55	417
2002	0	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3,034</b>	<b>3,235</b>	<b>2,620</b>	<b>1,163</b>	<b>564</b>	<b>176</b>	<b>188</b>	<b>10,980</b>

*\*Through July 26, 2010      ‡Following merger with Bank of America*

**Table 5. Reported suspicious activity amounts for all Countrywide Financial mortgage loan fraud (MLF) SARs – Percentage by Dollar Range**

<b>Countrywide Financial Mortgage Loan Fraud SARs</b>							
Reported Suspicious Activity Amounts — Percentage of SARs by Dollar Range							
<b>Year</b>	<b>&lt;\$100K</b>	<b>\$100K– \$249.99K</b>	<b>\$250K– \$499.99K</b>	<b>\$500K– \$999.99K</b>	<b>\$1M– \$1.99M</b>	<b>&gt;\$2M</b>	<b>Not indicated</b>
2010*‡	0%	0%	0%	0%	0%	0%	0%
2009‡	14%	24%	32%	15%	7%	4%	3%
2008‡	18%	34%	30%	13%	3%	2%	0%
2008	22%	32%	28%	13%	2%	1%	2%
2007	39%	24%	21%	11%	4%	1%	0%
2006	28%	25%	24%	11%	9%	2%	1%
2005	22%	28%	22%	12%	11%	4%	1%
2004	28%	41%	20%	5%	2%	2%	3%
2003	22%	39%	19%	2%	3%	1%	13%
2002	0%	0%	0%	0%	0%	0%	0%
2001	0%	0%	0%	0%	0%	0%	0%
2000	0%	0%	0%	0%	0%	0%	0%
1999	0%	0%	0%	0%	0%	0%	0%
<b>Average</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

*\*Through July 26, 2010      ‡Following merger with Bank of America*