

Table of Contents

Table of Contents.....	1
Introduction	2
AML and Mortgage Lending – No Currency Transactions.....	2
BSA/AML, OFAC and Designated SAR Reporting Personnel	3
BSA/AML Primary Manager	3
OFAC Manager	3
Reporting Individuals with Access to FinCen.....	3
USA PATRIOT Act Compliance – Customer Identification	4
Minimum Information Required.....	4
Disbarred Participants and Watch Lists	4
Review of Procedures	5
Third Party Transactions and Vendors.....	5
Employee Training Program.....	5
AML Red Flags	6
Transactional and Account Activity Red Flags Checklist	6
Health Care Professionals and Fraud	8
Mortgage Servicing Fraud/Fraud Red Flags.....	10
Money Laundering in Residential Real Estate	11
Self-Employment and Money Laundering	12
Self-Employment Money Laundering Red Flags	12
General Red Flags	13
Red Flag Business Types	15
Cash Intensive Businesses.....	15
SAR Reporting	16
SAR Reporting Workflow	16
Thresholds for Reporting Findings	17
SAR Completion Process.....	18
Manual SAR Filing	18
Management Notification of SAR Filings	19
SAR Record Retention and Supporting Documentation.....	19
Prohibition of SAR Disclosure.....	19

Forms

Production Quality Control Checklist
Red Flags Checklist
SAR Worksheet

Introduction

The Bank Secrecy Act/Anti-Money Laundering (BSA/AML) regulations applicable to mortgage lenders deal with the detection and reporting of fraud. Among the many mortgage related scams FinCEN has identified are false statements, use of straw buyers, fraudulent flipping, flopping, and identity theft. Our general mortgage loan process is specifically designed to verify that no aspect of the mortgage transaction represents fraud for profit or property, and we have procedures in place at all stages of loan production to detect this type of activity.

Company Name's BSA/AML policy is designed to supplement our current anti-fraud procedures and provide guidance on additional required reporting responsibilities. Normally, our underwriting and review of documentation places the highest burden of substantiation on that documentation needed to meet underwriting guidelines. With this new regulation we must now extend the same level of review to areas of inquiry that we normally do not pursue, such as examining and reporting on the nature of an applicant's self-employment business and whether bank transactions represent potential money laundering activities.

In addition, customer facing personnel, such as loan originators, processors, customer service representatives and branch personnel must actively survey customers' behavior to ascertain whether Company Name has become a target for potential schemes.

The new regulations likely will significantly increase the number of mortgage related SAR filings; give law enforcement and regulators more comprehensive data on specific crimes; and provide government and industry a more complete perspective on mortgage related crime trends nationwide.

AML and Mortgage Lending – No Currency Transactions

As mortgage lenders and correspondents, we do not process currency transactions, so we limit the scope of our policy to the fraud detection and elements of money laundering which present themselves to our process in the course of our daily business. This generally limits us to customer verification documentation and information reported in the application process.

BSA/AML, OFAC and Designated SAR Reporting Personnel

Company Name establishes and maintains a list of individuals who are responsible for monitoring and reporting.

BSA/AML Primary Manager

(List Names)

OFAC Manager

(List Name)

Reporting Individuals with Access to FinCen

Authorized to access and report to FinCen's Electronic SAR portal.

(List Names)

USA PATRIOT Act Compliance – Customer Identification

The USA PATRIOT Act requirements are incorporated into our AML/BSA compliance policies and procedures. As part of our day-to-day business we comply with the PATRIOT Act by insuring that we positively identify each of our customers when they initiate an application with us.

Minimum Information Required

At a minimum, Company Name obtains the following identifying information from each customer before opening the account:

- Name
- Date of birth for individuals
- Address
- Identification number

We utilize normally acceptable standards for reviewing photographic documentation that we expect all customers to provide:

- an unexpired government-issued form of identification – including evidence of a customer’s nationality or residence and bear a photograph such as a driver’s license or passport.

If the loan process reveals fraud red flags associated with the customer, we may request additional identification verification

Disbarred Participants and Watch Lists

In addition to standard verification, if circumstances warrant, we also compare our customers against government watch lists, such as LDP, OFAC and others, as part of our production quality control plan.