

April 11, 2006

Lenders Have To File Suspicious Activity Reports

by Gil Van Over

We should have all filed our extensions for our 2005 income tax return by this time next week. This got me to thinking about reporting requirements with the feds. Dealers have a ton of them, 8300s and OFAC blocked transactions to name two.

The federally insured lenders that purchase receivables from dealers have an additional filing requirement. Whenever a lender discovers a suspicious installment or lease agreement, it is required by federal regulations to file a Suspicious Activity Report (SAR) with the Department of Justice! This requirement flows to any institution that is insured by the FRB, the FDIC, the OCC, the OTS, the NCUA or the Treasury.

That just about covers all of a typical dealer's lending sources except for the captives. Further, this filing is not an option. The lending institution faces stiff penalties if it fails to file the required SARs. In the past few years, institutions have paid millions of dollars in fines for failure to file timely SARs. One institution was completely shut down by the feds for its failure to report. So what constitutes a suspicious transaction?

Four common types of bank fraud show up in the filings that I've seen or read about:

Straw purchases

Power booking

Non-existent down payments

Falsified credit application information (income, time on job)

Here's how the process works: Dealer puts the lending institution together Lending institution purchases receivable Sometime during life of loan or lease, institution discovers the bank fraud Lending institution files SAR with Department of Justice (DOJ) DOJ accumulates SARs If total amount exceeds \$100,000, DOJ turns case over to FBI If total amount less than \$100,000, DOJ turns case over to state police FBI/State Police takes action Dealer winds up in trouble I don't know about you, but I would be nervous with the thought of the feds having a report called a Suspicious Activity Report in its possession with my name on it.

Published by [Dealer Communications](#)

Copyright © 2006 Horizon Communications Inc.. All rights reserved.

Information in this newsletter is provided by both proprietary and public sources. Dealer Communications makes no claims as to the accuracy of information provided by third party providers.

Powered by [IMN](#)