

couple's residence, agents with the USSS seized 20 guns (illegally possessed by the convicted felons) and \$10,000 in cash. The suspects were arrested, tried, and convicted of violations of the state's Penal Code for burglary and grand theft and received three years in prison. (Source: USSS)

### *SARs Result in Sentencing of Family Members in Bankruptcy Fraud Case*

Three family members pled guilty to charges including bankruptcy fraud, structuring, providing false statements, and mail fraud for their involvement in a bankruptcy fraud scheme that included structuring transactions and concealing funds from credit card companies and financial institutions, funds which the main target had obtained as credit card advances and home equity loans. During a bankruptcy proceeding, the primary subject concealed the fact that the funds had not been spent, but had been placed in various accounts under the targets' control. The investigation was initiated from the filing of numerous SARs by a financial institution over an extended time period, which drew notice of the IRS. The SARs stated that the subjects were making numerous currency deposits in amounts of \$9,900 at multiple locations of the financial institution on the same day. Based on the information developed from the SARs, search and seizure warrants were obtained during the course of the investigation.

Criminal information filed with the court to support the guilty pleas relayed that the subject filed a petition under Chapter 7 of Title 11, in which the subject claimed an indebtedness of approximately \$390,000 owed to credit card companies and financial institutions. However, as mentioned previously, the primary subject concealed the fact that the funds had not been spent but rather were placed in various accounts under the targets' control. After the primary subject was discharged from bankruptcy, she structured funds from various bank and brokerage accounts for the purpose of bringing back to her ownership, funds which she had previously placed elsewhere in the names of others as a way of avoiding her creditors in her personal bankruptcy. During the conduct of this activity, the target structured approximately \$184,300 in an attempt to avoid CTR filings.

Analysis of bank records subpoenaed during the course of the investigation revealed that the primary subject had rented a safe deposit box, which was controlled by all three defendants. On the application, she listed the other two defendants as co-renters for that box. The safe deposit box's access records indicated that the primary subject had accessed her safe deposit box on numerous occasions on the same day, or within days of making cash withdrawals from one of her bank accounts.

According to court records filed, as the primary target was involved in the structuring of deposits, the other subjects applied for and were granted federal financial aid to attend medical school. The two subjects listed minimal or no cash of their own on their financial aid applications. In addition, the applications claimed that their parents had minimal cash in their accounts and had no earned income. However, bank records revealed that brokerage accounts controlled by all three defendants, including one parent, carried balances exceeding \$200,000. These individuals received approximately \$29,800 of federal money in student loans.

At the time of their guilty plea, the court ordered the defendants to forfeit the following assets: a 1997 Mercedes Benz E420; three bank accounts containing approximately \$145,133; a safe deposit box containing \$174,000 in cash; and two brokerage accounts valued at approximately \$31,800. Subsequently, the primary subject was sentenced to serve 15 months in prison, followed by 36 months of probation. The other two defendants were sentenced to 36 months probation. In addition, these individuals had their respective educational grants withdrawn (due to the false loan applications) and must pay restitution on the amounts received. As a result of their felony convictions, the two were dropped from their respective medical programs.

Agencies participating in this investigation include the IRS-Criminal Investigation, FBI and The Department of Education Inspector General. (*Source: IRS-Criminal Investigation*)

### ***SARs Assist in Bankruptcy Bust-Out Scheme Investigation***

SARs helped identify additional aliases, associates, and businesses of an individual that acted as a credit card ‘bust-out’ recruiter. As a recruiter, the subject assisted other individuals (usually from the same ethnic group and experiencing financial or personal difficulties) in escaping their fiscal problems. The subject convinced his recruits that he had contacts with credit card companies, that these contacts had the ability to work through their financial problems, and that there was an opportunity to earn extra cash in the process. To accomplish this, the subject usually had a recruit provide many of his/her personal identifiers to him, including social security number and date of birth. Sometimes, the recruit was directed to provide any of his existing credit cards to the subject. Subsequently, the subject and recruit reached an agreement, usually splitting the proceeds from the recruit’s credit card charges in some manner. The charges were typically for merchandise, cash advances, and airline tickets. The subject assisted the recruit in applying for more credit cards, many times using false personal information to obtain these cards.

All credit cards were issued in the recruit's name, although the subject made most of the charges. In order to increase their credit limits, the recruit paid off the credit cards with bad checks, resulting in immediate credit being extended for the accounts. Then, the recruit used the same credit cards, charging up to their limits for a second time. By the time the bad checks were returned, the recruit usually had charged double the limit for each credit card.

This activity continued for two to three billing cycles before the credit card companies froze the accounts and began the collection process. When the recruit's debts piled up, the subject advised the recruit to file for bankruptcy and any outstanding debts to creditors were then discharged.

To date, the subject is believed responsible for over \$6 million in bankruptcy filings by his recruits although the subject apparently never personally filed for bankruptcy. The investigation continues into the bank fraud (mainly check kiting) committed by the subject. SAR data has been useful in documenting the volume of fraud committed solely by the subject. The total amount is believed to be in the millions of dollars, with a substantial portion of the proceeds possibly wired out of the country. *(Source: FBI)*

### ***SARs Connect Multiple Subjects to Large Scale Investment Scam***

In April 2002, predicated by numerous SAR filings by two large banks, the FBI initiated an investigation into an investment scam. The SARs were filed on numerous personal and business accounts with no obvious relationships to one another. Bank personnel eventually linked all accounts through the identification of common depositors and/or individuals making withdrawals. For example, in a single month, one account received between \$200,000 and \$600,000 in wire deposits, money orders, and checks. The funds were then withdrawn daily in cash or used to send wire transfers. Additional funds were used for purchases of money orders and money grams, and to send other Fed wires. Over a two-year period, between \$10-20 million moved through the account. The source of the funds was allegedly from a fraudulent insurance bond investment scheme involving dozens of subjects. Many of the victims were financially ruined, losing their homes and businesses.

In early 2003, 22 search warrants were executed in three states. To date, eight criminal complaints and eight indictments have been filed resulting in seven arrests and one notice to appear. In addition, this case has generated asset seizures of \$2.4 million in currency and bank accounts thus far. Additional arrests, indictments and seizures are anticipated. *(Source: FBI)*