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# Democrats Press Holder on Exaggerated Mortgage Fraud Claims

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Senator Elizabeth Warren

HARRY E. WALKER — MCT

The Justice Department's inspector general has raised hackles in Congress, even among Democrats, with the release of an audit last week that found the department's post-financial crisis ballyhoo about a sweeping crackdown on mortgage fraud to be overblown.

Sen. Elizabeth Warren, a leading congressional champion of protecting consumers from financial fraud, and two fellow Democrats in the House wrote Attorney General Eric Holder on March 17th to express "deep concern" with the report's conclusions and request a meeting to discuss corrective measures.

"This report calls into question the Department's commitment to investigate and prosecute crimes such as predatory lending, loan modification scams and abusive mortgage servicing practices," wrote Warren, Maryland Rep. Elijah Cummings and California Rep. Maxine Waters.

Warren is a member of the Senate Banking Committee, while Cummings is the ranking Democrat on the House Committee on the Oversight and Government Reform and Waters is the ranking Democrat on the House Banking Committee.

Republican Sen. Charles Grassley of Iowa, a member of the Senate Finance Committee, also took aim at the department last week, saying the report suggests that the department has attempted to "pull the wool over the public's eyes with respect to its efforts to go after the wrongdoers involved in mortgage fraud. "

Auditors for the inspector general traced the department's supposedly escalated efforts to curb mortgage fraud between fiscal years 2009 and 2011. However, the department's internal auditors found that, after \$200 million

was appropriated to boost the FBI's efforts to root out mortgage fraud, the bureau's Criminal Investigative Division ranked complex financial crimes as the lowest of six criminal threats in its purview and ranked mortgage fraud as the lowest subcategory as well.

Mortgage fraud was either a low priority or not listed as a priority of the FBI's field offices in Baltimore, Los Angeles, Miami and New York, they reported.

While the department announced at an Oct. 9, 2012 news conference that its Distressed Homeowner Initiative had resulted in "530 criminal defendants being charged, including 172 executives," the department could not provide evidence supporting that boast, the audit found. Rather, 107 criminal defendants were charged, and the estimated losses in those cases totaled \$95 million, not the \$1 billion claimed at the news conference, the inspector general reported.

"For most Americans, a home purchase is the single largest investment they will ever make and the single largest source of intergenerational wealth transfer," Warren, Cummings and Waters wrote. They cited data from CoreLogic stating that 4.9 million Americans have lost their homes to foreclosure since the financial crisis hit in 2007, but noted that the number of mortgage fraud victims is unknown.

They asked Holder to meet with them to discuss how the department will protect consumers from abusive lending practices.

Unlike friendly Democrats, Grassley was less diplomatic, saying in a statement that the report indicates the Justice Department "wasted time cooking the numbers about the cases it pursued, when it should have been prosecuting cases."

"In addition, it isn't even using the funding allocated by Congress for the specific purpose of going after mortgage fraud, which might explain why the Inspector General found that it isn't a priority in some of the FBI's biggest offices," Grassley said. "It's contrary to everything we've been hearing out of the Obama administration. In order to change Wall Street's shady practices, the Justice Department needs to be honest and transparent about its efforts, and actually prosecute some people instead of succumbing to a too big to jail mentality." [The Warren letter](#)

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