

## Feds put out false stats on mortgage fraud

Inspector general says criminal charges were exaggerated, as were other claims.

March 22, 2014 | Paul Muschick | The Watchdog

In front of news cameras, federal authorities have talked tough about combating mortgage fraud.

But behind closed doors, some FBI offices didn't even list mortgage fraud as a top priority, and the Department of Justice repeatedly promoted inflated statistics about one crackdown, says a recent [audit](#) that challenges the government's fraud-fighting claims.

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The inspector general for the Department of Justice examined probes into fraud such as borrowers' or industry insiders' falsifying data on home mortgage applications. Auditors also studied efforts to combat fraud against distressed homeowners, such as the foreclosure rescue scams I've [written about](#) where con artists take money from people and promise to modify their mortgages but don't.

Auditors found the FBI's criminal investigative division "ranked mortgage fraud as the lowest-ranked criminal threat in its lowest crime category." Some FBI field offices didn't list it as a priority at all, and the number of agents investigating mortgage fraud and the number of pending investigations decreased from 2009 to 2011, the peak of the foreclosure crisis, according to the report released a few weeks ago.

Then there was the statistical showboating Oct. 9, 2012. The Financial Fraud Enforcement Task Force, led by the Department of Justice, held a news conference that day to announce its "Distressed Homeowner Initiative." Officials boasted of criminal charges against 530 people and fraud that cost homeowners more than \$1 billion within the past year.

Those statistics were a fraud.

A review of the numbers shortly after the news conference revealed "numerous significant errors and inaccuracies" in the data, the inspector general said. The correct figures: criminal charges against 107 people and estimated losses of \$95 million.

I guess that's close enough for government work.

What's not appropriate, even for government work, is that auditors said the feds continued to cite those statistics in other public announcements for 10 more months while knowing they were flawed.

In the department's written response to the audit, Deputy Attorney General James Cole did not dispute the findings but said the data misreporting "does not detract from the successes that the department achieved."

He cited statistics in the audit showing mortgage fraud convictions and indictments doubled from 2009 to 2010 and increased again in 2011.

"This set of statistics reflects a rapid mobilization of department resources to combat mortgage fraud during this period, and provides strong indicators of DOJ's success in investigating and prosecuting mortgage fraud," Cole wrote.

The inspector general acknowledged finding some examples that supported the department's claims about mortgage fraud being a high priority.

"However, we also determined during this audit that DOJ did not uniformly ensure that mortgage fraud was prioritized at a level commensurate with its public statements," the report says.

Stacy Wisser of Lehighon isn't surprised, based on her experience with other federal authorities that were supposed to investigate accusations of another type of mortgage fraud — banks botching [foreclosures](#).

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She told me her family lost its dream home to foreclosure about five years ago after, she says, it was misled by a bank..

In 2012, they saw hope in a program established by the Federal Reserve Board, Federal Deposit Insurance Corp., Office of the Comptroller of the Currency and Office of Thrift Supervision. It was supposed to take a second look at how foreclosures were handled and compensate homeowners if mistakes were found.

But that initiative, the Independent Foreclosure Review, was halted before it ever really got going.

"They didn't do a damn thing," Wisser told me last week.

Only a fraction of eligible homeowners applied for the program, and as the process dragged on, the large auditing, accounting and bank consulting firms hired by the banks to conduct the reviews were getting paid but homeowners weren't.

Early last year, regulators scrapped their plan to investigate each foreclosure and instead reached settlements with the banks involved to compensate all of the nearly 4 million homeowners who were eligible to have their foreclosures reviewed.

Wisser got \$800.

"It's petty painful to lose your home unfairly and then get a check for a few hundred dollars. It's almost insulting," said Kevin Whelan, campaign director of the Home Defenders League, a national movement of underwater homeowners.

Wisser vented to the Watchdog last spring shortly after she received her check but no answers to her claims that her foreclosure was mishandled.

"This whole process has opened up more wounds in our family that are still quite tender from all we have been through over the last few years of losing the house, moving, then having our hopes set on someone trying to right a wrong that was done to too many people," she wrote.

# Wrongful Foreclosure



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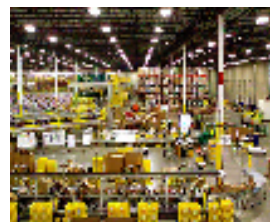
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