

# U.S. Criticized for Lack of Action on Mortgage Fraud

By Matt Apuzzo

March 13, 2014 10:27 am

Updated, 1:00 p.m. |

Four years after President Obama promised to crack down on mortgage fraud, his administration has quietly made the crime its lowest priority and has closed hundreds of cases after little or no investigation, the Justice Department's internal watchdog said on Thursday.

The report by the department's inspector general undercuts the president's contentions that the government is holding people responsible for the collapse of the financial and housing markets. The administration has been criticized, in particular, for not pursuing large banks and their executives.

"In cities across the country, mortgage fraud crimes have reached crisis proportions," Attorney General Eric H. Holder Jr. said at a mortgage fraud summit in Phoenix in 2010. "But we are fighting back."

The inspector general's report, however, shows that the F.B.I. considered mortgage fraud to be its lowest-ranked national criminal priority. In several large cities, including New York and Los Angeles, F.B.I. agents either ranked mortgage fraud as a low priority or did not rank it at all.

## Related Links

- [Inspector general's report \(PDF\)](#)

The F.B.I. received \$196 million from the 2009 to 2011 fiscal years to investigate mortgage fraud, the report said, but the number of pending cases and

agents investigating them dropped in 2011.

“Despite receiving significant additional funding from Congress to pursue mortgage fraud cases, the F.B.I. in adding new staff did not always use these new positions to exclusively investigate mortgage fraud,” the report says.

Mortgage fraud was one of the causes of the 2008 financial collapse. Mortgage brokers and lenders falsified documents, sometimes to make mortgages look safer, other times to make the property look more valuable.

The inspector general focused much of its report and most of its recommendations on fixing internal systems that produced inaccurate data that wildly overstated the government’s results.

Mr. Holder, for example, announced in 2012 that prosecutors had charged 530 people over the previous year in cases related to mortgage fraud that had cost homeowners more than \$1 billion.

Almost immediately, the Justice Department realized it could not back up those statistics, the inspector general said. After months of review, it became clear that only 107 people were charged.

The \$1 billion figure, it turned out, had been drastically inflated. It was actually \$95 million, the inspector general said. Yet Justice Department officials repeated those claims for months, even after it was obvious the figures were wrong, the inspector general said.

The Justice Department contested the inspector general’s findings, noting that the number of mortgage fraud indictments and convictions roughly doubled from 2009 to 2011. In 2012, the government reached a \$25 billion civil settlement with the nation’s five largest mortgage servicers.

“The facts regarding the department’s work on mortgage fraud tell a much different story than this report,” a department spokeswoman, Ellen Canale, said. “As the report itself notes, even at a time of constrained budget resources, the department has dedicated significant manpower and funding to combating mortgage fraud.”

Last year, the Justice Department announced a \$13 billion settlement with JPMorgan Chase over the bank's questionable mortgage practices.

The Justice Department agreed with the recommendations to improve the record keeping that produce such figures.

Members of Congress and others have criticized the Obama administration for going too easy on Wall Street banks and not taking mortgage fraud seriously enough.

“The inspector general’s report sheds light on what looks like an attempt by the Justice Department to pull the wool over the public’s eyes with respect to its efforts to go after the wrongdoers involved in mortgage fraud,” Senator Charles E. Grassley, Republican of Iowa and the ranking member on the Senate Judiciary Committee, said in a statement. “According to the inspector general, the department wasted time cooking the numbers about the cases it pursued, when it should have been prosecuting cases.”

A version of this article appears in print on 03/14/2014, on page B1 of the New York edition with the headline: U.S. Actions Said to Belie Its Mortgage Fraud Vows.