

U.S. Attorney Ed Kubo
Operation Malicious Mortgage Press Conference
June 20, 2008

Today, we announce that Hawaii is part of a national takedown named "Operation Malicious Mortgage," which is going after criminals committing mortgage fraud schemes in our state. These schemes are being used to defraud many victims out of money, homes, credit, and in some instances, their life long savings.

Since March (2008), under the lead of the FBI, federal investigators and other law enforcement partners have been identifying and charging many of those who have used such fraudulent schemes to lie, cheat and steal from others while committing mortgage fraud.

Over the last few years, we have seen a general increase in the rate of foreclosures in the United States. Because of the disparate situation, some homeowners have become vulnerable victims for criminals who prey on them in order to make an easy buck, or to swindle them out of house and home.

Concurrently, we have seen professionals deliberately and intentionally falsifying loan documents while trying to secure loans for homeowners. These crimes occur for the sake of earning large commissions, or other forms of compensation. They do nothing more than lie for money --- which is stealing in my book.

According to the FBI, the number of mortgage fraud cases investigated in 2006 increased by nearly 64% over the total number of cases reported in 2005. In over half of these cases, the fraud losses exceeded \$1 Million.

As a result, of these and other similar schemes in the United States, Mortgage fraud has grown to such an extent that it now poses a substantial threat to our housing and the credit industries. These schemes run the gamut from inflated-appraisals schemes, to fraudulent property transfers, to rescue scams that rip off innocent homeowners facing foreclosures.

Since March, over 400 defendants nationwide have been charged or convicted for these offenses. The FBI estimates that in these cases, approximately \$1 Billion in losses were caused by these Mortgage Fraud crimes.

The targets of our investigations include real-estate agents, mortgage bankers, home builders, attorneys, appraisers, --- and yes, sometimes even buyers, who knowingly allow some frauds to occur so that they can purchase property.

As you know, recently in Hawaii, five individuals were indicted for a Mortgage Scam, where it is alleged that they profited from home mortgage loans that were obtained by falsifying the loan applications.

They have been charged with mail fraud, wire fraud, and making false statements on loan applications. These are federal offenses which carries the potential sentence of 20 years in jail.

These are not the last defendants in Hawaii who will be charged with these types of crimes. There are other on-going federal investigations involving other Mortgage Fraud schemes, --- and charges are forth-coming for these future defendants.

And, I want to thank and congratulate Janet Kamerman, Special Agent in Charge of the FBI Honolulu Field Office for the tremendous work your agents are doing in this very troubling area.

According to the Mortgage Asset Research Institute in Virginia, in 2005, Hawaii was ranked 38th in the nation for mortgage fraud. However, notwithstanding our national ranking, these crimes are very real and very damaging for those suffering monetary losses.

And so, we intend to deter these crimes with aggressive investigation and tough prosecution. Anyone, committing Mortgage Fraud in Hawaii will have to face justice in Federal Court.

If you suspect you are a victim of mortgage fraud, please call:
FBI-Honolulu 566-4300

State Department of Commerce and Consumer Affairs/Office of Consumer Protection 587-3222