WRITTEN STATEMENT OF
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BEFORE THE
COMMITTEE ON JUDICIARY
UNITED STATES SENATE
FEBRUARY 11, 2009

Chairman Leahy, Ranking Member Specter, and members of the Committee, thank you for inviting me to submit written testimony today. I very much appreciate the opportunity to make statements on the important issue of the need for increased fraud enforcement during this economic downturn.

Background

The U.S. Department of Housing and Urban Development (HUD) Inspector General is one of the original 12 Inspectors General authorized under the Inspector General Act of 1978. The OIG strives to make a difference in HUD's performance and accountability. The OIG is committed to its statutory mission of detecting and preventing fraud, waste, and abuse, and promoting the effectiveness and efficiency of government operations. While organizationally located within the Department, the OIG operates independently with separate budget authority. This independence allows for clear and objective reporting to the Secretary and to the Congress.

The Department's primary challenge is to find ways to improve housing and to expand opportunities for families seeking to improve their quality of life. HUD does this through a variety of housing and community development programs aimed at helping Americans nationwide obtain affordable housing. These programs, which include Federal Housing Administration (FHA) mortgage insurance for Single-Family and Multifamily properties, are funded through a $30+ billion annual budget and, in the case of FHA, through mortgage insurance premiums.

The last two years have seen enormous and damaging developments in the mortgage market: the dissolution of the subprime and Alt-A loan markets; dramatic drops in housing prices in most areas of the country; a concomitant rise in default and foreclosures; financial insecurity in the mortgage-backed securities markets represented by the government takeover of Fannie Mae and Freddie Mac; the collapse of credit markets; and, as a primary vehicle to address these issues, an urgent reliance on the FHA to bolster the mortgage market.

While there are other programs at HUD that are being utilized in a significant way to help stimulate the economy (i.e., billions of dollars in new funding to Community Development Block Grants, to increased Public Housing assistance, etc.) which are also vulnerable to fraudulent and abusive activities, I will focus this testimony on the salient issues facing the OIG from the FHA program due to the mortgage crisis and to an increased reliance on our Department to resolve foreclosure matters at this critical juncture. *The current degree of FHA predominance in the market is unparalleled.*

First off, to put the FHA issues into perspective, we have recently stated in testimony to the Congress that, through the multitude of our work in auditing and investigating many facets of the FHA programs over the course of many years, we have had, and continue to have, concerns regarding FHA's systems and infrastructure to adequately perform its current requirements and services. This was expressed by the OIG to the FHA through audits and reports regarding a spectrum of areas prior to the current influx of loans coming into the program and prior to the consideration of the numerous proposals that expanded its reach. We continue to remain concerned regarding FHA's ability and capacity to oversee the newly generated business.

The Evolving Landscape

The past year and a half have certainly produced a lot of changes and initiatives. In response to increasing delinquencies and foreclosures brought about by the collapsing subprime mortgage market, in September 2007, HUD acted administratively to provide mortgage assistance through the FHA Secure program to refinance existing subprime mortgages. The program was expanded in May 2008 to provide lenders the added flexibility to refinance and insure more mortgages, including those for borrowers who were late on a few payments and/or received a voluntary mortgage principal write-down from their lenders. This program served a fraction of its anticipated scope. The FHA recently issued a formal letter terminating the program stating that "maintaining the program past the original termination date would have a negative financial impact on the MMI Fund."

The Housing and Economic Recovery Act (HERA) passed last summer, created a new Hope for Homeowners program to enable FHA to refinance the mortgages of at-risk borrowers. While activity to date has been limited, the FHA was authorized to guarantee $300 billion in new loans to help prevent an estimated 400,000 homeowners from foreclosure. The House just last week worked on legislation to revise this program so as to increase participation. These proposals, and others, to remedy a dysfunctional mortgage market are likely to increase the challenges to the OIG. While the goal to help homeowners in distress is important, a redraft to relax qualification requirements for borrowers and lenders may create a situation that could be exploited by fraud perpetrators to take advantage of desperate homeowners, at risk-lenders, and the FHA insurance fund. The HERA legislation also authorized changes to the FHA's Home Equity Conversion Mortgage (HECM) program that will enable more seniors to tap into their home's equity and raises new oversight concerns for this agency.

As we turn to today's environment, *the volume of Single-Family FHA-insured loans has enlarged in Fiscal Year 2008 by tripling from $59 billion in Fiscal Year 2007 to over $180 billion in Fiscal Year 2008. The latest figures from Single-Family market comparisons from October 2008, show that FHA's total endorsements have increased from 21% of the market the year before to 76% of the market which includes both home sales and refinances. FHA's home sales' market share (excluding refinances) has increased from 6.4% to 23% during this time period.* Many potential homeowner loans may not have come to the agency yet as some of the new initiatives are still taking hold and the industry is flushing out its options and possibly posturing for more favorable terms. FHA may not be able to handle its expanded workload or new programs that require the agency to take on riskier loans then it historically has had in its portfolio. This surge in FHA loans is likely to overtax the oversight resources of the FHA, making careful and comprehensive lender oversight difficult. In addition, our experience in prior high FHA volume periods (such as from 1997-2001) shows that the program was beset by fraud schemes, most notoriously flipping activities, that severely undercut the integrity of the program.

Departmental Issues

It is our understanding from the Department that funding for 22 staff positions and approximately $20 million for system improvements have been made available for the Hope for Homeowners program. FHA tells us that they are reprogramming other funds to try to address modernization requirements. Yet, it remains very tight particularly as it relates to departmental oversight. For example, the mortgage licensing provisions contained in the new legislation set minimum standards for nationwide licensing and a registration system for mortgage broker and loan officers. We have recently been told that there is one FHA person in the RESPA (Real Estate Settlements Procedure Act) unit who is assigned to work with the States in complying with this new regulatory requirement.

We continue to believe there is a critical need for more resources for FHA: 1) to enhance its IT systems; 2) to increase its personnel to meet the escalation in processing requirements; 3) to increase its training of personnel to maintain a workforce with the necessary skills to deal with the responsibility of this new portfolio; 4) to oversee the numerous contractors it maintains; and 5) to increase its oversight in all critical front end issues including such important areas as the appraisal and underwriting processes.

We are also concerned that increases in demand to the FHA program *are having collateral implications for the integrity of the* ***Government National Mortgage Association (Ginnie Mae)*** *mortgage-backed securities (MBS)* program including the potential for increases in fraud in that program. HUD too needs to consider the downstream risks to investors and financial institutions of Ginnie Mae's eventual securitization of a large proportion of the Hope for Homeowners and Home Equity Conversion Mortgage (HECM) Single-Family loans. Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the United States. If an issuer fails to make the required pass-through payment of principal and interest to MBS investors, Ginnie Mae is required to assume responsibility for it. Typically, Ginnie Mae defaults the issuers and assumes control of the issuer's MBS pools. Like FHA, Ginnie Mae has seen an augmentation in its market share (it had a 39% market share for the month of October 2008 surpassing both Fannie Mae and Freddie Mac and increased $150 billion in outstanding mortgage-backed securities and commitments during a one year period from FY 2007 to FY 2008) and it too has stretched and limited resources to adequately address this increase.

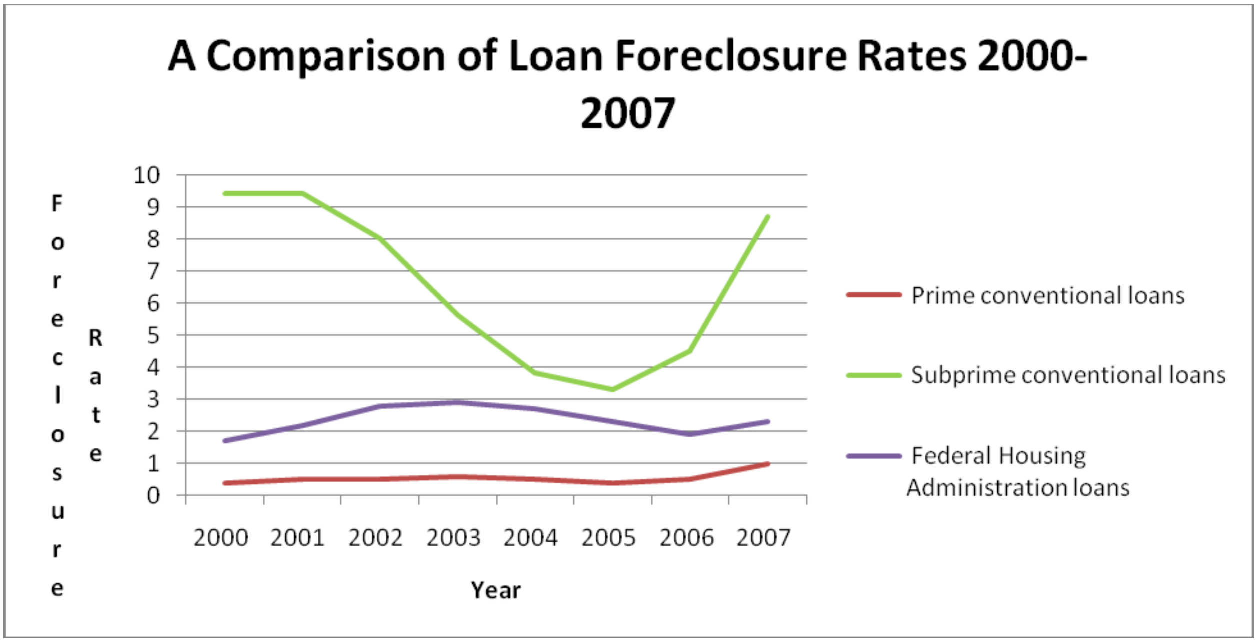
The OIG has initiated investigations of possible Ginnie Mae MBS fraud. In one recent case, the two former corporate officers of a Michigan financial company were charged with conspiring to defraud Ginnie Mae by allegedly retaining the funds obtained from terminated and/or paid off loans. The defendants failed to disclose to Ginnie Mae that the loans were terminated, while one of the defendants utilized the funds from the paid off loans to invest in the stock market and to make fraudulent monthly payments to Ginnie Mae on the loans that were previously paid-off in order to conceal the fraud. The fraud began during July of 1998 and continued until October of 2007, resulting in a loss of approximately $20,000,000.

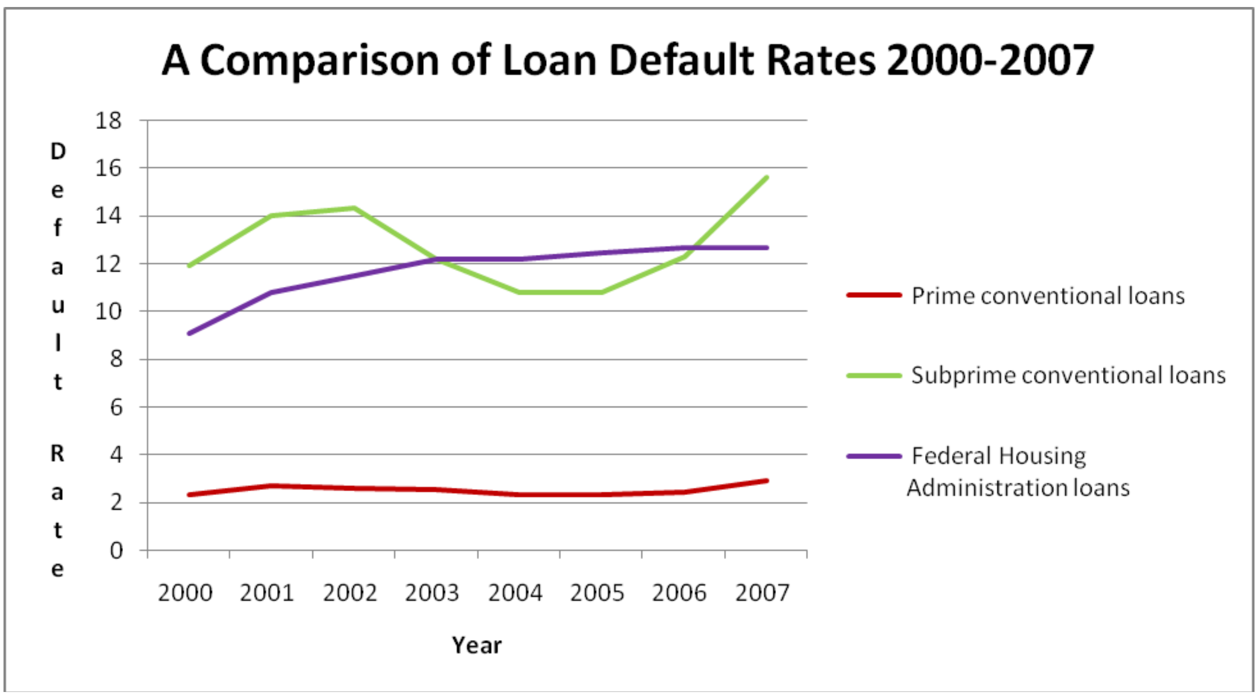
Despite all these enumerated issues, we are gratified that a new penalty provision was inserted into the Housing and Economic Recovery Act. When we corresponded during consideration of that legislation, we stated our belief that a new penalty enunciated specifically for the FHA program would be beneficial from an oversight and enforcement perspective. We assisted in its development and were very pleased that it was included in the final passage. The statute now creates a penalty of up to $1 million and 30 years in prison for committing fraud against FHA programs, similar to the predicates established in the Financial Institutions Reform, Recovery and Enforcement Act legislation, and will be a useful tool for prosecutors and the law enforcement community to employ in order to address those who would seek to harm the program.

OIG Observations

The results of the latest actuarial study show that HUD has sustained significant losses in its Single-Family program making a once fairly robust program's reserves smaller. The study shows that FHA's fund to cover losses on the mortgages it insures are contracting. *As of September 30, the fund's economic value was an estimated $12.9 billion, an almost 40 percent drop from over $21 billion a year ago.* The current $12.9 billion economic value represents 3 percent of the mortgages insured by the FHA. Although above the 2 percent ratio required by law, it is well below the 6.4 percent ratio from the same time last year. If more pessimistic assumptions are factored in, the ratio could dip below 2 percent in succeeding years requiring an increase in premiums or Congressional appropriation intervention to make up the shortfall. Since its inception in 1934, FHA has been self-sustaining and premiums paid to the fund have covered the losses due to fluctuating defaults and foreclosures.

A significant problem facing FHA, and the lenders it works with, is the fallout from decreasing home values. This increases the risk of default, abandonment and foreclosure, and makes it correspondingly difficult for FHA to resell the properties. About 6.5 percent of FHA loans are currently in default. A major cause for concern is that even as FHA endorsement levels meet or exceed previous peaks in its program history, FHA defaults have already exceeded previous years. Foreclosure and default levels on FHA loans are above those for prime conventional loans as evidenced below:





This reinforces the importance for FHA approved lenders to maintain solid underwriting standards and quality control processes in order to withstand severe adverse economic conditions. Another extensive problem confronting FHA has been its inability to upgrade and replace legacy (developed in the 1970s and 1980s) application systems that had been previously scheduled to be integrated. The FHA systems environment remains at risk and must evolve to keep up with its new demands. Add to that an escalation in the properties owned and managed by FHA and the overall picture becomes more complicated.

Increased Risks to FHA

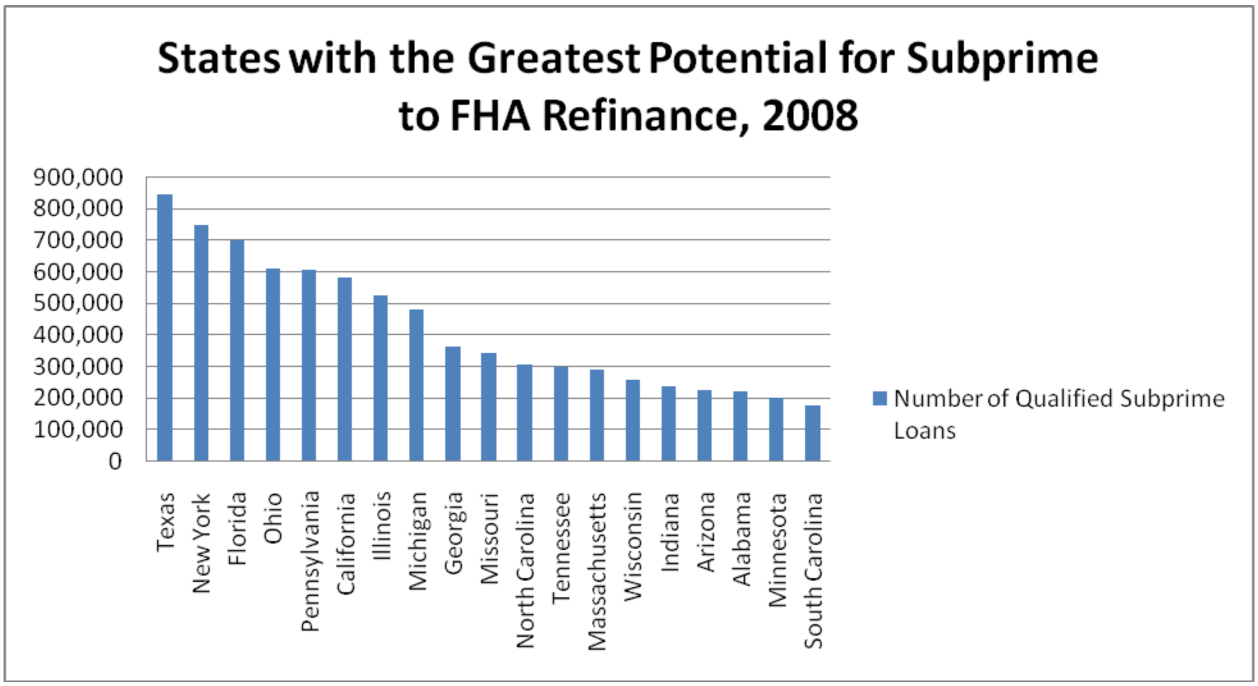
Until recently, FHA's market share remained quite low as conventional subprime loans were heavily marketed by lenders. The tightening credit market has increased FHA's position as a loan insurer and, with that, is coming an increase in lender/brokers seeking to do business with the federal program and an overall concern regarding some of these loan originators. For example, we currently have under investigation for alleged inappropriate activities several FHA lenders who were also lenders in the subprime market. The movement towards HUD is already underway as reflected in recent statistics. FHA approval of new lenders increased 525% in a two year period. For example, *as of the end of Fiscal Year 2008, FHA had over 3300 approved lenders as compared to 997 at the end of Fiscal Year 2007 for* ***an increase of 330%.*** *If you compare the FY 2008 totals (over 3300) to the FY 2006 totals (692)* ***it is a 525% increase****. Open applications received so far for FY 2009 total 1007 of which 827 have already been approved.* The integrity and reliability of this crop of program loan originators, in our view, is unproven and, in light of the aggressive recent history of this industry, may pose a risk to the program.

We have seen lenders reacquiring FHA approval despite past abuses. A previous investigation on an FHA lender in New York led to the debarment of its owner for a period of five years from originating FHA insured loans. After the debarment was served, the lender, under the same owner, resumed operations using the same fraudulent practices. We again reviewed some of the loans and determined that the originations were fraudulent similar to the loans investigated in the first case. The OIG, in conjunction with the U.S. Attorney's Office, sought and received an injunction against them in order to stop the business from operating. Following the injunction, FHA withdrew their lender approval.

Our audit work also highlights how problem lenders may regain admission into the FHA program even when previous transgressions were apparent. For example, we reviewed an Arizona corporation that was approved as an FHA mortgage lender by HUD in 1996. This particular lender had 13 active branch offices and sponsored close to 2,000 FHA-approved loan correspondents nationwide. As highlighted in our audit, this lender had a number of serious issues related to RESPA violations such as paying marketing fees, non-competition fees and quality incentives to real estate companies in exchange for more than $57 million in FHA mortgage business. The corporation's license was suspended by the State and it filed for bankruptcy. One of the principal owners and principal managers reconstituted under a different name but operates from the same location. In 2008, HUD approved the new entity to originate and process FHA loans despite its principals' prior citations for RESPA violations.

Adding to the risk, FHA is now, due to loan limit increases, serving new metropolitan areas with which it previously has had little interaction. Recent legislation increased maximum FHA loan limits to $729,750. With such entry, come new players and unknown hazards. The effects of this significantly increased loan limit are potentially much greater losses sustained by FHA on defaulted loans and that the loans may be much more attractive to perpetrators of fraud who will be able to extract greater payouts in fraudulent loans schemes. Simultaneous to this confluence of events, is an increase in the reported incidents of mortgage fraud. Mortgage fraud incidents reports, as compiled by the Mortgage Asset Research Institute in the overall marketplace, have increased by 45 percent in the second quarter compared to a year-ago period.

The chart below is an OIG analysis of some areas of the nation and of the projected potential impact of subprime loans refinanced to the FHA:



Our long-term investigative exposure in the area of mortgage fraud schemes impacting both FHA and conventional loans (since most fraud schemes cross loan programs) has given us vast experience and extensive knowledge. Many "traditional" fraud schemes continue to affect FHA and are described below:

- **Appraisal Fraud –** typically central to every loan origination fraud and includes deliberately fraudulent appraisals (substantially misrepresented properties, fictitious properties, bogus comparables) and/or inflated appraisals (designed to "hit the numbers"); appraiser kickbacks; and appraiser coercion.

- **Identity Theft –** often includes use of bogus, invalid or misused Social Security numbers and may include involvement of illegal aliens, false ownership documents or certifications.

- **Loan Origination Fraud** - including false, fraudulent and substantially inaccurate income, assets and employment information; false loan applications, false credit letters and reports; false gift letters; seller-funded down payments; concealed cash transactions; straw buyers; flipping; kickbacks; cash-out schemes; fraud rings; and inadequate or fraudulent underwriting activities.

While these types of mortgage fraud schemes continue to operate, changing market conditions have generated new, or variant, schemes:

- **Rescue or Foreclosure Fraud** - recent trends show that certain individuals in the industry are preying on desperate and vulnerable homeowners who are facing foreclosure. Some improper activities include **equity skimming** [whereby the homeowner is approached and offered an opportunity to get out of financial trouble by the promise to pay off the mortgage or to receive a sum of money when the property is sold -- the property is then deeded to the unscrupulous individual who may charge the homeowner rent and then fails to make the mortgage payment thereby causing the property to go into foreclosure] and **lease/buy-back plans** [wherein the homeowner is deceived into signing over title with the belief that they can remain in the house as a renter and eventually buy back -- the terms are so unrealistic that buy-back is impossible and the homeowner loses possession with the new title holder walking away with most or all of the equity].

- **Bankruptcy Fraud –** typically Chapter 7 bankruptcy petitions are filed in lieu of Chapter 13 petitions on behalf of debtors; however, property sales information is fraudulently withheld from the bankruptcy court and the properties are leased back to the debtors at inflated rents. The debtors' property ownership and equity are stripped from them.

- **Home Equity Conversion Mortgage (reverse mortgage) Fraud –** FHA reverse mortgages are a new and potentially vulnerable area for fraud perpetrators. We are aware that the larger loan limits can be attractive to exploiters of the elderly, whether it is by third parties or by family members, who seek to strip equity from senior homeowners. Due to the vulnerability of the population this program serves, we are also concerned about evasions of statutory counseling requirements or fraud by counseling entities. We are working with the Chairman and members (Senator McCaskill, in particular) of the

Senate Committee on Aging and the Chairman of the House Committee on Financial Services to address some of their concerns regarding these issues. We have also been partnering with the AARP and other groups to foster consumer protection education awareness. The following represent some of the types of schemes that we are encountering:

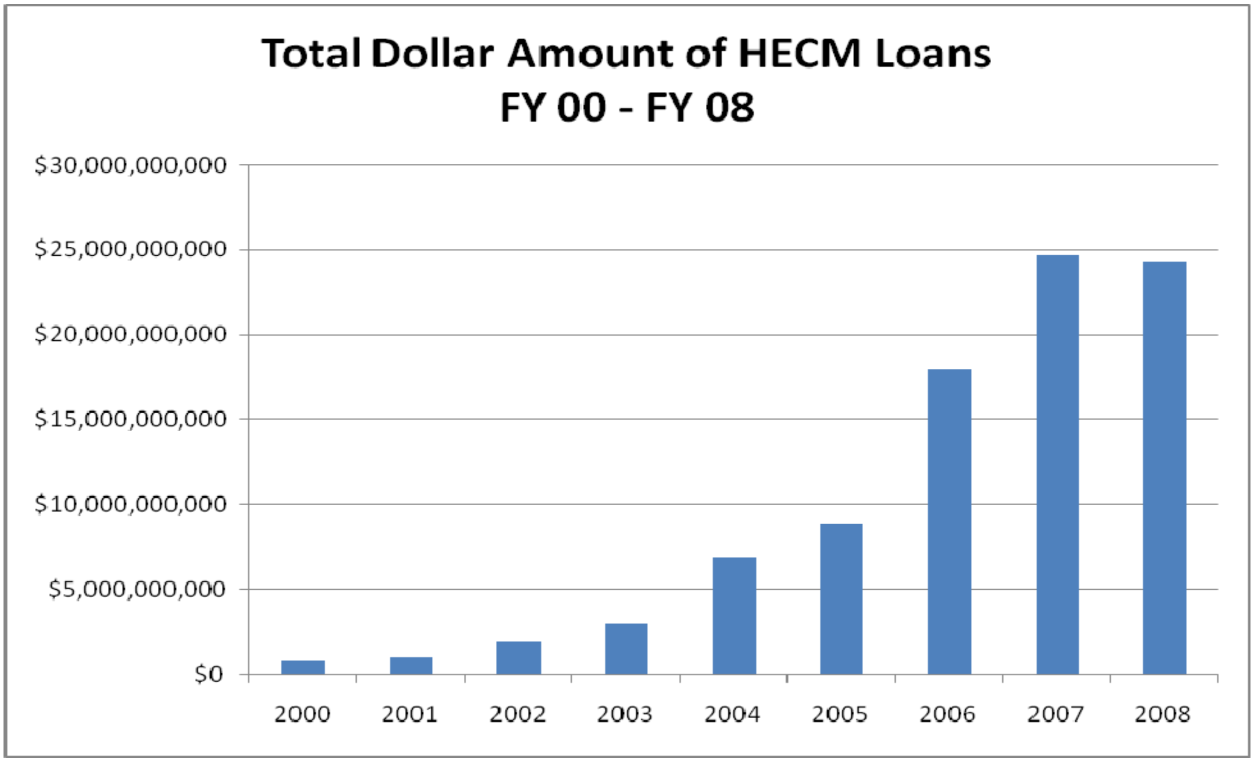
- **Flipping** - the perpetrator creates a fake mortgage company and 'lends' funds to the borrower (no money changes hands, no loan is given, but a mortgage is filed). The subject refinances the borrower into a HECM. At closing the title company pays all outstanding debt including the fraud perpetrators' fake mortgage and the perpetrator walks away with the payoff.

- **Recruitment** - Some HECM-related fraud activities involve an investor who sells the property to an elderly straw buyer and enters into a quit claim deed with the straw buyer. The buyer applies for the HECM loan within a short time frame and the appraisal used to originate the HECM loan is then fraudulently inflated. This allows the investor to illegally divert the proceeds of the loan. Straw buyers are "recruited" in residential areas with a high rate of renters. The buyers are often unaware that they must pay property taxes and some are unaware that the cash due to them at closing has been diverted. A current investigation involves recruiting elderly homeless to live in properties victimizing these seniors who often have desperate needs.

- **Annuity** - Another activity that we currently have under investigation involves financial professionals convincing HECM borrowers to invest HECM proceeds in a financial product such as an annuity. The financial professionals receive increased fees and, in the case of annuities, the victims are unable to get access to their savings for many years or even past their projected life expectancy.

- **Unauthorized Recipient –** Individual, often family members, may keep HECM payments after the authorized recipient dies or permanently leaves the residence.

HECM loans represent a significant investment by FHA, with considerable recent increases. The chart below shows a 253% increase in the dollar amount of HECM loans from 2004 through 2008.



In addition to the schemes described previously, the following case histories also illustrate some of the types of mortgage fraud that the OIG typically encounters:

- In January, 2009, in Philadelphia, Pennsylvania, an appraiser and two settlement agents, were collectively sentenced to 45 months incarceration and 9 years probation and ordered to pay HUD $235,802 in restitution for their earlier guilty pleas to making false statements to HUD and committing a conspiracy and wire and identity fraud. The defendants and others provided fraudulent appraisals and other documents used by unqualified borrowers to obtain FHA-insured mortgages. HUD realized losses of $4,460,588 after 183 mortgages defaulted. HUD OIG and the FBI conducted the investigation.

- In September, 2008, two defendants in South Florida were charged in a 21 count indictment for their participation in a mortgage fraud scheme that resulted in the approval and disbursement of six mortgage loans totaling $980,000. According to the indictment, one of the defendants, through his company, sold six properties in Miami-Dade County to unqualified buyers using FHA loans. In all six sales, the same defendant, through straw donors, fraudulently financed the down payments and closing costs of the buyers. The second defendant, one of the false donors, was also a silent investor in the scheme. Both defendants allegedly received sizable payments once the properties were sold. When the loans were closed, four of the six properties went into foreclosure.

- An investigation was initiated against a southwest mortgage company. The investigation revealed that the defendant, a real estate broker and owner of an investment company, fraudulently sold 17 properties to undocumented aliens in the Fort Worth, Texas area. The fraudulent FHA loans totaled $1,060,600. The defendant placed false Social Security numbers on the loan applications, inflated loan application figures, made side payment agreements with the borrowers for down payments that, in some cases, were never made and conducted other fraudulent activities. Subsequently, 12 of the 17 loans defaulted and HUD sustained a loss of $445,862. On December 31, 2008, the defendant was sentenced to 37 months in prison, 36 months probation and ordered to pay restitution of $445,862.

- In Rockford, Illinois, in a joint HUD OIG-FBI investigation, a loan officer, realtor, loan processor, and company employers were charged with conspiracy, making false statements to HUD, and mail fraud, in a 35 count indictment. Specifically, the defendants were alleged to have engaged in a complex scheme to defraud HUD through a litany of false and fraudulent statements on FHA loan applications. These included, but were not limited to, the following: verifications of employment, pay stubs, W-2's, credit letters, cashier's checks, Social Security numbers, Social Security cards, and letters containing Social Security Administration letterhead. Overall, 50 FHA loans were in question, with losses totaling in excess of $2 million.

Continuing OIG Concerns

We continue to focus resources on the Single-Family program and point out where weaknesses or deficiencies need to be addressed. Our work of the FHA appraiser roster identified weaknesses in the quality control review and monitoring of the roster. *The roster contained unreliable data including the listing of 3,480 appraisers with expired licenses and 199 appraisers that had been state sanctioned.* In a further review, we found that HUD's appraiser review process was not adequate to reliably and consistently identify and remedy deficiencies associated with appraisers. Moreover, results from a number of other key audits have noted significant lender underwriting deficiencies, inadequate quality controls, and other operational irregularities.

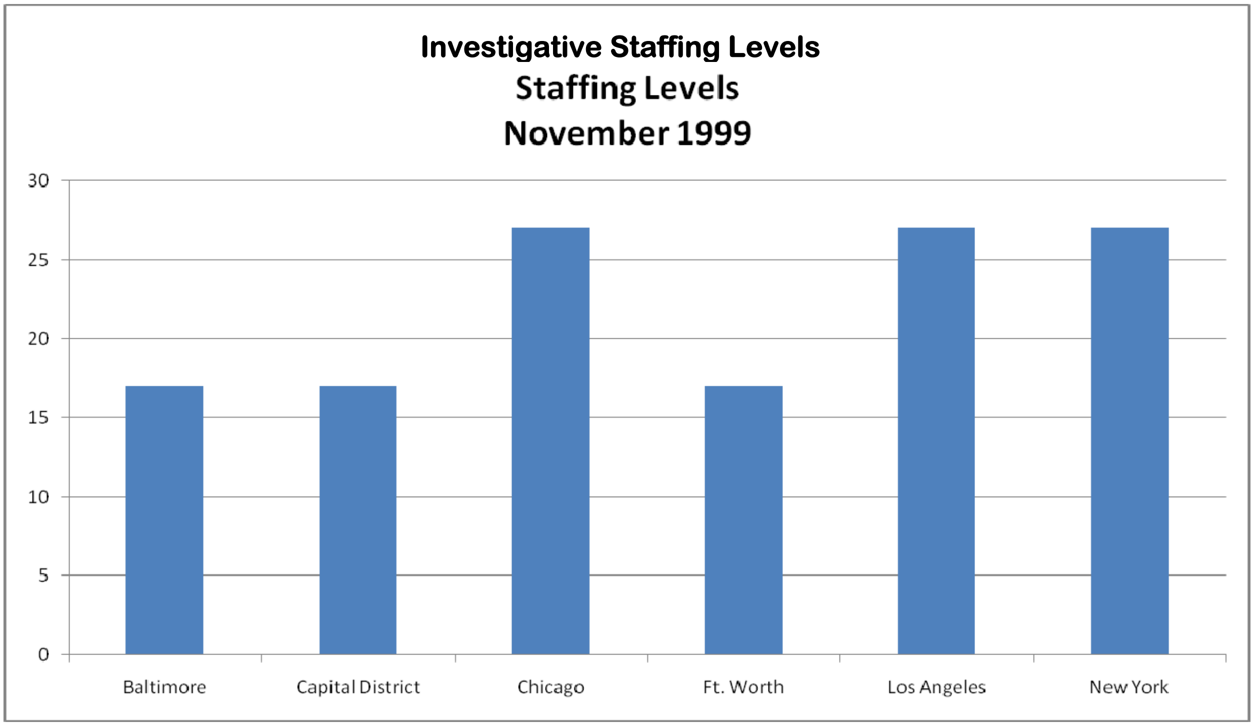
Additionally, we note that FHA's lender approval process is largely manual. FHA will be challenged within current resource constraints to keep up with the increasing volume of entities doing business. FHA controls currently rely upon random, and again, manual processes by contractors to select for review about 1 in every 20 loans or approximately 5 percent. FHA then relies upon post-endorsement automated lender or service performance information, such as high delinquency or early default rates, to target these entities for examining a limited number of loans for quality assurance reviews. We believe FHA needs the resources to take advantage of commercial off-the-shelf pre-screening loan software or to require at least the larger lenders use such tools as part of their underwriting process.

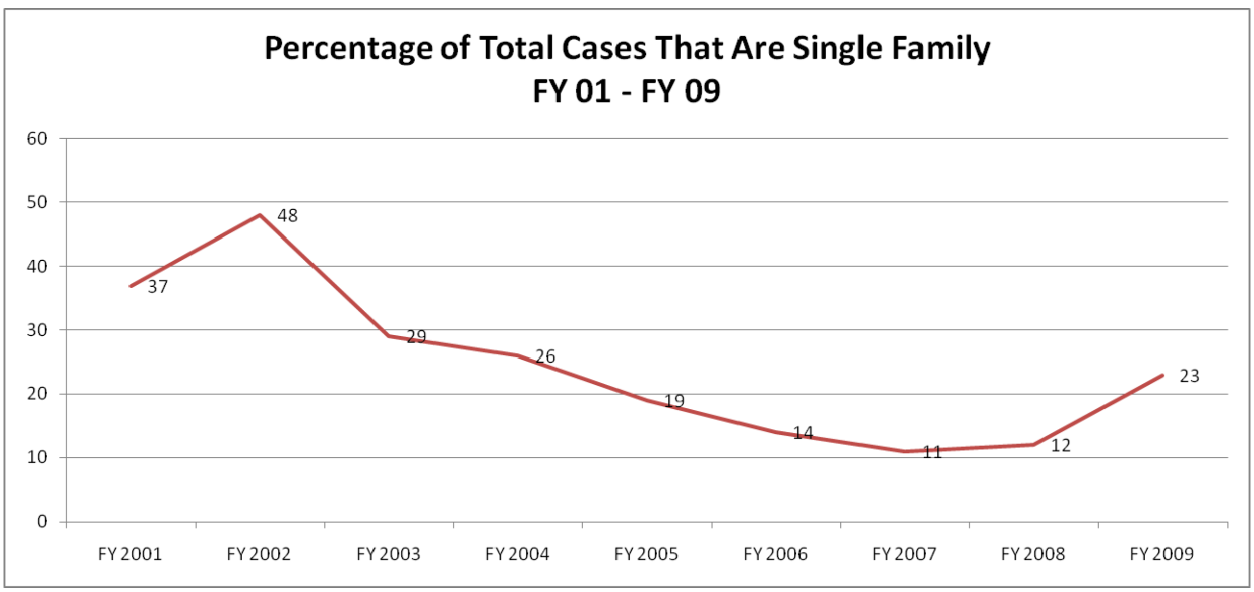
Further, *we have recently initiated a review, at the request of Senator Grassley, of the Mortgagee Review Board (MRB) enforcement actions* and its efficiency, effectiveness and impact in resolving cases of serious non-compliance with FHA regulations particularly during this period of significant changes in the housing market. The MRB is a statutorily created board within the Department that has responsibility to sanction FHA-approved lending institutions that violate applicable housing laws and HUD regulations and policies.

Specifically, our review will determine the timeliness of decisions; evaluate controls over the mortgagee referral and enforcement processes; summarize data gathered on settlement agreements and collections; and provide an objective basis to comment on the effectiveness of the MRB as a regulatory body. We are looking into issues such as the types of penalties assessed; whether the penalties were mitigated to administrative payments; the sizes of the mortgagees brought before the board; the elapsed time from referral to board action; whether indemnification was required; and whether the mortgagees were repeat offenders or their principals were under limited denial of participations or debarred. We anticipate completion of this review in a few months.

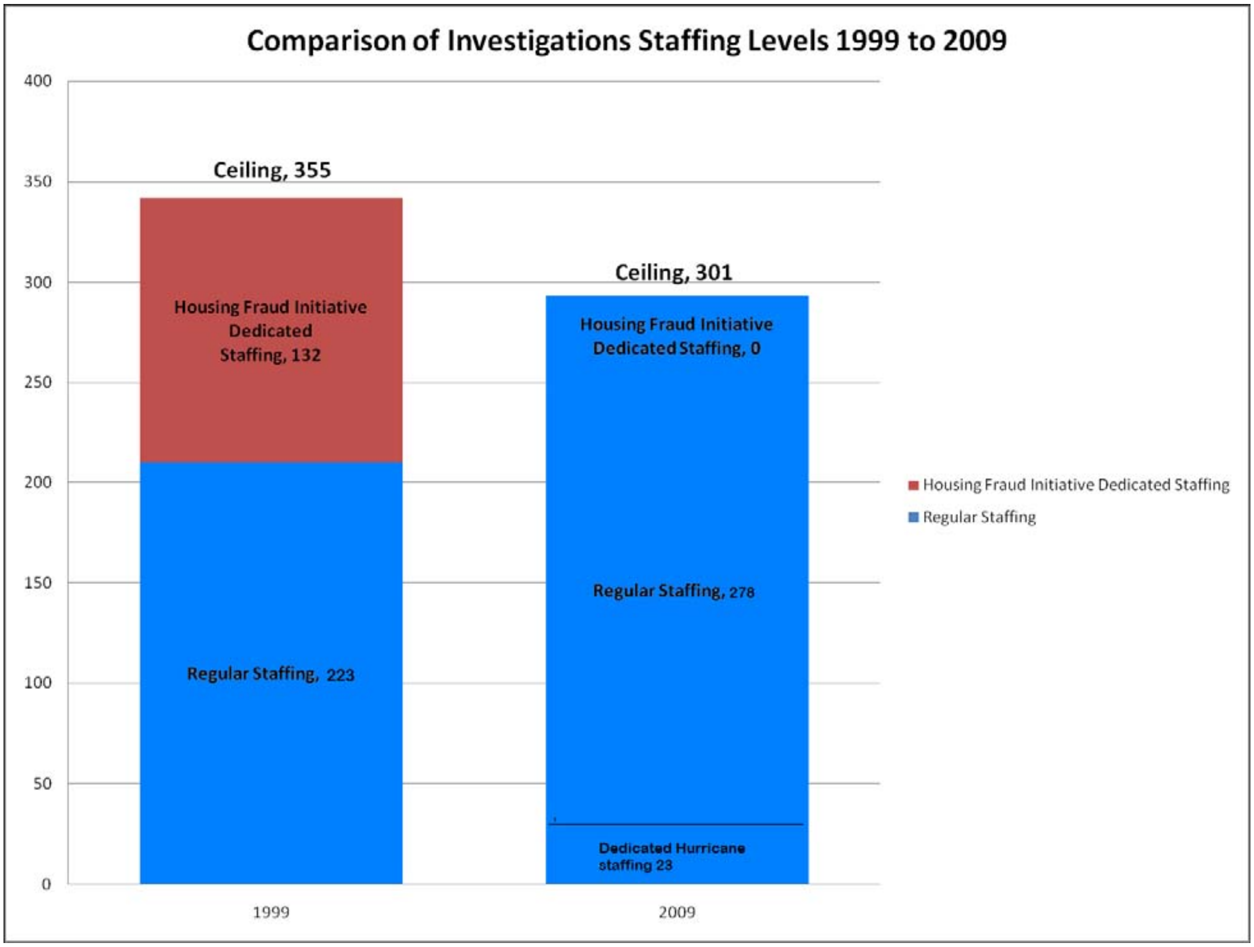
ISSUES FACING THE OIG

The Committee asked that we describe our staffing situation as it relates to joint operations and endeavors. During a previous peak period of FHA loan activity (1999-2003), the OIG conducted Housing Fraud Initiatives ('HFI's,') in which OIG and FBI agents, with a designated federal prosecutor, worked closely together in investigating and prosecuting cases of fraud. This strategy was very successful due to sufficient resources and personnel. The charts below represent the dedicated OIG case percentage and specific investigative levels assigned to FHA fraud.





The HFI's were discontinued after 2003 due to decreasing FHA loans and limited funding. Although the OIG currently assigns agents to conduct mortgage fraud investigations, we are unable to operate mortgage fraud task forces on an exclusive basis.



The 2009 figure above shows how dedicated staffing to FHA fraud has decreased since 1999. Agents today are also tasked with conducting investigations related to HUD's designated major management challenges, which include corruption in the administration of Community Planning and Development grant programs; corruption in the administration of public housing authorities; multifamily projects; rental fraud by landlords and tenants; and disaster fraud. Of our limited numbers, 23 Office of Investigation FTE's are dedicated to investigation of disaster relief fraud, mostly in the Gulf Coast region. These multiple challenges are supported by less investigative staff than were available in 1999. The above figures do not include decreases in other critical OIG staff (i.e., audit, counsel, administrative, etc.) which simultaneously occurred with the decrease in our investigative staff.

The task before the HUD OIG is a daunting one: addressing the elements of fraud that were involved in the collapse of the mortgage market; monitoring the roll-out of new FHA loan products in order to reduce exploitation of program vulnerabilities; and, combating perpetrators of fraud, including those who have migrated from the subprime markets, who would exploit FHA loan programs. The consequences of the current mortgage crisis, its worldwide economic implications, and the subsequent pressures placed on the Department and OIG could not have come at a more inopportune time. The Department, as a whole, has had significant new leadership responsibilities over the last seven years in rebuilding communities devastated by disasters (i.e., lower Manhattan post-September 11th; the Gulf Coast region after hurricanes Katrina, Rita and Wilma; the Galveston area after recent hurricanes; California fires; and Midwest flooding) that have added tens of billions of dollars in new program funds that require quick distribution and keen oversight.

While there have been some monies appropriated for salaries and expenses needed for administering all these new programs, the Department has not received analogous increases needed to deal with this new influx of requirements. They are quite stretched in their ability to keep up with the pace of new, critical needs and the changing dynamics of essential demands placed on the Department. While, for example examining our own situation which the Committee requested we provide, we were grateful to receive supplemental funds a number of years ago for Gulf Coast activities, these funds will be exhausted this year and we still have many years of activities that will have to be absorbed by regular funding. In addition to our responsibility to oversee more than $20 billion in HUD disaster relief in the Gulf States, we currently must report every six months on post-September 11th reconstruction in lower Manhattan.

We are currently operating, as is most of the government, in a continuing resolution environment. We are working diligently to address the range of audits and investigations needed to oversee all of HUD's current programs and operations. In 2001, HUD OIG held a level of 705 FTEs. Our funding at the current rate will support only 610 FTEs. We recognize that our ability to keep pace is one component to the overall health of our national programs. If the efforts to salvage mortgage markets are jeopardized by widespread and unchecked Single-Family loan fraud, there may be deeper repercussions on the national economy, potentially requiring further bailouts and infusion of funds.

We have had a long history of leading and participating in joint task forces and initiatives intended to combat particularly complicated and intractable problems affecting HUD programs. At the request of the Special Inspector General of the Troubled Asset Relief Program (SIG TARP), we are a critical player on the SIG TARP Council and I regularly attend their meetings. In addition to the HFI's described above, we have been key participants in the Department of Justice Procurement Task Force, Gulf Coast Recovery Task Force, High Intensity Drug Trafficking Area Task Force, and the Federal Bureau of Investigation (FBI) National Mortgage Fraud Team which includes the detailing of OIG personnel, coordinating of investigative activities, performing of public and industry outreach and liaison, and conducting of training. We have a long, established relationship with the FBI in working cases and cooperating in many different areas. For example, when another Inspector General was under scrutiny by the President's Council on Integrity and Efficiency for allegations of improprieties, the then head of the FBI Criminal Division specifically sought us out to conduct the sensitive and lengthy investigation due to our high quality work for them in the past.

Though the challenges and tribulations are increasing, the Office of the Inspector General stands ready to assist in whatever way is deemed necessary and will be vigilant in its efforts to protect the funds of the American taxpayer. We thank you for the opportunity to relay our thoughts on these important issues based on the body of our work and of our experience, and greatly appreciate the activities of the Congress to protect the Department's funds from predatory and improper practices and to ensure an effective response on oversight at this critical time.