



Department of Justice



FOR IMMEDIATE RELEASE
TUESDAY, OCTOBER 9, 2012
WWW.JUSTICE.GOV

AG
(202) 514-2007
TTY (866) 544-5309

**FINANCIAL FRAUD ENFORCEMENT TASK FORCE MEMBERS REVEAL RESULTS
OF DISTRESSED HOMEOWNER INITIATIVE**

First Law Enforcement Effort Focused on Crimes Against Struggling Homeowners

530 Criminal Defendants Charged, 73,000 Victims and Losses of More Than \$1 Billion

WASHINGTON – Attorney General Eric Holder, Housing and Urban Development (HUD) Secretary Shaun Donovan, FBI Associate Deputy Director Kevin L. Perkins and Federal Trade Commission (FTC) Chairman Jon Leibowitz today announced the results of the Distressed Homeowner Initiative, the first-ever nationwide effort to target fraud schemes that prey upon suffering homeowners. The yearlong initiative, launched by the FBI, a co-chair of the Financial Fraud Enforcement Task Force’s Mortgage Fraud Working Group, resulted in 530 criminal defendants charged, including 172 executives, in 285 federal criminal indictments or informations filed in U.S. District Courts across the country. These cases involved more than 73,000 homeowner victims and total losses by those victims estimated by law enforcement at more than \$1 billion.

“These comprehensive efforts represent an historic, government-wide commitment to eradicating mortgage fraud and related offenses,” said Attorney General Holder. “The success of the Distressed Homeowner Initiative, and the developments we announce today, underscore our determination to pursue these and other financial fraud criminals around the country.”

From Oct. 1, 2011, to Sept. 30, 2012 (FY 2012), the Distressed Homeowner Initiative focused on fraud targeting homeowners, such as foreclosure rescue schemes that take advantage of homeowners who have fallen behind on their mortgage payments. Typically, the con-artist in such a scheme promises the homeowner that he can prevent foreclosure for a substantial fee by, for example, having so-called investors purchase the mortgage, or transferring title in the home to persons in league with the scammer. In the end, the homeowner can lose everything. Other targets of the Distressed Homeowner Initiative include perpetrators of loan modification schemes

who obtained advance fees from homeowners after falsely promises that they would negotiate more favorable mortgage terms on behalf of the homeowners.

“With home price increases helping homeowners get back above water and billions of dollars in new resources for families still at risk through the recent mortgage servicing settlement, borrowers are finally beginning to see the light at the end of the tunnel. We know, however, that too many families are still facing threats to sharing in that recovery,” said HUD Secretary Donovan. “The Financial Fraud Enforcement Task Force has made important progress through its Mortgage Fraud Working Group to crack down on some of the same types of scam artists that got us into this crisis in the first place—pushing predatory or fraudulent loans on families who simply wanted to own a home, and now pushing false hope for modification of those loans— often preying upon the trust families have in HUD and the Federal Housing Administration. With actions like those announced today, we send a very clear message: if you don’t operate ethically, transparently, and within the boundaries of the law, we will not hesitate to act.”

As a part of the Justice Department’s efforts to improve the lives of struggling homeowners, the Financial Fraud Enforcement Task Force’s Victims’ Rights Committee, in partnership with the Certified Financial Planning Board and the Foundation for Financial Planning, will begin offering unprecedented pro-bono financial planning assistance to the victims of a foreclosure rescue scheme, indicted by the U.S. Attorney’s Office for the Central District of California. All 4,000 victims of the scheme, many of whom lost their homes as a result of the fraud, have been invited to attend a free financial planning workshop in Riverside, California. Those who attend the workshop will receive free financial information and education to assist them in recovering from the devastating effects the crime had on their lives and to help them plan for the future. The financial planners at the workshop will be able to answer critical questions relating to tax planning, debt management, foreclosure assistance, job loss, retirement planning, investment advice, insurance, employee benefits and more.

“We recognize the negative impact that mortgage fraud and foreclosures have on our economy and on our communities. We cannot merely investigate after the fact. We must use intelligence and sophisticated techniques to identify and stop those who seek to defraud American homeowners. We will continue to work with our partners across the country to ensure the integrity of the housing market, and to keep our communities safe,” said FBI Associate Deputy Director Perkins.

In federal civil actions involving distressed homeowner victims, the Justice Department’s U.S. Trustee Program, the Federal Trade Commission and the Consumer Financial Protection Bureau (CFPB), protectors of the nation’s bankruptcy laws and federal consumer laws, filed 110 cases against 153 defendants in federal cases across the country, with more than 15,000 victims identified and losses estimated at more than \$37 million. False or abusive filings in U.S. Bankruptcy Court are commonly used to execute foreclosure rescue scams. State Attorneys General also filed criminal cases against 51 defendants, with losses at more than \$2 million, and also filed at least 104 civil enforcement actions against 125 defendants with losses to homeowners at approximately \$5 million. Last, the Treasury Department’s Office of Financial Stability’s Antifraud Unit and the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), in order to protect homeowners from fraudulent or confusing

websites that misuse the Treasury seal and key TARP housing program names, such as the Home Affordable Modification Program, shut down or forced into compliance more than 900 mortgage rescue websites or web advertisers.

“With many homeowners still struggling to hold onto their homes, the FTC takes a hard line against con artists who are seeking their next victim,” said FTC Chairman Leibowitz.

In order to protect struggling homeowners and increase the number of criminal enforcement actions made as part of this initiative, the members of the Mortgage Fraud Working Group were proactive. The FBI generated new investigations by gathering victim complaint data from FTC databases and other sources, analyzed the data and distributed information of lead value to field offices from coast-to-coast. The FBI, together with HUD Office of Inspector General, also utilized sophisticated undercover operations to facilitate the development of federal distressed homeowner criminal cases. Further, the FBI led a surge consisting of several law enforcement agencies in southern California, where many foreclosure rescue scam operators are located, to develop investigations that could be prosecuted in various federal districts. Many of the investigations initiated as part of the Distressed Homeowner Initiative are ongoing and will result in additional enforcement actions in the near future.

The initiative included federal criminal prosecutions brought by various U.S. Attorneys’ offices and the Department of Justice’s Criminal and Civil Divisions, civil enforcement cases filed by the Department of Justice’s U.S. Trustee Program, FTC and CFPB and criminal and civil cases brought by Attorneys General in over 11 states. Participating federal agencies included the FBI, the Office of Inspector General of the Department of Housing and Urban Development, the Federal Housing Finance Agency’s Office of Inspector General (FHFA-OIG), SIGTARP, Internal Revenue Service-Criminal Investigation, U.S. Postal Inspection Service and the U.S. Secret Service. In addition, the Financial Crimes Enforcement Network, a task force partner, announced today that during the Distressed Homeowner Initiative it collected 4,395 foreclosure rescue Suspicious Activity Reports, a critical tool for law enforcement agencies when conducting investigations. For more on this announcement, please visit: www.FinCEN.Gov.

To learn more about scams targeting homeowners, how protect yourself from scams or how to report fraud if you believe you have been a victim, please visit: www.stopfraud.gov.

For information about the Distressed Homeowner Initiative, including stories about common scams, fraudsters’ sample marketing materials, plus radio and television public service announcements, please visit: www.stopfraud.gov.

The Mortgage Fraud Working Group of President Obama’s interagency Financial Fraud Enforcement Task Force was established to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force, chaired by Attorney General Eric Holder, includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who

perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

For more information about the Financial Fraud Enforcement Task Force, please visit: www.stopfraud.gov.

#