

# Effectiveness of the Mortgage Fraud Task Force Approach

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Assistant Special Agent in Charge

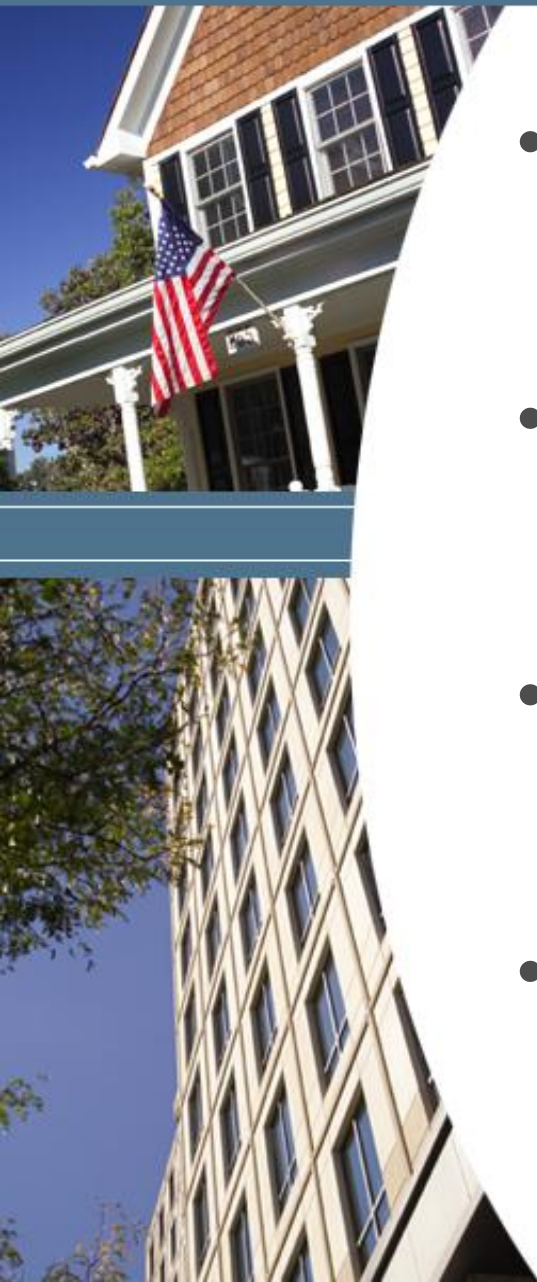
Department of Housing and Urban Development

Office of Inspector General

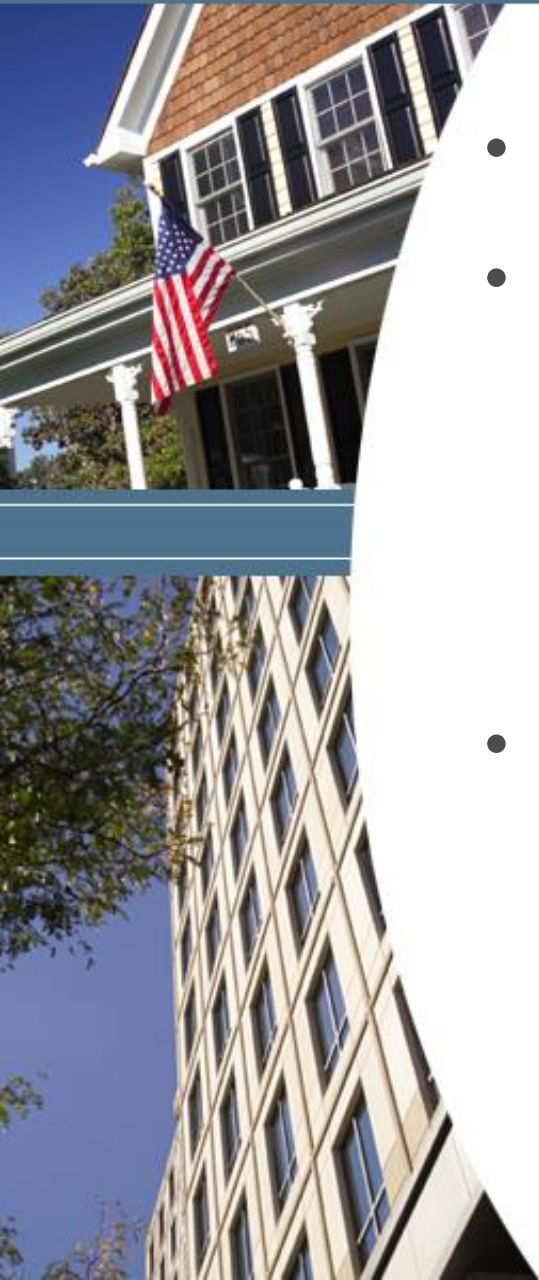
Criminal Investigations Division



# Current Issues Impacting FHA

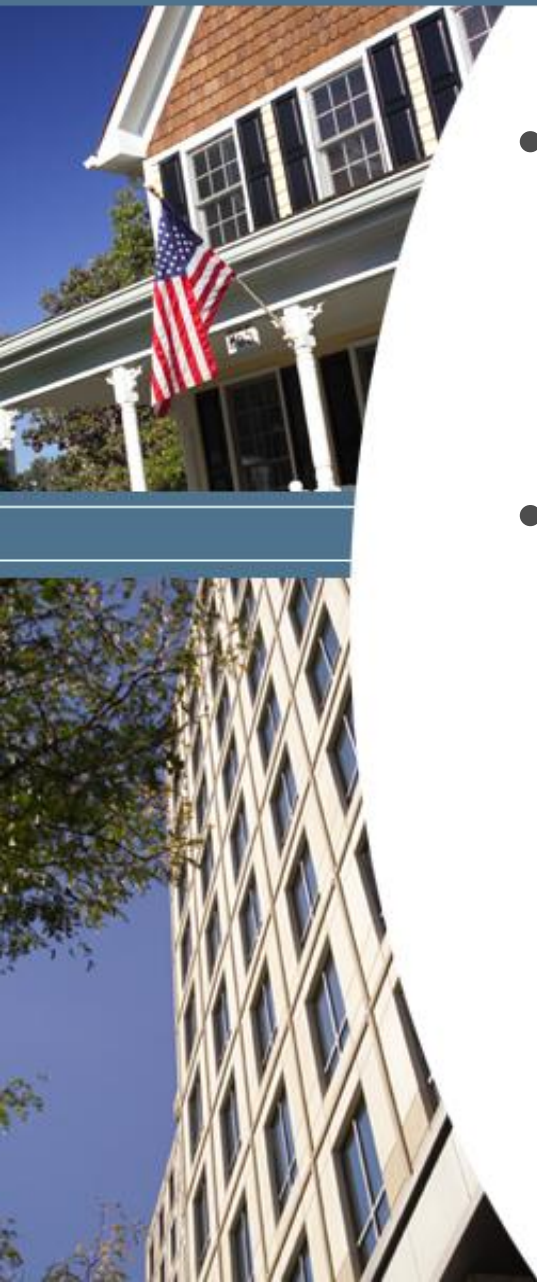
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- Dissolution of the subprime mortgage market.
  - Drop in housing prices throughout the country.
  - Rise in defaults and foreclosures.
  - Financial insecurity in Mortgage Backed Security market.

# Recent Legislative Changes Impacting FHA



- Increase in FHA's loan limits.
- FHA Secure: An attempt to allow FHA insurance to replace risky subprime and high cost loans, with fixed rate, long term financing.
- Housing Economic Recovery Act:
  - » Hope for Homeowners
  - » Neighborhood Stabilization Program
  - » SAFE Act

# Current FHA Market and Housing Trends

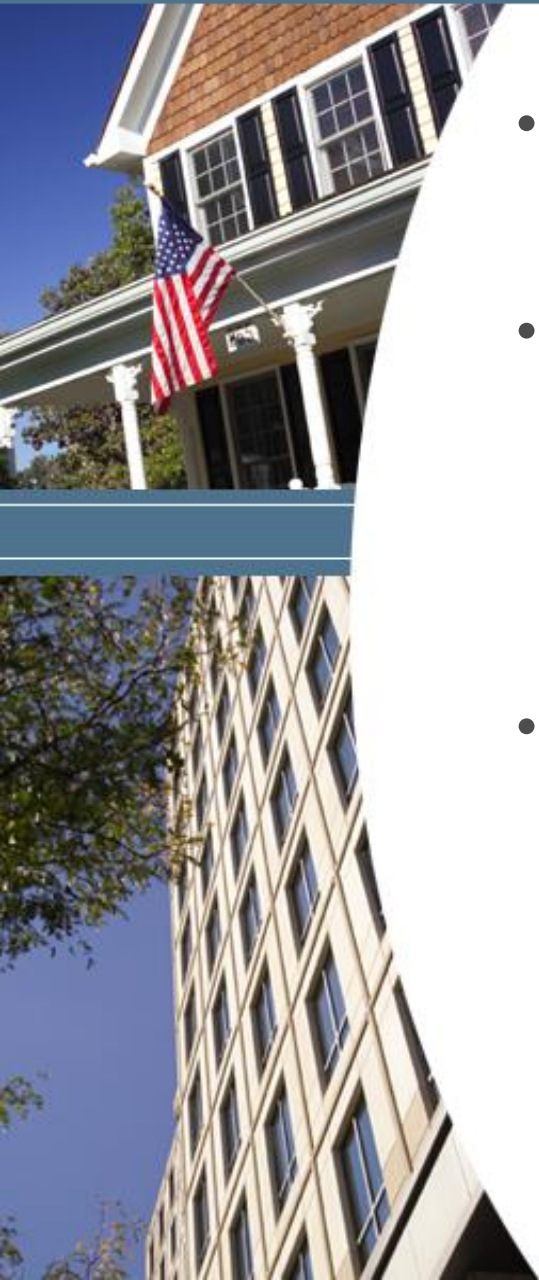
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- **Insurance in Force**
    - » 24% increase from FY07 to FY08.
  - **Endorsements**
    - » 183% increase from FY07 to FY08.
    - » A record number of single-family mortgages were endorsed in October 2008.

# Current FHA Market and Housing Trends

From FY07 to FY08:

- **Loans 90 Days Delinquent or More**
  - » Increased 42 percent.
- **Insurance Claims**
  - » Increased 10 percent.
- **FHA Refinance Endorsements**
  - » Increased 138 percent.
- **Lender Approvals**
  - » Increased 330 percent.

# Current FHA Market and Housing Trends



- New Home Starts are at their lowest levels in 50 years.
- FHA's mortgage market share, based on dollar volume, is between 25 and 30 percent.
  - » In 2006 it was approximately 2 percent.
- FHA share of all home purchases has been above 17 percent since July 2008.
  - » The FHA share of new home sales is 24 percent.

# Impact on FHA Business

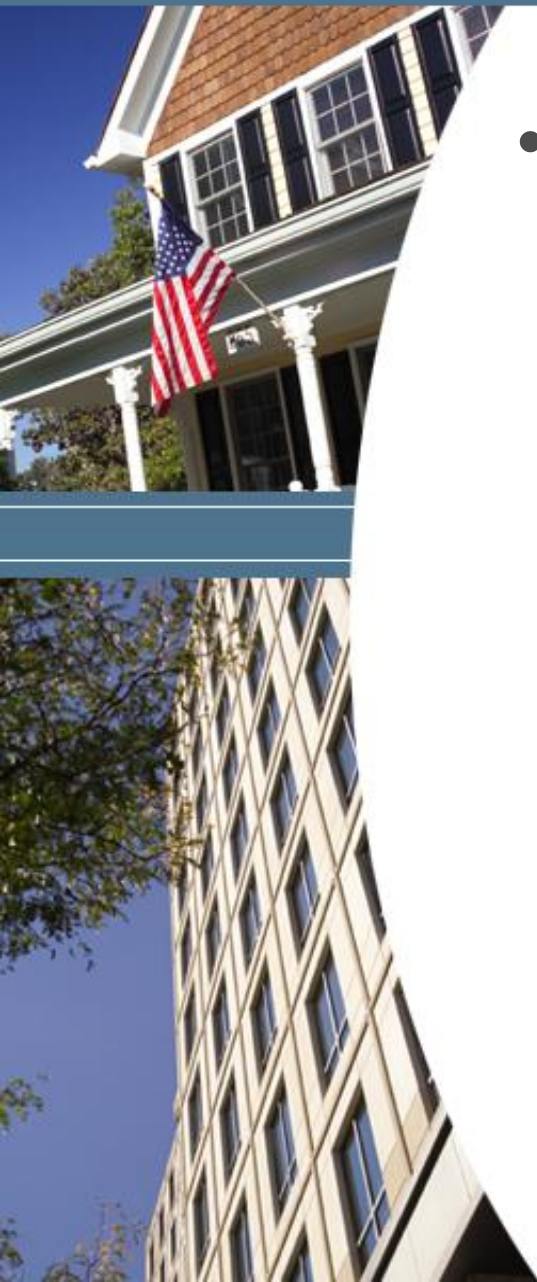
- Staffing levels
- System Technologies
- Critical areas of oversight:
  - » New lender applications;
  - » Ongoing lender monitoring; and
  - » FHA appraiser monitoring.

# Potential Areas at Risk for Fraud, Waste, and Abuse

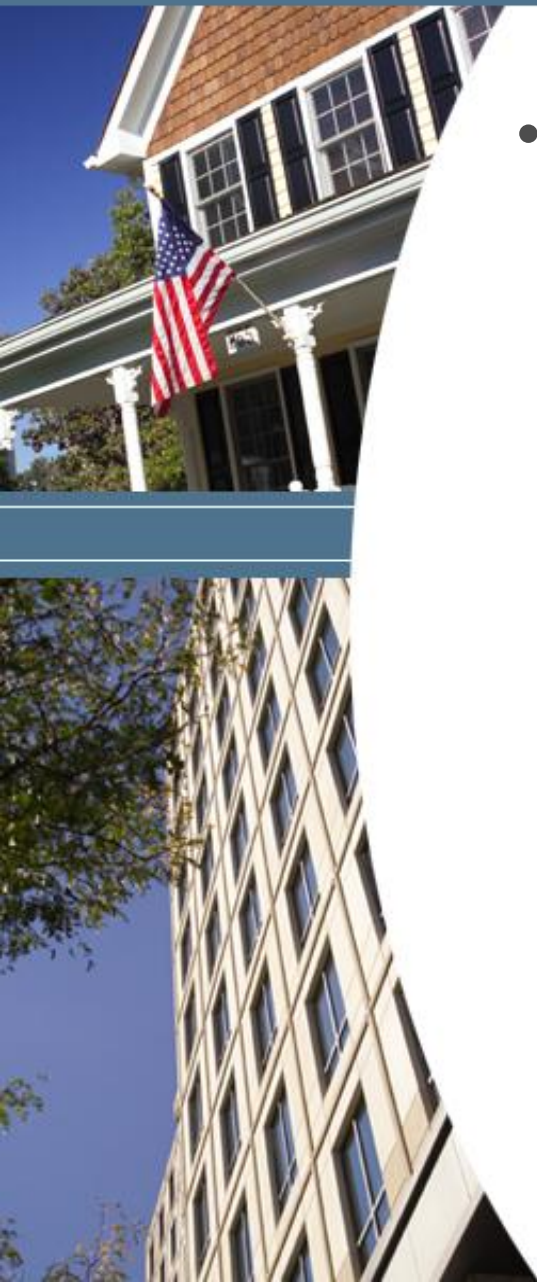


- The market, compounded by recent legislative changes, creates an ideal environment for the exploitation of:
  - » Lenders;
  - » Homeowners; and
  - » FHA Programs.

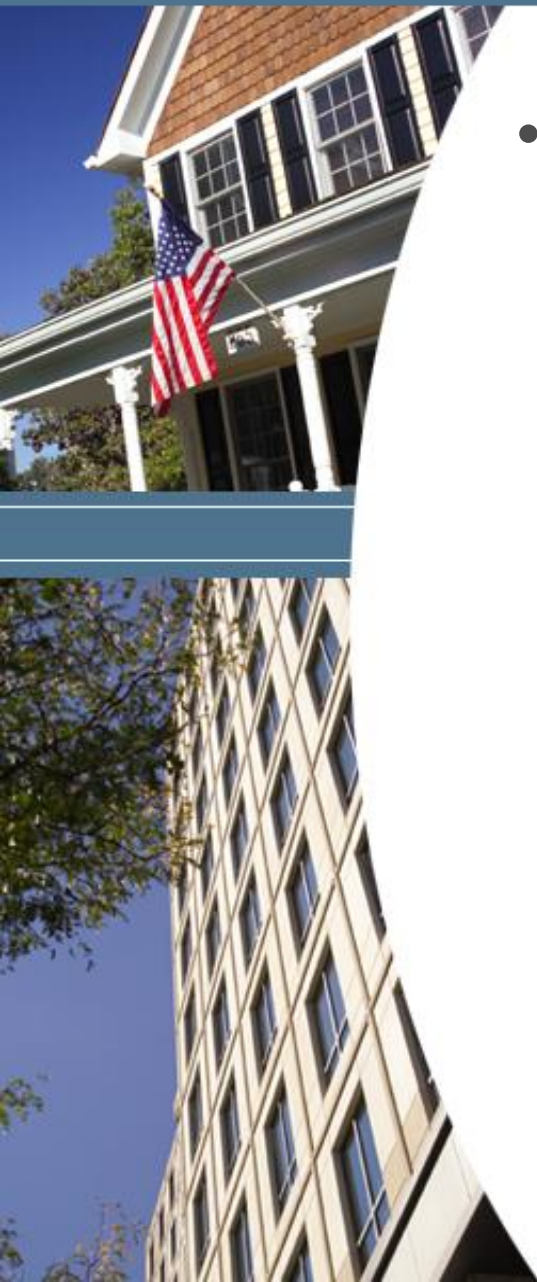
# Current Fraud Trends and Schemes

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- For the 12 month period ending June 2008, FINCEN recently reported a:
    - » 44% increase in suspected mortgage fraud SAR filings;
    - » 90% increase in SARs referencing foreclosure; and a
    - » 77% increase in SARs referencing early defaults .

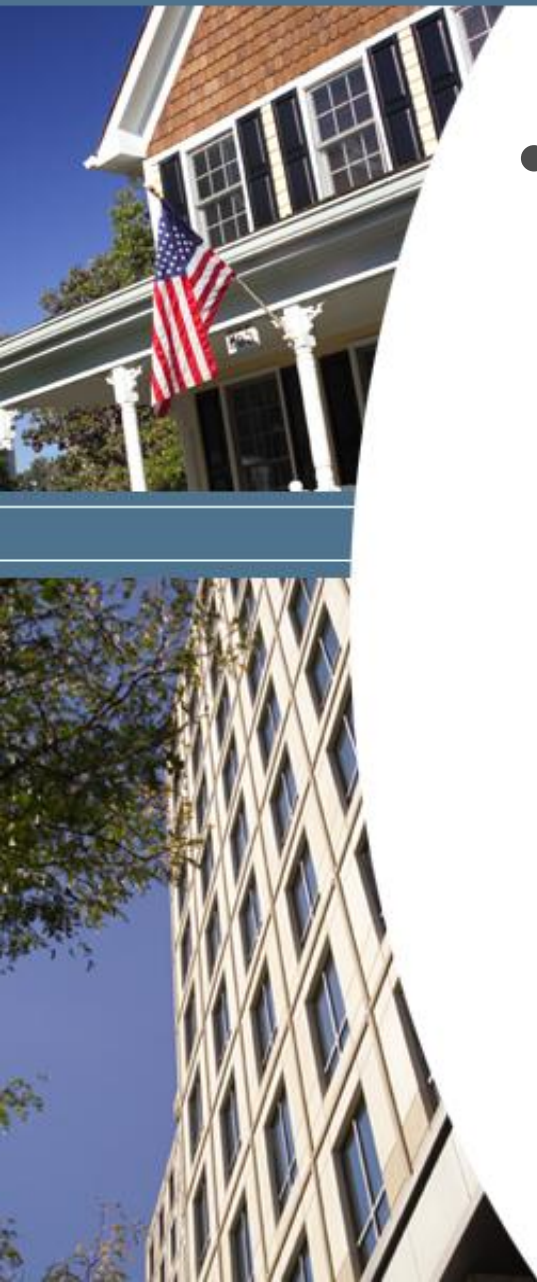
# Current Fraud Trends and Schemes

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- HUD-OIG has recently seen an increase in:
    - » The overall number of mortgage fraud investigations;
    - » Investigations with a large number of FHA-insured loans involved;
    - » Investigations with large number of zero payment defaults; and
    - » Investigations targeting victims of the economic down turn.

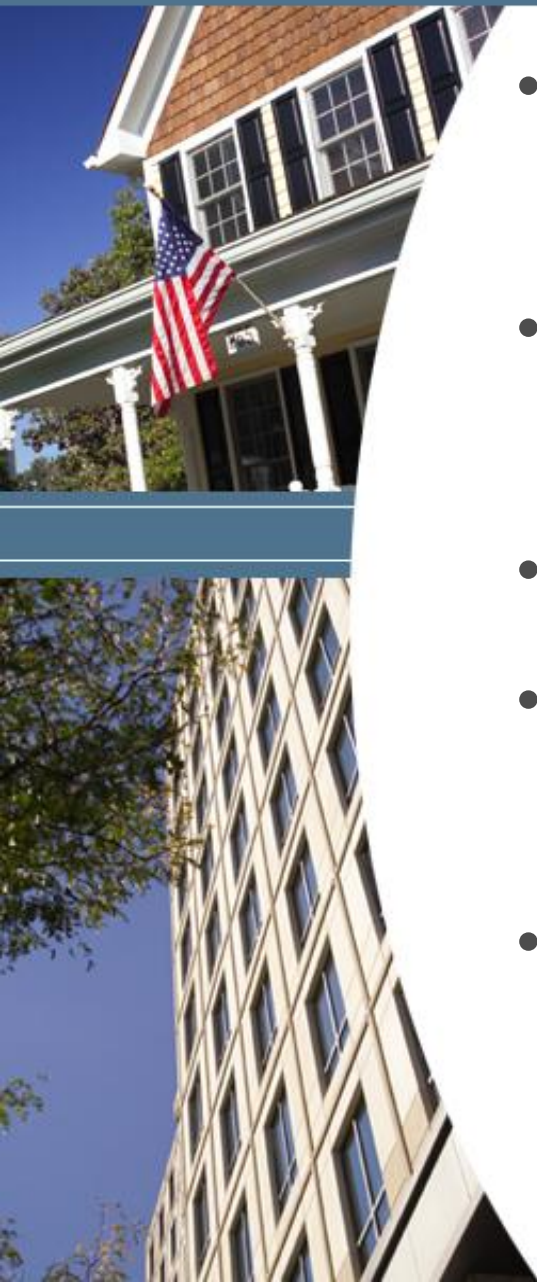
# Current Fraud Trends and Schemes

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- A collage of images on the left side of the slide. The top part shows a two-story house with a red roof, white columns, and an American flag flying. The bottom part shows a modern, multi-story skyscraper with a grid of windows.
- New and emerging schemes and trends:
    - » Rescue and Foreclosure Recovery Fraud;
    - » Bankruptcy Fraud;
    - » Home Equity Reverse Mortgage (HECM) Fraud; and
    - » Lenders obtaining FHA approval despite past performance issues.

# Current Fraud Trends and Schemes

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- Traditional fraud schemes are still common:
    - » Loan Origination Fraud;
    - » Appraisal Fraud; and
    - » Identity Theft.

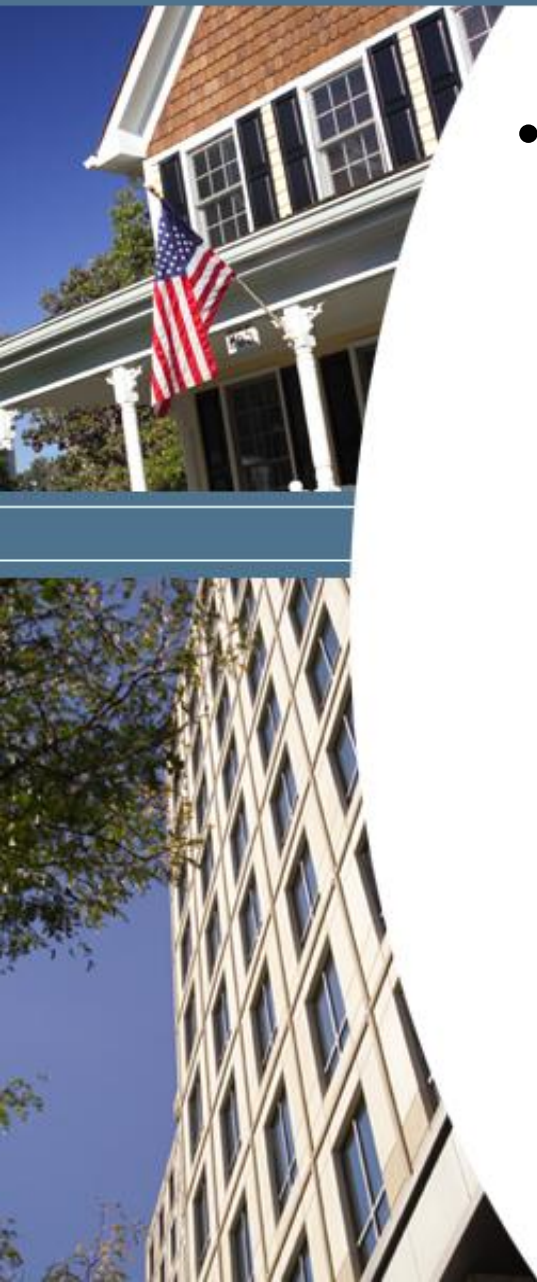
# National Task Force Approach: An Effective Solution to a National Crime Problem

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- Provides a coordinated, multi-agency response;
  - Increases the ability to leverage resources of participating agencies;
  - Ensures national program oversight;
  - Establishes a framework to develop “Best Practices”; and
  - Addresses and identifies training needs.

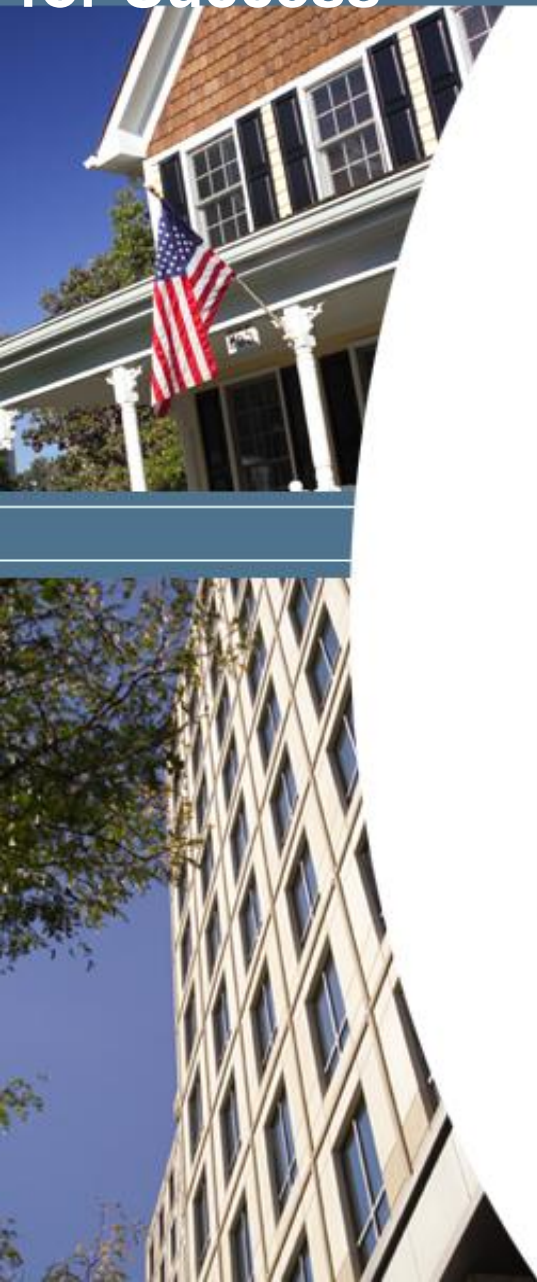
# National Task Force Approach: FBI National Mortgage Fraud Team

- In December 2008, the Federal Bureau of Investigation (FBI) officially launched the National Mortgage Fraud Team (NMFT).
- The NMFT was formed to provide overall management of the FBI's mortgage fraud program, including the development and deployment of a national strategy to assist field offices in conducting mortgage fraud investigations in the most efficient and effective manner.

# National Task Force Approach: FBI National Mortgage Fraud Team

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- The strategy was developed in response to the significant increase in mortgage fraud activity across the nation and is comprised of the following elements:
    - » Investigative;
    - » Intelligence; and
    - » Prosecution.

# National Task Force Approach: Implementing Critical Factors for Success



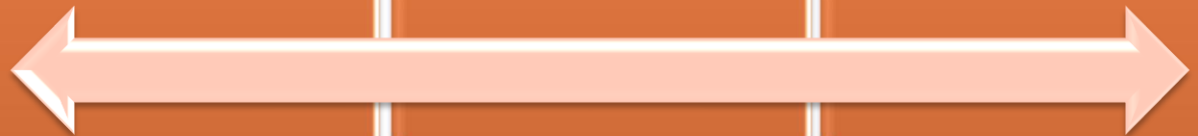
Management



Cooperation



Deconfliction

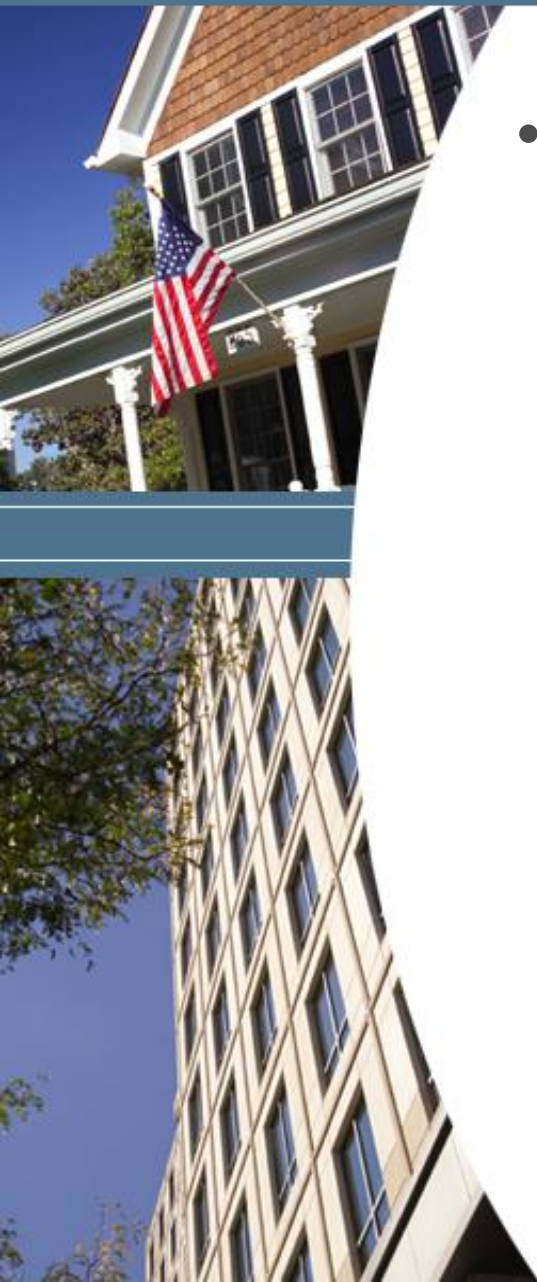


# Conclusion



- National task forces:
  - » Are an effective model to use to address major crime problems;
  - » Allow law enforcement to leverage resources, personnel, and the best agency specific technologies; and
  - » Promote a unified enforcement message.

# Conclusion

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- What can Lenders do:
    - » Support law enforcement efforts;
    - » Report fraud to the appropriate law enforcement agencies;
    - » Be aware of your local law enforcement task forces and working groups; and
    - » Make a friend!

# Report Fraud

Report fraud, waste, and mismanagement in HUD programs and operations by:

- Calling the OIG Hotline: 1-800-347-3735
- Faxing the OIG Hotline: 202-708-4829
- Sending written information to:  
Department of Housing and Urban Development  
Inspector General Hotline (GFI)  
451 7th Street, SW  
Washington, DC 20410
- E-mailing the OIG Hotline: [hotline@hudoig.gov](mailto:hotline@hudoig.gov)  
Internet: [http://www.hud.gov/complaints/fraud\\_waste.cfm](http://www.hud.gov/complaints/fraud_waste.cfm)



All information is confidential, and you may remain anonymous.