

DOJ IG DOESN'T LIST FORECLOSURE FRAUD AMONG SIGNIFICANT PERFORMANCE CHALLENGES

A month ago, the Financial Fraud Task Force first started to get around to investigating the systemic fraud in our foreclosure system.

Federal investigators are exploring whether banks and other financial firms broke U.S. law when using fraudulent court documents to foreclose on people's homes, according to sources familiar with the effort.

The criminal investigation, still in its early days, is focused on whether companies misled federal housing agencies that now insure a large share of U.S. home loans, and whether the firms committed wire or mail fraud in filing false paperwork.

The announcement was tied to a Shaun Donovan announcement that a HUD investigation started in May had identified problems from some mortgage servicers; HUD is a member of the Financial Fraud Task Force.

Donovan said the administration had yet to complete its review, which began in May. Thus far, though, it had found "significant difference in the performance of servicers, and in particular, information that shows us there is not compliance with FHA rules and regulations around loss mitigation." Donovan said the findings were limited to firms that deal with FHA loans. He declined to single out servicers.

All of which would seem to suggest that HUD—and therefore the Financial Fraud Task Force—knows there's some there there (though they deny it is systemic).

Which is why I find it rather troubling that, two months after it became clear foreclosure mills and servicers are engaging in rampant fraud, DOJ's Inspector General Glenn Fine does not specify it among the significant performance challenges for the year (Financial Crimes generally places seventh on his list of issues, after IT planning and violent crime, the latter of which is falling).

7 Financial Crimes and Cyber Crimes: The need to aggressively combat financial crimes and cyber crimes is an increasing challenge for the Department. Financial fraud continues to affect the economy, and the increased use of computers and the Internet in furtherance of financial crimes, as well as the international scope of these criminal activities, has exacerbated the challenge of cyber crime.

In November 2009, a presidential Executive Order created the Financial Fraud Enforcement Task Force (Task Force). The Department described the Task Force as the "cornerstone" of its work in the financial fraud area. Led by the Department, the Task Force combines the work of several agencies to focus on mortgage crime, securities fraud, American Recovery and Reinvestment Act (Recovery Act) and rescue fraud, and financial discrimination.

In connection with the Task Force the Department launched Operation Stolen Dreams, a multi-agency initiative designed to combat mortgage fraud. In June 2010 the Department reported that this operation involved the prosecution of 1,215 criminal defendants nationwide who allegedly were responsible for more

than \$2.3 billion in losses. The Department also reported that the operation recovered more than \$147 million through 191 civil enforcement actions.

The Department and the Task Force are also focusing investigative resources on securities fraud as well as on Recovery Act fraud and fraud in other rescue funds. Among other things, the Department is providing training to federal grantees and contractors on ways to prevent and detect such fraud.

Note that Operation Stolen Dreams is focused on the small-scale thugs that pumped up housing prices. That's apparently a priority. But Fine, at least, seems to think an investigation into the GMACs and BoAs, the David Sterns and Lender Processing Services, is not a priority.

He may well be right in that DOJ doesn't consider this a top challenge. So while counterterrorism is number one—based partly on two unsuccessful attacks launched by losers in the last year—the wholesale assault on our economy is apparently not even part of number seven.