

The Department of Justice Office of the Inspector General (OIG) today released a report examining the Department of Justice's (DOJ) approach to and enforcement efforts in addressing mortgage fraud between fiscal years (FY) 2009 and 2011.

The OIG found some examples of DOJ-led efforts to prioritize the investigation and prosecution of mortgage fraud cases, including the Criminal Division's leadership of its mortgage fraud working group and the Federal Bureau of Investigation's (FBI) and United States Attorneys' Offices' participation on more than 90 local task forces and working groups. However, we also found that DOJ did not uniformly ensure that mortgage fraud was prioritized at a level commensurate with DOJ's public statements about the importance of pursuing financial frauds cases in general, and mortgage fraud cases in particular. The OIG further found significant deficiencies in DOJ's ability to report accurately on its mortgage fraud efforts.

Specifically, the OIG found that the FBI ranked mortgage fraud as the lowest ranked criminal threat in its lowest crime category. While the FBI received \$196 million in appropriated funding to investigate mortgage fraud activities from FYs 2009 through 2011, in FY 2011 the number of FBI agents investigating mortgage fraud as well as the number of pending investigations decreased.

The OIG attempted to review the scope of DOJ's prosecutorial efforts to address mortgage fraud by reviewing case data. However, DOJ could not provide readily verifiable data related to its criminal enforcement efforts because of underreporting and misclassification of mortgage fraud cases in the case management system used by the Executive Office for United States Attorneys (EOUSA). Similarly, the OIG found that EOUSA was unable to provide any data related to DOJ's civil enforcement efforts because the EOUSA case management system is unable to specifically identify civil mortgage fraud cases.

The report also assesses an incident that reflected the Department's inability to report accurately on its mortgage fraud efforts: DOJ's October 2012 release of significantly flawed information during a highly publicized press conference about the success of the Distressed Homeowners Initiative, a mortgage fraud initiative of the DOJ and the Financial Fraud Enforcement Task Force (FFETF). According to an August 2013 FBI memorandum, the statistics presented at the press conference had reported approximately five times the actual number of criminal defendants charged as part of the initiative, and ten times the actual total estimated losses associated with Distressed Homeowners cases. The OIG found that neither DOJ nor the FFETF had an established methodology for obtaining and verifying the criminal mortgage fraud statistics announced during the press conference. The OIG also found that although the Department was aware that the statistics were seriously flawed no later than November 2012, it did not inform the public that the reported statistics were flawed until August 2013, and it cited the flawed statistics in numerous press releases during the intervening 10 months.

According to DOJ officials, the data collected and publicly announced for an earlier FFETF mortgage fraud initiative – Operation Stolen Dreams – also may have contained similar errors, as a similar collection methodology was employed for the statistics publicly reported for this initiative.

The report makes seven recommendations to help DOJ improve its understanding, coordination, and reporting of its efforts to address mortgage fraud. DOJ has concurred with all seven recommendations.

The report can be found on the OIG's website
at: <http://www.justice.gov/oig/reports/2014/a1412.pdf>