



BJA Fact Sheet

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BUREAU OF JUSTICE ASSISTANCE • OFFICE OF JUSTICE PROGRAMS

DENISE E. O'DONNELL, DIRECTOR

Mortgage Fraud

According to the Federal Bureau of Investigation's *2010 Mortgage Fraud Report*, mortgage fraud activity is an increasing problem nationwide, with perpetrators using schemes that are resilient and complex.¹ Mortgage fraud investigations are also time intensive, with various schemes often used by multiple perpetrators, who can include lenders, appraisers, investors, and bank representatives. Examples of mortgage fraud include illegal property flipping, fraudulently inflated appraisals, backward application schemes, debt elimination/reduction schemes, and many others.² Due to the complexity of these schemes, the exact amount of money lost to mortgage fraud is unknown, but it is estimated that fraudulent loans in 2010 amounted to about \$10 billion.³

Under present economic conditions, some local jurisdictions are struggling with the complexity and length of mortgage fraud cases and the resulting increase in caseloads. To address this critical issue, the Bureau of Justice Assistance (BJA) awarded eight site-based awards, totaling approximately \$10.7 million,⁴ under the American Recovery and Reinvestment Act of 2009 Edward Byrne Memorial Competitive Grant Program (ARRA Byrne) that focus specifically on reducing mortgage fraud and crime related to vacant properties. In 2010, funds were set aside from the Edward Byrne Memorial Justice Assistance Grant Program to support the Mortgage Fraud Initiative. Through this initiative, six additional site-based grants, totaling \$7,717,398, were awarded to state and local agencies addressing the mortgage fraud problem. Activities conducted by state and local site-based grantees include assessing risk factors for mortgage fraud, investigating reports of mortgage fraud, issuing search warrants and subpoenas, assisting with indictment of defendants, securing restitution for victims, identifying new techniques for preventing mortgage fraud, and offering community outreach and training on issues related to mortgage fraud.⁵

¹ Federal Bureau of Investigation, 2010, *2010 Mortgage Fraud Report*, Washington, DC: Federal Bureau of Investigation, retrieved October 5, 2012 from www.fbi.gov/stats-services/publications/mortgage-fraud-2010

² Federal Financial Institutions Examination Council, 2009, *The Detection and Deterrence of Mortgage Fraud Against Financial Institutions: A White Paper*, Arlington, VA: Federal Financial Institutions Examination Council, retrieved October 5, 2012 from www.ffiec.gov/exam/Mtg_Fraud_wp_Feb2010.pdf

³ Federal Bureau of Investigation, 2010, *2010 Mortgage Fraud Report*, Washington, DC: Federal Bureau of Investigation, retrieved October 5, 2012 from www.fbi.gov/stats-services/publications/mortgage-fraud-2010

⁴ Total funding for the ARRA Byrne program was \$116,577,776.

⁵ Subsequent information is based on ARRA grantee reports submitted through the Performance Measurement Tool (PMT) and FY 2010 grantee reports to the Grants Management System (GMS).

MESSAGE FROM THE DIRECTOR

With mortgage fraud an increasing problem nationwide, BJA was pleased to award \$10.7 million in FY 2009 and \$7.7 million in FY 2010 to 14 grantees in areas hit particularly hard by this crime. With this funding, grantees were able to investigate more than 300 cases of mortgage and other economic fraud, including one case that involved nearly \$13 million in fraudulent loans; review over 1,000 suspicious activity reports made by financial institutions; secure more than \$2 million in restitution for victims; and provide training to key partners, such as law enforcement and prosecutors, on how to best prosecute mortgage fraud cases and win restitution for victims. Through grants, training, and technical assistance, BJA remains committed to assisting jurisdictions struggling with this complex problem.

KEY POINTS

- Although the exact amount of money lost to mortgage fraud is unknown, one study estimates that more than \$10 billion in loans were originated with fraudulent application data in 2010.
- To address this critical issue, BJA awarded grants totaling approximately \$10.7 million under the American Recovery and Reinvestment Act of 2009 Edward Byrne Memorial Competitive Grant

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KEY POINTS (cont.)

Program and approximately \$7.7 million under the FY 2010 Edward Byrne Memorial Justice Assistance Grant Program to focus specifically on reducing mortgage fraud and crime related to vacant properties.

- The 14 grantees represent 6 of the 10 jurisdictions with the highest number of suspicious activity reports.
- For more information, visit www.bja.gov/ProgramDetails.aspx?Program_ID=101 or contact Catherine. McNamee@usdoj.gov.

ARRA Byrne Mortgage Fraud Grantees

Grantee	State
San Francisco District Attorney's Office	California
County of Ventura	California
State Attorney, 11th Judicial Circuit	Florida
Cook County State Attorney's Office	Illinois
Housing Prevention Project	Minnesota
Cuyahoga County Prosecutor's Office	Ohio
Oregon Department of Justice	Oregon
Utah Office of the Attorney General	Utah

FY 2010 Mortgage Fraud Initiative Grantees

Grantee	State
Arizona Attorney General	Arizona
Colorado State Department of Public Safety	Colorado
Indiana Attorney General	Indiana
Maryland Department of Labor, Licensing and Regulation	Maryland
Wayne County Prosecutor	Indiana
Nevada Attorney General	Nevada

These 14 grantees include 6 of the top 10 states with the highest number of suspicious activity reports (SARs), as ranked by the Financial Crimes Enforcement Network of the U.S. Department of the Treasury.⁶ SARs are submitted by financial institutions in response to suspicious or potentially suspicious activity. The 10 jurisdictions with the highest number of SARs during the second quarter of 2011 were California, Arizona, the District of Columbia, Hawaii, Florida, Illinois, Nevada, New Jersey, Utah, and North Carolina.⁷

Accomplishments of Mortgage Fraud Grantees

During 2011, Mortgage Fraud Initiative grantees accomplished the following:⁸

- Charged a suspect who embezzled close to \$1 million and laundered the money overseas.
- Investigated more than 300 cases of mortgage and other economic fraud.
- Completed major investigations, including one that involved nearly \$13 million in fraudulent loans.
- Investigated a case in which a suspect took investor funds for renovation and land development business projects totaling more than \$1.6 million. The suspect allegedly falsified documents to show that the money was paying for construction, but it was really used for the suspect's personal benefit.

⁶ Financial Crimes Enforcement Network, 2011, *FinCEN Mortgage Fraud SAR Datasets*, Washington, DC: U.S. Department of the Treasury, retrieved October 5, 2012 from www.fincen.gov/mlf_sar_data

⁷ Ibid.

⁸ This report is based on self-reported data from BJA's PMT and GMS.

- Investigated mortgage fraud scams that targeted specific demographics, including foreign-speaking, elderly, and impoverished communities.
- Reviewed more than 1,000 SARs.
- Secured more than \$2 million in restitution for victims.
- Developed databases (such as the Public Early Warning System [PEWS]) to track data and identify trends in mortgage fraud. When fully operational, PEWS will be a searchable database that will identify red flags of mortgage- or real estate-related fraud. The system will be able to download property records on a weekly basis and convert that information into a searchable format. A user will be able to run searches for pre-existing models that will highlight properties at risk of fraud.
- Secured access to the National Loan Modification Scam Database. This is a nationwide database that captures information on alleged scammers, homeowners, complaints, and allegations of wrongdoing.
- Used geographic information system mapping and other geographic techniques to determine trends and hotspots for foreclosed properties. This method is based on research suggesting that mortgage fraud is responsible for a large percentage of foreclosures.
- Used forensic accounting techniques that allow an expert to trace the accounts to which money has been laundered.
- Supported a mortgage specialist who works at a community justice center and assists community members seeking services.
- Started a new initiative to educate military service members, prior to deployment, on mortgage fraud and foreclosure prevention. To date, the initiative has reached more than 850 soldiers.
- Created fraud-prevention presentations for homeowners who are looking for loan modification services. The materials presented are often printed in languages other than English and focus on steps individuals can take to avoid becoming victims of mortgage fraud.
- Presented at workshops on mortgage fraud and mortgage foreclosure prevention.
- Established community web sites that address mortgage fraud and other economic crimes.
- Created a Real Estate Advisory Team that speaks at community and real estate events and offers tips to audience members on how to avoid becoming victims of mortgage and real estate fraud.
- Trained key partners (including law enforcement, prosecutors, and investigators) on how to prosecute mortgage fraud cases and how to get restitution for victims.
- Created a training course for mortgage fraud investigations that includes presentations and materials by experts on the topic and will help newly hired individuals working on such cases.
- Developed relationships with detectives from other counties and assisted them with issues related to mortgage scams, particularly those detectives working in the Latino community, and became a member of the Hispanic Homeownership Task Force.
- Assisted in drafting new foreclosure regulations.

Mortgage Fraud Training and Technical Assistance

In addition to providing site-based grants, BJA awarded cooperative agreements for training and technical assistance (TTA) to the National White Collar Crime Center, the National District Attorneys Association, and the National Crime Prevention Council. These TTA providers, with the help of the Center for Public Safety Innovation at Florida's St. Petersburg College, have provided much-needed resources such as a mortgage fraud training curriculum for law enforcement, specialized mortgage fraud training sessions for law enforcement, and research-based public awareness campaigns about mortgage fraud.

In October 2010, BJA and the TTA providers organized a workshop, which included mortgage fraud experts, to discuss the needs and goals of a training curriculum. It was determined that the highest-priority audiences were investigators, line officers, prosecutors, and consumers. Trainings have been held in jurisdictions throughout the country, and new curricula are being developed to target high-priority audiences and emerging issues.

A TTA web site (<http://www.nw3c.org/mortgagefraud>) has also been created and is processing requests for TTA from various sites.

Training and Technical Assistance Providers	
Grantee	State
National White Collar Crime Center	Virginia
National District Attorneys Association	Virginia
National Crime Prevention Council	Virginia
Center for Public Safety Innovation at St. Petersburg College	Florida

CONTACT US

Bureau of Justice Assistance
Office of Justice Programs
810 Seventh Street NW.
Fourth Floor
Washington, DC 20531
Phone: 202-616-6500
E-mail: www.bja.gov/contactus.aspx
Web site: www.bja.gov

