



FBI PRESS RELEASE

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SOUTHERN CALIFORINA MORTGAGE TASK FORCE TO BE CALLED “SCAM” ANNOUNCED BY NINE FEDERAL AGENCIES IN LOS ANGELES

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A multi-agency task force to address the significant crime problem of mortgage fraud has been established in Los Angeles, announced Salvador Hernandez, Assistant Director in Charge of the FBI in Los Angeles. The SCAM Task Force is the most recent to be added to more than 40 such task forces around the country.

As mortgage fraud crimes continue to have significant ramifications that affect the credit market, the burden on federal law enforcement increases. With the anticipated upsurge in mortgage fraud cases, the FBI has employed strategies to proactively address the problem, including the creation of multi-agency task forces. In Los Angeles, nine federal agencies have partnered to form squads of agents to investigate various types of fraud in connection with mortgage lending and the housing market, all of which have a significant effect on the nation's economy.

“While there are nearly two hundred FBI agents around the country who investigate mortgage fraud cases, this multi-agency model serves as a force-multiplier, providing an array of resources to adequately identify the source of the fraud, as well as finding the most effective way to prosecute each case, particularly in an active market such as ours, where fraud is widespread,” said Salvador Hernandez, Assistant Director in Charge of the FBI in Los Angeles.

“Whether committed by unscrupulous lenders, real estate professionals or desperate homeowners, mortgage fraud affects all of us,” said United States Attorney Thomas P. O’Brien. “Defaults on inflated loans and resulting foreclosures impose huge monetary and social costs, as well as making it more expensive for everyone to obtain credit. My office has a long tradition of

prosecuting all types of mortgage frauds, from simple false statements on loan applications to complicated property-flipping schemes. I look forward to working with the new task force to do more of these cases as we seek to make sure that those who perpetrate these frauds are punished.”

The agencies participating in the FBI’s SCAM Task Force include:

The United States Attorney’s Office – Central District of California

IRS – Criminal Investigation

The U.S. Postal Inspection Service

The Small Business Administration – Office of Inspector General

The Social Security Administration – Office of Inspector General

The United States Attorneys Office

The U.S. Trustee Program

U. S. Dept. of Housing & Urban Development - Office of General Inspector

Department of Veterans Affairs

Federal Deposit Insurance Corporation – Office of Inspector General

“The current state of the housing market makes the mortgage industry ripe for fraud targeting American consumers. These scams are devastating to homeowners and our nation's economy. Postal Inspectors are committed to the SCAM Task Force, the investigation of mortgage fraud schemes and preserving the American dream,” said B. Bernard Ferguson, Inspector in Charge, Los Angeles Division, U.S. Postal Inspection Service.

“Real estate and mortgage fraud crimes create huge losses of tax revenue, and force buyers into foreclosure and leave lenders burdened with bad loans. This type of fraud threatens the integrity of our tax system and erodes the financial health of our communities, said Debra D. King, Special Agent in Charge, IRS-Criminal Investigation, Los Angeles Field Office. “IRS-Criminal Investigation is proud to be part of a formidable law enforcement team that is focused on investigating real estate and mortgage fraud schemes and we will continue our efforts to investigate the tax evasion and money laundering aspects of these types of crimes.”

Kenneth M. Donohue, Inspector General of the Department of Housing and Urban Development (HUD), stated, “Today is an important milestone in a combined effort by law enforcement and the U.S. Attorneys Office against mortgage fraud. These cases quite often involve individuals driven by greed. Mortgage fraud and white collar crimes - whether aimed at the lender or the borrower - strike at the economic heart of the American system. To the extent that we can uncover and prosecute these activities, it's to everyone's benefit. Accordingly, I am happy for the

HUD Office of Inspector General to join the FBI, the U.S. Attorneys Office, and other participating agencies in combating the many schemes involving mortgage fraud."

Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation, said, "The Federal Deposit Insurance Corporation Office of Inspector General welcomes the opportunity to participate on the newly formed Southern California Mortgage Task Force. Through partnerships with our law enforcement and IG community colleagues in California, OIG Special Agents from our Southwest Region can help successfully combat mortgage fraud and preserve the integrity of the financial services industry. We are committed to this collaborative effort and confident that by leveraging our resources, our investigative activities will go a long way toward curbing the growing problem of mortgage fraud."

The task force will investigate mortgage fraud in two distinct areas known as "fraud for profit," and "fraud for housing." Fraud for profit or "industry-insider" fraud involves the skimming of equity, falsely inflating the value of the property, or the issuance of loans based on fictitious properties. Based on existing investigations and mortgage fraud reporting, roughly 80 percent of all reported fraud losses involve collaboration or collusion by industry insiders.

Fraud for Housing schemes involve illegal actions perpetrated solely by the borrower. The motive behind this fraud is to acquire and maintain ownership of a house under false pretenses. The borrower typically makes false representations regarding his income or employment history to qualify for a loan. Fraud for Housing accounts for roughly 20 percent of all fraud losses.

Eric M. Thorson, Inspector General of the Small Business Administration said, "The tentacles of mortgage industry fraud are far reaching. The unscrupulous individuals perpetrating these schemes have also targeted the Small Business Administration, among many other victims, by obtaining SBA loans under false pretenses. One of the goals of this task force is to protect the integrity of SBA loan programs."

"The Los Angeles Office of the U.S. Trustee Program is pleased to be a part of this coordinated effort to pursue those who commit mortgage fraud, including scam operators who use the bankruptcy system to victimize homeowners in financial distress," stated Peter C. Anderson, U.S. Trustee for the Central District of California (Region 16). "Our membership on the task force dovetails well with our mission to protect the integrity of the bankruptcy system."

In order to encourage members of the public to report illegal activity related to mortgages, the SCAM Task Force has established telephonic and online mechanisms accessible to the public. A toll free tip-line has been established in Los Angeles and is

currently operational at 1 866 959-SCAM. Online complaints are also encouraged and can be submitted to: SCAM@ic.fbi.gov

The FBI and its partners recommend that potential and existing homeowners follow the below-listed tips to protect against mortgage fraud.

- (1) Get referrals for real estate and mortgage professionals. Check the licenses of the industry professionals with state, county, or city regulatory agencies.
- (2) If it sounds too good to be true, it probably is. An outrageous promise of extraordinary profit in a short period of time should signal a problem.
- (3) Be wary of strangers and unsolicited contacts, as well as high-pressure sales techniques.
- (4) Look at written information to include recent comparable sales in the area, and other documents such as tax assessments to verify the value of the property.
- (5) Understand what you are signing and, thereby, agreeing to. If you do not understand something, re-read the documents, or seek assistance from an attorney.
- (6) Make sure the name on your application matches the name on your identification.
- (7) Review the title history to determine if the property has been sold multiple times within a short period. It could mean that this property has been "flipped" and the value falsely inflated.
- (8) Know and understand the terms of your mortgage. Check your information against the information in the loan documents to ensure they are accurate and complete.
- (9) Never sign any loan documents that contain blanks. This leaves you vulnerable to fraud.

Additional information can be found on the FBI's website at www.fbi.gov.

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