

U.S. DEPARTMENT OF THE TREASURY

Press Center



Federal, State Partners Convene to Discuss Ongoing Anti-Fraud Efforts in Housing Markets

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WASHINGTON – This morning, Treasury Secretary Tim Geithner hosted Attorney General Eric Holder, Housing and Urban Development (HUD) Secretary Shaun Donovan, Federal Trade Commission (FTC) Chairman Jon Leibowitz, Financial Crimes Enforcement Network (FinCEN) Director Jim Freis and attorneys general from 12 states to discuss emerging trends and proactive strategies to combat fraud against consumers in the housing markets as well as best practices to bolster coordination across state and federal agencies. This meeting follows up on an announcement by the Obama Administration in April of a multi-agency crackdown on foreclosure rescue scams and loan modification fraud designed to protect homeowners from predatory financial practices.

"A clear lesson of this financial crisis is that American consumers need better protection against fraud," said Treasury Secretary Tim Geithner. "And while we will prosecute anyone who violated the law, going forward we will not wait for problems to peak before we respond. The Obama Administration is acting preemptively, across federal agencies and alongside state governments, to stop consumer fraud."

Treasury, FinCEN, and DOJ, HUD, and FTC have committed to taking proactive measures to curb abuse by coordinating information and resources across agencies to maximize targeting and efficiency in fraud investigations. This includes alerting financial institutions to emerging schemes, stepping up enforcement actions and educating consumers to help those in financial trouble avoid becoming the victims of a loan modification or foreclosure rescue scam.

"Our efforts to attack mortgage fraud must be, and are, concerted and coordinated," said Attorney General Holder. "Working together, we can send a clear and straightforward message: Those who prey on vulnerable American homeowners cannot hide from the hand of the law. If you perpetrate mortgage fraud, we will find you and we will bring you to justice."

"At HUD, we firmly believe that the first line of defense is an informed consumer, and that's why we're working with our state and local partners on the ground, particularly housing counselors, to increase consumer awareness and give homeowners and homebuyers a trusted place to turn for assistance," said Secretary Donovan. "HUD has also requested \$37 million in our FY2010 budget to combat fraud by training industry partners and giving FHA access to state-of-the-art fraud detection tools, as well as to help curb discrimination through increases in HUD's fair housing activities."

The FTC today announced two new law enforcement actions in a continuing crackdown on mortgage foreclosure rescue and loan modification scams, bringing to 22 the number of these cases the Commission has filed since the housing crisis began. The FTC also announced developments in similar pending mortgage-related actions, several of which have involved coordinated case work from FinCEN.

"Today's challenging economy presents an opportunity for con artists who prey upon financially distressed consumers. The Federal Trade Commission and our state and federal partners will continue to bring law enforcement actions to stop this insidious fraud," FTC Chairman Leibowitz said. "If you're worried about keeping your home, avoid any company that asks for a large fee in advance, guarantees that they'll stop a foreclosure or modify a loan, or tells you to stop paying your mortgage company and to pay them instead."

Illegal and predatory practices in the mortgage market are rampant in the wake of the recent financial crisis, including many fraudulent television ads that run on prominent networks promising simple solutions to complex financial problems. Federal and state officials discussed patterns of fraud in today's meeting and best practices for addressing them early, before American families suffer further financial harm.

Participating in today's meeting were attorneys general Dustin McDaniel, Arkansas; Terry Goddard, Arizona; Richard Blumenthal, Connecticut; Lisa Madigan, Illinois; Tom Miller, Iowa; Doug Gansler, Maryland; Chris Koster, Missouri; Catherine Cortez Masto, Nevada; Roy Cooper, North Carolina; Richard Cordray, Ohio (by phone); Patrick Lynch, Rhode Island; Rob McKenna, Washington (by phone). Collectively, these offices have taken action on scores of fraud cases in the housing markets and opened hundreds of investigations to date.

Statements from these attorneys general follow:

"Mortgage rescue schemes are becoming an epidemic -- preying on families facing foreclosure in exploding numbers. These mortgage rescue scams raise false hopes and then cruelly exploit them, which is why my office is fighting them and welcomes the federal government as a strong ally. Connecticut has adopted a landmark ban on upfront fees for mortgage repair schemes -- a model for national action in the battle against exploitation of consumers seeking to save their homes. I proposed and fought for it, and will enforce it vigorously. Today's meeting is an historic step toward a powerful alliance of state and federal law enforcers battling scammers who profit on homeowners facing foreclosure." - **Connecticut Attorney General Richard Blumenthal**

"Homeowners should never pay an upfront fee for help with negotiating a loan modification. If you're asked to pay an upfront fee, that's a sure sign you're dealing with a scavenger whose only goal is to con you out of money you can't afford to lose, and who will ultimately rob you of any opportunity to save your home with the help of legitimate organizations ." - **Illinois Attorney General Lisa Madigan**

"Mortgage foreclosure rescue scams ask consumers to pay hundreds of dollars up-front for so-called rescue from foreclosure, but they just take your money and do nothing to help. The scam puts the homeowner deeper into a financial hole and does nothing to save the home. In fact, the scam often diverts consumers from getting the real help they need such as from the free Iowa Mortgage Help Hotline sponsored by our office." - **Iowa Attorney General Tom Miller**

"An unfortunate result of the country's current economic situation is the exponential increase in the number of disreputable companies and individuals eager to strip homeowners of their most valuable asset. I am pleased that our federal partners are working with the Attorneys General to help shut these operations down and keep millions of families in their homes." - **Maryland Attorney General Douglas F. Gansler**

"In Missouri we have zero tolerance for people who prey on those in serious risk of losing their homes. We will continue to aggressively pursue businesses that engage in mortgage-relief scams to stop them from operating in Missouri." - **Missouri Attorney General Chris Koster**

"This federal and state partnership is an important continuing effort to bring relief and justice to Nevadans from mortgage fraud." - **Nevada Attorney General Catherine Cortez Masto**

"Foreclosure scams cost homeowners time and money, two things you can't afford to lose when you're fighting to save your home. We're cracking down on foreclosure scammers who take homeowners' money but do little or nothing to help them." - **North Carolina Attorney General Roy Cooper**

"Consumer education is the new burglar alarm and state-federal cooperative enforcement is the deadbolt that will protect homeowners from today's crooks - fraudsters who claim to offer mortgage relief." - **Washington Attorney General Rob McKenna**

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