

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Federal, State Partners Announce Multi-Agency Crackdown Targeting Foreclosure Rescue Scams, Loan Modification Fraud

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*Civil Enforcement Cases, State Enforcement Actions, Alert to Financial Institutions Among New Efforts to Protect American Homeowners Seeking Relief*

**WASHINGTON** – As homeowners and communities throughout the country continue to face devastating consequences from the deep contraction in the economy and the housing market, the Obama Administration today announced a new coordinated effort across federal and state government and the private sector to target mortgage loan modification fraud and foreclosure rescue scams that threaten to hurt American homeowners and prevent them from getting the help they need during these challenging times. The new effort announced today aligns responses from federal law enforcement agencies, state investigators and prosecutors, civil enforcement authorities, and the private sector to protect homeowners seeking assistance under the Administration's Making Home Affordable<sup>®</sup> program from criminal actors looking to perpetrate predatory schemes.

The U.S. Department of the Treasury, the U.S. Department of Justice (DOJ), the Department of Housing and Urban Development (HUD), the Federal Trade Commission (FTC), and the Attorney General of Illinois today discussed new initiatives to coordinate information and resources across agencies to maximize targeting and efficiency in fraud investigations, alert financial institutions to emerging schemes, step up enforcement actions and educate consumers to help those in financial trouble avoid becoming the victims of a loan modification or foreclosure rescue scam.

Earlier this year, in an effort to stabilize the housing market and ensure responsible homeowners can afford to stay in their homes, the Administration announced Making Home Affordable, a program to help eligible homeowners refinance or modify their mortgages. The plan will help up to 7 to 9 million families restructure or refinance their mortgages to lower their monthly payments and make their mortgages affordable now and in the future – an opportunity for relief that unfortunately also brings greater opportunity for criminal actors to prey upon consumers seeking assistance.

The FTC recently surveyed online and print advertising for mortgage foreclosure rescue operations nationwide and identified approximately 71 distinct companies running suspicious ads. Treasury's Financial Crimes Enforcement Network (FinCEN) also conducted recent studies on mortgage fraud that found that between July 2002 and June 2008, depository institutions filed nearly 180,000 mortgage fraud suspicious activity reports (SARs), with those involved in mortgage fraud often involved in other types of crime as well.

"The Administration's Making Home Affordable program is a critical piece of our efforts to stabilize the financial system and ensure that it works with our efforts to grow the economy," said Treasury Secretary Tim Geithner. "American homeowners desperately need the relief this program offers, but the very last thing they need is to be taken advantage of as they try to hold on to their homes. This Administration is deeply committed not just to providing at-risk homeowners with assistance but also to cracking down on anyone who seeks to defraud them."

To this end, Treasury and FinCEN announced an advanced targeting effort already underway to combat fraudulent loan modification schemes and coordinate ongoing efforts across agencies to investigate fraud and assist with enforcement and prosecutions. In less than a week, FinCEN's new targeting effort has produced leads that have helped various agencies to halt the illegal practices of those offering loan modification or foreclosure scams. In undertaking this effort, FinCEN will marshal information about possible fraudulent actors, drawing upon a variety of data available to law enforcement, regulatory agencies, and the consumer protection community, for the purpose of identifying and proactively referring potential criminal targets to participating law enforcement authorities.

Through FinCEN, Treasury is also issuing an advisory alerting financial institutions to the risks of emerging schemes related to loan modifications. The advisory identifies certain "red flags" that may indicate a loan modification or foreclosure rescue scam and warrant the filing of a SAR by a financial institution. Examples of possible signs of fraudulent activity, such as requiring that fees be paid before services are provided, are listed in the advisory. In addition, the advisory requests that financial institutions include the term "foreclosure rescue scam" in the narrative sections of all relevant SARs.

As part of the multi-agency effort, Attorney General Eric Holder outlined ways in which DOJ has been cracking down on mortgage fraud schemes, including several successful convictions of scam artists in recent months. He also emphasized the Justice Department's commitment to working with federal and state law enforcement and regulatory partners to ensure a coordinated and comprehensive response to the problem, describing the department's work with the FTC and state attorneys general to reinvigorate the Executive Working Group, which allows partners to coordinate and exchange intelligence on competition and consumer fraud issues. The Attorney General also discussed DOJ's focus on investigating and prosecuting lenders who discriminate against borrowers based on race, national origin, or other prohibited factors.

"For millions of Americans, the dream of home ownership has become a nightmare because of the unscrupulous actions of individuals and companies who exploit the misfortune of others," Attorney General Eric Holder said. "The Department of Justice's message is simple: if you discriminate against borrowers or prey on vulnerable homeowners with fraudulent mortgage schemes, we will find you, and we will punish you."

On the civil enforcement side, the FTC has filed five new cases to halt the illegal practices of individuals and companies offering loan modification or foreclosure scams – including one company that spent 9 million dollars on TV and radio ads in less than one year. The FTC is also joining forces with a wide array of government, non-profit, and mortgage industry members to launch a new consumer education campaign to help those in financial trouble avoid becoming the victims of a loan modification or foreclosure rescue scam.

"Today the FTC announced five law enforcement actions and sent 71 warning letters to operations using deceptive tactics to market their mortgage loan modification and home foreclosure relief services," said Jon Leibowitz, Chairman of the FTC. "We're enforcing the law against these scam artists who are deceiving consumers while they're down; we're putting others on notice that unless they change their ways, they're next; and we're working with other government agencies, non-profits, and mortgage servicers to reach out to our neighbors in distress with the details of how and where to get help."

Under the new campaign, several private sector national loan servicers, including Chase Home Finance, Suntrust Mortgage, GMAC Mortgage, and American Home Mortgage Servicing, are distributing FTC consumer alerts that provide consumers with tips for avoiding mortgage relief scams and direct them to free, legitimate counseling services for at-risk homeowners. The servicers will distribute the materials in monthly statements, in correspondence to delinquent borrowers, in counseling sessions, and on their websites.

Bolstering new outreach efforts to protect homeowners against fraud, HUD Secretary Donovan announced that HUD would begin distributing literature today to all of its housing partners-- HUD field offices and staff, housing authorities, state and local agencies, and non-profit organizations--warning consumers nationwide about loan modification fraud. This and other targeted outreach efforts will help alert communities hard-hit by foreclosure about the legitimate foreclosure assistance available to them.

"We have families on the edge of foreclosure that are being offered things that are too good to be true, and we will take every measure we can to educate and protect consumers and homeowners, bring these scams to light, and work to prevent con artists from exploiting the housing crisis," said HUD Secretary Donovan. "There are legitimate people, places, and agencies that American families can turn to when they are facing foreclosure, starting with [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov) and the Homeowner's HOPE Hotline at 1-888-995-HOPE for free foreclosure counseling assistance."

Under the new multi-agency initiative, there will also be strong coordination between federal and state governments that are battling foreclosure scams. The FTC released today a list of more than 20 states that have already taken law enforcement action on loan modification or foreclosure rescue scams. For example, today in Illinois, Attorney General Madigan is filing lawsuits against two Chicago-area mortgage rescue fraud schemes seeking temporary restraining orders to immediately stop the defendants from providing mortgage rescue services.

The numerous rescue fraud lawsuits filed in Illinois --24 to date-- illustrate how Attorney General Madigan and other state attorneys general are using their enforcement authority to prosecute mortgage foreclosure rescue fraud across the country. On the state level, more than 150 enforcement actions have been brought against mortgage rescue companies.

"We have repeatedly found that these foreclosure rescue operations are swindling desperate homeowners out of money they can't afford to lose," said Attorney General Madigan. "Struggling homeowners need to know that free help is available. The 24 lawsuits I have filed prove foreclosure rescue operators don't help. They don't call your lender, they don't modify your loan, and they don't represent you in court if you're in foreclosure. All they do is take your money. By combining our powers, state and federal authorities are sending a clear message to these mortgage rescue scammers: It is not a question of if we'll come after you; it is only a question of when."

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