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Report to Congressional Committees

October 2013

FINANCIAL CRIME

Foreclosure Rescue Schemes Have Become More Complex, and Efforts to Combat Them Continue

GAO Highlights

Highlights of GAO-14-17, a report to congressional committees

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Foreclosure Rescue Schemes Have Become More Complex, and Efforts to Combat Them Continue

Why GAO Did This Study

In July 2010, GAO reported on federal efforts to combat foreclosure rescue schemes—schemes that promise but do not deliver foreclosure prevention assistance. Subsequently, the Dodd-Frank Wall Street Reform and Consumer Protection Act required GAO to study interagency efforts to crack down on these schemes. This report updates GAO's 2010 report and examines (1) available information about the prevalence and nature of foreclosure rescue schemes, and (2) the status and scope of the federal government's multiagency effort and other major initiatives to combat them.

To address these objectives, GAO analyzed consumer complaints, obtained information from federal agencies participating in FFETF, and interviewed representatives of six states with high populations of borrowers at risk of foreclosure, and nonprofit organizations that are also making efforts to combat these schemes.

In its written comments, Treasury noted that it valued GAO's insights as it continues to combat foreclosure rescue schemes. The Special Inspector General for the Troubled Asset Relief Program concurred with the findings related to its work and noted that it has made significant progress in combating these schemes and will continue to work with law enforcement partners to investigate them.

View GAO-14-17. For more information, contact Lawrance L. Evans, Jr. at (202) 512-8678 or evansl@gao.gov.

What GAO Found

Foreclosure rescue schemes remain at historically high levels and have become more complex. The Federal Trade Commission's (FTC) Consumer Sentinel Network—an online database of consumer complaints received by FTC, law enforcement agencies, and other organizations—showed that complaints about these schemes rose from around 9,000 in 2009 to more than 18,000 each year in 2010, 2011, and 2012. In addition, the Financial Crimes Enforcement Network reported steady increases over the same period in the number of Suspicious Activity Reports (SAR)—reports filed by financial institutions about suspected violations of financial laws and regulations—related to these schemes. Agency officials and representatives of nonprofits told GAO that the schemes had become increasingly complex, creating challenges for law enforcement. For example, schemes involving attorneys—which tend to involve greater losses—had become more common in recent years following a regulation that bans upfront fees, but provides an exception for attorneys. These schemes present unique challenges because attorneys typically collect fees upfront and enforcement officials have difficulty trying to determine whether attorneys are providing legitimate services. Furthermore, officials and representatives of nonprofits also noted that some populations, including minorities and the elderly, continued to be targeted.

Since GAO last reported on this issue in 2010, the Financial Fraud Enforcement Task Force (FFETF) and its members have undertaken a number of actions to educate borrowers on how to avoid being victimized by these schemes. These efforts have also emphasized the need for consumers and institutions to report possible fraudulent schemes and the importance of enhanced information sharing among law enforcement agencies investigating and prosecuting these schemes. Specifically, FFETF members have developed and participated in various outreach efforts, including hosting regional education summits for distressed homeowners, counselors, and law enforcement officials and directing more individuals to resources on FFETF's mortgage fraud webpage, StopFraud.gov. FFETF member agencies' fraud detection efforts have focused on gathering information from SARs and complaints from the FTC Consumer Sentinel Network and sharing this information among members. Member agencies that GAO contacted also indicated that information sharing and coordination on investigations among FFETF members had led to joint investigations and broad enforcement initiatives. For example, one year-long multiagency effort resulted in criminal charges against 107 defendants. Cases were also filed against 128 civil defendants in federal courts across the country.

Contents

Abbreviations

ABA	American Bar Association
CFPB	Bureau of Consumer Financial Protection
DOJ	Department of Justice
FBI	Federal Bureau of Investigation
FFETF	Financial Fraud Enforcement Task Force
FHFA	Federal Housing Finance Administration
FinCEN	Financial Crimes Enforcement Network
FTC	Federal Trade Commission
HAMP	Home Affordable Modification Program
HUD	Department of Housing and Urban Development
IFR	Independent Foreclosure Review
IRR	Individual Rights and Responsibilities
LMSPN	Loan Modification Scam Prevention Network
MARS	Mortgage Assistance Relief Services
MFWG	Mortgage Fraud Working Group
SAR	Suspicious Activity Report
SIGTARP	Special Inspector General for the Troubled Asset Relief Program

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Congressional Committees

From September 2008 through May 2013, about 4.4 million homes had been lost to foreclosure.[1] In 2010, we reported on individuals and companies that had been perpetrating fraudulent foreclosure rescue schemes against homeowners who were at risk of losing their homes.[2] These schemes, which can result in significant losses to individuals, promise to assist homeowners at risk of losing their homes to foreclosure through one of several actions but ultimately do not provide the promised relief. Homeowners have lost, and continue to lose, thousands of dollars on these schemes, when free help may be available from federal programs and private financial institutions.

In November 2009, the President created the Financial Fraud Enforcement Task Force (FFETF), a multiagency effort to combat a range of financial crimes relating to the recent financial crisis and recovery efforts.[3] To increase federal enforcement in areas of mortgage fraud and coordinate outreach, the task force established the Mortgage Fraud Working Group (MFWG). MFWG is co-chaired by the U.S. Attorney for the Eastern District of California, officials from the U.S. Department of Housing and Urban Development's (HUD) Office of Inspector General, officials from the U.S. Department of Justice (DOJ) Civil Division and Federal Bureau of Investigation (FBI), and representatives from the National Association of Attorneys General. In addition to the working group, other federal, state, local, private, and nonprofit entities have continued their efforts to combat foreclosure rescue schemes.

The Dodd–Frank Wall Street Reform and Consumer Protection Act required GAO to study current multiagency efforts to combat foreclosure

[1]CoreLogic. *CoreLogic National Foreclosure Report.* (Irvine, Calif.: May 2013).

[2]GAO. *Homeownership Preservation: Federal Efforts to Combat Foreclosure Rescue Schemes are Under Way, but Improved Planning Elements Could Enhance Progress*, GAO-10-787 (Washington, D.C.: July 15, 2010).

[3]FFETF is composed of more than 20 federal agencies, 94 U.S. Attorneys' Offices and state and local partners.

rescue schemes.[4] In response, we examined (1) the available information about the nature and prevalence of foreclosure rescue schemes and (2) the status and scope of the federal government's multiagency efforts to combat these schemes and other major efforts. This report updates our 2010 report on foreclosure rescue schemes.[5]

To determine what is known about the nature and prevalence of mortgage foreclosure rescue schemes, we collected complaint data from the Federal Trade Commission's (FTC) Consumer Sentinel Network database and the Loan Modification Scam Prevention Network (LMSPN).[6] In addition, we examined published information on the number of Suspicious Activity Reports (SARs) related to foreclosure rescue schemes.[7] We spoke with officials and representatives who manage these databases about their data collection processes and internal quality controls and tested the data where applicable. We found FTC's Consumer Sentinel Network, LMSPN, and SAR data to be sufficiently reliable for the purpose of discussing the nature and prevalence of foreclosure rescue schemes in this report. We contacted representatives of agencies that are part of MFWG that were active in combating foreclosure rescue schemes—the Bureau of Consumer Financial Protection (CFPB), DOJ, the Federal Housing Finance Agency (FHFA) and its Office of Inspector General, FTC, HUD and its Office of Inspector General, U.S. Department of the Treasury (Treasury), the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and the U.S. Postal Inspection Service. In addition, we

[4] Pub. L. No. 111-203, § 1492, 124 Stat. 1376, 2206 (2010).

[5] GAO-10-787.

[6] FTC's Consumer Sentinel Network is a database of consumer complaints received by FTC, as well as those filed with law enforcement and other organizations, including other federal and state agencies and nonprofit organizations. LMSPN was formed in 2009 by the Lawyers' Committee for Civil Rights Under Law, a nonprofit legal advocacy organization, to engage the Committee and others in the fight against foreclosure rescue schemes. It maintains a database of consumer complaints submitted directly through a website created by the Lawyers' Committee for LMSPN—PreventLoanScams.org, and to any of the network's 85 government or 47 nongovernment members.

[7] To assist law enforcement agencies in their efforts to combat money laundering, terrorist financing, and other financial crimes, the Bank Secrecy Act, Pub. L. No. 91-508, 84 Stat. 1114 (1970) (codified as amended in scattered sections of 12, 15, 31 U.S.C.) requires financial institutions to file SARs to inform the federal government of transactions related to possible financial crimes. See 31 U.S.C. §5318(g).

contacted representatives of government-sponsored enterprises (enterprises), Fannie Mae and Freddie Mac, as well as offices of the attorneys general from Indiana and the five states we spoke with for our 2010 report—Arizona, California, Florida, Illinois, and New York—which have some of the highest numbers of potential foreclosures. We also spoke with a number of nonprofit organizations that are actively addressing these schemes.

To determine the status and scope of the federal government's multiagency effort and other major efforts to combat these schemes, we interviewed officials and obtained relevant documentation from FFETF and the MFWG members listed previously. We also interviewed officials and obtained documents from the enterprises and nonprofit organizations that have undertaken major efforts in this area, including the National Fair Housing Alliance, the National Community Reinvestment Coalition, HOPE NOW, the Homeownership Preservation Foundation, and lead members of LMSPN, including the Lawyers' Committee for Civil Rights Under Law (Lawyers' Committee) and NeighborWorks America (NeighborWorks). We reviewed these entities' websites to determine what information was available on foreclosure rescue schemes and interviewed officials about their efforts to conduct outreach, collect consumer complaints, and conduct enforcement activities related to these types of schemes. To identify requirements for effective internal controls related to fraud detection and prevention, we reviewed Standards for Internal Control in the Federal Government.[8] Additionally, we looked at our past reviews of federal programs in which we identified the key elements of a framework for fraud prevention, detection, and prosecution.[9] Finally, we collected information on the number of civil and criminal foreclosure rescue scheme cases state and federal agencies pursued. Appendix I contains detailed information on our scope and methodology.

We conducted this performance audit from November 2012 to October 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

[8]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

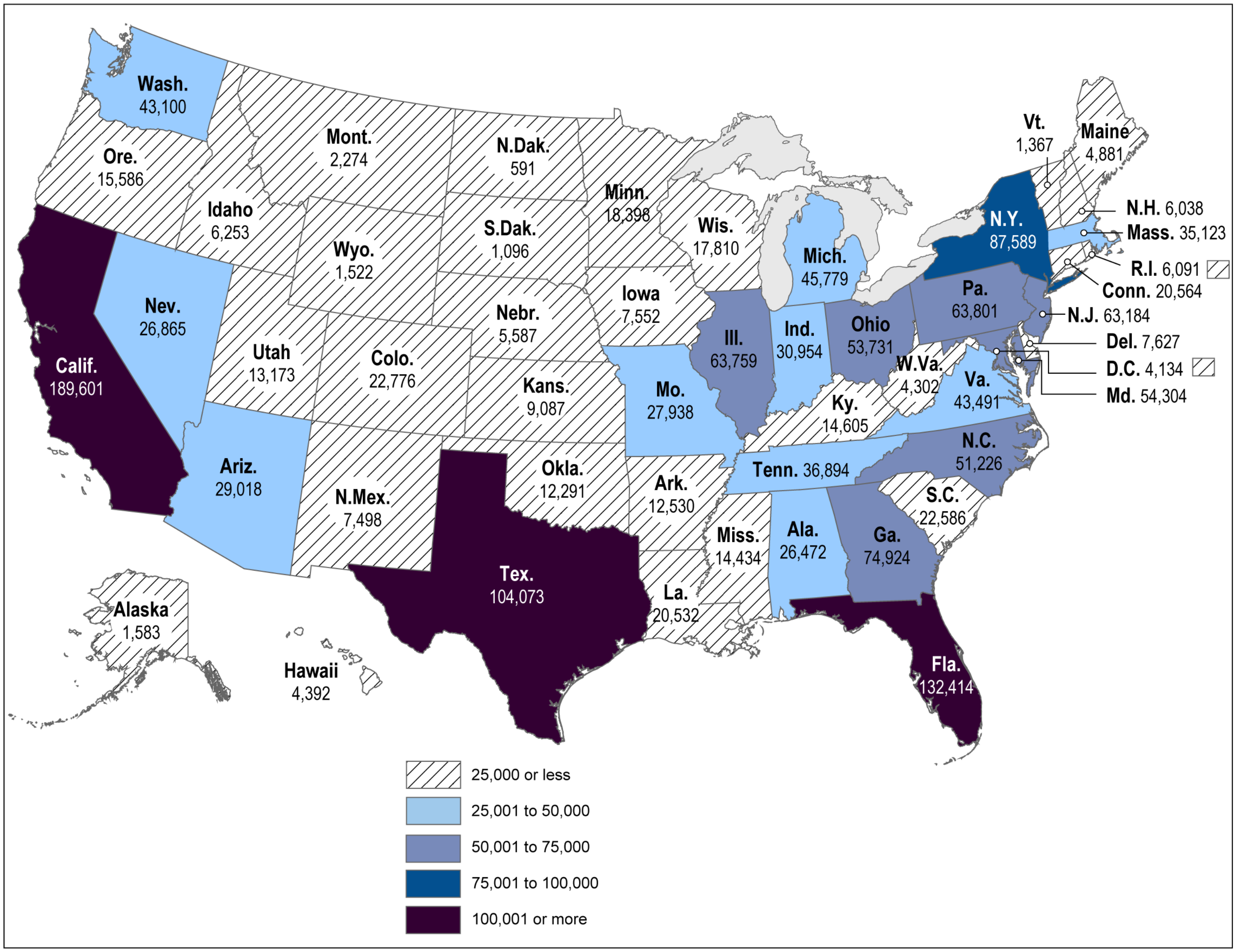
[9]For example, see GAO, *Hurricanes Katrina and Rita Disaster Relief: Prevention Is the Key to Minimizing Fraud, Waste, and Abuse in Recovery Efforts,* GAO-07-418T (Washington, D.C.: Jan. 29, 2007).

obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The recent foreclosure crisis has resulted in significant opportunities for individuals and companies to take advantage of homeowners who are at serious risk of losing their homes to foreclosure. In 2010, we reported that national default and foreclosure rates rose sharply from 2005 through 2009 to the highest level in 29 years. Since 2009, the rates of default and foreclosures have steadily declined. However, data from the Mortgage Bankers Association for the first quarter of 2013 show that the number of home loans potentially facing foreclosure—borrowers who were more than 60 days past due—remains elevated, with nearly 1.6 million (4 percent) of home loans currently being serviced in the United States. As figure 1 shows, California and Florida have the highest number of potential foreclosures, a statistic that has remained consistent since we reported in 2010.

Figure 1: Number of Home Loan Payments More Than 60 Days Past Due, as of March 31, 2013, by State



Sources: GAO analysis of the Mortgage Bankers Association's National Delinquency Survey data (first quarter, 2013); Map Resources (map).

In response to the rising number of defaults and foreclosures, using authority granted through the Emergency Economic Stabilization Act of 2008, the administration announced the Making Home Affordable Program in February 2009, which includes a number of programs, such as the Home Affordable Modification Program (HAMP), intended to assist homeowners facing potential foreclosure.[10] Under HAMP, Treasury pays an incentive to servicers and investors for reducing the borrower's monthly mortgage payment. In addition to HAMP, other government and private programs are designed to provide assistance to homeowners facing foreclosure. For example, Fannie Mae and Freddie Mac have their own loan modification programs. Homeowners may also be able to refinance under the Home Affordable Refinance Program, a program that was created by FHFA to help homeowners who are current on their mortgages, but owe more than the value of their homes. The program is administered by the enterprises. Individual private financial institutions may offer their own proprietary loan modification programs for homeowners who do not qualify for HAMP. Free counseling services, such as those provided by HUD-certified counseling agencies, are available to homeowners seeking to avoid foreclosure and can be accessed through the Homeowner's HOPE Hotline (1-888-995-HOPE). The hotline is run by a nonprofit organization that works with a coalition of governmental agencies, financial services institutions, and other nonprofit groups to help homeowners struggling to make their monthly mortgage payments. However, desperate homeowners may be unaware of these free alternatives or may be steered away from free sources of assistance.

Further, two major enforcement actions—the Independent Foreclosure Review (IFR) and the National Mortgage Settlement—were brought against leading mortgage servicers following reviews of their foreclosure processes. In 2011 and 2012, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System (Federal Reserve) issued consent orders against 16 of the largest U.S.

[10]Pub. L. No. 110-343, § 109, 122 Stat. 3765, 3774 (codified at 12 U.S.C. § 5219). GAO, *Troubled Asset Relief Program: Home Affordable Modification Program Continues to Face Implementation Challenges*, GAO-10-556T (Washington, D.C.: Mar. 25, 2010) and *Troubled Asset Relief Program: Treasury Continues to Face Implementation Challenges and Data Weaknesses in its Home Affordable Modification Program*, GAO-11-288 (Washington, D.C.: Mar. 17, 2011).

mortgage servicers.[11] The consent orders required servicers to conduct foreclosure reviews to determine if borrowers suffered financial harm directly resulting from errors, misrepresentations, or other deficiencies that may have occurred during the foreclosure process. The mortgage servicers were required to retain independent consultants to review foreclosures that were initiated, pending, or completed during 2009 or 2010 and to provide payment to homeowners who suffered financial injury as a result of foreclosure processing errors. In 2013, regulators reached agreements with 15 of the 16 mortgage servicing companies subject to the 2011 and 2012 consent orders to discontinue the foreclosure reviews and to provide over $3.9 billion in direct payments to eligible borrowers and approximately $5.7 billion in foreclosure prevention assistance. In February 2012, DOJ, Treasury, and HUD along with 49 state attorneys general reached an agreement with the five largest mortgage servicers on improper foreclosure practices. This agreement, known as the National Mortgage Settlement, resulted in approximately $25 billion in monetary sanctions and relief to distressed homeowners.[12] One of the provisions in the settlement is for immediate aid to homeowners needing loan modifications through principal reduction, refinancing, or other forms of relief. The settlement requires the servicers to pay up to $17 billion in

[11]In April 2011, 14 servicers entered into consent orders with the Office of the Comptroller of the Currency, Office of Thrift Supervision, and/or Board of Governors of the Federal Reserve. They were: Ally Financial, Inc.; Aurora Bank, FSB; Bank of America, N.A.; Citibank, N.A.; EverBank Financial Corp.; HSBC Bank USA, N.A.; JPMorgan Chase, N.A.; Metlife Bank, N.A.; OneWest Bank, FSB; PNC Bank, N.A.; Sovereign Bank; SunTrust Bank, Inc.; U.S. Bank, N.A.; and Wells Fargo Bank, N.A. and their affiliates or acquired loan servicing companies. The Federal Deposit Insurance Corporation was also a party to the Federal Reserve's order with Ally Financial (GMAC Mortgage). The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, §§ 311-313, 124 Stat. 1376, 1520-23 (2010), eliminated the Office of Thrift Supervision and transferred its regulatory responsibilities to the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve. The transfer of these powers was completed on July 21, 2011, and the Office of Thrift Supervision was officially dissolved 90 days later on October 19, 2011. Subsequently, two additional institutions, Goldman Sachs and Morgan Stanley, also entered into consent orders with the Federal Reserve that required a foreclosure review for deficient practices in mortgage loan servicing and foreclosure processing.

[12]*United States v. Bank of America Corp.*, No. 1:12-CV-00361 (D.D.C. Apr. 4, 2012). The participating servicers were: Ally Financial (GMAC Mortgage), Bank of America, Citibank, JP Morgan Chase, and Wells Fargo.

principal reduction and other forms of loan modification relief nationwide.[13]

A number of federal and state enforcement agencies perform different roles and use different legal authorities to combat foreclosure rescue schemes. Within the federal government, CFPB, FTC, SIGTARP, U.S. Postal Inspection Service, and agencies within DOJ, FHFA, HUD, and Treasury are members of MFWG and have key roles in investigating and prosecuting persons who have engaged in these types of schemes (see table 1). In addition to MFWG, some member agencies also participate in FFETF's Rescue Fraud Working Group, another multiagency working group focused on criminal and civil fraud enforcement related to the Troubled Asset Relief Program (TARP), including foreclosure rescue schemes. The Rescue Fraud Working Group is co-chaired by officials from SIGTARP, Treasury's Office of Financial Stability, and the Acting Assistant Attorney General for DOJ's Criminal Division. Fannie Mae and Freddie Mac play a role in educating consumers about schemes. On the state level, state attorneys general play key roles in prevention, detection, and enforcement of these schemes.

Table 1: Selected Federal Agencies Involved in Combating Foreclosure Rescue Schemes

Agency	Primary role in combating foreclosure rescue schemes
Bureau of Consumer Financial Protection	Publishes mortgage fraud information on its website and collects, investigates, and works to resolve consumer complaints. Has civil enforcement authority.
Department of Housing and Urban Development and the Office of Inspector General	HUD funds the "Know it. Avoid it. Report it." public education campaign on foreclosure rescue schemes and sends officials to conduct outreach and collect complaints at public outreach events. Homeowners may also meet with HUD-approved counselors during these events. The Office of Inspector General investigates civil and criminal fraud related to HUD programs.
DOJ Civil Division	Prosecutes civil and criminal cases involving mortgage fraud and may share information with enforcement officials on local mortgage fraud working groups and task forces.

[13]For more information on the foreclosure review process, see GAO, *Foreclosure Review Opportunities Exist to Further Enhance Borrower Outreach Efforts,* GAO-12-776 (Washington, D.C.: June 29, 2012) and *Foreclosure Review: Lessons Learned Could Enhance Continuing Reviews and Activities under Amended Consent Orders*, GAO-13-277 (Washington, D.C.: Mar. 26, 2013).

Agency	Primary role in combating foreclosure rescue schemes
DOJ U.S. Attorneys	Have district-level jurisdiction to prosecute civil and criminal cases of foreclosure rescue schemes. U.S. Attorneys participate and share information with local enforcement agencies in the local mortgage fraud working groups and task forces.
DOJ U.S. Trustee Program	Enforces bankruptcy law and investigates civil and criminal foreclosure rescue schemes involving bankruptcy.
Federal Bureau of Investigation	Investigates a range of criminal financial activities, including foreclosure rescue schemes. The Financial Institution Fraud Unit oversees FBI field office investigations that focus on fraud schemes that involve financial institutions, particularly in the areas of mortgage fraud and bank failures.
Federal Housing Finance Agency and the Office of Inspector General	Conducts outreach to federal agencies, industry partners, and consumers on mortgage fraud complaints received via its hotline and investigates fraud impacting the enterprises, as well as federal home loan banks.
Federal Trade Commission	Maintains Consumer Sentinel Network database. Has civil enforcement authority to investigate potentially deceptive and unfair practices and violations of its regulations involving foreclosure rescue schemes. Educates consumers and industry about these schemes.
Treasury – Financial Crimes Enforcement Network	Issues public financial advisories and guidance on schemes and collects and reviews Suspicious Activity Reports for potential foreclosure rescue schemes.
Treasury – Office of Financial Stability	Conducts daily website scans to identify and close foreclosure rescue scheme websites by issuing cease-and-desist letters. Conducts preliminary investigations into allegations of foreclosure rescue schemes related to TARP programs, which may result in referrals to SIGTARP and other appropriate law enforcement and regulatory authorities.
Special Inspector General for the Troubled Asset Relief Program (SIGTARP)	Investigates a range of criminal financial activities related to TARP programs, including foreclosure rescue schemes, and distributes information alerts to at-risk homeowners and presents information on schemes at public events.
U.S. Postal Inspection Service	Enforces laws against mail fraud to protect individuals from the fraudulent use of the postal system.

Source: GAO.

In December 2010, FTC issued the Mortgage Assistance Relief Services (MARS) rule, which includes two primary provisions: (1) a ban on advance fees for foreclosure rescue services; and (2) a requirement that companies inform consumers that a lender may refuse to modify their loan and that consumers can reject any terms negotiated with their lender.[14] Attorneys are generally exempt from the rule if they meet three conditions: (1) they provide mortgage assistance relief services as part of their practice of law; (2) they are licensed in the state where the consumer or the consumer's dwelling is located; and (3) they are complying with state laws and regulations governing attorney conduct related to the rule.[15] To be exempt from the advance fee ban, attorneys must also meet two additional requirements: (1) they must place any funds they receive from a consumer in advance of performing legal services in a client trust account, and (2) they must abide by state laws and regulations covering such accounts.[16] CFPB reissued the MARS rule without substantive modification in December 2011.[17] All of the states we spoke with reported having laws similar to the MARS rule.[18] In addition, FTC reported that as of 2010, at least 30 states and the District of Columbia had enacted similar statutes or regulations.[19] Except for California, all of the states we spoke with said they also had similar exemptions for attorneys.

[14]*Mortgage Assistance Relief Services*, 75 Fed. Reg. 75092 (Dec. 1, 2010); 12 C.F.R. § 1015.

[15]12 C.F.R. § 1015.7(a).

[16]12 C.F.R. § 1015.7(b).

[17]*See Mortgage Acts and Practices—Advertising (Regulation N); Mortgage Assistance Relief Services (Regulation O)*, 76 Fed. Reg. 78130, 78134-38 (Dec. 16, 2011). Although FTC retains enforcement authority for the MARS rule, its rulemaking authority relating to the MARS rule, along with a number of other consumer financial protection laws, was transferred to CFPB, effective July 21, 2011, under the Dodd-Frank Act. Pub. L. No. 111-203, §§ 1061(b)(5), 1097, 124 Stat. 1376, 2036-37, 2102 (12 U.S.C. § 5581, 15 U.S.C. § 1638 note).

[18]*See* Ariz. Rev. Stat. §§ 44-1378 (2010 Ariz. ALS 143); Cal. Civ. Code § 2944.7, §§ 2945-2945.11; Fla. Stat. § 501.1377; 765 Ill. Comp. Stat. Ann. 940/1-999; 24 Ind. Admin. Code. §§ 5.5-1-1 – 5.5-6-6; N.Y. Real Prop. Law § 265-B.

[19]*Mortgage Assistance Relief Services*, 75 Fed. Reg. 75092, 75099 (Dec. 1, 2010). At the time the final MARS rule was issued in 2010, FTC reported that at least 30 states and the District of Columbia had enacted statutes or regulations to address MARS-related practices. *Id.* Additionally, states may bring enforcement actions under the MARS rule against mortgage-assistance operations. 12 C.F.R. § 1015.10.

Foreclosure Rescue Schemes Remain at High Levels and Have Become More Complex

Since our report in 2010, data collected by federal agencies suggest that foreclosure rescue schemes have increased.[20] Data on these schemes that federal agencies collect include consumer complaints and reports filed by financial institutions. These data show an increase each year from 2009 to 2011, and a slight decline in the number of complaints in 2012. However, the number of complaints through April 2013 suggests another increase for the year. Agency officials and others we contacted noted that foreclosure rescue schemes had become increasingly complex since 2010—involving attorneys and the bankruptcy code, among other things. In particular, schemes involving attorneys appear to have increased recently, presenting challenges to law enforcement.

Consumer Complaints and Suspicious Activity Reports about Foreclosure Rescue Schemes Increased after 2009

Consumer Complaints Reported by FTC and Lawyers' Committee

FTC's Consumer Sentinel Network, an online database available to law enforcement agencies, compiles consumer complaints received by FTC and law enforcement and other organizations, including other federal and state agencies and nonprofit organizations.[21] As shown in figure 2, consumers filed almost 9,000 mortgage modification/foreclosure relief complaints in 2009 to the entities reporting into the network, but more than 20,000 complaints in 2011. The number of these complaints fell slightly in 2012.[22] Preliminary data for 2013 suggest that the number of

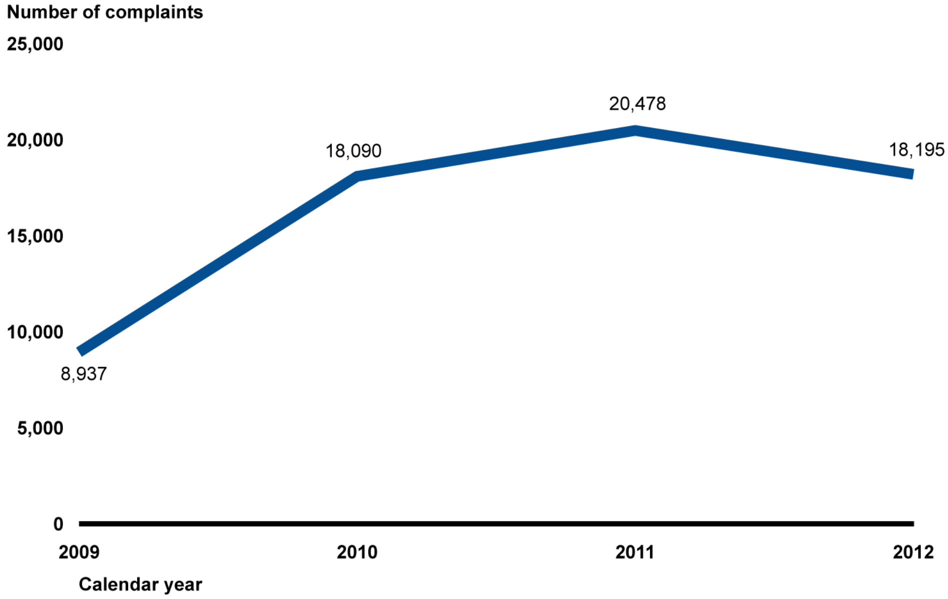
[20] GAO-10-787.

[21] According to FTC officials, the entities that submitted foreclosure rescue schemes complaints to the database were: LMSPN, Better Business Bureaus, CFPB, FFETF, Internal Revenue Service, California Attorney General, Idaho Attorney General, Indiana Attorney General, Iowa Attorney General, Maryland Department of Labor Licensing and Regulation Enforcement Unit, Michigan Attorney General, Montana Attorney General, Oregon Department of Justice, South Carolina Department of Consumer Affairs, Los Angeles County Department of Consumer Affairs, and the Consumer Fraud Unit of Orange County, Florida.

[22] According to Lawyers' Committee and Homeownership Preservation Foundation representatives, the Homeowner's HOPE Hotline's team dedicated to addressing foreclosure rescue schemes experienced a lack of funding in early 2012. This gap in funding may have contributed to the decrease in complaints submitted to the Consumer Sentinel Network in 2012.

complaints could increase for the year, as consumers had filed more than 7,000 of these complaints through April 30.[23]

Figure 2: Complaints about Foreclosure Rescue Schemes in FTC's Consumer Sentinel Network, 2009-2012



Source: Federal Trade Commission.

Based upon a review of FTC's Consumer Sentinel Network, FTC representatives reported that the median amount paid for foreclosure rescue services remained relatively unchanged, from $2,400 in 2009 to roughly $2,500 in 2012, although not all complaints included this information.[24] In addition, FTC officials reported that in 2009, the highest percentage of complaints were from homeowners in California. That is, of those consumers that reported their state of residence, nearly 30 percent were from California. While California continued to be the state with the

[23]Despite the general increase in these complaints, they represent a small proportion of all consumer complaints in the database, accounting for roughly 1 percent or less of all complaints in each of these years.

[24]In 2009, 72.6 percent reported a dollar amount; in 2012, roughly 46.5 percent reported this information. According to FTC officials, all complaint information in the Consumer Sentinel Network is submitted by consumers and is unverified.

highest number of complaints, its share of all complaints decreased in each of the subsequent years, falling to 23 percent in 2010, 19 percent in 2011, 18 percent in 2012, and 15 percent in the first 4 months of 2013. Florida also had relatively more complaints compared with other states, accounting for between 7 and 10 percent of all complaints over the same period.

In 2009 and 2010, most of the foreclosure rescue scheme complaints in the Consumer Sentinel Network were submitted directly to FTC by consumers. However, since 2011 the Consumer Sentinel Network's primary source of foreclosure rescue scheme complaints has been the Lawyers' Committee. In 2011, 53 percent of complaints were submitted by the Lawyers' Committee. That percentage increased to 61 percent in 2012 and 75 percent in the first 4 months of 2013. Since early 2010, the Lawyers' Committee has maintained a complaint database for its public-private partnerships, collectively the LMSPN, which specifically collects information on complaints related to foreclosure rescue schemes. As noted earlier, the database includes consumer complaints submitted directly through the Lawyers' Committee's website, as well as those submitted to any of LMSPN's 85 government members or 47 nongovernment members using the Lawyers' Committee's standardized complaint form.[25] In addition to basic information about the homeowner, the complaint form collects other detailed information about the alleged schemes, including type and amount of dollar losses. Like the complaints submitted to the Consumer Sentinel Network, complaints submitted to LMSPN peaked in 2011 and fell slightly in 2012, but early data for 2013 suggest another potential increase.

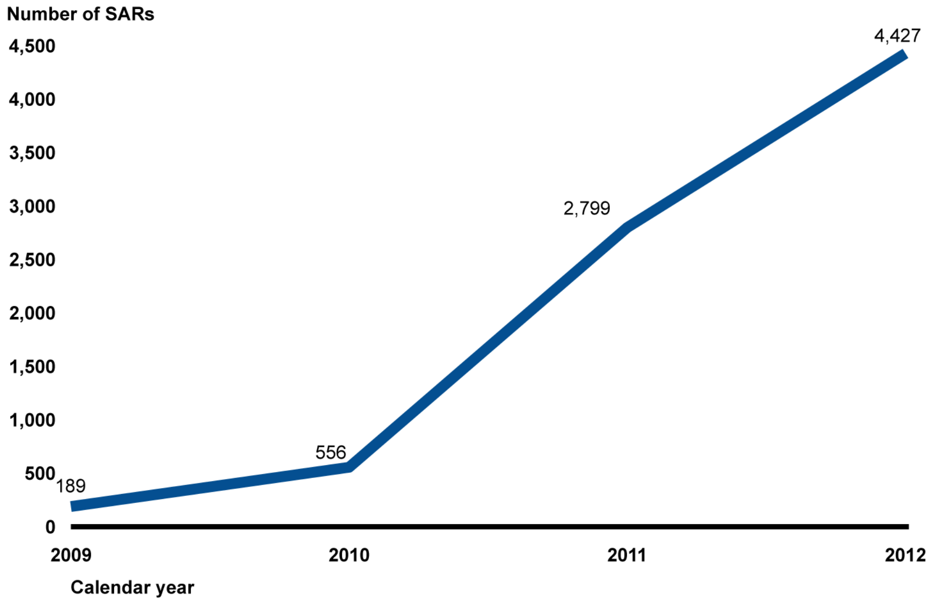
Suspicious Activity Reports from Financial Institutions

Treasury's Financial Crimes Enforcement Network (FinCEN) receives SARs from financial institutions about suspected violations of financial laws and regulations. FinCEN reported that in 2009 and 2010 it received 189 and 556 SARs, respectively, that contained narratives describing foreclosure rescue schemes. In 2011, the number of SARs related to foreclosure rescue schemes increased considerably, rising to 2,799, and in 2012 the number increased further to 4,427 (see fig. 3). However, FinCEN noted that a growing awareness of and focus on foreclosure rescue schemes may have influenced this upward trend. For example,

[25] The number of partners in the LMSPN was current as of March 2013, but continues to grow as more government and nongovernment organizations join.

FinCEN issued an advisory in June 2010 that encouraged SAR filers to use "foreclosure rescue scam" in the narrative part of the report to facilitate the identification and isolation of pertinent SARs.

Figure 3: Number of SARs Describing Foreclosure Rescue Schemes, 2009-2012



Source: Financial Crimes Enforcement Network, *Mortgage Loan Fraud Update: Suspicious Activity Report Filings in Calendar Year 2012,* August 2013.

Note: A single SAR can include multiple suspicious activities. These numbers include all SARs that have foreclosure rescue schemes as one of the suspicious activities noted, and increases after 2010 may in part be due to FinCEN's June 2010 advisory to use the term "foreclosure rescue scam" in report narratives.

Limitations of Available Data

While both national- and state-level sources of consumer complaints indicate that foreclosure rescue schemes continue to be a concern, consumer complaints may not provide a precise measure of the actual prevalence of these schemes. As we discussed in 2010, consumers can file complaints with any number of federal or state agencies, making the actual number of complaints difficult to aggregate. FTC officials also told us at that time that the complaints the agency received might represent only a small portion of potential schemes. Officials we contacted for this report also noted that consumers might not report being victims of fraud, either because they were unaware that they had been victimized or because they were embarrassed about having fallen prey to a scheme. Finally, trends in the prevalence of schemes over time may also be difficult to determine based on consumer complaints. For example, the increases in complaints from 2009 to 2011 may indicate a growing awareness of foreclosure rescue schemes, prompting more victims to file complaints, rather than an actual increase in schemes. Similarly, increased efforts to collect complaint information, such as those made by the Lawyers' Committee beginning in 2010, may have contributed to the rise in the number of complaints reported during this time period. The number of homeowners who were at least 60 days delinquent decreased during this time period, suggesting that factors other than the number of borrowers in danger of foreclosure influenced the increase in consumer complaints about foreclosure rescue schemes.

SAR data have similar limitations. As we noted in 2010, they also do not provide a precise measure of the prevalence of foreclosure rescue schemes or of trends in the prevalence of these schemes, for several reasons. Unlike consumer complaints, SARs are filed by financial institutions, which may not always be aware of the crime because perpetrators usually approach homeowners directly and may even advise them to cease communications with their lenders. In addition, FinCEN noted that most mortgage fraud SARs report suspected fraud that directly affects the lender, such as false statements on loan applications, rather than fraud against the borrower, such as foreclosure rescue schemes. FinCEN analysts also noted that mortgage fraud SARs were typically filed 2 or more years after the suspicious activity began, generally due to financial institutions' lack of awareness of wrongdoing at the time the activity occurred. This time lag may make it difficult to determine trends. As noted previously, increased awareness of the issue may also have encouraged financial institutions to report foreclosure rescue schemes. In addition to the June 2010 advisory discussed earlier, FinCEN noted that a number of well-publicized federal investigations, enforcement actions, reports, bulletins, and guidance also likely increased awareness and underscored the importance of reporting these schemes.

More Complex Schemes Have Emerged, and Some Groups Continue to Be Targeted

Several agency officials and representatives of nonprofits told us that foreclosure rescue schemes had become more complex over time. For example, we noted in 2010 that there were two primary types of schemes: those that charged homeowners an up-front fee for a loan modification that was never provided (advance-fee scheme), and those that transferred ownership of a house to a third party to avoid foreclosure (sale-leaseback scheme). Officials we contacted for this report, however, described several other types of schemes that had become common. FTC and others have also issued public education material that describes these kinds of schemes. While these schemes also often involve advance fees, they tend to be more complex, as described below.

- Forensic audits. Schemes in which the scammer offers to review a homeowner's mortgage loan documents to determine whether the lender complied with state and federal mortgage lending laws. For example, in a case brought by FTC, the alleged scammers claimed on their website that "up to 95 percent of mortgages may be legally unenforceable due to defects like lost documents, improper notices, appraisal and/or predatory lending."[26] Using this claim, they said the results of the "forensic audits" they provided would help consumers negotiate a loan modification to avoid foreclosure, according to the FTC complaint.[27] They also promised that, for a fee, consumers could obtain mortgage modifications with reduced interest rates and lower monthly mortgage payments.[28] However, consumers often did not receive loan modifications and discovered too late that their houses were in foreclosure.
- Bankruptcy to avoid foreclosure. Schemes in which scammers promise to negotiate a loan modification with the lender for a fee. However, instead of contacting the lender, the scammer files a bankruptcy case in the homeowner's name, sometimes without the homeowner's knowledge. Officials with the Executive Office for U.S. Trustees told us that because the bankruptcy process temporarily halts all debt collection efforts, including foreclosure proceedings, the homeowner believed that the scammer had helped in avoiding foreclosure. In some cases, the homeowner continues to pay regular fees to the scammer, believing that the scammer is still helping. The officials reported that from 2009 through 2012, they had made 45 criminal referrals to law enforcement based on foreclosure rescue schemes and brought 191 formal and informal civil actions. Consumer complaints in the LMSPN database involving such schemes have increased. In 2010, only 4 percent of complaints about foreclosure rescue schemes indicated that bankruptcy services had been offered to them, but this percentage increased to 10 percent in the first 4 months of 2013. However, consumer complaints may undercount the proportion of schemes involving bankruptcy because consumers may not be aware that scammers have filed bankruptcy cases in their names.

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[26]*FTC v. Consumer Advocates Group Experts, LLC*, No. 2:12-CV-04736 (C.D. Cal. May 30, 2012).

[27]*Id.*

[28]*Id.*

- Mass joinder lawsuits. Schemes in which the scammer, usually a lawyer or law firm, will promise the homeowner that the lender can be forced to modify the loan through this type of legal action.[29] While mass joinder lawsuits can be used legitimately, the lawyers bringing them are usually paid only if the lawsuit is successful. Fraudulent mass joinder schemes, in contrast, require the homeowner to pay a fee to participate in the lawsuit. In one mass joinder scheme—which was halted at the request of FTC—the scammers were only posing as a law firm and engaged actual attorneys only briefly to file lawsuits.[30] Once the lawsuits were filed and the scammers were paid, the scammers failed to follow through with the lawsuits, leaving homeowners in the same or worse financial shape than before, FTC alleged.[31] According to FTC, the scammers charged each homeowner $6,000 to $10,000 in advance fees.[32]
- Short sale schemes. Schemes in which scammers, sometimes called “short sale negotiators” or “short sale processors,” promise to expedite a short sale and usually require the homeowner to pay a fee for these services. In one type of short sale scheme, “short sale negotiators” guarantee a short sale approval in exchange for an advance fee. The “short sale negotiator” takes the fee and does little or nothing in return.

Schemes Involving Attorneys

Many of the officials we contacted told us that attorney involvement in foreclosure rescue schemes had become a concern in recent years. The Lawyers’ Committee also reported a recent increase in complaints citing legal representation (see fig. 4). This increase may be associated, in part, with the MARS rule’s exemption for attorneys. Further, Lawyers’ Committee data through February 2013 showed that schemes with attorney involvement often resulted in higher losses for the homeowner. The average loss reported by homeowners alleging attorney involvement in a scheme was $3,449, compared with an average loss of $2,727 for homeowners reporting scams with no attorney involvement.

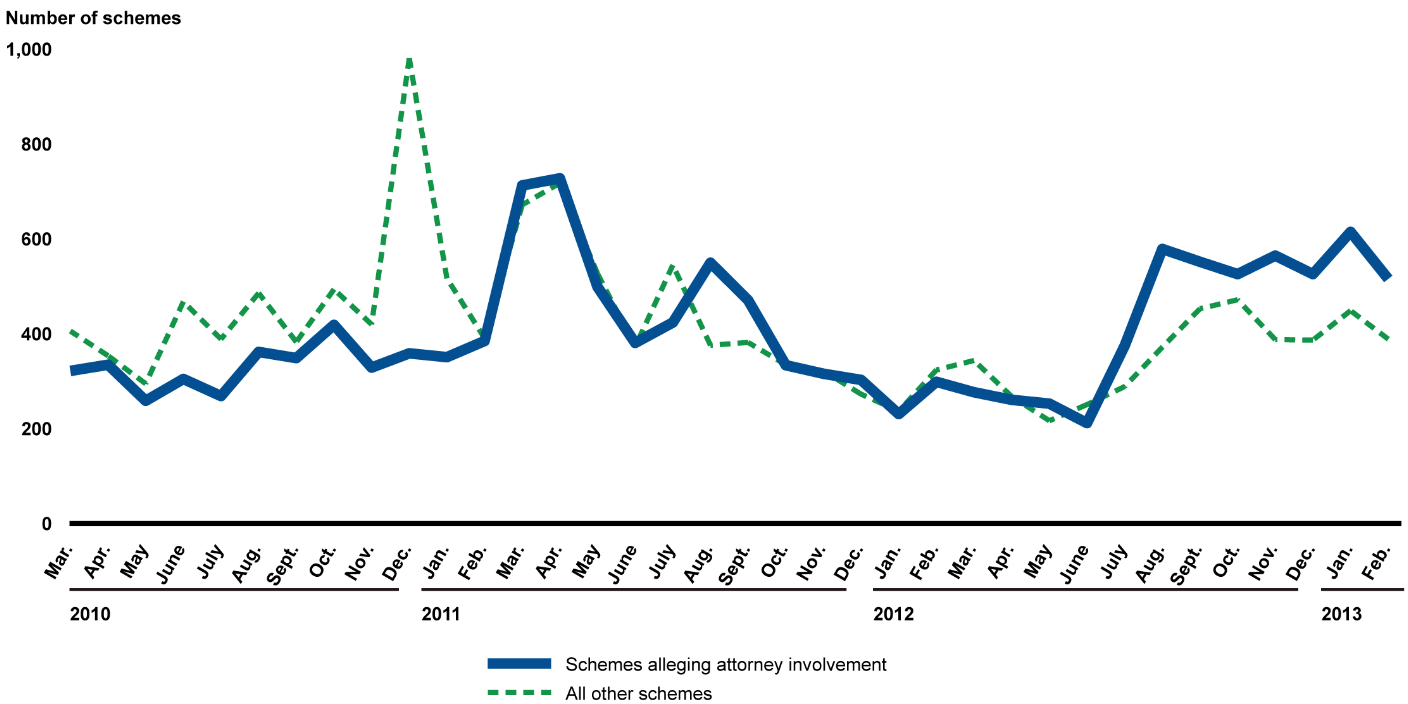
[29] In a mass joinder lawsuit of the type discussed in foreclosure rescue schemes, multiple parties with claims arising from the same or similar transactions are pooled as co-plaintiffs.

[30] *FTC v. Lakhany*, No. 8:12-CV-00337 (C.D. Cal. Mar. 5, 2012).

[31] *Id.*

[32] *Id.*

Figure 4: Foreclosure Rescue Schemes Alleging Attorney Involvement, March 2010-February 2013



Source: Lawyers' Committee.

The offices of state attorneys general also reported receiving consumer complaints alleging attorney involvement in schemes. For example, a representative of the Illinois state attorney general's office told us that of the complaints her office received on foreclosure rescue schemes, roughly 70 percent of them involved lawyers or law firms. In addition, a representative from the California state attorney general's office noted that despite the lack of an attorney exemption in California's advance-fee ban, the number of reported schemes involving attorneys had risen there as well.

The apparent increase in the prevalence of schemes involving attorneys has created new challenges for law enforcement. First, stakeholders noted that it could be difficult to determine whether attorneys were actually providing legitimate services. For example, while the MARS rule prohibits companies from instructing consumers not to contact their lenders, this practice may be permitted if the foreclosure-assistance provider is an attorney.[33] In commenting on FTC's proposed MARS rule, the American Bar Association (ABA) noted that clients typically expected attorneys they retained to act as their representatives in dealing with other parties, such as lenders and servicers, and that up-front fees, such as a retainer, were typically required by attorneys providing legitimate legal services.[34] However, an attorney acting for a company perpetrating a scheme may not actually act on the client's behalf and may be brought in only for a short period to file certain documents. As a result, determining in whose interest the attorney is acting in such cases can be difficult. Further, attorney-client privilege can present another challenge. One state official noted that attorneys could cite attorney-client privilege as a way to avoid subpoenas and slow down investigations, allowing companies to continue with their schemes and defraud homeowners. In addition, disciplining attorneys can be a challenge. For example, one state official said that a separate disciplinary group existed for lawyers but that this group did not have law enforcement authority and could investigate only individual lawyers with a license in that state. In addition, this group cannot pursue a case in which the name of a law firm, rather than an individual, is used. Finally, investigations by these disciplinary groups are confidential, making it difficult for law enforcement agencies, such as the state attorney general's office, to work with them.

ABA has taken some steps to address attorney involvement in foreclosure rescue schemes. In 2010, ABA's Section of Individual Rights and Responsibilities (IRR) received approval from ABA's Board of Governors to work with LMSPN. In 2011, IRR created a special advisory group of ABA Committees and Sections that has been involved in combating foreclosure rescue schemes. The purpose of the special advisory group is to examine the issue of lawyer participation in loan modifications and foreclosure rescue schemes and to develop an action plan to deter lawyers from participating in these schemes. A representative of the group noted that it would be proposing a policy resolution for possible ABA adoption and would educate ABA members on this issue. IRR expects to present the resolution to ABA's House of Delegates legislative session in February 2014. In addition, several state

[33]12 C.F.R. § 1015.7(a).

[34]*Mortgage Assistance Relief Services*, 75 Fed. Reg. 75092, 75106, 75127 (Dec. 1, 2010).

bar associations have issued ethics alerts, warning attorneys in their states against becoming involved in these schemes.

Schemes Targeting Specific Populations

We noted in 2010 that some state officials said they were aware of foreclosure rescue schemes that targeted particular communities. Officials we spoke with for this report noted that some populations continued to be the targets of these schemes. For example, a U.S. Trustee Program official noted that schemes involving bankruptcy to avoid foreclosure had targeted minority communities. In addition, available data and other representatives we spoke with continued to indicate that minority populations could be particularly vulnerable to these schemes. According to the LMSPN database, complaints filed by black or African American homeowners have increased since 2010. In 2010, 17 percent of complaints were filed by this group, compared with 20 percent in 2011, 22 percent in 2012, and 23 percent in the first 4 months of 2013. Representatives of the National Community Reinvestment Coalition also said that they had received more than 50 complaints about an attorney who had targeted mostly African-American and Latino communities for his scheme. The attorney told consumers that he had working relationships with various federal agencies and programs, took up-front fees from them, and did not provide any services. In another example, FTC filed two cases against telemarketers who targeted Spanish-speaking homeowners, promising mortgage modifications in exchange for large up-front fees.[35]

In addition, older homeowners appear to be common targets for foreclosure rescue schemes. According to the Lawyers' Committee, seniors (defined as those 51 years or older) are among the hardest hit by rescue schemes. As of October 2012, 49 percent of complaints in LMSPN's database were filed by those 51 or older. The average loss reported by seniors was $3,129, compared with the overall average loss of $2,997. Additionally, an FBI bulletin warns of schemes in which seniors in danger of foreclosure are led to believe they may obtain a reverse

[35] *FTC v. Freedom Companies Marketing, Inc.*, No. 1:12-CV-05743 (N.D. Ill. July 23, 2012).

mortgage.[36] In these schemes, seniors are informed that they do not qualify for a reverse mortgage but that they do qualify for another type of mortgage that can help save them from foreclosure. According to the FBI bulletin, the perpetrators locate an investor willing to act as a straw buyer (a person who pretends to be a legitimate buyer but is actually purchasing on behalf on another person); order fraudulent home repairs; complete an inflated appraisal; and obtain a forward mortgage subsequently transferring the property away from the seniors and pocketing the equity. The victims lose the equity in their home and may be told to repurchase the property from the scammer or lose it altogether.

Schemes Taking Advantage of Existing Programs and Processes to Assist or Remediate Borrowers

Some foreclosure rescue schemes have associated themselves with government programs that assist homeowners. For example, a Lawyers' Committee representative told us that some have capitalized on Treasury's Hardest Hit Fund program, federal settlement funds, and the Emergency Home Loan Program by claiming that they could help homeowners access these programs.[37] In one instance, a group known as the National Legal Help Center claimed that, for a fee, it could assist homeowners in getting benefits from the National Mortgage Settlement.[38] In addition, this group falsely claimed that it was associated with IFR.[39] Websites and announcements for programs such as HAMP, the National Mortgage Settlement, and IFR now have warnings about scams and the availability of free legitimate help, but a Lawyers' Committee representative noted that such alerts had not always been included in earlier communications with homeowners.

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[36]A reverse mortgage is a loan that converts the borrower's home equity into payments from a lender and typically does not require any repayments as long as the borrower continues to live in the home. These loans are available to homeowners 62 and older and have become an increasingly popular financial tool for seniors. See GAO, *Reverse Mortgages: Product Complexity and Consumer Protection Issues Underscore Need for Improved Controls over Counseling for Borrowers.* GAO-09-606 (Washington, D.C.: June 29, 2009).

[37]The Hardest Hit Fund is a Treasury program that provided $7.6 billion to the 18 states hardest hit by recent housing and economic downturns, plus the District of Columbia, to develop locally-tailored programs to assist struggling homeowners in their communities. The Emergency Home Loan Program is a HUD program that provided declining balance, deferred payment loans to homeowners in states not covered by the Hardest Hit Fund.

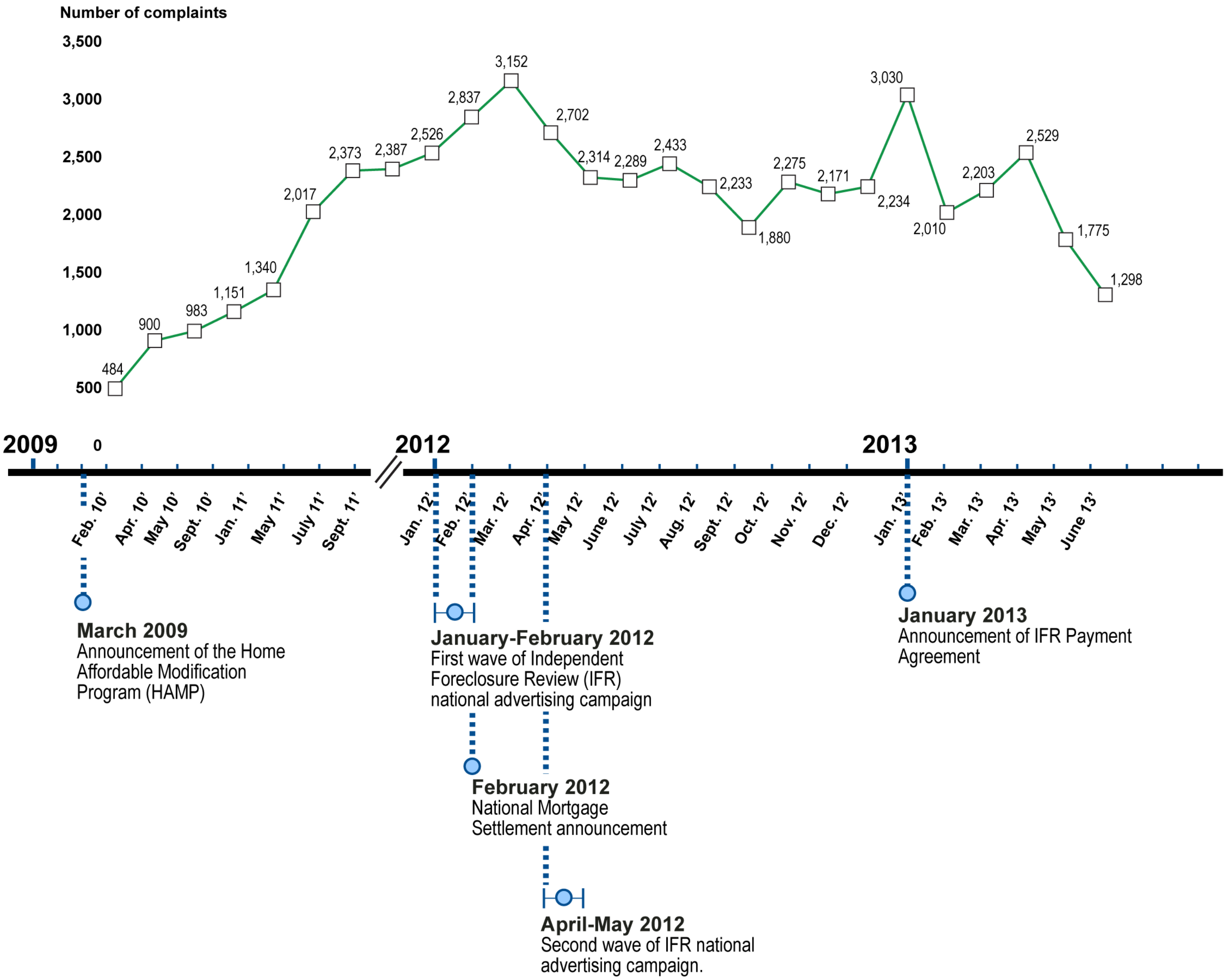
[38]*CFPB v. Najia Jalan (d/b/a National Legal Help Center)*, No. 8:12-CV-02088 (C.D. Cal. Dec. 3, 2012).

[39]*Id.*

The Lawyers' Committee representative also noted that the sheer number of government programs might provide opportunities for dishonest actors to confuse homeowners, making them unsure where to turn for legitimate help. A representative of the Homeownership Preservation Foundation (HPF), which runs the Homeowner's HOPE Hotline, noted that complaints related to rescue schemes had spiked in March 2012 and January 2013.[40] The March 2012 spike may be related to the first wave of IFR's national advertising campaign (January-February 2012), along with the announcement of the National Mortgage Settlement (February 2012). The January 2013 spike followed announcements of IFR payment agreements in January 2013 (see fig. 5).

[40]Complaints received by the Homeowner's HOPE Hotline are submitted to the LMSPN complaint database, which submits its complaint data to FTC's Consumer Sentinel Network.

Figure 5: Timeline of Government Announcements and Number of Foreclosure Rescue Scheme Complaints Submitted to the HOPE Hotline



Source: Homeownership Preservation Foundation and GAO analysis.

Agency officials and representatives of other organizations continued to cite the challenges to combating these schemes that we noted in 2010. For example, law enforcement officials continued to note that the ability of scammers to start up and shut down quickly made it difficult to combat these schemes. In addition, some said that scammers could operate under different names, making them difficult to track. A few stakeholders noted that the small dollar amounts of individual losses presented a challenge because federal agencies were less likely to be able to take on the cases. However, as we noted in 2010, it may be easier for state attorneys general to pursue these cases. Finally, we noted in 2010 that officials had told us that it was essential to encourage consumers to report suspicious incidents to authorities. As noted above, agency officials and representatives of nonprofit organizations we spoke with for this report also said that consumers might not report potential schemes, either because they were not aware that they were being victimized or were too embarrassed to report it. They cited consumers' unwillingness to report these schemes as an ongoing challenge.

FFETF Members Have Focused on Prevention, Detection, and Enforcement to Combat Foreclosure Rescue Schemes

Since we last reported on this issue in 2010, FFETF and its members have undertaken a number of activities intended to enhance coordination among federal, state, and local authorities responsible for combating foreclosure rescue schemes. These efforts are consistent with the three key elements of GAO's fraud prevention model: (1) preventive controls, (2) detection and monitoring, and (3) investigations and prosecutions.[41] FFETF's preventive efforts have focused on educating consumers about these schemes to help them avoid becoming victimized. FFETF and its members have also made efforts to enhance the reporting of potential incidents by both consumers and financial institutions to aid in the detection and monitoring of these schemes. FFETF member agencies that we contacted told us that one of the key outcomes of the task force had been greater information sharing and coordination among enforcement agencies regarding these schemes that facilitated investigations and prosecutions.

[41] GAO-07-418T.

MFWG Members Have Developed and Participated in Outreach to Educate Consumers about Schemes

Members of FFETF's MFWG have focused their outreach efforts on raising public awareness of foreclosure rescue schemes in order to prevent homeowners from being victimized. The results of our prior work serve to emphasize the overall lesson learned that fraud prevention is the most effective and efficient means to minimize fraud, waste, and abuse.[42] MFWG has used a variety of approaches to consumer education and outreach that are outlined in MFWG's annual strategic scorecards, a management tool MFWG developed to track its progress in combating foreclosure rescue schemes.[43] Examples of MFWG's outreach and education efforts include holding regional education summits for distressed homeowners, housing counselors, and public advocates and directing more individuals to FFETF's mortgage fraud information on its website, StopFraud.gov, which FFETF considers a one-stop site for consumers to learn how to protect themselves from becoming victims and to report cases of fraud.

MFWG has held at least eight regional summits near areas that have been hardest hit by foreclosures since 2010. During the summits, homeowners and local law enforcement agencies received information on mortgage fraud trends from other law enforcement officials, victims, housing counselors, and industry experts. According to FFETF, the presenters represented law enforcement, victims, housing counselors, industry experts, and others who discussed mortgage fraud issues in the community, including foreclosure rescue schemes. In addition, MFWG noted that it held 27 events to educate homeowners, counselors and public advocates in fiscal year 2012, exceeding its target goal of 20 events. These events included foreclosure prevention forums, training for consumer groups and legal services communities, and presentations to members or representatives of the armed forces. For example, in 2012 two mortgage fraud summits in Las Vegas and Los Angeles included discussions on the impact of mortgage fraud on the community, trends in

[42]For example, see GAO-07-418T, *8(a) Program: Fourteen Ineligible Firms Received $325 Million in Sole-Source and Set-Aside Contracts,* GAO-10-425 (Washington, D.C.: Mar. 30, 2010); and *Low-Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed*, GAO-10-621 (Washington, D.C.: June 18, 2010).

[43]The 2012 and 2013 MFWG strategic scorecards were created in response to our 2010 recommendation that DOJ develop a comprehensive strategy for FFETF's Mortgage Fraud Working Group's efforts to combat mortgage fraud by developing clear, long-term strategies and performance measures that the working group can use to evaluate its progress toward achieving its long-term goal of increasing enforcement in the area of mortgage fraud. See GAO-10-787.

mortgage fraud, and ways to avoid becoming a victim. The Los Angeles summit was attended by officials and practitioners involved in mortgage fraud enforcement and prevention and included representatives such as the FBI, FTC, HUD, California Attorney General's Office, California State Bar, California Department of Real Estate, and other federal, state, county, and local agencies, including the Los Angeles County Department of Consumer Affairs.

Individual MFWG members and nonprofit organizations have also conducted outreach as a part of their own efforts to increase awareness of foreclosure rescue schemes. For example, HUD's "Know it. Avoid it. Report it." information campaign alerts homeowners to the availability of free housing counselors who can help with foreclosure issues and provide information on avoiding foreclosure schemes. According to HUD, the information campaign merges the efforts of NeighborWorks, the Lawyers' Committee, and the Homeowner's HOPE Hotline to provide an "early warning system" that helps homeowners protect themselves and their homes, while also providing the tools necessary to report schemes to enforcement authorities. HUD targets its information campaign to areas with the highest rates of foreclosure using multiple kinds of outreach. One official told us that in 2011, the HUD campaign delivered information on schemes via television, radio, and print advertisements to the areas affected by high rates of foreclosure. In 2012, HUD shifted its outreach to these areas to digital and radio-based mediums.

According to the MFWG strategic scorecard, the mortgage fraud prevention and victim assistance sections of the StopFraud.gov website received over 15,000 hits during fiscal year 2012. The mortgage fraud and victim assistance sections contain links to foreclosure rescue scheme resources and educational materials created by other federal agencies, such as FTC, SIGTARP, and nonprofit organizations such as NeighborWorks. For example, the mortgage fraud webpage links to SIGTARP, CFPB, and Treasury's joint alerts titled "Tips for Avoiding Mortgage Modification Scams" and "Avoiding HAMP Mortgage Modification Scams; Resources for Servicemembers," and directs individuals to the websites of other agencies and nonprofit organizations, such as NeighborWorks, LoanScamAlert.org, and the Mortgage Bankers Association Consumer Help Desk. SIGTARP officials told us that promoting StopFraud.gov and the associated foreclosure rescue scheme resources allows individuals to better protect themselves from victimization. According to FFETF's first year report, FFETF has also partnered with LMSPN members, Fannie Mae, Freddie Mac, the Lawyers' Committee, and NeighborWorks to support PreventLoanScams.org, which supports national, state, and local law enforcement efforts to fight mortgage fraud.[44] The website provides tips on how to avoid schemes, information on how to obtain assistance through free housing counseling, and an accessible complaint form that can be filled out online and then entered into the LMSPN complaint database.

Most individual members of MFWG with whom we spoke had also developed web pages that provided information on foreclosure rescue schemes or directed consumers to the Lawyers' Committee and NeighborWorks websites on foreclosure rescue schemes. Six of the seven MFWG member agencies we spoke with had specific information on foreclosure rescue schemes on their websites, including descriptions of schemes and information on how to submit a complaint. In addition, several agency and nonprofit organizations' websites emphasize that borrowers do not need to pay for loan modification assistance. Six of the seven MFWG member agencies we interviewed posted information on their websites about the free assistance that is available to borrowers who are at risk of foreclosure.

Federal Detection Efforts Continue to Focus on Enhanced Incident Reporting

MFWG member agencies have continued to collect data on foreclosure rescue schemes in order to support efforts to detect and combat them.[45] Agency officials and nonprofit representatives told us that they collected information on the borrower, the services they were offered, the amount they paid for the services, and any contact information for the individual or company that offered the service. They explained that individuals could submit their complaints through the detailed LMSPN complaint forms, housing counselors staffing the Homeowner's HOPE Hotline's dedicated team, or individual agency hotlines. Agencies might also receive complaints through referrals from enforcement agencies, mail, and emails.

Since 2010, MFWG and others have made efforts to improve the collection of consumer complaints related to foreclosure rescue schemes.

[44]FFETF, *First Year Report: Financial Fraud Enforcement Task Force 2010* (Washington, D.C.: 2010).

[45]Compiling complaint data and establishing mechanisms to identify the existence of fraud are detection efforts associated with federal government standards for internal controls. See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

For example, the working group achieved its goal of increasing the number of states reporting consumer complaints to FTC's Consumer Sentinel Network from 9 to 14 in 2012, and set a goal for 20 states by the end of 2013.[46] In addition, CFPB has begun collecting consumer complaints about these schemes and submits them to the FTC's Consumer Sentinel Network. Also, LMSPN created a standardized complaint form that is used by all of its government and nonprofit partners. According to Lawyers' Committee representatives, partner organizations have links to the online form on their websites and the form is also made available at homeowner events, such as Making Home Affordable Program events and during conversations between servicers or housing counselors and borrowers. As of April 30, 2013, nearly three-quarters of the foreclosure rescue scheme complaints in FTC's Consumer Sentinel Network database had been submitted through LMSPN complaint database.

Agencies have also continued to make use of available information to aid investigations. In 2010, we reported that FinCEN provided enforcement authorities with investigative information on SAR filings and other data to help develop leads on potential foreclosure rescue schemes. FinCEN officials told us that FinCEN had conducted additional analysis in support of investigative cases for more than 20 state and federal agencies. In addition, state and federal officials told us that they could access complaint information to help develop leads against the criminals perpetrating the schemes. For example, officials from FTC said that its staff members often started their investigations by focusing on companies and individuals associated with a high number of complaints in FTC's Consumer Sentinel Network. Similarly, a U.S. attorney we spoke with stated that his office regularly consulted several databases, including the Consumer Sentinel Network, when trying to develop leads for their investigations. Other individuals we spoke with said that they also used the databases to find additional information for their ongoing investigations. For example, a representative from one of the attorney generals' offices whom we interviewed stated that investigators might search the Consumer Sentinel Network for complaints with variations of a certain attorney's name. Another state official from a state attorney general's office told us that the office generally used the Consumer

[46]By the end of 2012, 13 states had begun reporting complaint information to the Consumer Sentinel Network, but the 14th state was added in January 2013.

Sentinel Network to determine whether additional victims were associated with an individual or company in order to more effectively calculate restitution.

MFWG members have also sought mechanisms to help financial institutions more easily identify suspected mortgage fraud, including foreclosure rescue schemes. As previously discussed, FinCEN issued an advisory in June 2010 encouraging SAR filers to use “foreclosure rescue scam” in the narrative portion of the report to help law enforcement agencies more easily identify and isolate pertinent SARs. FinCEN officials also noted that as of March 2012, a specific checkbox for foreclosure rescue schemes was added to the SAR form, further facilitating the identification of these schemes. According to the officials, federal and state law enforcement and regulatory agencies continue to track SARs reporting foreclosure rescue schemes, as these reports provide insight into trends for this crime and leads for the initiation and support of investigations and enforcement efforts. MFWG co-chairs discuss the SAR filings and other complaint data twice a year as part of their ongoing effort to identify emerging trends in foreclosure rescue schemes.

MFWG Has Focused on Facilitating Information Sharing and Coordination as Key Efforts to Enhance Enforcement

Multiple representatives of MFWG member agencies that we contacted told us that MFWG had facilitated information sharing and coordination among enforcement agencies on investigations. During MFWG meetings, members discuss the best way to coordinate on emerging trends in foreclosure rescue schemes and enforcement jurisdiction. One FTC official noted that MFWG had been beneficial because it enabled members to make connections with officials from other agencies with whom they might not otherwise interact. Officials from the Executive Office for the U.S. Trustees told us that some of their working relationships were a direct outgrowth of their membership in FFETF. For example, the office did not have any contact with SIGTARP until it became part of the working group. Since beginning to share information, the two entities have been able to develop a case against perpetrators of a national mortgage foreclosure rescue scheme. In addition, according to a FFETF representative, the Los Angeles and Las Vegas mortgage fraud summits held to reach out to homeowners also served the purpose of convening federal, state, and local enforcement agencies to discuss how to improve their regional enforcement coordination efforts.

Between 2009 and 2012, working group members using joint investigations and broad enforcement initiatives coordinated their investigations and successfully filed criminal charges against more than

226 defendants allegedly involved in foreclosure rescue schemes. In 2010, we discussed MFWG's efforts to prosecute individuals and companies perpetrating schemes through Operation Stolen Dreams, a series of federal and state law enforcement actions undertaken by agencies represented on FFETF. DOJ reported that Operation Stolen Dreams involved 119 criminal defendants allegedly involved in foreclosure rescue schemes—and more than 100 civil enforcement actions that pertained to the schemes. In August 2013, MFWG members announced the results of the Distressed Homeowners Initiative, a year-long coordinated enforcement effort conducted by members of MFWG in fiscal year 2012. While Operation Stolen Dreams had a broader focus on mortgage fraud, the Distressed Homeowners Initiative specifically targeted fraud that preyed on homeowners, such as foreclosure rescue schemes. DOJ officials told us that the initiative included undercover work and an enforcement surge led by FBI in Southern California. They also said that FBI compiled information packages on potential targets, which it shared with its field offices across the country. The initiative targeted perpetrators both civilly and criminally and, according to DOJ, resulted in criminal charges against 107 defendants. The estimated losses to at least 17,185 victims totaled more than $95 million. Cases were also filed against 128 civil defendants in federal courts across the country. In these cases, at least 19,198 victims suffered an estimated total loss amount of $54 million.[47]

Federal enforcement agencies have successfully coordinated investigations beyond the broad enforcement initiatives discussed earlier. SIGTARP officials stated that FFETF's success is due to members' ability

[47]DOJ originally announced the results of the Distressed Homeowners Initiative in October 2012. DOJ initially reported that more than 200 companies were shut down and criminal charges were filed against 530 defendants as a result of the sweep. DOJ also reported that the cases involved losses of more than $1 billion from more than 73,000 victims across the country. However, in response to questions being raised about their report and an extensive review of the reported cases, DOJ found that the October 2012 public announcement overstated the number of defendants that should have been included as part of the Distressed Homeowner Initiative, as well as the corresponding estimated loss amount and number of victims. Specifically, DOJ found that the original figures included not just criminal defendants who had been charged in fiscal year 2012, as reported, but also a number of defendants who were the subject of other prosecutorial events—such as a conviction or sentence—in fiscal year 2012. In addition, the original announcement included a number of defendants who were charged in mortgage fraud cases in which the victim(s) did not fit the narrow definition of distressed homeowner that the initiative targeted.

to work more efficiently together than as individual agencies. SIGTARP reported that 43 of its criminal investigations relating to foreclosure rescue schemes were multiagency efforts between 2009 and 2012. In addition, FTC officials told us that 14 of their 36 cases involving foreclosure rescue schemes were conducted in partnership with other agencies during that same period and that these partnerships were a direct outgrowth of their membership in FFETF. FHFA's Office of the Inspector General also coordinated on 12 cases with other FFETF members between 2011 and 2012.

Some agency officials told us that foreclosure rescue scheme cases did not comprise a large proportion of their workload. For example, FHFA officials told us that the majority of cases FHFA filed involved loan origination fraud. However, FTC officials told us that 36 of the agency's 363 consumer protection cases involved the MARS rule and foreclosure rescue schemes between 2009 and 2012—a relatively substantial portion given the wide range of consumer protection issues FTC covers. In addition, officials told us that many investigations related to foreclosure rescue schemes were conducted at the state level. For example, in 2010, the Florida Attorney General's Office filed 19 civil cases for foreclosure rescue schemes, representing 8.4 percent of its caseload for that year. An official from the California Attorney General's Office told us that between 2009 and 2012 its office filed 20 criminal cases and an estimated 10 to 15 civil cases for foreclosure rescue schemes. Officials from the Arizona Attorney General's Office told us that it received nearly 5,000 complaints relating to foreclosure rescue schemes between 2009 and 2012 and successfully litigated 23 civil cases during that same time.

MFWG has also identified other areas of focus in its enforcement efforts, including shutting down or forcing into compliance confusing, misleading, or fraudulent web advertisers and websites and conducting training for DOJ attorneys and prosecutors, state and local attorneys, and investigators. For example, according to the MFWG strategic scorecard, Treasury, SIGTARP, and FTC took action against over 800 confusing, misleading, or fraudulent websites in fiscal year 2012. Treasury officials told us that they conducted web scans in order to identify unauthorized uses of Treasury program trademarks or misrepresentations of programs. Between 2009 and 2012, Treasury issued notices of trademark infringement (cease-and-desist letters) to owners of approximately 400 websites for unauthorized use of Treasury program trademarks. In addition, SIGTARP officials told us that they contacted Internet search engines (e.g., Google, Yahoo, Bing) to take down over 200 alleged fraudulent websites. They noted that subsequently, these companies suspended relationships with 900 web advertising agencies related to the alleged fraudulent websites.

Another of MFWG's ongoing efforts is mortgage fraud training and outreach to law enforcement attorneys and industry representatives. For example, DOJ, FBI, and inspectors general from FHFA and HUD conducted 25 training events in 2012 for state and local attorneys and investigators across the country. Officials from the FHFA inspector general's office told us that the office had coordinated with the National District Attorneys Association to conduct such training for state attorneys general. The officials also said that the office also did outreach to industry representatives, including the Mortgage Bankers Association, the National Association of Appraisers, and the National Association of Mortgage Regulators. MFWG members said that their outreach and enforcement efforts would continue in order to educate homeowners and prevent more from falling victim to schemes.

Most agency officials we spoke with said that they did not specifically track the amount of resources dedicated to combating foreclosure rescue schemes, but some federal and state officials noted resource limitations as a challenge. A U.S. Trustee official told us that limited resources were a challenge and that he could not be sure whether resource constraints would allow for the same level of effort in combating foreclosure rescue schemes in the future. The U.S. Trustee Program's 2013 Budget Request notes that these schemes are complex and require the retention and training of specialized attorneys and other staff. Other officials told us that more cases could be pursued if more resources were available, but some officials said that resources were not a limiting factor in the amount of enforcement activity. Representatives of nonprofit organizations we spoke with cited limited resources as a constraint. For example, a NeighborWorks representative noted that finding adequate resources had been a challenge and that its Loan Scam Alert campaign had not been able to purchase as much paid advertising as it would have liked. As a result, the representative noted that the campaign may not have been receiving as much television coverage as the schemes were.

Available data suggest that foreclosure rescue schemes continue to be a concern, and federal agencies and others have increased their efforts to combat these schemes in recent years. Our fraud prevention framework highlights that increased awareness of fraud is crucial to preventing individuals from falling victim to fraudulent situations. Homeowners who have adequate information on foreclosure rescue schemes and legitimate sources of assistance will be more likely to understand and make more informed decisions when seeking assistance. Federal agencies will need to continue to coordinate their outreach, detection, and enforcement efforts to increase awareness among homeowners and prevent more from falling victim to schemes.

Agency Comments

We provided a draft of this report for review and comment to the heads of the Departments of Justice, Housing and Urban Development, and the Treasury, the Consumer Financial Protection Bureau, the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, the Federal Trade Commission, the Special Inspector General for the Troubled Asset Relief Program, and the U.S. Postal Inspection Service. We received written comments from the Assistant Secretary for Financial Stability at the Department of the Treasury and SIGTARP, which are summarized below and reprinted in appendices II and III, respectively. DOJ, HUD, FHFA, FTC, SIGTARP, Treasury, and the U.S. Postal Inspection Service provided technical comments that were incorporated, as appropriate.

In its written comments, Treasury noted that it valued GAO's insights as it continues to combat foreclosure rescue schemes. Treasury reiterated that the Office of Financial Stability conducts daily website scans to identify unauthorized uses of Treasury program trademarks or misrepresentations of programs, and has issued notice of trademark infringement to owners of approximately 400 websites. Treasury also highlighted that the Office of Financial Stability conducts preliminary investigations into allegations of foreclosure rescue schemes related to the Troubled Asset Relief Program, the findings of which may result in referrals to SIGTARP and other law enforcement agencies, and has partnered with CFPB to provide the public with tips and alerts for avoiding mortgage modification schemes.

In its technical comments, SIGTARP noted that it is an independent entity within Treasury and is not subject to the supervision of the Secretary. As such, SIGTARP requested that we separate our discussion of SIGTARP from our discussion of Treasury. In response, we listed SIGTARP as a separate agency from Treasury in our description of agencies' roles in combating foreclosure rescue schemes. In addition, SIGTARP noted that the draft report did not reflect the work of the FFETF's Rescue Fraud Working Group, which also plays a role in combating these schemes. We added a description of this working group and noted that SIGTARP is one of its co-chairs. SIGTARP in its written comments stated that it concurred with the sections of the report related to SIGTARP's work and noted that it has made significant progress in combating these schemes and will continue to work with law enforcement partners to investigate them.

We are sending copies of this report to the appropriate congressional committees and to the heads of the Departments of Justice, Housing and Urban Development, and the Treasury, the Consumer Financial Protection Bureau, the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, the Federal Trade Commission, the Special Inspector General for the Troubled Asset Relief Program, and the U.S. Postal Inspection Service. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions concerning this report, please contact me at (202) 512-8678 or evansl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

Lawrance L Evans, Jr.

Lawrance Evans Jr.
Director, Financial Markets
and Community Investment

List of Addressees

The Honorable Tim Johnson
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives

Appendix I: Scope and Methodology

To examine the nature and prevalence of mortgage foreclosure rescue and loan modification schemes, we analyzed available information on consumer complaints about foreclosure rescue schemes from the Federal Trade Commission's (FTC) Consumer Sentinel Network, as well as the Lawyers' Committee for Civil Rights Under Law's Loan Modification Scam Prevention Network (LMSPN) database. In addition, we examined published information on the number of Suspicious Activity Reports related to foreclosure rescue schemes. We spoke with officials and representatives who manage these databases about their data collection processes and internal quality controls and tested the data where applicable. We found FTC's Consumer Sentinel Network, LMSPN, and SAR data to be sufficiently reliable for the purpose of discussing the nature and prevalence of foreclosure rescue schemes in this report. We recognize that the total number of foreclosure rescue schemes reported does not capture all occurrences of schemes; however it captures the available information on this area of fraud. We also contacted seven member agencies of the Financial Fraud Enforcement Task Force's (FFETF) Mortgage Fraud Working Group (MFWG) that were active in combating foreclosure rescue schemes—the Consumer Finance Protection Bureau, the Department of Justice, the Federal Housing Finance Agency and its Office of Inspector General, FTC, the Department of Housing and Urban Development and its Office of Inspector General, the Department of the Treasury, the Special Inspector General for the Troubled Asset Relief Program, and the U.S. Postal Inspection Service. In addition, we contacted representatives of two government-sponsored enterprises, Fannie Mae and Freddie Mac, as well as the offices of the attorneys general from Indiana and the five states we spoke with for our 2010 report—Arizona, California, Florida, Illinois, and New York—states with some of the highest numbers of potential foreclosures. We also spoke with a number of nonprofit organizations that are actively addressing these schemes.

To determine the status and scope of the federal government's multiagency effort and other major efforts to combat these schemes, we interviewed officials and obtained relevant documentation from FFETF and MFWG members listed previously. We also interviewed officials and obtained documents from the enterprises and nonprofit organizations that have undertaken major efforts in this area, including the National Fair Housing Alliance, the National Community Reinvestment Coalition, HOPE NOW, the Homeownership Preservation Foundation, and lead members of LMSPN, including the Lawyers' Committee for Civil Rights Under Law and NeighborWorks America.[1] We also reviewed MFWG's 2012 and 2013 strategic scorecards to determine the activities the working group had completed. We also collected information on the number of civil and criminal foreclosure rescue scheme cases state and federal agencies pursued and reviewed individual agencies' websites for information on foreclosure rescue schemes. We reviewed Standards for Internal Control in the Federal Government to identify requirements for effective internal controls related to fraud detection and prevention.[2] Additionally, we looked at our past reviews of federal programs in which we identified the key elements of a framework for fraud prevention, detection, and prosecution.[3] Finally, we interviewed agency officials about their efforts to conduct outreach, collect consumer complaints, and conduct enforcement activities related to these types of schemes.

We conducted this performance audit from November 2012 to October 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[1]The National Fair Housing Alliance is a national organization dedicated to ending discrimination in housing through leadership, education and outreach, membership services, public policy initiatives, advocacy, and enforcement. The National Community Reinvestment Coalition seeks to increase fair and equal access to credit, capital, and banking services and products for low- and moderate-income communities. HOPE NOW is an alliance between counselors, mortgage companies, investors, and other mortgage market participants that seeks to maximize outreach efforts to homeowners in distress to help them stay in their homes. The Homeownership Preservation Foundation is a nonprofit group that helps financially challenged homeowners navigate budget problems and avoid foreclosure. The Lawyers' Committee for Civil Rights Under Law is dedicated to securing equal justice for all through the rule of law, targeting in particular the inequities confronting African Americans and other racial and ethnic minorities. NeighborWorks America was established under Title VI of the Housing and Community Development Amendments of 1978, Pub. L. No. 95-557, 92 Stat. 2080, 2115, as a congressionally chartered nonprofit organization dedicated to improving distressed communities.

[2]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

[3]For example, see GAO, *Hurricanes Katrina and Rita Disaster Relief: Prevention Is the Key to Minimizing Fraud, Waste, and Abuse in Recovery Efforts,* GAO-07-418T (Washington, D.C.: Jan. 29, 2007).

Appendix II: Comments from the Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

October 2, 2013

Lawrance Evans, Jr.
Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Evans:

Thank you for providing the Department of the Treasury (Treasury) with an opportunity to review your draft report entitled *Financial Crime: Foreclosure Rescue Schemes Have Become More Complex and Efforts to Combat Them Continue*. We appreciate GAO's acknowledgment of Treasury's efforts to combat financial fraud, and its involvement with the Financial Fraud Enforcement Task Force, which is comprised of more than 20 federal agencies, 94 U.S. Attorneys' Offices, and state and local partners. We note that your report contains no recommendations.

The Office of Financial Stability (OFS) conducts daily website scans to identify unauthorized uses of Treasury program trademarks or misrepresentations of programs. Between 2009 and 2012, Treasury issued notices of trademark infringement (cease-and-desist) to owners of approximately 400 websites for unauthorized use of Treasury program trademarks. Additionally, OFS conducts preliminary investigations into allegations of foreclosure rescue schemes related to the Troubled Assets Relief Program (TARP), the findings of which may result in referrals to the Special Inspector General for TARP (SIGTARP) and other appropriate law enforcement and regulatory authorities. Treasury has also partnered with SIGTARP and the Consumer Financial Protection Bureau to provide the public with important tips and alerts for avoiding mortgage modification scams.

Treasury values GAO's insight as we continue our efforts to combat financial fraud.

Sincerely,

Tim Massad

Timothy G. Massad
Assistant Secretary for Financial Stability

Appendix III: Comments from the Special Inspector General for the Troubled Asset Relief Program

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM
1801 L STREET, NW, 4TH FLOOR
WASHINGTON, D.C. 20220

OCT 25 2013

Gene Dodaro
Comptroller General of the United States
Government Accountability Office
441 G. Street, NW
Washington, D.C. 20548

In Re: GAO-14-17

Dear Comptroller General Dodaro:

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) welcomed the opportunity to review and provide comments regarding your draft audit report titled, *Financial Crime: Foreclosure Rescue Schemes Have Become More Complex and Efforts to Combat Them Continue* (GAO-14-17) performed under engagement code 250695. Our written technical comments were provided previously in my letter dated October 8, 2013. With the adoption of our comments, SIGTARP concurs with the section of your report related to SIGTARP's work. SIGTARP and our partners have made, and will continue to make significant and meaningful progress in our coordinated efforts to combat mortgage modification fraud and other foreclosure rescue schemes.

SIGTARP has been vigilant in investigating TARP related mortgage fraud schemes since our creation in late 2008. To further our efforts and resources, we routinely partner with many criminal law enforcement organizations and civil enforcement organizations primarily through the President's Financial Fraud Enforcement Task Force (FFETF). SIGTARP is a co-chair of the FFETF's Rescue Fraud Working Group (RFWG) along with Department of Justice and Treasury, and through this working group, we with our law enforcement partners, have brought justice and accountability to those that engage in mortgage modification fraud and other foreclosure rescue schemes to take advantage of struggling homeowners.

As a result of SIGTARP investigations, with our law enforcement partners, criminal charges have been filed against 46 individuals related to mortgage modification scams or other foreclosure rescue schemes, 28 of these defendants have been convicted while others await trial, and 22 of those convicted were sentenced to prison. The average prison sentence resulting from a SIGTARP investigation related to mortgage modification schemes is over 40 months, with two individuals receiving prison sentences of 132 months each.

In addition, SIGTARP's important work to combat mortgage modification fraud and other foreclosure rescue schemes has resulted in returning money to victims and the Government. As a result of SIGTARP's investigations 65 individuals and entities have been charged in civil complaints, and many were banned from the telemarketing industry, doing business with the government, or lost their law licenses. SIGTARP's investigations have resulted in actual

1

recoveries to the government or victims to date totaling nearly $2 million. However, we expect additional recoveries because our investigations have resulted in court orders of forfeiture totaling over $2.1 million, orders of restitution totaling over $8.6 million, and civil judgments totaling over $12.3 million for a combined total of $23 million.

By the time SIGTARP arrests mortgage modification fraud scammers, it is often too late for homeowners who have lost precious last dollars and in some cases, their home. SIGTARP has also taken proactive measures to prevent homeowners from becoming victims in the first place. First, in order to educate homeowners, SIGTARP, though the RFWG spearheaded a financial literacy effort bringing on board CFPB and Treasury to release two consumer alerts, one directed to all homeowners, and a second alert directed to members of the armed forces who were being targeted specifically. These alerts list the common red flags of mortgage modification schemes that should help homeowners avoid becoming a victim. Second, in order to minimize the number of victims of these schemes, we aggressively work with our civil partner agencies including the states' Attorney Generals offices to quickly shut down any and all fraudulent schemes with such tools as cease and desist orders, restraining orders, and receiverships, among other civil actions. Third, after becoming aware in investigations that con-artists were targeting homeowners on the internet, we took aggressive action normally unheard of in law enforcement to shutdown over 200 alleged fraudulent web sites that bore the hallmarks of these schemes. SIGTARP worked with Google & Microsoft (owner of Yahoo & Bing) to take down over 200 alleged fraudulent web sites and subsequently both companies suspended relationships with 900 web advertising agencies related to the alleged fraudulent web sites.

SIGTARP will continue to be vigilant and aggressive in protecting distressed homeowners for these schemes as they relate to TARP.

Should you have any questions or need additional information, please feel free to contact me.

Sincerely,

Christy L. Romero
Special Inspector General

Cc: Lawrance Evans, Jr.
Director
Financial Markets and Community Investments

2

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Lawrance L. Evans, Jr. (202) 512-8678 or evansl@gao.gov

Staff Acknowledgments

In addition to the individual named above, other key contributors to this report were Harry Medina (Assistant Director), Rachel E. Batkins, Bethany M. Benitez, Emily Chalmers, Jena Sinkfield, Andrew Stavisky, Winnie Tsen, and James D. Vitarello.

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