

## FBI LACKS RESOURCES TO FIGHT BOOM IN MORTGAGE FRAUD - 2,500 AGENTS REASSIGNED TO TERRORISM WEREN'T REPLACED

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Mortgage fraud cost banks and consumers at least \$1 billion last year, but neither the Bush administration nor the Democratic Congress is giving the FBI the resources it needs to combat the problem, according to an industry group.

The Mortgage Bankers Association, which represents home-loan lenders, has been asking for \$6.25 million to fund 30 new Federal Bureau of Investigation special agents as well as two federal prosecutors and 15 regional task forces combating an explosion of fraud.

The association says banks can't get law enforcement agencies to investigate most cases. And the problem is not limited to a few victims.

"Almost every lending institution out there has been affected by it," said Deborah Leibel, a senior loan officer at HomeStreet Bank and president of the Puget Sound Mortgage Lenders Association, which has members in Pierce, King and Thurston counties.

The increase in mortgage fraud has developed in the post-9/11 era as Bush administration budgets have drastically reduced the number of special agents the FBI has to investigate crime. That's because the administration failed to budget for replacements for 2,500 agents reassigned to investigate terrorism.

A Seattle P-I investigation found that white-collar crime investigations have dropped more than 60 percent since 9/11 and convictions have dropped by about 30 percent.

Many of the FBI's trained financial investigators have been reassigned to investigate terrorist finances. That puts investigators at a disadvantage to knowledgeable insiders who can create sophisticated, multimillion-dollar schemes.

"They generally know how to work the system. These are tough cases to prosecute," said Corey Carlisle, a lobbyist for the Mortgage Bankers Association.

"You're hearing banks talk about 'marketing your cases' to law enforcement," he said.

And the cases can be huge. Industry figures put total losses to fraud at more than \$4 billion last year.

The FBI pegs the figure lower - at \$1 billion. But that covers only federally insured banks - not loans from many companies that resell loans to investors.

Such companies have been the fastest-growing segment of the industry, and are more likely to be the victims of fraud, Leibel said.

Locally, mortgage fraud has not reached the epidemic levels found in places such as California and Georgia, in part because the state has adopted strict new licensing requirements for mortgage brokers, including criminal background checks.

In addition, most mortgage fraud comes to light through foreclosures, and the foreclosure rate is low in this region's still-growing real estate market, said Merle Sharick, vice president of Mortgage Asset Research Institute.

But the national figures show a worrisome trend.

Dollar losses in 2006 were close to quadruple what they were in 2003 and the number of cases has increased by a similar amount, according to the FBI.

As a result, while banks reported more than 59,000 mortgage-related frauds to the FBI last fiscal year, the bureau obtained only 263 indictments and 204 convictions. Meanwhile, the backlog of mortgage fraud cases under investigation has more than doubled since 2003, from 463 to more than 1,000, according to FBI figures.

An FBI spokesman in Washington, D.C., said it is forming partnerships with other agencies and with groups such as the Mortgage Bankers to make up for the lack of agents it has available.

"We realize that we sometimes have to do more with less," spokesman Steve Kodak told the P-I.

Carlisle said the lenders appreciate the efforts the FBI's does make - which have included task forces and a few high-profile investigations - but that making a real dent in the problem will take dollars and cents.

"They're strapped for resources," Carlisle said. "They're doing everything they can, but they need to do more."

The problem hits consumers everywhere in several ways: by driving up the fees lenders charge for mortgages, by falsely inflating property values when scammers run up the cost of housing and by throttling property values when foreclosures due to fraud leave vacant houses.

Not only is fraud becoming worse, gangs and organized crime have entered the picture.

Eager to get the benefits of robbing a bank without the risk, these groups are increasingly involved in mortgage fraud, according to the FBI and the mortgage bankers group.

Bankers sought the money to beef up the FBI's fight against mortgage fraud from the Republican Congress in 2006 and the Democrats this year. It was not included in the spending bills recently written by the House Appropriations Committee, but could be added when the Senate tackles the bills this summer.

The money also was not included in the president's proposed budget to Congress.

The Mortgage Bankers proposal joins a plan by Sen. Joe Biden, D-Del., to add 1,000 new agents to the FBI's criminal division. So far, neither has received a congressional vote.> P-I investigative reporter Daniel Lathrop can be reached at 206-448-8157 or

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#### PROTECT YOURSELF FROM BECOMING A VICTIM OF MORTGAGE FRAUD

Get referrals for real estate and mortgage professionals. Check their licenses with regulatory agencies.

If it sounds too good to be true, it probably is. An outrageous promise of extraordinary profit in a short period of time signals a problem.

Be wary of unsolicited contacts and high-pressure sales techniques.

Look at recent comparable sales in the area and tax assessments to verify the value of the property.

Understand what you are signing and agreeing to. If you do not understand, read the documents, or seek assistance from an attorney.

Make sure the name on your application matches the name on your identification.

Review the title history to determine if the property has been sold multiple times within a short period. It could have been "flipped" to falsely inflate the value.

Know and understand the terms of your mortgage.

Never sign any loan documents that contain blanks. This leaves you vulnerable to fraud.

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