



Highlights of [GAO-10-787](#), a report to congressional requesters

Why GAO Did This Study

One of the most devastating aspects of the current financial crisis for homeowners is the prospect of losing their homes to foreclosure, and many homeowners have fallen victim to foreclosure rescue and loan modification schemes. In 2009, the administration created the Financial Fraud Enforcement Task Force (FFETF), which is led by the Department of Justice (DOJ), to combat these and other financial crimes. This report examines (1) the nature and prevalence of these schemes, (2) federal efforts coordinated to combat these schemes and other major efforts, and (3) factors that may affect federal efforts' success in combating these schemes. To address these objectives, GAO obtained information from federal agencies participating in the FFETF and interviewed representatives of five states with high exposure to potential foreclosures and nonprofit organizations undertaking related activities.

What GAO Recommends

GAO is recommending that the U.S. Attorney General direct DOJ to develop clear, long-term strategies and performance measures that DOJ can use to evaluate its progress toward combating mortgage fraud, and consider developing strategies specific to foreclosure rescue schemes. DOJ concurred with these recommendations.

View [GAO-10-787](#) or [key components](#). For more information, contact Mathew J. Scire at (202) 512-8678 or sciremj@gao.gov.

HOMEOWNERSHIP PRESERVATION

Federal Efforts to Combat Foreclosure Rescue Schemes Are Under Way, but Improved Planning Elements Could Enhance Progress

What GAO Found

Although data that would establish the prevalence of foreclosure rescue and loan modification schemes are limited, officials told GAO that these schemes can take several forms—the most active scheme is one in which individuals or companies charge a fee for services not rendered. Agency and nonprofit officials said that the perpetrators of these schemes are likely to be former mortgage industry employees, professional scam artists, and unethical attorneys and that the range of potential victims is wide. Law enforcement officials said that the nature of the schemes makes them difficult to combat because they can easily be conducted by Internet or across state lines. While law enforcement agencies and nonprofits have information, such as research studies and consumer complaints, that supports their belief that these schemes are widespread, there are no nationwide data that can reliably be used to describe their prevalence.

Collaborative federal law enforcement efforts and other coordinated efforts involving federal and private organizations are under way to combat foreclosure rescue and loan modification schemes. The FFETF was established in November 2009 to strengthen the efforts of federal, state, and local agencies to investigate and prosecute a variety of financial crimes, including foreclosure rescue and loan modification schemes. Prior to the FFETF, the administration announced a multiagency effort to combat these schemes in April 2009, for which agencies, notably the Financial Crimes Enforcement Network and the Federal Trade Commission, took supporting actions. The FFETF's Mortgage Fraud Working Group, which has primary responsibility for coordinating activities related to these schemes, has focused on facilitating communication and exchanging information among law enforcement agencies by sponsoring training sessions and conferences. In addition to the FFETF, there are other major coordinated efforts aimed at combating these schemes, such as a public-private effort that focuses primarily on consumer education and outreach.

Several factors may affect federal efforts to combat foreclosure rescue and loan modification schemes, and lack of a clear, long-term strategy could limit the FFETF's effectiveness. Key factors affecting federal success in combating these schemes include educating consumers about them and coordinating federal and state law enforcement efforts. The Mortgage Fraud Working Group has created an action plan that partly addresses these factors but does not fully incorporate certain key practices to enhance and sustain interagency collaboration. In particular, the plan largely focuses on short-term strategies, does not clearly identify members' roles and responsibilities, and does not clearly identify performance indicators that would allow it to measure progress over time. In addition, the plan outlines strategies for addressing mortgage fraud as a whole and identifies few specific approaches to combating foreclosure schemes. Without long-term strategies and performance measures specific to foreclosure schemes, the working group may be limited in its ability to combat these schemes.