

GAO Highlights

Highlights of [GAO-14-17](#), a report to congressional committees

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

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FINANCIAL CRIME

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

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.