



U.S. Department of Justice FY 2013 Budget Request

FINANCIAL AND MORTGAGE FRAUD

+ \$55.0 million in Program Increases

FY 2013 Overview

The Administration and the Department remain committed to investigating and prosecuting financial and mortgage fraud that harm the American people and the financial markets. In order to strengthen our efforts at combating this fraud, we propose a new financial and mortgage fraud enforcement initiative, which is intended to complement ongoing efforts to root out various forms of fraud, including health care fraud, that are supported by existing direct resources and reimbursable funding.

DOJ plays a crucial role in the federal financial recovery effort through criminal and civil litigation. The Department requests program increases totaling \$55 million for a variety of economic fraud enforcement efforts, including work being done by DOJ members of the President's Financial Fraud Enforcement Task Force. This increase will support additional FBI agents, criminal prosecutors, civil litigators, in-house investigators, forensic accountants, paralegals, and other support positions to ultimately improve the Department's capacity to investigate and prosecute allegations of financial and mortgage fraud. This national initiative will pool state and federal resources to leverage impact.

To that end, the FY 2013 Budget requests a total program increase of \$55 million (including \$9.8 million for technology tools and automated litigation support) for this priority initiative. The request seeks 328 additional positions, including 40 FBI agents, 184 attorneys, 49 in-house investigators, 31 forensic accountants, 16 paralegals, and 8 support staff. Of the total \$55 million program increase, \$37.4 million is to increase criminal enforcement efforts and \$17.6 million is to increase civil enforcement efforts.

The additional resources will support the Department's investigation and prosecution of the broad range of crimes that fall under the definition of financial fraud, including securities and commodities fraud, investment scams, and mortgage foreclosure schemes. The additional resources will build upon the successes of the Financial Fraud Enforcement Task Force that, since its inception in FY 2010, has facilitated increased investigations and prosecutions of financial fraud relating to the financial crisis and economic recovery efforts.

As a prelude to implementing this initiative in FY 2013, the Attorney General has announced the formation of the Residential Mortgage-Backed Securities Working Group, supported by existing FY 2012 resources, which will leverage state and federal resources to strengthen current and future efforts to investigate and prosecute instances of wrongdoing in the residential mortgage-

backed securities market. The working group, working under the authorities of the Financial Fraud Enforcement Task Force, will be co-chaired by senior DOJ and Securities and Exchange Commission officials, along with the New York Attorney General. It will be staffed by at least 55 DOJ attorneys, analysts, agents, and investigators from around the country.

Program Increases

Federal Bureau of Investigation (FBI)

- **Financial and Mortgage Fraud:** \$15.0 million and 44 positions (40 agents)
The requested funding will increase the FBI's capacity to investigate financial fraud and mortgage fraud schemes. In FY 2011 the FBI had over 1,500 pending financial fraud (corporate and securities) cases and over 2,900 pending mortgage fraud cases. The requested 40 new agents and 4 forensic accountants will create two hybrid squads to target the most significant complex financial crimes and remaining resources will be allocated to FBI field offices to increase financial and mortgage fraud efforts. This enhancement will permit the FBI to address high priority and high loss investigations and provide a substantial return on investment. For example, the average return on investment for one corporate fraud agent was approximately \$54 million over the past three fiscal years. FY 2013 current services for economic fraud are 1,239 positions (921 agents) and \$195.7 million.

Criminal Division (CRM)

- **Financial and Mortgage Fraud:** \$5.0 million and 28 positions (16 attorneys)
The Criminal Division will use its resources to prosecute the most significant financial crimes, including mortgage fraud, corporate fraud, and sophisticated investment fraud, coordinate multi-district financial crime cases, and assist U.S. Attorneys Offices (USAOs) in financial crime cases with significant money laundering and asset forfeiture components. The FY 2013 current services for this initiative are 278 positions (182 attorneys) and \$66.5 million.

Civil Division (CIV)

- **Financial and Mortgage Fraud:** \$7.0 million and 51 positions (38 attorneys)
Through this enhancement, the Civil Division will expand civil enforcement efforts to continue to obtain recoveries from individuals and companies who have defrauded the government by violating the terms of Federal contracts, grants, loans, and subsidies. This increase will enable the Division to vigorously pursue perpetrators of mortgage, procurement and other financial fraud that have robbed the treasury of hundreds of millions of dollars. The Division will also use the additional funds to obtain relief for consumers who have fallen victim to unscrupulous schemes that contributed to the financial crisis that is crippling so many sectors of our economy today. The FY 2013 current services for this initiative are 65 positions (52 attorneys) and \$17.8 million.

Civil Rights Division (CRT)

- **Financial and Mortgage Fraud:** \$1.5 million and 15 positions (10 attorneys)
CRT will expand civil enforcement efforts, including investigations of predatory lending; pricing discrimination matters involving allegations of potentially fraudulent behavior; and redlining discrimination involving allegations that reputable lenders failed to provide loan opportunities on an equal basis in majority-minority neighborhoods leaving those markets open to fraudulent or predatory lenders. FY 2013 current services for this initiative are 12 positions (9 attorneys) and \$1.4 million.

U.S. Attorneys (USA)

- **Financial and Mortgage Fraud:** \$26.5 million and 190 positions (120 attorneys)
The U.S. Attorneys will expand criminal investigations and prosecutions of mortgage fraud, predatory lending, financial fraud, and market manipulation matters. These prosecutorial resources will enable the U.S. Attorney community to quickly address the increasing number of mortgage and financial fraud cases referred by the FBI for prosecution. The U.S. Attorneys will also expand civil enforcement efforts to continue to obtain recoveries from individuals and companies that have defrauded the government by violating the terms of Federal contracts, grants, loans, and subsidies. The FY 2013 current services for this initiative are 2,262 positions (1,544 attorneys) and \$274.3 million.

FY 2013 Program Increase Summary
(Amount in \$000s)

Component/Initiative	Positions	Attys/Agts	Amount
Federal Bureau of Investigation	44	40	\$15,000
Financial and Mortgage Fraud	44	40	15,000
Criminal Division	28	16	\$5,000
Financial and Mortgage Fraud	28	16	5,000
Civil Division	51	38	\$7,000
Financial and Mortgage Fraud	51	38	7,000
Civil Rights Division	15	10	\$1,500
Financial and Mortgage Fraud	15	10	1,500
U.S. Attorneys	190	120	\$26,500
Financial and Mortgage Fraud	190	120	26,500
Grand Total, Program Increases	328	224	\$55,000