



U.S. Department of Justice FY 2014 Budget Request

FINANCIAL AND MORTGAGE FRAUD

+ \$55 million in Program Increases

FY 2014 Overview

The Administration remains committed to investigating and punishing financial and mortgage fraud that harm the American people and the financial markets – misconduct that is believed to have contributed to the worst economic crisis in recent history. The Department plays a crucial role in these ongoing efforts, through investigations and criminal and civil litigation. Over the last three fiscal years alone, the Department has filed nearly 10,000 financial fraud cases against nearly 15,000 defendants, including more than 2,900 mortgage fraud defendants. This initiative was included in the FY 2013 President’s request, but funding for it was not provided in FY 2013.

The Department’s commitment to build upon the progress that has been made to date has never been stronger. The Department thus requests program increases totaling \$55 million to support these critical economic fraud enforcement efforts focused on financial institutions and the mortgage industry, including work being done by the DOJ members of the President’s Financial Fraud Enforcement Task Force and the Residential Mortgage-Backed Securities (RMBS) Working Group announced by the President in 2012. This increase will support additional civil litigators, criminal prosecutors, in-house investigators, forensic accountants, paralegals, and other support positions to expand the Department’s capacity to investigate and punish allegations of financial and mortgage fraud.

To that end, the FY 2014 Budget requests a total program increase of \$55 million (including \$13.5 million for case funding, investigative tools and automated litigation support) for this high priority. The \$55 million 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 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 illegal conduct 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 President’s 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. The resources will also support the continuing work of the Residential Mortgage-Backed Securities (RMBS) Working Group, a joint federal and state initiative created to strengthen current and future efforts to investigate and punish those responsible for misconduct contributing to the financial crisis through fraud in the origination and pooling of residential mortgages and the

securitizing and sales of RMBS. The Working Group, working under the authorities of the Financial Fraud Enforcement Task Force, is co-chaired by senior DOJ and Securities and Exchange Commission officials, along with the New York Attorney General.

Program Increases

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 President's Budget included this request; the FY 2014 President's Budget includes the same request in the same amount. The FY 2014 current services for this initiative are 268 positions (178 attorneys) and \$62.8 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 President's Budget included this request; the FY 2014 President's Budget includes the same request in the same amount. The FY 2014 current services for this initiative are 56 positions (46 attorneys) and \$16.3 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. The FY 2013 President's Budget included this request; the FY 2014 President's Budget includes the same request in the same amount. FY 2014 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 President's Budget included this request; the FY 2014 President's Budget includes the same request in the same amount. The FY 2014 current services for this initiative are 1,952 positions (1,276 attorneys) and approximately \$310 million.

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 2012 the FBI had 2,713 pending corporate and securities fraud cases and 2,265 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 \$33.1 million over the past three fiscal years. The FY 2013 President's Budget included this request; the FY 2014 President's Budget includes the same request in the same amount. FY 2014 current services for economic fraud are 922 positions (693 agents) and \$147.1 million.

FY 2014 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