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Glenn Theobald Hearing Follow Up From Thomas Greene

Thomas Greene

Glenn Theobald

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January 27, 2010

Via FedEx

Mr. Glenn Theobald
Chief Counsel
Miami-Dade Police Department
9105 NW 25th Street
Doral, FL 33172

Phil Angelides
Chairman

Hon. Bill Thomas
Vice Chairman

**Re: Financial Crisis Inquiry Commission Hearing on
January 14, 2010**

Dear Chief Theobald:

On January 20, 2010, Chairman Angelides and Vice Chairman Thomas sent you a letter thanking you for testifying at the January 14, 2010 hearing and informing you that the staff of the FCIC might be contacting you to follow up on certain areas of your testimony and to submit written questions and requests for information related to your testimony. During the hearing, some of the Commissioners asked you to answer certain questions in writing. Please answer the questions listed below and provide any information requested by February 26, 2010.

Brooksley Born
Commissioner

Byron S. Georgiou
Commissioner

Senator Bob Graham
Commissioner

Keith Hennessey
Commissioner

Douglas Holtz-Eakin
Commissioner

Heather H. Murren, CFA
Commissioner

John W. Thompson
Commissioner

Peter J. Wallison
Commissioner

1. Please provide any data that you have on the pervasiveness of mortgage fraud from 2000 to present. Please provide any data or studies that would assist the Commission in assessing the dimension of fraud in subprime lending.
2. Please provide information/statistics, if available, that would give the Commission further insight into the universe of current foreclosures and assist in classifying borrowers into four categories: 1) victims (people who were defrauded into taking out a loan that they never should have taken; 2) borrowers who knew they were taking a risk; 3) speculators or gamblers; and 4) fraudulent borrowers.
3. Please provide data on the number of cases that you referred to federal regulators when the state was preempted from taking action. What action did the federal agency pursue in those cases?

Thomas Greene
Executive Director

The Commissioners and staff of the FCIC sincerely appreciate your continued cooperation with this inquiry. If you have any questions or concerns, please do not hesitate to contact Chris Seefer at (202) 292-2799, or cseefer@fcic.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Thomas Greene', with a horizontal line underneath.

Thomas Greene
Executive Director

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission

Bill Thomas, Vice Chairman, Financial Crisis Inquiry Commission



Integrity • Respect
Service • Fairness

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February 23, 2010

Mr. Thomas Greene
Executive Director
Financial Crisis Inquiry Commission
1717 Pennsylvania Avenue, NW, Suite 800
Washington, DC 20006-4614

Dear Director Greene:

I am in receipt of both your letters dated January 27 and 29, 2010 requesting answers in writing to questions posed by the panel. Thank you for the continued opportunity to provide information to assist the Financial Crisis Inquiry Commission (FCIC) to perform their task.

The following information is provided in response to question number 1 the pervasiveness of mortgage fraud from 2000 to present. I have answered on three fronts: the Miami-Dade perspective; the Florida perspective; and the National perspective.

1. Miami- Dade Mortgage Fraud Task Force Assessment

MDPD Mortgage Fraud Related Investigations

Case Disposition	Grand Total
Closed by Arrest (CBA)	125
Exceptionally Cleared (EC)	131
Open/Pending (OP)	602
Open/Pending/Suspended (OPS)	14
Unfounded (UNF)	21
Complaints Reviewed (MFTF Cases only)	229
Grand Total	911

The Miami-Dade's Crime Analysis System (CAS) provided the following information by using the modus operandi/incident type (deed fraud, mortgage fraud, real estate fraud) along with a date range of 1/01/2000 thru present (2/16/2010). As of February 16, 2010, breakdown of cases is as follows, according to the Crime Analysis System (CAS): the Miami-Dade Police Department has reviewed a total of 845 cases that are classified as open cases. That number includes cases categorized as open pending (OP), open pending suspended (OPS), and MFTF Complaints Reviewed.¹

¹ Miami-Dade Police Department, Crime Analysis System (CAS), (February 16, 2010), Miami, Florida.

The number of closed cases currently stands at 277. This number is comprised of cases closed by arrest (CBA), exceptionally cleared (EC), and cases regarded as unfounded (UNF). The number of cases closed by arrest stands at 125 and the number of subjects arrested stands at 189 since task force inception.

Prior to October 1, 2007, mortgage fraud and real estate fraud offenses were investigated by the Miami-Dade Police Department - Major Fraud Section. Mortgage/Real Estate Fraud offenses would be classified and investigated as other types of major fraud offenses such as embezzlements, confidence schemes, forgeries of documents, or identity thefts. The "true" number of cases prior to September 2007 remains unknown.

As of October 1, 2007 (task force inception), The Miami-Dade Mortgage Fraud Task Force has vetted through 911 complaints and has actively investigated 682 cases. There have been another 1100 informal complains via e-mail, telephone, and personal contact from speaking events, town hall meetings and open forums. There have been 189 felony arrests for mortgage fraud and related charges, representing approximately \$57 million in losses.

The Miami-Dade Metropolitan area ranked second nationally in the major metropolitan areas in mortgage fraud by Freddie Mac. According to the Federal Bureau of Investigations, the top five states with significant mortgage fraud problems in 2008 were the following states: 1. Rhode Island 2. Florida 3. Illinois 4. Georgia 5. Maryland. The state of Florida has consistently been one of the top five states for mortgage fraud since 2000.

The estimated annual losses due to mortgage fraud is estimated to be somewhere between four and six billion dollars annually. A significant portion of the mortgage industry is void of any mandatory fraud reporting. The FBI states that the true total dollar loss amount attributed to mortgage fraud is unknown; however, at least 63% of all pending FBI mortgage fraud investigations during FY2008 involved dollar losses totaling more than one million dollars.²

Fannie Mae states that the greatest numbers of loans with misrepresented findings originate from the Southeastern region of the U.S. with 33% of total amount as of December 2009. The majority of loans applicants misrepresent income, 30% and liabilities, 29% information most frequently when applying for a loan.³

² Federal Bureau of Investigation – 2008 Mortgage Fraud Report "Year in Review", http://www.fbi.gov/hq/mortgage_fraud.htm

³ eFanniemae.com – Mortgage Fraud Program, Monthly Fraud Statistics, <https://www.efanniemae.com/utility/legal/antifraud.jsp?from=hp>

2. The current status of foreclosures is not documented by the Miami-Dade Police Department or the Miami-Dade Clerk's Office; therefore we are not able to provide statistical data. Based on our investigative experience through The Mayor Carlos Alvarez Mortgage Fraud Task Force (MMFTF), the following information can be provided. Utilizing the four categories which the Financial Crisis Inquiry Commission has outlined:

1) *Victims- people who were defrauded into taking out a loan that they never should have taken.*

This concept, also referred to as predatory lending, has come up during some of our investigations. Although as investigators we believe this has occurred in some cases, we have not used this practice as the main focus of our investigations.

2) *Borrowers- people who knew they were taking a risk*

We consider this to be fraud for housing; where individuals embellish their earnings in order to qualify for a home. We do come across this as part of our investigations.

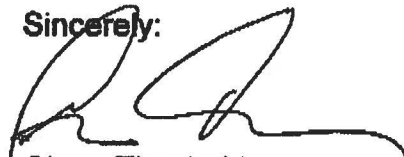
3) *Speculators or gamblers* – We have had a few cases of investments gone awry but they usually end up being civil in nature or the speculator/gambler has no choice but to let their investment go into foreclosure as a result of overextending themselves.

4) *Fraudulent Borrowers* – “Straw Buyers” who are paid for the use of their credit, or other individuals who misrepresent material facts to the lenders, represent the majority of our case load.

3. We have not referred any cases to federal regulators; however, we did recently establish a relationship with the Federal Trade Commission for future referrals. Our contact is Ms. Betsy Broder, Assistant Director, Division of Privacy and Identity Protection. In the past, we have referred cases to the State regulatory agency. Civil litigation was pursued in these cases and attempts made to recover funds.

I hope that the responses satisfactorily answer the questions posed by the panel. I again thank you for the opportunity to appear before the Commission it has certainly been a highlight of my career.

Sincerely:



Glenn Theobald
Chief Counsel