

Subcommittee on Oversight and Investigations
House Financial Services Committee
June 18, 2009

“Strengthening Oversight and Preventing Fraud in FHA and other HUD Programs”

Opening Statement from Chairman Dennis Moore [KS-03]

On April 27th, I hosted a press conference at the Federal Courthouse in Kansas City, Kansas, with Missouri Attorney General Chris Koster, Kansas Attorney General Steve Six, as well as a local FBI Supervisory Special Agent and a Special Agent from the Office of Inspector General for HUD.

At that event, our goal was to raise public awareness of the mortgage fraud schemes that have been going on. In the current economic environment, too many homeowners are encountering significant difficulty in making their mortgage payments. Too many are at risk of losing their homes. There are a number of great people and resources out there to help homeowners work with their lenders so they can meet their mortgage obligations.

Unfortunately, as a former DA, I know all too well that there are also people out there who will exploit weakness and prey on the fear of others. Over the last few months, we have seen an increase in the number of fraudulent mortgage loan schemes that take advantage of those homeowners in desperate situations.

Under the pretense of helping homeowners modify their mortgage obligations, these schemes result in the loss of money, equity and in many cases the home itself. We often think of robberies taking place with a knife or a gun, but these thieves instead come with a smile, a handshake and a ballpoint pen – ultimately leaving a family in deeper trouble.

Through my role as Chairman of the Financial Services Oversight and Investigations Subcommittee, I am determined to ensure that local, state and federal law enforcement agencies have all the resources and tools they need to prosecute these horrible thieves.

That’s why I was a cosponsor of the Fight Fraud Act, which was renamed the Fraud Enforcement and Recovery Act by the Senate. No matter what you call it, this important legislation:

- strengthens the accountability standards for financial, mortgage lending and securities agents and institutions, and;
- authorizes additional funds for the Department of Justice, FBI, HUD’s Inspector General, and other federal agencies so they can hire the investigators they need to examine and prosecute fraudulent activity.

Ranking Member Judy Biggert was a lead sponsor of the bill as well, and I’d like to commend her for all the work she has done over the years fighting mortgage fraud. I’m sure she shares my sentiment that I was pleased when President Obama signed this important legislation into law.

One of the issues we will be focusing on today as we consider strong oversight of HUD is the role of FHA and its rapid expansion of lending in the mortgage market.

Even after the subprime market collapsed, FHA has continued to provide mortgage credit to responsible borrowers. But we must be vigilant to ensure the same bad actors that contributed to the housing crisis don't make their way into the FHA program.

In addition to the Fraud Enforcement and Recovery Act, President Obama also signed into law the Helping Families Save Their Homes Act. These two new laws improve FHA requirements and give the FHA more authority to keep bad actors out of the FHA program and provide additional enforcement tools to police those lenders who employ false or misleading tactics. In fact, just last week, HUD announced they suspended three lenders from FHA based on evidence of serious violations under HUD's regulations.

Another area of concern is the use of reverse mortgages that are primarily used by seniors. I agree with the Comptroller of the Currency, John Dugan, who recently raised a red flag on these reverse mortgages and noted that closer federal oversight may be necessary to protect the FHA and homeowners.

I'm also interested in learning more about the need for accurate and independent appraisals, and the role appraisals currently play with respect to FHA-insured loans. If there's one lesson we've learned from the financial crisis, we need to eliminate conflicts of interest and strengthen the integrity of any valuation process – everything from credit rating agencies to appraisals. I look forward to hearing from our witnesses on these and other important oversight issues.

I will conclude my remarks by reminding everyone to be on high alert for mortgage fraud. If you or someone you know is suspicious or unsure if someone is legitimately trying to help, immediately contact the local law enforcement and let them know so they can investigate.

It is imperative that we protect ourselves, our neighbors, and put those people preying on the victims of this housing crisis behind bars.