

**Statement of The Honorable Judy Biggert (R- IL-13)**  
**Committee on the Judiciary**  
**Hearing on “Fighting Fraud and Protecting Taxpayers”**  
**April 1, 2009**

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Chairman Conyers and Ranking Member Smith: thank you for extending to me the opportunity to join you today. Given your agenda, I'll be brief.

Some years ago, the *Chicago Tribune* published a series that revealed that gangs in the Chicago area increasingly were turning to mortgage fraud. They found it easier and more lucrative than selling drugs. It turns out the gangs were not alone; everyone, it seems, was in on the act.

Just last week, the U.S. Attorney in Chicago, Patrick Fitzgerald, brought mortgage fraud indictments against two dozen players. They are brokers, accountants, loan officers and processors, and attorneys.

Mortgage fraud comes in all shapes and sizes. *Scam artists* inflate appraisals, flip properties, and lie about information, including income and identity, on loan applications. Some used the identity of deceased people to obtain mortgages. And other desperate thieves bilked out of their homes and home equity the most vulnerable homeowners and seniors in dire financial straits.

Let's face it: this is just the tip of the iceberg. And as we in Congress work to get the economy back on track and credit flowing again, we have to address what was at the root of the mortgage melt-down in the first place and that is mortgage fraud.

Mortgage fraud continues to rise in record numbers. The FBI has reported that in 5 years, its mortgage fraud caseload increased by 237 percent, and investigations more than doubled in three years. During a 12-month period ending in 2008, mortgage fraud reports increased by 44 percent -- reaching over 63,000 reports -- with predictions of up to \$25 billion in losses. On refinanced FHA loans, defaults have more than quadrupled.

For the 5<sup>th</sup> year in a row, Illinois secured a spot on the Mortgage Asset Research Institute's (MARI) top ten list of states with the most severe and prevalent incidents of mortgage fraud. In MARI's 2009 *Mortgage Fraud Case Report* -- issued last week, Illinois ranked third in the nation, behind Rhode Island and Florida.

As a former real estate attorney and member of the House Committee on Financial Services, I've seen first-hand the devastating effects of mortgage fraud. It has plagued our financial system and economy. Most tragically, it has cost millions of American families their homes and required taxpayers to commit trillions of their hard-earned dollars to prop-up the financial industry. It's just not fair to the good actors in the industry and the 90 percent of homeowners who are paying their mortgage on time.

That's why I was pleased to join with you, Chairman Conyers and Ranking Member Smith, in introducing H.R. 1748, the "Fight Fraud Act," and I introduced H.R. 78, the "Stop Mortgage Fraud Act." I look forward to working with you and Members of this Committee on these important bills.

Last Congress, the House three times passed -- in some form -- my bill, the Stop Mortgage Fraud Act, only to see it removed or ignored by the Senate.

But I haven't given up, and I won't give up. This Congress, I reintroduced the Stop Mortgage Fraud Act, now H.R. 78, to provide additional funds to the FBI and Department of Justice to investigate and prosecute mortgage fraud.

By bolstering federal law enforcement's efforts, Congress can help to inject certainty and fairness into the mortgage system -- to restore investor, homebuyer, and public confidence in the American Dream and our financial system. As we work to modernize financial laws and regulations, it's also our duty to supply federal law enforcement with the tools and resources it needs to rapidly tackle fraud, particularly mortgage fraud. Fighting fraud must play a central role in solving the underlying problems that have undermined economic recovery.

With that, I respectfully request that you support H.R. 78, the Stop Mortgage Fraud Act. I offer my continued commitment to improve the bill and move it through the legislative process. Thank you, again, for your time and dedication to this matter.