

# EDITORIAL: Mortgage fraud masters largely are unscathed

BY THE FRESNO BEE EDITORIAL BOARD

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Despite all the fraud committed and money stolen in the housing crisis and crash of 2008, the masters of Wall Street won't be subjected to perp walks now, or probably ever.

The U.S. Justice Department's inspector general offered an explanation in a stinging report issued earlier this month: The FBI in several cities didn't classify mortgage fraud as a top priority.

The report also criticized the Department of Justice for hyping its success in 2012, vastly overstating the number of cases it had brought.

"Specifically, the number of criminal defendants charged as part of the initiative was 107, not 530 as originally reported," the report said. Worse, the department was slow to correct the mistake.

President Barack Obama's administration also was slow to confront the lenders who fueled the crash of 2008 with their reckless practices, and Wall Street firms that packaged and marketed toxic assets as securities.

The administration later became serious. Clearly, the number of mortgage fraud convictions increased from fewer than 600 in 2009 to more than 1,100 in 2011 nationally. But the administration got serious late. And there is some question about how serious the administration became.

The inspector general said its investigators "found mortgage fraud to be a low priority, or not listed as a priority, for the FBI Field Offices we visited, including Baltimore, Los Angeles, Miami, and New York."

There are obvious exceptions. The inspector general apparently didn't focus on efforts in the Eastern District of California.

In the Central Valley, mortgage-related fraud was a priority. The Justice Department's \$13 billion civil settlement with JPMorgan Chase in a mortgage-based securities fraud case stemmed from work by U.S. Attorney Benjamin B. Wagner's office in Sacramento.

The Sacramento office of the FBI listed mortgage fraud as its highest white-collar priority. Feds in this region have indicted 342 people on mortgage-related fraud cases.

In Fresno last month, Carl Cole, a Bakersfield real estate broker, was sentenced to 17 years in prison and ordered to pay \$28 million in restitution for fraud involving falsifying loan documents and inflating prices by using straw buyers to purchase homes between 2004 and 2007.

As the statutes of limitations kick in, the Justice Department is shifting to other pressing issues.

JPMorgan's stock was trading at about \$52 a share, near its 52-week high, when the feds announced the \$13 billion settlement in November. Its stock now is around \$60 a share. The people at the top remain unscathed.