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Mukasey Declines to Create a U.S. Task Force to Investigate Mortgage Fraud

By [ERIC LICHTBLAU](#)  
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WASHINGTON — Attorney General [Michael B. Mukasey](#) rejected on Thursday the idea of creating a national task force to combat the country’s mortgage fraud crisis, calling the problem a localized one akin to “white-collar street crimes.”

Mr. Mukasey made clear that he saw the mortgage fraud problem at the root of the nation’s housing crisis as a serious one. But he said he was confident that the Justice Department’s current approach — using local prosecutors’ offices around the country to oversee separate [F.B.I.](#) investigations — was adequate.

Since he took over as attorney general last November, Mr. Mukasey has grappled with how best to deal with the law enforcement side of the growing housing crisis. He said in March, for instance, that the Justice Department was still struggling to determine whether there was a “larger criminal story” behind the housing crisis.

He gave his most definitive answer on Thursday in a briefing for reporters, saying that he did not think that the kind of national task force created at the Justice Department in 2002 to investigate the collapse of Enron was “the proper response” to the current crisis.

Some critics have called for the same sort of broad federal law enforcement response seen in the Enron case and a wave of other corporate scandals earlier this decade, or in the collapse of the savings and loan industry in the 1980s and 1990s.

“This is disappointing,” Representative [Barney Frank](#), the Massachusetts Democrat who leads the House financial services committee, said in an interview about Mr. Mukasey’s remarks.

Calling the mortgage crisis, “worse than Enron,” Mr. Frank said, “Enron didn’t cause a worldwide recession. This has more innocent victims.”

Mr. Frank noted that a \$2.4 billion bill to prevent mortgage foreclosure, which has already passed the House, includes a provision backed by Republicans to provide an additional \$300 million for law enforcement officials to fight mortgage fraud. He questioned how that money could be spent without a more centralized effort.

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But administration officials maintain that they are aggressively investigating fraud allegations growing out of the housing crisis, with or without a national task force to coordinate the effort.

The Federal Bureau of Investigation is investigating 19 major corporate fraud cases related to the mortgage crisis. The targets of most of those investigations have not been disclosed. In addition, the F.B.I. has 1,380 small mortgage fraud investigations now open in field offices around the country, a sharp increase over previous years, officials said.

[Christopher J. Dodd](#), the Connecticut Democrat who leads the Senate banking committee, said Mr. Mukasey's comments suggested that the administration "vastly underestimates the scope of this problem."

Mr. Dodd said in a statement that "millions of borrowers were lured into mortgages they could not afford by unscrupulous lenders and brokers, resulting in a housing crisis that has affected neighborhoods across America. The administration ought to be aggressively pursuing the perpetrators of these abusive practices."

John C. Coffee, a professor at Columbia Law School who specializes in corporate law, said that so far, the office of the New York attorney general, [Andrew M. Cuomo](#), appeared to have adopted a more aggressive approach to investigating possible mortgage fraud by major Wall Street firms than have his federal counterparts.

"One area the attorney general should be concerned about is securities fraud at the core of our investment banking system," Professor Coffee said. "The allegation that deserves attention is that these firms were knowingly packaging these securities with the knowledge that the quality of the collateral had materially deteriorated without disclosing that change."

The practice, he added, appears to reflect "a systemic problem, with the red lights blinking."

Mr. Mukasey, in his comments to reporters, acknowledged that particular markets had problems at almost every stage of the housing process. Mortgage holders were not told the true terms of their loans, homes were overvalued, and investment firms put together mortgage-backed securities packages in ways that inflated their true value.

"That has happened over and over again," Mr. Mukasey said of the problems. "Someone that I met with characterized it as white-collar street crime."

But the attorney general said local jurisdictions were in the best position to investigate, and he noted several major prosecutions had already been brought in federal court in the Eastern District of New York.

"There will be more and we will prosecute it, where we see it," he said. "There's always more we can do. That said, I don't see what you call the Enron-type task force. This isn't that type of phenomena."

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