



NEWS RELEASE

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REGIONAL LAW ENFORCEMENT JOINS TOGETHER IN CRACKDOWN ON MORTGAGE FRAUD, WITH SEVERAL DOZEN BEING NAMED IN CRIMINAL AND CIVIL ACTIONS FILED IN FEDERAL COURT

Federal and local law enforcement officials joined together this morning to announce a series of cases that have resulted from coordinated efforts to target fraud in the mortgage loan industry. As part of a nationwide crackdown, federal prosecutors in Los Angeles, Riverside and Orange Counties worked with local and federal investigators to bring criminal charges against a wide range of individuals involved in mortgage fraud, including borrowers, "straw borrowers," corrupt real estate professionals, bank employees who help facilitate fraud, and those who prey upon distressed homeowners.

In addition to recently filed criminal cases that charge about three dozen defendants, the Civil Division of the United States Attorney's Office this week filed five civil lawsuits that allege mortgage fraud, including one case in which prosecutors are seeking an immediate order from a judge to shut down an organization allegedly engaged in an ongoing scheme that is defrauding the federal government.

"Over time, we have seen repeated spikes of fraud targeting financial institutions. Over the last decade, we saw one of those spikes as mortgage fraud blossomed with the housing bubble," said United States Attorney André Birotte Jr. "When the bubble burst, in part because of fraud permeating the system, the effects were felt around the world. We are now sorting through the wreckage to identify and prosecute the most egregious offenders. We are also targeting those who continue to exploit the system by

fraudulently obtaining new loans or by bilking upside-down homeowners through loan modification and rescue scams.

As part of its enforcement efforts, the United States Attorney's Office is working collaboratively with a number of law enforcement partners to use all available resources and bring to justice as many criminals as possible. This morning, arrests were made in two federal cases involving mortgage fraud in Ventura. The matters were initially reviewed by the Ventura County District Attorney's Office, and the investigations grew to include agents from the Federal Bureau of Investigation, the U.S. Department of Housing and Urban Development's Office of Inspector General, U.S. Immigration and Customs Enforcement, the Secret Service, IRS-Criminal Investigation, as well as District Attorney investigators.

The two cases involving mortgage fraud in Ventura name a total of 14 defendants, all of whom face potential sentences of hundreds of years in prison if they are convicted in the schemes that cumulatively helped unqualified and straw borrowers obtain tens of millions of dollars in fraudulent mortgage loans. But this is only one of several cases that seek to address the mortgage fraud problem from different angles.

- In a civil action filed yesterday, prosecutors are seeking up to \$1 million in damages from several real estate professionals allegedly involved in an ongoing scheme to obtain government-insured mortgage loans for unqualified borrowers. The complaint seeks a preliminary injunction that would shut down the allegedly fraudulent operation being run out of The Team Realty Group in Riverside. The complaint alleges that, for the past three years, Peter Morris, a California licensed real estate broker, and other professionals working at Morris' Team Realty Group submitted bogus documents to banks to make their clients appear to be eligible for mortgage loans insured by the Federal Housing Authority or the Veteran's Administration. The complaint, which is one of five civil actions filed this week by the United States Attorney's Office, was filed pursuant to the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA), which became law in the wake of the savings and loan crisis and gave the Justice Department flexibility to pursue civil penalties, as well as criminal charges, against individuals involved in mortgage fraud.

- In a criminal case indicted yesterday by a federal grand jury in Santa Ana,

the owners of a mortgage brokerage firm are accused of obtaining more than \$30 million in loans by submitting hundreds of loan applications that substantially inflated the borrowers' true income and assets.

- A Lancaster man pleaded guilty last month to conspiracy and making false statements for his role in a scheme to defraud homeowners by promising to delay or prevent foreclosures on their homes and pay-off delinquent mortgages in exchange for the homeowners making payments and transferring title.

Ellon Lindsey, Assistant Special Agent in Charge of IRS - Criminal Investigation's Los Angeles Field Office, observed: "Mortgage fraud hurts our communities, drives some homebuyers into foreclosure, leaves lenders with bad loans, and burdens neighborhoods with deteriorating and abandoned properties. Today, IRS - Criminal Investigation is pleased to be a part of the numerous investigations that have successfully attacked these crimes on a variety of fronts. Using federal laws that include wire fraud, money laundering and tax offenses, we are able to successfully disrupt these schemes and bring their promoters to justice."

The court cases that have been brought and resolved as part of the ongoing crackdown are the result of the collaborative efforts of a number of law enforcement agencies, including the United States Attorney's Office, the Federal Bureau of Investigation, the Office of Inspector General for the United States Department of Housing and Urban Development, the United States Secret Service, IRS - Criminal Investigation, U.S. Immigration and Customs Enforcement, the United States Postal Inspection Service, and the Ventura County District Attorney's Office.

Suspected fraud can be reported to the Financial Fraud Enforcement Task Forces at www.stopfraud.gov. The Los Angeles Field Office of the FBI also takes reports of suspected fraud at (310) 477-6565.