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OPERATION STOLEN DREAMS: CASE EXAMPLES

The following are examples of cases conducted under Operation Stolen Dreams:

Builder Bailout Scheme in Chico, Calif. On May 28, 2010, Anthony G. Symmes pleaded guilty to mail fraud conspiracy and money laundering, in connection with a large-scale builder-buyout mortgage fraud scheme. For many years, Symmes was the largest home builder in Chico, Calif. In 2006, as the market cooled, Symmes had a significant amount of unsold new homes in inventory. Symmes established relationships with several unlicensed mortgage brokers to “sell” his homes to straw buyers at inflated prices. The entire reported purchase price was 100 percent financed on each home with various subprime lenders. Typically, the day after escrow closed, Symmes then rebated \$40,000 to \$60,000 of the reported purchase price per home to shell companies controlled by the buyers’ agents. The rebates were not disclosed to the lenders. Altogether, from 2006 through 2008, Symmes sold 62 homes with undisclosed sales rebates. The homes were financed in the aggregate amount of \$21 million. To date, 38 of the homes have fallen into foreclosure and 10 more have been the subject of short sales, causing losses to date of \$5 million. Symmes has pleaded guilty, is presently cooperating in an ongoing mortgage fraud investigation, and has already paid \$4 million toward restitution/forfeiture. He is currently scheduled to be sentenced on Sept. 3, 2010. The Symmes case was a joint investigation involving the U.S. Attorney’s Office in the Eastern District of California, FBI, Internal Revenue Service Criminal Investigation Division (IRS-CI) and the Butte County District Attorney’s Office.

Miami Mortgage Fraud Case Targeting Haitian-American Community. On June 16, 2010, Yolette Antoine and Constance Powell were arrested and a six-count indictment was unsealed charging the individuals in a mortgage fraud scheme, resulting in the approval and disbursement of approximately \$4.4 million in fraudulent mortgage loans, and losses of approximately \$1.5 million to various lenders. Antoine advertised herself in the Haitian-American community as someone who could provide assistance with immigration issues and the manager of a government-sponsored housing programs. When individuals contacted her concerning the immigration assistance or the supposed housing program, Antoine would allegedly obtain their personal identifying information, including the individuals' names, social security numbers and copies of their driver's licenses. Together with Powell, the defendants were alleged to have used this personal information to fraudulently purchase various properties without the permission of the

individuals. After the closings for the properties, Antoine would prepare and execute false and fraudulent quit-claim deeds transferring title in the properties to The Antoine Investment Group. This case involved cooperation between the U.S. Attorneys Office in the Southern District of Florida, the U.S. Postal Inspection Service (USPIS), State of Florida Office of Financial Regulation and FBI.

Detroit “Ghost Loans” Mortgage Fraud Scheme. On June 16, 2010, Ronnie Edward Duke, William Camsell Wells, III, Wilinevah Jacqueline Richardson, Ryan Andrew Zundel, Robert Charles Brierley, Nicole Lynn Turcheck and Anthony Edward Peteres were charged in a criminal complaint. From 2003 to 2007, Duke and about 70 co-conspirators operated a mortgage fraud scheme to defraud 61 financial institutions throughout the United States. The conspirators posed as mortgage brokers, appraisers, real estate agents and title agents. They recruited over 108 straw buyers to obtain approximately 500 mortgages on 180 properties totaling over \$100 million. False information was provided to mortgage companies to enhance the straw buyers’ creditworthiness. The crux of the scheme was to place multiple “ghost loans,” or unrecorded loans, on one residential property without the other lender’s knowledge. This case involved cooperation between the U.S. Attorney’s Office for the Eastern District of Michigan, the FBI, and the Detroit Mortgage Fraud Task Force, which is comprised of the Offices of the Inspector General for the Department of Housing and Urban Development (HUD-OIG), Small Business Administration, U.S. Department of Agriculture, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the USPIS and the U.S. Bankruptcy Trustee.

Duluth, Minnesota Loan Modification Scheme. Former mortgage broker Michael Fiorito was sentenced on April 29, 2010 to 270-months in federal prison for his role in a mortgage fraud and equity skimming scheme that stole approximately \$400,000 from homeowners who believed they were “only refinancing” their homes, not having their homes sold without their knowledge. Fiorito promised the victims they would receive home equity checks, but either intercepted the checks or used physical intimidation to force the vulnerable homeowners to endorse the checks over to them. During the sentencing hearing, the District Judge commented that society needed to be protected from this “unique danger” and a man “without conscience.” Fiorito was previously convicted at trial of six counts of mail fraud and one count of conspiracy to commit mail fraud. The investigation was conducted by the USPIS, working with the U.S. Attorneys Office and IRS-CI and stemmed as a referral from the Minnesota Financial Crimes Task Force.

\$108 Million Countrywide Settlement. Coordination between the Federal Trade Commission (FTC) and the Department of Justice’s U.S. Trustee Program resulted in a global settlement under which two Countrywide mortgage servicing companies will pay \$108 million to settle charges that they inflated fees charged to cash-strapped homeowners whose mortgages Countrywide was servicing, made false or unsupported claims about amounts owed by borrowers in bankruptcy, and charged fees to borrowers that were not disclosed until after the borrower’s bankruptcy when attempts were made to collect the fees. The FTC filed a proposed consent order resolving the FTC’s complaint

as well as the U.S. Trustee Program's challenges to Countrywide's mortgage servicing practices in bankruptcy court litigation throughout the country. Under the settlement, overcharged bankruptcy debtors and other borrowers whose loans were serviced by Countrywide before it was acquired by Bank of America in July 2008 will receive compensation from a \$108 million redress fund; Countrywide will establish internal procedures verified by a third party to ensure the accuracy of the data used to service homeowner loans; and Countrywide will provide borrowers in bankruptcy with adequate notice of its charges.

New Jersey Scheme Bankrupted Two Companies. Leroy Hayden, the servicing manager of U.S. Mortgage (USM) from 2004 through Jan. 28, 2009, entered a guilty plea on May 13, 2010 related to his role in the fraudulent sale of more than \$136 million in mortgage loans to Fannie Mae and other investors, which USM did not actually own. Last year, Michael McGrath Jr., the president of USM, pleaded guilty for his leadership role in this offense, and admitted to diverting the proceeds of those sales to fund USM's operations and for his personal use. In January 2009, the government searched USM's corporate headquarters and McGrath's residence and seized eight different bank and brokerage accounts controlled by or benefitting McGrath, with assets totaling nearly \$13 million. The scheme bankrupted USM and its wholly-owned subsidiary, CU National Mortgage, LLC. This case involved cooperation between the U.S. Attorney's Office, USPIS, IRS-CI, FBI and HUD-OIG.

Reverse Mortgage Scheme in Atlanta Targeted the Elderly. The U.S. Attorney's Office in Atlanta prosecuted one of the first reverse mortgage fraud prosecutions in the country, a type of scheme that targets the elderly. This case is also the first prosecution involving alterations to a Multiple Listing Service (MLS) routinely relied upon by appraisers, realtors, tax assessors and others in the mortgage industry to establish accurate property valuations. Defendants Kelsey Hull and Jonathan Kimpson profited from the corruption of an FHA-insured program designed to assist seniors 62 years or older with either cash for equity in their homes (refi reverses), or with funds toward the purchase of a home (purchase money reverses). The defendants faked down payments and arranged inflated appraisals to create bogus equity of up to \$100,000 in the properties securing these reverse mortgage loans, while diverting loan proceeds to themselves. Kimpson used the stolen identities and passwords of realtors to increase MLS listing and sale prices in support of inflated appraisals to create the substantial equity required to remain in the properties. Both defendants pleaded guilty on April 8, 2010, in separate cases, to conspiracy to defraud reverse mortgage lenders and the HUD/FHA insurer of the loans. Hull plead to an additional count of bank fraud and Kimpson to an additional count of aggravated identity theft. These cases were investigated by HUD-OIG and the FBI, assisted by the U.S. Secret Service, the U.S. Department of Treasury Financial Crimes Enforcement Network (FinCEN) and by local law enforcement including the DeKalb County Police Department, DeKalb County Probation Office, and the Cobb County Sheriff's Department.