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UNITED STATES ATTORNEY ANNOUNCES CRACKDOWN ON MORTGAGE FRAUD

United States Attorney Stephen J. Murphy announced today the results of a recent crackdown on mortgage fraud in the Eastern District of Michigan. Mr. Murphy was joined in the announcement by Acting Assistant Special Agent in Charge Toni Chrabot, Federal Bureau of Investigation, Special Agent in Charge Brian Moskowitz, Immigration and Customs Enforcement, Postal Inspector in Charge Joseph Parone, U.S. Postal Inspection Service, and Special Agent James Waldron, U.S. Housing and Urban Development, Office of Inspector General.

Since March of this year the U.S. Attorney's Office has filed 15 separate complaints, indictments or informations charging 28 individuals with federal felonies relating to mortgage fraud. The charges include wire, mail and bank fraud, money laundering, and conspiracy to commit those offenses. The estimated total loss, as a result of the alleged conduct by these individuals is over $50 million.

Charged are:

NICOLE MALANE, 30, of Birmingham, Michigan. The complaint and affidavit allege that on or about May 4, 2006, Malane committed violations of the federal wire and mail statutes in the purchase of a residential property located at 7471 Jackson Park, Bloomfield Hills, Michigan. The fraudulent activity included artificially increasing the sale price of a single family home from $385,000 to $630,000. Ms. Melane took title to the property via false income documents stating that she earned $14,000 per month as vice president of Southwest Fabricating, Inc. – a company taken over by Robert Yeo and stripped of its assets through "busting out" business lines of credit.

KURT WARREN HEINTZ, 37, of Grand Blanc, Michigan and real estate appraiser **JAMES JEFFREY FISH,** 40, of Howell, are charged in an Information with having engaged in a systemic mortgage fraud scheme throughout Michigan, primarily in Genesee County, Michigan. HEINTZ was involved in the purchase of numerous properties and paid real estate appraisers including FISH to appraise the properties for more than their true market value. Straw buyers were recruited and acquired mortgage

loans in their names based on the inflated property values. Payments on the mortgage loans eventually ceased, thus exposing lending institutions to significant losses as the true value of the properties was substantially less than the outstanding mortgage loan balances. The fraudulent appraisals typically appraised the properties for more than twice their true value. The scheme involved approximately 70 properties, and has exposed lenders to losses of approximately $20,000,000.

AUBRY TERBRACK, 65, of Troy, Michigan and **DENISE MONEY**, age 52, of Ferndale, Michigan, two former corporate officers of Marathon Financial located in Southfield, Michigan, are charged with conspiring to defraud the United States Government National Mortgage Association, commonly known as Ginnie Mae. Ginnie Mae makes affordable housing a reality for millions of low- and moderate-income households across America by channeling global capital into the nation's housing markets via Government insured loans primarily through the Federal Housing Administration (FHA) and Department of Veterans Affairs (VA). Specifically, the Ginnie Mae guaranty allows mortgage lenders to obtain a better price for their mortgage loans in the secondary market. The lenders can then use the proceeds to make new mortgage loans available. Money and Terbrack conspired to retain the funds obtained from terminated and/or paid off loans. Terbrack and Money failed to disclose to GNMA that the loans were terminated, while Terbrack utilized the funds from the paid off loans to invest in the stock market and make fraudulent monthly payments to GNMA on the loans that were previously paid-off, to conceal the fraud. The fraud began during July of 1998 and continued until October of 2007, resulting in a loss of approximately $20,000,000.

JULIETA GALVEZ FLORES, 34 of Farmington Hills, Michigan and **ROBERTO CARMEN LEMOS, JR.**, 35 of Detroit, Michigan are alleged to have engaged in a mortgage fraud scheme in Detroit, Michigan. FLORES operated a mortgage brokerage under the name of JF & ASSOCIATES. FLORES acted in the capacity of a mortgage loan officer on numerous properties and paid a title company employee, ROBERTO CARMEN LEMOS, JR., to accept (as fact) deeds of trust which reflected an owner that was not truly the owner. In addition, LEMOS altered title work to show that a mortgage lien existed when, in fact, it did not. The fictitious liens resulted in fraudulent payoffs to FLORES' shell companies. Straw buyers were recruited as borrowers. The straw buyers did not make payments on the mortgage loans which resulted in the foreclosure of the homes. The scheme involved approximately 13 properties, and has exposed lenders to losses of approximately $292,000.

PHILLIP BLEVINS, 56, of Bloomfield Hills, Michigan, was the owner of "Lion Pride Investments" also known as "Lyon Pride Investments" (LPI), which did business at various locations in the Eastern District of Michigan and elsewhere. BLEVINS operated as facilitator of fraudulent mortgage loan transactions and coordinated the purchase and sale of real property by recruiting straw buyers and seeking loans on behalf of those buyers from various lending institutions throughout the United States. **JOHN HUSAR**, 39, of Sterling Heights, Michgan worked with Blevins in various positions including acting as a loan processor and officer. **CYNTHIA CRUMP**, 53 of Bloomfield Hills, Michigan and **TANYA DAVIS**, 49 of Southfield, Michigan were straw buyers recruited ny BLEVINS for the fraudulent mortgage transactions. **ARNOLD JANKOWSKI**, 61 of Warren, Michigan was an associate of BLEVINS who used the stolen identity of licensed real estate appraisers to generate inflated appraisals for the fraudulent mortgage transactions. All five defendants are charged in an indictment with conspiracy to commit bank fraud

SHANNON FERGUSON, 36 of Canton Township,pleaded guilty on June 13, 2008, to

one count of wire fraud in connection with two fraudulent mortgage loans handled by Select Mortgage that were secured by her residence in St. Clair Shores. The loans totaled $732,000. Under the terms of her plea agreement, she faces up to 46 months' imprisonment, a $1 million fine, and an order of restitution in the amount of $732,000. Co-defendants Tariq Hamad and Kalil Khalil pleaded guilty to broader mortgage fraud schemes encompassing loans totaling $21 million. Hamad was sentenced in September 2007 to 110 months' imprisonment and ordered to pay $11.5 million in restitution. Khalil was sentenced in February 2008 to 60 months' imprisonment and ordered to pay $11.1 million in restitution. Both Hamad and Khalil also forfeited their interests in several bank and securities accounts.

DENNIS TAMBURO, 39, of Washington Township, Michigan, a mortgage broker and owner of Home Connection Mortgage (HCM), and **MARIO LALIOS**, 30, of Shelby Township, Michigan, a real estate agent and owner or part-owner of Rain Maker Investments, Inc., and ML&SL Holdings, Inc., were charged in a criminal complaint with perpetrating mortgage fraud schemes. The schemes occurred between July 2004 and May 2006. Tamburo and Lalios flipped properties owned by themselves or their associates to buyers and falsified loan applications to qualify the buyers for loans with NetBank, a federally insured financial institution. The properties were sometimes flipped multiple times among friends, relatives, or business associates to conceal any previous ownership by Tamburo or Lalios. Tamburo and Lalios submitted 52 loans totaling $5,387,620 to NetBank. All 52 loans fell into default, and most are in various stages of foreclosure.

GREGORY PATRICK DAVIS, 30, was the owner of "GP Davis and Associates" which also did business as "Interactive Property Services," and "Efficient Mortgage" all located at 18911 West 10 Mile Road, Southfield, Michigan and elsewhere. In this capacity, DAVIS operated as a mortgage broker who facilitated the purchase and sale of real property by seeking loans from various lending institutions throughout the United States. **MELISSA N. HARRIS,** 24, was an associate of DAVIS and worked in his various businesses as a loan officer and loan processor. Together, with others as yet uncharged, they obtained fraudulent mortgage loans on numerous properties in the Detroit metropolitan area and arranged to have the illegal proceeds and profits of the fraud split between themselves and others. In committing the fraud the defendants provided false income information for straw buyers and in order to bolster their credit-worthiness and apparent ability to qualify for mortgages, provided down payments, false verification of bank account balances, false intent to use the property as a primary residence and made mortgage payments after the loans closed in an effort to conceal the fraud.

ALI AKIL, JOHN MARRAS and **MARK WARD** are charged in a criminal complaint with conspiring to defraud Amtrust, a mortgage lender in Cleveland, Ohio. WARD, a licensed real estate appraiser, agreed to create a false and inflated appraisal for a home in Beverly Hills, Michigan. A straw buyer was recruited to purchase the property and the defendants facilitated the submission of a loan application and the fraudulent appraisal to Amtrust. As a result of the false and inflated appraisal and its materiality to the loan application Amtrust approved the mortgage loan for the sale of the property and disbursed $990,000 on May 29, 2007, by wire transferring the funds to a title company in Dearborn, Michigan. Profits from this fraudulent transaction were divided in various amounts between the defendants.

NISHON JOHNSON, 37, of Detroit, Michigan is charged in a criminal complaint with wire fraud. The affidavit alleges that JOHNSON and other bought single-family homes

in the Detroit area and then - after finding buyers - resold or refinanced the homes. After buying single-family homes, JOHNSON and others recruited buyers to purchase the houses as investment properties which allegedly could be rented to cover the monthly mortgage payments and costs. JOHNSON submitted false loan applications to the mortgage companies which overstated the borrower's income and understated their liabilities. The borrowers eventually defaulted on the loan forcing foreclosure. The estimated loss to the mortgage companies is $600,000.

JONATHONE J. JOHNSON, 32, and **WANDA HENLEY**, 54, both of Detroit, were charged in a criminal complaint with wire fraud in connection with a scheme to obtain over $5 million from mortgage lenders. According to the complaint, Johnson or his company, 3 J Solutions, purchased houses in the City of Detroit and then sold them anywhere from a few days to a few weeks later for more than twice as much as Johnson paid for them. The houses were purchased by straw borrowers, recruited by associates of Johnson, in whose names loan applications were submitted. The complaint also alleges that the loan applications contained false information about the borrowers' income and assets, were accompanied by counterfeit supporting documents, and were supported by appraisals prepared by Henley, a licensed real estate appraiser who did business under the name Michigan Appraisal. The loans soon became delinquent, and the houses were eventually foreclosed on by the lenders.

IRVING SIMS pleaded guilty to an indictment that charged he provided false information regarding his income to a lender, causing the lender to approve a $466,000 refinance mortgage. Sims defaulted on the mortgage shortly thereafter, causing a loss of approximately $145,000.

KENNETH WILSON, KEVIN BLUHM, AND MARK COUNTS have pleaded guilty to fraud charges. The information presented to the court at the time of the pleas showed that Defendant Kenneth Wilson provided false information to Quicken Loans, Inc., and caused Kevin Bluhm, an employee of Lincoln Title Company, to provide misleading information to Quicken Loans, Inc. in connection with "cash-out refinance mortgage applications" for 13 residential properties which defendant Kenneth Wilson had submitted to Quicken Loans, Inc. Wilson provided false information to Quicken Loans, inc regarding his income and employment. Wilson also caused Kevin Bluhm to submit misleading title commitments regarding the 13 subject properties which Wilson was purchasing. Defendant Mark Counts, an appraisers assistant, provided false information, including photos of more valuable properties as well as false information regarding the size, construction, etc. of subject properties which supported loans in excess fo the actual worth of the properties. Quicken Loans, Inc. relied on the accuracy of the information provided by Wilson, Bluhm and Counts ,and funded the mortgages. Wilson subsequently defaulted, causing a loss of approximately $550,000 to Quicken.

CHRYSTALIN CARTER pleaded guilty to charges of conspiracy to commit wire fraud. The facts presented to the court at the time of the plea showed that Carter was a participant in a scheme in which a property was sold to an associate of Carter who was using a false identity to purchase the property and to obtain a $51,000 mortgage. Almost immediately after the sale, the mortgage went into default status, resulting ain a $51,000 loss to the lender.

United States Attorney Murphy said, "Honesty and integrity in the mortgage lending business are crucial to protecting home owners, lending institutions, and borrowers. When mortgage fraud is widespread, it undermines the stability of the housing market and the ability of lending institutions to protect themselves from debilitating losses."

Acting Assistant Special Agent in Charge Toni M. Chrabot of the FBI commented, "Mortgage fraud is characterized by deceit, concealment, and is not dependent on even the threat of violence. Mortgage fraud tears at the core of our households, our economy, and the American dream. Individuals and groups who participate in mortgage fraud prey on the most vulnerable in our society. The mortgage fraud problem continues to escalate, but the FBI is committed to aggressively pursuing these cases utilizing a variety of investigative techniques."

U.S. Attorney Murphy commended federal law enforcement agencies as well as state regulators, licensing agencies and financial institutions for their continued cooperative efforts to stamp out mortgage fraud.

Complaints, indictments and informations are simply charges and the defendants are presumed innocent. It is the government's burden to prove guilt beyond a reasonable doubt.