



FOR IMMEDIATE RELEASE
Thursday, June 19, 2008

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36 DEFENDANTS CHARGED FOR ROLES IN MORTGAGE FRAUD SCHEMES AS PART OF OPERATION CASH BACK

PHOENIX – The U.S. Attorney’s Office and the Federal Bureau of Investigation (FBI) announced today a takedown of mortgage fraud schemes, the culmination of substantial coordinated efforts during the last three and a half months to identify, arrest and prosecute mortgage fraud violators in Arizona. Operation Cash Back highlights the strong enforcement response undertaken by the U.S. Department of Justice and its law enforcement partners to combat the threat that mortgage fraud poses to the housing industry and credit markets.

From March 1 to June 18, 2008, Operation Cash Back in Arizona resulted in six mortgage fraud cases in which 36 defendants were charged. In the past two days, 30 arrests were made in mortgage fraud-related cases in the Tucson and Phoenix areas. The FBI estimates that approximately \$100 million in losses were inflicted by the mortgage fraud schemes employed in these cases.

In Arizona Operation Cash Back represents the collaborative efforts of the U.S. Attorney’s Office, FBI, Internal Revenue Service-Criminal Investigation Division, U.S. Immigration and Customs Enforcement, Department of Housing and Urban Development Office of the Inspector General, U.S. Marshals Service, Arizona Department of Financial Institutions, and the Scottsdale Police Department.

United States Attorney Diane J. Humetewa stated that “The individuals charged in these Arizona indictments are responsible for more than \$100 million dollars in fraudulently obtained loans in Arizona. The investigation & prosecution of mortgage fraud is a top law enforcement priority & we are jointly committed to aggressively pursuing those involved in these crimes.”

“Over the last few years with the fluctuation in Arizona’s real estate market, too many individuals associated with this industry have exploited this market for their own personal gain. Innocent homeowners and businesses all across Arizona are paying a steep price for the selfish and illegal acts of others who attempt to capitalize on this market” stated John E. Lewis, Special Agent in Charge, FBI Phoenix. “Mortgage Fraud is similar to other crimes which involve criminals exploiting innocent people and businesses for their own illegitimate gain. The FBI is dedicated to working with our law enforcement partners to combat this problem facing the lawful citizens of our state.”

Operation Cash Back in Arizona is part of the nationwide Operation Malicious Mortgage fraud law enforcement effort. Nationally the Operation resulted in 144 mortgage fraud cases in which 406 defendants were charged. 60 arrests were made in mortgage fraud-related cases in 15 districts. Nationally, the FBI estimates that approximately \$1 billion in losses were inflicted by the mortgage fraud schemes.

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Mortgage frauds employ a variety of tactics including misrepresentations, deceit and other criminal abuses to fund, purchase or insure mortgage loans. Operation Malicious Mortgage addresses primarily three types of mortgage fraud schemes: lending fraud, foreclosure rescue scams and mortgage-related bankruptcy schemes. Lending fraud frequently involves multiple loan transactions in which industry professionals construct mortgage transactions based on gross fraudulent misrepresentations about the borrower's financial status, such as overstating the borrower's income or assets, using false or fictitious employment records or inflating property values. Foreclosure rescue scams involve criminals who target legitimate homeowners in dire financial circumstances and fraudulently collect fees for foreclosure prevention services or obtain ownership interests in residential properties. Both of these fraudulent mortgage schemes may be furthered by filing bankruptcy petitions that automatically stay foreclosure.

Dawn Mertz, Assistant Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division stated that "Mortgage fraud adds to the underground economy that erodes the integrity of our tax system and threatens the financial health of our communities. IRS CI is committed to pursuing individuals who commit these types of crimes."

Kenneth M. Donohue, Inspector General of the Department of Housing and Urban Development (HUD), stated, "Today is an important milestone in a combined effort by law enforcement and the U.S. Attorneys Office against mortgage fraud. The Real Estate Settlement Procedures Act (RESPA) was enacted to protect all parties involved in real estate transactions, to including the lenders. These cases involve individual homebuyers and real estate professionals, driven by greed, who falsified closing documents that diverted "cash" to the buyers. Mortgage fraud and white collar crimes - whether aimed at the lender or the borrower - strike at the economic heart of the American system. To the extent that we can uncover and prosecute these activities, it's to everyone's benefit. Accordingly, I am happy for the HUD Office of Inspector General to join the U.S. Attorney's Office in heralding this successful effort."

"Mortgage fraud is a serious problem in Arizona and we are committed to working with city, state and federal agencies to protect Arizona residents and lenders. I applaud the hard work of the U.S. Attorney's office, law enforcement and our state agency investigators," stated Felecia Rotellini, Superintendent, Arizona Department of Financial Institutions. "We will continue to cooperate in the investigations and to pursue administrative actions against our licensees to send the message that mortgage fraud will not be tolerated in Arizona."

"This case sends an important message about maintaining high standards for the mortgage industry," stated Alan Rodbell, Chief of the Scottsdale Police Department. "It's clear how these types of crimes can affect all levels of the community, from the financial industry to neighborhoods and individual homeowners. We are pleased to be part of this collaborative effort."

An indictment is not evidence of guilt. All persons charged with a crime are presumed innocent until proven guilty beyond a reasonable doubt. The prosecution is being handled by Kevin Rapp, Assistant U.S. Attorney, District of Arizona, Phoenix.

RELEASE NUMBER: 2008-160(Operation Cash Back)

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To report mortgage fraud, send an email to px_cashback@ic.fbi.gov