

U.S. Attorney's Report to the District

When I was sworn in as U.S. Attorney four years ago, the Eastern District of California was in the midst of a foreclosure crisis. Several of the cities in this district were among the worst-hit in the nation, with whole neighborhoods blighted by empty homes. Not all of that damage was caused by criminal conduct, but it was clear that fraud in the housing and mortgage industries had played an important role. I declared mortgage fraud to be the office's top white-collar priority, and we mobilized resources to target and prosecute the worst offenders in this region.

That focus has yielded results. Since the financial crisis hit in late 2008, this office has charged over 350 people with crimes related to mortgage fraud. In Fiscal Year 2012, we indicted more defendants on mortgage fraud charges than any other U.S. Attorney's Office in the country. In Fiscal Year 2013, which just concluded, we were near the top once again. The defendants we have prosecuted were responsible for hundreds of millions of dollars in losses to lenders, homeowners, and other victims. We are now in the midst of prosecutions involving dozens of defendants who were indicted over the last few years.

Four defendants associated with Crisp & Cole Associates, a real estate firm in Bakersfield accused of perpetrating a property-flipping fraud scheme that caused tens of millions in losses, just pleaded guilty. Assistant U.S. Attorneys Michael Anderson and Matthew Morris are currently conducting a lengthy jury trial involving an alleged scheme to defraud numerous homeowners. That prosecution is related to a separate case, tried to a jury this spring, in which two brothers from southern California were convicted of defrauding scores of homeowners of more than \$15 million. Other prosecutors in both Sacramento and Fresno will start mortgage fraud trials later this month. Last month, James Lee Lankford, formerly a Modesto-based real estate broker, pleaded guilty to defrauding elderly homeowners and lending institutions of millions of dollars. In September, Eric Ray Hernandez of Bakersfield was sentenced to ten years in prison for operating a mortgage fraud scheme that caused over \$6 million in losses. Shortly before that, Hoda Samuel of Elk Grove was also sentenced to ten years for a scheme that caused over \$5.5 million in losses. An attorney who assisted Hoda Samuel got over two years in prison. In July, the last of four defendants who fleeced more than 1,000 homeowners of nearly \$5 million in a nationwide foreclosure rescue scheme pleaded guilty in Sacramento. And more mortgage fraud cases are still under investigation.

The housing market in this region is now recovering. Many of the most egregious fraudsters have been removed through prosecutions. Changes in regulations, industry practices, and market conditions suggest that the tsunami of mortgage fraud that hit this region is receding. In the coming years, this office will devote an increasing percentage of our limited white collar resources to other types of cases. But as we continue to work through a heavy mortgage fraud caseload, it is appropriate to acknowledge the dedication and commitment of the many women and men of this office who have been part of this effort. Four years ago I asked them to prioritize the prosecution of mortgage frauds, and they more than answered that call

If you would like to communicate with our office, contact the main number in Sacramento, or submit a suggestion by clicking on the button below. Thank you.

United States Attorney

Benjamin B. Wagner