



Department of Justice

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FORMER REAL ESTATE APPRAISER PLEADS GUILTY IN JACKSONVILLE MORTGAGE FRAUD SCHEME

Jacksonville, Florida - United States Attorney A. Brian Albritton announces that Barry C. Westergom (age 60, of Jacksonville) pleaded guilty today to conspiring to commit wire and bank fraud. Westergom faces a maximum penalty of thirty years in federal prison and a fine of \$1million.

According to court documents, the charges arise out of Westergom's involvement in a scheme in which a co-conspirator, Juan Carlos Gonzalez, negotiated the purchase of higher-end houses and entered into contracts with the sellers of the properties. Westergom was a licensed real estate appraiser and Gonzalez retained him to appraise the properties. Westergom used inappropriate comparable properties and other fraudulently means to appraise the properties. The appraised value was significantly higher than the agreed purchase price and the true market value of the property. The inflated appraisals were submitted to lenders in support of mortgage loan applications that reflected the higher appraisal price as the actual sales price. Westergom knew that Gonzalez intended to submit the appraisal reports to lenders in support of mortgage loan applications. The lenders were not informed that the price listed in the loan documents

was higher than the actual price negotiated with the seller. The conspiracy operated in 2004 and 2005.

In some of the transactions, Westergom acted not only as the appraiser but also as a real estate broker for Gonzalez. For those transactions, Westergom received not only an appraisal fee but also a percentage of the sales price as a broker's commission. Westergom's acting as both an appraiser and a broker in the same transaction created a conflict of interest, and Westergom's acting in both capacities in the same transaction was improper. Lenders were not informed that Westergom was acting in both capacities in the same transaction.

Also at Gonzalez's direction, fraudulent financial documents and information, including such things as altered bank statements and payroll records, were submitted in support of loan applications. The false financial information and the inflated appraisals were submitted to lenders to convince them to lend money on the properties to buyers who would not have qualified for the loans, or who would have qualified for loans in a lesser amount, if true financial information was disclosed. On at least one occasion, Westergom altered a bank statement for Gonzalez to reflect that the account contained much more money than was actually in the account.

At the closings on the properties, Gonzalez received the difference between the loan amount, which was based on the inflated appraisal, and the actual purchase price, usually described with terms such as "assignment fee" or "payoff of second mortgage" that did not exist. This difference was the proceeds of the fraud.

The plea agreement details one transaction in which Westergom acted as a buyer's agent through an entity called Property Associates, which was controlled by Westergom.

On behalf of Gonzalez, Westergom negotiated with the sellers' agent to purchase a house for \$490,000. Westergom then appraised the property and issued a report valuing the property at \$625,000, which he knew was significantly higher than the fair market value of the property.

Gonzalez submitted first and second mortgage loan applications to a lender stating that the sales price of the property was \$625,000. Gonzalez also submitted altered bank account statements showing significantly larger cash balances in the account than were actually there. Based upon this information, the lender approved the first and second mortgage loans. At the closing on the property, a check for \$134,000 was issued to an entity controlled by Gonzalez. This amount was listed on closing documents as an "Assignment of Contract Fee." Also at the closing, a check for \$12,250 was issued to Property Associates, Westergom's real estate company, as a broker's fee and another check for \$550 was issued to Jax Appraisals, Inc., Westergom's appraisal company, as an appraisal fee.

Court documents reflect that Gonzalez fraudulently obtained loans on 55 properties, victimizing numerous buyers and lenders, including federally insured banks. The fraudulent acts resulted in lenders extending more than \$29,272,000 in first and second mortgage loans. Over the course of the scheme, the total amount paid to Gonzalez was \$6,296,303.65. Gonzalez has pleaded guilty and is scheduled to be sentenced on November 9, 2009.

The case was investigated by the Federal Bureau of Investigation. The case was prosecuted by Assistant United States Attorney Arnold B. Corsmeier.

This case is part of the Middle District of Florida's Mortgage Fraud Surge, a joint effort by the U.S. Attorney's Office for the Middle District of Florida, the Federal Bureau of Investigation, Tampa and Jacksonville Divisions, and numerous other federal, state, and local law enforcement agencies. The Surge focuses intensive investigative and prosecutorial resources on the mortgage fraud crisis that plagues middle Florida and has contributed to the current economic situation nationwide. It is designed to accelerate mortgage fraud cases, to bring perpetrators to justice quickly, and to provide maximum deterrence. For more information on the Middle District of Florida's Mortgage Fraud Surge, please contact Steve Cole, Public Affairs Officer for the United States Attorney's Office.