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News Release

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Real estate company owners sentenced for \$35 million mortgage fraud

The two owners of a Roseville real estate company were sentenced today in federal court for mortgage fraud in connection with a scheme involving at least 162 properties, principally in north Minneapolis, and mortgage proceeds of approximately \$35 million.

On April 16 in Minneapolis, United States District Court Judge Joan Ericksen sentenced Jonathan Edward Helgason, 46, Chisago City, and Thomas Joseph Balko, 38, Rogers. The defendants were charged on April 11, 2008, and pleaded guilty on April 17.

Helgason, a licensed real estate agent, was sentenced to 96 months in prison and three years of supervised release. Balko was sentenced to 84 months and three years of supervised release. Restitution will be ordered at a later date.

According to their plea agreements, Helgason and Balko were the owners of numerous companies, including TJ Waconia, Total Title LLC, Complete Real Estate Services, Inc. and CityWide Management, LLC and Investor's Warehouse LLC (the TJ Group).

From approximately 2005 to 2007, Helgason and Balko executed a scheme to defraud and to obtain money by means of false and fraudulent pretenses. Using the TJ Group, Helgason and Balko purchased approximately 162 properties throughout the Twin Cities metropolitan area, principally in north Minneapolis. They would then resell the property within a few weeks to an "investor" who would purchase the property, sight unseen, at a price set by Helgason and Balko without negotiation, oftentimes \$20,000 to \$60,000 more than the TJ Group had paid.

According to the plea agreements, people were told by Helgason and Balko that the investors were simply "lending" their credit to TJ Waconia. In exchange for "lending" their credit, the investors would receive a kickback payment of about \$2,500 and a promise of an additional payment after two years when the TJ Group was to repurchase the property from the investor.

Through the scheme, the defendants perpetrated a fraud on the lenders who were led to believe that the “investors” were the actual owners of the properties, when, in fact, the “investors” ownership was in name only. During the two-year period during which the investor owned the property, the TJ Group was responsible for all payments and maintenance on the property. In some instances, Helgason and Balko also provided investors with funds to pay the buyer’s portion of the property purchase price and worked with others to provide lenders with false loan applications on behalf of the investors so that they would qualify for the loan, according to the plea agreements.

The two men, on behalf of the investors, obtained approximately \$35 million in mortgage proceeds to purchase the properties from the TJ Group. Ultimately, the scheme collapsed, and the TJ Group did not repurchase the properties or continue making payments to the investors in order to pay their mortgages. The investors were left owning properties with mortgages that exceeded their property’s market value.

At the sentencing hearing held today, Minneapolis City Council President Barb Johnson and Mike Christenson, Director of the Minneapolis Department of Community Planning and Economic Development both testified regarding the significant impact suffered by the city and the community as a result of the fraud.

This case was the result of an investigation by Federal Mortgage Fraud Task Force, including the Federal Bureau of Investigation and the U.S. Postal Inspection Service. It was prosecuted by Assistant U.S. Attorney Joe Dixon.