



# Department of Justice

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## **LOAN OFFICER PLEADS GUILTY TO TWO COUNTS OF CONSPIRACY FOR PARTICIPATING IN MORTGAGE FRAUD SCHEME**

CINCINNATI -- Kamal J. Gregory, 35, of Centerville, pleaded guilty in United States District Court here today to one count of conspiracy to commit mail fraud, wire fraud and money laundering and one count of conspiracy to commit money laundering. Gregory committed the crimes in connection with an extensive mortgage fraud scheme affecting 210 residential properties, including 205 located in Montgomery County. The scheme affected 63 investors and led to foreclosure against owners of more than 90 percent of the properties.

Gregory G. Lockhart, United States Attorney for the Southern District of Ohio; Keith L. Bennett, Special Agent in Charge, Federal Bureau of Investigation; Jose A. Gonzalez, Special Agent in Charge, Internal Revenue Service Criminal Investigation, and other members of the Greater Dayton Mortgage Fraud Task Force announced the plea entered today before U.S. District Judge Michael R. Barrett.

In court documents, Gregory admitted that, between March 2002 and June 2008, he along with eleven other named individuals prepared and submitted on behalf of various purchasers/investors certain mortgage loan application packages to various lending institutions located throughout the United States.

These loan applications included documents that made fraudulent claims involving the income of the borrowers and values of the properties involved. Most of the homes involved were dilapidated and otherwise depressed properties located in the greater Dayton area. The loan application packages claimed the properties were worth prices which had been artificially inflated above legitimate fair-market values.

Gregory and his co-conspirators created the fraudulent loans as a way of making money for their own benefit.

Gregory admitted during his guilty plea hearing to participating in 46 separate fraudulent real estate closings between February 2003 and April 2005. The net fraudulent loan amounts associated with these closings exceeded \$4,200,000. Gregory worked as a loan officer under individual or company names including Alliance Mortgage, Gregory Investments Inc., KG

Enterprises, Mad River Properties, Premier Mortgage Funding of Ohio, Star Point Mortgage, and Ohio Financial Group.

A federal grand jury indicted Gregory and five co-conspirators, Julian M. Hickman, Robert Mitchell, Kenneth O. McGee, Edward McGee, and Jessica A. Zbacnik, in June 2008. Hickman pleaded guilty on December 12, 2008 to conspiracy and tax crimes and Mitchell pleaded guilty on March 11, 2009 to two counts of conspiracy. Both are awaiting sentencing.

Charges against Kenneth O. McGee, Edward McGee, and Jessica A. Zbacnik are pending.

The conspiracy to commit mail fraud, wire fraud, and money laundering is punishable by up to 30 years and a \$1,000,000 fine. The conspiracy to commit money laundering is punishable by up to 20 years imprisonment and a fine in the greater amount of \$500,000 or twice the value of the property involved.

Lockhart commended the joint investigation by the members of the Greater Dayton Mortgage Fraud Task Force. Agencies participating in the Greater Dayton Mortgage Fraud Task in addition to the FBI and IRS-CI include the Ohio Department of Commerce Division of Financial Institutions, the Ohio Attorney General's Office, the U.S. Postal Inspection Service, the U.S. Department of Housing and Urban Development Office of Inspector General, the Federal Deposit Insurance Corporation Office of Inspector General, and the Perry Township Police Department.

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