

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

*United States Attorney  
Laura E. Duffy*

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*For Further Information, Contact:*

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*Assistant U.S. Attorneys Valerie H. Chu (619) 557-7837 or Robert Huie (619) 557-5766*

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*For Immediate Release*

### **FIVE DEFENDANTS ADMIT STEALING MORE THAN \$11 MILLION FROM DESPERATE HOMEOWNERS IN LOAN MODIFICATION SCAM**

#### **NEWS RELEASE SUMMARY** - December 16, 2011

United States Attorney Laura E. Duffy today announced the guilty pleas of five defendants in connection with a loan modification scheme involving an Oceanside company called 1<sup>st</sup> American Law Center. Gary Bobel, Scott Thomas Spencer (a.k.a. Thomas Cole), Mark Andrew Spencer (a.k.a. Mark Andrews), and Travis Iverson each pled guilty today before Magistrate Judge William McCurine to conspiracy charges related to their commission of wire fraud, money laundering and tax evasion, and criminal forfeiture. Defendant Gary Bobel also pled guilty to one count of tax evasion, in violation of Title 26, United States Code, Section 7201. Bobel admitted that he failed to report approximately \$489,308 in taxable income received in 2009 from the operations of 1<sup>st</sup> American Law Center. Another defendant who was employed by 1<sup>st</sup> American Law Center, Roger Jones, pled guilty to conspiracy in violation of Title 18, United

States Code, Section 371 last December, and in March 2011 received a sentence of 21 months in custody for his involvement.

According to documents filed in court, Gary Bobel opened up a loan modification business in Northern San Diego County in 2008. Bobel hired telemarketers to sell his services, including defendants Scott Spencer, Mark Spencer, Roger Jones, and dozens of others. Defendant Travis Iverson ran a separate call center in Riverside for Bobel.

Court records reveal that the defendants and their co-conspirators at 1<sup>st</sup> American Law Center preyed on homeowners who were struggling to make their monthly mortgage payments and at risk of losing their homes to foreclosure. The Defendants used high-pressure sales tactics and outright lies to induce their customers to purchase loan modification services – for payments from \$1,995 to \$4,495 – such as falsely claiming to have a team of attorneys who pre-screened clients and having a 98% success rate in obtaining loan modifications.

As detailed in the guilty pleas entered by the defendants, 1<sup>st</sup> American Law Center's telemarketers were encouraged to say virtually anything it took to close the deal. Among other ruses, employees pretended that their grandmothers got a loan modification through the company, that they had a special relationship with a particular client's bank, or that the company had helped thousands of happy homeowners with loan modifications. All of these statements, however, were untrue. Some employees actually pretended to be lawyers to convince customers to pay money to the company. Sadly, the telemarketers even persuaded homeowners to pay the company's fees instead of using their limited funds to stay current on their mortgage payments.

Through the use of their false representations and promises, 1<sup>st</sup> American Law Center fraudulently obtained over \$11 million in client payments between 2008 and 2010, from more than 4,000 desperate homeowners across the country.

The truth was devastating to the thousands of homeowners taken in by 1<sup>st</sup> American's offer of help and hope. As court documents reveal, there was no selective pre-screening process conducted by an attorney.

While there was an attorney who worked at 1<sup>st</sup> American Law Center, he received just a \$125 commission out of the thousands of dollars in fees charged for each case. As suggested by that token amount, the attorney did not review applications, work on clients' loan modification cases, or negotiate with lenders.

Court documents also reveal that, rather than having thousands of satisfied clients as they claimed, 1<sup>st</sup> American Law Center had thousands of unsatisfied former clients who did not have their loans modified, or obtain refunds as promised, from 1<sup>st</sup> American. While co-conspirators promised that client fees would be deposited into an attorney client trust account and not touched until the client was satisfied, Bobel took control of the funds in the trust accounts and funneled those funds into accounts that he controlled, using the money to pay himself, other employees, or company expenses.

United States Attorney Laura E. Duffy commented, "Although I am gratified to see these criminals brought to justice, the real tragedy of this case is that the defendants chose to profit from the suffering of others. In difficult economic times, they exploited a particularly vulnerable segment of our population – homeowners who were desperately trying to make ends meet and stay in their homes."

FBI Special Agent in Charge Keith Slotter commented, "Mortgage fraud losses cost taxpayers billions of dollars every year and is a threat to our national economy. The defendants in this case preyed upon those who were desperate and in vulnerable financial situations. This case demonstrates the FBI's commitment to aggressively pursue those who would seek to take advantage of those in dire financial situations."

Leslie P. DeMarco, Special Agent in Charge of IRS Criminal Investigation's Los Angeles Field Office stated, "Loan modification scams exploit vulnerable homeowners in search of financial assistance. IRS-Criminal Investigation has partnered with federal law enforcement to end the sale of these bogus schemes and forfeit assets purchased with the illegal proceeds. The IRS Criminal Investigation will continue to investigate criminal activity associated with the housing market and to encourage homeowners to beware of fraudulent offers."

The guilty pleas are subject to final acceptance by United States District Judge Dana M. Sabraw, who has scheduled a sentencing hearing for Bobel, Scott Spencer, Mark Spencer, and Iverson on March 9, 2012 at 9:00 a.m.

Victims of 1<sup>st</sup> American Law Center may contact the U.S. Attorney's Office Victim/Witness Coordinator, Polly Montano, at (619) 557-5527.

**DEFENDANTS**

**Criminal Case No. 11CR5725-DMS**

Gary Michael Bobel

Scott Thomas Spencer

Mark Andrew Spencer

Travis Corey Iverson

**Criminal Case No. 10CR5046-BEN**

Roger Trent Jones                      Sentenced March 2011 to serve 21 months in custody for his involvement.

**SUMMARY OF CONVICTIONS**

Title 18, United States Code, Section 371 - Conspiracy

Maximum penalties: 5 years' imprisonment, \$250,000 fine or twice the gross pecuniary gain or twice the gross pecuniary loss (whichever is greatest), \$100 special assessment, 3 years of supervised release

Title 26, United States Code, Section 7201 - Tax Evasion

Maximum penalties: 5 years' imprisonment, \$250,000 fine, \$100 special assessment, 3 years of supervised release

**INVESTIGATING AGENCIES**

Federal Bureau of Investigation

Internal Revenue Service - Criminal Investigation