

NEWS RELEASE



***OFFICE OF THE UNITED STATES ATTORNEY
SOUTHERN DISTRICT OF CALIFORNIA
San Diego, California***

***United States Attorney
Laura E. Duffy***

For Further Information, Contact: Assistant U. S. Attorney Eric J. Beste (619) 546-6695

For Immediate Release

**NORTH COUNTY REAL ESTATE CONSULTANT RECEIVES FIVE YEARS FOR
MORTGAGE FRAUD AND TAX EVASION**

NEWS RELEASE SUMMARY - March 16, 2012

United States Attorney Laura E. Duffy announced that former Carlsbad-based real estate consultant John J. Borzellino was sentenced by United States District Judge Janis L. Sammartino to serve 60 months in federal prison for his operation of a multi-million dollar mortgage fraud conspiracy involving properties in Georgia, Florida and California, and his attempts at evading federal income taxes owed on more than \$1million in illegal proceeds. Borzellino was also ordered to pay \$4,138,660 in restitution, and required to serve 3 years of supervised release after his release from prison.

According to court documents, Borzellino (who previously went by the name John J. Ross) was a self-proclaimed real estate consultant with business ventures throughout the United States. During 2006-2007, Borzellino fraudulently induced lenders to fund millions of dollars in mortgage loans to purchase real estate

in Florida, Georgia and California. To execute his illegal conspiracy, Borzellino arranged to purchase homes in these various states by offering more than the seller's asking price – with the understanding that the money over-and-above the asking price would be funneled to an entity under Borzellino's control. Borzellino disguised the funds diverted to him by falsely characterizing them as "commissions" or "consulting fees" to be paid by the sellers at closing.

In order to induce lenders to extend the mortgage loans needed to fund these fraudulent transactions, Borzellino caused numerous false and misleading statements to be made to lenders, including:

- false claims that the properties were being purchased as primary residences;
- false claims about the borrowers' education, income and employment history;
- false statements concerning the borrowers' prior residence history, such as fake "verification of rent" forms signed by Borzellino;
- false statements about the borrowers' financial history, such as letters written by Borzellino in which he pretended to be the borrower; and
- false documents purporting to justify the "commissions" and "consulting fees" Borzellino diverted from the loan proceeds to the entities he controlled.

Borzellino also assumed a number of false identities in order to conceal his role in these transactions and his receipt of the loan proceeds. Using these and other deceptive schemes, Borzellino defrauded lenders into making over \$8 million in mortgage loans to purchase properties in the name of his wife and several others.

Borzellino further admitted that during these same years he wilfully failed to file individual federal income tax returns with the Internal Revenue Service, and took other steps to evade his tax obligations to the United States. For example, Borzellino opened numerous bank accounts in his wife's name, and used these and other nominee accounts to conduct all of his financial transactions. Borzellino regularly took his "commission" and "consulting fee" payments in cash, and used cash transactions as a means of concealing his income. Borzellino also caused a false Form 1040 to be filed in his wife's name for tax year 2006, and

fraudulently attempted to impute all of his reported income to her. All told, Borzellino admitted that he failed to declare to the IRS almost \$1 million in income he derived from his various schemes.

United States Attorney Duffy praised the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation, for their collaborative work in investigating Borzellino's extensive mortgage fraud and tax evasion.

DEFENDANT

Case Number: 11CR0132-JLS

JOHN J. BORZELLINO
aka JOHN J. ROSS

SUMMARY OF CHARGES

Count 1 Title 18, United States Code, Section 1349 (Conspiracy to Commit Wire and Mail Fraud)

Count 2 Title 26, United States Code, Section 7201 (Tax Evasion)

AGENCIES

Federal Bureau of Investigation
Internal Revenue Service - Criminal Investigation