

# ***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 Immediate Release***

### **TWO CHARGED WITH CHEATING HOMEOWNERS IN LOAN MODIFICATION SCAMS**

#### **NEWS RELEASE SUMMARY - April 30, 2012**

United States Attorney Laura E. Duffy announced that telemarketers Jose Ruiz and Christian Hidalgo were arraigned today before U.S. Magistrate Judge William V. Gallo on two separate indictments arising from similar loan modification schemes. Each defendant was charged with operating a separate scheme that defrauded a large number of victims. Combined, these two cases involved over 400 victims and \$1.5 million in victim losses between 2009 and 2011. Ruiz was charged with several counts of wire fraud and mail fraud, while Hidalgo faces several counts of mail fraud. Both defendants are also charged with attempting to illegally launder the proceeds of their fraud schemes.

According to the indictments, Ruiz and Hidalgo executed similar schemes in which they sent misleading solicitation letters that contained false claims about their ability to obtain loan modifications for

homeowners unable to make their payments. Among other things, the solicitation letters fraudulently indicated that the defendants were affiliated with the United States Department of Housing and Urban Development (“HUD”) and other governmental agencies, and directed potential victims to contact one of the defendants’ entities operating in San Diego. Both Ruiz and Hidalgo also operated websites that used similarly misleading advertisements for mortgage loan modification services.

According to the indictments, Ruiz and Hidalgo would often use aliases or pseudonyms to conceal their true identities, and would falsely represent to victims that they would negotiate a mortgage loan modification on the victim’s behalf for little or no money. The indictments allege that the defendants would then direct the victim homeowners to send their monthly mortgage payments directly to business entities controlled by the defendants, rather than to their mortgage lenders. As a result, many of the victims’ mortgages went into default.

According to the indictments, many of the victim homeowners would forgo sending their mortgage payments to their lenders based upon the defendants’ representation that the mortgage payments would be segregated in a “reserve” or “escrow” account. But as alleged in the indictments, the victims’ funds were not secured in this manner, but were actually used to pay the defendants’ personal expenses, provide commissions to the defendants’ employees, and purchase items for the defendants’ personal use, including vehicles and jewelry.

United States Attorney Duffy noted that these two cases are part of her Office’s continuing efforts to combat mortgage loan modification fraud – a relatively recent species of fraud that followed upon the recent housing crisis. United States Attorney Duffy praised the investigative efforts of the United States Postal Inspection Service and HUD Office of the Inspector General, who jointly investigated both Ruiz and Hidalgo.

“Our objective is to ensure that the public is not taken advantage of when they have fallen on hard financial times. These individuals, and the companies they operated, fraudulently used HUD’s name to take advantage of distressed homeowners. This type of fraud not only affects the individual families, it also affects

the housing market,” said HUD-OIG Special Agent in Charge James Todak. “Participation in joint law enforcement operations like this helps us achieve our goal of preventing and stopping fraud, waste, and abuse in HUD programs.”

“Loan modification scams are proliferating at a rapid pace,” said B. Bernard Ferguson, Inspector in Charge of the U.S. Postal Inspection Service – Los Angeles Division. “The U.S. Postal Inspection Service is continuing to investigate and will pursue such criminal activity when the nation’s mail system is used for illegal or dangerous use.”

During today’s court hearing, Magistrate Judge Gallo set bond for each defendant at \$40,000, secured by real property. The defendants are next scheduled to be in court on June 11, 2012 at 2:00 p.m., before United States District Judge William Q. Hayes.

**DEFENDANT**

**Case Number: 12CR1657WQH**

Jose Ruiz

**SUMMARY OF CHARGES**

Count 1:	Title 18, United States Code, Section 1343 (Wire Fraud) Maximum penalties: 20 years of custody; \$1,000,000 Fine
Counts 2-10:	Title 18, United States Code, Section 1341 (Mail Fraud) Maximum penalties: 20 years of custody; \$1,000,000 Fine
Count 11-12:	Title 18, United States Code, Section 1957 (Money Laundering) Maximum penalties: 10 years of custody; \$250,000 Fine

**DEFENDANT**

**Case Number: 12CR1658WQH**

Christian Hidalgo

**SUMMARY OF CHARGES**

Counts 1-2:	Title 18, United States Code, Section 1341 (Mail Fraud)
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Maximum penalties: 20 years of custody; \$1,000,000 Fine

Count 3-10: Title 18, United States Code, Section 1957 (Money Laundering)

Maximum penalties: 10 years of custody; \$250,000 Fine

### **AGENCIES**

United States Department of Housing and Urban Development, Office of the Inspector General

United States Postal Inspection Service

**An indictment itself is not evidence that the defendants committed the crime charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.**