

NEWS RELEASE



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For Immediate Release

**OPERATORS OF SEVERAL LOAN MODIFICATION SCAMS
PLEAD GUILTY TO DEFRAUDING HOMEOWNERS**

NEWS RELEASE SUMMARY - August 10, 2012

United States Attorney Laura E. Duffy announced that three operators of San Diego-based mortgage loan modification scams that defrauded hundreds of homeowners pled guilty yesterday in federal court to fraud and money laundering charges. The most recent guilty plea was tendered today by Christian Hidalgo, who admitted before Magistrate Judge William V. Gallo to committing the offenses of mail fraud and money laundering. Hidalgo also agreed to forfeit certain assets seized from him at the time of his arrest in April 2012. On August 2, 2012, Jose Ruiz pled guilty before Magistrate Judge Nita L. Stormes to one count of mail fraud and one count of money laundering, and also agreed to the forfeiture of proceeds of his offenses. The third defendant, Isidro Velasquez, Jr., pled guilty before Magistrate Judge Gallo on August 2, 2012, to one count of mail fraud for his role in Ruiz's telemarketing fraud scheme. The guilty pleas of

Ruiz and Hidalgo are subject to final acceptance by District Judge William Q. Hayes; the guilty plea of Velasquez is subject to final acceptance by District Judge Michael M. Anello.

According to court documents and admissions during their respective guilty pleas, all three defendants admitted participating in loan modification schemes in which they made false representations in order to induce victims to send mortgage payments to the defendants' businesses. Between approximately March 2009 and October 2011, the defendants defrauded homeowners facing potential foreclosure by offering to negotiate mortgage loan modifications with the victims' mortgage lenders. The defendants directed victims to stop making mortgage payments to their respective lenders, and instead to send monthly mortgage payments directly to one of the defendants' affiliated businesses, such as "Casa Nuestra," "Expo Enterprises," "UHUD National Reserve," and "Retro Management." In order to bolster their credibility, the defendants misled victims into believing that their businesses were affiliated with the U.S. Department of Housing and Urban Development (HUD) or other federal agencies. Although the defendants represented that victims' mortgage payments would be segregated in a "reserve" account and eventually sent to the respective lenders, no such account was used and none of the victims' payments were forwarded to lenders. As a result of the scheme, several victims lost their homes in foreclosure. Acting through these schemes, the defendants defrauded a combined total of more than 200 victims out of over \$1,600,000.

Both Ruiz and Hidalgo further admitted laundering proceeds they obtained from the fraudulent scheme. For example, Ruiz transferred \$12,500 between bank accounts in order to pay for his personal expenses, and Hidalgo used victim funds to purchase a BMW. Ruiz and Hidalgo also agreed to forfeit several items that they purchased with victim funds, including vehicles, jewelry, and furniture. These assets were seized from Ruiz's and Hidalgo's residences at the time of their arrest on April 27, 2012. In addition, all three defendants agreed to pay full restitution to their victims.

Ruiz is scheduled to be sentenced by District Judge Hayes on October 15, 2012. Velasquez is scheduled to be sentenced by District Judge Anello on October 29, 2012. Hidalgo is scheduled to be

sentenced by District Judge Hayes on October 2, 2012.

United States Attorney Duffy praised the joint efforts of the United States Postal Inspection Service and HUD-OIG, who jointly investigated these offenses. Ms. Duffy stated, "Our Office has dedicated, and will continue to dedicate, significant resources to investigate and prosecute offenders who prey upon those in our community who have been adversely affected by the economic downturn. I appreciate the diligent work of our federal law enforcement partners to pursue and bring to justice those who victimize our community through scams such as these."

United States Attorney Duffy encouraged homeowners concerned about possible loan modification scams and to learn more about how to detect and avoid such frauds to visit the website for the Financial Fraud Enforcement Task Force (<http://www.stopfraud.gov/protect-mortgage.html>).

DEFENDANT

Case Number: 12CR1657-WQH

Jose Ruiz

SUMMARY OF CHARGES

- Count 5: Title 18, United States Code, Section 1341 (Mail Fraud)
Maximum penalties: 20 years of custody; \$1,000,000 Fine
- Count 10: Title 18, United States Code, Section 1957 (Money Laundering)
Maximum penalties: 10 years of custody; \$250,000 Fine

DEFENDANT

Case Number: 12CR1658-WQH

Christian Hidalgo

SUMMARY OF CHARGES

- Count 2: Title 18, United States Code, Section 1341 (Mail Fraud)
Maximum penalties: 20 years of custody; \$1,000,000 Fine
- Count 7: Title 18, United States Code, Section 1957 (Money Laundering)
Maximum penalties: 10 years of custody; \$250,000 Fine

DEFENDANT

Case Number: 12CR3134-MMA

Isidro Velasquez, Jr.

SUMMARY OF CHARGE

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

AGENCIES

U. S. Department of Housing and Urban Development (HUD), Office of the Inspector General (OIG)
United States Postal Inspection Service