

# ***NEWS RELEASE***

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

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***For Immediate Release***

### **MOTHER AND SON REAL ESTATE PROFESSIONALS SENTENCED TO PRISON FOR \$8 MILLION MORTGAGE FRAUD SCHEME**

#### **NEWS RELEASE SUMMARY** - October 9, 2012

United States Attorney Laura E. Duffy announced today that Orange County attorney Stephen Kenneth Chrysler was sentenced to serve 37 months in prison for his role in an \$8 million mortgage fraud scheme involving 16 homes in Oceanside, Escondido, San Marcos, Lakeside, and Menifee. His mother, Aida Agusti Castro, a Carlsbad real estate broker who was also sentenced for her role in the scheme, received a 33-month prison sentence. United States District Judge Jeffrey T. Miller also sentenced each defendant to forfeit over \$350,000 in illicit proceeds.

A jury convicted Chrysler and Castro of multiple counts of wire fraud in April 2012, and both have been held in federal custody since the jury returned the guilty verdict. Evidence at trial proved that between 2005 and 2007, the two defendants created 30 separate false loan applications, along with other fraudulent supporting documents, that they submitted to mortgage lenders in order to obtain over \$8 million in mortgages to unqualified borrowers. The defendants used a number of techniques to get these fraudulent loans funded, including:

- creating phony businesses and claiming that borrowers were the self-employed owners of those companies;
- inflating borrowers' monthly incomes;
- creating false rental histories and citing a sham management company as the landlord;
- fabricating rental agreements, with made-up tenants and lease terms, and forging borrowers' signatures on the agreements;
- altering borrowers' bank statements to inflate their bank account balances; and
- purchasing false CPA letters that would support the borrowers' phony businesses.

Documents introduced into evidence proved the defendants used Chrysler's company, SKC Real Estate, to receive approximately \$350,000 in loan fees and real estate commissions from these fraudulent transactions. Evidence at trial also showed that the defendants targeted Spanish-speaking borrowers as clients, and concealed from borrowers the fraudulent information that the defendants inserted into their loan documents. Several borrowers testified that the defendants told them to simply sign the loan documents, and did not translate these documents into Spanish. As the borrowers were not financially qualified to obtain these loans, many of the mortgages went into default and the properties have been foreclosed upon.

Court documents indicate that the fraudulent loans brokered by the defendants resulted in over \$800,000 in losses, mostly resulting from foreclosures. Judge Miller set a restitution hearing for December 10, 2012 at 10:00 a.m., to determine the specific amounts owed to the various victim lending institutions.

These sentences are the latest in a series of prosecutions resulting from a long-term investigation into mortgage fraud activity connected to Aguilera's Bookkeeping & Income Tax in Vista, California. In June 2010, a federal grand jury in San Diego returned a 51-count indictment charging 19 defendants (including Castro and Chrysler) from across California with mail and wire fraud offenses related to their mortgage fraud activities. According to court records and evidence introduced at trial, Castro and Chrysler (as well as 16 of the other defendants who have pled guilty) purchased false "CPA letters" from Aguilera's Bookkeeping & Income Tax, and submitted these false documents to lenders in order to support fraudulent claims that borrowers were self-employed. The defendants used these false letters to further a mortgage fraud scheme that stretched from San Diego County to Walnut Creek, California.

United States Attorney Duffy commented, "Justice was meted out today to two real estate professionals – one of whom was also a licensed attorney – who misused the trust placed in them by the State of California and their clients. These convictions and significant sentences prove, yet again, that those who misuse the financial system and prey upon the vulnerable members of society for their own financial gain will be held to account." United States Attorney Duffy also praised the work of the Federal Bureau of Investigation in tackling mortgage fraud in the Southern District of California.

FBI Special Agent in Charge Daphne Hearn commented, "Many of the economic problems in our country's housing market are a result of fraudulent lending practices such as this one. It is particularly unfortunate that many lost their homes unnecessarily because they were taken advantage of by so-called 'professionals' in the mortgage industry. The FBI stands resolute in our commitment to identifying the individuals responsible for this illegal behavior."

**DEFENDANTS****Criminal Case No. 10CR2242-JM**

Stephen Kenneth Chrysler

Aida Agusti Castro

**SUMMARY OF CHARGES**

Counts 1-5: Title 18, United States Code, Section 1341 – Wire Fraud

**INVESTIGATING AGENCY**

Federal Bureau of Investigation