



Department of Justice

United States Attorney Sally Quillian Yates
Northern District of Georgia

FOR IMMEDIATE RELEASE

04/08/10

<http://www.usdoj.gov/usao/gan/>

CONTACT: Patrick Crosby

(404)581-6016

FAX (404)581-6160

TWO MEMBERS OF REVERSE MORTGAGE FRAUD RING PLEAD GUILTY

Fraudsters Profited from FHA-Insured "Reverse" Loans Intended to Benefit Seniors

ATLANTA, GA - KELSEY TORREY HULL, 38, and JONATHAN ALFRED KIMPSON, 27, both of Lithonia, Georgia, pleaded guilty today in federal district court to a conspiracy to defraud reverse mortgage lenders and the Federal Housing Administration (FHA) insurer of the loans. HULL pleaded guilty to an additional bank fraud charge involving mortgage fraud, and KIMPSON pleaded to an additional identity theft charge.

United States Attorney Sally Quillian Yates said, "These defendants plead to profiting from the corruption of a FHA-insured program designed to assist seniors with either cash for equity in their home or with funds toward the purchase of a home. These defendants changed real estate records and used other fake documents to place seniors in houses worth only a fraction of the amounts represented, and divert loan proceeds to themselves. With these prosecutions, we have taken a significant step to stop this type of crime."

Inspector General Kenneth Donahue, U.S. Department of Housing and Urban Development (HUD) said, "HUD's Home Equity Conversion Mortgage Program was created to help senior citizens find greater financial security through FHA-insured reverse mortgage loans. The HUD Office of Inspector General will aggressively investigate those who would prey on America's senior citizens through reverse mortgage fraud, and encourages anyone having knowledge of such schemes to contact our HUD Hotline at 1-800-347-3735."

According to United States Attorney Yates, the charges and other information presented in court: Reverse mortgages were designed to assist with the financial security of seniors, ages 62 or older. There are two types of reverse mortgages. In a "refi-reverse," the senior homeowner receives money from the lender for a portion of the equity in the home they own. In a "purchase money reverse," the senior receives money from the lender toward the purchase of a new home. Under both types of reverse mortgages, the senior does not have to repay the lender for as long as the senior lives in the home. However, refi-reverse mortgages fund only a percentage of the property value,

requiring significant equity to remain in the property, and purchase money reverse mortgages require a significant down payment from the senior borrowers to establish equity in the property. The equity must remain in the home to cover loan principal, interest, insurance and servicing costs upon FHA sale of the property when no longer occupied by the senior.

HULL and KIMPSON took advantage of the system by faking the required seniors' down payments needed to qualify for the FHA-insured purchase money reverses. The defendants did this through bogus "gift" letters from "relatives" in amounts between \$50,000 and \$105,000. They also used fake "HUD-1" Settlement Statements purporting to document the sale of the senior's non-existent assets. All down payments were actually supplied by the defendants, not the senior citizens, to be returned to the defendants upon the reverse loan closings, along with profits substantially in excess of the true sales prices of the properties. The return of funds to the defendants were disguised as either seller proceeds or lien payoffs. All such fraudulently obtained reverse mortgages included inflated appraisals.

KIMPSON's plea to aggravated identity theft relates to his use of the stolen identity of realtors and their password to falsify Georgia Multiple Listing Service (MLS) records to create fake property listings and sales at inflated amounts in support many of the fraudulent appraisals.

HULL also committed refi-reverse fraud by transferring properties into seniors' names to obtain refi-reverse mortgages at fraudulently inflated amounts. He thereby avoided the down payment requirement for purchase money reverses, and was able to divert loan proceeds to his shell companies, disguised as lien payoffs.

HULL was charged by a criminal information on February 25, 2010. HULL could receive a maximum sentence of up to 30 years in prison and a fine of up to \$1,000,000 on each of the conspiracy and bank fraud counts. KIMPSON was indicted on February 24, 2010. KIMPSON could receive a maximum sentence of up to 30 years in prison and a fine of up to \$1,000,000 on the conspiracy count, as well as a mandatory consecutive sentence of 2 years in prison and a fine of up to \$250,000 on the aggravated identity theft charge. In determining the actual sentence upon any convictions in these case, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders.

Sentencings for both HULL and KIMPSON are scheduled for July 16, 2010, beginning at 2 p.m., before United States District Judge Julie E. Carnes.

These mortgage fraud cases are prosecuted federally as part of President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated

and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

These cases are being investigated by Special Agents of the HUD-Office of Inspector General and the Federal Bureau of Investigation (FBI). Assistance in this case is being provided by the U.S. Department of Treasury Financial Crimes Enforcement Network (FINCEN) and the Georgia Multiple Listing Service.

Assistant United States Attorney Gale McKenzie is prosecuting the cases.

For further information please contact Sally Q. Yates, United States Attorney, or Charlyse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.usdoj.gov/usao/gan.