



Department of Justice

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Southern District of Iowa

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DAVENPORT REAL ESTATE ATTORNEY CONVICTED OF MORTGAGE-RELATED FRAUD

DAVENPORT, IA – On September 13, 2011, following a one-week jury trial, Marc Robert Engelman, age 60, of Davenport, Iowa, was found guilty of two counts of bank fraud, six counts of wire fraud, and one count of conspiracy, announced United States Attorney Nicholas A. Klinefeldt. Engelman, a Davenport-area real estate attorney, was charged with participating in a scheme to defraud banks and lenders during 2005 and 2006 in connection with nine mortgage loans.

The overall scheme involved some 30 properties, mostly multi-unit rental properties, in the Davenport area purchased by Darryl Hanneken and Robert Herdrich. Most of the properties were located in the Americana Park (Goose Creek Heights) neighborhood. The evidence at trial showed that Engelman--along with other individuals, including real estate agent Mary Pat Harper and a mortgage broker--assisted Hanneken and Herdrich in carrying out a dual contracts scheme to defraud banks and mortgage lenders.

Under this scheme, Hanneken and Herdrich would agree to buy a property for a given price and then propose to the seller that the transaction paperwork reflect a bogus, higher price. An appraiser would furnish an inflated appraisal targeted to meet the bogus, higher price. After closing of the transaction, the seller would pay a kickback to Herdrich and Hanneken representing the difference between the actual, lower price and the bogus, inflated price.

The lender, unaware of the actual, lower price and therefore deceived about the true value of the property, would loan Herdrich and Hanneken more money than the property was worth.

Engelmann assisted in completion of nine of the property transactions.

Hanneken and Herdrich defaulted on almost all the mortgage loans, in most cases without making one payment. They borrowed over \$3.7 million and received almost \$900,000 in post-closing kickback payments. Even after banks and lenders sold the properties to recoup the money loaned, they still suffered over \$1.2 million in losses.

Others charged in connection with the scheme include Hanneken and Herdrich, who were sentenced to 40 months imprisonment each. Mary Lee Reinking and Natalie Long, both formerly mortgage brokers with Crow Valley Mortgage, pleaded guilty to felony mortgage fraud charges in connection with two of the transactions and were sentenced to probation. Paul Bieber, an attorney, pleaded guilty to misprision of felony, a felony offense, and is awaiting sentencing. Mary Pat Harper, a real estate agent, pleaded guilty to felony mortgage fraud charges and is awaiting sentencing.

“This office will continue to vigorously pursue offenders who commit economic crimes,” stated United States Attorney Klinefeldt, “including those who abuse their positions of trust and who participate in schemes to defraud federally-insured financial institutions.” Klinefeldt noted that this prosecution was part of his office’s continuing efforts to combat mortgage fraud in the Southern District of Iowa, and he expressed particular appreciation to the Federal Bureau of Investigation for its commitment to these often complex and lengthy investigations.

“Mortgage fraud is a serious crime,” said Weysan Dun, Special Agent in Charge of the FBI Omaha Division (which covers both Iowa and Nebraska), noting that “mortgage fraud by real estate industry insiders is a crime and a betrayal of the public's trust. Crimes such as those for which Mr. Englemann were convicted not only cause financial loss but undermine the integrity of our country's financial system.”

United States District Judge James E. Gritzner presided over the trial. A sentencing date has not yet been set. The maximum penalty for each count of bank fraud is up to 30 years in prison, a fine not to exceed \$1,000,000, or both; the maximum penalty for each count of wire fraud is up to 20 years in prison, a fine not to exceed \$250,000, or both; and the maximum penalty for conspiracy is up to five years in prison, a fine not to exceed \$250,000, or both.

This case was investigated by the Federal Bureau of Investigation and prosecuted by the United States Attorney’s Office, Southern District of Iowa.

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