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News Release

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Champlin woman pleads guilty to fraudulently obtaining loan proceeds in TJ Waconia mortgage fraud scheme

Earlier today in federal court in Minneapolis, a 49-year-old Champlin woman pleaded guilty for her role in a mortgage fraud scheme involving at least 200 properties, principally in north Minneapolis, and mortgage proceeds of approximately $35 million. Gayle Deann Claus pleaded guilty to one count of conspiracy to commit mail and wire fraud. Claus, who was indicted on June 15, 2010, along with two co-defendants, entered her plea before United States District Court Judge David S. Doty.

In her plea agreement, Claus admitted that from 2004 through 2007, she conspired with others to fraudulently obtain loan proceeds by making false representations and promises as well as withholding material information about the residential property purchases orchestrated by agents of TJ Waconia, a former Roseville real estate company.

The owners of TJ Waconia and its affiliated entities ("TJ Group"), Jon Helgason and Thomas Balko, were sentenced in 2009 for operating the scheme. On April 20, 2009, Helgason was sentenced to 96 months in prison, and Balko was sentenced to 84 months. The owners purchased approximately 200 properties throughout the Twin Cities metropolitan area, principally in north Minneapolis. They would then resell the property within a few weeks to an "investor" who would purchase the property, sight unseen, at a price set by the owners without negotiation, oftentimes $20,000 to $60,000 more than the TJ Group had paid. They told the investors they were simply "lending" their credit to TJ Waconia. In exchange for "lending" their credit, the investors would receive a kickback payment of about $2,500 and a promise of an additional payment after two years when the TJ Group was to repurchase the property from the investor.

Through the scheme, the defendants perpetrated a fraud on the lenders who were led to believe that the “investors” were the actual owners of the properties, when, in fact, the “investors’” ownership was in name only. During the two-year period during which the investor owned the property, the TJ Group was responsible for all payments and maintenance on the property. In some instances, the owners also provided investors with funds to pay the buyer’s portion of the property purchase price and worked with others to provide lenders with false loan applications on behalf of the investors so that they would qualify for the loan.

The owners, on behalf of the investors, obtained approximately $35 million in mortgage proceeds to purchase the properties from the TJ Group. Ultimately, the scheme collapsed, and the TJ Group did not repurchase the properties or continue making payments to the investors in order to pay their mortgages. The investors were left owning properties with mortgages that exceeded their property’s market value.

On June 15, 2010, Claus, Nathan Daniel Jesh, and Stacie Marie Ott were indicted for their roles assisting Helgason and Balko. In her plea agreement, Claus admitted to preparing false loan applications to help “investors” qualify for the loans by showing inflated incomes. She also admitted receiving $17,500 for the properties she personally purchased.

On November 30, 2010, Jesh, age 33, of Rosemount, pleaded guilty to one count of conspiracy. In his plea agreement, Jesh admitted he agreed to close at least 175 real estate transactions, knowing that some loan applications had been fraudulently completed as well as knowing that the seller was providing the investor with funds to pay the purchase price.

On October 22, 2010, Ott, age 42, of St. Louis Park, pleaded guilty to one count of conspiracy. In her plea agreement, Ott admitted that she permitted her name and signature as a licensed appraiser to be used by TJ Waconia to complete appraisals that falsely represented that she had conducted a complete and independent appraisal of properties. Ott admitted taking photographs of property exteriors and emailing them to employees of TJ Waconia, knowing that they would be used for falsified appraisals. For her role in the scheme, Ott received fees in connection with each appraisal.

In a related case, on November 4, 2010, a 46-year-old former mortgage broker from Eagan also pleaded guilty for his role in the scheme. Kerry Jon Quam pleaded guilty to one count of conspiracy to commit mail fraud. He was charged on September 3, 2010. In his plea agreement, Quam admitted processing numerous false loan applications that were submitted to financial institutions. The falsifications included fraudulent appraisals and concealed payments and other information from lenders. In addition, Quam admitted aiding others connected to the scheme in preparing fraudulent appraisals with false statements that fraudulently inflated the appraised value of the property, and closing fraudulent loans that misrepresented and concealed material information from mortgage lenders. For each transaction, Quam received a fee.

For their crimes, the four defendants face a potential maximum penalty of five years in prison. Judge Doty will determine their sentences at a future hearing, yet to be scheduled. These cases are a result of investigations by the Federal Mortgage Fraud Task Force, including the Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation Division and the U.S. Postal Inspection Service. They are being prosecuted by Assistant U.S. Attorneys

Charles J. Kovats, Jr. and John R. Marti.

This law enforcement action is in part sponsored by the interagency Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. It 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, 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.

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