



**United States Department of Justice
United States Attorney's Office
District of Minnesota**



News Release

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FOR IMMEDIATE RELEASE

Thursday, June 2, 2011

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Jury finds Albertville man guilty for involvement in \$1 million mortgage fraud scheme

MINNEAPOLIS – Earlier today in federal court, a jury convicted a 31-year-old Albertville man for his role in orchestrating a mortgage fraud scheme that caused losses to lenders exceeding \$4.6 million. Trial evidence showed that John Anthony Spencer brokered fraudulent loans which were used by recruited purchasers to buy residential real estate at inflated prices. The transactions generated proceeds that greatly exceeded what the sellers were content to accept as full payment for the properties. The excess monies were split up among the buyers Spencer recruited to buy the properties; Spencer; and accomplices Spencer recruited to bring the transactions to fruition.

After a two-and-a-half week trial, the jury found Spencer guilty on one count of conspiracy to commit mortgage fraud through interstate wire, ten counts of wire fraud, and one count of money laundering. Spencer was indicted, along with two co-defendants, on December 7, 2010. According to the indictment filed in this case and the evidence presented at trial, the properties involved included six single-family homes in north Minneapolis, five residential condominium units located on Fisk Avenue in St. Paul, four condo units located on Dayton Avenue in St. Paul, a home in Albertville, Minnesota, and two investment properties located in north Minneapolis.

According to the evidence, Spencer, a mortgage broker at Minnesota One Mortgage, agreed to assist the owner of a five-plex condominium unit on Fisk Street in St. Paul to sell those units at inflated prices. To that end, Spencer recruited his co-defendant, Bryan Joseph Lenton, a real estate appraiser, to appraise each of the units at substantially more than the owner of the units was willing to accept as full payment for them. After that, Spencer recruited a straw buyer to purchase the units with loan proceeds provided based on a fraudulent loan application prepared by Spencer and Patrick Arthur Dols, another mortgage broker at Minnesota One. Spencer also arranged for \$227,800 in payments to AC Standard Construction for purported work on two of

the five units. In reality, however, no work was done. In fact, AC Standard Construction was nothing more than a sham company through which those involved in the fraud received kickbacks.

In April of 2006, Spencer engaged in similar conduct with an unnamed co-conspiring real estate developer who had been unable to sell six single-family homes in north Minneapolis. In this instance, two purchasers were recruited to buy the properties, again with loan proceeds fraudulently brokered by Spencer and Dols.

Also in April of 2006, Spencer conducted the same scam with the condominium owner of the Dayton Avenue units. After the closing on each of the four units, Spencer caused more than \$320,000 to be paid into a sham homeowners' association account, which was then used to pay out more kickbacks to Spencer and the buyers recruited to buy the units..

On March 8, 2011, Lenton, age 32, of Oakdale, pleaded guilty to one count of conspiracy. In his plea agreement, Lenton admitted he provided appraisals for properties that falsely inflated their values to create a pool of funds to be split among him, Spencer, and the straw buyers. On March 1, 2011, Dols, age 38, of Minneapolis, pleaded guilty to one count of conspiracy. In his plea agreement, Dols admitted that his role in the conspiracy was to take loan applications in the straw buyers' names that had been filled out fraudulently by Spencer and then find lenders willing to make mortgage loans to the straw buyers based on the false information. For their crimes, Dols and Lenton face a potential maximum penalty of five years in prison.

Spencer was also convicted of convicted of bank fraud. Specifically, he defrauded Anoka Hennepin Credit Union by borrowing more than \$700,000 from that institution fraudulently to purchase his home in Albertville (a transaction in which he received \$73,000 back at closing without the knowledge of Anoka Hennepin Credit Union) and by taking out second mortgages against two investment properties secured by phantom equity.

For his crimes, Spencer faces a potential maximum penalty of five years in prison on the conspiracy charge, 20 years on each wire fraud count, and ten years for money laundering. He faces a potential penalty of 30 years in prison on the bank fraud charge. United States District Court Judge David S. Doty will determine the sentences of all three men at a future hearing, yet to be scheduled.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorney David J. MacLaughlin.

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