



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



# News Release

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## **Real estate agent and appraiser indicted in \$1.8 million mortgage fraud scheme**

MINNEAPOLIS – Yesterday in federal court in Minneapolis, a Maple Grove real estate appraiser and a real estate agent from St. Cloud were indicted in connection with a \$1.8 million mortgage fraud scheme that involved 28 properties. Ryan Daryl Krutzig, age 31, of Maple Grove, and Jesse Scott Hoffman, age 32, of St. Cloud, were charged with five counts of wire fraud in connection to the scam. In addition, Krutzig was charged with four counts of mail fraud and two counts of money laundering.

Krutzig owned and operated US Appraisal Management, located in Maple Grove, and Hoffman worked at Stellar Realty. The indictment alleges that from 2005 through 2007, the defendants obtained mortgage loan proceeds through fraud. They also allegedly concealed payments to themselves from those proceeds by diverting them to buyers and others, including Thomas Hunter and Frederick Deen, co-owners of Legacy Lending, a mortgage brokerage company.

During the course of this scam, the defendants in this case recruited straw buyers to purchase real estate for which mortgage loans were obtained for dollar amounts substantially larger than the true values of the properties involved. Hoffman allegedly acted as the straw buyers' "agent" in numerous transactions, facilitating the transactions, knowing they were fraudulent. Allegedly, Krutzig inflated appraisals, which he then provided to potential lenders for loan underwriting. In return, he allegedly received concealed payments in addition to his regular appraisal fees. Krutzig also purportedly acted as a buyer and a seller of several properties, but his ownership interest in those properties was never disclosed to lenders. In furtherance of the scheme, Krutzig and others created a sham corporation, Accelerated Services, and used its business account to conceal from lenders the diversion of loan proceeds.

Co-conspirators Hunter and Deen, along with others, knowingly provided fraudulent loan applications to lenders. Those applications included inflated purchase prices and appraisal values. Moreover, the applications concealed the fraudulent payments that were to be made from the loan proceeds to the defendants, the straw buyers, and others. In March of 2010, Deen, age 31, was sentenced to 24 months in prison for his role in the scheme. In September of 2010, Thomas, age 31, was sentenced to 40 months in prison.

If convicted, Krutzig and Hoffman face a potential maximum penalty of 20 years in prison on each wire fraud count. Krutzig also faces 20 years in prison on each mail fraud count and ten years on each money laundering count. All sentences will be determined by a federal district court judge.

This case is the result of an investigation by the Federal Bureau of Investigation. It is being prosecuted by Assistant United States Attorney Christian S. Wilton.

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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An indictment is a determination by a grand jury that there is probable cause to believe that offenses have been committed by a defendant. A defendant, of course, is presumed innocent until he or she pleads guilty or is proven guilty at trial.