



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



News Release

**B. Todd Jones,
United States Attorney**

**Jeanne F. Cooney
Director of Community Relations
(612) 664-5611
email: jeanne.cooney@usdoj.gov**

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Three plead guilty in connection to \$2 million fraudulent loan scheme

Earlier today in federal court in Minneapolis, three residents of the Twin Cities pleaded guilty to obtaining approximately \$2 million in loan money by submitting a fraudulent application and closing documents. Just prior to the beginning of their criminal trial, Richard A. Sand, age 59, of White Bear Township; Donald W. Krause, age 50, of Plymouth; and Brenda Epperly, age 59, of Oak Grove, pleaded guilty to one count of aiding and abetting wire fraud. In addition, Sand and Krause pleaded guilty to one count of aiding and abetting money laundering. The defendants, who were indicted on July 13, 2010, entered their pleas before United States District Court Judge Joan N. Ericksen.

In their respective plea agreements, the defendants admitted using property transactions to defraud a lending institution. Specifically, on February 21, 2008, a purchase agreement was executed for the \$1.6 million sale of an Orono residence to a corporation, RSN Companies, at which Krause was a general partner. The next day Krause sold that residence to Sand's 86-year-old mother for \$2.6 million, \$1 million more than was paid for it the previous day. Pursuant to the terms of that transaction, Sand's mother was to pay approximately \$600,000 in cash, and the balance of the purchase price was to be acquired through a bank loan. To obtain the \$2 million loan, a false loan application was submitted, and based on that application, a \$2 million loan was approved by Bank of America.

On March 20, 2008, the loan proceeds were wired to Epperly, a closing agent at a title company, for distribution at the time of closing. However, the following day, Epperly dispersed \$900,000 of the loan funds to RSN Companies. Then, on March 22, 2008, Krause used some of that money to purchase a cashier's check in the amount of \$602,018.78, which was subsequently submitted as the cash payment Sands' mother was to make as her equity contribution to the

property purchase. Epperly then falsified the HUD-1 Settlement Statement provided to the lending institution, indicating that Sands' mother had provided over \$600,000 in cash. As a result, the bank was misled into believing that Sands' mother had a financial stake in the purchase, when, in truth, that was not the case.

On March 22, 2008, Krause purchased another cashier's check with loan proceeds. This check, in the amount of \$224,371.08, was made payable to the Ramsey County Sheriff's Department and was used by Krause and Sand to redeem a foreclosed property Sand owned in St. Paul. In addition, Sand admitted using \$170,000 in loan proceeds for his own benefit. At their plea hearings, Krause admitted receiving approximately \$50,000 as a result of this fraud, while Epperly indicated she received approximately \$250 for her role in the scam.

For their crimes, the defendants face a potential maximum penalty of 20 years in federal prison for aiding and abetting wire fraud. In addition, Sand and Krause face a potential maximum penalty of ten years for money laundering. Judge Ericksen will determine their sentences at a future hearing, yet to be scheduled.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division, the Minnesota Department of Commerce, and the U.S. Secret Service. It is being prosecuted by Assistant U.S. Attorney James E. Lackner.

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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