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United States Attorney's Office
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News Release

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Federal jury convicts Burnsville man of bilking mortgage lenders out of more than \$43 million

MINNEAPOLIS – Earlier today in federal court in St. Paul, a jury convicted a 44-year-old Burnsville man of conspiring with others to bilk mortgage lenders out of more than \$43 million. Following a six-day trial, the jury found Troy David Chaika guilty on seven counts of wire fraud, three counts of mail fraud, and one count of conspiracy to commit wire fraud and mail fraud. Chaika was indicted on April 12, 2010.

The indictment filed in this case and the evidence presented at trial indicated that between 2005 and 2008, Chaika conspired with others, including Dustin Lee LaFavre, prosecuted in a separate action, to obtain money fraudulently through over 100 residential property transactions. To further this scheme, Chaika and LaFavre negotiated with builders of new properties as well as owners of existing properties to buy both single pieces of property and property groupings, known as “bulk purchases,” at greatly reduced prices. Chaika and LaFavre then solicited real estate purchasers by promising they would receive large cash pay-outs, or “kickbacks,” from lenders’ funds.

Chaika and LaFavre failed to tell potential buyers about the reduced prices they had negotiated for the properties, choosing instead to quote them the grossly inflated prices. By charging buyers the higher prices, Chaika and LaFavre acquired enough cash from loan proceeds to pay buyers their kickbacks and still have money left for themselves and their co-conspirators. Once a potential buyer was recruited through this scheme, Chaika and LaFavre, or someone working on their behalf, drafted a purchase agreement that reflected the inflated sale price only and failed to disclose to lenders the kickback amount to the buyer. Occasionally, Chaika, LaFavre, or someone working for them drafted a so-called addendum to the purchase agreement, setting forth the planned kickback, or “pay-out,” to the buyer, but that document was never

provided to the lender.

In several instances, Chaika and LaFavre, or others on their behalf worked with buyers and mortgage loan officers to prepare false documents for use in the application process. In addition, Chaika and LaFavre sometimes loaned buyers money for down payments or to pad their bank balances while the application process was pending. Because of those material misrepresentations, numerous lenders agreed to fund mortgage loans for the purchase of the residential properties. Furthermore, after the mortgage loans were secured, property title companies prepared documents and handled closings based on the fraudulent information provided by Chaika and LaFavre or others on their behalf. Again, those misrepresentations were material.

In furtherance of this scheme, Chaika prompted no fewer than seven wire transfers of loan proceeds from which he and others obtained cash kickbacks. He also caused false documents to be sent through the U.S. mail and by commercial carriers on at least three occasions.

For his crimes, Chaika faces a potential maximum penalty of 20 years in federal prison on each count. United States District Court Judge Richard H. Kyle will determine his sentence at a future hearing, yet to be scheduled. On December 7, 2009, Dustin Lee LaFavre pleaded guilty to one count of conspiracy and awaits sentencing.

This case is the result of an investigation by the Federal Bureau of Investigation and the U.S. Postal Inspection Service. It is being prosecuted by Assistant U.S. Attorneys Nancy E. Brasel and David M. Genrich.

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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