



**United States Department of Justice
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News Release

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FOR IMMEDIATE RELEASE
Thursday, October 13, 2011
WWW.JUSTICE.GOV/USAO/MN

Burnsville man sentenced for bilking mortgage lenders out of more than \$43 million

MINNEAPOLIS – Earlier today in federal court in St. Paul, a 45-year-old Burnsville man was sentenced for conspiring with others to bilk mortgage lenders out of more than \$43 million. United States District Court Judge Richard H. Kyle sentenced Troy David Chaika to 102 months in prison 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, and was convicted by a jury on May 24, 2011.

The evidence presented at trial proved 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 them 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 amounts. 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.

On September 29, 2011, Dustin Lee LaFavre was sentenced to 48 months in prison on one count of conspiracy.

This case was the result of an investigation by the Federal Bureau of Investigation and the U.S. Postal Inspection Service. It was 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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