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News Release

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Two indicted in \$14 million mortgage fraud scheme

MINNEAPOLIS-- A federal indictment unsealed late yesterday charges two people with participating in a scheme to defraud mortgage lenders out of more than \$14 million. The indictment, which was filed on September 13, 2011, charges Joseph Steven Meyer, age 46, of Eagan, and Garet Clark Wright, age 32, of Rosemount, with one count of conspiracy to commit wire fraud, 22 counts of wire fraud, and one count of conspiracy to commit money laundering. In addition, Meyer was charged with one count of witness tampering. The indictment was unsealed following the defendants' initial appearances in federal court.

The indictment alleges that between December 1, 2006, and October of 2007, the defendants conspired to defraud mortgage lenders in connection with the marketing of the Cloud 9 Sky Flats development ("Cloud 9"). The defendants allegedly found buyers to apply for mortgage loans to purchase units in the development, knowing that each buyer would receive a kickback of between 25 and 30 percent of the reported purchase price of a unit. The paperwork submitted to lenders financing the sales did not disclose the kickbacks, according to the indictment. The kickbacks were allegedly made to the buyers through an account controlled by a co-conspirator and funded with mortgage loan proceeds. In addition, the defendants allegedly made illegal wire transfers of the loan proceeds.

The indictment also alleges that between January 26 and September 25, 2007, the defendants conducted financial transactions involving the proceeds of the fraud. In addition, on May 21, 2010, according to the indictment, Meyer allegedly attempted to persuade Wright to provide false information about the scheme to authorities.

More than 40 “Cloud 9” units were allegedly sold through this scheme, and more than 80 percent of the mortgage loans have since defaulted. In excess of \$4.2 million was transferred to accounts for the purpose of paying kickbacks and otherwise sharing the proceeds of the scheme among scheme participants, the indictment states.

Three other individuals already have pleaded guilty for their roles in the scheme. If convicted, Meyer and Wright face a potential maximum penalty of 20 years in prison on the money laundering conspiracy charge as well as on each wire fraud count. They also face up to five years in prison if convicted of conspiracy. In addition, Meyer faces a potential maximum penalty of 20 years in convicted of witness tampering. 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 Robert M. Lewis.

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.