



Department of Justice



FOR IMMEDIATE RELEASE
THURSDAY, JUNE 17, 2010
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FACT SHEET **MORTGAGE FRAUD CASES IN SOUTHERN OHIO CONNECTED WITH** **“OPERATION STOLEN DREAMS”**

Carter M. Stewart, United States Attorney for the Southern District of Ohio, Keith L. Bennett, Special Agent in Charge, Federal Bureau of Investigation (FBI), Gerald A. O’Farrell, Assistant Inspector in Charge, United States Postal Inspection Service, Cincinnati Police Chief Thomas H. Streicher, Jr., Hamilton County Sheriff Simon Leis, Hamilton County Prosecutor Joe Deters and other task force participants announced the following developments that have occurred in the Southern District of Ohio between March 1 and June 17, 2010 as part of the national Operation Stolen Dreams initiative by the Financial Fraud Enforcement Task Force (FFETF) to combat mortgage fraud:

Overview

During the time period of Operation Stolen Dreams in the Southern District of Ohio, 15 people were charged, sentenced or convicted of mortgage fraud-related crimes. The frauds cost victims \$43,140,000. (these cases are detailed below).

According to the FBI’s 2008 Mortgage Fraud Report, Ohio has the dubious honor of being among the “Top Ten Mortgage Fraud States” in the nation.

An April 2008 FINCEN report ranks Ohio tenth in the nation for mortgage fraud during 2007 and up to fourth for the first half of 2008 behind only California, Florida, and Texas in total number of suspected offenses.

In Ohio, mortgage fraud is often the result of a number of many state and federal crimes -- conspiracy, tax crimes, bankruptcy fraud, mail fraud, false documents, money laundering. Attacking the problem successfully requires a cooperative approach using all the various federal and state laws available.

The U.S. Attorney’s Office for the Southern District of Ohio is charging roughly one new major mortgage fraud case every month – 13 cases in southern Ohio in the past 15 months.

On June 2, 2010 the U.S. Attorneys in both the Northern and Southern Judicial Districts of Ohio, along with Ohio Attorney General Richard Cordray, hosted one of five Mortgage Fraud Summits held by the FFETF, bringing together more than 100 representatives of the mortgage lending, real estate, law enforcement, regulatory and victim advocacy communities to discuss the problem of mortgage fraud in Ohio, the trends and its impact on the state.

Participating agencies

In late 2008, the FBI obtained funding to develop a functioning Mortgage Fraud Task Force, which pays for overtime and equipment for local law enforcement officers assigned to the task force.

Currently the Task Force is comprised of full time and part time investigators from:

FBI – Cincinnati Field Office	FBI – Covington Resident Agency
United States Postal Inspection Service	Cincinnati Police Department
Hamilton County Sheriff’s Office	Internal Revenue Service – Criminal Investigation
Springdale Police Department	Ohio Attorney General Richard Cordray’s Office
Ohio Department of Commerce	U.S. Housing and Urban Development OIG
U.S. Secret Service	Federal Deposit Insurance OIG.

Participating prosecutors include:

United States Attorney’s Office – Southern District of Ohio
Ohio Attorney General Richard Cordray’s Office
Warren County Prosecutor’s Office
Hamilton County Prosecutor’s Office
United States Attorney’s Office – Eastern District of Kentucky.

The majority of the cases being conducted involve loan origination schemes in which a borrower commits some type of fraudulent act committed in order to obtain a mortgage. The fraudulent acts include borrowers falsifying their financial condition (false employment history, false net worth, false tax returns, false down payments), fraudulent appraisals that falsely elevate the value of the property, and properties being fraudulently flipped to provide a falsely elevated value for the properties.

Additional schemes under investigation include so-called “builder bailout” schemes where builders will engage in false documentation to dispose of unsold homes, mortgage rescue schemes where distressed borrowers are victimized by a scam artist promising to fix their problems, home equity line of credit schemes in which consumers have their lines of credit stolen through identity theft schemes, and commercial mortgage lending schemes.

The pending cases being investigated by the Task Force involve more than 450 properties with losses exceeding \$200 million. These losses do not include the impacts on local communities such as lost tax revenue due to failure to pay taxes; reduction in home values that impact citizens directly and the tax base for schools and communities; and blight in neighborhoods where many of these homes are abandoned and in disrepair.

Significant Cases – Convictions and sentences

Orlando Carter, 44, of Mason was sentenced on June 8 to 15 years imprisonment for misleading lenders in order to secure more than \$10 million in loans and lines of credit for the purchase of personal real estate and the operation of his business, the Dynus Corporation. He was also ordered to pay restitution in the amount of \$4,927,085

Vernon Menifee, 40, of Marietta, Georgia was sentenced on June 9 to 40 months imprisonment for a mortgage fraud involving a Cincinnati company.

Tabatha Anderson nee Sturgill of Cincinnati pleaded guilty on May 25, 2010, to conspiracy to commit wire and mail fraud and tax evasion for her role in a mortgage fraud scheme

involving multiple properties. Charges are pending against six other family members in connection with the same mortgage fraud ring.

Walter and William Millat pleaded guilty April 27, 2010 for their roles in a \$4.5 million real estate investment scheme. They are awaiting sentencing.

Pamela Sanneman, a real estate agent, pleaded guilty on March 25, 2010 to making false statements as part of a builder bailout scheme in the Long Cove Subdivision in Warren County. Sanneman is awaiting sentencing.

Francisca Webster and Christopher Gagnon pleaded guilty on March 18 to fraud for making false statements in order to secure mortgages on real estate for the benefit of others, a process known as “straw buying.” They are awaiting sentencing.

Gregory Chew, 42, of Waynesville was convicted in Dayton in March following a 15-day trial for his role in a mortgage fraud scheme involving 57 investors and 246 residential properties located throughout the greater Dayton area. He is awaiting sentencing.

Pending cases

A federal grand jury returned a superseding indictment yesterday charging luxury home builder Bernard J. Kurlemann, 56, of Mason, with bankruptcy fraud, concealing assets and making false oaths when he filed for bankruptcy on behalf of his company.

The Hamilton County Grand Jury on June 11, 2010, indicted David Halsell of Cincinnati, charging him with 11 counts of tampering with records, a third degree felony in Ohio, for his role in a property scheme involving over 50 houses.

A federal information was filed on June 4, 2010 charging James Powell of Hamilton with mail fraud for his role in a multi-million dollar investment scheme that utilized fraudulent mortgages as part of the scheme.

Charges are pending against Kelly Whalen of Cincinnati, indicted June 2, 2010 for obstruction of justice in connection with intimidating a witness in a mortgage fraud case.

A federal indictment returned on May 12, 2010 charged James L. Mack with crimes connected to a real estate investment scheme in Dayton.

On April 21, 2010, a federal grand jury returned a superseding indictment against Caesarea James, formerly of Springboro, charging wire fraud, mail fraud, and passing counterfeit instruments in connection with his purchase of two houses worth more than \$1.3 million.

The President’s Financial Fraud Enforcement Task Force 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, to 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. For more information on the task force, visit StopFraud.gov.