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FOR IMMEDIATE RELEASE  
THURSDAY, JUNE 17, 2010  
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## **FINANCIAL FRAUD ENFORCEMENT TASK FORCE ANNOUNCES REGIONAL RESULTS OF "OPERATION STOLEN DREAMS" TARGETING MORTGAGE FRAUDSTERS**

PHILADELPHIA – Following an announcement today by Attorney General Eric Holder in Washington, DC, representatives of the Financial Fraud Enforcement Task Force in Philadelphia, including the U.S. Attorney's Office, Housing and Urban Development, FBI, U.S. Postal Inspection Service, IRS, Secret Service, Pennsylvania Department of Banking, the Philadelphia District Attorney's Office and Police Department, announced the regional results of the nationwide takedown, Operation Stolen Dreams, which targeted mortgage fraudsters in the Eastern District of Pennsylvania and throughout the country.

During the sweep, our office has charged 20 defendants with engaging in a wide variety of scams involving everything from home improvement, to investment, to foreclosure rescue. The cases involve more than \$40 million in fraudulent loans and hundreds of defrauded homeowners. The sweep was organized by President Obama's interagency Financial Fraud Enforcement Task Force, which was established to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on March 1, to date Operation Stolen Dreams has involved 1,215 criminal defendants nationwide who are allegedly responsible for more than \$2.3 billion in losses. Additionally, to date, the operation has resulted in 191 civil enforcement actions which have resulted in the recovery of more than \$147 million.

"Mortgage fraud ruins lives, destroys families and devastates whole communities, so attacking the problem from every possible direction is vital," said Attorney General Holder. "We will use every tool available to investigate, prosecute, and prevent mortgage fraud, and we will not rest until anyone preying on vulnerable American homeowners is brought to justice."

"There are many hard-working Americans who are seeking to achieve the American dream of owning a home, and many of the defendants we charged used the economic downturn to prey on their vulnerabilities," said Memeger. "We hope that prosecutions like this can help educate the public about these financial schemes so that people can defend themselves against such criminal activity."

“In the past several years, we have seen enormous and damaging developments in the mortgage and housing markets with an urgent reliance on the government to bolster unstable marketplaces and devastated communities, said Kenneth M. Donohue, Inspector General of the Department of Housing and Urban Development. “The HUD OIG, in partnership with other federal agencies, is deeply committed to ensuring that scarce resources are not diverted to those who seek to enrich themselves at the expense of those who so desperately need assistance today.”

Unlike previous mortgage fraud sweeps, Operation Stolen Dreams focused not only on federal criminal cases, but also on civil enforcement, recovering money for victims and increasing cooperation with state and local partners.

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](http://StopFraud.gov).

Operation Stolen Dreams cases in the Eastern District of Pennsylvania included:

***United States vs. Edward McCusker, et al***

The owners of Axxium Mortgage, Inc., John Bariana and Edward McCusker, along with three co-defendants, including McCusker’s wife Jacqueline, were indicted in December 2009 for their participation in a \$14.7 million foreclosure rescue scheme. Among the defendants were two attorneys, Jeffrey Bennett and Stephen Doherty, who recruited victims into the scheme. Bennett and Doherty pleaded guilty and are awaiting sentencing. The other three defendants are awaiting trial.

***United States vs. Calvin Harris, et al***

In this home-improvement mortgage fraud scheme, the two defendants, a contractor and a mortgage broker, were indicted on March 26, 2010 for wire fraud. The defendants convinced homeowners to obtain mortgages on their properties to finance renovations. They prepared false documents for the homeowners to submit in loan applications and instructed the homeowners to give them the proceeds of those loans. The defendants never performed the work and their victims lost more than \$400,000. Defendant Harris pleaded guilty on May 3, 2010.

***United States vs. Frank Datillo, et al***

Frank J. Dattilo, Michael Giello, and Jason Megow were charged with mail fraud on April 22, 2010, for their role in a mortgage fraud scheme that used false documents and concealed debts in mortgage applicants for people with low income or poor credit. The defendants assisted homeowners in refinancing millions of dollars in mortgages, charging the homeowners exorbitant fees and obtaining liens on the victims' properties at closing without disclosing any of that information to the lenders. The losses will exceed \$1 million.

***United States v. Kirk H. Kirby, et al.***

The three defendants in this real estate investment scheme were charged with mail fraud on April 22, 2010. The defendants, a real estate investor, a mortgage broker, and an accountant, obtained more than \$17 million in fraudulent mortgages by submitting fraudulent documents to lenders falsely inflating mortgage applicants' creditworthiness. Kirby hatched the scheme which involved him identifying properties, flipping them to his "investors" at a price as much as double what he paid, who obtained fraudulent mortgages, and then stealing the mortgage payments from investors.

***United States vs. Fred A. Johnson, Jr.***

The defendant, an accountant, was charged by information on April 15, 2010 with conspiracy to commit wire fraud and money laundering conspiracy for his role in diverting nearly \$1 million in loan proceeds obtained from lenders using fraudulent income documents. The defendant worked as an accountant for the operator of a mortgage fraud scheme. At real estate closings, loan proceeds were siphoned off and diverted to the defendant's business bank account. He then issued checks to the operator of the mortgage fraud scheme from the business account to conceal the fact that the funds were stolen from real estate settlements.

***United States vs. Bonnie Sweeten***

On May 20, 2010, the defendant was indicted for defrauding her employer, a law firm in suburban Philadelphia, and the law firm's clients of more than \$700,000. Among other things, the defendant obtained a fraudulent loan on the real estate where the law firm's offices were located without the authorization of the law firm's owner. The defendant later refinanced the loan by stealing the identity of the law firm owner and diverting the proceeds of the loan to her own personal expenses.

***United States v. Roman R. Fitzmartin, et al.***

The defendants, both real estate developers, executed a real estate investment scheme in which they accepted money from investors based on the false claims that they would use the money to purchase real estate in suburban Philadelphia. Instead, the defendants diverted more than \$800,000 of investors' money for their own personal and business expenses. They are charged with two counts of mail fraud. Defendant Patrick

M. Kelly was charged in April 2010 and pleaded guilty on April 27, 2010. The lead defendant, Roman R. Fitzmartin, is scheduled to be sentenced on June 1, 2010 and faces imprisonment of between 41 and 51 months under the United States Sentencing Guidelines.

*United States v. Joseph Tookes, et al.*

The defendants in this case were charged with conspiracy, mail fraud, and wire fraud. The indictment, unsealed June 9, 2010, alleges that, between mid-2006 and early 2008, the defendants recruited individuals to purchase distressed properties in the Philadelphia area at low prices then sold those properties at a much higher price, based on the promise of rehabilitating the property. They submitted false documents to the mortgage lender to justify the mortgage amount, claimed that a construction company, owned by Joseph Tookes, would renovate the properties, and requested that the loans be in amounts to cover both the sale price of the house and the costs of the renovations. The renovations were never done and the mortgages ultimately fell into default.

Quotes from partner agencies:

“The Philadelphia Division of the FBI, along with its community and law enforcement partners including the USAO, HUD/OIG, IRS, USPIS, USSS and the PA Banking Commission, have been on the front lines of the mortgage fraud war even prior to the economic downturn,” said FBI Special Agent-in-Charge Janice K. Fedarcyk. “As hard working citizens lost their jobs and faced foreclosure, the FBI has been vigilant in identifying and bringing to justice mortgage fraud criminals, including foreclosure rescue fraudsters, and the real estate professionals who assisted them. In addition to foreclosure rescue, equity skimming and property flipping schemes, we are on the lookout for fraudsters who would take advantage of our senior citizens, who apply for Home Equity Conversion Mortgages (HECM), or reverse mortgages, during these tough economic times.”

“When various agencies of government bring their complementary skills and knowledge together, the results for consumer protection efforts can be very powerful,” said Pennsylvania Secretary of Banking Steve Kaplan. “Today’s announcement sends a strong message to companies and individuals who think they can escape punishment because of the complex nature of their activities: we will find you and prosecute you.”

“One reason the Postal Service has been ranked the most trusted government agency for the last five years by the Ponemon Institute is the Postal Inspection Service’s tenacity in ridding crime from the U.S. Mail,” said, Acting U.S. Postal Inspector-in-Charge Tommy Coke, of the Philadelphia Division. “Postal Inspectors will continue to aggressively investigate fraudsters who misuse the U.S. Mail to further their crimes. We are proud to work with our law enforcement partners in this mortgage fraud initiative to protect our economy and the American public.”

Acting Special Agent-in-Charge of IRS Criminal Investigation Troy N. Stemen stated, "Mortgage fraud poses a serious threat to our nation's economy and can result in a wide range of negative repercussions. This type of crime can create a significant loss of tax revenue, drive buyers into foreclosure, leave lenders burdened with bad loans and neighborhoods with abandoned and deteriorating properties. IRS-CI will continue to utilize our financial expertise to investigate such cases and will work diligently with our law enforcement partners and the United States Attorney's Office to prosecute individuals involved in this type of illegal activity."