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News Release

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Two plead guilty to \$2.5 million mortgage fraud scam

Two Prior Lake men have pleaded guilty in federal court in Minneapolis for their roles in a scheme that defrauded mortgage lenders out of more than \$2.5 million by causing them to make loans based on false information. Appearing before United States District Court Judge David S. Doty earlier today, Beau Wesley Gensmer, age 28, pleaded guilty to one count of wire fraud and one count of money laundering in connection to that crime. Christopher Glenn Kennedy, age 31, pleaded guilty to the same charges on August 6, 2010. Gensmer and Kennedy were indicted on April 21, 2010. A third co-defendant pleaded guilty earlier in the case.

In their respective plea agreements, Gensmer and Kennedy admitted that from July of 2007 to September of 2008, they executed the mortgage-fraud scheme. They admitted that in April of 2007, a multi-unit condominium building was built in Prior Lake by a development company owned by one of Gensmer's relatives. The units were listed for sale but were removed from the market after only a couple of units were successfully sold. Later during the summer of 2007, Gensmer and Kennedy admittedly solicited three individuals to purchase multiple condominium units as "investments." Gensmer and Kennedy assured the "investors" that they would pay nothing to buy the properties because the down payments and monthly mortgage payments would be provided to them by Gensmer and Kennedy. Moreover, Gensmer and Kennedy admitted they recruited the investors by telling them that the condos would be rented for a time but ultimately sold at a profit, and that the investors would share in that profit.

In order for the investors to qualify for their mortgage loans, Gensmer and Kennedy caused accountants to prepare tax returns that reflected inflated income figures. Those returns and other fraudulent documents were then knowingly submitted to potential mortgage lenders by the defendants. Gensmer and Kennedy also temporarily deposited money into the bank accounts of

some of the investors to make it appear to potential lenders that the investors had more cash on hand than they actually did. As a result of those actions, ten mortgage lenders funded the purchase of 18 condominium units by the three investors. Eventually, Gensmer and Kennedy stopped supplying the property purchasers with monthly mortgage payments, causing the loans to go into default and then into foreclosure.

The defendants admitted that due to their actions, mortgage loan lenders wire transferred funds on 15 different occasions. The men also admitted that on two occasions, they used some of those fraudulently obtained funds as down payments to a title company for additional condo purchases, and that the title company was owned in part by individuals with an ownership interest in the entity that originally constructed the condo building.

For their crimes, the defendants face a potential maximum penalty of 20 years in federal prison on the wire fraud charge and 10 years on the money laundering charge. Judge Doty will determine their sentences at a future hearing, yet to be scheduled.

This case is the result of an investigation by the Federal Bureau of Investigation, the Internal Revenue Service–Criminal Investigation Division, and the Prior Lake Police Department. It is being prosecuted by Assistant U.S. Attorneys Tracy L. Perzel and William J. Otteson.

Note, 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 war on 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 along with state and local partners, its members will 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.