

# ***NEWS RELEASE***



---

## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

***San Diego, California***

***United States Attorney  
Laura E. Duffy***

***For Further Information, Contact:***

---

---

***Special Assistant U.S. Attorney Emily W. Allen at (619) 546-9738 or  
Assistant U.S. Attorney Valerie H. Chu at (619) 546-6750***

---

---

***For Immediate Release***

### **MORTGAGE BROKER PLEADS GUILTY TO \$100 MILLION LOAN ORIGINATION FRAUD**

***FOURTH DEFENDANT TO PLEAD GUILTY IN SCHEME THAT LED TO \$14.5 MILLION IN KICKBACKS***

#### **NEWS RELEASE SUMMARY - April 25, 2013**

United States Attorney Laura E. Duffy and Federal Housing Finance Agency Inspector General Steve A. Linick announced today that Mary Armstrong, an unlicensed mortgage broker who operated a nationwide loan origination fraud and kickback scheme from San Diego, pled guilty today before United States District Judge John A. Houston to all five counts of an indictment charging her with wire fraud, money laundering, and conspiracy. Armstrong was indicted on May 10, 2012, and apprehended in Las Vegas, Nevada, in July 2012; she has been held in custody since her arrest.

As part of today's guilty plea, Armstrong admitted that she defrauded mortgage lenders by arranging for the sale of \$100 million worth of real estate at inflated prices, and then siphoned the overpayments to bank accounts she controlled. She created false loan applications on behalf of straw buyers, then arranged for her co-conspirators to create fake documents in support of those applications, including W-2 forms, pay stubs, bank statements, and other records. According to Armstrong's accountant and tax preparer, Audrey Yeboah, who pled guilty in October 2012 to participating in the same scheme, Armstrong collected over \$14.5 million in kickbacks from the fraudulently-obtained mortgage loans.

Armstrong joins defendants Teresa Rose, a Ramona real estate agent; Seattle businessman Justin Mensen; and Yeboah; each of whom has pled guilty to participating in the scheme. These defendants admitted that they carried out their scheme by recruiting “investors” through the Internet and advertisements in the LA Times, and offering them the opportunity to purchase homes located in Southern California, Washington state, and elsewhere. In reality, these so-called “investors” were nothing more than straw buyers who were promised \$10,000 for each property purchased as part of the scheme. The defendants were able to secure mortgages for the properties by falsifying loan applications for the straw buyers, falsely claiming exorbitant income from fake employers and using fake W-2s and pay stubs to support the claims. The defendants submitted these fraudulent loan applications to mortgage lenders to obtain 100% financing – and thus avoided having to make any down payment on the properties.

According to the defendants’ plea agreements, they profited on these fraudulently-acquired mortgage loans by inflating the purchase price of the properties by \$100,000 (or more), and having the straw borrowers kick-back to them the illicit proceeds. Although the conspirators claimed to lenders that the extra money would be used for construction improvements, in fact, the conspirators funneled the money to sham “construction” companies that they controlled, thereby concealing their kick-backs.

Armstrong admitted that after the conspirators collected the overpayments, the straw buyers defaulted on the mortgage loans, resulting in mortgage lenders and secondary purchasers, including Fannie Mae and Freddie Mac, suffering losses of up to \$20 million.

Two additional defendants charged as part of the scheme, John Allen and William Fountain, are scheduled to begin trial on November 5, 2013. *The public is reminded that an indictment is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.*

United States Attorney Duffy commented, “Armstrong’s fraudulent conspiracy endangered not only the particular lenders ensnared in her scheme, but every American who subsequently suffered from the destabilization of the housing and financial sectors. And the country’s taxpayers were ultimately left ‘holding the bag’ when forced to bail out Fannie Mae and Freddie Mac. Today’s guilty plea is another important step in this Office’s aggressive prosecution of such financial frauds, and the vindication of all Americans who have suffered in the recent financial crisis.”

FBI Special Agent in Charge Daphne Hearn commented, “Mortgage fraud losses cost taxpayers billions of dollars every year and is a threat to our national economy. The FBI will continue to dedicate substantial amount of expert resources to investigate these crimes.”

United States Attorney Duffy reminded the community that anyone with information relating to these charges should contact the San Diego branch of the **Federal Bureau of Investigation at (858) 565-1255, or the Federal Housing Finance Agency - Office of Inspector General hotline at (800) 793-7724.**

A sentencing hearing is scheduled for Armstrong before Judge Houston on August 12, 2013, at 8:30 a.m.

**DEFENDANTS**

**Criminal Case No. 12CR1848-JAH**

Mary Armstrong  
Teresa Rose  
William Fountain  
John Allen

**SUMMARY OF CHARGES**

- Count 1: Title 18, U.S.C., Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money; Maximum Penalty: 5 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment. **(All Defendants)**
- Count 2: Title 18, U.S.C., Section 1343 -- Wire Fraud; Maximum Penalty: 20 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment. **(Mary Armstrong)**
- Counts 3-5: Title 18, U.S.C., Section 1956 (a)(1)(B)(I) -- Money Laundering; Maximum Penalty: 15 years' custody, a maximum fine of \$500,000 or twice the value of the property involved in the transaction, and \$100 special assessment. **(Mary Armstrong)**

**DEFENDANT**

**Criminal Case No. 12CR1458-JAH**

Justin Mensen

**SUMMARY OF CHARGES**

Title 18, U.S.C., Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money; Maximum Penalty: 5 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

**DEFENDANT**

**Criminal Case No. 12CR4322 -JAH**

Audrey Yeboah

**SUMMARY OF CHARGES**

Title 18, U.S.C., Section 1343 -- Wire Fraud; Maximum Penalty: 20 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

**INVESTIGATING AGENCIES:**

Federal Bureau of Investigation  
Federal Housing Finance Agency-Office of Inspector General