

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

MORTGAGE BROKER INDICTED IN \$2.2 MILLION LOAN FRAUD AND KICKBACK SCHEME

***FORMER EMPLOYEE PLEADS GUILTY TO MORTGAGE FRAUD CONSPIRACY
INVOLVING DOZENS OF OTHER FRAUDULENT LOANS OBTAINED BY
BROKERAGE BUSINESS – “MONEY WORLD”***

NEWS RELEASE SUMMARY – August 8, 2013

SAN DIEGO - Donald V. Totten, an unlicensed mortgage broker who operated a mortgage brokerage business from Rancho Santa Fe, was indicted today by a federal grand jury on charges that he obtained \$2.2 million in mortgage loans using false information and then siphoned off hundreds of thousands of dollars from the sale of the properties.

Totten was arrested on July 24, 2013, and made his initial appearance in the Northern District of California. He is currently in federal custody and will be transported to the Southern District of California for the proceedings.

According to the indictment, Totten arranged a series of real estate transactions with a Chula Vista property owner who was struggling to make his mortgage payments. In a complicated set of transactions, Totten first entered into a partnership with an investor from Carlsbad, promising

to share the costs of maintenance of the properties and then split the proceeds from an eventual re-sale.

To purchase the properties, Totten employed a straw buyer (his investor's girlfriend) who never intended to live in the properties despite certifications to the contrary on her loan applications. In addition to providing significant down payments from his own funds, Totten falsified the straw buyer's loan applications and, among other things, inflated her income and assets in order to induce the financial institutions to grant the mortgages.

According to the indictment, Totten and his loan processor, Shellie Lockard, who worked for his brokerage business Money World, then sent fabricated supporting documents to the mortgage lenders to bolster the bogus claims in the loan applications. The indictment charges Totten with purchasing four homes for the same straw buyer simultaneously – by intentionally failing to disclose to each lender that the borrower was in the process of buying multiple properties.

Last week, Lockard admitted falsifying applications for dozens of Money World mortgage loans. Lockard pled guilty on July 30, 2013. According to court documents, in addition to the four Chula Vista properties, Lockard processed dozens more fraudulent loan applications for Totten involving the purchase and re-finance of properties around the country. In each case, Lockard admitted that the loan paperwork she provided to mortgage lenders contained false information about the borrowers' income, assets, debts, intent to occupy the properties, and other lies.

According to the indictment, Totten earned substantial commissions on the four Chula Vista sales, and at the same time he secretly arranged for almost \$192,000 in sale proceeds to be sent directly to his own bank accounts as kickbacks. He concealed his receipt of these payments from the lenders by directing them to Island Financial, a company which he controlled. According to the indictment, after the sales closed, Totten had the straw buyer sign over the deeds to the properties to a trust that he controlled, effectively obtaining ownership. Eventually, however, each of the four mortgages defaulted and the properties were foreclosed. The lenders and secondary mortgage purchasers, including Fannie Mae and Freddie Mac, suffered losses as a result of the foreclosures.

“Prosecuting people who have contributed to the mortgage meltdown is one of my top priorities because they have played such a significant role in our nation's financial turmoil, and because the economic damage to taxpayers is immense,” said U.S. Attorney Laura Duffy.

FBI Special Agent in Charge Daphne Hearn commented, “Mortgage fraud costs taxpayers billions of dollars every year and is a threat to our nation's economy. The FBI will continue to lend our agent and analyst resources to investigate these important cases.”

“Totten allegedly participated in a fraudulent scheme involving over \$2 million in mortgage loans that ultimately defaulted, to the detriment of Fannie Mae, Freddie Mac and American taxpayers,” said Federal Housing Finance Agency Inspector General Steve A. Linick . “We are proud to support our law enforcement partners in investigating and prosecuting this case.”

“Mortgage fraud causes tremendous financial damage to everyone, including financial institutions, borrowers and the American taxpayer,” said Jose A. Gonzalez, Special Agent in

Charge for IRS Criminal Investigation's (IRS CI) Los Angeles Field Office. "IRS CI is firmly committed to supporting our law enforcement partners and the U.S. Attorney's Office in the investigation and prosecution of fraudsters committing mortgage fraud crimes."

These charges are the result of an active, ongoing criminal investigation. 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.**

The public is reminded that an indictment is not evidence that the defendant committed the crime charged. The defendant is presumed innocent until the United States meets its burden in court of proving guilt beyond a reasonable doubt.

DEFENDANT

Criminal Case No. 13MJ2783

Donald V. Totten

SUMMARY OF CHARGES

Title 18, U.S.C., Section 1349 -- Conspiracy to Commit Wire Fraud. Maximum Penalty: 30 years custody, a maximum fine of \$1,000,000 or twice the gain derived from or loss caused by the offense, five years supervised release, and \$100 special assessment.

Title 18, U.S.C., Section 1343 -- Wire Fraud Affecting a Financial Institution. Maximum Penalty: 30 years custody, a maximum fine of \$1,000,000 or twice the gain derived from or loss caused by the offense, five years supervised release, and \$100 special assessment.

DEFENDANT

Criminal Case No. 13MJ2783

Shellie Lockard

Age: 43 Westlake Village, CA

SUMMARY OF CHARGES

Title 18, U.S.C., Section 1349 -- Conspiracy to Commit Bank Fraud and Wire Fraud. Maximum Penalty: 30 years custody, a maximum fine of \$1,000,000 or twice the gain derived from or loss caused by the offense, five years supervised release, and \$100 special assessment.

INVESTIGATING AGENCIES

Federal Bureau of Investigation
Internal Revenue Service-Criminal Investigation
Federal Housing Finance Agency-Office of Inspector General