

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

***United States Attorney
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For Immediate Release

LOAN PROCESSOR WHO HELPED OBTAIN \$100 MILLION IN FRAUDULENT MORTGAGES SENTENCED TO 12 MONTHS IN PRISON

NEWS RELEASE SUMMARY – September 16, 2013

SAN DIEGO – United States Attorney Laura E. Duffy and Federal Housing Finance Agency Inspector General Steve A. Linick announced that John Allen, a mortgage loan processor based in Laguna Hills, was sentenced today to one year in custody by U.S. District Court Judge John A. Houston for his participation in an investment and mortgage loan fraud scheme that generated nearly \$15 million in kickbacks.

Allen worked with Mary Armstrong, a self-described but unlicensed mortgage broker, and several other co-conspirators to steal money from real estate purchase transactions. Armstrong recruited “investors” through advertisements in the Los Angeles Times, Monster.com, and elsewhere, and offered them the opportunity to purchase homes using their good credit with no money down. 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. Allen helped to secure mortgages for the properties by falsifying loan applications. Among other things, the loan applications falsely claimed exorbitant income from fake employers and used fabricated

documents, which Allen helped to create, in order to support the claims. The defendants used these loan applications to obtain mortgages with 100% financing – and thus avoided having to make any down payment on the properties.

The defendants earned millions of dollars in profits by convincing the sellers of the properties to inflate the purchase price by \$100,000 or more, which was allegedly to be used for construction to improve the properties. In fact, no construction work was ever performed and the funds were instead diverted (or “kicked back”) to bank accounts controlled by the defendants. Allen helped to identify properties to purchase as part of the scheme, and inflated the prices by \$100,000 or more to fund the kickbacks. All together, the defendants pocketed nearly \$15 million in kickbacks in this way, and allowed nearly all of the properties to swiftly fall into foreclosure. Through this scheme, the defendants arranged the purchase of approximately \$100 million in mortgages, resulting in estimated total losses between \$7 million and \$20 million to the mortgage lenders and secondary purchasers Fannie Mae and Freddie Mac.

Allen was charged with participating in the scheme along with five others: Armstrong, Teresa Rose, a Ramona real estate agent; William Fountain, Armstrong’s assistant; Justin Mensen, a straw buyer who went on to recruit others and help to launder the funds; and Audrey Yeboah, a Los Angeles-based tax preparer who generated fake paperwork to support the loans. All of the defendants have pled guilty to participating in the scheme. Allen was the first defendant to be sentenced. Fountain is scheduled for sentencing on September 20, 2013, and Armstrong is scheduled for sentencing on September 30, 2013, both before Judge Houston.

United States Attorney Duffy explained that the American public is the very real victim of this type of widespread mortgage fraud that played such a significant role in destabilizing the country’s financial situation. She emphasized that her office would aggressively prosecute such crimes and urged anyone in the community who has information relating to these charges to 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.

This matter was investigated jointly by agents from the FBI and FHFA-OIG. The case is being prosecuted by FHFA-OIG Investigative Counsel and Special Assistant U.S. Attorney Emily W. Allen and Assistant U.S. Attorney Valerie Chu of the Southern District of California.

DEFENDANTS

Criminal Case No. 12CR1848-JAH

Mary Armstrong

Teresa Rose

William Fountain

John Allen

DEFENDANT

Criminal Case No. 12CR1458-JAH

Justin Mensen

DEFENDANT

Criminal Case No. 12CR4322-JAH

Audrey Yeboah

SUMMARY OF CHARGES

Mary Armstrong, Teresa Rose, and William Fountain

Count 1: Title 18, United States Code, Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money -- statutory maximum sentence of 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.

Mary Armstrong

Count 2: Title 18, United States Code, Section 1343 -- Wire Fraud -- statutory maximum sentence of 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.

Counts 3-5: Title 18, United States Code, Section 1956(a)(1)(B)(I) -- Money Laundering -- statutory maximum sentence of 15 years' custody, a maximum fine of \$500,000 or twice the value of the property involved in the transaction, and \$100 special assessment.

Justin Mensen

Information: Title 18, United States Code, Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money -- statutory maximum sentence of 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.

Audrey Yeboah

Information: Title 18, United States Code, Section 1343 -- Wire Fraud -- statutory maximum sentence of 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.

AGENCIES

Federal Bureau of Investigation

Federal Housing Finance Agency - Office of Inspector General