

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

LEADER OF SAN DIEGO MORTGAGE COMPANY SENTENCED TO 41 MONTHS IN PRISON AND ORDERED TO PAY OVER HALF A MILLION DOLLARS IN RESTITUTION

NEWS RELEASE SUMMARY - December 16, 2012

Today United States Attorney Laura E. Duffy announced the sentencing of Brian Nels Peterson, the head of a mortgage company called Terra Finance in San Diego, California, for originating millions of dollars in fraudulent mortgage applications generated between 2005 and 2007, many for properties in two neighborhoods in San Diego County. District Court Judge John A. Houston sentenced Peterson today to 41 months in custody, ordered him to pay a \$50,000 fine, and ordered restitution in the amount of \$542,075 to Citi Mortgage.

Peterson admitted that he devised a scheme to procure mortgage funds through deceptive means, including falsifying income on applications to qualify borrowers for loans. Terra Finance facilitated loans in several San Diego neighborhoods, including the expensive then-new “Ivy Gate” housing development in North County’s 4S Ranch, and the “Rolling Hills” development in southern San Diego County. Court documents indicate that in its heyday, Terra Finance generated between \$80 million and \$100 million worth of residential mortgage loans. Peterson, who held a broker’s license with the California Department of Real Estate, personally signed most of the fraudulent loan applications containing false income, employment, asset, and liability information submitted under his license number.

Peterson earned over \$1 million from his fraudulent loan business through broker’s fees, kickbacks from cash-out refinances, and other sources in 2006 alone. He admitted that he failed to report his over \$1 million income in 2006, and that he evaded paying taxes by arranging to be paid in cash, and other means.

According to court documents, Peterson orchestrated the fraudulent conduct of employees, borrowers, and industry professionals as the head of Terra Finance. Peterson recruited a cadre of loan officers, loan processors, office staff, real estate “investors” and other industry professionals to participate in his scheme, including appraisers, tax preparers, and lender representatives. These knowing participants included people who made up job titles and income figures so borrowers would appear to qualify for a loan, added borrowers to another person’s bank account and then had the borrowers falsely claim the funds in the account as assets, fabricated false “verifications” of phony

information in the loan applications, and prepared appraisals “to order” based on the property value Peterson sought. Borrowers used a succession of fake loan applications to purchase multiple properties that they could not afford. The initial loans were often re-financed – through fraudulent loan applications -- to fund additional purchases, in an upward spiral of home ownership built on a foundation of fraud.

Peterson’s real estate empire eventually crumbled, resulting in millions of dollars of losses, dozens of foreclosures, numerous neighborhoods depressed – and the indictment of 26 loan officers, loan processors, appraisers, borrowers, and a lender representative, all who participated in loans with Terra Finance. In a related case, **United States v. Berkenfield**, case number 11CR3486-JAH, 13 out of 25 arrested defendants have pled guilty and have been sentenced to penalties ranging from probation and home confinement to 5 months in custody. Twelve defendants remain pending in that case. (One defendant remains a fugitive.)

DEFENDANT

Criminal Case No. 11CR3486-JAH

Brian Nels Peterson

Count 1- Wire Fraud (Title 18, United States Code, § 1343): 41 months custody; 3 years of supervised release; \$50,000 fine; \$542,075 restitution; \$100 special assessment.

Count 2 – Willful Failure to File Tax Return (Title 26, United States Code, § 7203): 12 months custody; 1 year of supervised release, \$10 special assessment, all to run concurrently with Count 1.

PARTICIPATING AGENCIES

Department of Homeland Security, Immigration and Customs Enforcement, Office of
Professional Responsibility

Internal Revenue Service – Criminal Investigations

Federal Bureau of Investigation