



## More mortgage fraud bust information coming to light

KVBC-TV

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Matt Kozar reporting

The nationwide mortgage fraud bust continues to evolve here in southern Nevada. Two more defendants have made an initial court appearance before a federal judge.

Spearheaded by the FBI and the U.S. Attorneys Office, the mortgage fraud bust has been dubbed Operation: Stolen Dreams.

One Henderson neighborhood where fraud took place might be called Mortgage Fraud Way.

Five homes on the suburban street were part of a criminal scheme uncovered by the feds.

When we spoke to the people who live in the homes listed in the criminal indictments, most were surprised to learn their homes were involved in a possible crime. Most don't know the defendants listed because the alleged fraud took place several years ago.

According to federal investigators 123 Nevadans have been charged, convicted or sentenced so far as part of Operation: Stolen Dreams. Of those, 73 worked in the local real estate industry. The fraud resulted in \$246 million in losses.

We called the Greater Las Vegas Association of Realtors about the bust but they refused an on-camera interview.

A spokesperson provided this statement:

*The fraudulent activities alleged by the Southern Nevada Task Force are harmful to homeowners, law-abiding members of the real estate industry and the public at large.*

A source tells News 3 the group is being tightlipped because it doesn't know the scope of the investigation or whether any of its more than 21,000 members have been implicated in the fraud.

Last week, News 3 captured video of local real estate agents Helen Kane and Linda Marie Kot being escorted in handcuffs by FBI agents. The FBI tells us it's a sight we could see more of as they continue probing.

We still have hundreds of cases that were investigating, that will continue to get more people involved in fraudulent activity off the streets, said investigator Kevin Favreau.

Nationwide, \$147 million has been recovered as part of the fraud investigation.

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## **JOHN L. SMITH: Dashed dreams ride on waves of mortgage fraud arrests**

It's low tide in Las Vegas.

That's how Assistant U.S. Attorney Dan Schiess described the home mortgage fraud crisis in Southern Nevada on Thursday.

As the high sea of real estate prices dropped, an ugly truth was exposed.

"When the market was going good, you could cover it up," Schiess said after the Operation Stolen Dreams news conference at the Lloyd D. George U.S. District Courthouse. "Then the market turned and you leave debris on the beach when the tide goes out."

Schiess was right. The Southern Nevada Mortgage Fraud Task Force, part of President Barack Obama's interagency Financial Fraud Enforcement Task Force, so far has charged 123 defendants with arranging phony straw-buyer transactions that grossed more than \$246 million locally.

From everything I heard Thursday, Schiess didn't take his imagery far enough. This is low tide at the BP oil spill.

Officials were unequivocal: This is only the first round in a long fight to bring mortgage fraudsters to justice through felony indictment and asset forfeiture.

"We're not even near half," U.S. Attorney Dan Bogden said, dropping an anvil of a hint that more indictments and arrests are anticipated.

It's amazing, and more than a little troubling, to know that, as FBI Special Agent in Charge Kevin Favreau said, great damage was done to the local housing market by a handful of "small, sophisticated, and organized groups." Although the straw-buyer practice wasn't all-pervasive, it didn't have to be.

The bust out of even a handful of superinflated home loans could ruin a neighborhood.

This isn't the story of a wishful buyer who fudged a little paperwork in order to fulfill the American dream of home ownership. Not one single-home purchaser was arrested. Authorities aren't interested in amateurs.

Nor should the investigation be marginalized by the false belief that the only real victims were faceless lending giants with their own track records of rapacious behavior. This is about straw buyers scoring several loans with wholly fraudulent paperwork on behalf of shadowed operators whose experience in the local real estate and mortgage businesses enabled them to game the system.

Even some straw buyers were played for rubes, FBI Supervisory Special Agent Scott Hunter said, explaining that front men who agreed to buy one house later found their names on a half-dozen mortgages.

The greatest shame of all isn't included in the charges. Amid the debris that has washed up in many cases is the wreckage of broken dreams of good families. Fraud is one thing; the collateral misery wrought by those crimes is impossible to measure.

In Southern Nevada, whole neighborhoods took a roller coaster ride as insiders used straw buyers, then dumped the houses into foreclosure, crushing legitimate homeowners under the weight of falling value. Some homeowners got lucky and sold before the crash, but most were swallowed up.

We all know someone, a family member or a neighbor, buried by the mortgage crisis. Maybe they got in over their heads in an attempt to carve out their own American Dream. Perhaps they lost a job, then lost their home.

Others moved into neighborhoods never imagining they were investing their life savings and walking into the equivalent of a carnival shell game, or a boiler room operation where nothing they saw or heard was real. Those two-story semi-custom houses in Desert Shores, for example, looked like the ideal places to put down roots, raise children, and build some equity. For most people, a house is life's most important investment.

But when the market cratered, the lawns went brown and the plywood went up. In a matter of weeks once-handsome neighborhoods took on a Dust Bowl feel.

Want to know the saddest part of all?

Our polluted tide hasn't yet reached its lowest point.

John L. Smith's column appears Sunday, Tuesday, Wednesday and Friday. E-mail him at [Smith@reviewjournal.com](mailto:Smith@reviewjournal.com) or call (702) 383-0295. He also blogs at [lvj.com/blogs/smith](http://lvj.com/blogs/smith).

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Officials said that in Chico, Calif., a home builder sold houses built before the market cooled in 2006 to straw buyers at inflated prices, then rebated tens of thousands of dollars to shell companies controlled by the buyers' agents. The lenders were unaware of the rebates. The Justice Department said that to date, 38 of the homes are in foreclosure.

In New Jersey, a servicing manager at U.S. Mortgage pleaded guilty in the fraudulent sale of more than \$136 million in mortgage loans to Fannie Mae and other investors.

In Oregon, the U.S. attorney said the FBI had received almost 5,000 reports of fraud since the height of the housing market in 2006.

In Detroit, investigators broke up a "ghost loan" mortgage scheme in which conspirators recruited more than 108 straw buyers and obtained some 500 mortgages totaling more than \$100 million.

In Minnesota, convicted mortgage fraud defendant Michael Fiorito was sentenced in April to more than 22 years in prison for conspiracy and mail fraud. Prosecutors said he led homeowners who were in or near foreclosure to refinance or sell their homes, then stole their money.

An indictment in Miami accused two defendants of targeting Haitian-Americans, with one defendant also offering help with immigration issues.

In Las Vegas, Hunter said industry insiders controlling scams didn't spend their own money, but reaped cash from homes "like ATMs."

"They took as much money out of them as they could, and when they were done, they left southern Nevada in the wreckage," the FBI agent said. "Now it's our job to hold these people accountable."

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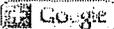
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## **OPERATION STOLEN DREAMS: Mortgage fraud initiative targets 123 in Southern Nevada**

### **Las Vegas called 'ground zero' for fraudulent transactions**

By CARRI GEER THEVENOT  
AND JENNIFER ROBISON  
LAS VEGAS REVIEW-JOURNAL

Representatives of the Southern Nevada Mortgage Fraud Task Force gathered Thursday in Las Vegas, which one task force member calls "mortgage fraud ground zero," to announce the regional results of a nationwide initiative dubbed Operation Stolen Dreams.

Authorities said the operation, the largest collective enforcement effort aimed at confronting mortgage fraud, led to federal charges this week against 72 people in Las Vegas.

"This particular crime has had an effect and impact economically on most everyone in our community," said Daniel Bogden, the U.S. attorney for Nevada.

Authorities said 123 defendants were charged, convicted or sentenced in Las Vegas during Operation Stolen Dreams, which began March 1. Those defendants are accused of engaging in hundreds of fraudulent transactions with straw buyers — someone whose name is used by someone else to buy a house — and causing a gross total loss of more than \$246 million.

"This has been significant, just by the numbers and the amount of loss, but this is just the beginning," Bogden said. "This is a good start, but our investigation and prosecution efforts will continue."

He said the evidence gathered against the defendants stemmed from 25 criminal investigations conducted by the task force, which the FBI formed in 2008.

Most of the defendants worked in the local real estate industry. They include 30 loan officers, 24 real estate agents, six loan processors, five settlement agents, four mortgage brokers, two appraisers and one builder.

"They had inside knowledge of how to rip off our system," said Kevin Favreau, special agent in charge of the FBI's Las Vegas division.

Favreau said the task force still has hundreds of cases to investigate. In many cases, investigators received help from members of the public. Favreau said anyone with information about mortgage fraud in Southern Nevada should call the hot line at 584-5555.

"We cannot do it alone," he said.

Scott Hunter, a supervisory special agent with the FBI's Las Vegas division, started the Southern Nevada Mortgage Fraud Task Force in the spring of 2008. He called Las Vegas "mortgage fraud ground zero."

Hunter said the numbers announced Thursday represent only a portion of the work the group has done. He said that the mortgage fraud hot line has received 3,250 calls during the past two years.

"I've never seen a crime epidemic like this," said Hunter, who has investigated white-collar crime for 17 of his 19 years in law enforcement. "It's so pervasive."

Hunter said the task force has targeted those who engaged in fraud for profit, "not fraud for housing."

"They're not lying on loans for homes they're going to live in," he said.

The agent said those who perpetrated the fraud recruited straw buyers with established credit to buy homes at inflated prices. They then walked away from the loans, often sending the properties into foreclosure.

"They treated these houses as if they were ATMs," Hunter said.

He said the straw buyers sometimes participated in the fraud knowingly, and sometimes they were duped into participating.

The schemes often involved false appraisals, false financial qualifications for the straw buyers and false escrow documents to cover up skimming, authorities said.

Paul Camacho, special agent in charge of Internal Revenue Service Criminal Investigation in Las Vegas, said the task force might be preventing future crimes.

"It's been our experience that fraudsters just migrate to other frauds," he said.

The following agencies participated in Operation Stolen Dreams in Nevada: the FBI, IRS Criminal Investigation, the Housing and Urban Development Office of Inspector General; the U.S. Postal Inspection Service, the U.S. Secret Service and Las Vegas police.

U.S. Attorney General Eric Holder announced Thursday in Washington, D.C., that Operation Stolen Dreams has involved 1,215 criminal defendants nationwide. Those defendants are accused of causing more than \$2.3 billion in losses.

As of February 2008, Nevada was the top state in the nation for investor-owned mortgage defaults, according to the website of the FBI's Las Vegas division. Currently, 10 of the division's approximately 130 agents are assigned exclusively to mortgage fraud investigations, a spokesman said.

On Thursday, real estate industry professionals praised those involved in the Southern Nevada crackdown on mortgage schemes.

William Ochs Jr., owner of Nevada Mortgage, said he supported the investigations and the resulting criminal charges.

Ochs said he has heard of countless mortgage-fraud scenarios, including tales of consumers whose loan-application information was reproduced, unbeknownst to them, on applications for additional mortgages.

"There's no room for this (fraud) in any business," Ochs said. "You're here to help and assist people in one of the most exciting times of their life."

Homebuyers are "absolutely" safer now than they were before the fraud roundups began, he added.

"Consumers should be much more comfortable and confident that home purchases these days are qualifying (for loans), and that their documents are pretty standard and specific," he said. "Those processes protect not only you, as a consumer, but they let you know your neighbor is going through the same requirements to qualify."

Robin Camacho, a Realtor with real estate brokerage Sellstate NRES, said the task force's work sent a "strong message" to the real estate and mortgage industry.

"I've never seen these types of fraud personally, but I know many people around me who have," she said. "It's

something we, as an industry, need to be much more diligent about watching out for."

Robin Camacho, who is not related to Paul Camacho, called fraudulent mortgage practices the catalyst for the housing slump in Las Vegas.

"Prices went up really fast, and there were bad people who jumped in and took advantage of that. But those people are gone, and it's a much safer market," she said. "The market appears to be stabilizing, too, though it's too late for unfortunate homeowners who were put in homes they couldn't afford in the first place."

Both Ochs and Robin Camacho said the real estate and mortgage professions have made significant strides in self-policing.

Nevada has issued tougher new educational requirements, and loan officers now must be licensed nationally and not just through the state, Ochs said. Plus, the number of mortgage companies in Nevada has dropped from more than 2,000 at the peak of the market to 200 today, while the number of loan officers has plummeted from 18,000 to around 2,000.

Robin Camacho said she is pleased that the task force's work will continue. "Who better to see these problems coming, and report them to the task force?"

Contact reporter Carri Geer Thevenot at [cgeer@reviewjournal.com](mailto:cgeer@reviewjournal.com) or 702-384-8710.

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# Department of Justice



UNITED STATES ATTORNEY DANIEL G. BOGDEN  
DISTRICT OF NEVADA

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[WWW.JUSTICE.GOV/USAO/NV](http://WWW.JUSTICE.GOV/USAO/NV)

CONTACT: NATALIE COLLINS  
(702) 388-6508  
FAX: (702) 388-6296

## **NEVADA MORTGAGE FRAUD TASK FORCE ANNOUNCES RESULTS OF “OPERATION STOLEN DREAMS” TARGETING MORTGAGE FRAUDSTERS**

LAS VEGAS – Following an announcement today by Attorney General Eric Holder in Washington, DC, representatives of the Southern Nevada Mortgage Fraud Task Force in Las Vegas, including U.S. Attorney Daniel G. Bogden and FBI Special Agent-in-Charge Kevin Favreau, announced the regional results of the nationwide takedown, Operation Stolen Dreams, which targeted mortgage fraudsters in Nevada and throughout the country and is the largest collective enforcement effort ever brought to bear in confronting mortgage fraud.

The sweep was organized by President Obama’s interagency Financial Fraud Enforcement Task Force, which was established to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on March 1 to date, Operation Stolen Dreams has involved 1,215 criminal defendants nationwide, including 485 arrests, who are allegedly responsible for more than \$2.3 billion in losses. Additionally, to date the operation has resulted in 191 civil enforcement actions which have resulted in the recovery of more than \$147 million.

In southern Nevada, 123 defendants were charged, convicted or sentenced during Operation Stolen Dreams. These defendants allegedly engaged in hundreds of straw buyer transactions involving hundreds of local properties with a gross total loss of over \$246 million (\$246,783,272). The majority (73) of these 123 defendants worked in the local real estate industry, and include 30 loan officers, 24 real estate agents, six loan processors, five settlement agents, four mortgage brokers, two appraisers and one builder. The evidence gathered against these defendants stemmed from 25 criminal investigations conducted by the Southern Nevada Mortgage Fraud Task Force. The task force has additional pending criminal mortgage fraud investigations and it will be vigorously investigating these cases throughout the coming months.

“Mortgage fraud ruins lives, destroys families and devastates whole communities, so attacking the problem from every possible direction is vital,” said Attorney General Holder. “We will use every tool available to investigate, prosecute, and prevent mortgage fraud, and we will not rest until anyone preying on vulnerable American homeowners is brought to justice.”

"Operation Stolen Dreams has been a coordinated, focused initiative to attack mortgage fraud and prosecute its perpetrators," said U.S. Attorney Bogden. "Although we have some of the highest initiative numbers in the nation - which highlights our extraordinary law enforcement efforts - it also points out the extent of the problem in Nevada. From an investigatory and prosecutorial standpoint, Operation Stolen Dreams is a good start, but by no means does this mark the completion of our efforts in Nevada. The Southern Nevada Mortgage Fraud Task Force will continue to aggressively investigate and prosecute these mortgage fraudsters."

"The number of arrests and prosecutions arising from Operation Stolen Dreams in southern Nevada are indicative of the extremely high level of fraud and graft that existed in our local real estate industry over the past six years," said Kevin Favreau, Special Agent in Charge, FBI - Las Vegas. "Everyone in our community has been affected by these crimes. Thanks to the hard work and dedication of dozens of law enforcement officers and prosecutors here in southern Nevada, the persons who perpetrated these crimes will face justice."

Agencies which participated in Operation Stolen Dreams in Nevada include the FBI, HUD Office of the Inspector General, the U.S. Postal Inspection Service, the U.S. Secret Service, IRS Criminal Investigation, and the Las Vegas Metropolitan Police Department. Persons who have information concerning potential mortgage fraud in Nevada may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

Operation Stolen Dreams cases in the District of Nevada included:

***USA v. Michael Capodici, et al.***

**Case No. 2:10-cr-281**

On June 16, 2010, Michael Capodici, Linda Marie Kot, Jeffrey Palladino, and Michael Blair were indicted by the federal grand jury on mortgage fraud charges. From about August 2005 to May 2006, the defendants are accused of devising a mortgage fraud scheme involving straw buyers and the submission of false information to financial institutions in order to obtain mortgage loans. The defendants are alleged to have been involved in 12 fraudulent real property sales transactions involving nine homes sold in Las Vegas. The homes were either flipped - sold twice within a short period of time - or were the subject of foreclosure. The majority of the homes sold for more than \$600,000, and the approximate value of the mortgages for the 12 transactions was \$8 million. The defendants are pending trial.

***USA v. Lloyd Gardley et al.***

**Case No. 2:10-cr-00236-GMN-LRL**

On May 26, 2010, Lloyd Gardley, Candis Gardley, Suzanne McAllister, Arcell Mitchell, Jr., and Sharon Wagner were indicted by the federal grand jury on mortgage fraud charges. From about 2005 to April 2007, the defendants are accused of devising a mortgage fraud scheme involving straw buyers and the submission of false information to financial institutions in order to obtain mortgage loans. Between August 25, 2005, and April 18, 2007, the defendants are alleged to have been involved in 28 fraudulent real property sales transactions involving 21 homes sold in Las Vegas. Seven of the homes were "flipped" or sold twice within short periods of time. The majority of the homes sold for more than \$700,000, and the total value of the mortgages for the 28 transactions was \$18.9 million. The defendants are pending trial.

***USA v. Brett Depue et al.***

**Case No. 2:10-cr-00121-RLH-RJJ**

On March 10, 2010, Brett Depue, owner/operator of numerous now-defunct Nevada investment companies, and two of his former employees, Brian Barney and Maria Ornelas were indicted by the federal grand jury on mortgage fraud charges. From about February 1, 2005, to May 31, 2007, in Nevada and elsewhere, the defendants allegedly participated in a mortgage fraud conspiracy in which they used "third party disbursements" and "double escrow" methods to fraudulently obtain monies from the financial institutions. The Indictment specifically discusses 17 homes in Las Vegas and Henderson which were purchased fraudulently between April 2005 and April 2007. The defendants are pending trial.

***USA v. Calway Cauley et al.***

**Case No. 2:08-cr-00288-PMP-RJJ**

On February 19, 2010, following a four-day jury trial, Calway Cauley was convicted of conspiracy to commit mail fraud; mail fraud; conspiracy to commit wire and bank fraud; and two counts of bank fraud. Cauley used straw buyers to obtain mortgages to purchase houses in Nevada and California, causing lenders to lose between \$200,000 and \$400,000. Cauley is scheduled for sentencing on August 3, 2010. Four co-defendants were also charged in the scheme and have pleaded guilty: William Ervin, Ladon McClellan, Joyce Wiltturner, and Truemeatra Warner.

The President's Financial Fraud Enforcement Task Force 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 with state and local partners, to 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. For more information on the task force, visit [StopFraud.gov](http://StopFraud.gov).

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**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

*Daniel G. Bogden  
United States Attorney*

*333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101*

*(702) 388-6336  
FAX: (702) 388-6296*

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**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**FEDERAL MORTGAGE FRAUD CHARGES FILED AGAINST FIVE PERSONS**

**LAS VEGAS** - - Five persons were indicted by the federal grand jury today on mortgage fraud charges, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

Lloyd H. Gardley, 56, and Candis Gardley, 53, of Chandler, Arizona; Suzanne McAllister, 32, of Las Vegas; Arcell Mitchell, Jr., 31, of Ft. Riley, Kansas; and Sharon Wagner, 61, of Sun City West, Arizona, are charged with conspiracy to commit bank fraud, mail fraud, and wire fraud, six counts of bank fraud, and criminal forfeiture.

Arrest warrants have been issued for the Gardleys and Mitchell. Defendants McAllister and Wagner were summoned, and are scheduled for an initial appearance before a United States Magistrate Judge in Las Vegas on Friday, June 4, 2010, at 8:30 a.m.

Lloyd Gardley was president, director, secretary and resident agent of Prolific Management, Inc., a Nevada corporation, and registered agent of Avante Conquest, LLC, a Nevada limited liability company. Lloyd and Candis Gardley were managing members of Excel Consulting, LLC, a Nevada limited liability company. Candis Gardley was president and resident agent of Oakhill Management, Inc., a Nevada corporation. McAllister was an assistant escrow officer and notary at Lawyers Title. Mitchell worked as a loan officer for Valley Mortgage Group. Wagner was a realtor for Coldwell Banker Wardley.

The Indictment alleges that from about 2005 to April 2007, the defendants devised a mortgage fraud scheme which involved the use of straw buyers and the submission of false information to financial institutions in order to obtain mortgage loans. The defendants solicited persons to act as straw buyers to purchase real estate, and in some instances, the defendants had the straw buyers purchase multiple houses at or about the same time. The defendants caused to be submitted to the financial institutions mortgage loan applications containing fraudulent information about the straw buyers' employment, income, assets, liabilities, rental history, value of the property, intent to occupy the homes, social security number, and source of earnest money deposits and costs.

-MORE-

*News Release*

*USA v. Lloyd Gardley et al.*

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The Indictment lists 28 real property sales transactions involving 21 homes sold in Las Vegas between August 25, 2005, and April 18, 2007. Seven of the homes were “flipped” or sold twice within short periods of time. The majority of the homes sold for more than \$700,000, and the total value of the mortgages for the 28 transactions was \$18.9 million.

If convicted, the defendants face up to 30 years in prison and a \$1,000,000 fine on each count, and may be required to forfeit up to approximately \$4.2 million.

This investigation is being led by the U.S. Postal Inspection Service and other agencies of the Southern Nevada Mortgage Fraud Task Force, including the FBI, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Secret Service, the Las Vegas Metropolitan Police Department, and Office of the Inspector General for the Social Security Administration. The case is being prosecuted by Assistant United States Attorney Brian Pugh.

Persons who have information concerning potential mortgage fraud may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

This law enforcement action is sponsored by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force 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 with state and local partners, to 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.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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Posted: Friday, 12 March 2010 5:27AM

### Three Indicted In Mortgage Fraud Case

Three people, including a former Las Vegas have been indicted in a federal mortgage case. The U.S. Attorney's Office says 36-year-old Brett Depue, along with 36-year-old Brian Barney and 32-year-old Maria Ornelas, face charges of taking part in a mortgage fraud conspiracy between early 2005 and May 2007, by fraudulently purchasing 17 Las Vegas and Henderson homes. According to the indictment, Depue operated a number of now-closed Nevada businesses, including "ABS Investments Group" and "Liberty Group Investments."

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## Federal Mortgage Fraud Charges Filed Against Owner and Employees of Former Nevada Investment Companies

March 11, 2010

by [Nevada RealEstateRama](#)

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LAS VEGAS, NV - March 10, 2010 - (RealEstateRama) — A man who owned and operated numerous now-defunct Nevada investment companies, and two of his former employees, were indicted by the federal grand jury today on mortgage fraud charges, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

Brett Depue, 36, a former resident of Las Vegas, but currently a resident of Gilbert, Arizona, Brian Barney, 36, of Fairfield, California, and Maria Ornelas, 32, of Las Vegas, are charged with conspiracy to commit bank fraud, mail fraud, and wire fraud, 11 counts of wire fraud, and criminal forfeiture.

Warrants have been issued for the arrests of Depue and Barney. Ornelas was summoned, and is scheduled for an initial appearance before a United States Magistrate Judge in Las Vegas on Friday, March 26, 2010, at 8:30 a.m.

The indictment alleges that from about February 1, 2005, to May 31, 2007, in Nevada and elsewhere, the defendants participated in a mortgage fraud conspiracy in which they used "third party disbursements" and "double escrow" methods to fraudulently obtain monies from the financial institutions. A third party disbursement is the issuance of money at the closing of a mortgage loan to a person or entity that is not typically entitled to the money. A double escrow is where two sales of the same property are conducted at the same time. Typically, the property is sold to a middleman, who then sells the property to a straw buyer at a substantially inflated price. The difference between the first sale price and second price

is distributed to a conspirator as seller proceeds. The paperwork on the second sale is concealed from the seller, and the paperwork on the first sale is concealed from the lender.

Brett Depue operated a number of Nevada businesses including, ABS Investments Group, LLC, Liberty Group Investments, LLC, and a number of other companies registered with the Nevada Secretary of State. Depue employed Brian Barney, Maria Ornelas, and a number of others who allegedly assisted in the mortgage fraud conspiracy. The defendants recruited home owners in the Las Vegas area and elsewhere who agreed to sell their property at a price substantially above the asking price. The home owners were told that the difference would go to Depue for improvements. The defendants then recruited straw buyers to apply for mortgage loans to purchase the homes using false and fraudulent information concerning the straw buyers' income, assets, employment, and intent to occupy the homes. In some instances, the defendants had the straw buyers apply for mortgages for more than one house at a time and concealed from the lenders that they were purchasing more than one property.

The Indictment specifically discusses 17 homes in Las Vegas and Henderson which were purchased fraudulently between April 2005 and April 2007 at the direction of and for the benefit of the defendants.

If convicted, the defendants face up to 30 years in prison and a \$1,000,000 fine on each count, and may be required to forfeit up to \$8.5 million in properties or proceeds from the crimes.

This investigation is being led by the FBI, IRS Criminal Investigation, and other agencies of the Southern Nevada Mortgage Fraud Task Force, including the U.S. Postal Inspection Service, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Secret Service, the Las Vegas Metropolitan Police Department, the Nevada Attorney General's Office, and Office of the Inspector General for the Social Security Administration. The case is being prosecuted by Assistant United States Attorney Brian Pugh.

Persons who have information concerning potential mortgage fraud may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

This law enforcement action is sponsored by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force 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 with state and local partners, to 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.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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Las Vegas Sun

# Grand jury indicts company owner, employees for alleged mortgage fraud

Wednesday, March 10, 2010 | 4:09 p.m.

A federal grand jury today indicted a former Las Vegas resident who owned and operated numerous now-defunct Nevada investment companies, and two of his former employees.

Charged with conspiracy to commit bank fraud, mail fraud, and wire fraud are Brett Depue, 36, the business owner, who now lives in Gilbert, Ariz.; Brian Barney, 36, of Fairfield, Calif., and Maria Ornelas, 32, of Las Vegas. They were also charged with criminal forfeiture.

Warrants have been issued for the arrests of Depue and Barney. Ornelas is scheduled for an initial appearance before a federal magistrate judge in Las Vegas on March 26.

The indictment alleges that from about Feb. 1, 2005, to May 31, 2007, in Nevada and elsewhere, the defendants participated in a mortgage fraud conspiracy in which they used "third party disbursements" and "double escrow" methods to fraudulently obtain monies from financial institutions. A third party disbursement is the issuance of money at the closing of a mortgage loan to a person or entity that is not typically entitled to the money. A double escrow is where two sales of the same property are conducted at the same time.

Typically, the property is sold to a middleman, who then sells the property to a straw buyer at a substantially inflated price. The difference between the first sale price and second price is distributed to a conspirator as seller proceeds. The paperwork on the second sale is concealed from the seller, and the paperwork on the first sale is concealed from the lender.

Depue operated a number of Nevada businesses including, ABS Investments Group, Liberty Group Investments and a number of other companies. He employed Barney, Ornelas, and a number of others who allegedly assisted in the mortgage fraud conspiracy.

The defendants recruited home owners in the Las Vegas area and elsewhere who agreed to sell their property at a price substantially above the asking price. The home owners were told that the difference would go to Depue for improvements. The defendants then recruited straw buyers to apply for mortgage loans to purchase the homes using false and fraudulent information concerning the straw buyers' income, assets, employment, and intent to occupy the homes.

In some instances, the defendants had the straw buyers apply for mortgages for more than one house at a time and concealed from the lenders that they were purchasing more than one property.

The indictment specifically discusses 17 homes in Las Vegas and Henderson that were purchased fraudulently between April 2005 and April 2007 at the direction of and for the benefit of the defendants.

If convicted, the defendants face up to 30 years in prison and a \$1 million fine on each count, and they may be required to forfeit up to \$8.5 million in properties or proceeds from the crimes.

This investigation is being led by and the FBI, IRS Criminal Investigation, and other agencies of the Southern Nevada Mortgage Fraud Task Force, including the U.S. Postal Inspection Service, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Secret Service, Metropolitan Police, the Nevada Attorney

General's office, and the Office of the Inspector General for the Social Security Administration. The case is being prosecuted by Assistant U.S. Attorney Brian Pugh.

Anyone who has information about possible mortgage fraud can contact the Southern Nevada Mortgage Fraud Hotline at 584-5555.

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U.S. Department of Justice

United States Attorney  
District of Nevada

Daniel G. Bogden  
United States Attorney

333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101

(702) 388-6336  
FAX: (702) 388-6296

**NEWS RELEASE**  
**FOR IMMEDIATE RELEASE:**  
**WEDNESDAY, MARCH 10, 2010**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**FEDERAL MORTGAGE FRAUD CHARGES FILED AGAINST OWNER AND  
EMPLOYEES OF FORMER NEVADA INVESTMENT COMPANIES**

**LAS VEGAS** - - A man who owned and operated numerous now-defunct Nevada investment companies, and two of his former employees, were indicted by the federal grand jury today on mortgage fraud charges, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

Brett Depue, 36, a former resident of Las Vegas, but currently a resident of Gilbert, Arizona, Brian Barney, 36, of Fairfield, California, and Maria Ornelas, 32, of Las Vegas, are charged with conspiracy to commit bank fraud, mail fraud, and wire fraud, 11 counts of wire fraud, and criminal forfeiture.

Warrants have been issued for the arrests of Depue and Barney. Ornelas was summoned, and is scheduled for an initial appearance before a United States Magistrate Judge in Las Vegas on Friday, March 26, 2010, at 8:30 a.m.

The Indictment alleges that from about February 1, 2005, to May 31, 2007, in Nevada and elsewhere, the defendants participated in a mortgage fraud conspiracy in which they used "third party disbursements" and "double escrow" methods to fraudulently obtain monies from the financial institutions. A third party disbursement is the issuance of money at the closing of a mortgage loan to a person or entity that is not typically entitled to the money. A double escrow is where two sales of the same property are conducted at the same time. Typically, the property is sold to a middleman, who then sells the property to a straw buyer at a substantially inflated price. The difference between the first sale price and second price is distributed to a conspirator as seller proceeds. The paperwork on the second sale is concealed from the seller, and the paperwork on the first sale is concealed from the lender.

Brett Depue operated a number of Nevada businesses including, ABS Investments Group, LLC, Liberty Group Investments, LLC, and a number of other companies registered with the Nevada Secretary of State. Depue employed Brian Barney, Maria Ornelas, and a number of others who allegedly assisted in the mortgage fraud conspiracy. The defendants recruited home owners in the Las Vegas area and elsewhere who agreed to sell their property at a price substantially above the asking price. The home owners were told that the difference would go to

-MORE-

Depue for improvements. The defendants then recruited straw buyers to apply for mortgage loans to purchase the homes using false and fraudulent information concerning the straw buyers' income, assets, employment, and intent to occupy the homes. In some instances, the defendants had the straw buyers apply for mortgages for more than one house at a time and concealed from the lenders that they were purchasing more than one property.

The Indictment specifically discusses 17 homes in Las Vegas and Henderson which were purchased fraudulently between April 2005 and April 2007 at the direction of and for the benefit of the defendants.

If convicted, the defendants face up to 30 years in prison and a \$1,000,000 fine on each count, and may be required to forfeit up to \$8.5 million in properties or proceeds from the crimes.

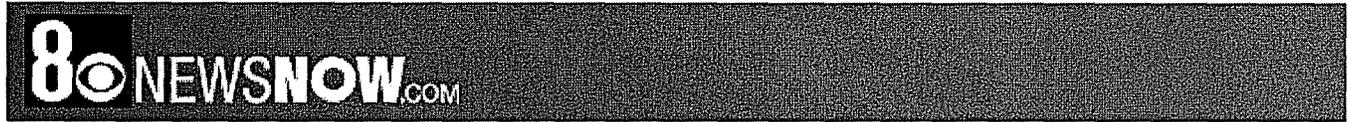
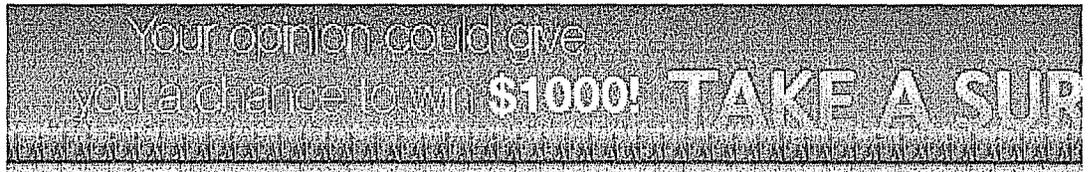
This investigation is being led by the FBI, IRS Criminal Investigation, and other agencies of the Southern Nevada Mortgage Fraud Task Force, including the U.S. Postal Inspection Service, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Secret Service, the Las Vegas Metropolitan Police Department, the Nevada Attorney General's Office, and Office of the Inspector General for the Social Security Administration. The case is being prosecuted by Assistant United States Attorney Brian Pugh.

Persons who have information concerning potential mortgage fraud may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

This law enforcement action is sponsored by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force 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 with state and local partners, to 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.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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# Man Convicted of Mortgage Fraud Scheme in Nevada and California

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POSTED: FEB 22, 2010 8:20 PM PST  
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**LAS VEGAS** - A jury on Friday convicted a California man for his role in a mortgage fraud scheme.

68-year-old Calway William Cauley was convicted of conspiracy to commit mail fraud, mail fraud, conspiracy to commit wire/bank fraud and bank fraud. He faces up to 20 years in prison on each mail fraud count and up to 30 years in prison on each wire and bank fraud count.

Cauley, along with his co-conspirators, recruited straw buyers who, using false documentation, purchased properties from unsuspecting sellers. The buyers claimed their intent to live in the properties.

The conspirators also convinced the sellers they owed money for home improvements to third parties, which were also controlled by the conspirators.

Cauley created false bank statements that the straw buyers used for loan applications. Cauley also received payments from the operation in a bank account for his business, United Technologists.

Cauley's sentencing hearing is scheduled for May 17. William Ervin, Ladon McClellan, Joyce Wiltturner, and Truemetra Warner have also pleaded guilty for their involvement in the scheme.

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**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

*Daniel G. Bogden  
United States Attorney*

*333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101*

*(702) 388-6336  
FAX: (702) 388-6296*

**NEWS RELEASE  
FOR IMMEDIATE RELEASE:  
MONDAY, FEBRUARY 22, 2010**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**JURY CONVICTS MAN OF MORTGAGE FRAUD SCHEME**

**LAS VEGAS** - - A Los Angeles man who operated a company called United Technologists, has been convicted of conspiracy and fraud charges for his role in a mortgage fraud scheme involving straw buyers and fraudulent loan applications in Nevada and California, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

Following a four-day jury trial, Calway William Cauley, 68, was convicted on Friday, February 19, 2010, of conspiracy to commit mail fraud; mail fraud; conspiracy to commit wire and bank fraud; and two counts of bank fraud. Since the formation of the Southern Nevada Mortgage Fraud Task Force in 2008, Cauley is the first defendant charged with federal mortgage fraud crimes in Nevada who was convicted following trial by a jury. Cauley is scheduled to be sentenced on May 17, 2010, at 10:30 a.m. by U.S. District Judge Philip M. Pro. He faces up to 20 years in prison on each of the mail fraud-related counts and up to 30 years in prison on each of the wire and bank fraud-related counts.

According to the court documents and evidence presented at trial, from about November 2005 to December 2007, Cauley and a number of co-conspirators intended to obtain money and property by fraudulently obtaining mortgages through straw buyers to purchase houses in Nevada and California. The conspirators recruited persons to be straw buyers and prepared mortgage loan applications and related documents for the straw buyers containing false and fraudulent information pertaining to their assets, employment, income, and intent to live in houses. The conspiracy also involved false representations that the property sellers owed money to third parties for repairs or improvements, when in fact no repairs or improvements had taken place and the third parties were controlled by the conspirators. These false representations inflated the property sales prices and permitted the conspirators to take cash back from transaction closings. Conspirators also inflated the purchase price of properties by arranging for multiple fraudulent purchases of the same property in a short period of time.

Cauley's role in the conspiracy involved the creation of false bank statements for loan applications to make it appear that the straw buyers had certain assets. Cauley knew that the statements were fraudulent and would be used in the loan packages submitted to financial institutions. Co-conspirators paid Cauley by depositing money into the bank account of his business, United Technologists.

-MORE-

*News Release*

*USA v. Calway William Cauley*

*Page 2*

Four co-defendants were also charged in the scheme and have pleaded guilty: William Ervin, Ladon McClellan, Joyce Wilturner, and Truemeatra Warner.

The case was investigated by the FBI, with assistance of the Southern Nevada Mortgage Fraud Task Force, which includes the Las Vegas Metropolitan Police Department, Nevada Attorney General's Office, Office of the Inspector General for the Social Security Administration, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Postal Inspection Service, and the United States Secret Service. The case was prosecuted by Assistant United States Attorneys Jeffrey T. Tao and Brian Pugh.

Persons who have information concerning potential mortgage fraud may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

###



## Maid-Turned-Realtor Ran Vegas Mortgage Scam, Prosecutors Say

By Anthony Effinger

Oct. 30 (Bloomberg) -- Eve Mazarella was a Las Vegas success story. The high-school dropout and former housemaid moved to the Nevada city in 2000 from Seattle, got a certificate from the ABC Real Estate School and started selling houses in what would become the hottest market in the country.

In 2006, Mazarella recorded sales of \$13.8 million and made the National Association of Realtors' "30 Under 30" list, which names the best young agents in the nation. Mazarella started her own company, Distinctive Real Estate & Investments Inc., in December 2003. She whipped around town in a Mercedes-Benz sport utility vehicle. She planned to build a three-story office building in Vegas's shabby downtown north of the Strip and preserve a historic house on the site by lifting it onto the roof.

Her competitors were impressed. "She was an up and comer with a brilliant future," says Forrest Barbee, a broker at Prudential Americana Group, a Las Vegas agency where Mazarella once worked.

The dream ended at about 5 a.m. on March 13, when federal agents smashed through the door of a stucco home on a quiet, grassy cul-de-sac looking for Mazarella, 31, and her husband, Steven Grimm, 45, an erstwhile mortgage broker.

The day before, the U.S. Attorney for Nevada had indicted the couple on 6 counts of bank fraud, later revised to 13. Prosecutors say the pair recruited fake -- or "straw" -- buyers to apply for loans to purchase 227 properties worth \$107 million. They told the straw buyers they would pay the mortgages. Then they skimmed thousands of dollars from each of more than 432 transactions, the indictment says, stashing the cash in 80 bank accounts.

### Bonnie and Clyde

They allegedly arranged fake sales on some houses five times. Then, according to the indictment, they walked away from the mortgages, leaving lenders in the lurch.

If prosecutors are right, Mazarella and Grimm were the Bonnie and Clyde of mortgage fraud -- among the greediest of a band of swindlers who took advantage of lax lending standards at profit-hungry banks, which stopped verifying income and assets for even questionable borrowers. Buyers who gave false information to mortgage lenders are technically guilty of fraud themselves. Yet authorities are mostly targeting schemes such as the one allegedly perpetrated by Mazarella and Grimm.

What happened in Vegas didn't stay in Vegas. Similar schemes across the country helped pump up a housing bubble whose rupture has triggered a global banking crisis, prompted government intervention not seen since the Depression and helped precipitate what economists predict will be a long and painful recession.

Plea: Not Guilty

Mazzarella and Grimm have pleaded not guilty to conspiracy and bank fraud in Nevada federal court in Las Vegas. They couldn't be reached for comment on this story. Mazzarella's attorney declined to comment; Grimm's didn't return phone calls.

Mazzarella's father, a real estate lawyer in San Diego, says his daughter is innocent. "She was putting money in Las Vegas real estate like everyone else," Mark Mazzarella says. "The targets are going to be higher up the food chain."

Mazzarella and Grimm's alleged scheme was just one of many in Las Vegas, where, throughout much of this decade, people wagered on houses like they were numbers on a roulette wheel. The advent of no-document "liar loans" fueled the frenzy, as maids, parking attendants and casino workers borrowed big to roll the dice on subdivisions rising amid the mesquite.

Like the city's replicas of Venice's canals and New York's skyline, Las Vegas real estate became a caricature, rising faster and booming bigger than in the rest of the nation.

### Vegas Style Growth

Nevada added an estimated 275,000 new homes from 2000 to 2007, a 33 percent increase that was the highest in the country, according to the U.S. Census Bureau. In the second quarter of 2004, prices for previously owned homes in Las Vegas shot up 52.4 percent from a year earlier, the biggest increase ever recorded for a metropolitan area by the realtors' association. The next quarter, Vegas broke its own record, rising 53.7 percent.

Today, Nevada is No. 1 in a grimmer category: It's the most-foreclosed state in the nation. One in every 82 Nevada housing units got a foreclosure notice in September, according to RealtyTrac Inc., putting the state at the top of the list for the 21st straight month. Florida was second with one in every 178 housing units in some stage of foreclosure.

The \$6.8 billion state budget, once fattened by the real estate boom, is a shambles. Governor Jim Gibbons drained a \$267 million rainy-day fund, cut some medical services to the elderly and delayed increased payments to foster parents to close a deficit projected at \$1.2 billion for the two-year period ending on June 30, 2009.

### Bank Failures

Nevada's banks have also taken a hit. First National Bank of Nevada in Reno was shuttered by regulators in July, and Silver State Bank in Henderson, near Las Vegas, was closed in September. Overall, banks have lost \$17 million just on mortgages handled by Mazzarella and Grimm.

Nevada's real estate woes could help determine the presidential election. Democratic candidate Senator Barack Obama has been running television ads and campaigning there, betting he could become just the second Democrat to win the state in a presidential election in 40 years. Bill Clinton prevailed in Nevada by narrow margins in 1992 and 1996.

Mortgage fraud has been such a plague in Nevada that the Federal Bureau of Investigation, the U.S. Attorney's Office, the Las Vegas Metropolitan Police Department and five other agencies

set up the Southern Nevada Mortgage Fraud Task Force in March to combat it. Mazzarella and Grimm's alleged scheme was the task force's first big bust.

### Repair Money

According to the task force and accounts from straw buyers, the couple's operation worked like this: They recruited a person with good credit to pose as the buyer of a property in exchange for a fee of about \$5,000. Grimm and Mazzarella told the buyer they would pay the mortgage.

The straw buyer would offer more than the asking price, telling the seller he would use some of the money to make repairs or remodel. Grimm and Mazzarella would apply for a mortgage for the straw buyer, often inflating his income and assets to support a bigger loan. When the deal closed, the straw buyer would ask the seller to send the purported repair money to entities controlled by Grimm and Mazzarella.

Then the buyer would transfer the property itself into a limited liability company controlled by Grimm and Mazzarella. The couple would often resell to another straw buyer at an even higher price and collect the difference. When the property failed to sell for any more money, they stopped paying the mortgage. The last straw buyer, his name on the loan, faced default notices, foreclosure, ruined credit and, sometimes, bankruptcy.

### \$50,000 Left

Assistant U.S. Attorney Brian Pugh says the couple stole a total of \$8.7 million. Only \$50,000 is left in accounts that the government has found. Grimm and Mazzarella are living in the San Diego area now, after having surrendered their passports. Their trial is scheduled to begin on Oct. 19, 2009.

In the past, fraudsters had to forge tax forms and payroll stubs to dupe lenders. Not anymore, says FBI Special Agent Scott Hunter in Las Vegas. Around 2002, banks started making more loans based on information provided by the buyer.

Originally, such "stated-income" loans were aimed at the self-employed and non-U.S. citizens whose income was difficult to verify. Then banks started offering them more widely. The era of the liar loan had begun.

The no-documentation loans meant less forgery, which made mortgage scams even more attractive, Hunter says. "There's a lot of money in mortgage fraud, and you can make it very quickly," Hunter says.

### 'Mecca for Fraud'

Nevada attracts people who are looking to get rich quick, says Gregory Brower, the U.S. attorney for the state.

"This is my hometown," Brower says, in an interview at the gleaming, eight-year-old Lloyd D. George U.S. Courthouse in Las Vegas. "It's a Mecca for fraud."

Mortgage fraud isn't confined to Nevada. The U.S. attorney in Oregon won a guilty verdict in November 2007 against Clifford Brigham for using straw buyers to defraud lenders. Georgia's U.S. attorneys have prosecuted dozens of mortgage fraudsters.

Eric Nelson, who auctioned off more than \$1 billion of real estate after the 1980s savings and loan crisis, came out of retirement last summer to buy distressed real estate in the Southwest. Fully half of the applications for mortgages he's examined in Nevada, Arizona and Utah contain false information, he says. "No-verification loans are 100 percent of the problem in the real estate crisis," he says.

Nelson, 49, knows Mazzarella. She worked as an executive assistant at his company, Eric Nelson Auctioneering Inc. in Las Vegas, for about a year starting in May 2000. She worked hard and demonstrated keen intelligence, he says.

"She was as good as they come," Nelson says. "I encouraged her to go to real estate school."

#### Accomplished Father

Mark Mazzarella is a co-founder of and a senior partner at law firm Mazzarella Caldarelli LLP in San Diego. He's former chair of the litigation section of the State Bar of California and has served as a judge pro tem for the San Diego County Superior Court.

If what his daughter did is a crime, then thousands of other real estate speculators committed the same offense, Mark Mazzarella says. "How many people have bought a property and transferred it to a family trust the next day? It's a very common structure in real estate," he says.

Straw buyers and private corporations aside, the crime in this case is lying on mortgage documents, Mark Mazzarella says. "What this case is going to turn on is if there was false information on the loan applications, and Eve didn't deal with those at all," he says.

#### Pregnant Drop-Out

Eve grew up in Seattle, her father says. She and her mother moved there after her parents divorced. Eve got pregnant at about 15 and dropped out of high school. She was ambitious and went on to earn both her high school equivalency and a two-year associate's degree from a local junior college, her father says.

"She did it with little help from Dad," he says. "All she wanted was for me to pay tuition."

Eve met her first husband, Stephen Lindsay, sometime around 1998 and had a second son at the age of 20.

Mazzarella, still using her maiden name, filed for personal bankruptcy in Seattle on June 15, 1998, listing her income as \$546 a month from "welfare." She listed debts of \$9,013.50, including \$642.55 to Victoria's Secret and \$633.83 to Macy's.

Three months later, Mazzarella started a cleaning service called Pro Maids Inc. north of Seattle, according to her application for a real estate license filed with the Real Estate Division of the Nevada Department of Business and Industry.

## Heading South

Mazzarella, Lindsay and her two children moved to Las Vegas in 2000. She worked as a maid at first, says her father. Soon, she found Eric Nelson's auction company. Within months, she and Lindsay had split up, and he moved back to Washington, according to an address for him on Mazzarella's license application.

Mazzarella left the auction company in 2001, got her real estate license and became an agent at Prudential Americana that December, according to her license records. In 2002, she got her bachelor's degree in business administration and marketing from the University of Nevada, Las Vegas.

Mazzarella began selling houses just as the market took off. Prices in Vegas rose 26 percent in the two years starting in December 2001, according to the S&P/Case-Shiller housing price index for Las Vegas.

"You'd meet three people in a bar, and two of them would be real estate agents or mortgage brokers," says Ryan McPhee, founder of development company RPM & Associates LLC. "Agents could walk in the door, trip over the front step and make a \$10,000 commission."

## Angry Paramedic

Grimm has been in the real estate business much longer than Mazzarella. Grant Stolworthy, a Las Vegas paramedic, says Grimm claimed to have years of experience when he helped Stolworthy refinance his house in April 1997.

Stolworthy's goal was to net \$10,000 to pay off other debts. In the end, he says, the money went to Grimm's fees, and he got nothing. They fought in court for six years, and Stolworthy spent \$30,000 on legal fees before Grimm agreed to pay about \$5,000 in a settlement, Stolworthy says.

Grimm told Stolworthy he was from Iowa. Cathy Rojas, a former employee at Distinctive Real Estate, says Grimm claims to have been a U.S. Navy SEAL. She saw him often at Mazzarella's office, decked out in expensive cowboy boots and cabana shirts. He was an avid hunter and drove a Hummer and a jacked-up pick-up truck with enormous tires.

"He liked to show off what he had," Rojas, 50, says.

In addition to selling real estate, Grimm ran a trucking business, Rojas says. He often parked a trailer for hauling earthmoving equipment in the cul-de-sac outside his house, according to neighbors. It said "Patriot Transport" on the side.

## 'Unglued'

In 1997, Grimm helped an elderly ceramics teacher named Norma Hayward refinance her single-story house on a sun-baked block about 8 miles (13 kilometers) north of the Strip. He told her she reminded him of his mother. Hayward, now 79, took out a new mortgage for \$50,000, enough to pay for a new roof.

She found out later it was an adjustable rate. Grimm assured her she could refinance again before it started ticking up. She called him when it did in 2001. Grimm helped her refinance again that December, telling Hayward he would take care of all the paperwork. He then borrowed \$96,000 without telling her the amount, she says, and her payments rose to \$800 a month from about \$550.

"I came unglued," Hayward says.

Grimm said he would cover the difference if Hayward kept paying the \$550, sending it to him. She agreed. Then, in 2005, he asked her to send her checks to a woman named LaTasha O'Quinn.

### Ownership Transfers

Hayward had a stroke shortly after, prompting her daughter Patti to research property records. She discovered that her mother no longer owned her house. Worse, Grimm had transferred it four times without her knowledge, once to O'Quinn, one of his straw buyers. "I never knew it," Hayward says. "I trusted him."

GreenPoint Mortgage Funding Inc. foreclosed on O'Quinn, who couldn't be reached for comment. The loan, now in default, was for \$203,000. To stay in her house, Hayward would have had to buy it from GreenPoint at that price. Eric Dobberstein, a lawyer working pro bono, got GreenPoint to cut the amount owed to \$153,000. That was still more than Hayward could afford.

Then a well-to-do ceramics student of Hayward's agreed to buy the house and let her live in it. Holding her tan-and-white Pomeranian dog, Sammie, the otherwise cheerful Hayward seethes when the subject turns to Grimm.

"I hope they put him so far back in jail that he never sees the light of day," she says.

### Lunch

Mazzarella met Grimm when she worked at Liberty Realty in Henderson. She went to his office on business, and he asked her to lunch, Mazzarella told Rojas, her former employee. Records show that Mazzarella worked at Liberty from March 2002 until December 2003, when she left to start Distinctive Real Estate.

Mazzarella marketed the new company with an online brochure featuring a head shot that looked worthy of Hollywood, her hair shimmering and her teeth snow-white.

Rojas says she wishes she'd never heard of the company. About four years ago, she and her boyfriend, Peter Altmann, wanted to look at a house in their neighborhood that was for sale. They called the listing agent: Eve Mazzarella. They passed on that deal and instead bought another from her, and a rental property.

Rojas, then a manager at a supermarket, was so impressed by Eve that she applied for a job at Distinctive. Mazzarella hired Rojas as a receptionist for \$12 an hour on June 7, 2005.

Most days brought a steady stream of calls from ``investors." No one was to talk with the investors except Mazzarella and Grimm, Rojas says. Mazzarella was adamant about that.

#### Got Credit?

One day, Mazzarella asked Rojas, by then an agent at the company, about her credit score. It was high. Mazzarella asked if she wanted to be an investor and earn \$5,000 for putting her name on mortgage documents. Rojas agreed. Mazzarella asked her to sign a blank application. Mazzarella said she would do the rest.

``I was thinking, `Yes! I hate filling out this crap,'" Rojas says.

In October 2007, Rojas purchased three houses for \$1.5 million, transferring each to Crojas LLC. The entity listed Grimm as registered agent, according to Nevada records.

Altmann bought three houses, too. One was used in the Martin Scorsese film ``Casino" as the home of Nicky Santoro, who was played by Joe Pesci. ``She had to have it," Rojas says.

Other employees became investors. Chad Loucel, now 26, had just recovered from Hodgkin's disease and had been working at a carwash when he joined Distinctive, also as a receptionist. They offered him \$2,500 to be the straw purchaser of houses selling for less than \$300,000 and \$5,000 for those selling for more, he says.

#### Medical Bills

He needed the money; he had not been insured initially for the cancer treatments and owed thousands of dollars in medical bills. After a bone-marrow transplant from his brother, Loucel developed graft-versus-host disease, which keeps him in pain despite heavy doses of steroids.

Loucel says he bought four houses in December 2006. Mazzarella and Grimm found renters for each of the houses and covered the mortgages for him. ``We all had it in our minds that we would be successful," Loucel says.

The idea didn't last long. In mid-2007, Mazzarella and Grimm told Loucel they weren't going to pay the mortgages on his houses any more. The market was heading south, and rents weren't covering the mortgages, Mazzarella said.

``She said we were throwing good money after bad," Loucel says. Mazzarella and Grimm suggested he declare bankruptcy.

Rojas and Altmann got the same treatment. She started getting default notices and calls from lenders as late as 3 a.m., she says. In the midst of it all, Mazzarella drove up to the office in her brand-new Mercedes.

#### `Piece of Work'

``She quit paying everyone's mortgages in the office, and she drives up with a brand-spanking-new SUV," Rojas says. ``She's a piece of work."

Rojas and Altmann, now her fiancé, finally filed for bankruptcy, and the calls and letters stopped. She says she has since seen the loan applications Mazzarella filed in her name. One claimed Rojas made \$10,000 a month. "I didn't even make \$10,000 every three months," she says.

Loucel's applications said he made \$80,000 a year. One of his mortgages charged him 14 percent interest, he says.

Loucel left Distinctive in late 2007. Rojas stayed on and passed information to the FBI, which was investigating.

Grimm and Mazzarella found a more vocal adversary in Helena Garcia, a real estate agent and founder of Latinos en Accion, an advocacy group for Hispanics. She took up the cause of Eduardo Gonzalez, a 36-year-old father of seven who says he bought a house from Grimm in 2006 for \$480,000, putting down \$100,000.

### Complaints

Grimm said he owned the house outright, so Gonzalez could just send him \$1,850 a month. Yet when his wife went to the water company to switch the billing to her name, they told her that the house was owned by Agripina Davenport, who turned out to be a Grimm straw buyer.

Like Hayward, Gonzalez was faced with buying a house he thought he owned already. With help from Garcia, he negotiated a deal with the bank to buy it for \$280,000. Garcia filed complaints against Mazzarella with the Greater Las Vegas Association of Realtors and the state real estate regulator. She also taunted Mazzarella with e-mails calling her a "scumbag."

Neighbors say it sounded like an artillery barrage the night federal agents raided Grimm and Mazzarella's house. The FBI refuses to say what caused all the noise. Their caution may have been warranted. Inside, according to prosecutors, they found a dozen guns and 48 rounds of .50-caliber ammunition. And Grimm. No gun-related charges have been filed against him.

### Mexico

They didn't find Mazzarella. She was in Mexico on business, Rojas says. She returned of her own volition, according to prosecutors, and turned herself in.

After an arraignment on March 14, the couple was released on their own recognizance with permission to travel in Nevada and California. Grimm was allowed to go to Utah for his trucking business.

U.S. Attorney Brower has expanded the case since then. In June, he charged Grimm and Mazzarella with conspiracy to commit fraud and added four more mortgage industry workers to the indictment as co-conspirators. They've pleaded not guilty. In July, Brower charged five more with fraud. They pleaded guilty.

After their indictment, Grimm and Mazzarella were apparently strapped for cash. They held yard sales weekly, according to two neighbors. "Every Saturday and Sunday, we had 500 cars in the cul-de-sac," says one neighbor who declined to be named.

The court prohibited Mazarella from working in real estate. She can't even make a phone call on the subject, her father says. ``It's been difficult to watch," he says.

Property records show that Mazarella owns a small commercial building near the San Diego Padres' baseball stadium downtown. According to the San Diego County treasurer, as of mid-October, Mazarella was late paying \$12,744.52 in taxes and penalties on the property.

Mazarella is working hard on new ventures outside the real estate business, her father says. ``She's very creative and has a nose for a deal," he says.

She had a nose for deals in Las Vegas, too. If the U.S. attorney there is correct, many of those deals were a little too creative, and a little too good to be true.

To contact the reporter on this story: [Anthony Effinger](mailto:aeffinger@bloomberg.net) in Portland, Oregon, at [aeffinger@bloomberg.net](mailto:aeffinger@bloomberg.net)

*Last Updated: October 30, 2008 00:10 EDT*



**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

Gregory A. Brower  
United States Attorney

333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101

(702) 388-6336  
FAX: (702) 388-6296

**NEWS RELEASE  
FOR IMMEDIATE RELEASE:  
FRIDAY, JULY 11, 2008**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**FIVE DEFENDANTS ENTER GUILTY PLEAS IN LAS VEGAS MORTGAGE FRAUD SCHEME**

**LAS VEGAS** - - Five more defendants have been charged and entered guilty pleas in a Las Vegas mortgage fraud scheme that caused over \$17 million in losses to federally-insured banks, announced Gregory A. Brower, United States Attorney for the District of Nevada. Eve Mazzarella, a mortgage broker in Las Vegas, her husband, Steven Grimm, and four other loan officers and mortgage brokers are currently awaiting trial on federal conspiracy and fraud charges for their alleged role in the scheme that involved straw buyers, fraudulent mortgage loan applications, and shell companies.

Today, Daicy Vargas, 23, of Las Vegas, pleaded guilty to one count of misprision of a felony, admitting that from about November 2005 to 2007, she assisted Steven Grimm in the diversion of the illicit proceeds of the fraud and failing to report the fraud as soon as possible to appropriate authorities. Benjamin Labee, 27, a mortgage loan processor, and his wife, Shauna Labee, aka Shauna Dyphibane, a licensed mortgage agent in Nevada, both of Salt Lake City, Utah, pleaded guilty earlier this week to one count of conspiracy. The Labees admitted that from about April 1 to December 31, 2006, they conspired with Steven Grimm to recruit straw buyers to pose as property purchasers and that they placed false information in loan applications which allowed straw buyers to qualify for loans for which they would not have otherwise qualified. Craig E. Christians, 39, a licensed Nevada real estate broker in Las Vegas, pleaded guilty on June 27, 2008, to one count of misprision of a felony. Christians admitted that from about January 1, 2006, to March 12, 2008, he allowed his company, Western Pacific Funding, to be used as a conduit for the fraud. Robert Samora, 41, of Las Vegas and a licensed Nevada mortgage agent, pleaded guilty on June 13, 2008, to one count of money laundering. Samora admitted that from about 2006 to 2007, he assisted Grimm by diverting illicit proceeds of the mortgage fraud scheme, namely loan officer commissions, to Grimm.

“These guilty pleas mark a significant step toward unraveling a large and complex mortgage fraud scheme centered in southern Nevada,” said United States Attorney Brower. “The investigation is ongoing.”

-MORE-

Led by defendants Grimm and Mazarrella, the scheme allegedly included approximately 432 straw buyer transactions involving approximately 227 properties with a total purchase price of over \$107 million. Grimm and Mazzarella defaulted on mortgage payments on many of the loans which caused the properties to go into foreclosure. At least 143 of the approximately 227 properties purchased by the defendants are in default causing losses to the banks estimated at more than \$17 million.

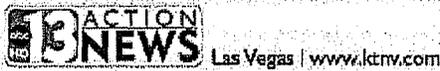
This ongoing investigation is being led by the FBI and IRS Office of Criminal Investigations, with the assistance of the members of the Southern Nevada Mortgage Fraud Task Force, including the Las Vegas Metropolitan Police Department, the Nevada Attorney General's Office, Office of the Inspector General for the Social Security Administration, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Postal Inspection Service, and the United States Secret Service. The cases are being prosecuted by Assistant United States Attorney Brian Pugh.

Persons who have information concerning potential mortgage fraud may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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## Police Say Local Couple Ran Mortgage Fraud Scheme

Posted: Jun 19, 2008 4:57 PM PDT

A local couple could spend the rest of their lives in prison after taking advantage of the nation's mortgage meltdown and hundreds of lenders in Southern Nevada.

The couple accused of carrying out a mortgage fraud scheme is facing additional charges.

A federal grand jury returned a superseding indictment against Eve Mazarrella and Steven Grimm.

Action News reporter Kimberly Tere has the details.

The couple was originally charged in March with defrauding lenders of millions of dollars.

If found guilty a Las Vegas couple at the center of a massive mortgage fraud scheme could face hundreds of years in prison and millions of dollars in fines.

"They leave homeowners in foreclosure, lenders with bad loans and neighborhoods with abandoned and deteriorating homes," said Alex Montegrando.

Eve Mazarella and Steve Grim face charges of 13 counts of bank fraud, conspiracy to commit bank fraud, mail fraud, wire fraud and money laundering.

The indictment alleges the couple tried to make money using false information on loan applications.

Authorities say Grimm and Mazarella bought 227 properties in Las Vegas using straw buyers.

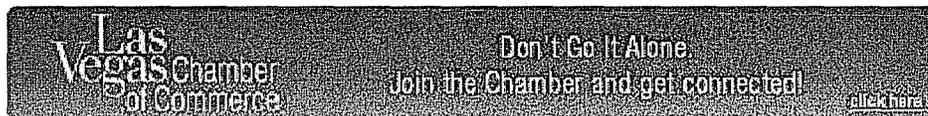
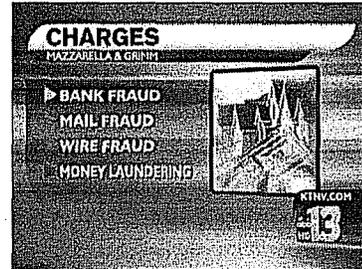
These are people who are usually offered a payment in exchange for the use of their name and credit information to make a fraudulent real estate purchase.

Investigators say more than half of those homes went into foreclosure, costing lenders \$17 million.

Four additional defendants are named in the indictment, all who are loan officers and mortgage brokers who allegedly helped in the scheme.

They were arrested Wednesday, accused of similar charges.

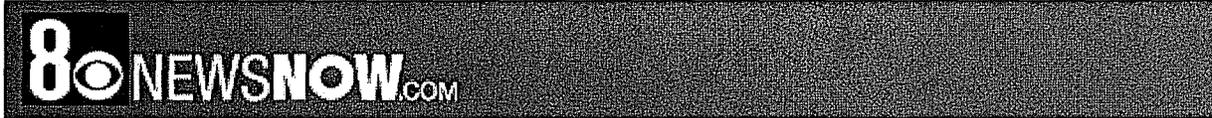
Stay tuned to Action News as we monitor developing news around the Valley.



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## 8 Las Vegas Residents Indicted on Mortgage Fraud

UPDATED: JUN 19, 2008 4:13 PM PDT



Eight Las Vegas residents are among those indicted -- their names are listed here:

- Melissa Beecroft
- Christina Thompson
- Amy Ortiz
- Jyothi Panikkar, aka Joe Panikkar
- Gilma Ruiz
- Francisco Ruiz

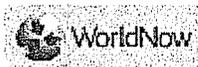
Four were of them were arrested Wednesday. Two were indicted in California last week.

Also, new charges were filed against two Las Vegans arrested in March as part of Operation Malicious Mortgage.

Eve Mazzarella and her husband Steve Grimm were charged back in March in a complex mortgage fraud case. They're facing charges of bank fraud, wire fraud, and money laundering.

Authorities urge anyone who believes they may a victim of a mortgage scheme to call Southern Nevada Mortgage Fraud hotline at 584-5555.

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**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

*Gregory A. Brower  
United States Attorney*

*333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101*

*(702) 388-6336  
FAX: (702) 388-6296*

**NEWS RELEASE  
FOR IMMEDIATE RELEASE:  
THURSDAY, JUNE 19, 2008**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**NEW CONSPIRACY AND FRAUD CHARGES ADDED TO INDICTMENT AGAINST  
LAS VEGAS REAL ESTATE BROKER AND HUSBAND**

**-Four Additional Las Vegas Real Estate Professionals Charged-**

**LAS VEGAS** - - A Superseding Indictment has been returned by the Federal Grand Jury against the Las Vegas real estate broker and her husband who were charged in March with defrauding federally-insured financial institutions of millions of dollars through a scheme that involved inflated housing values, straw purchasers and limited liability companies, announced Gregory A. Brower, United States Attorney for the District of Nevada.

Charges against Eve Mazarrella, 31, and her husband, Steven Grimm, 45, now include conspiracy to commit bank fraud, mail fraud, wire fraud and money laundering, 13 counts of bank fraud and criminal forfeiture. Mazarrella is also charged with money laundering.

Four additional defendants, Melissa R. Beecroft, 28, Christina R. Thompson, 46, Amy R. Ortiz, 33, and Jyothi Panikkar, aka Joe Panikkar, 52, all loan officers and mortgage brokers in Las Vegas, are now included in the Superseding Indictment and are charged with conspiracy to commit bank fraud, mail fraud, wire fraud, and money laundering, various counts of bank fraud, and criminal forfeiture. Amy Ortiz is also charged with assisting with the provision of fraudulent and false forms to the IRS. Defendants Beecroft, Thompson, Ortiz, and Panikkar, were arrested in Las Vegas on Wednesday, June 18, 2008, and are scheduled to make their initial appearance in federal court today at 3:00 p.m. before U.S. Magistrate Judge Peggy A. Leen. Defendants Grimm and Mazarrella will be arraigned on the new charges on June 27, 2008, at 8:30 a.m.

"The investigation and prosecution of mortgage fraud in Nevada is a top priority of the U.S. Attorney's Office," said U.S. Attorney Brower. "The inclusion of new charges and additional defendants to this case demonstrates the magnitude of the mortgage fraud problem. We intend to work closely with our partners on the Southern Nevada Mortgage Fraud Task Force to pursue and prosecute additional individuals who commit this type of offense."

According to the Superseding Indictment, defendants Eve Mazarrella and Steven Grimm control and operate numerous limited-liability companies that are registered in Nevada and conduct business in Las Vegas. Defendant Melissa Beecroft was resident agent and manager of Secured Mortgage Services, LLC; defendant Christina Thompson was resident agent and manager

-MORE-

*News Release*

*U.S. v. Steven Grimm, et al.*

*Page 2*

of CRT Consulting, LLC; defendant Jyothi Panikkar was managing member of Integrity Mortgage, LLC; and defendant Amy Ortiz was registered agent, president, secretary and treasurer of Reliant Mortgage Corporation, all companies registered with the Nevada Secretary of State. A straw buyer is an individual who allows residential real estate to be purchased in his or her name.

The Superseding Indictment alleges that the object of the conspiracy was to obtain money and property by causing false information to be placed in the mortgage loan applications of straw buyers. It is alleged that the straw buyers were paid to participate in the conspiracy. After the mortgage loans were funded, defendants Grimm and Mazzarella allegedly caused title and escrow companies to disperse a portion of each loan to one of their limited liability companies, and caused mortgage brokers, loan officers and others to remit a portion of their commissions and fees to Grimm and Mazzarella. Once Grimm and Mazarrella obtained control over a property, they re-sold the same property to another straw buyer at an inflated price. Grimm and Mazzarella are also charged with concealing receipt of the monies they obtained through this scheme by causing disbursements to be made to shell companies under their control and by moving money between multiple accounts.

Grimm and Mazarrella allegedly engaged in approximately 432 straw buyer transactions involving approximately 227 properties with a total purchase price of over \$107 million. Grimm and Mazzarella defaulted on mortgage payments on many of the loans which caused the properties to go into foreclosure. At least 143 of the approximately 227 properties purchased by the defendants are in default causing losses to the banks estimated at more than \$17 million.

The maximum penalties for conspiracy to commit bank fraud, mail fraud and wire fraud and for each bank fraud charge are 30 years in prison and a \$1,000,000 fine. The maximum penalties for conspiracy to commit money laundering and money laundering are 10 years in prison and a \$250,000 fine. The maximum penalty for aiding and assisting with fraud and false statements is three years in prison and a \$250,000 fine.

This is an ongoing investigation led by the FBI and IRS Criminal Investigation, with the assistance of the members of the Southern Nevada Mortgage Fraud Task Force, including the Las Vegas Metropolitan Police Department, the Nevada Attorney General's Office, Office of the Inspector General for the Social Security Administration, Office of the Inspector General for the Department of Housing and Urban Development, the U.S. Postal Inspection Service, and the United States Secret Service. The case is being prosecuted by Assistant United States Attorney Brian Pugh.

Persons who have information concerning potential mortgage fraud may contact the Southern Nevada Mortgage Fraud Hotline at (702) 584-5555.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

###

## **Las Vegas called 'mortgage fraud ground zero'**

**By Greg Farrell, USA TODAY**

**June 3, 2008**

LAS VEGAS — In the shadow of Sunrise Mountain, where Rolling Hills Drive turns into Gold Mine Drive, a plain two-story home sits unoccupied, like thousands of other houses here in southern Nevada. Some of these empty homes have "for sale" signs. Others bear signs saying "foreclosure." Authorities say hundreds of them, including this one on Rolling Hills Drive, should have a different sign out front, one that reads "fraud." Prosecutors contend this house was sold last year to a straw buyer as part of a sprawling mortgage fraud perpetrated by a husband-and-wife team involving 277 properties in greater Las Vegas. Prosecutors have charged Eve Mazzarella, 30, and Steven Grimm, 45, with bank fraud, alleging the two caused banks to make more than \$107 million in dubious loans and netted a profit of at least \$15 million. Both defendants pleaded not guilty to the charges. A trial has been scheduled for October. To the untrained eye, the size, scope and sophistication of the alleged scheme is noteworthy. But to the FBI in Las Vegas, the problem is the opposite: In recent years, there have been so many mortgage fraud cases, the bureau and local prosecutors have had to establish a special task force to combat the problem. Scott Hunter, the FBI's supervisory special agent here, describes the region as "mortgage fraud ground zero." The problem is so widespread that everyone seems to know someone affected by it. Even one of the FBI's Las Vegas agents has a connection: Special Agent Henry Schlumpf's wife was the real estate broker who sold the Rolling Hills Drive house last year to a straw buyer representing Mazzarella and Grimm. The problem is hardly confined to Nevada. On a national level, mortgage fraud is a pandemic that stretches from California to Rhode Island, and from Alaska to Florida. The FBI currently has 1,380 active investigations into mortgage fraud, compared with 818 for fiscal 2006. According to the website MortgageDaily.com, reported cases of fraudulent mortgage loans amounted to more than \$4 billion in 2007, up from \$1.6 billion in 2006. But the \$4 billion number doesn't come close to describing the losses generated by mortgage fraud. Neighboring homeowners take a financial hit. Nowhere is that more apparent than in Las Vegas, where housing prices appreciated by a staggering 40% in 2004 alone. The surge in values drew investors, speculators and first-time buyers into the market like gamblers to a craps table. "We've got people who walked into neighborhoods who paid \$200,000 to \$400,000 more than they ever should have paid," says the FBI's Hunter. "That story is going on all over Las Vegas. Everybody thought the market was hot, but a lot of that was being manipulated." Many of those who overpaid are stuck with mortgages larger than what their homes are worth. Those who took out home-equity lines of credit based on inflated valuations of their homes are now caught in a financial squeeze. Las Vegas had one of the nation's highest foreclosure rates last year, with 4.2% of its homes being repossessed by banks, up 169% from 2006. "There's a close correlation between states with foreclosure problems and states with mortgage fraud problems," says Sam Garcia of MortgageDaily.com. "There's a good portion of foreclosures that probably resulted from some form of mortgage fraud."

### **Profit or possession**

Mortgage fraud comes in two flavors: "fraud for housing" and "fraud for profit." Fraud for housing occurs when would-be home buyers overstate their income or misrepresent their credit history to secure a mortgage to buy a more expensive house than they can reasonably afford. In

most cases, people who commit fraud for housing intend to live in their homes and pay their mortgages.

Fraud for profit is considered the more serious crime, since the goal is to rip off banks. In one common version of these schemes, a fraudster buys a home, gets an inflated appraisal, then resells the home at the artificially high price to a straw buyer who has no intention of living in the house or paying off the mortgage. Mortgage fraud perpetrators can't act on their own; they need accomplices to trick a bank into underwriting a loan that's larger than a property is worth. To pull this off, mortgage fraudsters often work in league with corrupt appraisers, who inflate the value of target properties, says Jenny Brawley, head of mortgage fraud investigations at Freddie Mac.

The fraudster also needs someone to play the role of the buyer. In a true sale, a buyer would never willingly overpay for a home, but mortgage fraud schemes don't work unless a straw buyer shows up and puts in a sky-high offer for a property.

Straw buyers fall into two categories: willing accomplices who hope to share in the profits; or dupes who are told they can make a quick \$5,000 or \$10,000 by joining a "real estate investment partnership."

Once a mortgage fraud perpetrator has his team in place, he needs to figure out how to cover his tracks. Fraudsters know they can't close a bogus real estate transaction one day, then disappear the next without raising suspicion. To keep the banks at bay, sophisticated con artists pay the mortgage bills for six months or even a year after a sale, creating the illusion of a legitimate real estate transaction.

Until 2006, when the real estate market began to cool in earnest, a fraudster could often resell a property, essentially covering his tracks.

"A lot of these schemes were masked because of an appreciating market," says Freddie Mac's Brawley. "The orchestrator of a fraud could flip 50 or 100 houses and do pretty well."

#### **Case studies**

In the past few years, regulators have filed hundreds of cases against mortgage brokers, appraisers and straw buyers. Although the details of each case are unique, they often share similar characteristics:

- **Eye-popping price appreciation.** How hot were real estate values in Texas in the winter of 2003? So hot that Carlos Paul Gonzalez arranged to buy a home in The Woodlands, a Houston suburb, for \$376,850 on Jan. 29, then sell it for \$515,795 on Feb. 12.

That sounded too good to be true to federal prosecutors there, who filed an indictment charging Gonzalez and a partner, Ken Russell Browder, with recruiting straw buyers to overbid for a series of properties, including the home in The Woodlands.

The two men have pleaded not guilty in the matter, but in April, a title agent named in the indictment, Jannice Bonner, pleaded guilty to participating in the mortgage fraud scheme.

- **Straw buyers.** Last December, federal prosecutors in Utah charged five men and one woman with defrauding two lenders out of \$13 million in mortgage loans. Prosecutors allege the defendants inflated the values of homes, buying and selling them through straw buyers and a pair of shell companies, Home Owners Group (H.O.G.) and Paragon Investment Group (P.I.G.).

- **Professional involvement.** In recent years, the FBI has estimated that 80% of mortgage fraud cases involve real estate professionals who couldn't resist the temptations of easy money. Other cases involve people with criminal backgrounds migrating toward the mortgage business.

The epidemic of mortgage fraud is a reminder that wherever easy money is made, criminal activity soon follows.

"Mortgage fraud has always been here," says Hunter, "but the level of complexity has gone up. It's not just white-collar criminals. There are elements inside the real estate industry. You don't just show up one day and do this. You learn to perfect the craft of mortgage fraud."

### **A 40% rise in one year**

In terms of mortgage fraud, Las Vegas was bound to become a hotbed. When property values there soared 40% in 2004, speculators saw they could get rich quick without having to visit the city's casinos.

For Larry Watson and his wife, Anne Marie, their home at the corner of Rolling Hills Drive and Gold Mine Drive had soared in value since they bought it in 1999 for \$139,000. For years, they rented out the property, but they say continuing problems with tenants had resulted in tens of thousands of dollars in legal fees.

In February of 2007, the Watsons say, they just wanted out, and listed the home for sale at \$310,000 with a local real estate agent, Erin Schlumpf. But by then, the real estate market in Las Vegas had cooled, and for two months, the Watsons got no offers.

In May, Schlumpf stunned them, saying a young man named Jonathan Carter was willing to buy their property for \$340,000. But there was a catch: After the closing, the Watsons would have to make a \$43,000 payment to a company called Pro Design, effectively reducing the sale price to \$297,000.

In June, the Watsons say they got worse news: An appraiser determined that the value of their home was only \$290,000, and therefore, the bank wouldn't approve the \$340,000 mortgage application. Schlumpf then said Carter would be willing to buy the house for \$295,000, but the catch remained: The Watsons would still have to pay \$43,000 to Pro Design.

"I didn't understand where the \$43,000 was going," says Larry Watson, who works in the information-technology department of Clark County, Nev. "I was advised that Pro Design is a corporation that holds money to be used in the repair of a property. I really got suspicious."

Nevertheless, exhausted by the process and concerned about the weakening market, the Watsons accepted the deal.

At closing, a payment of \$43,000 was made to Pro Design, a company controlled by Steven Grimm, according to Nevada state records, as well as the federal indictment. According to the documents signed at closing, Grimm's wife, Eve Mazzarella, received a commission as broker and agent for the buyer, and Schlumpf and her boss split a commission for representing the Watsons.

The Watsons never met Carter, the buyer, since he didn't show up at the closing. But Schlumpf urged them to sell quickly in June because Carter was in a hurry to move into the house, Watson says.

Carter says now he never intended to live in the house. Instead, he told USA TODAY, he was led to believe he'd make money on a real estate investment brokered by Grimm, just as several of his friends had. All he had to do was allow the home to be purchased in his name, and Grimm would handle the mortgage payments.

Shortly after the sale of 1729 Rolling Hills Drive last year, Carter began receiving notices from Amtrust Bank saying that he was behind on his monthly payments.

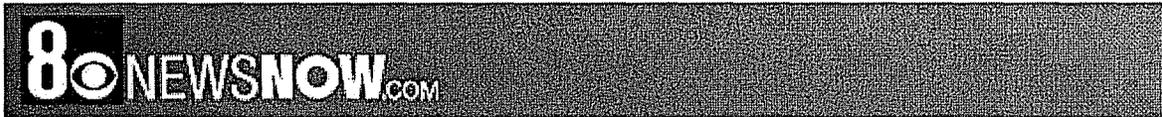
Carter says he called Grimm to complain. "He was like, 'Oh, it's getting taken care of,'" says Carter. But Grimm made only one mortgage payment after his call, Carter says, and the bank has been dunning him since. Carter's attorney, Kirk Kennedy, says the bank has begun foreclosure proceedings.

Schlumpf, wife of an FBI agent, says she can't comment on the matter, as it's under investigation. The FBI wouldn't comment, either. And there is no evidence to suggest that anyone connected to the deal other than Grimm and Mazzarella is under investigation.

Of the 277 properties that Mazzarella and Grimm are accused of using to defraud banks, this is the box score from 1729 Rolling Hills Drive: The Watsons lost \$43,000 from the profit they might have earned on their property; Carter's credit rating is ruined; and Mazzarella and Grimm could end up in jail.

The property was no gold mine after all.

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COLLEEN MCCARTY, INVESTIGATIVE REPORTER

## I-Team: New Mortgage Fraud Task Force Makes First Arrest

UPDATED: MAR 14, 2008 1:45 PM PDT



Las Vegas is one of the top cities in the nation for foreclosures and that is leading to mortgage fraud. To combat the trend, federal, state and local authorities announced the formation of a new task force.

**Southern Nevada Mortgage Fraud Task Force:**  
**(702) 584-5555**



Gregory Brower, U.S. Attorney for Nevada

Among our dubious distinctions, Las Vegas has been named as one of the top areas for mortgage fraud. Though typically banks are the victims -- we all pay.

Federal, state and local investigators needed more than the trunk of a Crown Victoria to haul hundreds of boxes of potential evidence.

Members of the new Southern Nevada Mortgage Fraud Task Force suspect the offices of Distinctive Real Estate and Investments house documents to unravel a scheme that has defrauded banks of an estimated \$15 million.



Steve Martinez  
FBI Special Agent in Charge

Representatives from the IRS, the Metro police department, the FBI, the U.S. Attorney's Office, the Attorney General's office and the U.S. Department of Housing and Urban Development announced the indictment of a local couple as the task force's first case.

Eve Mazarella, a 30-year-old real estate broker who promotes herself as a rags to riches success story and her husband Steve Grimm face charges for bank fraud, aiding and abetting and money laundering.

Investigators believe the couple used bogus buyers to purchase more than 200 homes on their behalf at inflated prices.

"The alleged scheme involved \$100 million in loans with much of the proceeds being diverted to the defendants for their own personal use and benefit and not for the purposes the proceeds were intended," said Gregory Brower, U.S. Attorney for Nevada.

More than half of the homes involved went into foreclosure. Officials say this scheme is just one of many permutations that impact the real estate market and cost taxpayers billions of dollars every year.

"It's like credit card fraud. We all pay a little bit more in terms of our credit card bills because of credit fraud, the same thing is true of mortgage fraud. We're all victims," said Brower.

Investigators seized documents and computers from two offices and two homes connected to Mazzarella and Grimm.

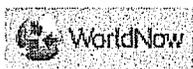
Now says FBI special agent in charge Steve Martinez -- the heavy lifting begins. "You have to bring in the expertise of financial analysts, you have huge volumes of documentation that have to be looked at. A lot of analysis that has to be done to prove your case."

Grimm faces a judge Friday and sources tell the *I-Team* Mazzarella is expected to return from Mexico City the same day.

The first of what investigators believe will be many arrests of crooks taking advantage of the system.

**Email your comments to Investigative Reporter Colleen McCarty.**

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## Las Vegas couple face federal charges

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LAS VEGAS (AP) - A Las Vegas real estate broker and her husband are facing federal charges they made millions of dollars orchestrating a mortgage fraud scheme.

U.S. Attorney for Nevada Gregory Brower says Eve Mazzarella, 30, and her husband, Steven Grimm, 45, were indicted Wednesday on bank fraud, money laundering and aiding and abetting charges.

Grimm was arrested Thursday in Las Vegas and is due to appear Friday in U.S. District Court in Las Vegas. Brower says Mazzarella is being sought.

If convicted, each could face decades in prison and millions of dollars in fines.

The government alleges Mazzarella and Grimm bought more than 200 properties at inflated values using limited liability companies and more than 400 straw buyers to make purchase offers.

The couple allegedly controlled transactions worth more than \$100 million.

They allegedly defaulted on mortgage payments on many of the loans, causing at least 118 properties to be sold in foreclosure.

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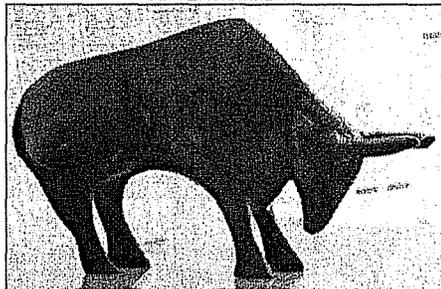
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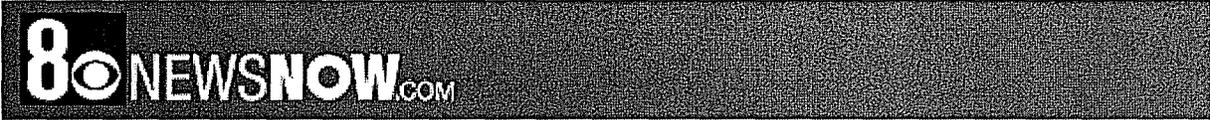
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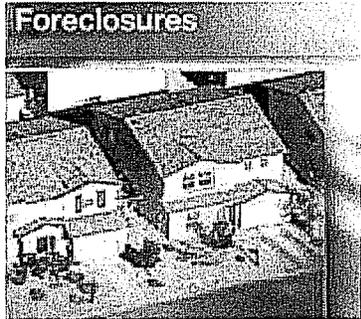
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## FBI Sees Huge Increase in Mortgage, Foreclosure Scams

UPDATED: JAN 14, 2008 1:34 PM PST



The FBI is seeing a huge increase in the number of mortgage and foreclosure scams. The number of mortgage fraud cases in the fiscal year 2007 nearly tripled from 2003.

The numbers are expected to grow again in 2008 as the housing crisis continues. Here in Nevada, officials are also seeing an increase in these types of scams.

Here is a list of warning signs to look out for:

- You are asked to sign a deed or other papers, and the seller promises to pay off your mortgage, but no escrow is opened;
- You are told that a real estate agent or title company "doesn't need to be involved;"
- You are told that the buyer will "take over the payments;"
- The buyer tells you he will buy your house for the sum of the mortgages owing and an additional amount of money which he will pay in cash.

If you believe you have been the victim of mortgage fraud, please contact the Secretary of State's office at (702) 486-2440, or (775) 688-1855.

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**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

*Daniel G. Bogden  
United States Attorney*

*333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101*

*(702) 388-6336  
FAX: (702) 388-6296*

**NEWS RELEASE  
FOR IMMEDIATE RELEASE:  
MONDAY, MARCH 13, 2006**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**FORMER MORTGAGE COMPANY OWNER SENTENCED TO OVER SIX YEARS IN  
PRISON FOR HUD LOAN FRAUD**

**LAS VEGAS** - - The former owner of Nevada First Residential Mortgage has been sentenced to over six years in federal prison for making false statements to the Department of Housing and Urban Development (HUD) in order to obtain hundreds of mortgage loans for unqualified borrowers, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

**MARK YOUNG**, age 41, of Las Vegas, was sentenced on Friday, March 10, 2006, to 78 months in prison, three years of supervised release, and ordered to pay \$457,740 in restitution to HUD. **YOUNG** was convicted by a jury in September 2005 of conspiracy (to make false statements) and 32 separate counts of making false statements.

From about May 2000 through June 2002, **YOUNG** owned and operated Nevada First Residential Mortgage in Las Vegas. **YOUNG** conspired with his own employees and employees of General Realty to create false mortgage loan packets for low-income borrowers (most of them illegal aliens) to enable them to obtain mortgages and purchase homes beyond their means. The loans were issued by borrowers insured by HUD. The false loan packets included false pay stubs, W-2 forms verifications of employment, credit references, gift letters, and other false information concerning the borrowers' employment, income, assets, immigration status, and credit history. During that

-MORE-

period, **YOUNG** submitted 233 loan applications for HUD-insured loans. Of those 233 loans, 58 loans defaulted and the United States Government paid approximately \$1.9 million in claims to lenders as a result of the defaults.

General Realty real estate agent Leo Werner also pleaded guilty to Conspiracy and was sentenced to 10 months in prison. Six others also pleaded guilty to a misdemeanor charge of making false statements to HUD and have been sentenced.

**MARK YOUNG** is released on a personal recognizance bond and was permitted to self-surrender to the Federal Bureau of Prisons no later than May 8, 2006.

The case was investigated by the FBI, HUD Office of the Inspector General, and prosecuted by Assistant United States Attorney Brian Pugh.

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**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

*Daniel G. Bogden  
United States Attorney*

*333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101*

*(702) 388-6336  
FAX: (702) 388-6296*

**NEWS RELEASE  
FOR IMMEDIATE RELEASE:  
WEDNESDAY, SEPTEMBER 21, 2005**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508  
District Internet Site - <http://www.usdoj.gov/usao/nv/>

**BROTHERS CHARGED WITH MORTGAGE FRAUD**

**LAS VEGAS** - - Two brothers indicted in U.S. District Court on charges they made false statements to lending institutions for the purpose of obtaining multiple home mortgages, will make initial appearances in court today, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

**STEFAN CROSBY**, aka Stefon Humber, age 35, and **LIONEL CROSBY**, age 33, both of Las Vegas, will appear at 3 p.m. today before U.S. Magistrate Judge Lawrence R. Leavitt for an Initial Appearance and Arraignment and Plea hearing. They were indicted last week and charged with one count of conspiracy to make false statements for the purpose of obtaining home loans. **STEFAN CROSBY** and **LIONEL CROSBY** are also charged with 10 counts and three counts, respectively, of housing loan fraud. The defendants were arrested yesterday in Las Vegas by Special Agents of the U.S. Housing and Urban Development (HUD) Office of the Inspector General and Officers with the North Las Vegas Police Department. If convicted, they are facing up to five years in prison and a \$250,000 fine on the conspiracy charge, and up to two years in prison and a \$250,000 fine on each of the housing loan fraud charges.

The Indictment alleges that from approximately May or June 2001 to March 19, 2003,

- MORE -

**STEFAN CROSBY** and **LIONEL CROSBY** conspired to make false statements for the purpose of obtaining HUD insured home loans. The defendants allegedly recruited “straw buyers” to apply for the loans to purchase residences in the Las Vegas area, knowing that the straw buyers did not qualify for the loans. A “straw buyer” is a person who buys a house as if he/she intends to live in the house, but in fact, never intends to live in the house. The defendants then created fraudulent documents, such as loan applications and verifications of employment, rent, and identification, and placed false information in them to support the loan applications for themselves and the straw buyers.

**STEFAN CROSBY** is charged specifically with filing false documents to obtain two loans in his name, two loans in his brother’s name, and six loans in the names of straw buyers. Six of the homes are located in Las Vegas; three are located in North Las Vegas; and one is located in Henderson. **LIONEL CROSBY** is charged with filing false documents to obtain the two loans in his name, and one loan in the name of a straw buyer.

The case is being investigated by Special Agents with the Office of the Inspector General for HUD and Detectives with the North Las Vegas Police Department, and prosecuted by Assistant United States Attorney Brian J. Quarles.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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**U.S. Department of Justice**

*United States Attorney  
District of Nevada*

*Daniel G. Bogden  
United States Attorney*

*333 Las Vegas Boulevard South  
Suite 5000  
Las Vegas, NV 89101*

*(702) 388-6336  
FAX: (702) 388-6296*

**NEWS RELEASE  
FOR IMMEDIATE RELEASE:  
MONDAY, MAY 17, 2004**

**PRESS CONTACTS:**  
Natalie Collins, Public Affairs Specialist (702) 388-6508

**FORMER MORTGAGE COMPANY EMPLOYEES SENTENCED  
FOR FRAUD SCHEME**

**-Falsified Federal Housing Loan Application Documents For Commissions-**

**LAS VEGAS** - - Three former mortgage company employees who processed fraudulent Federal Housing Authority (FHA) home loans from approximately 1997 to 1999 in the Las Vegas area, were sentenced today by U.S. District Judge Larry R. Hicks, announced Daniel G. Bogden, United States Attorney for the District of Nevada.

**BETH LANZA**, age 49, of Huntsville, Alabama, a former regional manager and loan officer with Mortgage Capital Resources and National City Mortgage in Las Vegas, was sentenced to 27 months in prison and ordered to pay \$333,375 in restitution for her guilty plea to one count of Wire Fraud; **GARY STEPHENS**, age 55, also of Huntsville, Alabama, a former loan officer at Mortgage Capital Resources, was sentenced to 10 months in prison and ordered to pay \$148,249 in restitution for his guilty pleas to making a false statement to the U.S. Department of Housing and Urban Development (HUD); and **ZINA SAGONA**, age 42, of Las Vegas, also a former loan officer at Mortgage Capital Resources, was sentenced to two years probation and ordered to pay \$197,594 in restitution for her guilty pleas to conspiracy and

- MORE -

making a false statement to HUD.

Two other co-defendants **MICHAEL CARTRON** and **HORACE SMITH**, both former loan officers with Mortgage Capital Resources and National City Mortgage, have also pleaded guilty. **CARTRON** was sentenced on May 5, 2004, to 21 months in prison, and **SMITH** was sentenced on October 21, 2003, to 37 months in prison.

According to the court records, while working at Mortgage Capital Resources, the defendants falsified loan applications and other supporting documentation for borrowers who would not have otherwise qualified for FHA loans. Subsequently, most applicants defaulted on their mortgage loans causing losses of approximately \$148,249 to HUD.

After leaving Mortgage Capital Resources, **LANZA**, **CARTRON** and **SMITH** continued to commit mortgage fraud at National City Mortgage. At National City Mortgage, **LANZA** and **CARTRON** accepted loan applications from **SMITH** for fictitious or "straw" borrowers that contained fraudulent statements and documents. During this period, **LANZA**, **CARTRON** and **SMITH** were responsible for the submission of 17 fraudulent loan applications and a loss to National City Mortgage of approximately \$185,126.

At both mortgage companies, the fraudulent applications and documents were material to the decisions to fund the mortgage loans and included documents such as, bank statements, pay stubs, tax forms, gift letters, etc. The defendants used the false statements and documents to obtain the mortgage loans in order to receive commissions.

"Prosecuting individuals who commit white collar offenses such as mortgage fraud, wire fraud, identity theft, and money laundering, etc. is a high priority in the District of

*Press Release*

*U.S. v. Beth Lanza et al.*

*Page 3*

Nevada,” said U.S. Attorney Bogden. “The persons who commit these type of offenses prey on the poor, elderly and disadvantaged, and cost government agencies such as HUD enormous sums of money. Today's sentences send a strong message that we are committed to using the full force of federal law to identify, arrest and prosecute anyone who commits this type of crime.”

This case was investigated by Special Agents with the FBI and Office of the Inspector General for HUD, and is being prosecuted by Assistant United States Attorney Brian Pugh.

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