

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

MASTERMIND OF \$100 MILLION MORTGAGE FRAUD SENTENCED TO EIGHT YEARS IN PRISON

***FORMER SAN DIEGAN WHO PARTICIPATED IN THE FRAUD
SENT TO PRISON FOR THREE AND A HALF YEARS***

NEWS RELEASE SUMMARY – September 30, 2013

SAN DIEGO – Mary Armstrong, the mastermind of a \$100 million mortgage fraud that generated almost \$15 million in illegal kickbacks, was sentenced today to 100 months in prison by U.S. District Judge John A. Houston.

Armstrong's former boyfriend, William Fountain, was sentenced on Friday to serve 42 months in prison for his participation in the scheme. In addition, both Armstrong and Fountain were ordered to pay more than \$500,000 in restitution to victims of the offense.

“These are significant sentences for serious crimes,” said U.S. Attorney Laura Duffy. “Mortgage fraud is one of the fastest growing financial crimes in the country, and we can add these two defendants to a long list of fraudsters who have landed in prison as a result of our crackdown.”

FBI Special Agent in Charge, Daphne Hearn, stated, "Today's sentencing signifies the continued effort of the FBI, U.S. Attorney's Office and Federal Housing Finance Agency to investigate and prosecute those who commit mortgage fraud. The FBI is committed to holding those accountable who line their own pockets at the expense of the American taxpayers and we hope that today's sentencing will help deter future fraud."

Acting Inspector General Stephens of the Federal Housing Finance Agency stated, "Armstrong participated in a fraudulent scheme involving over \$100 million in mortgage loans, many of which ultimately defaulted, to the detriment of Fannie Mae, Freddie Mac and the American taxpayers. We are proud to support our law enforcement partners in investigating and prosecuting this case."

Armstrong, Fountain and their co-conspirators recruited real estate "investors" through advertisements in the Los Angeles Times, Monster.com, and elsewhere. They offered these "investors" the opportunity to purchase homes using their good credit with no money down. In order to get these "investors" to participate in the loan fraud, Armstrong promised to make the mortgage payments on their behalf using rental income from the properties.

In reality, these so-called investors were nothing more than straw buyers who were promised \$10,000 for each property purchased as part of the scheme. Armstrong (who was not a licensed mortgage broker) secured mortgages on the properties by falsifying loan applications for the straw buyers. Among other things, the loan applications falsely claimed exorbitant income from fake employers and used sham companies, which Fountain helped to create, in order to verify the borrowers' fabricated employment and rental histories. Armstrong and her co-conspirators used these loan applications to obtain mortgages with 100% financing – and thus avoided having to make any down payment on the properties.

Armstrong earned millions of dollars in profits by convincing the sellers of the properties to inflate the purchase price by \$100,000 or more per property. These inflated amounts were allegedly for construction to improve the properties. In fact, no construction work was performed and the funds were diverted (or "kicked back") to bank accounts controlled by Armstrong's co-conspirators. Armstrong then had Fountain and other co-conspirators launder the funds back to her in cash payments or official checks, so that the money could not be traced. In this way, she pocketed nearly \$15 million in kickbacks, made few if any mortgage payments, and allowed nearly all of the properties to swiftly fall into foreclosure. Armstrong arranged the purchase of approximately \$100 million in loans through this scheme, resulting in estimated losses between \$7 million and \$20 million to the mortgage lenders and secondary purchasers Fannie Mae and Freddie Mac.

Armstrong and Fountain were charged with participating in the scheme along with four others: Teresa Rose, a Ramona real estate agent; John Allen, a mortgage loan processor from Laguna Hills; Justin Mensen, a straw buyer who later recruited others and helped launder the funds; and Audrey Yeboah, a Los Angeles-based tax preparer who generated fake paperwork to support the loans. All of the defendants have pled guilty to participating in the scheme. Allen was sentenced by Judge Houston on September 16, 2013, to one year in custody. Audrey Yeboah is scheduled for sentencing on December 2, 2013, and Teresa Rose and Justin Mensen are scheduled for sentencing on December 9, 2013, all before Judge Houston.

United States Attorney Duffy explained that the American public is the actual victim of this type of widespread mortgage fraud, which played such a significant role in destabilizing the country's financial situation. She emphasized that her office would aggressively prosecute such crimes and urged anyone in the community who has information relating to these charges to contact San Diego FBI Field Office at telephone number (858) 320-1800 or the Federal Housing Finance Agency - Office of Inspector General hotline at (800) 793-7724.

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

DEFENDANTS

Criminal Case No. 12CR1848-JAH

Mary Armstrong

Teresa Rose

William Fountain

John Allen

DEFENDANT

Criminal Case No. 12CR1458-JAH

Justin Mensen

DEFENDANT

Criminal Case No. 12CR4322-JAH

Audrey Yeboah

SUMMARY OF CHARGES

Mary Armstrong, Teresa Rose, and William Fountain

Count 1: Title 18, United States Code, Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money -- statutory maximum sentence of 5 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

Mary Armstrong

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

sentence of 20 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

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

Justin Mensen

Information: Title 18, United States Code, Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money -- statutory maximum sentence of 5 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

Audrey Yeboah

Information: Title 18, United States Code, Section 1343 -- Wire Fraud -- statutory maximum sentence of 20 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

AGENCIES

Federal Bureau of Investigation

Federal Housing Finance Agency - Office of Inspector General