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4 from San Fernando Valley Arrested Pursuant to Federal Indictment Alleging Real Estate Fraud Scam Targeting Distressed Homeowners

LOS ANGELES – Four San Fernando Valley residents – including an alleged career conman already under indictment in a foreclosure-avoidance and bankruptcy fraud scam – were arrested this morning pursuant to a new federal indictment that alleges a $17 million scheme that defrauded – and in some cases stole homes from – distressed homeowners, many of whom were elderly victims.

The four defendants arrested this morning by federal authorities are:

- Michael "Mickey" Henschel, 68, of Van Nuys, who was originally indicted last summer in the bankruptcy fraud scheme and who allegedly continued to defraud homeowners while free on bond;
- Camerino "Mino" Islas, 40, of North Hollywood;
- Claudia "Jessica" Islas, 42, of Reseda; and
- Juan Carlos Velasquez, 43, of Sylmar.

A fifth defendant named in the superseding indictment returned yesterday by a federal grand jury – Eugene "Gene" Fulmer, 83, of Encino – is currently a fugitive being sought by federal authorities.

The four defendants arrested this morning are scheduled to be arraigned on the superseding indictment this afternoon in United States District Court.

According to the superseding indictment that was unsealed this afternoon, Henschel – who used various aliases, including "Frank Winston," "Steve Lopez," and "Ron Berman" – and his associates tricked homeowners into signing fraudulent deeds on their properties. Henschel and his co-defendants then allegedly used the fraudulent deeds to extort money from homeowners, charge homeowners illegal fees to delay foreclosure and eviction actions, and to steal some homes outright. The new indictment adds charges based on the fraudulent deeds.

The indictment alleges that Henschel and the others collected more than $17 million from the scheme.

In the newly alleged portion of the scheme, Henschel and his co-conspirators identified distressed homeowners who were in default on mortgages or were experiencing financial troubles, even though some had large amounts of equity in their properties. These homeowners allegedly were told that Henschel was a sophisticated real estate investor and attorney interested in purchasing their properties, or, if they wanted to keep their homes, he could help protect the homes from creditors. Henschel and the others promised distressed homeowners that they could refinance mortgages or restructure real estate holdings to insulate the properties from creditors, and that Henschel and other co-conspirators could manage the properties on an ongoing basis.

Henschel and other co-conspirators allegedly convinced homeowners to sign fraudulent documents that were recorded on titles to their homes, including trust deeds that recorded secured interests in their homes based on fictional loans that the homeowners supposedly guaranteed, and grant deeds that supposedly conveyed properties to entities that Henschel controlled.

Henschel and the others used the fraudulent filings to steal some properties outright, according to the indictment. In other cases, they allegedly exploited the fraudulent filings in a number of ways, including by initiating foreclosure proceedings on the properties, demanding money from homeowners before properties sold, and making extortionate settlement demands based on the filings.

Henschel and other co-conspirators are alleged to have leveraged the high cost of bringing and defending civil actions to extort settlement payments from homeowners, relying on the fact that it would often be less expensive for homeowners to pay the co-conspirators than to fight them in court. The indictment describes unscrupulous litigation tactics allegedly used by Henschel and his co-conspirators, which included pretending to be licensed attorneys, tricking victims into signing legal documents, fabricating documents and forging victims' signatures.

In the bankruptcy fraud part of the scheme originally alleged in last summer's indictment, Henschel and his co-conspirators used fraudulent filings to charge homeowners fees to delay foreclosure and eviction actions. In this part of the conspiracy, Henschel and the others had homeowners sign fraudulent deeds that transferred interests to debtors in bankruptcy cases – but the bankruptcies allegedly were fraudulent and were filed on behalf of fictional people and entities. The superseding indictment alleges that Henschel and his co-conspirators sent the fake deeds and the fraudulent bankruptcy petitions to trustees to stop foreclosure sales. Henschel and his associates allegedly delayed evictions in a similar way, mainly by sending bogus documents to sheriff's offices. Henschel and other co-conspirators allegedly charged monthly fees for the illegal services, and some homeowners were charged large fees to clear title to their properties.

The superseding indictment charges all five defendants with one count of conspiracy and eight counts of mail fraud. Henschel is additionally charged with eight counts of bankruptcy fraud.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until and unless proven guilty in court.

If the defendants were to be convicted, they each would face a statutory maximum sentence of five years in federal prison on the conspiracy count and 30 years for each of the mail fraud counts. If convicted, Henschel would also face five years in prison for each of the eight bankruptcy fraud counts.

Two other individuals – Shara Surabi, 34, of Burbank, and Lidia Alvarez, 54, of Bell Gardens – previously pleaded guilty to federal charges related to this scheme.

The cases against Henschel and the others are the result of an investigation by the Federal Bureau of Investigation, and the Federal Housing Finance Agency - Office of Inspector General. These agencies received substantial assistance from the Alameda County District Attorney's Office, the United States Trustee's Office for the Central District of California, the Los Angeles County Recorder's Office, the Alameda County Recorder's Office, and the San Diego County Recorder's Office.

This case is being prosecuted by Assistant United States Attorney Kerry L. Quinn of the Major Frauds Section.