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Van Nuys Man Named in Federal Fraud Indictment Alleging \$7 Million Foreclosure-Delay Scam Targeting Struggling Homeowners

LOS ANGELES – The alleged mastermind of a foreclosure-avoidance scam that targeted distressed homeowners has been arrested on federal charges that he orchestrated a bankruptcy fraud scheme that brought in more than \$7 million from victims.

Michael “Mickey” Henschel, 68, of Van Nuys, was arrested Wednesday morning by federal agents with the FBI and the Federal Housing Finance Agency’s Office of Inspector General (FHFA-OIG). Henschel was arrested pursuant to an 11-count indictment returned by a federal grand jury on June 8.

During a court hearing this afternoon, Henschel was ordered detained pending trial.

According to the indictment unsealed after his arrest, Henschel owned a Van Nuys-based company he operated under several names, including Valueline. Henschel and several co-conspirators marketed illegal foreclosure- and eviction-delay services to homeowners who had defaulted on their mortgages and renters who were facing eviction. As part of the scheme, Henschel and the others allegedly convinced homeowners to sign fake grant deeds that purported to show the homeowners had conveyed an interest in their properties to fictional third parties.

Henschel and his co-conspirators allegedly filed bankruptcies in the names of fictional persons and entities to trigger the automatic stay provision of the Bankruptcy Code, which meant that foreclosure sales were stalled.

Henschel allegedly delayed evictions in a similar way, filing fraudulent documents in state eviction actions and sending similar documents to sheriff’s offices.

Henschel allegedly charged some homeowners large fees before agreeing to clear title to their properties, in addition to the monthly fees paid for the illegal services. During the course of the scheme, from October 2010 through July 2013, Henschel and his co-conspirators collected more than \$7 million, according to the indictment.

The indictment charges Henschel with one count of conspiracy, eight counts of bankruptcy fraud and two counts of wire 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.

Following his arrest on Wednesday, Henschel was arraigned on the indictment. He entered a not guilty plea, and a trial was scheduled for August 8.

If he is convicted of the charges in the indictment, Henschel would face a statutory maximum sentence of five years in federal prison for each of the conspiracy bankruptcy fraud counts. The two wire fraud counts carry a statutory maximum sentence of 20 years.

The case against Henschel is the result of an investigation by the FBI and FHFA-OIG, which received assistance from the Alameda County District Attorney's Office and the United States Trustee's Office for the Central District of California.

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