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District of Maryland

FOR IMMEDIATE RELEASE

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73 Year Old Pennsylvania Woman Sentenced To 21 Months In Prison For Wire Fraud

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Greenbelt, Maryland – On January 26, 2018, United States District Judge Paula Xinis sentenced Margie Lou Franz, age 73, of Warfordsburg, Pennsylvania to 21 months in prison, followed by three years of supervised release, for wire fraud. Xinis also ordered Franz to pay \$970,964.76 in restitution.

The sentence was announced by Acting United States Attorney for the District of Maryland Stephen M. Schenning; and Rene Febles, Deputy Inspector General for Investigations for the Federal Housing Finance Agency, Office of Inspector General.

According to her plea agreement, Franz managed the day-to-day operations of a title company (Title Company A) located in Laurel, Maryland where she prepared paperwork for settlements (including HUD-1s and disbursement statements), conducted settlements, controlled the escrow account, and conducted banking transactions.

From at least June 2013 through November 2014, instead of disbursing funds as required by the HUD-1s for those real estate transactions, Franz transferred money through wires or checks to herself and other individuals not listed on the HUD-1s, paid outstanding debts on prior transactions for which Franz had not made proper disbursements, or paid off loans to individuals from whom Franz had previously borrowed money to cover shortfalls in Account 3542. Franz caused at least \$970,964.76 in combined losses.

In June 2013, Franz used the Title Company A to handle the closing of her house in Annapolis, Maryland. At the time of the sale of the property, there were three liens on the property, however Franz only disclosed one of the loans. At the time of the closing, the buyers believed that the property was only encumbered by one lien that would be paid off as part of the transaction as reflected on the

HUD-1. The disbursement statement, prepared by Franz, also reflected that a payment was made to the bank.

On June 12, 2013, Franz caused a wire of approximately \$502,949.51 to be sent from the buyer's lender to the Title Company A, with the understanding that a portion of the loan from the bank was supposed to be used to pay off the existing lien on the property. Franz never actually disbursed any money from Title Company A's escrow account. Instead, Franz issued a \$100,000 check to her husband and a \$77,724.65 check jointly to her and her husband.

From June 2013 through January 2015, Franz continued to make monthly payments on the existing lien on the property held by Citibank to hide the fact that the lien had not been paid off when the buyers bought the property. By January 2015, however, Franz could no longer keep up with the payments and the bank sent a foreclosure notice to buyers.

In October 2014, an individual in Derwood, Maryland hired Title Company B to refinance their home loan. As part of the closing, Title Company B was to pay off five existing liens, held by three separate banks. In October 2014, Franz contacted Employee 1 at Title Company B and instructed Employee 1 to wire a large portion of the proceeds from the individuals refinancing to Title Company A's escrow account and then permit Franz to handle the disbursements. This arrangement was contrary to the instructions in the HUD-1 settlement statement for the refinancing. Neither Franz nor Employee 1 sought Individual 1's permission for this new arrangement. Franz told Employee 1 that Franz needed the money in Title Company A's escrow account for a few days to cover some costs and that Franz then would pay the liens held by CitiMortgage and Chase.

Employee 1 made two separate wire transfers from Title Company B's escrow account to Title Company A's escrow account. On October 6, 2014, Franz caused Title Company B to wire \$328,277.36 from a Virginia bank to a North Carolina account held by Title Company A. On October 23, 2014, Franz caused Title Company B to wire \$121,751.67 from another Virginia bank to a North Carolina account held by Title Company A. Franz did not pay off the existing liens on Individual 1's properties. Instead, Franz paid off some of the existing debts on prior transactions and paid off some loans Franz had taken for prior shortfalls.

Acting United States Attorney Stephen M. Schenning praised Federal Housing Finance Agency, Office of Inspector General for their work in the investigation. Mr. Schenning thanked Assistant United States Attorney's Kristi O'Malley and Kelly O'Connell Hayes, who prosecuted the case.