



PRESS RELEASE

Colorado Department of Law
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**ATTORNEY GENERAL INDICTS FRAUD SCHEME TARGETING
DISTRESSED HOMEOWNERS**

*Investigation Reveals Sophisticated Methods of Targeting and Manipulating
Distressed Homeowners to Defraud Banks*

DENVER — The Statewide Grand Jury indicted nine individuals for targeting distressed homeowners as part of a fraudulent short-sale scheme that allowed the defendants to ultimately defraud the banks and lenders who held the mortgages for the distressed homeowners. The announcement was made today by Colorado Attorney General John Suthers; Ronald Sloan, Director of Colorado Bureau of Investigation (CBI); Inspector General David Montoya of the U.S. Department of Housing and Urban Development-Office of Inspector General (U.S. HUD-OIG); Acting Inspector General Michael P. Stephens of the U.S. Federal Housing Finance Agency-Office of Inspector General (U.S. FHFA-OIG), and Marcia Waters, Division Director of the Colorado Division of Real Estate. Eight of the nine named defendants are being charged under the Colorado Organized Crime Control Act (COCCA) for a pattern of manipulating homeowners who were facing foreclosure, creating and processing forged and fraudulent documents relating to the properties, and ultimately using these forged documents and other actions to defraud the lenders and subsequent buyers.

“It is unconscionable that this group would target financially distressed and vulnerable homeowners by fraudulently taking control of and selling their properties, with the ultimate goal of defrauding the homeowners’ financial institutions and the subsequent homeowners.” said Suthers. “This group took advantage of multiple homeowners, using deception and forged documents, to create illegal profits on the sale of various properties.”

The basic premise of the scheme focused on identifying distressed homeowners who were in pre-foreclosure status. Once a property was zeroed in on by members of this scheme, the goal was to obtain control and ownership over the property through a series of deceptive tactics. These tactics included manipulating the homeowners to sign over ownership and

control of the property to the enterprise. At the same time, the enterprise would file forged paperwork with the lenders misrepresenting that the original homeowners still owned the house. Another tactic used in support of the scheme was the enterprise's "flopping" of the pre-foreclosed properties.

"HUD-OIG, in partnership with other agencies, is committed to conducting mortgage fraud investigations to hold those accountable for allegedly committing fraud against HUD's programs," stated Inspector General David Montoya.

"A part of the Department of Regulatory Agencies, the Colorado Division of Real Estate is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission," stated Division Director Marcia Waters.

The last key tactic was the use of family members or business associates to serve as "straw buyers" who were fraudulently represented to the banks as being arms length purchasers who also had the financial resources to legitimately purchase real estate. At the same time, a member of the enterprise would list the property in order to sell it to an innocent third party buyer, usually for a significantly higher price than the bank had agreed to. The enterprise then relied on the complicit actions of a closing agent at a title company to synchronize two closings to occur on a set schedule, so that the innocent parties in these transactions would remain unaware of the fraudulent activity surrounding the short sale.

The group's fraud-for-profit scheme allowed enterprise members to be unjustly enriched by acquiring extra fees and commissions that resulted from the execution of the illicit scheme. This model was used repeatedly for the short sale of at least eight different properties, including some of the group's own homes, throughout the Denver metro area from at least 2008 to the present day.

"The Colorado Bureau of Investigation is committed to combating organized white collar crime including schemes such as this short sale mortgage fraud scam," said CBI Director Ronald Sloan. "While fraudulent schemes continually evolve, we believe active monitoring and investigation, along with aggressive prosecution that holds offenders accountable for their actions, combined with efforts to educate the public, will result in fewer victims in the future."

"The nine individuals named in this indictment have allegedly committed fraud against individual victims and Fannie Mae and Freddie Mac," said Acting Inspector General Michael P. Stephens. "This behavior is unacceptable and anyone found guilty will be held accountable to the full extent of the law."

Wendy Thomas (DOB 05/19/67) of Chicago, previously of Thornton, CO; Cristina Nicole Smith (DOB 08/13/71) of Thornton, CO; Kurt Smith (DOB 09/18/55) of Thornton, CO; Sheila Gaston (DOB 03/19/54) of Elizabeth, CO; Sheila Giberti (DOB 12/24/67) of Broomfield, CO; Duane Thomas (DOB 07/1/69) of Thornton, CO; Christopher Consol (DOB 02/3/70) of Englewood, CO; and Janice Gardner (DOB 1/30/67) of Brighton, CO were charged with multiple offenses, including violating the Colorado Organized Crime Control Act (COCCA). Under COCCA, if convicted, each could be sentenced up to 24 years per count.

The ninth charged individual, Joseph Slowey (DOB 07/26/66) of Denver was charged with three other felony offenses that were related to the overall scheme. The charges contained

in the indictment are merely accusations, and the defendants are presumed innocent unless and until proved guilty.

The best resource available to consumers facing foreclosure is [the Colorado Foreclosure Hotline](#), which can be reached at 1-877-601-HOPE (4673). Homeowners who contact the Colorado Foreclosure Hotline to receive assistance stand a much better chance of saving their home than those who go it alone. The hotline is an immediate resource that distressed borrowers can call to receive counseling from nonprofit, HUD-approved housing counselors. The counselors can also negotiate modifications for borrowers.

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