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BALTIMORE MAN SENTENCED IN MORTGAGE FRAUD SCHEME

Lenders, Including Fannie Mae and Freddie Mac, Lost Over $1 Million from Fraudulently Obtained Loans

Baltimore, Maryland - U.S. District Judge James K. Bredar sentenced Kenneth Koehler, age 43, of Baltimore, today to 18 months in prison followed by two years of supervised release for conspiracy to commit wire fraud in connection with a mortgage fraud scheme in which fraudulent loans were obtained on six properties, all of which subsequently went into foreclosure. Five of those properties, accounting for over $790,000 in losses, were on the same street - four of them in the same block. Judge Bredar ordered Koehler to pay restitution of $1,007,812.

The sentence was announced by United States Attorney for the District of Maryland Rod J. Rosenstein; Special Agent in Charge Stephen E. Vogt of the Federal Bureau of Investigation; Inspector General Steve A. Linick of the Federal Housing Finance Agency; and Postal Inspector in Charge Gary R. Barksdale of the U.S. Postal Inspection Service - Washington Division.

From 2004 through 2008, Koehler invested in Baltimore residential real estate. Koehler obtained financing for the purchase and sale of his properties from Worthington Mortgage Group, LLC, a mortgage brokerage company controlled by a former business partner.

According to his guilty plea, beginning in 2006 Koehler conspired with his former business partner to obtain loans for Worthington Mortgage clients under false pretenses. They used Voicebank, a technology employee leasing company that they had previously owned, as a fictitious employer for Worthington borrowers who needed fraudulent verifications of their employment. Voicebank had ceased doing business in 2001. The Voicebank phone number activated a voice mail message accessible to both Koeher and his partner. If called upon by the lender, either Koehler or his partner would verify the employment or income information supplied on the loan application.

Koehler obtained two loans by fraudulently inflating his own monthly income. In 2006, Koehler signed a loan application prepared by his co-conspirator to refinance a loan on property at 229 S. Chapel Street in Baltimore, which falsely stated that Koehler earned $20,000 per month with Voicebank. Both Koehler and the co-conspirator knew that he was self-employed. In 2007 the same false information was submitted on a loan application to purchase property at 2217 Gough Street in Baltimore. Both properties went into foreclosure, resulting in losses of more than $221,000 to lenders, including the Federal National Mortgage Association (Fannie Mae).

In 2007 and 2008, Koehler and his co-conspirator also arranged for another individual to purchase three properties, and for that individual's brother to purchase a fourth property, all located on S. Chapel Street and all owned by Koehler. In all four cases, Koehler concealed the true purchase price of the properties from the lenders by signing the settlement sheet stating that he had received a substantial down payment from the buyers, when in fact no such payments had occurred. Koehler also kicked back part of the sales proceeds from each loan to the buyers, further reducing the sales price of the property. By concealing the true sales price for the properties, the conspirators manipulated the lenders into funding more than 100% of the purchase price. All four properties went into foreclosure, resulting in losses of more than $686,000 to Fannie Mae and Federal Home Loan Mortgage Association (Freddie Mac).

Today's announcement is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,700 mortgage fraud defendants. For more information on the task force, visit www.stopfraud.gov.

United States Attorney Rod J. Rosenstein commended the FBI, Federal Housing Finance Agency - Office of Inspector General and U.S. Postal Inspection Service for their investigative work. Mr. Rosenstein thanked Assistant U.S. Attorney Gregory R. Bockin, who prosecuted the case.