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FORMER MODESTO REAL ESTATE BROKER PLEADS GUILTY IN \$7 MILLION MORTGAGE FRAUD SCAM

FRESNO, Calif. – James Lee Lankford, 74, formerly a Modesto-based real estate broker, pleaded guilty today to seven counts of mail fraud in connection with a mortgage fraud scam that looted elderly homeowners and lending institutions of millions of dollars, United States Attorney Benjamin B. Wagner announced. Lankford's husband, Jon Vance Lankford (formerly Jon Vance McDade), 49, also formerly of Modesto, pleaded guilty on September 16, 2013, to one count of bank fraud in connection with the same mortgage fraud scam.

According to his plea agreement, Lankford, who operated Century 21-Apollo Realty as a real estate agent and broker, fraudulently induced elderly property owners to sell their homes to him and to provide financing for his purchases. In return, Lankford agreed to make interest-only payments and to pay the principal amount at a future date. Lankford fraudulently induced the elderly sellers into believing that their financing was secured by the property itself by filing deeds with the county recorder's office. Unbeknownst to the elderly sellers, Lankford also obtained mortgages from lending institutions to finance the purchase of the same properties. In order to obtain the mortgages, Lankford would not inform the lending institutions that he had obtained seller-backed financing. Lankford and co-defendant McDade also would make other material misrepresentations on the loan applications and in some instances, submitted falsified documents regarding monthly income to ensure approval for the loans.

During the mortgage closings, Lankford directed that a portion of the money supplied by the lending institutions be released to him or co-defendant McDade rather than go to the elderly sellers for the purchase of the property. Lankford would then lull the elderly sellers into believing that their sales transactions were proceeding according to the agreement by mailing them monthly interest-only payments, and similarly lulled the lending institutions into believing the transactions were legitimate by recording deeds at the county recorder's office. Lankford fraudulently induced the lending institutions into believing they had the only lien on the purchased property by withholding from escrow the documents containing the seller financing information and by waiting until after the close of escrow for the conventional mortgage financing to record the sellers' deed.

In many instances, Lankford then refinanced the properties with another lending institution after filing fraudulent deeds purportedly showing that the elderly property owners had been paid in full. After fraudulently eliminating the seller's lien on the property, Lankford would then fraudulently obtain refinancing and draw out any equity that had accumulated in the property. Lankford, having refinanced the property, and in some instances having obtained additional financing by reselling the property to co-defendant McDade, would then allow the property to go into foreclosure, or would sell it as a short sale.

"James Lee Lankford participated in a fraudulent scheme that preyed on elderly victims and the banking industry causing millions of dollars in losses to those individuals and to Fannie Mae and Freddie Mac," said Michael P. Stephens, Acting Inspector General for the Federal Housing Finance Agency's Office of Inspector General (FHFA-OIG). "Such fraudulent behavior will not go undetected nor will it go unpunished. We will continue to work with our law enforcement partners to dismantle such schemes and hold all involved accountable."

Lankford admitted in his plea agreement to causing more than \$7 million in losses to the elderly property owners, lending institutions, and banks he victimized.

This case is the product of an investigation by the Federal Bureau of Investigation, the FHFA-OIG, and the Stanislaus County District Attorney's Office. Assistant U.S. Attorneys Christopher Baker and Michael Tierney are prosecuting the case.

Lankford and McDade are scheduled to be sentenced by Senior U.S. District Judge Anthony W. Ishii on January 27, 2014. Lankford faces a maximum statutory penalty of 20 years in prison and a \$250,000 fine for each count of mail fraud. McDade faces a maximum statutory penalty of 30 years in prison and a \$1 million fine. The actual sentences, however, will be determined at the discretion of the court after consideration of any applicable statutory factors and the Federal Sentencing Guidelines, which take into account a number of variables.

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