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San Fernando Valley Swindler Sentenced to 20 Years in Federal Prison for Conning Elderly Victims Out of Their Homes and Money

LOS ANGELES – A long-time con artist was sentenced today to 240 months in federal prison for running a multimillion-dollar real estate scam that conned elderly people out of their homes, gouging them with fraudulent threats of litigation and extorting monthly payments for illegal foreclosure and eviction delay.

Michael "Mickey" Henschel, 70, of Van Nuys, was sentenced by United States District Judge Virginia A. Phillips. A restitution hearing in this matter has been scheduled for December 2.

Henschel pleaded guilty on May 13 to one count of mail fraud after spending years filing fraudulent documents on homeowners' properties, and then using the fraudulent filings and fraudulent litigation to steal money from victims, sometimes stealing homes outright, and other times extorting settlement payments in actual or threatened civil litigation.

Henschel – who used various aliases, including "Frank Winston," "Steve Lopez" and "Ron Berman" – and his co-conspirators deceived vulnerable homeowners – typically elderly people in financial distress, some of whom spoke limited English. Henschel tricked the homeowners into signing fraudulent deeds on their properties with false promises that the deeds would help homeowners protect properties from creditors or enable them to get equity out of the properties. Unbeknownst to his victims, the deeds described fake loans that the homeowners were supposedly guaranteeing for third parties, and in signing the deeds, they were pledging their houses as collateral for these fake loans. Henschel used the fraudulent deeds to steal homes and money from the victims.

In total, the scheme generated more than $17 million in profits. Henschel's fraudulent conduct also caused losses to mortgage lenders in connection with lawful foreclosure actions and to purchasers of foreclosed properties in depriving them of lawful possession to those properties.

Henschel's criminal conduct devastated his victims, leaving some of them penniless. Many other victims had to face financial insecurity – even homelessness – in their old age as they struggled to pay for basic necessities such as food and clothing. Several victims lost homes that their families had owned for generations.

One victim, who spent her entire career teaching developmentally disabled students, purchased a home and spent decades paying down most of her mortgage, only to have Henschel and his co-conspirators fraudulently steal it from her.

The real estate fraud scheme had two parts: one involving property theft and litigation extortion, and the other involving illegal foreclosure and eviction delay.

In the property theft and litigation extortion part of the scheme, Henschel filed fraudulent documents on titles to homeowners' properties and used these fraudulent filings to steal properties from some victims outright and to extort settlement payments from other victims in civil litigation. Henschel weaponized the state court litigation system against homeowners, using his specialized training and knowledge of the law (he attended law school but never was admitted to practice) to extort settlements from homeowners by dragging them through stressful lawsuits.

"Assault by legal paperwork, unscrupulous litigation tactics, and low-ball settlement demands were all part of the scheme, as victims often found it cheaper to pay defendant than to fight him, and defendant intentionally arbitraged the high cost of state court civil litigation to extort settlement payments," the government wrote in its sentencing memorandum.

In the foreclosure rescue part of the scheme, Henschel and his co-conspirators used fraudulent filings to charge homeowners fees to delay foreclosure and eviction actions. Henschel and the others had homeowners sign fraudulent deeds that transferred interests to debtors in bankruptcy cases – but the bankruptcies were fraudulent and used solely as part of the fraudulent scheme, not as part of any genuine effort to restructure or eliminate debts.

Many of the fraudulent bankruptcies were filed in the names of fictional people and entities, and some involved stolen identities. Henschel and his co-conspirators sent fake deeds and fraudulent bankruptcy petitions to trustees to stop foreclosure sales. They delayed evictions in a similar way, mainly by filing fraudulent documents in state court unlawful detainer actions and then sending bogus documents to various county sheriff's offices.

Henschel charged homeowners monthly fees for the illegal foreclosure- and eviction-delay services, collecting more than $7 million through this part of the scheme. The property theft portion of the scheme netted Henschel $10 million in ill-gotten gains.

A total of seven defendants linked to Henschel's Van Nuys-based companies have been convinced of crimes related to the scheme. Those defendants are scheduled to be sentenced later this year.

The case against Henschel and the others are the result of an investigation by the Federal Bureau of Investigation, and the Federal Housing Finance Agency - Office of Inspector General. The United States Trustee's Office for the Central District of California initially referred the matter for investigation and has provided substantial assistance. Also providing assistance during the investigation were the Alameda County District Attorney's Office, the Los Angeles County Recorder's Office, the Alameda County Recorder's Office, and the San Diego County Recorder's Office.

This case was prosecuted by Assistant United States Attorneys Kerry L. Quinn and Eddie A. Jauregui of the Major Frauds Section. The forfeiture part of the case is being handled by Assistant United States Attorney Jonathan S. Galatzan of the Asset Forfeiture Section.

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