

Former Local Loan Officer Sentenced on Federal Fraud Charges

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St. Louis, MO – **MICHAEL WALLIS** was sentenced to 14 months in prison on charges related to a fraud scheme involving applications for home loans. H was also ordered to pay restitution of \$904,923.

According to the facts stated in court during the plea, since at least 2007, Michael Wallis worked in the mortgage lending industry in the St. Louis area. Initially, Wallis was employed as a loan officer, but later operated a company known as Missouri Builders and Home Remodeling (Missouri Builders), which performed interior construction and remodeling work on houses. Around 2007, Wallis began doing real estate business deals with two associates who also worked in the St. Louis real estate market, and each had experience dealing with mortgages insured by the United States Department of Housing and Urban Development, Federal Housing Administration (FHA loans). In addition, they had experience dealing with conventional mortgage loans from banks insured by the Federal Deposit Insurance Corporation (FDIC) and mortgage loans held by the government-sponsored entity known as the Federal National Mortgage Association (Fannie Mae).

From as early as 2007 until as late as January 2010, Wallis and his co-conspirators made material false representations on HUD-1 forms, resulting in the disbursement of excess loan funds which they shared among themselves. As part of the conspiracy, Wallis and his co-conspirators found and recruited individuals to apply for loans to purchase homes and supplied the funds for the down payments on the home purchases, but falsely represented to HUD and to the lending banks that the borrowers were making the down payments. They created fake "gift letters," which falsely stated that the borrowers' relatives were providing the down payment funds as gifts to the borrowers.

In addition, Wallis and his co-conspirators falsely stated on HUD-1 forms that remodeling expenses had been incurred and had to be paid from loan proceeds by creating fake and inflated invoices for expenses for remodeling work that was never done. As a result, at closing, the title company disbursed loan funds to Wallis' company, Missouri Builders, based on the false statements on the HUD-1 forms and the false and inflated invoices. Wallis then paid kickbacks to his associates from the illegally obtained loan funds.

Most of the loans went into default, causing substantial losses to the United States and financial institutions.

Wallis, Festus, Missouri, previously pled guilty to one felony count each of conspiracy to commit bank fraud and make false statements and making false statements. He appeared today for sentencing before United States District Judge John Ross.

Joseph Brogan, a co-conspirator of Wallis, pled guilty last month to one count of conspiracy and two counts of bank fraud. He will appear for sentencing in May of this year.

This case was investigated by the Department of Housing and Urban Development-Office of Inspector General, the Federal Housing Finance Agency-Office of Inspector General, the United States Postal Inspection Service and the Federal Bureau of Investigation. Assistant United States Attorney Reginald Harris handled the case for the U.S. Attorney's Office.

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