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Central District of California

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San Fernando Valley Con Man Pleads Guilty in Multi-Million Dollar Real Estate Fraud Scheme that Targeted Vulnerable Homeowners

LOS ANGELES – A career con man pleaded guilty today in a federal fraud case stemming from a real estate scam that targeted distressed homeowners, many of whom were elderly individuals who were scammed out of their homes, losing significant equity in the properties accumulated over the course of their lifetimes and sometimes over the course of generations of home ownership.

Michael "Mickey" Henschel, 70, of Van Nuys, pleaded guilty to mail fraud in relation to the scheme that generated more than $17 million in profits and caused homeowners to suffer approximately $10 million in losses when they lost title to their homes and when they were defrauded into giving Henschel and his co-conspirators money as part of the scam. Henschel's fraudulent conduct also caused losses to mortgage lenders and purchasers of foreclosed properties.

With another defendant pleading guilty today, a total of seven conspirators linked to Henschel's Van Nuys-based businesses have now pleaded guilty in the scheme that used fraudulent deeds to steal properties from homeowners, and also charged homeowners illegal fees to delay foreclosure and eviction actions.

According to court documents, Henschel – who used various aliases, including "Frank Winston," "Steve Lopez" and "Ron Berman" – and his co-conspirators tricked distressed homeowners into signing fraudulent deeds on their properties with false promises that the deeds would help homeowners protect their properties from creditors. The fraudulent deeds allowed Henschel and the others to fraudulently file documents on the titles to the targeted homeowners' properties. For example, they filed fraudulent grant deeds that purported to convey an interest in the properties to entities that Henschel controlled. They also filed fraudulent trust deeds based on fictional loans supposedly guaranteed by the targeted homeowners and fraudulent liens that recorded an interest in the properties based on fictional debts.

Henschel and his co-conspirators benefited from the fraudulent filings in a variety of ways, including through outright theft of the properties, mortgages that co-conspirators obtained on the properties, and rental payments that they obtained from tenants living in the properties. The schemers also made money by demanding payments from the targeted homeowners to clear up the title, and from fraudulent state court civil actions that Henschel and his co-conspirators used to leverage settlement payments.

Four other defendants who worked for Henschel's various companies recently pleaded guilty to conspiracy to commit mail fraud and bankruptcy fraud. They are:

• Camerino "Mino" Islas, 42, of North Hollywood;

• Claudia "Jessica" Islas, 43, of Reseda;

• Juan Carlos Velasquez, 44, of Sylmar; and

• Eugene "Gene" Fulmer, 84, of Encino, who pleaded guilty today.

Two other individuals – Shara Surabi, 35, of Burbank, and Lidia Alvarez, 55, of Bell Gardens – pleaded guilty in late 2017 to federal charges related to this scheme.

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 relation to the first aspect of the scheme, Henschel and his co-conspirators identified distressed homeowners who were in default on mortgages or were experiencing financial troubles, even though some had large amounts of equity in their properties. These homeowners were falsely told that Henschel was a sophisticated real estate investor and attorney who would purchase their properties on fair market terms, or he could help protect the homes from creditors. Henschel and the others promised distressed homeowners that they could refinance mortgages or restructure real estate holdings to insulate the properties from creditors, and that Henschel and other co-conspirators could manage the properties on an ongoing basis.

Henschel and the others convinced homeowners to sign fraudulent documents that were recorded on the titles to their homes. In some cases, these fraudulent filings were used to steal properties outright. In other cases, the conspirators exploited the fraudulent filings by initiating foreclosure proceedings and demanding money from homeowners before the properties could be sold. Henschel and his co-conspirators also leveraged the high cost of bringing and defending civil actions to extort settlement payments from homeowners, relying on the fact that it would often be less expensive for homeowners to pay money than to fight them in court.

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, and they delayed evictions in a similar way, mainly by sending bogus documents to various county sheriff's offices.

As a result of his guilty plea today, Henschel is facing a statutory maximum sentence of 20 years in federal prison. The other six defendants each face up to five years' imprisonment. Henschel is scheduled to be sentenced by United States District Judge Virginia A. Phillips on August 12, and the four other conspirators who recently pleaded guilty are scheduled to be sentenced on August 26. Surabi and Alvarez are expected to be sentenced later this year.

As part of his plea agreement, Henschel agreed to forfeit money and property that represent proceeds of the fraudulent scheme, including more than $100,000 in cash seized from a bank account and various residential properties in the San Fernando Valley, Glendale and Pasadena.

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 is being 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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