Booth Goodwin, United States Attorney

Southern District of West Virginia

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U.S. ATTORNEY CAPS MULTIMILLION-DOLLAR MORTGAGE FRAUD INVESTIGATION WITH ALMOST FIVE-YEAR PRISON SENTENCE FOR UTAH RINGLEADER

166 Months of Total Imprisonment Handed Down for Illegal Property Flipping Scheme in Putnam County

CHARLESTON, W.Va. – In wrapping up a six-year long investigation, U.S. Attorney Booth Goodwin announced today that a Utah man was sentenced to four years and nine months in federal prison for his leadership role in a multimillion-dollar mortgage fraud scheme linked to properties in a Putnam County, W.Va. subdivision. Raymond Paul Morris, 51, of South Weber, Utah, previously pleaded guilty in July to conspiracy to commit wire fraud and bank fraud. Morris admitted to participating in the sophisticated multimillion-dollar mortgage fraud scheme in early 2006 along with convicted co-conspirators Deborah L. Joyce, 38, of Hurricane, West Virginia and Michael S. Hurd, 37, of Utah. The scheme reaped nearly $2 million in lost equity from the lenders in less than two years. Six defendants were ultimately sentenced to a total of 166 months of imprisonment for their respective involvement in the fraudulent scheme.

U.S. Attorney Goodwin said, "When criminals steal from banks by taking out fraudulent loans, it's legitimate borrowers who get hurt. Mortgage fraud makes it difficult for honest home-buyers to get a mortgage. And that cuts straight to the heart of the American dream."

The Gift Program Scheme

Between July 2006 through December 2007, Morris, Hurd and Joyce profited from illegally "flipping" existing homes in the Stonegate subdivision to out-of-state borrowers at falsely inflated sales prices. During this time, Morris served as a leader of "100X," organized in Salt Lake City, Utah, which was a group of novice investors who were looking to make quick profits in the real estate boom of the mid-2000's. While searching for potential real estate deals across the country in late 2005, Morris became acquainted with Joyce, a local Putnam County real estate developer, who at the time was looking to build new single-family homes in the undeveloped lots of the Stonegate subdivision. Morris flew to West Virginia and reviewed Joyce's plans. The two agreed before Joyce could sell new construction in the subdivision, she needed more expensive comparable home sales of existing properties to justify the asking price for her planned new construction.

Joyce approached homeowners in the subdivision and entered into sales contracts to purchase the homes at or near the current fair market value. Joyce then obtained fraudulently inflated appraisals from two local real estate appraisers, James Thornton, 48, and Mark Greenlee, 50, that essentially doubled the fair market value of the properties she had under contract. Joyce sent those appraisals to Morris, who in turn pitched the purchase of these same properties to the 100X members as a real estate investment opportunity. Morris, of course, concealed Joyce's underlying sales agreement and the home's true market value.

To convince the 100X members to purchase the Stonegate properties, Morris enlisted the assistance of a friend, Michael Hurd, who was operating a company called "The Gift Program" or "Advanced Capital Services" that was operated at Hurd's home in Sandy, Utah. Hurd described "The Gift Program" to the 100X members as a "seller funded down payment assistance program" used to provide home buyer's money to make down payment and initial mortgage payments on real estate purchases. As a result, Morris was able to convince the 100X members that the investment opportunity represented little personal risk because they would not only not have to pay a down payment, but receive help with initial mortgage payments that they could rely upon while the 100X member tried to turn around and flip the property again at an even higher price. In reality, The Gift Program was simply an elaborate scheme to defraud lenders by concealing the transfer of loan funds to the borrower from the lender. In essence, through the use of The Gift Program, lenders unwittingly funded their own down payment and made the initial mortgage payments. To deceive the 100X members further, Morris led them to believe he was also investing in the Stonegate project.

In total, Morris, Hurd, and Joyce convinced five 100X members to purchase five existing homes and one lot for new construction. The respective lender losses totaled almost $2 million.

62 Stoneridge

By way of example, in the fall of 2006, Joyce secured a property known as 62 Stoneridge under a sales contract with the owner for $355,000. Joyce then obtained a false appraisal from Greenlee claiming the property to be worth $645,000. Morris shopped the 62 Stoneridge appraisal to the 100X group. With the promise of no initial investment and a return of cash to pay mortgage payments, "D.H." agreed to purchase the property. Relying upon the false appraisal and a representation that the buyer would be paying $133,000 of personal funds for the down payment, an unwitting lender agreed to fund the loan.

Just prior to closing, Joyce assigned her sales contract to a buyer known as "D.H." Joyce required the existing homeowners to execute documents agreeing to transfer at closing $290,000 to The Gift Program, representing the yield between the original sales price and the inflated sales price. Otherwise, Joyce threatened to cancel the closing altogether. In Utah, Hurd established a bank account in the name of D.H. Hurd then deposited funds into the account.

On the day of closing Hurd wired $133,000 from that account to the closing attorney, so it appeared to the lender that D.H. had in fact used personal funds to pay the down payment. The closing attorney then paid the existing homeowner the agreed-to underlying sale price of $355,000 and wired the remaining $290,000 to The Gift Program per Joyce's instruction. After reimbursement for fronting the down payment, Hurd then wired $65,000 to D.H., $72,000 to Morris as a "commission" for facilitating the transaction and kept the rest for himself. Joyce had another comparable sale within the subdivision that she could use to justify the exorbitantly high prices she wanted for her planned new construction.

D.H. tried to re-sell 62 Stoneridge immediately, but it became obvious that the home was drastically overvalued. After the funds for mortgage payments were exhausted and D.H. could no longer make the monthly payments, the lender had to dispose of the property in a short sale for $282,500 and write off over $360,000 in losses.

Sentences

In addition to the 57-month prison sentence Morris received today for his role in the scheme, his co-conspirators and the complicit appraisers also were brought to justice. Deborah Joyce was sentenced in April 2011 to forty-six months in prison and five years of supervised release for her involvement in the Stonegate subdivision mortgage fraud scheme. Joyce's husband, Todd Joyce, 38, of Hurricane, Putnam County, W.Va., was also sentenced in April 2011 to eighteen months in prison on mortgage fraud and tax evasion charges.

Mark Greenlee was sentenced in August to eighteen months in federal prison for preparing the false and fraudulent appraisal of 62 Stoneridge in furtherance of the mortgage fraud scheme. James Thornton was also sentenced in August to five years' probation for his involvement in the scheme. Thornton received a reduced sentence as a result of his early cooperation in the federal investigation.

Morris and Hurd had also orchestrated a similar investment-type scheme in Modesto, California.

Michael Hurd was sentenced in August to twenty-seven months in federal prison. Hurd previously pleaded guilty in November 2011 to conspiracy to commit wire fraud and bank fraud. He also previously pleaded guilty to mail fraud arising out of his involvement in a similar fraud scheme in Modesto, Calif. Hurd acknowledged that he was involved in illegally flipping twenty properties with losses in excess of $5.5 million. As part of his plea agreement, Hurd agreed to transfer those charges from the Eastern District of California to the Southern District of West Virginia so the matters could be disposed of jointly.

Morris agreed to include the lender losses suffered as a result of the Modesto, California illegal property flips as relevant conduct for sentencing purposes here in the Southern District of West Virginia.

This case was investigated by the FBI, the Internal Revenue Service's Criminal Investigative Division, and the Federal Housing Finance Agency's Office of Inspector General. Assistant United States Attorney Thomas Ryan handled the prosecution. The sentence was imposed by United States District Judge Thomas E. Johnston.

This case was prosecuted as an action of the federal Financial Fraud Enforcement Task Force, which was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

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