

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

*United States Attorney
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For Immediate Release

RAMONA REAL ESTATE AGENT WHO ARRANGED FRAUDULENT REAL ESTATE SALES SENTENCED TO 15 MONTHS

***FINAL DEFENDANT SENTENCED IN FRAUD SCHEME THAT GENERATED OVER
\$14 MILLION IN PROCEEDS***

NEWS RELEASE SUMMARY – January 3, 2014

SAN DIEGO – Real estate agent Teresa Rose, of Ramona, California, was sentenced today to 15 months in custody by U.S. District Judge John A. Houston for her role in an investment and mortgage loan fraud scheme that generated tens of millions of dollars in fraudulent loans and millions in illegal kickbacks to the participants. In addition, Rose was ordered to pay more than half a million dollars in restitution to victims of the offense.

Rose was charged with participating in the scheme along with five others: Mary Armstrong, an unlicensed mortgage broker who orchestrated the scheme; William Fountain, Armstrong's assistant; John Allen, a mortgage loan processor from Laguna Hills; Justin Mensen, a straw buyer who later recruited others and helped launder the funds; and Audrey Yeboah, a Los

Angeles-based tax preparer who generated fake paperwork to support the loans.

Rose's coconspirators, including Mary Armstrong, recruited real estate "investors" through advertisements in the Los Angeles Times, Monster.com, and elsewhere. They offered these "investors" the opportunity to purchase homes using their good credit with no money down. In order to get these "investors" to participate in the loan fraud, the participants in the fraud promised to make the mortgage payments on their behalf using rental income from the properties.

In reality, these so-called investors were nothing more than straw buyers who were promised \$10,000 for each property purchased as part of the scheme. Rose helped secure mortgages on the properties by falsifying loan applications for the straw buyers. Among other things, the loan applications she helped to falsify claimed that the borrowers had exorbitant income from fake employers, and assets that they did not own. Rose and others used sham employers in order to verify the borrowers' fabricated employment histories. In addition, Armstrong arranged for the borrowers to obtain 100% financing – and thus avoided having to make any down payment on the properties.

Rose acted as both the buyers' and sellers' real estate agent on a number of these sales, and convinced the sellers of each property to inflate the purchase price by \$100,000 or more. These inflated amounts were allegedly for construction to improve the properties. In fact, no construction work was performed and the funds were diverted (or "kicked back") to bank accounts controlled by Rose's coconspirators. In this way, the conspirators pocketed nearly \$15 million in kickbacks, made few if any mortgage payments, and allowed nearly all of the properties to swiftly fall into foreclosure. Rose earned real estate sales commissions from both the sellers and buyers on each transaction, and took home more than \$200,000 for arranging the sales of nine properties in Ramona. In total, Armstrong arranged the purchase of approximately \$100 million in loans through this scheme, resulting in estimated losses between \$7 million and \$20 million to the mortgage lenders and secondary purchasers Fannie Mae and Freddie Mac.

All of the defendants pled guilty to participating in the scheme and were sentenced by Judge Houston. Armstrong was sentenced to 100 months in custody. Fountain and Allen were sentenced to 42 months and 12 months in custody, respectively. Mensen and Yeboah were each sentenced to probation with terms of home detention or house arrest.

United States Attorney Laura Duffy said the American public is the actual victim of this type of widespread mortgage fraud, which played such a significant role in destabilizing the country's financial situation and neighborhoods rocked by foreclosures and abandoned homes. She emphasized that her office would aggressively prosecute such crimes and urged anyone in the community who has information relating to these charges to contact the San Diego branch of the Federal Bureau of Investigation at (858) 565-1255 or the Federal Housing Finance Agency - Office of Inspector General hotline at (800) 793-7724.

This matter was investigated jointly by agents from the FBI and FHFA-OIG. The case is being prosecuted by FHFA-OIG Investigative Counsel and Special Assistant U.S. Attorney Emily W. Allen and Assistant U.S. Attorney Valerie Chu of the Southern District of California.

DEFENDANTS

Criminal Case No. 12CR1848-JAH

Mary Armstrong

Teresa Rose

William Fountain

John Allen

DEFENDANT

Criminal Case No. 12CR1458-JAH

Justin Mensen

DEFENDANT

Criminal Case No. 12CR4322-JAH

Audrey Yeboah

SUMMARY OF CHARGES

Mary Armstrong, Teresa Rose, and William Fountain

Count 1: Title 18, United States Code, Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money -- statutory maximum sentence of 5 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

Mary Armstrong

Count 2: Title 18, United States Code, Section 1343 -- Wire Fraud -- statutory maximum sentence of 20 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

Counts 3-5: Title 18, United States Code, Section 1956(a)(1)(B)(I) -- Money Laundering -- statutory maximum sentence of 15 years' custody, a maximum fine of \$500,000 or twice the value of the property involved in the transaction, and \$100 special assessment.

Justin Mensen

Information: Title 18, United States Code, Section 371 -- Conspiracy to Commit Wire Fraud and to Launder Money -- statutory maximum sentence of 5 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

Audrey Yeboah

Information: Title 18, United States Code, Section 1343 -- Wire Fraud -- statutory maximum sentence of 20 years custody, a maximum fine of \$250,000 or twice the gain derived from or loss caused by the offense, and \$100 special assessment.

AGENCIES

Federal Bureau of Investigation

Federal Housing Finance Agency - Office of Inspector General