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Tuesday, June 21, 2022

Three Defendants who Participated in Kickback and Bribery Schemes Involving Federal Housing Grant Programs Sentenced in Federal Court

CHARLESTON, SOUTH CAROLINA — Charles “Chuck” Willys Mincey, Jr., 65, of Flora, Mississippi, Karl Henry Zerbst, Jr., 62, of Mount Pleasant,, and Brian Daniel Herndon, 46, of Summerville, were sentenced in federal court after pleading guilty for their roles in various kickback and bribery schemes involving federal housing grant programs in the Charleston area.

Evidence presented to the Court showed that from December of 2014 until at least March of 2019, Mincey and Zerbst participated in a scheme to unlawfully profit from their work on certain Affordable Housing Program grants disbursed by the Federal Home Loan Bank of Atlanta to low income households of United States Military veterans and spouses of veterans for house rehabilitation.

In 2014, Mincey approached Zerbst to be an intermediary for grants for which Mincey and his company, Palmettos at Folly, was the designated contractor. As an intermediary, it was Zerbst's role to locate prospective program participants, hire and manage the contractors conducting the rehabilitative work, and hire and manage third-party inspectors to inspect the work and assess it for cost reasonableness. As part of their arrangement, Mincey and Zerbst agreed to split the profits they made from the grants 50/50. This agreement was in violation of the express rules of the grant program, which prohibited an intermediary from receiving more than 12% of the grant funds, and also prohibited any conflict of interests or appearance of a conflict of interest with any other party to the grant application.

During the relevant time period, the Federal Home Loan Bank of Atlanta sent the grant funds to community member banks, who then disbursed the funds to Zerbst's company KHZ. Zerbst retained his intermediary fees and then wrote checks for construction costs to Mincey's company, Palmetto's at Folly. Mincey then funneled grant money back to Zerbst, by writing checks from

Palmetto's at Folly to Charleston Strategic Consultants LLC, a company controlled by Zerbst. In total, Mincey funneled at least \$246,689.99 in unlawful kickbacks to Zerbst.

Evidence showed that Mincey also participated in a bribery scheme with a City of Charleston employee Brian Herndon in order to win construction bids for housing projects funded by the United States Department of Housing and Urban Development. As a Project Manager for housing rehabilitation at the Charleston Department of Housing and Community Development, Herndon had access to non-public information regarding cost estimates generated for each project grant, which he shared with Mincey in exchange for cash payments between \$200 and \$500. In total, Herndon accepted at least \$15,000 in bribe money.

Senior United States District Court Judge Margaret B. Seymour sentenced all three individuals. Mincey was sentenced to eight months in federal prison, followed by a three-year term of court-ordered supervision, and ordered to pay \$91,990 in restitution. Zerbst was sentenced to five years of probation, and paid \$246,689.99 in restitution prior to his sentencing. Herndon was sentenced to six months in prison, followed by a year of court-ordered supervision. Judge Seymour also granted a money judgment against Herndon in the amount of \$15,000, equal to the amount of bribe money that Herndon received from Mincey from 2014 to 2020. There is no parole in the federal system.

The two cases were investigated by the Federal Housing Finance Agency, Office of Inspector General, and the Federal Bureau of Investigation. Assistant U.S. Attorney Alessandra Stewart prosecuted the cases.

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Topic(s):

Financial Fraud

Component(s):

USAO - South Carolina

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