



former local loan officer pleads guilty to federal fraud charges

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St. Louis, MO - **MICHAEL WALLIS** pled guilty to federal criminal charges related to a fraud scheme involving applications for home loans.

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 (hereinafter referred to as "Missouri Builders"), which performed interior construction and remodeling work on houses. In or around 2007, Wallis began doing real estate business deals with two associates, whose initials are J.B. and J.H., who also worked in the St. Louis real estate market. Wallis, J.B. and J.H. 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, in the Eastern District of Missouri, Wallis conspired with J.B. and J.H. to commit the crimes of Bank Fraud and False Statements to an Agency of the United States, in that Wallis and his co-conspirators made material false representations on HUD-1 forms, resulting in the disbursement of excess loan funds which Wallis and his co-conspirators shared among themselves. As part of the conspiracy, Wallis and his co-conspirators found and recruited individuals to apply for loans to purchase homes. Wallis and his co-conspirators 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. Wallis and his co-conspirators 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. Wallis and J.B. created 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 J.B. and J.H. from the illegally obtained loan funds.

Most of the loans went into default, causing substantial losses to the United States and financial institutions. The parties agreed that, for purposes of sentencing guideline calculations, Wallis is responsible for losses in excess of \$400,000 but not more than \$1,000,000.

Wallis, St. Louis, MO, appeared before United States District Judge John Ross and pled guilty to one felony count of conspiracy to commit bank fraud and make false statements and one felony count of making false statements. Sentencing has been set for March 27, 2014.

Conspiracy carries a maximum of 5 years in prison and/or fines up to \$250,000, or both; and making false statements carries a maximum of five years in prison and/or fines up to \$250,000, or both. In determining the actual sentences, a Judge is required to consider the U.S. Sentencing Guidelines, which provide recommended sentencing ranges.

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 and the Postal Inspection Service. Assistant United States Attorney Reginald Harris is handling the case for the U.S. Attorney's Office.