



Department of Justice

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MORE THAN 400 DEFENDANTS CHARGED FOR ROLES IN MORTGAGE FRAUD SCHEMES AS PART OF OPERATION “MALICIOUS MORTGAGE”

TWO DEFENDANTS INCLUDED FROM SOUTHERN DISTRICT OF INDIANA

The Department of Justice and Federal Bureau of Investigation (FBI) announced today a national takedown of mortgage fraud schemes, the culmination of substantial coordinated efforts during the last three and a half months to identify, arrest and prosecute mortgage fraud violators through the United States. Operation Malicious Mortgage highlights the strong enforcement response undertaken by the Department of Justice and its law enforcement partners to combat the threat mortgage fraud poses to the U.S. housing industry and worldwide credit markets.

From March 1 to June 18, 2008, Operation Malicious Mortgage resulted in 144 mortgage fraud cases in which 406 defendants were charged. Yesterday, 60 arrests were made in mortgage fraud-related cases in 15 districts. Charges in Operation Malicious Mortgage cases were brought in every region of the United States and in more than 50 judicial districts by U.S. Attorneys' Offices based upon the law enforcement and investigative efforts of participating law enforcement agencies. The FBI estimates that approximately \$1 billion in losses were inflicted by the mortgage fraud schemes employed in these cases.

Within the Southern District of Indiana, two women were included in this group. Beverly Ross, 49, and Donella Locke, 58, both stand indicted for mortgage fraud following their arrests in March, 2008. Their cases are pending. Ross and Locke are accused of conspiring together to commit mortgage fraud involving 36 high-dollar houses in Hamilton, Hancock and Marion Counties. “The Indianapolis Office of the FBI is committed to investigating mortgage fraud and, to that end, has named Special Agent Thomas Van Wormer as the Mortgage Fraud Coordinator,” stated Special Agent in Charge Michael S. Welch.

“Mortgage fraud and related securities fraud pose a significant threat to our economy, to the stability of our nation’s housing market and to the peace of mind of millions of American homeowners,” said Deputy Attorney General Mark R. Filip. “Operation Malicious Mortgage and

our other mortgage-related enforcement actions demonstrate the Justice Department's commitment and determination to combat these criminal schemes, hold their perpetrators accountable and help restore stability and confidence in our housing and credit markets.”

Operation Malicious Mortgage represents the joint collaborative efforts of the FBI, U.S. Postal Inspection Service, Internal Revenue Service-Criminal Investigation Division, U.S. Immigration and Customs Enforcement, U.S. Secret Service, U.S. Trustee Program, Department of Housing and Urban Development Office of the Inspector General, Department of Veterans Affairs Office of the Inspector General, and Federal Deposit Insurance Corporation Office of the Inspector General. Operation Malicious Mortgage is the most recent coordinated sweep in an ongoing law enforcement effort to combat mortgage fraud, which also included Operation Continued Action in 2004 and Operation Quick Flip in 2005.

Mortgage frauds employ a variety of tactics including misrepresentations, deceit and other criminal abuses to fund, purchase or insure mortgage loans. Operation Malicious Mortgage addresses primarily three types of mortgage fraud schemes: lending fraud, foreclosure rescue scams and mortgage-related bankruptcy schemes. Lending fraud frequently involves multiple loan transactions in which industry professionals construct mortgage transactions based on gross fraudulent misrepresentations about the borrower's financial status, such as overstating the borrower's income or assets, using false or fictitious employment records or inflating property values. Foreclosure rescue scams involve criminals who target legitimate homeowners in dire financial circumstances and fraudulently collect fees for foreclosure prevention services or obtain ownership interests in residential properties. Both of these fraudulent mortgage schemes may be furthered by filing bankruptcy petitions that automatically stay foreclosure.

The President's Corporate Fraud Task Force, chaired by Deputy Attorney General Filip, is also responding to issues raised by mortgage fraud in the corporate sector. Created in 2002 to investigate and prosecute significant financial crimes, the Task Force includes representatives from ten federal departments, commissions and agencies, in addition to seven U.S. Attorney's Offices and two Divisions within the Department of Justice, combining the experience of thousands of investigators, attorneys, accountants and regulatory experts. Since July 2002, the Department of Justice has obtained nearly 1,300 corporate fraud convictions, including the convictions of more than 200 chief executive officers and corporate presidents, more than 120 corporate vice presidents and more than 50 chief financial officers.

An indictment is not evidence of guilt. All persons charged with a crime are presumed innocent until proven guilty beyond a reasonable doubt.

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