



# Department of Justice

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## **“STING” SENDS FORMER LOAN OFFICER TO PRISON FOR MORTGAGE FRAUD**

### ***Property’s Price Inflated by \$2 Million To Get Multi-Million Dollar Kickback***

Gainesville, GA - ANDREW JOHN SMITH, 29, of Cleveland, Georgia, was sentenced today by United States District Judge William C. O’Kelley to serve over 3 years in prison on a federal charge of conspiracy to commit bank, wire and mail fraud arising from a mortgage fraud scheme.

United States Attorney David E. Nahmias said of the case, “We will continue to use undercover ‘sting’ operations to stop the closing of fraudulent loans before the proceeds are disbursed, especially when a loss of over a million dollars to such frauds could seriously impact the lending banks during these difficult times. We remain committed to the prosecution of mortgage frauds, which has so devastated our local and national economy, and anyone involved in such fraud should fear that everyone else involved in the deal may be cooperating with the FBI.”

FBI Atlanta Special Agent in Charge Gregory Jones said, “This investigation should send a clear message to those criminals involved in mortgage fraud that the FBI may also be at the closing with cameras rolling and a set of handcuffs.”

FDIC-OIG Special Agent in Charge, Southeast Region, C. Ed Slagle said, “This investigation should serve as a warning to those who continue to attempt mortgage frauds in ever increasing amounts at a time when the community has already been so negatively impacted by such frauds.”

SMITH was sentenced to 3 years, 6 months in prison to be followed by 5 years of supervised release. The court has ordered SMITH to pay restitution but has not yet set a final amount. SMITH pleaded guilty to the charge on January 9, 2009.

According to United States Attorney Nahmias and information presented in court: In early 2007, SMITH was employed as a part-time Loan Officer by United International Mortgage (UIM) in Buford, Georgia, when he originated a fraudulent loan for his own

residence. SMITH was later recruited by an UIM co-conspirator not named in the indictment to refinance UIM loans with other lenders, as well as to sell UIM foreclosed properties on which construction was not complete to unqualified straw borrowers funded by other lenders. SMITH's own loan for his residence had been included in the UIM portfolio of non-performing loans facing imminent foreclosure.

On June 9, 2008, SMITH and his UIM co-conspirator were caught in an FBI/FDIC-OIG (Federal Deposit Insurance Corporation-Office of Inspector General) "sting" after SMITH had arranged for the sales price of a Pendergrass, Georgia, property to be inflated from \$2 million to \$4 million. Prior to his arrest, SMITH submitted fraudulent documents to federally insured banks to arrange a \$3.2 million purchase money mortgage loan to finance the purchase of the property. SMITH then negotiated a side agreement with the sellers (who were, unbeknownst to SMITH, cooperating with the FBI) for the secret kickback of \$2 million to his shell company. SMITH was arrested by federal agents at the property during a subsequent meeting to negotiate his multi-million dollar kickback for the "deal."

Notably, the property at issue was sold for its true market value of \$1.8 million immediately upon conclusion of the FBI's sting operation.

The FBI investigation is ongoing.

This case was investigated by Special Agents of the Federal Bureau of Investigation and the Office of Inspector General, Federal Deposit Insurance Corporation.

Assistant United States Attorney Gale McKenzie prosecuted the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).