

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California***

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***For Immediate Release***

### **TWENTY-FOUR INDIVIDUALS CHARGED IN RICO CONSPIRACY BASED ON AN EXTENSIVE MORTGAGE FRAUD SCHEME WITH PROPERTIES SOLD FOR MORE THAN \$100 MILLION DOLLARS**

**NEWS RELEASE SUMMARY** - April 7, 2009

San Diego, CA - United States Attorney Karen P. Hewitt announced today the unsealing of an indictment charging twenty-four individuals with Conspiracy to Conduct Enterprise Affairs Through a Pattern of Racketeering Activity (RICO). Specifically, the defendants are charged with using a corrupt enterprise to conduct a pattern of racketeering activity, namely, wire fraud, bank fraud, and money laundering. The charged racketeering activity all stems from an extensive mortgage fraud scheme based in San Diego, California, that involved 220 properties with a total sales price of more than \$100 million dollars.

According to Assistant U.S. Attorneys Todd W. Robinson and Nicole Acton Jones, who are prosecuting the case, the lead defendants charged with running the corrupt enterprise are: Darnell Bell, aka D-Bell, Michael Ivy, Stanley Gentry and Billie Bishop. The indictment alleges that Darnell Bell, a documented member of the Lincoln Park street gang, was the leader of the corrupt enterprise and that he

received at least \$9 million in proceeds from the racketeering conspiracy. Michael Ivy was primarily responsible for negotiating the purchase of real estate on behalf of the enterprise. Stanley Gentry, a licensed real estate broker, allowed the corrupt enterprise to use his broker's license to facilitate the fraudulent purchase of property in exchange for a \$10,000 monthly payment and a percentage of the real estate commission and broker's fees associated with each fraudulent purchase. Billie Bishop was an escrow officer who facilitated the fraudulent purchase of more than 100 properties on behalf of the enterprise.

The indictment alleges that the defendants devised a scheme to defraud mortgage lenders and to obtain money and property by false and fraudulent means. According to the indictment, between January 2005 and at least April 2008, the defendants used multiple real estate businesses, including the Ivy House, Inc., the Real Estate Center of Southern California, and the Real Estate Center of La Mesa, to facilitate the fraudulent purchase of real estate. In general terms, the scheme charged in the indictment worked as follows:

- Defendants identified properties for sale throughout Southern California that had been on the market for an extended period of time and for which the original asking price had been reduced.
- Defendants then recruited "straw buyers" who allowed their names and credit histories to be used to obtain mortgage loans and purchase properties in name only on behalf of the racketeering enterprise.
- Defendants prepared and submitted offers to purchase the identified properties that substantially exceeded the asking price for those properties.
- Defendants hired real estate appraisers, including co-defendant Esteban Valenzuela, to prepare inflated appraisals for the identified properties; the inflated appraisals were then used to fraudulently induce lenders to believe that the loans being given to the "straw buyers" would be fully secured by the value of the properties being purchased.
- Defendants prepared and submitted false loan applications for the "straw buyers" in order to induce lenders to make loans to persons and at terms that the lenders otherwise would not have funded.
- Defendants prepared and submitted false documents and information in response to lender verification inquiries, including "CPA letters," verification of employment forms, verification of rent forms and "discrepancy letters."
- Members of the Enterprise ensured that the "straw buyers" purchased the identified properties with mortgages amounting to 100 percent of the purchase price of the property, thus ensuring that the defendants did not have any money at risk in the fraudulent transactions.

- Defendants arranged to have the amount of money that exceeded the asking price (i.e., the “kickback amount”) paid at the close of escrow to a shell construction company maintained by the racketeering enterprise.
- Defendants falsely informed the lenders that the “kickback amount” would be used to pay for handicap accessing and property upgrades to the identified properties, thereby falsely inducing the lenders to believe that the entire loan amount would be secured by the value of the identified properties.
- Based upon the investigation to date, none of the properties that were purchased as part of the enterprise had any handicap accessibility or property upgrades performed by the defendants’ shell firm, Bell Construction.
- Defendants disbursed the “kickback amount” to members and associates of the racketeering enterprise as payment for those individuals’ participation in the fraudulent scheme.
- The “straw buyers” subsequently failed to make the required mortgage payments for the fraudulently purchased properties, which ultimately resulted in the properties’ being foreclosed and the lenders’ suffering severe financial losses.

The indictment also charges that several real estate professionals were members of the racketeering conspiracy, including: Diana Jaime, a public notary, Jorge Cortez, a licensed real estate agent, Esteban Valenzuela, a licensed real estate appraiser, Anton Ewing, a Certified Public Accountant, and Randolph Hirsch and Dennis Tapia, registered tax preparers. Latashia McKinney and Marcus Dozell, aka Kali, recruited individuals to obtain fraudulent mortgage loans and purchase properties on behalf of the corrupt enterprise. Lorena Callu was employed by the corrupt enterprise and facilitated the fraudulent purchase of real estate by, among other things, preparing and submitting false loan applications. Desiree Holiday, Dexter Holiday, Keith Holiday, Gerard Holiday, Ray Logan, aka Jack Nasty, David Lewis, Joseph Lewis, Stevie Frazier, Jorge Magana, Nicoele Watson and Daniel Williams are all alleged to have fraudulently obtained mortgage loans and purchased properties on behalf of the corrupt enterprise.

This case is the product of an investigation by agents of the Federal Bureau of Investigation and Internal Revenue Service, Criminal Investigation Division.

United States Attorney Hewitt said, “This indictment represents the largest mortgage fraud case ever prosecuted in the history of the Southern District of California. Although this case marks an important milestone for the U.S. Attorney’s Office, the FBI, and the IRS, we have much additional investigative work

ahead of us to hold accountable those individuals who engaged in similar mortgage fraud schemes throughout San Diego and Imperial counties.”

FBI Special Agent in Charge Keith Slotter commented, “The individuals charged in this indictment have one thing in common: greed. They represent precisely those who have undermined our country's financial system by perpetuating such egregious schemes. The FBI and our law enforcement partners remain vigilant and will pursue those who engage in this type of criminal activity. The extent to which this group of people went to defraud lenders should also serve as a warning to the public. We urge people to come forward with information of suspicious activities they may encounter when engaged in real estate and mortgage transactions.”

“Today’s indictment of this criminal enterprise spearheaded by Darnell Bell speaks volumes to those who choose to engage in organized criminal activity that undermines the financial health of our communities,” said Thomas J. Holloman, Acting Special Agent in Charge, IRS-Criminal Investigation, Los Angeles Field Office. “The racketeering, forfeiture, and money laundering charges are indicative of the joint-agency law enforcement effort that has focused on dismantling this criminal organization that has grossly profited from mortgage fraud.”

Darnell Bell was arraigned on the indictment earlier today. Twenty-three individuals were arrested by agents of the FBI and IRS earlier today and are expected to make their initial appearances on April 8.

**DEFENDANTS**

**Case No. 09CR1209-H**

Darnell Bell, aka D-Bell  
Michael Ivy  
Stanley Gentry  
Billie Bishop  
Diana Jaime  
Latashia McKinney  
Marcus Dozzell, aka Kali  
Jorge Cortez  
Esteban Valenzuela  
Lorena Callu  
Anton Ewing  
Randolph Hirsch

Dennis Tapia  
Desiree Holiday  
Dexter Holiday  
Keith Holiday  
Ray Logan, aka Jack Nasty  
David Lewis  
Joseph Lewis  
Gerard Holiday  
Stevie Frazier  
Jorge Magana  
Nicoele Watson  
Daniel Williams

### **SUMMARY OF CHARGES**

Title 18, United States Code, Section 1962(d) - Conspiracy to Conduct Enterprise Affairs Through a Pattern of Racketeering Activity; Title 18, United States Code, Section 1963 - Criminal Forfeiture

The charged pattern of racketeering activity includes violations of Title 18, United States Code, Section 1343 (Wire Fraud); Title 18, United States Code, Section 1344 (Bank Fraud); Title 18, United States Code, Sections 1956(h) and 1957 (Conspiracy to Launder Money); Title 18, United States Code, Section 1957 (Money Laundering)

Maximum Penalties: 20 years' incarceration, a fine of \$250,000, three years of supervised release.

### **AGENCIES**

Federal Bureau of Investigation  
Internal Revenue Service - Criminal Investigation

**An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.**