NATIONWIDE FORECLOSURE RESCUE SCHEME SHUT DOWN; OPERATOR CHARGED WITH BANKRUPTCY FRAUD AND IDENTITY THEFT, AGREES TO PLEAD GUILTY

WASHINGTON, DC – The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and U.S. Attorney for the Central District of California André Birotte Jr. today announced that an Austin, Texas man has been charged with having operated a foreclosure rescue scam in Los Angeles and elsewhere that falsely promised the owners of more than 1,000 distressed properties that they could indefinitely postpone foreclosure sales.

Frederic Alan Gladle, of Austin, Texas, was charged late this morning in United States District Court with one count of bankruptcy fraud and one count of aggravated identity theft. He stated in court in Austin that he intends to plead guilty to the charges as part of a plea agreement. The defendant used five aliases to avoid detection in the scheme, including stealing the identity of at least one person and setting up a cell phone account in that victim's name. As a result of the four-year scheme, which continued through Gladle's arrest in October of 2011, Gladle and his associates collected more than $1.6 million in fees from distressed homeowners.

According to the charges, Gladle was involved in a scheme that recruited homeowners whose properties were in danger of imminent foreclosure and falsely promised to delay the foreclosures for homeowners for up to six months. Once a homeowner paid a fee of around $750 per month, Gladle, either directly or through salespersons, had the homeowner sign a deed granting a 1/100th interest in the house to a debtor in a bankruptcy whose name Gladle had found by searching bankruptcy records. The debtors had no idea that their names and bankruptcy cases were being used by Gladle in his scheme. Gladle would print out the unsuspecting debtor's bankruptcy petition, attach the petition to the 1/100th deed in the debtor's name, and fax the two documents to a homeowner's lender to stop foreclosure proceedings. Because the filing of a bankruptcy gives rise to an "automatic stay" that protects a debtor's property, the receipt of the bankruptcy petitions and 1/100th deeds in the debtor's name forced lenders to cancel foreclosure sales. The lenders – which included banks that received government funds under the Troubled Asset Relief Program (TARP) – could not move forward to collect money that was owed to them until getting permission from the bankruptcy court, thereby repeatedly delaying the lenders' recovery of their money. When homeowners wanted to void the 1/100th deeds to the unsuspecting debtors, Gladle would forge the debtors' signatures on papers voiding the 1/100th deeds.

"American taxpayers became investors in hundreds of banks through TARP," said Christy Romero, Deputy Special Inspector General for SIGTARP. "Gladle defrauded TARP recipient banks including Bank

of America, U.S. Bank, and Wells Fargo, thereby defrauding taxpayers. SIGTARP will protect taxpayers' TARP investments and hold accountable those who put TARP investments at risk."

"Foreclosure-rescue schemes have reached epidemic levels in Southern California, where both homeowners and lenders have been victims of a wide variety of frauds," said United States Attorney André Birotte Jr. "Persons facing foreclosure need to exercise extreme caution when seeking assistance with their financial problems, and the public needs to know that the Department of Justice will actively pursue those who seek to manipulate and victimize either homeowners or lenders."

"This is the latest example of heartless criminal activity by an individual who sought to capitalize on the misfortune of those affected by hard economic times," said Steven Martinez, Assistant Director in Charge of the FBI's Los Angeles Field Office. "Mr. Gladle defrauded victims trying to save their homes, further exploited those in debt by stealing their identities, and wreaked havoc on both banks and the Bankruptcy Courts by manipulating the system. The FBI will continue to investigate criminal activity associated with the housing market and to encourage homeowners to beware of fraudulent offers."

Peter Anderson, United States Trustee for the Central District of California (Region 16), stated: "Criminal bankruptcy fraud and, in particular, foreclosure rescue fraud schemes threaten the integrity of the bankruptcy system, as well as public confidence in that system. We deeply appreciate the strong commitment of U.S. Attorney André Birotte Jr., the Federal Bureau of Investigation, and SIGTARP to combating bankruptcy fraud and abuse, as demonstrated by this case."

The crime of bankruptcy fraud carries a statutory maximum sentence of five years in federal prison. The aggravated identity theft charge carries a mandatory sentence of two years.

An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.

The case against Gladle is the result of an investigation by SIGTARP and the Federal Bureau of Investigation, which received substantial assistance from the United States Trustee's Office.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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