



# Department of Justice

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## **“Operation Malicious Mortgage” – A Nationwide Mortgage Fraud Initiative Produces Results in Oregon and Southwest Washington**

*Four substantial investigations yield charges or convictions related to more than  
\$50 million in fraudulent loans*

Portland, Ore. – United States Attorney Karin J. Immergut, the Portland office of the Federal Bureau of Investigation (FBI), the Internal Revenue Service – Criminal Investigation, and several federal law enforcement partners today announced significant charges and convictions as a result of Oregon’s participation in “Operation Malicious Mortgage”, a nationwide effort to investigate and prosecute mortgage fraud. Oregon’s federal law enforcement response underscores the strong efforts being undertaken by federal law enforcement and regulatory agencies to combat this threat to worldwide credit markets.

In addition to the U.S. Attorney’s Office, FBI and IRS, agencies participating in the Operation include the Postal Inspection Service; Department of Housing and Urban Development – Office of Inspector General; Department of Veterans Affairs – Office of Inspector General; United States Secret Service; and the Oregon Department of Finance and Corporate Securities. This broad cooperation highlights both the significant threat posed by mortgage fraud for federally insured and uninsured lenders and the ongoing efforts to crack down on financial and mortgage fraud.

“Mortgage fraud puts banks and other lenders at risk by inducing them to make bad loans based on false loan applications or fraudulent appraisals,” stated U.S. Attorney Immergut. “This harms not only the lenders, but honest buyers and sellers as well. By prosecuting these cases, we hope to discourage others from engaging in this illegal conduct and help restore faith in credit and real estate markets.”

Portland is one of 38 metropolitan areas that have formed a task force or working group to combat mortgage fraud. Law enforcement agencies in Oregon are coordinating their efforts in a Mortgage Fraud Working Group, which includes the agencies listed above and numerous other federal, state and local law enforcement agencies that meet regularly and share information about this significant crime problem.

As part of Oregon’s participation in Operation Malicious Mortgage, U.S. Attorney Immergut announced the filing of the following charges and other dispositions in major mortgage fraud investigations since March 1, 2008.

### ***United States v. Howlett***

On Tuesday, June 18, 2008, an information was filed charging Lee Howlett, 45, of Portland, with conspiracy to commit wire fraud, aggravated identity theft and money laundering. The information alleges that between 2002 and 2006, Howlett conspired with others to purchase real property in the name of co-conspirators. He caused false information to be given to mortgage lenders in applications for mortgage loans by the co-conspirators to induce lenders to approve mortgage loans. He allegedly created false appraisal reports for certain properties used in the conspiracy and signed the reports using the name and license number of a licensed appraiser without the appraiser's knowledge or authority. Appraisals on some properties were inflated, and the higher value was used to apply for larger loans.

Howlett took the excess funds for his own use and/or to share with his co-conspirators. The properties were either sold or went into default. The information also charges that Howlett caused interstate wire transfers of mortgage proceeds and that he deposited those funds into accounts he controlled.

Conspiracy carries a maximum penalty of five years in prison and a \$250,000 fine. The case is being investigated by the FBI and IRS. No court date has been set for Howlett's appearance. Filing of an information often indicates that an agreement has been reached to settle the case. This case is being prosecuted by Assistant U.S. Attorney Lance Caldwell.

### ***United States v. Folwick***

On June 18, 2008, Marty Folwick, 50, of Portland, was arrested and appeared in federal court in Portland. On June 12, 2008, a federal grand jury in Portland returned a 15-count indictment charging Folwick, a local loan officer, with bank fraud, wire fraud and money laundering. According to the indictment, Folwick, acting as a loan officer for Lighthouse Funding Group, would recruit straw buyers and induce them to buy properties with mortgage loans in excess of the true sales price.

To obtain the loans, the indictment alleges that the loan applications contained numerous material false statements relating to the buyer's income, employment status, intention to live in the house being purchased, other mortgage loans obligations, and ownership of funds needed to close the transactions. The indictment further states that the lenders were not told the mortgage amount was greater than the true sales price, with the difference being kicked back to Folwick through two mechanisms used to conceal and disguise the fact that Folwick was both the loan officer and the recipient of kickbacks. The indictment focuses on five properties in the Portland area.

Folwick pleaded not guilty to the charges and was released from custody. Trial is set for August 19, 2008 before the Honorable Garr M. King. An indictment is only an allegation and not evidence of guilt. A person charged in an indictment is presumed innocent unless and until proven guilty beyond a reasonable doubt. The ongoing investigation of Folwick's mortgage activities is being handled by the FBI and IRS and could result in additional charges. The case is being handled by Assistant United States Attorney Allan Garten.

### ***United States v. Richardson***

On May 27, 2008, an information was filed charging Jeremy Richardson, 31, of Ridgefield, Washington, with wire fraud. The information alleges a scheme to defraud lenders and individuals during 2006 and 2007 wherein Richardson advertised and solicited persons interested in buying real estate, either to live in or as an investment. If an investor was not able to qualify for the necessary mortgage financing, Richardson would falsify the buyer/investor qualifications and information provided to the lender. If the home was being purchased as an investment, Richardson would advertise for persons interested in participating in a “rent to own” program to live in the home purchased by the investor.

The information also alleges that Richardson inflated the property transaction price on certain transactions in order to get extra money to use to pay business expenses, including required mortgage payments on purchased real estate. He created false invoices purporting to represent repairs performed on certain properties in support of the falsely inflated prices. He also induced some customers to advance him money which he represented would be used to make a down payment on certain properties, but which he instead used to pay personal and business expenses. He used interstate wire transmissions to communicate and advertise, and for transferring funds to carry out the scheme, including a \$50,000 transfer from a California victim investor’s Wells Fargo bank account, to a Bank of America account in Portland, Oregon which he controlled.

Wire fraud affecting a financial institution carries a maximum penalty of 30 years in prison and a fine of up to \$1,000,000. The investigation in this case, which is being conducted by the FBI and IRS, is continuing and additional charges are likely. Investigators have identified as many as 100 fraudulent loans originated by Richardson or through his company Richardson Equities. The fact that an information has been filed often indicates that a plea agreement has been worked out. This case is being prosecuted by Assistant U.S. Attorney Lance Caldwell.

### ***United States v. Bonneau***

On April 8, 2008, Ryan Bonneau, 31, of Portland, was sentenced to 30 months in prison for his role in a mortgage fraud scheme involving two residential real estate transactions in 2004. He will serve a period of five years supervised release after completion of his prison term.

Bonneau was indicted in 2006. Charges included wire fraud, false statements to a federally insured bank, money laundering, and engaging in prohibited financial transactions.

Bonneau pled guilty to wire fraud and money laundering in November 2007. He admitted that he devised a scheme to defraud the Union Federal Bank of Indianapolis by making false statements in mortgage loan applications in connection with transactions involving two properties.

In each transaction the sales price of the home was inflated so that Bonneau could apply for a larger mortgage and divert the extra cash to bank accounts he controlled. Bonneau also admitted submitting a false appraisal on each property. At the closing of the property

transactions, false closing statements were signed which concealed the fact that the extra cash was being diverted. The bank funded the mortgage loans in reliance on these statements.

During the time he was committing this fraud, Bonneau was on federal supervised release following a 2003 conviction for bank fraud, wire fraud and money laundering. He was arrested in June 2006 for violating his supervised release conditions, and indicted on these new charges in September 2006. In May 2007, Bonneau admitted violating supervised release and received nine months in prison. He remained in custody prior to entering his plea and being sentenced. The Bonneau prosecution stemmed from a federal investigation by the IRS and the FBI, and the case was prosecuted by Assistant U.S. Attorney Lance Caldwell.

“Mortgage fraud takes a direct aim at the American dream of owning your own home,” said David Ian Miller, Special Agent in Charge of the FBI in Oregon. “On an individual level, the victims’ losses are heartbreaking. On a national level, the damage to our economy is very real.”

“The term ‘mortgage fraud’ is a catch-all phrase describing the illegal activity, but it fails to fully illustrate the lives shattered by these schemes that plague the real estate business,” said Kenneth J. Hines, the IRS Special Agent in Charge of the Pacific-Northwest. “Fraudulent mortgage practices motivated by greed victimize individuals and businesses, including low-income families lured into home loans they cannot afford. Let today’s nationwide announcement put these con artists on notice that their days of stealing the American dream are numbered.”

U.S. Attorney Karin Immergut praised the outstanding cooperation of the participating law enforcement agencies and expressed the view that Operation Malicious Mortgage will serve to identify and bring to justice those who use fraud for profit at the expense of property owners and mortgage lenders.