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Goddard Files Suit Against Massive Real Estate Fraud Scheme

(Phoenix, Ariz. – July 9, 2009) Attorney General Terry Goddard has filed a consumer fraud lawsuit against numerous Tucson real estate professionals and businesses alleging a sophisticated, multi-million-dollar real estate fraud scheme.

The lawsuit, filed in Pima County Superior Court, alleges that the defendants engaged in a sophisticated system of fraud that led to the filing of foreclosure notices on more than 130 homes and caused substantial harm to investors, lenders and rent-to-own homebuyers.

“The violations alleged in this lawsuit are among the worst abuses of vulnerable consumers that I’ve seen in my time as Attorney General. These kinds of abusive practices have contributed to the mortgage meltdown that now finds Arizona ranked among the top four states in the country for foreclosures,” Goddard said. “This sort of behavior is unconscionable.”

The defendants named in the lawsuit are:

- Andrew Silverstein, former Re/Max All Executives real estate agent
- Anthony Zandonatti, owner of AZI Rent2Own and owner of RTOSearch.com
- AZI Rent2Own, LLC (d.b.a. Arizona Investments)
- RTOSearch.com
- VinLan Ventures, LLC (d.b.a. Re/Max All Executives)
- Vince Volpe, designated broker of Re/Max All Executives
- Tucson Mortgage, LLC (d.b.a. Tucson Mortgage)
- William “Bill” Anastapolous, owner of Tucson Mortgage
- WGA Enterprises, LLC
- Thomas Piazza, Tucson Mortgage loan officer
- Amaury Leon, Infinity Funding loan officer
- Darren Breen, Red House Lending loan officer
- Dave Klein, former Tucson Mortgage loan originator

The complaint states that the defendants participated in a scheme that used deceptive tactics to entice under-qualified, novice investors into purchasing homes and then sold them to rent-to-own buyers. However, investigators say the scheme was designed to fail

because it targeted rent-to-own homebuyers with credit problems and ignored whether they could qualify to purchase the homes.

The alleged scheme occurred in three parts:

1. The Arizona Investments scheme

The investment scheme consisted of defendants Silverstein, who has been recognized as one of the Tucson-area's top real estate agents [*Arizona Daily Star*, Jan. 30, 2007], and agents from his Re/Max team, Zandonatti and his Arizona Investments rent-to-own specialists, and defendant Leon. They allegedly identified consumers to purchase investment homes for a rent-to-own system managed by defendants Zandonatti and Arizona Investments.

Goddard claims these defendants deceived more than 130 investors with assurances of a legitimate and "worry free" investment system requiring little or no capital investment and virtually no involvement in the transaction or in the subsequent management of the investment.

One such assurance, a "rent guarantee," allegedly promised that the investor would receive the rent every month, whether it was collected or not. Another alleged inducement was the nominal out-of-pocket cost to the investor - a maximum of \$1,000 to purchase a property.

According to the complaint, few investors read all of the loan documents presented to them for signing. The loans allegedly profited the mortgage brokers and loan originators, and often contained unfavorable terms for the investors, including high interest rates, adjustable rates, prepayment penalties, yield-spread premiums and balloon payments.

The suit also alleged that investors were told not to worry about the amount of the mortgage payments - that the sizeable non-refundable "down payments" paid by the rent-to-own homebuyers were intended to be used to offset the deficiency between the monthly rental payment and the amount of their mortgage payment. Once the down payment money was depleted, however, the investor no longer received a rental amount sufficient to cover the increasing mortgage payments.

Defendants Silverstein and Zandonatti allegedly encouraged investors who were struggling financially to purchase additional investment homes to generate income. More than half of the approximately 130 investors were induced to buy multiple properties. In some instances, consumer investors allegedly found that properties had been procured in their names without their knowledge.

2. Fraud against lenders

The second alleged deceptive scheme involved defrauding and deceiving lenders in order to fraudulently obtain the financing for the millions of dollars of "investment" properties purchased by the consumer-investors.

According to the complaint, Silverstein, Zandonatti and others took deceptive actions designed to ensure that financially under-qualified investors would obtain the loans to purchase the homes. For example, Silverstein, Zandonatti, Piazza, Klein, Leon and Breen, allegedly arranged for numerous novice investors and some straw buyers to

simultaneously purchase multiple homes. In addition, defendants Silverstein, Zandonatti, and Klein are believed to have provided earnest money to some investors and straw-buyers.

Silverstein and Zandonatti allegedly directed investors to pre-selected loan officers and loan originators, including Breen, Klein, Piazza and Leon. Investigators believe these loan officers and originators assisted in taking actions to deceive lenders. These practices allegedly include processing multiple loan applications for an investor simultaneously in order to conceal pending or completed purchases from other lenders, hide the investor's true liabilities and ensure funding. On other occasions, Silverstein and Zandonatti allegedly split investors' multiple loan applications among these same loan originators for separate processing to accomplish the same result.

According to investigators, the investors' multiple loan applications were often falsely submitted to the lender as owner-occupied properties to deceptively obtain 100 percent financing as promised to the investor and obtain residential interest rates on investment properties.

Defendants RE/MAX and Tucson Mortgage, and their respective owners and/or supervisors allegedly profited from the scheme and either knew or should have known of the fraud being perpetrated against lenders in these real estate transactions.

3. Fraud against rent-to-own consumers

In the rent-to-own scheme, Zandonatti, Silverstein, Arizona Investments and others allegedly offered the investment homes purchased by investors as legitimate rent-to-own opportunities with the offer of "no qualifying" and the promise of easy home ownership.

The complaint states that the rent-to-own scheme deceptively targeted unqualified or under-qualified consumers and relied on a high turnover to obtain new "down-payments" as profit. Out of hundreds of rent-to-own transactions, apparently only one consumer out of 270 or more was able to buy a home in the fraudulent rent-to-own system.

According to court documents, defendants Zandonatti, Arizona Investments, and RE/MAX agents deceived Arizona Investments' rent-to-own consumers with false advertising and misleading purchase contracts which led consumers to believe they were getting an unprecedented opportunity to buy a home through a legitimate "no qualifying" or "no credit-check" rent-to-own program.

Zandonatti and Arizona Investments also allegedly solicited consumers to pay substantial down-payments (\$1,500 to \$10,000) on rent-to-own homes the buyers could not ultimately qualify for. Despite promises of "no qualifying," consumers still needed financing but could not repair their credit or qualify for financing to buy the home.

In the complaint, Arizona Attorney General's Office is seeking to have the defendants stop all deceptive practices that violate the Consumer Fraud Act, a penalty of up to \$10,000 for each violation of the Arizona Consumer Fraud Act, treble damages and attorneys' fees.

Assistant Attorney General Vince Rabago is handling this case. A copy of the complaint is attached. For more information, please contact Anne Hilby at (602) 542-8019.

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