



NEWS RELEASE

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FORMER EXECUTIVE AT COLORADO HOME BUILDING COMPANY ADMITS ROLE IN \$16 MILLION 'BUILDER BAILOUT' SCHEME

***Southern California Loan Officer, Real Estate Agent Linked to Scheme in
Which Unqualified Buyers Obtained Mortgages for Luxury Homes***

LOS ANGELES – The former director of sales for a Colorado real estate company that built luxury homes throughout the state agreed in court papers filed today to plead guilty to a federal conspiracy charge, admitting that he and other company officials participated in a \$16 million "builder bailout" scheme in which buyers of \$1 million-plus homes were paid kickbacks if they purchased homes from the company.

Benjamin Serrano, 47, who until recently lived in Parker, Colorado, was charged in a criminal information filed this morning. In a related plea agreement also filed this morning in United States District Court, Serrano agreed to plead guilty to one count of conspiracy.

In the court documents, Serrano admits his role in a scheme to bring needed revenue to his company and admits working with Kristin A. Clark, a licensed real estate agent in Los Angeles, and Bradley Bishop, a former loan officer at Washington Mutual Bank and, later, Bank of America. Both Clarke and Bishop previously pleaded guilty to bank fraud charges.

In his plea agreement, Serrano admits to participating in a conspiracy with Clark and Bishop, as well as others at the company, to defraud Bank of America, Wells Fargo

Bank, Washington Mutual Bank and other federally insured financial institutions. In the scheme, people associated with the company agreed to pay illegal kickbacks to individuals who agreed to buy homes in one of the company's five developments.

To conceal the illegal kickbacks from the banks, Serrano and others would record bogus second deeds of trust on the company's properties, according to papers filed in court. The second deeds of trust were recorded in favor of shell corporations controlled by the company for an amount equal to the kickback. Once someone agreed to buy a home, Bishop would tell Clark what information needed to be listed on the buyer's loan application in order for him or her to qualify for a home loan at Bank of America, and Clark would use that information to obtain the bogus documentation required by the bank. When the properties were sold and loans funded, the banks would use part of the loan proceeds to pay off the bogus second deeds of trust recorded against the property. That money, which was paid to the company's shell corporations, was then used to pay the kickbacks to the buyers. The kickbacks typically ranged between 20 percent and 23 percent of the homes' sales price, which all sold for more than \$1 million.

In one instance discussed in Serrano's plea agreement, a buyer agreed to purchase a home in Parker, Colorado for \$1,277,500. In exchange, the company agreed to pay the buyer a kickback of approximately \$269,000 out of the loan proceeds. Serrano and others at the company agreed to this sale knowing that the buyer had used a false identity to obtain a home loan from Wells Fargo. In fact, Serrano admitted in the plea agreement, he paid for the buyer to fly to Los Angeles to obtain a better fake identification. FBI agents in Colorado followed up on this sale and discovered that the buyer later defaulted on the loan and the property was sold for \$533,000, resulting in a loss of \$694,500 to the bank.

Special Agents with the FBI in Los Angeles first began investigating Clark, Bishop, Serrano and others involved in the scheme in April 2008 after a woman contacted Bank of America to report that her identity had been stolen and used to apply for a \$1 million home loan for property in Colorado. Bishop and Clark later pleaded guilty to their involvement in the conspiracy and agreed to cooperate with the government in its on-going investigation into Serrano and others at the company.

Bishop and Clarke each pleaded guilty earlier this year pursuant to plea agreements that have been partially unsealed. According to Bishop's plea agreement, between January 2008 and April 2008 – a time when the real estate market was in sharp decline – he processed 11 fraudulent loans worth \$12,571,366 that were used to buy properties built by Serrano's former company. According to Clark's plea agreement, she prepared the fraudulent loan applications and submitted fictitious tax returns, W-2s and payroll stubs in support of the fraudulent loans. Clark further admitted that she used her two real estate companies, K&K Investments and Cardinal and Gold Investments, to secretly funnel kickbacks to the buyers.

Serrano agreed to plead guilty to one count of conspiracy, which carries a statutory maximum penalty of five years in federal prison. Serrano is scheduled to make his initial court appearance in United States District Court on December 14.

Clark pleaded guilty in January to 13 counts of bank fraud, which each carry a statutory maximum penalty of 30 years in federal prison. Bishop pleaded guilty in September to 11 counts of bank fraud. Clark and Bishop pleaded guilty before United States District Judge Christina A. Snyder.

The cases against Serrano, Clark and Bishop are part of an ongoing investigation being conducted by the Federal Bureau of Investigation's Los Angeles and Colorado Field Offices.

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