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REAL ESTATE AGENT PLEADS GUILTY TO \$12 MILLION PHONY HOME LOAN SCHEME

KANSAS CITY, KAN. – **David Kostelec**, 53 Leawood, Kan., has pleaded guilty to charges he and other conspirators fraudulently obtained more than \$12 million in home loans, Acting U.S. Attorney Marietta Parker announced today.

In his plea, Kostelec admitted that from July 20, 2002, through Oct. 14, 2005, he and others conspired to defraud lenders by submitting fraudulent loan applications and false real estate appraisals and attempted to conceal the crimes by laundering the money through accounts at various banks.

Kostelec submitted false and fraudulent appraisal reports to lenders containing inflated property values and forged signatures of licensed appraisers. Conspirators stole the identities of licensed appraisers by searching the Internet for information including the appraisers' state license numbers.

After closing, the conspirators used straw entities including Alexandra Enterprises and Hyde Park Development to receive the money from escrow companies. Then they moved the money to personal accounts.

Kostelec admitted:

- In July 2002, he submitted a fraudulent appraisal inflating the value of a house in the 1800 block of Timber Valley Drive in Linn Valley, Kan.
- In April 2003, he submitted a false loan application in his son's name claiming his son was the owner of a house in the 1600 block of N. 24th Street in Kansas City, Kan. In fact, Andrew Kostelec lived with David Kostelec at another address.
- In July 2004, he fraudulently caused a lender to deposit \$57,101 into an escrow account in Kansas for the purchase of a house in the 2000 block of Cypress in Kansas City, Kan.
- In October 2005, he submitted a loan application falsely stating that the borrower had an income \$15,221 a month. In fact, the borrower made significantly less and lived mainly on Social Security retirement benefits.
- In January 2008 he falsely stated he had power of attorney to obtain a loan in his son's name for \$575,000 for the purchase of real estate properties in Kansas City, Mo., and Miami, Fla.

Sentencing is set for Feb. 2, 2009. The crimes to which he pleaded guilty carry the following penalties:

- Conspiracy: A maximum penalty of 5 years in federal prison and a fine up to \$250,000.
- Wire fraud: A maximum penalty of 20 years and a fine up to \$250,000.

- False statements on a loan application: A maximum penalty of 30 years and a fine up to \$1 million.
- Identity theft: A mandatory 2 years in federal prison consecutive to other terms of imprisonment.

The Internal Revenue Service - Criminal Investigation and Housing and Urban Development - Office of Inspector General worked on the case. Acting U.S. Attorney Marietta Parker prosecuted the case.

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