

State of California • Department of Justice
OFFICE OF THE ATTORNEY GENERAL
Edmund G. Brown Jr.

News Release

September 10, 2009

FOR IMMEDIATE RELEASE

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Brown Arrests Three Mortgage Brokers for Stealing Nearly \$1 Million from Borrowers

Los Angeles - Continuing his fight against mortgage scams, Attorney General Edmund G. Brown Jr. today announced that agents from his office have arrested Michael McConville, and two of his associates for their roles in a "criminal conspiracy" to steal nearly \$1 million from borrowers seeking to refinance their homes.

McConville and his co-conspirators lured dozens of borrowers into refinancing home loans by falsely promising low interest rates and brokers' fees, and other attractive terms. They then negotiated different terms with lenders, forged the victims' signatures on the final loan documents and collected hefty brokers fees - ranging from \$20,000 to \$57,000 - that were never disclosed. Only when the borrowers received true copies of the loan documents after the refinance did they discover that their names had been forged. In total, defendants stole over \$950,000 from more than 70 borrowers, leaving victims holding \$30 million in loans with terms they did not agree to.

"After victims signed their closing papers, McConville and his associates doctored the loan documents, forged borrowers' signatures and slipped in hefty fees that were never disclosed," Brown said. "This was not some clerical error but a criminal conspiracy to steal nearly a million dollars from borrowers."

Earlier this week, Brown filed 44 criminal charges against:

- Michael McConville, 31, of Simi Valley, sales manager of ALG, Inc, a Los Angeles based mortgage company. McConville was arrested at his home late Thursday. He is being held in Ventura County Jail on \$2 million bail.
- Garrett Holdridge, 23, of Palmdale, California and Texas, loan officer for ALG, Inc. Holdridge is being held at the Los Angeles County Jail (Palmdale Station) on \$2 million bail.
- Alan Ruiz, 28, of Huntington Beach, a loan officer for ALG, Inc. Ruiz was arrested at his home late Thursday. He is being held at Orange County Sheriff's Main Jail on \$2 million bail.

The charges include:

- 28 counts of grand theft, by violating Penal Code section 487, subdivision (a);

- 14 counts of forgery, by violating Penal Code section 470, subdivision (d);
- One count of elder abuse, by violating Penal Code section 368, subdivision (d);
- One count of conspiracy to commit grand theft, by violating Penal Code section 182, subdivision (a)(1);
- Three special allegations of aggravated white-collar crime in excess of \$500,000, by violating Penal Code section 186.11, subdivision (a)(2); and
- Taking in excess of \$3,200,000, by violating Penal Code section 12022.6, subdivision (a)(4) and (b).

From April 2007 to October 2008, McConville and his associates provided homeowners closing documents bearing terms promised, but which the lender never approved. After homeowners signed those documents, key pages were removed and replaced with pages bearing the terms that the lender had actually agreed to. The homeowners' signatures were forged on the replacement pages, and ALG forwarded the forged documents to the escrow company.

Homeowners only discovered they had been defrauded when they received the final loan documents with the true terms and saw their signatures forged on disclosures of closing costs, Truth-in-Lending disclosures, loan applications and other documents. ALG often collected between \$20,000 and \$30,000 in undisclosed broker fees. In one transaction, they collected over \$57,000 in such fees.

As a result of this scheme, homeowners suffered devastating financial losses. Some were forced to sell their homes, come out of retirement, or tap into retirement savings. Others paid significant prepayment penalties -- in one case, over \$21,000. Borrowers often never received the significant amounts of cash-out they were promised.

VICTIMS

Michael McConville promised one couple a 5.5 percent fixed interest rate, cash-out of \$58,000 and \$4,500 in closing costs. Only after they signed the documents, they realized their copy did not include the pages detailing the key terms of the loan. The couple soon received loan documents from Indymac Bank and discovered their signatures had been forged and they had received a 7 percent interest rate, no cash-out, and over \$50,000 in closing costs, including a \$42,000 origination fee paid to ALG.

ALG contacted a 65-year-old retired woman in July 2007 and promised her a 30-year fixed rate loan at 5.25 percent. A month later, a notary had arrived at the victim's house with loan documents reflecting the 5.25 percent fixed interest rate. After closing, the victim discovered she had received an adjustable rate mortgage with an initial rate of 8.65percent, a \$22,000 origination fee, and \$2,230 in miscellaneous fees. The victim's signature had been forged on most of the documents.

Brown recently sued Michael McConville and his brother Sean for their part in the "Property Tax Reassessment" scam which targeted Californians looking to lower their property taxes. Tens of thousands of mailers were sent out that featured official-looking logos and demanded hundreds of dollars in payments for property tax reassessment and reassessment appeal services. The statements warned homeowners that if payments were not received by the "due date" they faced late fees or would have their file marked "non-responsive" or "ineligible for future tax reassessments." A copy of the press release can be found at: <http://ag.ca.gov/newsalerts/release.php?id=1734>

Brown has made it a top priority to combat mortgage fraud. In July, as part of a nationwide sweep, Brown filed suits against 21 individuals and 14 companies who ripped off thousands of homeowners seeking mortgage relief. In total, Brown has sought court orders to shut down 32 companies and has brought criminal charges and obtained lengthy prison sentences for deceptive mortgage consultants.

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