

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA San Diego, California

***United States Attorney
Karen P. Hewitt***

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For Immediate Release

TWO INDIVIDUALS INDICTED FOR BANK, MORTGAGE AND BANKRUPTCY FRAUD

NEWS RELEASE SUMMARY - January 28, 2009

United States Attorney Karen P. Hewitt announced the indictment and arrest of Justine Lorraine Rice and Wendell Anthony Rice, late of Rancho Santa Fe, California, for mortgage fraud, false statements on loan applications, bankruptcy fraud, contempt of court, perjury, and money laundering. The 11-count indictment was handed up by a federal grand jury sitting in San Diego on January 22, 2009, and unsealed today. The defendants were arrested in Escondido, California yesterday pursuant to arrest warrants issued in connection with the indictment. The indictment was unsealed upon their appearance today before United States Magistrate Judge Nita L. Stormes in San Diego.

According to the indictment, in mid-2004, Mrs. Rice obtained a mortgage loan to purchase the residence located at 17466 Luna De Miel in Rancho Santa Fe by means of false statements and false

documents regarding her income. In April 2006, Mrs. Rice filed for bankruptcy claiming the home, co-owned by Mr. Rice and her, as her primary asset. During the pendency of the bankruptcy, the home was foreclosed upon by one of her lenders. According to the indictment, to get her home back and obtain the equity in it, Mrs. Rice arranged for a third party to purchase the home from the lender. Mrs. Rice assisted the third party in falsifying a mortgage loan application and secretly supplied the down payment to that individual. Part of the down payment was obtained by Mrs. Rice by borrowing money from other third parties.

According to court records, Mrs. Rice obtained permission from the Bankruptcy Court for the sale of the home to occur, but the Court ordered that any proceeds from the sale, excepting payments to secured creditors, had to be placed in a blocked account or an attorney-client trust account. Instead, Mrs. Rice caused the more than \$200,000 in proceeds to be wired to an account controlled by Mr. Rice. Mr. Rice then moved the funds to an account controlled by his brother and had his brother issue a check to partially repay the third-party lenders that supplied part of the down payment. When the disposition of the funds was discovered, Mrs. Rice lied in several Bankruptcy Court proceedings regarding the third-party loan claiming that it was taken by her brother-in-law and given to her as a gift.

This case was investigated by Special Agents of the Internal Revenue Service - Criminal Investigations and the United States Secret Service under the auspices of the San Diego Regional Fraud Task Force.

The defendants are being held without bail pending a detention hearing before United States Magistrate Judge Stormes on Monday, February 2, 2009, at 9:30 a.m. The defendants also are scheduled to appear before the Honorable Roger T. Benitez, United States District Judge on March 16, 2009, at 2:00 p.m., for motion hearing and trial setting.

DEFENDANTS

Case Number: 09cr0226

Justine Lorraine Rice

No fixed address

Age: 45

Wendell Anthony Rice

No fixed address

Age: 45

SUMMARY OF CHARGES

- Counts 1 and 6: Title 18, United States Code, Section 1344 - Bank Fraud
Maximum Penalties: 30 years of imprisonment and \$1,000,000 fine per count
- Counts 2: Title 18, United States Code, Section 1014 - False Statements on Loan Application
Maximum Penalties: 30 years of imprisonment and \$1,000,000 fine
- Count 3: Title 18, United States Code, Section 153 - Embezzlement from Bankruptcy Estate and Aiding and Abetting
Maximum Penalties: 5 years of imprisonment and \$250,000 fine
- Count 4: Title 18, United States Code, Section 152(5) - Unlawful Receipt of Property from Bankruptcy Estate and Aiding and Abetting
Maximum Penalty: 5 years of imprisonment and \$250,000 fine
- Count 5: Title 18, United States Code, Section 402 - Criminal Contempt of Court
Maximum Penalty: Unlimited
- Counts 7 and 8: Title 18, United States Code, Section 1957(a) - Money Laundering
Maximum Penalty: 10 years of imprisonment and \$250,000 fine per count
- Counts 9-11: Title 18, United States Code, Section 1623(a) - Perjury
Maximum Penalty: 5 years of imprisonment and \$250,000 fine per count

AGENCIES

Internal Revenue Service - Criminal Investigations
United States Secret Service

An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.