



Florida Land Title Association

2012 Bulletin 23 Would Your Staff Spot these Frauds?

October 23, 2012

We are pleased to report that the U.S. Attorney's office for the Middle District of Florida has continued to aggressively prosecute mortgage and real estate frauds. (Some of you will recognize the name the prosecuting attorney, Tom Palermo, who spoke at the FLTA convention two years ago and at a Real Property Section CLE on Mortgage Fraud).

These two cases are of particular value to title agents because the press releases go into detail about how the fraud was structured. Hopefully this will help each of us spot the next "Bad" deal that walks into our office -- and avoid it.

While there were many other red flags in the Lebron and Gogolewski cases, the key element of that fraud was the near simultaneous closing of a short sale and a "flip" at a much higher price. While "Buy Low, Sell High" may be the American way, the U.S. Secret Service and the FBI have been known to view this (if not disclosed to the both the short selling lender and the new lender in writing) as the failure to disclose a material fact in connection with a federally insured loan, and/or as bank fraud.

There were two policy claims settled in the Edwards and Allen prosecution. (this case explains all of those "Be careful with Powers of Attorney" bulletins) I'm sure the insurers involved will have some pointed questions to ask of that agent and will likely be looking to their E&O coverage to cover part of the loss. (I don't know about any claims in the LeBron case, but would expect a CPL claim at a minimum).

Criminal prosecution of the closing agents involved is not out of the question under either of these fact patterns. Depending on how much you know (or how willfully blind you or your staff is to the obvious facts), it is very easy to cross the line from being a victim to being a co-conspirator.

So I urge each of you to print these [Press Releases](#) and use them as training tools at your next staff meeting. It might save you from big claims -- or worse! [Press Release](#)

[US Attorney Press Release](#)



Department of Justice

**United States Attorney Robert E. O'Neill
Middle District of Florida**

FOR IMMEDIATE RELEASE
SEPTEMBER 27, 2012

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**CLEARWATER MAN SENTENCED TO MORE THAN 17 YEARS
FOR SCHEME TO DEFRAUD PRIVATE EQUITY FIRMS AND 84 YEAR OLD MAN**

Tampa, Florida - U.S. District Judge James Moody yesterday sentenced Robert Edwards (28, Clearwater) to 17½ years in federal prison, followed by three years of supervised release, for conspiracy to commit wire fraud. As part of his sentence, the court also entered a money judgment in the amount of \$4,751,881.63, the proceeds of the conspiracy. Edwards was also ordered to pay restitution in the amount of \$5,184,733.87.

According to court documents, Edwards and his co-conspirators engaged in a fraud scheme designed to steal money from two private equity lenders and an 84-year-old man. The fraud was uncovered after the conspirators fraudulently obtained a multi-million dollar loan that was purportedly secured by a first-priority mortgage, along with other financial guarantees, in Harbortowne at Countrywoods, a condominium development located in Dunedin. The owner of the development hired his son, Marc Allen, to manage the condominium development, granting him a limited power of attorney to lease units and manage the property. Allen had no legal right to encumber the property or otherwise pledge the property as collateral.

Edwards and Allen created and filed a fraudulent Power of Attorney, bearing the forged signature of William Allen, purporting to empower Marc Gregory Allen to encumber the

development. Marc Allen obtained a mortgage, encumbering Harbourtowne, based upon the fraudulent claim that he had the legal right to engage in the transaction. Edwards and Marc Allen subsequently negotiated a \$3,054,778.13 loan based upon fraudulent and non-existent collateral. Edwards created fraudulent documents in pursuit of the loan and also created a forged Letter of Credit for \$5 million from East West Bankcorp, which purported to secure the loan. In fact the conspirators had no legitimate relationship with East West Bankcorp.

Edwards and Marc Allen also devised a scheme to divert the portion of the loan proceeds intended to satisfy the previous mortgage into accounts they controlled. The total amount of loss resulting from the fraud was \$4,751,881.63. In addition, at least eight different personal identities were stolen, including those of two attorneys and three notaries. Edwards also stole an additional \$500,000 directly from Marc Allen's 84-year-old father and used the stolen money to pay for his personal indulgences.

Marc Allen pleaded guilty for his role in the scheme. A sentencing hearing has not yet been set.

This case was investigated by the U.S. Secret Service. It was prosecuted by Assistant United States Attorneys Thomas N. Palermo and Laurel Moore Lee.

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DO NOT REPLY TO THIS MESSAGE. IF YOU HAVE QUESTIONS, PLEASE USE THE CONTACTS IN THE MESSAGE OR CALL THE UNITED STATES ATTORNEY'S OFFICE AT 813-274-6000.



Department of Justice

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FOR IMMEDIATE RELEASE
OCTOBER 19, 2012

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WWW.USDOJ.GOV/USAO/FLM

FEDERAL JURY CONVICTS THREE OF MORTGAGE FRAUD "FLOPPING"

Tampa, Florida - U.S. Attorney Robert E. O'Neill announces that a federal jury today found John Lebron (33, Tampa), Patricia Lebron (36, Tampa), and Paul Gogolewski (31, Tampa) guilty of conspiracy to commit wire fraud and wire fraud. John Lebron was also found guilty of making false statements to financial institutions. All three individuals face a maximum penalty of 30 years imprisonment. Their sentencings are scheduled for January 18, 2013.

According to the testimony and evidence presented at trial, the individuals conspired together to "flop" houses. "Flopping" is a form of short sale fraud involving conducting a short sale on a property and then "flipping" the property in a non-arms' length transaction.

John Lebron was a Florida-licensed realtor and worked as a loan officer. Patricia Lebron is a Florida-licensed realtor. Paul Gogolewski was the President of Synergy Solutions. Together, they targeted unsophisticated, low income homeowners, who were in financial distress and convinced them to sell their houses to a straw purchaser, in a non-arms' length transaction. For a brief period of time, the conspirators would pay the mortgage payments but then stopped. They then arranged a short sale of the property from the straw purchaser to one of the conspirators. In that short sale, the lender to the straw purchaser suffered an immediate loss of approximately 80% of the original loan. Then, six days later but using deeds recorded simultaneously, the properties were re-sold to another straw purchaser for approximately

350% more than the short sale amount. In these deals, the conspirators pocketed the money that should have gone to the original distressed home owner, received the mortgage broker commission for arranging the first straw purchaser's loan, and got the difference between the short sale amount and the new loan. The straw purchasers were all paid \$5,000 for their role. In all, this case involved at \$1.5 million dollars in loans.

"The U.S. Secret Service takes great pleasure in working with the U.S. Attorney's Office to bring these individuals to justice," said John Joyce, Special Agent in Charge, U.S. Secret Service. "This case is particularly egregious on several fronts. Mr. Lebron had the audacity to commit his fraudulent acts while he was on probation, he involved his family members and he defaulted on \$1.4 million in loans. These individuals knowingly preyed upon and abused the financial system that supports home mortgages for their own personal gain."

In addition, John Lebron acquired four other loans through fraud. He used false identities, verified his own false employment, and for at least one of the properties, bought it as his primary residence when he legally could not move into it. John Lebron committed these crimes while on pretrial release and probation.

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