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# Feds get tough on mortgage fraud

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To neighboring residents, the string of rapid-fire sales at a Coral Gables home was emblematic of the cause and consequences of South Florida's housing bust. The four-bedroom house, now vacant and deteriorating, was sold, bought and foreclosed on three times in less than three years.

Neighbors always suspected "something wasn't right with the milk" at 330 Alesio Ave. as the value of the home more than doubled to $1.2 million in the short time span. It turns out they were on to something.

This week a federal judge sentenced Jose G. Martin, who had onced posed as a renter in the home, to 65 months in prison for orchestrating a $6.6 million mortgage fraud scheme involving the Alesio property and six other homes in Miami-Dade County.

In all, prosecutors say he pocketed $1 million -- $450,000 alone from his machinations at 330 Alesio. He used the money to pay off co-conspirators and enrich himself.

Martin's sentence, which came on Wednesday, is a sign the federal government is taking a tougher stance against people who commit mortgage fraud -- a crime once so pervasive that it played a role in bringing about the current economic crisis.

Average sentences for mortgage fraud convictions have increased from 24 months since 2004 to between 50 and 55 months currently, according to Rachel Dollar, a California-based attorney who specializes in fraud recovery litigation.

And, they're expected to soon get harsher. Last month, Congress passed new legislation strengthening prosecutors' ability to fight fraud and promised new funding for more agents, analysts and investigators.

**TASK FORCE**

It also created a nationwide mortgage fraud task force modeled after a task force in Miami-Dade County, where mortgage scammers such as Martin ran amok during the housing boom.

Despite his stiff sentence, the Alesio neighbors said it wasn't long enough -- considering the harm mortgage fraud has done to South Florida's housing market and the national economy.

"I'm happy someone got punished for it, but maybe they didn't go up high enough. It's criminal what the banks and mortgage companies were allowed to get away with," said Fred Hermes, who lives across the street. Yolanda Feanny, a few doors down, also blamed the banks for allowing Martin to so easily rip them off.

But now lenders are subjecting loans to rigorous underwriting in an effort to fight fraud and avoid future losses.

The message currently telegraphed is that people who committed mortgage fraud during the boom should be expecting a knock on their doors, said Michael Sichenzia, president of Deerfield Beach-based Dynamic Consulting, a loss mitigation and real estate analytics firm.

**`CLEAR MANDATE'**

"Law enforcement has been given a clear mandate to go after mortgage fraud and prosecute people to the fullest extent of the law," Sichenzia said. ``This is going to be like the war on drugs 20 years ago because the government has to send a message that this will not be tolerated."

Eric Bustillo, who heads the economic crimes section for the U.S. attorney's office in Miami, said the office began attacking the problem early. In 2007, it joined forces with state law enforcement to step up investigations and prosecutions. Then, last year, it formed a separate strike force of teams from other federal agencies to enhance efforts.

In two years, the office has charged 176 people with mortgage fraud, convicting 120 of them. But with new, labor-intensive cases pouring in almost daily, Bustillo said the office is asking for more resources to tackle pending investigations, which have exploded by 600 percent.

As for the house at 330 Alesio Ave., just off Le Jeune Road, neighbors said they suspected wrongdoing for a long time. "It just kept changing hands," said Linda Marquis, who lives across the street with her husband, Fred Hermes.

Martin, prosecutors said, was running a classic straw borrower scheme, in which he recruited and paid thousands of dollars to three stand-in buyers to purchase 330 Alesio and other homes in Miami using fraudulent papers. Few, if any, payments were ever made on the loans that totaled $6.6 million, and $2.6 million for the Alesio home.

As soon as the properties entered foreclosure, Martin would arrange the next bogus sale. At each closing, he collected on phony invoices for construction work that was never done by his company, Old Martin Construction.

Raphael Piedra and Jose D. Martinez, two of the alleged straw borrowers, also have been charged, but remain fugitives. A third straw borrower, Samuel Morejon pleaded guilty and was sentenced to 27 months in jail.

"Fraud was everywhere you turned," said Sichenzia, who himself served three years in federal prison for mortgage securities fraud between 2003 and 2005, but now helps law firms and lenders ferret out malfeasance.

"If I look at 100 transactions month, 90 percent of them have one aspect or more of a misrepresentation in the documents," he said.

The house at 330 Alesio doesn't appear to be worth anywhere near its last sale price of $1.2 million. The lawn is overrun with weeds. Thieves long ago stripped the place of its appliances and fixtures.

"My handyman was here and he said he wouldn't give them more than $200,000 for it, it's going to need so much work," Marquis said.

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