Florida Loan Officer Sentenced in Connection with $2.5 Million Reverse Mortgage Fraud and Loan Modification Scheme

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WASHINGTON—A loan officer was sentenced Friday by U.S. District Court Judge William P. Dimitrouleas in Ft. Lauderdale, Fla., for his participation in a nationwide $2.5 million reverse mortgage fraud scheme, the Justice Department announced.

Louis Gendason, 42, of Delray Beach, Fla., was sentenced to 70 months in prison, five years of supervised release and ordered to pay over $2 million in restitution. Gendason was the mastermind of this complicated reverse mortgage fraud scheme, which was designed to lure financially distressed elderly homeowners into applying for reverse mortgage loans, to create fictitious equity in their homes with fraudulent appraisals, and ultimately to steal that false equity from the seniors and their lenders. Gendason cultivated relationships with each of his co-conspirators and they executed their respective roles in the scheme at his behest. Kimberly Mackey, 47, of Pittsburgh, and Marcos Echevarria, 29, of Palm Beach, Fla., received prison sentences of 60 and 24 months, respectively, on Nov. 3, 2011. A third co-defendant, John Incandela, 25, of Palm Beach, was sentenced to 41 months in prison on Dec. 16, 2011. Gendason was the final defendant in the scheme to be sentenced.

"The stiff sentence the court imposed on the leader of this reverse mortgage fraud scheme sounds a cautionary note to those who prey upon elderly, distressed homeowners," said Tony West, Assistant Attorney General for the Civil Division of the Department of Justice. "We will not waver in our commitment to investigate, prosecute, and hold accountable those who try to victimize our nation's most vulnerable consumers."

A reverse mortgage, also known as a Home Equity Conversion Mortgage, allows borrowers who are at least 62 years of age to convert the equity in their homes into a monthly stream of income or a line of credit. Unlike the traditional mortgage loan scenario, in which borrowers make monthly payments to a mortgage lender in satisfaction of their outstanding loan, in a reverse mortgage loan scenario, the mortgage lender purchases borrowers' equity and makes installment payments to the borrower.

According to the information and statements made during the August 2011 hearing in the case, from May 2009 through November 2010, the defendants engaged in a reverse mortgage scheme that defrauded unwitting borrowers, Genworth Financial Home Equity Access Inc., and the Federal Housing Administration (FHA). As the scheme's ring-leader, Gendason, along with loan officers Incandela and Echevarria, solicited seniors to refinance their existing mortgages with a reverse mortgage loan financed by Genworth. To qualify the borrowers for these loans, Gendason altered real estate appraisals to fraudulently inflate the value of the borrowers' properties. In fact, however, none of the borrowers had sufficient equity in their properties to qualify for a reverse mortgage. The defendants then submitted the fraudulently inflated appraisals to Genworth. Based on the false documentation, Genworth approved and the FHA insured more than $2.5 million in reverse mortgage loans.

"This reverse mortgage loan modification scheme robbed elderly homeowners of more than just their homes," said Wifredo A. Ferrer, U.S. Attorney for the Southern District of Florida. "It also robbed them of the American dream of home ownership, their peace of mind, and in some cases, their life's savings. Through these prosecutions, these fraudsters have been brought to justice."

As part of the scheme, Mackey, a licensed title agent, fraudulently closed the Genworth loans and did not pay off the borrowers' existing mortgage loans. Mackey attempted to conceal the fraudulent loan closings by preparing false settlement documents that showed that the existing mortgages had, in fact, been paid off. The defendants divided up the loan proceeds and each used the money for his or her personal benefit, including for such things as gym memberships, vacations, and casino gambling.

The defendants further engaged in a loan modification scheme to conceal the existence of the Genworth reverse mortgage transactions from the original mortgage lenders, whose loans remained unpaid. To this end, Gendason, Incandela and Mackey conspired to create fictitious offers to buy some of the borrowers' properties in the form of "short sales." A short sale is a sale of real estate in which the sale proceeds are less than the balance owed on the loan to the mortgage lender, but avoids foreclosure and related costs. In other instances, to hide the existence of the Genworth reverse mortgage loan from the original lenders, the defendants made monthly mortgage payments to the borrowers' original lenders. Many of the elderly homeowners that trusted the defendants anguished for years over whether they might lose their homes after learning that the defendants had stolen their reverse mortgage loan proceeds.

The case was investigated by agents from the U.S. Department of Housing and Urban Development Office of Inspector General, the Internal Revenue Service's-Criminal Investigation, the U.S. Postal Inspection Service, the FBI and Florida's Office of Financial Regulation, with assistance from the U.S. Secret Service and Genworth Financial Home Equity Access. The case was prosecuted by Kevin J. Larsen, a Trial Attorney in the Justice Department's Consumer Protection Branch, and Assistant U.S. Attorneys Jeffrey H. Kay and Thomas Lanigan of the Southern District of Florida.