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THREE REAL ESTATE DEVELOPERS SENTENCED TO PRISON FOR THEIR ROLES IN $27.8 MILLION MORTGAGE FRAUD SCHEME

WASHINGTON – Three Miami real estate developers were sentenced to prison terms today for their roles in a mortgage fraud scheme that caused losses of $27.8 million.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, U.S. Attorney Wifredo A. Ferrer of the Southern District of Florida, Special Agent in Charge Nadine Gurley of the Department of Housing and Urban Development's Office of Inspector General (HUD-OIG) and Special Agent in Charge Timothy A. Mowery of the Federal Housing Finance Agency's Office of Inspector General (FHFA-OIG) made the announcement.

Stavroula Mendez, 68, was sentenced to 135 months in prison; Lazaro Mendez, 42, was sentenced to 108 months in prison; and Marie Mendez, 49, was sentenced to 57 months in prison. U.S. District Judge Patricia A. Seitz of the Southern District of Florida also ordered each of the defendants to forfeit $35,252,331 in fraudulent proceeds and to pay $21,240,064 in restitution. In November 2014, all three defendants were convicted of wire fraud, bank fraud and conspiracy. Eleven other co-conspirators were previously convicted of fraud in connection with the scheme.

Stavroula Mendez, Lazaro Mendez and Marie Mendez owned, controlled or managed various condominium developments in the Miami area. According to evidence presented at trial, the defendants engaged in a scheme in which they facilitated payments to straw buyers as well as the submission of false loan applications on behalf of the straw buyers to secure mortgages to purchase units in the developments. Once the units were sold, the defendants retained both the profits from the sales and control over the units.

The trial evidence showed that Lazaro Mendez recruited family members and others to be straw buyers of units that he controlled at one development and that he facilitated the submission of false loan applications. In addition, Lazaro Mendez enlisted mortgage brokers and another individual to recruit straw buyers and to assist them in obtaining fraudulent loans. Lazaro Mendez received kickbacks for each referred buyer.

The evidence at trial demonstrated that, after units were sold at a development that Stavroula Mendez and her husband controlled, Stavroula Mendez funneled a portion of the loan proceeds to shell companies to pay the straw buyers' closing cash obligations and mortgage payments. The evidence presented at trial further established that, in 2008 and 2009, Stavroula

Mendez used other shell companies to divert more than $2 million of the fraudulent proceeds to bank accounts in Switzerland and Liechtenstein.

According to the evidence presented at trial, Marie Mendez used rental payments received by the conspirators to make mortgage payments, and directed cash to another individual to make mortgage payments on behalf of straw buyers. The evidence also showed that Marie Mendez submitted fraudulent loan applications for three condominium units that were purchased in her name.

Eventually, the defendants and their co-conspirators were unable to make mortgage payments, which caused dozens of condominium units to go into foreclosure. The scheme caused the Federal Housing Administration, Freddie Mac, Fannie Mae and private lenders to sustain combined losses of $27.8 million.

The case was investigated by the HUD-OIG and the FHFA-OIG. The case was prosecuted by Trial Attorneys Gary A. Winters, Brian R. Young and Kyle Maurer of the Criminal Division’s Fraud Section.

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