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Government may rest case Monday

By John Surratt

The jurors in the federal mortgage flipping trial of Richard Lucas, Kimberly Castle and Kenneth Stalnaker spent their second week in court looking at more documents and hearing testimony from more investors as government prosecutors began winding down their case against the trio.

Assistant U.S. Attorney Gaines Cleveland said Wednesday the government expects to rest its case Monday.

Lucas, Castle and Stalnaker are accused of buying distressed properties in Hattiesburg, Petal and Laurel and selling them quickly, using inflated appraisals to get high mortgage loans and pocketing the proceeds - a process known as flipping.

Prosecutors began the trial's second week recalling Malcolm Clark, an associate of Lucas', who has already pleaded guilty to one count of bank and wire fraud in the case.

Clark's testimony was suspended during the first week of the trial after he refused to answer a question by Sanford Knott, one of Lucas' two attorneys.

Knott resumed his cross-examination of Clark on Nov. 6, trying to paint Clark and Michael Cox, another Lucas associate, as the true ringleaders behind the mortgage fraud scheme.

Cox, who pleaded guilty in March before his case went to a federal grand jury, testified during the first week of the trial that he made false documents such as pay stubs, W-2s and bank statements for Lucas so investors and straw buyers would qualify for mortgage loans.

Knott and John May, who also represents Lucas, tried to link several witnesses and investors with Cox and Clark in an attempt to demonstrate a possible conspiracy by some of Lucas' associates.

Several investors testified during the second week, and all had one common thread - they all said that they didn't read the loan papers before signing.

The common testimony was, "we were just told to sign."

Their testimony brought tough cross-examination by John Colette, Castle's attorney who challenged the investors' reasons for not reading the loan papers, even pointing out that they had violated federal law by saying the information on the papers was correct, when they knew that Lucas had made the down payments.

He confronted one investor witness, demanding, "how come you're not sitting at this (the defendant's table) with us?"

The most prominent investor to testify was WDAM-TV sports director Mitch Williams, who said he and his wife, Shelia, invested in property on Lucas' recommendation.

Williams said he had known Lucas for 22 years. He said he and his wife bought two cars from Lucas when he had an automobile dealership and that Lucas had refinanced the mortgage on their home.

"Richard had done well by us with those two cars," Williams said. "We trusted him."

The Williamses bought three homes totaling \$210,000, all of them in Shelia Williams' name. Mitch Williams said they invested to help single parents buy a home. In the end, they lost all three homes and their own.

Williams said that after they learned the houses were in foreclosure, they tried to come up with the money to bring the payments current, but were unable to.

The paper trail that prosecutors introduced involved false documents that they claimed showed alleged inflated bank accounts and salaries.

Several local bank officials appeared as witnesses to testify that the bank statements that accompanied many of the loan documents were for accounts that did not exist at the banks.
