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Newport Beach man pleads guilty in federal fraud case

Mortgage scheme cost government, commercial lenders \$2.7 million.

By KIMBERLY EDDS
The Orange County Register

NEWPORT BEACH – A Newport Beach man pleaded guilty in federal court Monday to fraudulently obtaining mortgage loans, bilking the federal government and commercial lenders of more than \$2.7 million dollars.

Lorenzo Espinoza, 39, admitted in a plea agreement last month that he spent six years paying fake property buyers to apply for loans with no intention of ever making payments.

Using down payments, bogus tax forms and paycheck stubs supplied by Espinoza and his colleagues, the "straw buyers" obtained the loans and purchased the homes, government lawyers said.

When no payments were made, the buyers defaulted on the mortgages, saddling the lenders, including the Federal Housing Administration, with properties worth far less than the amount handed over in the mortgages.

In addition to the mortgage scheme, Espinoza also admitted to bankruptcy fraud and failure to pay taxes.

Espinoza filed for bankruptcy in 1999, but failed to tell the U.S. trustee that he owned a Rolex Daytona watch, a 1990 Ferrari, a 1995 Ferrari and a 1989 Lamborghini. Three years later Espinoza sold the three Ferrari automobiles for \$127,500, federal prosecutors said.

He also admitted he did not pay \$199,053 in taxes due for the 1996 tax year.

Espinoza faces up to 26 years in prison when he is sentenced March 12.

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