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Guilty verdicts in Phillip Hill Atlanta mortgage fraud scheme

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After an eight week trial, a federal jury on March 14 returned guilty verdicts against 10 defendants charged with multiple counts in a more than \$41 million mortgage fraud scheme that targeted the metro Atlanta housing and condo market from 2000 through part of 2003.

The verdicts included guilty verdicts on charges of loan fraud, wire and mail fraud, and money laundering.

The 10 defendants found guilty today of participating in the conspiracy include: Marcus C. Alcindor, a/k/a "Christopher Alcindor," 42, of St. Lucia, convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; Barbara Brown, 34, of Marietta, Ga., convicted of conspiracy and two counts of wire fraud; Fred Farmer, 59, of Roswell, Ga., convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; Phillip E. Hill, 49, of Blounstown, Fla., convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; Christine Lauderhill, 40, convicted of conspiracy, loan fraud, wire fraud, and money laundering; Robert Powers, 45, of Cumming, Ga., convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; Leslie Rector, 35, of Atlanta, convicted of conspiracy, loan fraud, mail and wire fraud, and money laundering; David Thomas, 46, of Baton Rouge, La., convicted of conspiracy, loan fraud, and money laundering; Dean Thomas, 42, of Atlanta, convicted of conspiracy and money laundering; and David Van Mersbergen, 46, of Atlanta, convicted of conspiracy, loan fraud, and money laundering.

In addition to the defendants found guilty today, several others pleaded guilty to mortgage fraud charges related to the same scheme before trial. These defendants include: William Chavis, 45, of Atlanta; Jeremy Dercola, 29, of Douglasville, Ga.; Michael Flake, 31, of Stone Mountain, Ga.; Wesley Golden, 57, of Atlanta; Christopher Halcomb, 45, of Cumming; Wendell Higgs, 42, of Suwanee, Ga.; Cortney Jackson, 49, of Detroit; Wayne Jenkins, 49, of Atlanta; Rashid Muhammad, 36, of Syracuse, N.Y.; Julian Perez, a/k/a "Tony Perez," 49, of Roswell; Brant Petree, 23, of Marietta; Theodore Tagalakis, 36, of Atlanta; and Andrew Wolf, 45, of Alpharetta, Ga.

Cheryl Denny, 42, of St. Lucia, and James Moss, 49, of Roswell, were acquitted in directed verdicts by the court before the jury began its deliberations.

The trial of two remaining defendants, Riley Graham, a/k/a "Riley Williams," 39, of Detroit, and Annette Spear, 50, of Union City, Ga., is tentatively scheduled for April 2007.

Christopher Baker, 40, whose last known address was Canada, and Carl Best, 42, of New York, are both fugitives and are being sought.

According to U.S. Attorney David E. Nahmias and the evidence at trial, Phillip E. Hill was the owner and operator of We Build Atlanta Inc., The Estate Firm Inc., Estate Artstians of Georgia Inc., Estates Atlanta Inc., and numerous other Georgia corporations. Hill controlled the affairs of each corporation.

Hill held himself out to be a real estate developer, and either individually or through one or more of the corporations he controlled, purchased and sold numerous residential properties in the Atlanta area. Hill oversaw the conspiracy, loan fraud, wire and mail fraud, and money laundering activity related to mortgages obtained in the sale of more than 50 homes and more than 250 condominiums in eight Atlanta-area condominium complexes. These properties were all owned at one time by one of the Phillip Hill entities.

Each property was sold at an inflated price to a "straw purchaser" who applied for a mortgage loan based upon the inflated price. Such a fraudulent transaction is called a mortgage "flip."

The straw purchasers who participated in these mortgage flips were paid a kick-back out of the excess loan proceeds for the use of their name and credit. The victim-lenders granted the loans based upon numerous false representations and documents regarding the credit qualifications of the straw purchaser, as well as false representations that the straw purchaser had paid a down payment, would reside in the home, and would be responsible for the loan payment. In addition, the lenders were induced to make the loans based on fraudulently inflated appraisals. Some of the properties were "flipped" more than one time.

Evidence at trial showed that the primary leaders of the complex fraud scheme were Phillip Hill and Leslie Rector, closely assisted by David Van Mersbergen. Hill alone received more than \$14 million in profits from the scheme. Phillip Hill was taken into custody after the jury verdict of guilty.

The appraisers who created the fraudulent appraisals used in the scheme were Julian Perez, who pleaded guilty before trial; and Fred Farmer, and Barbara Brown, who were convicted in this trial.

According to the evidence, appraisers were paid both their scheduled fees and received separate direct payments from Hill.

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The loan officers, who provided the fraudulent loans to the victim lenders, included Wayne Jenkins, Theodore Tagalakis, Brant Petree, Wendell Higgs, Michael Flake and Wesley Golden, who all pleaded guilty before trial. Loan officer Robert Powers was convicted of conspiracy, mail and wire fraud, and money laundering by the jury today. Evidence at trial showed that the loan officers received excessive fees for processing the fraudulent loans.

Hill was convicted of paying kickbacks to "recruiters" who found "straw borrowers" for the scheme. The recruiters convicted at trial included Christine Laudermill and David and Dean Thomas, who all received hundreds of thousands of dollars in the scheme. William Chavis and Rashid Muhammad were also recruiters, who pleaded guilty before trial. According to the evidence, David and Dean Thomas, and David Van Mersbergen also served as "straw borrowers" who received additional kickbacks for lending their credit to the scheme.

As part of the fraud scheme, two attorneys were previously convicted of mortgage fraud for submitting fraudulent documents, and at property closings, facilitating the distribution of the monies to the co-conspirators. Attorneys Christopher Halcomb and Andrew Wolf both pleaded guilty to conspiracy to commit mortgage fraud.

The defendants will be sentenced in July 2007 before U.S. District Court Judge Thomas W. Thrash Jr.

"The monetary loss calculated to date is in excess of \$41 million but we expect it to be significantly higher when we conclude our work," said U.S. Attorney David E. Nahmias. "More importantly, this monetary loss, as great as it is, does not fully capture the loss to the many neighborhoods and condominium communities that have been gutted of their value due to this one fraud scheme. These guilty verdicts condemn the corrupt actions of the key people who were responsible for this fraud scheme, from crooked attorneys and appraisers, to loan officers, to the man at the top, Phillip E. Hill."

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