

United States Department of Justice

For Immediate Release

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Central District of California

Orange County Man Who Participated in Mortgage Fraud Scheme Sentenced to 60 Months in Federal Prison

LOS ANGELES—A Newport Coast man who defrauded the Department of Housing and Urban Development by fraudulently obtaining mortgage loans that went into default was sentenced today to five years in federal prison.

Lorenzo Espinoza, 43, was sentenced this morning by United States District Judge Stephen V. Wilson, who also ordered the defendant to pay HUD restitution of more than \$614,000.

Espinoza pleaded guilty in December 2006 to conspiracy to defraud HUD, two counts of bankruptcy fraud, one count of money laundering and one count of willful failure to pay tax to the Internal Revenue Service. When he pleaded guilty, Espinoza admitted that he engaged in a scheme that ran from April 1995 until approximately May 2001 and caused HUD to suffer losses when he and his associates fraudulently purchased nearly 100 residential properties. The properties were sold at inflated market values to “straw buyers,” who were unable to make payments on the homes. Espinoza and his associates supplied the down payments for the straw buyers and in some cases obtained bogus tax forms and paycheck stubs that were submitted with the loan applications. The lenders relied on the false documents when they approved the loans, and HUD relied on the false documents in insuring the home loans. When the straw buyers defaulted on the home loans and the lenders foreclosed on the properties, HUD reimbursed the lenders for their costs and took possession of the properties. HUD ultimately suffered losses of more than \$2 million when it sold the properties for far less than the fraudulent purchase prices of the homes.

In addition to defrauding lenders and HUD, Espinoza committed bankruptcy fraud in 1999 when he filed for bankruptcy and failed to tell the United States Trustee that he owned a Rolex Daytona watch, two Ferraris and a Lamborghini. In late 2002, Espinoza laundered the proceeds of his bankruptcy fraud when he sold the Ferrari automobiles for \$127,500.

Espinoza also pleaded guilty to willfully failing to pay income tax, admitting that he did not pay \$199,053 due for the 1996 tax year. In court papers filed in relation to the sentencing, prosecutors pointed out that Espinoza had not filed tax returns for well over 10 years and owes the Internal Revenue Service more than \$5 million in taxes, interest and penalties.

In rejecting the defendant’s request for leniency, Judge Wilson noted the multifaceted nature of Espinoza’s fraud and his “extreme greed.” Judge Wilson ordered Espinoza to begin serving his sentence on June 4.

The investigation of Espinoza was conducted by IRS - Criminal Investigation, the United States Department of Housing and Urban Development, and the Federal Bureau of Investigation.