



# SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL  
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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**FOR IMMEDIATE RELEASE**

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[www.SIGTARP.gov](http://www.SIGTARP.gov)

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## 5 CHARGED IN CALIFORNIA-BASED MORTGAGE MODIFICATION FRAUD SCHEME

WASHINGTON, DC – The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and Orange County, California, District Attorney Tony Rackauckas today announced charges against five California men for allegedly operating a mortgage modification scheme doing business as CSFA Home Solutions and for defrauding hundreds of victims.

“It is charged today that during our nation’s housing crisis, these co-conspirators ran what has become a common hoax preying on the most vulnerable homeowners who were desperately seeking help to keep their homes,” said Christy Romero, Deputy Special Inspector General for SIGTARP. “CSFA Home Solutions allegedly, through its Web site [www.csfahomesolutions.com](http://www.csfahomesolutions.com), advertisements, and sales pitches, falsely touted money-back guarantees of securing mortgage modifications for homeowners through HAMP, which is sometimes referred to as the ‘Obama plan.’ Any exploitation of HAMP is unconscionable, and will not be tolerated by SIGTARP or its law enforcement partners.”

Between January 2009 and March 2012, Jacob J. Cunningham, 24, of Irvine, California; Justin D. Koelle, 23, of Costa Mesa, California; Andrew M. Phalen, 25, of Mission Viejo, California; Dominic A. Nolan, 30, of Irvine, California; and John D. Silva, 27, of Irvine, California, are accused of creating numerous fraudulent loan modification businesses including CSFA Home Solutions, Mortgage Solution Specialists, Inc., CS & Associates, National Mortgage Relief Center, NMRC Inc., N.M.R.C. Inc., Allied Home Servicing, and Allied Loan Servicing, purportedly to provide home loan modification assistance. The defendants are accused of sending promotional letters to people throughout the United States with an offer to restructure their home loans, in which the defendants referred to the homeowner’s specific lender and principal balance, and charging homeowners upfront fees for loan modification services.

When victims called the number on the letter, the defendants are accused of falsely telling the victims that they could get a complete refund of the fee their company charged if their loan was not modified and that the company had a 100 percent success rate. After the victims gave Cunningham, Koelle, Phalen, Nolan, or Silva their money, the defendants are accused of keeping that money without securing loan modifications for the distressed victims. They are accused of not returning or refunding the victims the fee they paid for a loan modification.

California Senate Bill 94, enacted into law on Oct. 11, 2009, makes it illegal in California for any person or business to demand, charge, or collect any advance or upfront fee for loan modification work or services.

In their capacities as principals in the loan modification businesses, the defendants, or their co-conspirators or agents, are also alleged to have made false representations to victims that the U.S. Department of the Treasury's Home Affordable Modification Program (HAMP), a program funded by the federal Troubled Asset Relief Program (TARP), would apply to victims' circumstances in order to entice victims into participating in the loan modification scheme.

In order to avoid having their theft discovered, the defendants are accused of regularly changing the names, phone numbers, and addresses of the companies they operated.

In late December 2011, after more than one hundred victims from California and other states submitted complaints to various law enforcement agencies and to the Better Business Bureau regarding the defendants' loan modification activities, Cunningham, Nolan, and Silva are accused of starting a new fraudulent scheme in which they would send out forged "Conditional Approval" letters to victims with a CitiFinancial or CitiMortgage logo in the letterhead. They are accused of stating in the forged Conditional Approval letters that they could offer the homeowner a low interest rate of 2.8 percent or less to refinance their home loan. Cunningham, Nolan, and Silva are accused of attaching "Escrow Instructions" with the letter, directing the homeowner to deposit between \$3,500 and \$4,600 directly into the defendants' bank accounts.

Cunningham, Nolan, and Silva are accused of having no affiliation with CitiFinancial or CitiMortgage or any authorization to offer a loan on behalf of CitiFinancial or CitiMortgage. They are accused of making no efforts to qualify the victims for loans with CitiFinancial or CitiMortgage.

Cunningham is charged with 14 felony counts of grand theft by false pretenses and one felony count each of conspiracy to charge illegal upfront fees, conspiracy to commit forgery, and money laundering. Cunningham is in custody on \$48,257 bail and must prove the money is from a legal and legitimate source before posting bond. If convicted on all counts, he faces a maximum sentence of 13 years and eight months in state prison.

Koelle is charged with seven felony counts of grand theft by false pretenses and one felony count each of conspiracy to charge illegal upfront fees. Koelle is in custody on \$27,965 bail and must prove the money is from a legal and legitimate source before posting bond. If convicted on all counts, he faces a maximum sentence of seven years and eight months in state prison.

Phalen is charged with eight felony counts of grand theft by false pretenses, two felony counts of theft from an elder, and one felony count of conspiracy to charge illegal upfront fees. Phalen is in custody on \$25,035 bail and must prove the money is from a legal and legitimate source before posting bond. If convicted on all counts, he faces a maximum sentence of 10 years in state prison.

Nolan is charged with 14 felony counts of grand theft by false pretenses and one felony count each of conspiracy to commit forgery, conspiracy to charge illegal upfront fees, and money laundering. Nolan is in custody on \$48,257 bail and must prove the money is from a legal and legitimate source before posting bond. If convicted on all counts, he faces a maximum sentence of 13 years and eight months in state prison.

Silva is charged with 23 felony counts of grand theft by false pretenses, two felony counts of theft from an elder, and one felony count each of conspiracy to commit forgery, conspiracy to charge illegal upfront fees, and money laundering. Silva is in custody on \$66,037 bail and must prove the money is

from a legal and legitimate source before posting bond. If convicted on all counts, he faces a maximum sentence of 21 years and eight months in state prison.

Cunningham, Phalen, and Silva were arrested yesterday, March 1, 2012. Koelle and Nolan were arrested today, March 2, 2012.

The defendants are scheduled to be arraigned Monday, March 5, 2012, in Department CJ-1, Central Jail, Santa Ana, California. The time is to be determined.

The investigation is still ongoing. Anyone with additional information or who believes they have been a victim is encouraged to contact Supervising District Attorney Investigator Eric Akerlind at (714) 347-8691, or visit [www.orangecountyda.com](http://www.orangecountyda.com) and fill out the "Real Estate Fraud Reporting Form" available on the homepage.

There are presently hundreds of known victims and others that are unidentified both in California and out of state.

SIGTARP, the United States Secret Service, Huntington Beach Police Department, California Department of Real Estate, Orange County Probation Department, Orange County Sheriff's Department, Costa Mesa Police Department, Irvine Police Department, and Santa Ana Police Department assisted in the investigation of this case and arrests of the defendants.

Deputy District Attorney Megan Wagner of the Major Fraud Unit is prosecuting this case.

In December, SIGTARP, the Consumer Financial Protection Bureau, and the U.S. Department of the Treasury established a taskforce to combat mortgage modification scams exploiting HAMP and to raise public awareness of the scams. The taskforce subsequently issued a Consumer Fraud Alert, which offers tips on how to identify and avoid mortgage modification scams. To view the Consumer Fraud Alert tip sheet, visit [www.sig tarp.gov/pdf/Consumer\\_Fraud\\_Alert.pdf](http://www.sig tarp.gov/pdf/Consumer_Fraud_Alert.pdf)

Homeowners should be wary of any guarantee that a mortgage can be modified, particularly when that guarantee is extended in exchange for an upfront fee. Advice from federally-approved housing counselors is free, as are mortgage modifications under HAMP. For more information, visit [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit [www.stopfraud.gov](http://www.stopfraud.gov).

### **About SIGTARP**

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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