



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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Media Inquiries:

202-927-8940

TEXAS MAN SENTENCED TO 61 MONTHS IN FEDERAL PRISON FOR BANKRUPTCY FRAUD AND IDENTITY THEFT IN CONNECTION WITH NATIONWIDE FORECLOSURE-RESCUE SCHEME

Defendant Collected \$1.6 Million from More Than 1,100 Distressed Homeowners

WASHINGTON, DC - An Austin, Texas, man was sentenced yesterday in the Western District of Texas to 61 months in prison and was ordered to forfeit \$84,010 for his role in operating a foreclosure-rescue scam in Southern California and elsewhere that charged distressed homeowners fees in exchange for fraudulently delaying foreclosure sales.

The sentence was announced by Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division; U.S. Attorney Andre Birotte Jr. of the Central District of California; U.S. Attorney Robert Pitman of the Western District of Texas; and Assistant Director in Charge Steven Martinez of the FBI's Los Angeles Field Office.

Frederic Alan Gladle, 53, was sentenced by U.S. District Judge Lee Yeakel. Gladle pleaded guilty on Jan. 6, 2012, to one count of bankruptcy fraud and one count of aggravated identity theft. He was originally charged on Dec. 9, 2011. In addition to the \$84,010, Gladle was ordered to forfeit 63 prepaid, reloadable debit cards that he used to further his scheme.

"Gladle preyed on struggling homeowners with promises to delay their foreclosures for a fee," said Special Inspector General Romero. "To forestall the foreclosures, Gladle deeded away a portion of their homes to unsuspecting debtors in bankruptcy, stealing the debtors' identities and forging their signatures. Gladle exploited homeowners, the debtors whose identities he stole, and multiple banks, including TARP banks. The exploitation of TARP will not be tolerated, and SIGTARP and our partners will hold individuals accountable for their actions."

"Mr. Gladle concocted an elaborate fraud scheme to use the financial crisis to his criminal advantage," said Assistant Attorney General Breuer. "He preyed upon vulnerable homeowners facing foreclosure, just as the housing bubble began to burst and stood in the way of financial institutions attempting to collect on their debts. We will continue to pursue scam artists like Mr. Gladle and ensure that they are held accountable for their crimes."

“Foreclosure-rescue scams are designed to victimize people in extreme financial distress,” said U.S. Attorney André Birotte Jr. “Financial predators like Mr. Gladle need to be held accountable for the harm they cause, and today’s sentence does just that, sending the message to scam artists like Mr. Gladle that the final outcome for their criminal schemes is a long stay in federal prison.”

“This scheme was particularly insidious in that Mr. Gladle exploited victims who were already in financial straits,” said FBI Assistant Director Martinez. “This sentence should send a message to those contemplating similar fraud targeting vulnerable individuals or the banking system and, in addition, should encourage those trying to salvage their homes to beware of fraudulent rescue offers.”

Gladle admitted that beginning in October 2007 and continuing until October 2011, he operated a foreclosure-rescue fraud scheme that netted him more than \$1.6 million in fees from distressed homeowners. According to court documents, Gladle used five aliases to avoid detection, including stealing the identity of at least one person and setting up a mobile phone account in that victim’s name.

Gladle admitted that he recruited homeowners whose properties were in danger of imminent foreclosure and falsely promised to delay the foreclosures for up to six months in exchange for a fee of approximately \$750 per month. Gladle, directly or through salespersons, directed homeowners to sign deeds granting fractional interest in their properties to debtors in bankruptcy proceedings whose names Gladle found by searching bankruptcy records. The debtors were unaware that their names and bankruptcy cases were being stolen by Gladle in his scheme. Gladle then sent the unsuspecting debtors’ bankruptcy petitions, and the deeds that transferred fractional interests to the debtors, to the homeowners’ lenders to stop foreclosure proceedings.

Because bankruptcy filings give rise to automatic stays that protect debtors’ properties, the receipt of the bankruptcy petitions and deeds in the debtors’ names forced lenders to cancel foreclosure sales. The lenders, which included banks that received government funds under the Troubled Asset Relief Program (TARP), could not move forward to collect money that was owed to them until getting permission from the bankruptcy courts, thereby repeatedly delaying the lenders’ recovery of their money. When homeowners wanted to void the deeds to the unsuspecting debtors, Gladle would forge the debtors’ signatures on papers voiding the deeds.

A defendant charged in the Northern and Central Districts of California for a separate, similar foreclosure rescue scheme, Glen Alan Ward, was arrested in Canada last month. Ward has been a fugitive sought by U.S. federal authorities since 2000. According to court documents, Ward, who also goes by the name Brandon Michaels, is alleged to have worked with and taught Gladle the scheme. Ward is currently being detained in Canada pending his extradition to the United States.

This case is being prosecuted by Trial Attorney Paul Rosen of the Fraud Section in the Justice Department’s Criminal Division and Assistant U.S. Attorney Evan Davis for the Central District of California, with substantial assistance provided by Assistant U.S. Attorney Chris Peele of the Western District of Texas. The investigation was conducted by SIGTARP and the FBI, which received substantial assistance from the U.S. Trustee’s Office.

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.

About SIGTARP

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

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