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CALIFORNIA MAN SENTENCED TO FEDERAL PRISON FOR 'FORECLOSURE RESCUE' SCAM

Scam Defrauded Creditors, Including Multiple TARP Banks

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Melinda Haag, United States Attorney for the Northern District of California, today announced that on November 26, Walter Bruce Harrell, 72, of Montara, Calif., was sentenced to 10 months in federal prison and three years of supervised release for bankruptcy fraud and for providing false statements in a bankruptcy proceeding.

On February 14, 2013, Harrell was indicted by a federal Grand Jury and charged with eight counts of bankruptcy fraud and two counts of making false statements in a bankruptcy proceeding.

According to the indictment and plea agreement, Harrell operated a scheme in which he offered, in exchange for a fee from a homeowner facing foreclosure, to postpone foreclosure proceedings on the homeowner's property. Harrell accomplished this by instructing homeowner clients to deed fractional interests in their properties to other individuals whom Harrell would pay to file bankruptcy petitions in U.S. Bankruptcy Court. Once the bankruptcy petitions were filed, Harrell would notify creditors—which included multiple TARP banks—seeking to foreclose on his clients' properties, that the properties were part of an active bankruptcy proceeding. Because of "automatic stay" provisions of the U.S. Bankruptcy Code, the creditors were prevented from proceeding with foreclosure on the properties. Instead, the creditors were required to file motions to lift the automatic stays in Bankruptcy Court. Although these motions were invariably granted, Harrell's actions caused delays in the foreclosure process and caused the creditors to incur costs to lift the automatic stays.

On August 2, 2013, Harrell pleaded guilty to filing bankruptcy petitions in furtherance of a scheme to defraud creditors owning mortgages and to making false statements in a bankruptcy petition.

"Today's sentencing makes it clear that foreclosure rescue schemes will not be tolerated and can result in time in federal prison," said Christy Romero, Special Inspector General for TARP (SIGTARP). "Harrell promised distressed homeowners that as long as they paid him monthly, he would prevent foreclosure on their homes. He sold false hope to those who needed hope the most. He committed bankruptcy fraud and defraud banks holding the mortgages, including TARP banks. As a law enforcement agency, SIGTARP is committed to bringing justice to those who commit crimes related to TARP."

“The integrity of evidence received by our bankruptcy courts is critical to the courts’ ability to function effectively,” United States Attorney Melinda Haag stated. “This office will vigorously prosecute people who intentionally submit false and misleading information in federal bankruptcy proceedings.”

Harrell’s sentence was handed down by The Honorable Judge Susan Illston, United States District Court Judge, in San Francisco.

Assistant U.S. Attorney Kyle F. Waldinger is prosecuting the case with the assistance of Rayneisha Booth. The prosecution is the result of an investigation by SIGTARP, the FBI, and the Alameda County District Attorney’s Office, with assistance from the United States Bankruptcy Trustee.

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.

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

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