



# SIGTARP

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

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

**FOR IMMEDIATE RELEASE**

Friday, February 22, 2013

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## CALIFORNIA MAN CHARGED WITH BANKRUPTCY FRAUD RELATED TO FORECLOSURE-RESCUE SCAM

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and U.S. Attorney for the Northern District of California Melinda Haag today announced that a federal grand jury in San Francisco has indicted Walter Bruce Harrell, of Montara, California, with eight counts of bankruptcy fraud and two counts of making false statements in bankruptcy proceedings. The Indictment alleges that Harrell devised and executed a scheme to defraud creditors who were attempting to lawfully foreclose on numerous properties, and that he did so by delaying and obstructing foreclosure sales through the improper use of the federal bankruptcy process.

“Harrell is charged with exploiting TARP banks and preying on vulnerable homeowners by promising to delay their foreclosures for a monthly fee,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “To obstruct creditors, including TARP banks, from foreclosing on the homes, Harrell allegedly manipulated bankruptcy laws, making false statements and transferring interests in the properties to third parties who he paid to file papers in court to hinder the foreclosure process. The exploitation of TARP is unacceptable, and SIGTARP and our law enforcement partners will continue to pursue justice for such fraud.”

According to the Indictment, Harrell, 71, is alleged to have arranged for property owners to grant fractional interests of between 2% and 20% of their properties to individuals whom Harrell had paid to file bankruptcy cases in the U.S. Bankruptcy Court for the Northern District of California. These actions invoked the “automatic stay” provision of the U.S. Bankruptcy Code, which halts foreclosure sales until the creditor seeks relief from the stay or until the bankruptcy case is dismissed. The Indictment alleges that Harrell’s scheme forced creditors to file motions to lift the automatic stays, or to wait until the debtors’ bankruptcy cases were dismissed, in order to proceed with the foreclosure sales. A number of the creditors affected by the scheme were recipients of funds under the U.S. Department of the Treasury’s Troubled Asset Relief Program (TARP). The Indictment identifies at least six properties involved in the scheme, one of which was occupied by Harrell. The Indictment also charges Harrell with making false statements in bankruptcy proceedings with respect to two bankruptcy cases that Harrell paid an individual identified as “T.W.” to file.

Mr. Harrell was arrested in Montara, Calif., on February 20, 2013, and he made his initial appearance in federal court in San Francisco on February 21, 2013. He was released on a \$50,000 bond. The defendant’s next scheduled appearance is at 12:30 p.m. Eastern on February 25, 2013, for identification of counsel before Magistrate Judge Maria-Elena James.

The maximum statutory penalty for each count of bankruptcy fraud, in violation of Title 18, United States Code, Section 157, and each count of making false statements in bankruptcy proceedings, in violation of Title 18, United States Code, Section 152(3), is 5 years in prison and a fine of \$250,000, plus restitution if appropriate. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Kyle F. Waldinger is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Rayneisha Booth. The prosecution is the result of a one-year investigation by SIGTARP and the Federal Bureau of Investigation, as well as investigators from the Alameda County District Attorney's Office.

Please note, an indictment contains only allegations against an individual and, as with all defendants, Mr. Harrell must be presumed innocent unless and until proven guilty.

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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