

Mortgage Fraud Thrives in Ohio

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RISMEDIA, Dec. 14 — (KRT) — Back in late 2002, Chris Stahlheber thought he was getting into the rental property business. Instead, he was stepping into a mortgage scam running rampant across Greater Cincinnati. It cost him thousands of dollars.

Despite his losses, Stahlheber has been one of the lucky ones. According to a federal prosecutor, scores of others have gone into foreclosure, their credit severely damaged and their communities left with vacant, blighted properties.

More than 30 people have been indicted in U.S. District Court in Cincinnati in the last two years for crimes related to mortgage fraud and illegal "flipping" involving hundreds of properties. Along with neighborhoods like Price Hill in Cincinnati, Hamilton was one of the cons' prime targets, Assistant U.S. Attorney Amul Thapar said.

Here's how the flipping scam worked in Stahlheber's case, according to court records: In October 2002, Stahlheber bought a house at 553 S. Eleventh St., Hamilton, for \$75,000 from a 32-year-old Somerville man named Tim Husvar. Unbeknownst to Stahlheber, Husvar had bought the same house only eight months earlier for \$17,000.

Husvar signed financial documents that stated Stahlheber had made a down payment of more than \$10,000 when in fact Stahlheber hadn't paid a dime down. Then, according to court records, Husvar sent a fake appraisal to a mortgage lending company supporting the inflated \$75,000 price.

Husvar walked away with the ill-gotten and unsupported \$58,000 profit by defrauding the mortgage lender.

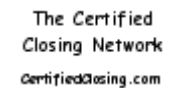
Stahlheber went on to buy another overpriced home in the same scheme from Husvar and yet another from mortgage scammer Ron Trester, 52, of Mason. Both Trester and Husvar have since pleaded guilty to felony charges in the scheme.

"I'd have these houses and after about three months went by, things would just start falling off the walls," Stahlheber said. "I could have never turned them around to sell them because of the shape they were in and then they were appraised... too high on top of that." He said his excavating business helps offset the money he has to put into these homes. Otherwise, he said, he'd be in serious trouble.

"They're just constantly eating my money," he said. "My accountants scream, 'Why do you have these things?' I could pull them out of my name for a year and unload them on someone else, but that's not the way I do business." That is the way Trester and Husvar did business, Thapar said.

After conning buyers into the scheme, often overstating their incomes to qualify them for loans they couldn't otherwise obtain, and sending fake, inflated appraisals to a mortgage lender, scammers like Trester and Husvar were able to walk away with tens of thousands of

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dollars in profits.

According to his plea agreement, Husvar either scammed or tried to scam \$2.3 million out of home lenders. Trester ripped off lenders for nearly \$6.5 million, according to his plea agreement.

Thapar said the results of these schemes are complicated and widespread.

"One of the reasons we have such a high rate of foreclosures is that these loans are not being paid off," he said. "You've got straw buyers who make \$10,000 a year or make nothing, but these guys are shown (on falsified mortgage applications) making \$80,000. Then, the banks are left with these properties that are only worth \$15,000 or less because nobody is taking care of them." These scammers typically target lower-income, working-class neighborhoods, Thapar said, because property is cheaper there. As the aftermath of the scam plays out, he said, those neighborhoods get taken for a ride.

"The properties ... are being abandoned and their property values are being inflated at first, so then they're paying higher taxes," he said. Sooner or later, the properties end up in foreclosure, selling below market rate, sending nearby property values lower, eventually resulting in urban blight.

In Trester's case, Hamilton has paid \$23,500 to demolish three of his homes, all of which caught fire, according to the city's health department.

Rachel Dollar, a California attorney who represents lenders in similar fraud cases, said this is a nationwide problem. Her mortgagefraudblog.com site, which tracks the scams, gets between 50,000 and 75,000 hits per day.

Dollar said the scams are unfortunately easy to get away with because buyers aren't checking sales records to spot the inflated appraisals and most lenders don't have the time or resources to verify them, either.

Hamilton, she said, is especially vulnerable because an inflated appraisal of \$50,000 on a property that is truly worth \$20,000 is not going to raise any red flags.

"Where I live, the median home price is something like \$640,000," Dollar said. "If that comes across the desk here, no one in California is going to look twice at a \$50,000 appraisal because you couldn't buy a postage stamp for that here." Courts here are taking the crimes seriously, though, Thapar said.

In October, Trester was sentenced to 46 months in prison with five years supervised release after pleading guilty in June to bank fraud, conspiracy and income tax evasion. Trester was also ordered to pay nearly \$224,000 in back taxes to the IRS.

"I think the fact that the judges are taking this very seriously and sending people away to prison whereas before people thought they wouldn't do prison time for a crime like this, I think eventually it's going to have a significant impact," Thapar said.

Husvar also pleaded guilty in August to bank fraud, conspiracy and tax evasion. He faces a maximum sentence of 40 years in prison and a \$1.5 million fine plus restitution.

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