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Homes REAL ESTATE NEWS

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Firm says it can make mortgages go away; judge calls it a scam

By Dale Kasler -- Bee Staff Writer
Published 2:15 am PST Tuesday, February 15, 2005

The idea seems preposterous, but a Bay Area company insists it's true: For \$3,000, the Dorean Group says it can wipe your mortgage off the books.

Dorean, of Union City, says it's erased roughly 1,000 mortgages across the country by executing a series of maneuvers with deeds and other real estate documents. Dorean says it shows homeowners that they're victims of an elaborate hoax and have been paying debts that never existed.

Lenders and a federal judge say the business is nothing but the latest mortgage scam, but Dorean co-principal Kurt F. Johnson says he's onto something huge.



D. Scott Heineman, left, and Kurt Johnson, who operate the Dorean Group in the Bay Area, say they have 2,000 customers nationwide and claim about half of these have had their mortgages eliminated.

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Rents won't pay the mortgage

Outside the real estate indus it's hard to find a bigger proponent of homeownership than Scott Syphax, head of Sacramento-based Nehemia Corp. of America.



"We're on the cutting edge of legal theory," said Johnson, who's a layman. "It's in the law books, but no one's had the courage to bring it out."

Johnson, who volunteers that he went to prison in the 1990s for securities fraud, is drawing interest from the authorities again.

The FBI raided Dorean's offices Feb. 1, seizing documents and \$178,000 from a company bank account, said Johnson and his business partner, D. Scott Heineman.

The raid came two weeks after U.S. District Judge William Alsup of San Francisco, ruling in a suit between the Dorean duo and some lenders, called the operation "an elaborate Internet scam." Alsup had a copy of his order sent to the U.S. attorney in San Francisco.

A spokesman said the U.S. attorney is "reviewing the matter." The FBI had no comment.

U.S. Bank, in a suit pending in U.S. District Court in Sacramento, claims Heineman and Johnson forge property records. The bank said Heineman and Johnson have defrauded lenders and consumers alike, causing homeowners to lose their properties to foreclosure.

"It's not good for anyone," said bank attorney Eric Houser. "It's not good for the borrower -they're wasting their time, money and efforts on this too-good-to-be-true offer. They're out \$3,000, and they're going to lose the property."

Home prices defy grav

Some will view this as more evidence of a raging bull market, while others will see ever-expanding bubble read pop.

Sheldon residents fum over fees

When Michael Thompson trie to rezone and split his family rural Sheldon property, he g shock. The city of Elk Grove wanted \$192,000 in road improvement fees.

Alliance wades into affordable housing bat

One month after the building industry sued Sacramento County to overturn its aggressive new plan to build affordable housing, a coalitic of housing advocates, nonpr organizations and the poor t a stand Tuesday to give themselves a seat at the negotiating table.

Buyers squeezed by rising prices

Wish home shopper Stephar Stitch luck.

Tour Delta homes

The Walnut Grove Communi Presbyterian Church has scheduled a tour of six riverfront homes in the Delta from 10 a.m. to 4 p.m. June

Driven to the edge: Ho buyers look far afield t cut costs

Like many who grow up in tl shadow of the Sutter Buttes Terrie Bird wanted to get rig out of Yuba City as a high school graduate in 1971. Sh was off to college and to see the world.

What's more, Alsup said in his ruling that homeowners are told to take out a new loan once the first mortgage is supposedly wiped clean -and to split the proceeds with Johnson, Heineman and a marketing agent.

Dorean remains defiant.

"We believe we're doing what's right," said Johnson, 42. "We're up against the legal system, we're up against the banking system, we're up against the title companies."

The Dorean sales pitch, spread by the Internet, appeals to suspicion about the government and the financial system. The Web site for Capital Creation Resources, which bills itself as a marketing agent for Dorean, features a lengthy audio clip in which the speaker questions the legitimacy of the Federal Reserve System. In one of its lawsuits, Dorean introduced testimony by Larry Bates, a former Tennessee legislator who has written about economic calamities prophesied in the Bible.

The Better Business Bureau has issued a nationwide alert about Dorean. The BBB in Myrtle Beach, S.C., for example, found property records showing at least 18 homeowners have done business with Dorean, said bureau president John Trudeau.

Rachel Dollar, a Santa Rosa lawyer who tracks mortgage fraud, said Dorean has at least 300 customers in 26 states.

Johnson said Dorean has 2,000 customers, about half of whom have had their mortgages successfully vanquished. The rest are works in progress, he said.

Based on interviews, Dorean's customers seem loyal. Greg Poppin of Grass Valley lost his property in foreclosure proceedings brought by GreenPoint Mortgage Funding of Novato, said GreenPoint general counsel Irene Gilbert. Court filings say Poppin owed \$365,000 on the property.

Poppin, though, remains a staunch Dorean defender.

"It's an incredible program, and I would recommend it to anybody," he said. He declined further comment.

Johnson said a handful of customers have lost their homes to foreclosure but that was avoidable.

"Fear and bluff, if I can put it that way, is the best way to get people out of their houses," he said. "Clients can make mistakes that can damage what I do."

Johnson said Dorean doesn't actually eliminate mortgages. Instead, it proves the mortgages were bogus to begin with, he said.

His argument is essentially this: Home buyers sign promissory notes. Once in the lenders' hands, the notes become assets with a financial value all their own. In effect, the home buyer has given one asset (the promissory note) in

exchange for another (the property). It's an equal trade, and the home buyer owes nothing.

Johnson isn't a lawyer. He said he went to the "school of hard knocks" and has worked in marketing and estate planning.

He was sentenced to five years and eight months in prison for securities fraud in Santa Clara County Superior Court in the early 1990s. He said he's made others, including customers, aware of his criminal record.

Johnson said the Santa Clara case involved a promissory note and added, "The bankers are doing exactly the same thing I went to prison for."

The court file on Johnson's case wasn't available. The Department of Corrections says he was paroled after two years at California State Prison, Solano.

Johnson said he'd been reading about "these mortgage elimination ideas" on the Internet when he teamed with Heineman. As a test case, he said they succeeded in wiping out Heineman's mortgage. Heineman said he hasn't made a payment on the Bay Area property in two years.

The two opened Dorean - the word means "freely" or "for free" in Greek - a year ago. It has headquarters in a Union City office complex and a staff of 20. The walls of one conference room are lined with law books.

Attempting to go on the offensive, Heineman and Johnson filed 15 suits last fall against lenders on behalf of homeowners. The suits, in U.S. District Court in San Francisco, accused the lenders of fraud for demanding payment on nonexistent debts.

The suits went nowhere. Johnson said they withdrew the cases after Judge Alsup imposed a \$10,000 fine on their attorney, Thomas Spielbauer of San Jose, for filing frivolous litigation.

What's more, the judge ordered the three men to pay \$77,000 in attorneys' fees to the lenders' lawyers.

He ordered that a copy of his ruling be sent to the U.S. attorney because of the "possibility of mail fraud and wire fraud to further an Internet scam." He referred Spielbauer's conduct to the State Bar of California. The bar had no comment.

Spielbauer, who is no longer Dorean's lawyer, is appealing the decision but would not comment for this story.

Johnson said he and Heineman will appeal as well. Johnson said the judge didn't understand Dorean's system. "This order was issued from Fantasy Island," he said.

Two weeks after the order, the FBI raided the Dorean offices in Union City,

Johnson said. A warrant, sealed by the court but made available by Johnson to The Bee, shows the FBI seized Dorean's bank account.

The raid hasn't driven them underground. Johnson called news conferences, Feb. 5 in South Carolina and at his Union City office last week, "to get the truth out."

He was miffed that only a Bee reporter and a documentary filmmaker from Oakland showed up in Union City.

"The lack of participation by the general media, to me, is very suspect," he said. "We've been raided by the FBI, we're all over the Internet. ... If that's not a story, I don't know what is."

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