

RICO's reach

by The San Diego Union-Tribune

There's a first time for everything, and the first use of the Racketeer Influenced and Corrupt Organizations Act, or RICO, to prosecute mortgage fraud is happening in San Diego under U.S. Attorney Karen Hewitt.

According to the indictment returned by a federal grand jury, the charges against two dozen defendants stem from a scheme masterminded by Darnell Bell that worked this way: He and some cronies organized phony real estate companies and a network of straw buyers to purchase properties for more than the asking price. With a network of real estate professionals, they arranged inflated appraisals to support the inflated sales prices, to prepare and submit fraudulent documents and to close the deals.

So that the leaders of the scheme wouldn't lose a dime in those deals, they got mortgages with nothing down.

Between 2005 and 2008, the indictment alleges, Bell and others cheated unsuspecting sellers out of 220 homes, whose sales prices totaled \$100 million, and lenders out of \$11 million. Bell allegedly netted \$9 million. The houses went into foreclosure.

Here we have 24 people indicted for "using a corrupt enterprise to conduct a pattern of racketeering activity; namely, wire fraud, bank fraud and money laundering." Prosecuting them under RICO seems apt.

Hewitt's initiative is commendable for another reason. Bell is a documented member of a street gang. A successful prosecution in this instance could give federal prosecutors nationwide a more severe option for prosecuting the numerous enterprising gangs that have branched out from prostitution, drug distribution and weapons trafficking to commercial thuggery.

This is occurring partly because the trade in drugs and weapons is big business — big cash business. Billions

in legal tender must be laundered through seemingly legitimate operations. So, gangs have set up car washes, restaurants, recording studios, motorcycle shops and other businesses where all is on the up and up, except the bundles of cash.

Gangs also add the brainier crimes to produce revenue. Identity theft is popular. So is malicious software, or malware, which gives them illegal access to corporate and government computers, access that they sell to spammers and hackers.

The sham operation alleged in this indictment was not quite so sophisticated but sufficed to enrich the mastermind. If it weren't the product of fraud, \$9 million in profits over three years would pay hefty bail and attorney's fees. The licensed broker, CPA, real estate agent and the rest of the defendants face federal charges with a maximum sentence of 20 years in prison and \$250,000 fines. These RICO prosecutions could have real deterrent value.

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