

Written by Kevin VanderSchel
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Paul Kramer Placed Innocent Homeowners, Including an Iraqi Refugee, at Risk of Foreclosure by Failing to Pay Off Prior Mortgages When the Homeowners Bought or Refinanced Their Properties Through His Brokerage and Closing Companies.

DES MOINES, IA – Paul Kramer, age 42, of Granger, Iowa, was found guilty today by a federal jury of 18 counts of wire fraud and bank fraud in connection with multi-million dollar mortgage fraud schemes that resulted in innocent homeowners, including a refugee from Iraq and his family, nearly losing their homes to foreclosure. Kramer is the former President of the Iowa Association of Mortgage Brokers and owned a mortgage brokerage, Kramer Mortgage Company, and closing company, Iowa Closing & Escrow, at the time of the fraud. The jury did not acquit Kramer on any counts.

The same jury convicted Lane Anderson, age 38, of Altoona, Iowa, of two counts of conspiring with Kramer to commit bank and wire fraud. The wire fraud conspiracy involved Kramer and Anderson working together to obtain nearly \$1.5 million in mortgage loans using the name and credit score of a contractor who did not actually qualify for the loans and who, in fact, had earned only about \$2,000 per month the year prior to the loans. Anderson was not acquitted on any counts.

Trial evidence established that Anderson opened a development company in 2006 that planned to purchase, renovate, and re-sell homes. Kramer provided short-term loans to Anderson's company to purchase the homes and pay for the renovation work. However, by late 2006, Anderson's company was unable to find buyers for the homes and thus unable to repay the loans from Kramer. Anderson and Kramer therefore had one of Anderson's business partners, a contractor, take out 13 long-term mortgage loans in his name from 8 different lenders totaling nearly \$1.5 million. The loan applications for the 13 homes contained false statements regarding the contractor's income, assets, liabilities, source of down payment, source of income, and other matters. Anderson and Kramer obtained the loans in rapid succession and used many different lenders so that no single lender would be aware of all the other loans being taken out at the same time. Kramer then had his closing company close the loans despite false notarizations and false closing documents.

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Trial evidence further established that in April 2007 Anderson and Kramer began a check-kiting conspiracy in which they would trade checks of up to \$75,000 from accounts that had less than \$10,000 in real funds. One of the accounts had only \$20.17 in it at the time a \$75,000 check was written. However, by circling checks among numerous different accounts, Anderson and Kramer were able to falsely inflate the balances of the accounts, thus allowing checks from Kramer to third-parties to clear. In May 2007, a West Bank security officer noticed the check activity and closed Anderson's account.

Following the closing of Anderson's bank account, Kramer began to take funds from the Trust Account of the closing company he owned, Iowa Closing & Escrow, to use for business expenses of his mortgage brokerage, Kramer Mortgage Company. The funds in the Trust Account belonged to lenders and homeowners and should have been used to pay off mortgages in connection with real estate transactions. However, on numerous occasions from 2007 to 2009, Kramer transferred money to his brokerage from the Trust Account, sometimes in amounts of more than \$250,000 in a single month.

At first, Kramer repaid the amounts he took out of the Trust Account relatively quickly.

Over time, however, the repayments became less frequent and thus a large deficit developed in the Trust Account. This put unwitting homeowners who used Kramer's closing company at risk of having old mortgages on their properties not paid off.

Kramer tried to fill the deficit in the Trust Account with mortgage payoff money he was supposed to give to US Bank in connection with a line of credit. Those actions created a new set of problems, however, as the mortgage payoffs related to homes on which US Bank held liens.

By putting money into the Trust Account instead of paying off US Bank, Kramer put the families who owned those homes at risk of foreclosure from US Bank.

Kramer's scheme culminated in September 2009 when Mohamed Rheem used Kramer's closing company for the closing of his purchase of a home in West Des Moines. Rheem and his family lived in Baghdad, Iraq, until 2008 but left the country because of violence and threats from insurgents who were angry that Rheem had assisted the United States Army. The family arrived in Iowa in March 2008 as refugees, and Rheem quickly found employment with a dry cleaning company. Over the next year-and-a-half, he saved enough money to make a down payment on the purchase of the home – the first and only house he has ever purchased in the United States.

Kramer's closing company was used to close Rheem's purchase of the house. Due to the shortfall in the Trust Account, however, Kramer used the proceeds of Rheem's new mortgage loan to pay off other mortgages that should have been paid off earlier in connection with other closings. The old mortgage on Rheem's home was ultimately never paid off, resulting in Rheem spending approximately two years in foreclosure proceedings.

Kramer paid himself large sums of money from his brokerage throughout the year 2009, including a \$50,000 payment to himself the day before the Rheem closing. In total, Kramer

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misapplied millions of dollars in mortgage payoffs over the course of the scheme and his actions resulted in at least five families not having clean title to their homes.

Kramer and Anderson will be sentenced in March 2013. Each count of wire fraud, conspiracy to commit wire fraud, bank fraud, and conspiracy to commit bank fraud is punishable by a term of imprisonment of up to 30 years and a fine of up to \$1 million. In addition, Kramer and Anderson will have to make restitution to the victims of their crimes.

This case was investigated by the Federal Bureau of Investigation, and prosecuted by the United States Attorney's Office for the Southern District of Iowa.

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