



Fraud Alert

Former Jackson County, MO Official Indicted in Mortgage Scheme

ALERT ADVISORY – January 9, 2007

**Larry E. Barshaw
Phillip F. Cardarella
James Elliott Coleman
Monty J. Kinman
Rick A. Peterson
Jeremy A. Plagman
James R. Rhoades
Michael Rodd
Katheryn J. Shields
Linda M. Thompson-Barshaw
Raymond Walter Zwego, Jr**

Action Date: *January 4, 2007*

Location: *Kansas City, MO*

On January 4, 2007, a former Jackson County, Missouri, official and her husband were indicted by a federal grand jury in Kansas City, Missouri, for conspiracy and wire fraud for their role in a scheme to engage in mortgage fraud.

Katheryn J. Shields, Phillip F. Cardarella, James Elliott Coleman, Raymond Walter Zwego, Jr., James R. Rhoades, Larry E. Barshaw, Linda M. Thompson-Barshaw, Monty J. Kinman, Rick A. Peterson, Jeremy A. Plagman, and Michael Rodd were charged in a 12-count indictment returned by a federal grand jury.

Count One of the federal indictment alleged that, from early September through November 17, 2006, all of the co-defendants participated in a conspiracy to defraud Fieldstone Mortgage Corporation. According to the indictment, Shields and Cardarella attempted to sell their home at

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a fraudulently inflated price to the Barshaws, acting as straw buyers for the benefit of Zweg, who hoped to pocket the difference between the loan amount and the true sale price.

According to the indictment, Zweg, the Barshaws, Kinman, the regional manager and a loan officer at Soldi Financial in Overland Park, and Rodd, a real estate agent doing business as Heartland of America, Inc., in Olathe, agreed that Rodd would identify properties from which, if purchased, they could obtain loan proceeds in excess of the actual purchase price.

Zweg and Rodd approached Shields and Cardarella in September 2006, after their residence at 5034 Sunset Drive had been on the market for about 18 months. Zweg and Rodd allegedly conspired with the Barshaws, who enjoyed a good credit rating, to serve as straw buyers for the purchase in return for a share of the proceeds. The Barshaws never intended to live in the home or have any financial obligation for the property, the indictment alleges. Although the house was listed for \$699,950 – a drop of more than \$150,000 from the original asking price – Zweg and his assistant, Rhoades, prepared a fraudulent real estate sales contract purporting to show a sale of the residence from the Cardarellas to the Barshaws for more than \$1.4 million. In reality, the indictment alleged, Shields and Cardarella were to receive \$707,000 from the sale.

Zweg and Kinman allegedly utilized Plagman, an appraiser doing business as **JET Appraisals** in Lee's Summit, to obtain an inflated appraisal of the property. Plagman refused to provide an appraised value of \$1.4 million, the indictment says, but agreed to provide an appraisal for \$1.2 million, although in his opinion the property was worth significantly less.

Zweg, Kinman and Rhoades, an employee of Zweg at Xpress Car Sales, allegedly arranged for a series of false and fraudulent financial statements regarding the Barshaws' finances to be sent to the lender. According to the indictment, these documents, misrepresented the Barshaws' assets and liabilities. Zweg and Kinman allegedly arranged for Coleman to provide a number of fraudulent letters attesting to the Barshaws' creditworthiness, including a letter falsely stating that he had prepared their taxes in two separate years and falsely claiming that the Barshaws had asked him to draft a letter verifying that they had owned a remodeling business for more than two years. On October 19, 2006, Kinman prepared and the Barshaws signed loan applications for \$1 million for a first mortgage and \$400,000 for a second mortgage in connection with their proposed purchase. In the loan applications and supporting documentation, the indictment alleges, the Barshaws knowingly provided false information, including false asset and liability information such as false income and rental income information, the false representation that they would occupy the property as their primary residence, and false representation of the number of properties they owned.

According to the indictment, Cardarella met with Zweg and Rodd at his law office on October 26, 2006. Zweg and Rodd allegedly explained to Cardarella that the sales price of the home shown on the documents submitted to the lender would falsely list the price as much higher than the asking price and true value of the home. Cardarella and Shields would still receive their asking price of \$707,000, but the difference between the asking price and the loan amount would

go the Zwego as a “management fee.” Cardarella allegedly assured Zwego that he understood, that he wanted the \$707,000 and hoped Zwego made tens of millions of dollars from the transaction, and that he understood there would be an invoice falsely reflecting that Zwego or his company was entitled to loan proceeds.

According to the indictment, Zwego expressed his concern to Cardarella whether Cardarella’s wife, Shields, understood the nature of the transaction so that everything would go smoothly at closing. Cardarella allegedly indicated that would not be a problem and that Shields would sign the fraudulent documents. In the days leading up to the closing, Zwego allegedly arranged for Peterson, employed as a closer at **Freedom Title, LLC, in Kansas City, Mo.**, to have a false and fraudulent settlement statement showing the purchase price for the Cardarella’s home at \$1.2 million with a management fee of \$414,580. On November 16, 2006, Peterson faxed this document to the Cardarella’s home with a cover sheet stating that they should contact him if there were any problems. On the same day, Peterson also secured signatures from the Barshaws on the closing documents.

On November 17, 2006, Shields and Cardarella went to the offices of Freedom Title for the closing. Cardarella arrived first, reviewed the documents, made some changes, and then signed. Shields arrived shortly thereafter and signed all the documents, including the settlement agreement falsely stating that the purchase price of the home was \$1.2 million. “In doing so,” Schlozman said, “Shields and Cardarella both knowingly signed false and fraudulent documents relating to the sale of their home. By this time, the FBI was fully cognizant of this mortgage fraud scheme, and took efforts to ensure that the loan being sought by the Barshaws did not fund.” Counts Two through Twelve of the federal indictment allege that various co-defendants were responsible for a series of wire transmissions, including facsimile transmissions and e-mails containing fraudulent documents, in connection to the real estate purchase and mortgage loan

Source: Frauddigest.com

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