

From: [Gary Crabtree \(661\) 327-9045](mailto:Gary.Crabtree@fcic.gov)
To: [Sarah Knaus](mailto:Sarah.Knaus@fcic.gov)
Cc: [Cassidy Waskowicz](mailto:Cassidy.Waskowicz@fcic.gov); [Gary Cohen](mailto:Gary.Cohen@fcic.gov); [Gordon Shemin](mailto:Gordon.Shemin@fcic.gov); [Sarah Zuckerman](mailto:Sarah.Zuckerman@fcic.gov)
Subject: RE: Use of Gary Crabtree Quote
Date: Thursday, December 16, 2010 2:58:24 PM
Attachments: [FBI Letter.pdf](#)
[Community Voices Article.pdf](#)

Good morning Sarah,

I am in receipt of the attached letter. It's hard to release a confidential quote without knowing in what context it would be used. With respect to the quote, I would like to elaborate for accuracy. My story was in the form of a letter of allegation of mortgage fraud with respect to one "very large" mortgage fraud ring that was operating in Bakersfield during 2005-2006. Specifically, I filed a letter of complaint with: the Kern County District Attorney, the California Department of Real Estate Enforcement Division, the California Office of Real Estate Appraisers Enforcement Division and the Federal Bureau of Investigation. I also shared the information with the *Bakersfield Californian* newspaper. I have attached the documentation to my testimony.

Assuming that my quote will be used in the context of mortgage fraud, you HAVE my permission to use the quote.

Respectfully,

Gary Crabtree, SRA
Affiliated Appraisers
Bakersfield, California
Office - (661) 327-9045

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From: Sarah Knaus [mailto:sknaus@fcic.gov]
Sent: Thursday, December 16, 2010 7:49 AM
To: gary@affiliatedappraisers.biz
Cc: Cassidy Waskowicz; Gary Cohen; Gordon Shemin; Sarah Zuckerman
Subject: Use of Gary Crabtree Quote

At the request of Gary Cohen, please see the attached.

Thank you,

Sarah Knaus

Financial Crisis Inquiry Commission
202-292-1394
sknaus@fcic.gov

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October 21, 2006

FBI Sacramento

4500 Orange Grove Avenue
Sacramento, California 95841-4205
Attn: Duty Agent.

Gentlemen,

In response to our phone conversation of October 10, 2006, I am providing you with a synopsis of the evidence that I have gathered, in the normal course of my occupation as a State Certified and professionally designated real estate appraiser that alleges the presence of fraudulent mortgage transactions perpetrated against federally insured financial institutions. First, please be advised that I originally contacted your Bakersfield field office and was told by the agent on duty, that he did not have expertise in this field, and that someone would call me back, which never happened, thus my call to you.

CASE #1

While investigating and confirming comparable sales for an appraisal I was conducting in this neighborhood, I discovered a sale located at 12008 Stonington Street, Bakersfield, California 93312. The property was listed in the Golden Empire Listing Service (MLS#26004064) on 2/21/06 for \$565,000 by Mr. Richard Weber of Homeworks Real Estate, Inc. (an out of area real estate broker), and went under contract on 3/14/2006 and closed escrow on 5/5/2006 at a reported price of \$605,000 with the buyer represented by Mr. Jonathan D. Gainor of Crisp and Cole Real Estate of Bakersfield, California. I attempted to contact Mr. Weber without success, thus I called Mr. Gainor to confirm the sale and question why the property sold at \$40,000 above the list price. He told me "that the buyer was highly motivated, hence the offer." I then proceeded to verify the transaction in public records and found that the buyer was one Mr. Michael Munoz, a real estate agent with Crisp and Cole Real Estate. According to public records, Mr. Munoz obtained 100% financing in the form of a \$464,000 1st trust deed and a \$121,000 2nd trust deed in favor of Sun Trust Mortgage, a subsidiary of Sun Trust Bank of Atlanta, Georgia. My investigation revealed that the loan was funded by Tower Lending of Bakersfield, California (a subsidiary of Crisp and Cole Real Estate) and that the real estate appraiser of record was San Joaquin Appraisals of Bakersfield with the principal being Mr. Kirk J. Newton (California License #AR013965). The title company of record is First American Title of Bakersfield, California. The MLS reported the sale on 5/29/2006 and the

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(661) 327-9045 ? (661) 327-2331 (fax)

property was listed in the MLS (#26010894) on 5/30/2006 for \$580,000, and was cancelled on 7/12/06, and relisted on the same day for the same amount and remains on the market at \$580,000. This raises the question, why would a prudent buyer pay \$605,000 for a property, obtain a 100% loan, and relist the next day for \$580,000? This prompted me to recall Mr. Weber. Upon questioning, he told me “that the two Crisp and Cole agents (Gainor and Munoz), told him “that they would handle all of the details with respect to structuring the escrow, and that all he could tell me was that his buyer received a price of \$535,000 for the property and he wanted no part of it”. On the surface, this transaction contains all of the elements of real estate and mortgage fraud against a federally insured lender. Two key elements in this alleged fraud is an “over inflated appraisal” by a state licensed appraiser (Newton) and a mortgage lender (Tower Lending) who is a direct subsidiary of agent’s company. According to a least six mortgage lenders that I have contacted, 100% financing is only available to “owner-occupied” properties. Based upon the interior photographs published in the MLS, the property is vacant.

Upon further investigation, a confidential but highly reliable source told me that at the close of escrow an existing loan of approximately \$365,000 (including a prepayment penalty) was paid off, the seller received \$170,000 in cash, and Crisp and Cole Real Estate received a check in the amount of approximately \$70,000 for “commissions”. This amounts to 11.6% based upon the inflated price, and 13.1% based upon the “net to seller” price, in a market where the reasonable and customary commission is 5 to 6%.

To support my allegation of an “over inflated appraisal”, I am submitting 7 comparable sales from the subject’s neighborhood derived from a comparable sale search through RealQuest® which indicated a range from \$450,000 to \$514,500 with an average of \$482,571. In addition, I also completed a search of MLS records and located 3 additional sales that indicate a value range of \$485,000 to \$515,000 with the \$515,000 sale being on the same street, and with a Crisp and Cole agent representing the seller. .

Your attention is directed to the attached exhibits, (marked group A), for support of my allegations.

CASE #2

While investigating comparable sales for an appraisal I was conducting in this neighborhood, I discovered the following sale located at 9513 Durand Oak Court, Bakersfield, California. According to the Golden Empire Listing Service, the property was listed on 6/08/2005 for \$649,000 by Mr. Carl Cole of Crisp and Cole Real Estate and cancelled on 6/23/05; then relisted on 6/23/05 for \$649,000 by Mr. David Crisp of the same brokerage and cancelled on 7/31/05; then relisted on 7/31/05 for \$649,000 by Mr. Scott Reynolds of the same brokerage and then cancelled on 8/3/05; then relisted on 8/3/05 for \$624,950 by Mr. David M. Crisp of the same brokerage and cancelled on 9/15/05; then relisted on 09/15/05 for \$595,000 by Mr. Carl Cole of the same brokerage, and went under contract on 12/08/05 but cancelled the same day.

On 1/31/2006 by deed dated 12/19/2005 the property sold to Mr. Carl Cole of the same brokerage for a reported price of \$620,000 with Mr. Cole obtaining two loans amounting to 100% financing with a 1st Trust Deed of \$496,000 and a 2nd Trust Deed of \$124,000 in favor of Stearns Lending Inc. of Santa Ana, California. The title company that handled the transaction was Chicago Title Co. of Bakersfield, California.

On 6/9/06 the property was relisted by Mr. David M. Crisp of the same brokerage for \$614,950 and was cancelled without sale on 9/10/2006.

I called Mr. Cole on 07/28/2006 to verify this transaction, and he told me “that this transaction was his partner’s (Mr. David M. Crisp) deal, and that he had no personal knowledge of the deal or the financing, and it would be best to talk to his partner.” I then placed a call to Mr. David Crisp that was never returned.

The lender of record is Tower Lending, a subsidiary of Crisp and Cole Real Estate, and the appraiser of record is Janet Vasquez (California License #AL018862) of VIP Appraisals, 759 Fillmore Street, Santa Paula, CA 93060. Due to this agencies inability to sell this property for even the lowest list price through 6 listings with a market exposure time of 273 days, leads me to allege that, at least, a fraudulent appraisal was made to obtain the financing.

To support my allegation of an “over inflated” appraisal, I am submitting 8 sales from RealQuest ® in the subject’s neighborhood with comparable characteristics that range from \$410,000 to \$470,000 with an average of \$435,812. In addition, I am one additional sale from the MLS system with a price of \$445,000. Based upon this data and the valuation principle of substitution, there is little or no support for a value above \$450,000 or \$170,000 higher than the sale price and loan amount.

Your attention is directed to the attached exhibits (marked group B), for support of my allegations.

CASE #3

In the course of my sales investigation I was conducting for an appraisal in the area, I discovered the following sale located at 11219 Draper Court, Bakersfield, California 93311. According to the Golden Empire Multiple Listing Service the subject was listed on 7/11/2006 by Mr. Michael Munoz of Crisp and Cole Real Estate for \$1,295,000 and cancelled on 9/5/2006. The property subsequently sold on 9/20/2006 by deed dated 9/6/2006 to Jennifer A. Crisp (the wife of the broker) for an indicated price of \$1,295,000 with Mrs. Crisp obtaining 100% financing consisting of a 1st Trust Deed of \$1,000,000 and a 2nd Trust Deed of \$295,000 in favor of Sun Trust Mortgage, Inc. The lender in this transaction is Tower Lending (a subsidiary of Crisp and Cole Real Estate), and the appraiser of record is Gary L. Killian (California License #AG039198) of 7616 Selkirk Drive, Bakersfield, CA 93309.

A property history search through the MLS system, found the following: The subject was listed 02/18/2004 for \$629,950 by Mr. Carl Cole, then of McMillin Realty and sold on 04/29/04 for \$615,000 after 17 days on market. The property was relisted on 10/24/04 for \$849,000 by Mr. David Crisp, then of McMillin Realty for \$849,000 (a 78% per annum increase) and cancelled after 88 days on the market. The property was again, relisted on 1/21/2005 by Mr. Carl Cole for \$874,000 and expired after 25 days on the market.

Based upon 8 comparable sales from RealQuest of homes within 1 mile and similar size that range from \$850,000 to \$945,000 and two additional sales from MLS at \$975,000 and \$995,000, I allege that a fraudulent appraisal was obtained to justify the 100% financing. Also note that all of the sales are sited on much superior sized lots.

Your attention is directed to the attached exhibits (marked Group C) for support of my findings.

ADDITIONAL FINDINGS

In addition to the above cases, I conducted (for internal purposes) a search of public record information for any and all single family properties in Bakersfield, California that shows Mr. and Mrs. Crisp, Mr. and Mrs. Cole and/or one of their current agents in title. The following are the results of my search in table format:

Owner Name	Address	Purchase Date	Purchase Price	Loan Amount	Lender	Current List Price
Carl Cole	9619 Marseilles Court	12/23/05	\$1,500,000	\$1,450,000	No Red Tape Mortgage	\$1,750,000
Carl Cole	5208 Glacier Canyon Court	01/06/06	\$556,500	\$556,500	Sun Trust Mortgage	
Carl Cole	12212 Great Country Drive	01/13/06	\$455,000	\$455,000	Long Beach Mortgage	\$439,000
Carl Cole	9513 Durand Oak Court	01/31/06	\$620,000	\$620,000	Stearns Lending	\$614,950
Crisp Trust	12422 Woodson Bridge Drive	09/20/05	\$460,000	\$460,000	US Bank/Wells Fargo Bank	
Crisp Trust	8217 Willowglen Drive	09/30/05	\$325,000	\$325,000	Long Beach Mortgage	
Crisp Trust	12716 Crown Crest Drive	08/23/06	\$959,000	\$959,000	Aegis Wholesale Group	
Crisp Trust	540 Blue Meadow Court	09/15/06	\$339,000	\$322,050	Sun Trust Mortgage	
Crisp Trust	521 Blue Meadow Court	09/26/06	\$339,000	\$305,000	Aegis Wholesale Group	
Michael Munoz	10322 Ashbourne Drive	03/31/05	\$645,000	\$645,000	Long Beach Mortgage	
Robinson Nguyen	1904 Ordsall Street	07/29/05	\$634,950	\$634,950	Long Beach Mortgage	
Robinson Nguyen	3507 Rancho Santa Fe Street	08/01/05	\$370,000	\$333,000	Fremont Investment & Lending	
Jill Pinheiro	11702 Crabbet Park Drive	09/08/05	\$805,000	\$805,000	Sierra Pacific Mortgage	
Jonathan Gainor	12006 Indianapolis Drive	03/24/06	\$586,000	\$585,950	Long Beach Mortgage	
Jeriel Salinas	11412 Revolution Road	05/03/06	\$400,000	\$400,000	Sun Trust Mortgage	
Michael Munoz	12008 Stonington Street	05/05/06	\$605,000	\$605,000	Sun Trust Mortgage	\$580,000
Jerrad Kiser	15632 Chateau Montelena Drive	07/12/06	\$569,000	\$568,857	Sierra Pacific Mortgage	
Jeriel Salinas	10000 Pyramid Peak Drive	09/17/06	\$245,000	\$245,000	Ownit Mortgage Solutions	
Jennifer Crisp	7908 Revelstoke Way	07/21/05	\$320,000	\$320,000	Long Beach Mortgage	
Jennifer Crisp	8702 Oak Hills Road	07/29/05	\$659,500	\$659,340	Fremont Investment & Lending	\$689,000
Jennifer Crisp	2606 Winderme Street	08/04/06	\$470,000	\$359,000	Bank of America	
Jennifer Crisp	11219 Draper Court	09/20/06	\$1,295,000	\$1,295,000	Sun Trust Mortgage	
David Crisp	1902 Heaton Street	02/27/04	\$487,500	\$487,480	Fremont Investment & Lending	
David Crisp	1805 Grimshaw Street	03/17/06	\$1,075,000	\$1,060,000	WMC Mortgage Corporation	
David Crisp	10509 Newquay Court	03/31/06	\$1,705,000	\$1,455,000	Sun Trust Mortgage	\$2,200,000
				\$380,000	Private Loans (3rd and 4th)	
Crisp Cole & Associates	1412 Suffolk Street	05/02/06	<u>\$995,000</u>	<u>\$995,000</u>	Sierra Pacific Mortgage	\$1,095,000
Totals			\$17,420,450	\$17,286,127		

Based upon interior photos currently published in the MLS, the following properties from the above list are vacant: 12212 Great Country Drive, 12008 Stonington Street, 8702 Oak Hills Road, 10509 Newquay Court and 1412 Suffolk Street. In addition, the owner of the property next door to 9513 Durand Oak Court told me that “this property has been vacant for some time”.

From the above list, I must question how a group can obtain so much 100% financing, with a good majority not being owner-occupied? Further, how many of these properties have the elements of mortgage loan fraud, with false documentation and/or over-inflated appraisals.

In order not to artificially skew my appraisal valuations, I have made a business decision not to use sales from this firm.

Upon discovery of the above data, it was my original intent to report the offending appraisers to the California Office of Real Estate Appraisers for violations of the Uniform Standards of Professional Appraisal Practice. I have attempted to report other cases in the past, only to find they go uninvestigated, un-pursued and/or un-prosecuted. In fact, according to the California Office of Real Estate Appraisers web site, they boldly state that they will only launch an investigation if a complaint is filed by clients, homeowners, lenders or other regulators (local, state and federal). Thus licensed, certified and professionally designated appraisers, who best know cases of fraudulent appraisals and/or violations of the Uniform Standards of Professional Appraisal Practice established by Title XI of the Financial Institutions Reform and Recovery Act of 1989, are excluded from the process. According to Mr. Greg Harding of the California Office of Real Estate Appraisers, they no longer have subpoena powers to enforce Federal Regulations as set forth in Board of Governors of the Federal Reserve System, Title 12, Chapter II, Subpart G - Appraisals, or the laws published in the California Business and Professions Code, Division 4, Part 3, Sections 11300 et seq. or the California Code of Regulations Title 10, chapter 6.5, Sections 3500 et seq. If this sounds like an incitement of the very state agency empowered by the above of failure to do its job, it is. Thus I am calling upon Federal Bureau of Investigation, and any other entities so empowered to act on this information immediately.

I hereby swear, under the penalty of perjury, the above statements and documentation are true and correct to the best of my knowledge.

Respectfully submitted,



Gary Crabtree, SRA
California Certified General Real Estate Appraiser #002666.

COMMUNITY VOICES

Bakersfield: sanctuary for fraud

In a recent article District Attorney Ed Jagels stated that he is not convinced real estate fraud is a big enough problem to warrant a special prosecuting unit in Kern County. I respectfully disagree.

In October 2006, I discovered three cases of mortgage fraud. Since Realtors were involved, I presented my findings to the Bakersfield Association of Realtors Executive Committee. On the advice of their legal counsel, I presented these cases to Jagels, who reviewed these cases. He concluded that he did not see any victims in these cases, but he said he would refer them to his "white collar" crime unit and they would be in touch with me. I never received a call back, thus I concluded the District Attorney's Office was not interested in pursuing these cases. I then proceeded to present them to state and federal authorities.

As I testified at Sen. Dean Florez's forum, I have documented 202 cases of suspected mortgage fraud since April 2006 —127 of these cases are potentially under investigation by the state and federal authorities. I have presented three unrelated cases to the Bakersfield Police Department. To my knowledge only one of these cases is under an

active investigation, with a potential of being presented to the district attorney. To my knowledge, there are no initiated investigations on the remaining 72 cases.

To demonstrate the impact of mortgage fraud on our community, allow me to cite one actual case. A Bakersfield residence was reportedly sold in November 2006 for \$750,000, with a total of \$750,000 in loans to a subprime lender, when in fact, the actual sales price was \$635,000 with a fraudulent buyer receiving \$115,000 in cash.

A licensed appraiser fraudulently valued the property at \$830,000. Four months later, the property went into default without a payment being made. The lender (a

Wall Street hedge fund) acquired the property through foreclosure in August 2007 for \$575,000, with the property now listed at a lesser price. The lender will incur, at least a \$200,000 loss and the "fraudster" got away with \$115,000 in cash.

Is a mortgage fraud unit financially feasible as a "stand alone" unit? No, \$340,000 raised through a proposed fee is insufficient, but if combined with Kings and Tulare counties, it could become feasible.

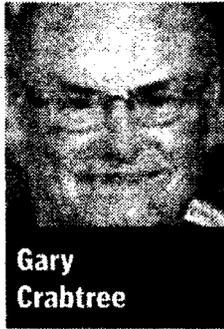
Is it needed? Yes, if only to act as a deter-

rent to future fraud cases. The 202 cases have discovered amount to \$114.3 million which is 6.6 percent of the total transactional values of all of the single-family dwelling sold through the Bakersfield MLS in the year 2006. Of the cases foreclosed and resold so far, the lenders have averaged a loss of 16.6 percent on these properties, thus the extrapolated loss to the lenders on these 202 cases, and when foreclosed upon, amounts to \$18.6 million.

Has the lack of such a unit bolstered fraud in Kern County? Yes, It is my opinion that a good amount of the fraud has been perpetrated by out-of-area and local "fraudsters" who know that there is no local law enforcement unit in place to detect, investigate and prosecute this economically devastating crime.

These "fraudsters" have stolen more money with a pen and paper, than could ever be robbed from a bank with a gun. Let's not let Bakersfield become a "sanctuary" city for mortgage fraud.

Gary Crabtree is a Bakersfield appraiser. Community Voices is an expanded commentary that may contain up to 500 words. The Californian reserves the right to reprint commentaries in all formats, including on its Web page.



Gary
Crabtree