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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,)	CR 97-1005(A)-JSL
)	
Plaintiff,)	<u>FIRST SUPERSEDING</u>
)	<u>I N F O R M A T I O N</u>
v.)	
)	[18 U.S.C. § 1341: Mail Fraud; 26
VICTOR JESUS NOVAL,)	U.S.C. § 7201: Income Tax
)	Evasion; 18 U.S.C. § 2: Aiding
Defendant.)	and Abetting and Causing an Act
)	to Be Done]
)	
)	

The United States Attorney charges:

INTRODUCTORY ALLEGATIONS

At all relevant times to this information:

1. The Federal Housing Administration ("FHA") is an agency of the U.S. Department of Housing and Urban Development. The FHA provides, among other things, mortgage loan insurance for qualifying residential real estate loans on properties that contain four or fewer residential units.

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JVA:JSS

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EXHIBIT 1

1 2. United Car Wash Corporation ("UCW"), Southwestern
2 Associates ("SWA"), NOVCO Financial, and South Central
3 Investments ("SCI") were corporations that purchased and resold
4 residential real estate properties.

5 3. UCW, SWA, NOVCO Financial, and SCI employed the same
6 individuals and were controlled by defendant VICTOR JESUS NOVAL.

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COUNTS ONE THROUGH FIVE

[18 U.S.C. §§ 1341, 2]

THE FRAUDULENT SCHEME

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4 4. Beginning on or about September 1, 1996, and
5 continuing to on or about October 3, 1997, in Los Angeles County,
6 within the Central District of California and elsewhere,
7 defendant VICTOR JESUS NOVAL and others both known and unknown,
8 knowingly devised, participated in, and executed a scheme to
9 defraud the FHA and other financial institutions by means of
10 materially false and fraudulent pretenses, representations and
11 promises.

12 5. In carrying out this scheme, defendant NOVAL engaged
13 in and caused others to engage in the following fraudulent and
14 deceptive acts, practices, and devices, among others:

15 a. Defendant NOVAL hired individuals ("locators") to
16 locate multi-unit apartment buildings ("subject properties") in
17 the Los Angeles area. The subject properties were typically
18 worth \$100,000 to \$180,000. The locators provided information
19 about the subject property, including the square footage and
20 rough market value, to defendant NOVAL to determine if defendant
21 NOVAL would purchase the subject property. Once the properties
22 were approved for purchase by defendant NOVAL, the locators
23 prepared sales contracts for the subject property and executed
24 these contracts with the original owners of the subject
25 properties. The buyers of the subject properties were listed as
26 one of defendant's straw companies, UCW, SWA, NOVCO Financial, or
27 SCI. Defendant NOVAL would pay the locators \$3,000 to \$5,000 for
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1 each subject property that they found.

2 b. After the locator executed the sales contract for
3 the purchase of the subject property on behalf of defendant
4 NOVAL, defendant NOVAL typically caused the subject property to
5 be placed in escrow at Star Escrow ("escrow one"). Defendant
6 NOVAL then instructed Star Escrow to hold escrow one open until
7 defendant NOVAL subsequently sold the subject property to
8 otherwise unqualified buyers recruited by defendant NOVAL.

9 c. Within a few days of contracting to purchase the
10 subject property, defendant NOVAL would hire appraisers to
11 appraise the subject property at a certain value, which would
12 usually be \$100,000 to \$150,000 higher than the market value of
13 the subject property. Defendant NOVAL would also instruct the
14 appraisers to certify that all of the subject properties
15 contained four residential units. In truth, as defendant NOVAL
16 well knew, many of the subject properties contained five or more
17 residential units.

18 d. While escrow one was being held open on
19 defendant's purchase of the subject property, defendant NOVAL
20 hired individuals to recruit low-income persons ("qualifiers") to
21 apply for loans at the fraudulently inflated appraisal value,
22 purportedly to purchase the subject properties from defendant's
23 straw companies.

24 e. Defendant NOVAL caused false financial documents
25 to be created for each qualifier, including false gift letters
26 purporting to show that the qualifiers received gift payments
27 that were to be used as down payments, and false IRS W-2 forms
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1 (W-2s") purporting to show employment, wages earned, and taxes
2 withheld. For example, defendant NOVAL caused Daniel Aguilar to
3 submit a loan application that stated that Daniel Aguilar's
4 taxable income for the years 1994 and 1995 was \$91,234 and
5 \$92,215, respectively. In truth, as defendant NOVAL well knew,
6 none of the qualifiers, including Daniel Aguilar, earned the
7 salaries reported on the W-2s. Indeed, defendant NOVAL hired
8 individuals to create the false W-2s, and provided the money
9 identified in the gift letters to be used as a down payment.
10 Defendant NOVAL would pay the qualifiers \$3,000 to \$5,000 for
11 their participation.

12 f. Defendant NOVAL would then cause the fraudulent
13 loan applications created in the names of the qualifiers to be
14 submitted to Allstate Mortgage Company ("Allstate") for approval
15 and funding. All of the fraudulent loan applications submitted
16 on behalf of the qualifiers were approved by Allstate. After the
17 loans were approved and funded by Allstate, the money would be
18 sent to an escrow account at Benefit Escrow ("escrow two").

19 g. At the close of escrow two, a portion of the
20 funds from the Allstate-funded loan would be sent to escrow one
21 to pay for the initial purchase of the subject property by
22 defendants' straw companies. The remaining funds from escrow two
23 would ultimately be deposited into the accounts of defendant's
24 straw companies.

25 h. After the loan applications were approved by
26 Allstate, Allstate submitted the loan applications to the FHA for
27 insurance.

1 i. In reliance on the false information and
2 documents provided by defendant NOVAL and his co-schemers,
3 including the qualifiers' income information and the fraudulent
4 appraisals, the FHA insured the loans submitted by Allstate.
5 Upon submitting the loans to the FHA, Allstate sold the loans to
6 other financial institutions.

7 j. Although the subject properties were purchased in
8 the qualifiers' names, the qualifiers did not control the subject
9 property. Defendant NOVAL, through his company Bladerunner
10 Property Management Services, managed the subject properties and
11 collected rent payments from the tenants living in the apartments
12 at the subject properties. Defendant NOVAL also caused payments
13 to be made on the qualifiers' mortgages.

14 THE MAILINGS

15 6. On or about the dates set forth below, in Los Angeles
16 County, within the Central District of California, defendant
17 NOVAL, for the purpose of executing and attempting to execute the
18 above-described scheme to defraud, placed and caused to be placed
19 in an authorized depository for mail matter, to be sent and
20 delivered by the United States Postal Service according to the
21 direction thereon, the following appraisal reports and materials:

<u>COUNT</u>	<u>DATE</u>	<u>DESCRIPTION</u>
22 ONE	4/23/97	Appraisal Report for 703 W. 129th St., Los Angeles, CA
23 TWO	6/17/97	Appraisal Report for 905 E. 40th Pl., Los Angeles, CA
24 THREE	5/2/97	Gift Letter for down payment on 3956 W. 27th Street, Los Angeles, CA

1	FOUR	5/15/97	Gift Letter for down payment on 1128 6th Street Venice Area, Los Angeles, CA
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3	FIVE	5/23/97	Gift Letter for down payment on 281 E. 57th Street, Long Beach, CA
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COUNT SIX

[26 U.S.C. § 7201]

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3 On or about April 15, 1997, in Los Angeles County, within the
4 Central District of California, defendant VICTOR JESUS NOVAL did
5 willfully attempt to evade and defeat the income tax due and
6 owing by him to the United States for the 1996 calendar year by
7 failing to file an income tax return with the Internal Revenue
8 Service ("IRS"), as required by law, and by failing to pay to the
9 Internal Revenue Service income tax that was due and owing.

10 In willfully failing to evade and defeat the income tax due
11 and owing by him to the IRS for the 1996 calendar year, defendant
12 VICTOR JESUS NOVAL committed the following acts:

13 1. On or about October 31, 1996, defendant NOVAL caused
14 \$36,680.96 earned by him to be deposited into the accounts of
15 United Car Wash and Novco Financial in order to conceal and
16 attempt to conceal from the IRS his true and correct income.

17 2. On or about November 6, 1996, defendant NOVAL caused
18 \$50,973 earned by him to be deposited into the accounts of United
19 Car Wash and Novco Financial in order to conceal and attempt to
20 conceal from the IRS his true and correct income.

21 3. On or about November 7, 1996, defendant NOVAL caused
22 \$18,079.28 earned by him to be deposited into the accounts of
23 United Car Wash and Novco Financial in order to conceal and
24 attempt to conceal from the IRS his true and correct income.

25 4. On or about December 3, 1996, defendant NOVAL caused
26 \$76,268.16 earned by him to be deposited into the accounts of
27 United Car Wash and Novco Financial in order to conceal and
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1 attempt to conceal from the IRS his true and correct income.

2 5. On or about December 5, 1996, defendant NOVAL caused
3 \$64,787.82 earned by him to be deposited into the accounts of
4 United Car Wash and Novco Financial in order to conceal and
5 attempt to conceal from the IRS his true and correct income.

6 6. On or about December 10, 1996, defendant NOVAL caused
7 \$45,130.96 earned by him to be deposited into the accounts of
8 United Car Wash and Novco Financial in order to conceal and
9 attempt to conceal from the IRS his true and correct income.

10 7. On or about December 18, 1996, defendant NOVAL caused
11 \$58,375.27 earned by him to be deposited into the accounts of
12 United Car Wash and Novco Financial in order to conceal and
13 attempt to conceal from the IRS his true and correct income.

14 8. On or about December 19, 1996, defendant NOVAL caused
15 \$51,551.43 earned by him to be deposited into the accounts of
16 United Car Wash and Novco Financial in order to conceal and
17 attempt to conceal from the IRS his true and correct income.

18 9. On or about December 20, 1996, defendant NOVAL caused
19 \$78,454.88 earned by him to be deposited into the accounts of
20 United Car Wash and Novco Financial in order to conceal and
21 attempt to conceal from the IRS his true and correct income.

22 10. On or about December 20, 1996, defendant NOVAL caused
23 \$51,429.92 earned by him to be deposited into the accounts of
24 United Car Wash and Novco Financial in order to conceal and
25 attempt to conceal from the IRS his true and correct income.

26 11. On or about December 20, 1996, defendant NOVAL caused
27 \$70,526.21 earned by him to be deposited into the accounts of
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1 United Car Wash and Novco Financial in order to conceal and
2 attempt to conceal from the IRS his true and correct income.

3 12. On or about December 23, 1996, defendant NOVAL caused
4 \$44,529.53 earned by him to be deposited into the accounts of
5 United Car Wash and Novco Financial in order to conceal and
6 attempt to conceal from the IRS his true and correct income.

7
8 NORA M. MANELLA
9 United States Attorney

10 JOHN S. GORDON
11 Assistant United States Attorney
12 Acting Chief, Criminal Division

13 JEFFREY C. EGLASH
14 Assistant United States Attorney
15 Chief, Public Corruption &
16 Government Fraud Section
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