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FILED

SEP 23 2010 *fm*

CLERK, U.S. DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA
BY _____
DEPUTY CLERK

8 IN THE UNITED STATES DISTRICT COURT
9 FOR THE EASTERN DISTRICT OF CALIFORNIA

11 UNITED STATES OF AMERICA,)
)
12 Plaintiff,)
)
13 v.)
)
14 JAMES LEE LANKFORD,)
15 aka JIM LANKFORD; and)
16 JON VANCE MCDADE,)
17 aka JON JON VANCE MCDADE)
Defendants.)

CASE NO. 1:10 CR 00398 AWI
VIOLATIONS: 18 U.S.C. § 1341 -
Mail Fraud (49 counts); 18
U.S.C. § 1344 - Bank Fraud; 18
U.S.C. § 982(a)(2)(A) - Criminal
Forfeiture.

19 I N D I C T M E N T

20 COUNTS ONE - FORTY-NINE: [18 U.S.C. § 1341 - Mail Fraud]

21 The Grand Jury charges:

22 JAMES LEE LANKFORD, aka JIM LANKFORD, and
23 JON VANCE MCDADE, aka JON JON VANCE MCDADE,

24 defendants herein, as follows:

25 I. INTRODUCTION

26 1. At all times relevant to this Indictment, defendant JAMES
27 LEE LANKFORD, aka JIM LANKFORD, was a real estate agent and broker
28 who owned Century 21- Apollo Realty in Modesto, Stanislaus County,

1 State and Eastern District of California.

2 2. At all times relevant to this Indictment, defendant JON
3 VANCE MCDADE, aka JON JON VANCE MCDADE was LANKFORD's roommate.

4 II. THE SCHEME AND ARTIFICE TO DEFRAUD

5 3. Beginning at a date unknown but no later than on or about
6 April 1, 1999, and continuing through on or about September 23 2010,
7 in the State and Eastern District of California, and elsewhere, the
8 defendants JAMES LEE LANKFORD and JON VANCE MCDADE, devised and
9 intended to devise a material scheme and artifice to defraud elderly
10 property owners and lending institutions, and to obtain property and
11 money by means of material false and fraudulent pretenses,
12 representations, and promises made to elderly property owners and
13 lending institutions.

14 4. In furtherance of the scheme and artifice to defraud, the
15 defendants would obtain seller-backed financing from elderly property
16 owners in which they agreed to make interest-only payments and to pay
17 the principle amount in five or ten years. Unbeknownst to these
18 elderly sellers, defendants also obtained conventional financing for
19 the purchase of these same properties in the form of mortgages from
20 lending institutions. The defendants did not tell the lending
21 institutions that they had previously obtained seller-backed
22 financing. During the closing for the mortgage loans, defendant
23 LANKFORD, as broker, directed that a portion of the money supplied by
24 the lending institution be released to him rather than go to the
25 seller for the purchase of the property. The amount of the mortgage
26 loan proceeds diverted to the defendants was a portion of the amount
27 of the purchase price of the property that the seller had agreed to
28 finance. The elderly sellers were unaware that the funds they

1 received from the sale of the property were supplied by a lending
2 institution. Defendants would lull the elderly property owners into
3 believing their sales transactions were proceeding according to the
4 agreement by mailing them monthly interest-only payments. Defendants
5 lulled the lending institutions into believing the transactions were
6 legitimate by having a deed of trust recorded for the properties and
7 mailed to them via U.S. Postal Service.

8 III. MANNER AND MEANS OF THE SCHEME AND ARTIFICE TO DEFRAUD

9 During the above-described time period, the defendants executed
10 the scheme and artifice to defraud by the following manner and means:

11 5. It was part of the scheme and artifice to defraud that
12 as a realtor and broker, defendant LANKFORD would identify elderly
13 property owners who, in most instances, owned their property free and
14 clear and who wanted to sell their property by owner.

15 6. The transactions followed a pattern. Defendants JAMES LEE
16 LANKFORD and/or JON VANCE MCDADE fraudulently induced the elderly
17 property owners to sell their homes. Defendant LANKFORD and/or
18 MCDADE entered into agreements with the sellers under which terms the
19 defendants would make a down payment, and the sellers would agree to
20 finance the rest of the purchase price. Defendants also induced the
21 sellers to enter into Straight Note contracts, which stated that the
22 defendants would make interest-only payments to the sellers for a
23 period of 5 to 10 years, and then repay the principal amount owed to
24 the sellers by a date certain at the end of the 5 or 10 year period.

25 7. Defendants JAMES LEE LANKFORD and JON VANCE MCDADE
26 fraudulently induced the elderly property owners to believe that
27 their seller-backed financing was secured by the property itself by
28 filing a Short Form Deed of Trust and Assignment of Rents with the

1 Stanislaus County Recorder's office.

2 8. During the same time period, and unbeknownst to the
3 sellers, defendants JAMES LEE LANKFORD and/or JON VANCE MCDADE
4 applied for conventional mortgage financing for the purchases of the
5 properties. Defendants concealed from the lending institutions that
6 the sellers had agreed to finance the defendants' purchase of the
7 properties by checking "No" in the box beside the question regarding
8 secondary financing/other loans on the mortgage loan applications.

9 9. Defendants LANKFORD and/or MCDADE also made
10 material misrepresentations on the loan applications and, in some
11 instances, submitted to the lending institutions falsified documents
12 regarding their monthly income to insure approval for the loans.

13 10. Defendants LANKFORD and/or MCDADE submitted and caused to
14 be submitted the completed false and fraudulent loan applications and
15 caused lenders to fund loans for the purchase and/or refinance of the
16 properties obtained from the elderly property owners. Combined, the
17 defendants caused false and fraudulent loan applications to be
18 submitted to lenders, including, but not limited to: Countrywide,
19 World Savings Bank, GreenPoint, Wachovia, Seaforth Mortgage, Aegis,
20 Sierra Pacific, and Alliance Bancorp.

21 11. Defendants JAMES LEE LANKFORD and/or JON VANCE MCDADE
22 fraudulently induced the lending institutions into believing they
23 had the only lien on the purchased property by withholding from
24 escrow documents containing information regarding the seller-backed
25 financing, and by recording the seller's Short Form Deed of Trust and
26 Assignment of Rents and supporting documents after the close of
27 escrow for the conventional mortgage financing.

28 12. As a result of the defendants' actions, the lending

1 institutions did not know the loans they were extending were going to
2 purchase property for which there was seller-backed financing, and
3 the sellers who agreed to finance the purchases did not know that the
4 defendants had obtained loans from lending institutions to purchase
5 the properties.

6 13. Examples of the properties for which the defendants
7 obtained both seller-backed financing and conventional financing by
8 means of materially false statements, representations, and promises,
9 or for which the defendants submitted materially false loan
10 applications to lending institutions included, but were not limited
11 to: 404 Grace Avenue, Modesto; 4304 Dunes Court, Modesto; 408 Floyd,
12 Modesto; 515 14th Street, Modesto; 7431 Fox Road, Hughson; 331 La
13 Loma, Modesto; 421 Sycamore, Modesto; 2521 Revere Lane, Modesto; 704
14 El Terino, Modesto; and 3331 Wycliffe, Modesto, California.

15 14. As the broker on the transactions, defendant LANKFORD
16 directed that money supplied by the lending institution be released
17 to either him or defendant MCDADE rather than go to the seller for
18 the purchase of the property. The amount of the diversion was
19 equivalent to the amount of the purchase price of the property that
20 the seller had agreed to finance. The elderly sellers were unaware
21 that the money for which they were authorizing release from escrow
22 actually came from lender-provided funds and should have been paid to
23 the seller. The elderly sellers were also unaware that the money for
24 which they were authorizing release from escrow was ultimately going
25 to defendant LANKFORD and/or MCDADE.

26 15. As a broker, defendant LANKFORD also arranged to receive a
27 broker's commission fee as part of the escrow closing even though the
28 elderly sellers were selling the property "For Sale By Owner" with no

1 listing agent.

2 16. In many instances, defendants JAMES LEE LANKFORD and JON
3 VANCE MCDADE sought to refinance with another lending institution the
4 property purchased from the elderly sellers. In order to refinance
5 the property, LANKFORD would file a fraudulent Substitution of
6 Trustee and Full Reconveyance Deed with the Stanislaus County
7 Recorder's office to show that the elderly property owner had been
8 paid in full. In some instances, LANKFORD deceived the elderly
9 property owners into signing the Substitution of Trustee and Full
10 Reconveyance Deed by telling them it had another legal purpose. In
11 other instances, LANKFORD would file a Substitution of Trustee and
12 Full Reconveyance Deed containing forged signatures.

13 17. After fraudulently eliminating the original seller's lien
14 on the property, defendants JAMES LEE LANKFORD and/or JON VANCE
15 MCDADE would then fraudulently obtain refinancing for the property,
16 and draw out any equity that had accumulated in the property.

17 18. In some instances, after refinancing the property,
18 defendant JAMES LEE LANKFORD subsequently sold the property to
19 defendant JON VANCE MCDADE, or vice-versa, with the defendant buyer
20 obtaining financing from another lending institution for the
21 increased purchase price to further strip any remaining equity from
22 the home.

23 19. Defendants JAMES LEE LANKFORD and JON VANCE MCDADE, having
24 refinanced the property and/or having obtained additional financing
25 by reselling the property to each other, would then allow the
26 property to go into foreclosure, or would sell it as a short sale
27 through LANKFORD'S real estate business known as Century 21-Apollo
28 Realty.

1 20. As a result of their actions, defendants JAMES LEE LANKFORD
2 and JON VANCE MCDADE caused a combined estimated loss to the victim
3 elderly property owners, lending institutions, and banks of at least
4 \$10,000,000.

5 21. For the properties obtained via seller-backed financing,
6 defendants mailed, or caused to be mailed, via U.S. Postal Service
7 and other commercial carriers, monthly interest-only payments to the
8 elderly property owners. These mailings were in furtherance of the
9 scheme and artifice to defraud and in part served to lull sellers
10 into believing a legitimate transaction had occurred. The monthly
11 mailings of interest-only payments also kept the elderly homeowners
12 from discovering the conventional financing, as well as the
13 fraudulent Substitution of Trustee and Full Reconveyance, on their
14 property. These actions aided in promoting and prolonging the scheme
15 and artifice to defraud.

16 22. For each of the above mortgage loan applications that
17 defendants caused to be funded for the property transactions in
18 Stanislaus County, defendants caused the Stanislaus County Recorder's
19 Office to deposit and mail Grant Deeds and Deeds of Trust
20 corresponding to each transaction to be sent and delivered by the
21 U.S. Postal Service and/or private interstate carriers. These
22 mailings were in furtherance of the scheme and artifice to defraud,
23 and in part served to notify and assure the lenders that the
24 conveyance of the properties and the recordings of the transactions
25 had occurred and their interest was secure. The deed mailings also
26 served to notify the lender that the conveyance had been properly
27 made and enabled subsequent refinancing or resale of the properties.

28

1 IV. THE MAILINGS

2 23. On or about the dates set forth below, in the State and
 3 Eastern District of California and elsewhere, for the purpose of
 4 executing and attempting to execute the aforementioned scheme and
 5 artifice to defraud, defendants JAMES LEE LANKFORD and JON VANCE
 6 MCDADE knowingly caused the items set forth below to be delivered by
 7 the U.S. Postal Service or delivered by a private or commercial
 8 interstate carrier:

9	<u>COUNT</u>	<u>DATE</u>	<u>DEFENDANT(S)</u>	<u>DESCRIPTION AND RECEIVER</u>
10	1	9/26/06	JAMES LEE LANKFORD	Deeds of Trust mailed by the Stanislaus County Recorder's office to GreenPoint Mortgage
11				
12	2	10/23/06	JAMES LEE LANKFORD	Short Form Deed of Trust mailed by Stanislaus County Recorder's office to P.T. in Arizona.
13				
14	3	3/5/07	JAMES LEE LANKFORD	Deeds of Trust mailed by the Stanislaus County Recorder's office to Aegis Wholesale Corp. in Houston, Texas.
15				
16				
17	4	7/03/07	JON VANCE MCDADE JAMES LEE LANKFORD	Deed of Trust mailed by Stanislaus County Recorder's Office to World Savings Bank in San Antonio, Texas.
18				
19	5	3/31/08	JAMES LEE LANKFORD	Interest-only payment, check #4567 in the amount of \$766.66 was mailed to E.K.
20				
21	6	4/23/08	JAMES LEE LANKFORD	Substitution of Trustee and Full Reconveyance Deed mailed by Stanislaus County Recorder's office to James Lankford
22				
23				
24	7	6/2/08	JAMES LEE LANKFORD	Interest-only payment, check #4804 in the amount of \$766.66 was mailed to E.K.
25				
26	8	9/30/08	JAMES LEE LANKFORD	Interest-only payment, check #5193 in the amount of \$766.66 was mailed to E.K.
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28				

1	9	10/31/08	JAMES LEE LANKFORD JON VANCE MCDADE	Interest-only payment, money order in the amount \$466.66 purchased by personal check from Lankford's account and mailed to T.T.
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3				
4	10	10/31/08	JAMES LEE LANKFORD	Interest-only payment in the amount of \$634.31 mailed to M.R. and P.R.
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6	11	12/1/08	JAMES LEE LANKFORD	Interest-only payment, check #5286 from Lankford's account in the amount of \$634.31 mailed to M.R. and P.R.
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9	12	12/22/08	JAMES LEE LANKFORD	Interest-only payment, check #5292 in the amount of \$766.66 was mailed to E.K.
10				
11	13	1/29/09	JAMES LEE LANKFORD	Interest-only payment, check #5321 from Lankford's account in the amount of \$850.00 was mailed to S.F.
12				
13	14	2/27/09	JAMES LEE LANKFORD	Interest-only payment, check #5323 from Lankford's account in the amount of \$766.66 was mailed to E.K.
14				
15				
16	15	3/6/09	JAMES LEE LANKFORD	Interest-only payment in the amount of \$609.31, check number 5332 from Lankford's account mailed to M.R. and P.R.
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18				
19	16	4/1/09	JAMES LEE LANKFORD	Interest-only payment, check #5328 in the amount of \$850.00 was mailed to S.F.
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21	17	5/1/09	JAMES LEE LANKFORD	Interest-only payment, check #5399 from Lankford's account in the amount of \$766.66 was mailed to E.K.
22				
23	18	5/1/09	JAMES LEE LANKFORD	Interest-only payment, check #5359 in the amount of \$850.00 was mailed to S.F.
24				
25	19	6/2/09	JAMES LEE LANKFORD JON VANCE MCDADE	Interest payment was mailed to T.T. in the amount of \$466.66 via Wachovia "official check"
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28	20	6/27/09	JAMES LEE LANKFORD	Interest-only payment in the amount of \$609.31, check

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number 5437 from Lankford's account mailed to M.R. and P.R.

- 21 6/29/09 JAMES LEE LANKFORD Interest-only payment, check #5441 from Lankford's account in the amount of \$766.66 was mailed to E.K.
- 22 6/30/09 JAMES LEE LANKFORD Interest payment was mailed to T.T. in form of personal money order in amount of \$466.66.
- 23 7/27/09 JAMES LEE LANKFORD Interest-only payment, check #5696 from Lankford's account in the amount of \$850.00 was mailed to S.F.
- 24 8/31/09 JAMES LEE LANKFORD Interest-only payment, check #5713 from Lankford's account in the amount of \$589.31 mailed to M.R. and P.R.
- 25 9/1/09 JAMES LEE LANKFORD Interest-only payment, check #5544 from Lankford's account in the amount of \$850.00 was mailed to S.F.
- 26 10/1/09 JAMES LEE LANKFORD Interest-only payment, check #5361 from Lankford's account in the amount of \$766.66 was mailed to E.K.
- 27 10/31/09 JAMES LEE LANKFORD Interest-only payment, check #5375 dated 10/29/09 from Lankford's account in the amount of \$589.31 was mailed to M.R. and P.R.
- 28 11/2/09 JAMES LEE LANKFORD Interest-only payment, check #5390 from Lankford's account in the amount of \$850.00 was mailed to S.F.
- 29 12/1/09 JAMES LEE LANKFORD Interest-only payment, check #5582 from Lankford's account in the amount of \$766.66 was mailed to E.K.
- 30 12/1/09 JAMES LEE LANKFORD Interest-only payment, check #5577 from Lankford's account in the amount of \$815.63 was mailed to S.F.

1	31	12/3/09	JAMES LEE LANKFORD JON VANCE MCDADE	Interest-only payment in form of person money order in amount of \$395.21 was mailed to T.T.
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4	32	1/31/10	JAMES LEE LANKFORD	Interest-only payment, check #5722 from Lankford's account in the amount of \$766.66 was mailed to E.K.
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6	33	1/31/10	JAMES LEE LANKFORD	Interest-only payment, check #5725 from Lankford's account in the amount of \$815.63 was mailed to S.F.
7				
8				
9	34	2/1/10	JAMES LEE LANKFORD JON VANCE MCDADE	Interest-only payment, check #5600 from Lankford's account in the amount of \$395.21 was mailed to T.T.
10				
11	35	2/1/10	JAMES LEE LANKFORD	Interest-only payment, check #5727 in the amount of \$589.31 was mailed to M.R. and P.R.
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14	36	3/1/10	JAMES LEE LANKFORD	Interest-only payment, check #5750 in the amount of \$766.66 was mailed to E.K.
15				
16	37	3/2/10	JON VANCE MCDADE JAMES LEE LANKFORD	Interest-only payment in the amount of \$395.21 was mailed to T.T., check #5752 from Lankford's account.
17				
18	38	3/2/10	JAMES LEE LANKFORD	Interest-only payment, check #5754 from Lankford's account in the amount of \$815.63 was mailed to S.F.
19				
20				
21	39	4/1/10	JAMES LEE LANKFORD JON VANCE MCDADE	Interest-only payment in the amount of \$395.21, check #5768 from Lankford's account was mailed to T.T.
22				
23	40	4/1/10	JAMES LEE LANKFORD	Interest-only payment in the amount of \$589.31, check #5767 from Lankford's account mailed to M.R. and P.R.
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25				
26	41	4/1/10	JAMES LEE LANKFORD	Interest-only payment, check #5763 from Lankford's account in the amount of \$766.66 was mailed to E.K.
27				
28				

1 42 4/1/10 JAMES LEE LANKFORD Interest-only payment, check
2 #5764 from Lankford's account
3 in the amount of \$815.63 was
4 43 4/30/10 JAMES LEE LANKFORD Interest payment was mailed
5 JON VANCE MCDADE to T.T.
6 44 6/1/10 JAMES LEE LANKFORD Interest-only payment mailed
7 to E.K.
8 45 6/7/10 JAMES LEE LANKFORD Interest-only payment was
9 JON VANCE MCDADE mailed to T.T.
10 46 7/6/10 JAMES LEE LANKFORD Interest-only payment was
11 mailed to E.K.
12 47 9/7/10 JAMES LEE LANKFORD Interest-only payment, check
13 #5663 from Lankford's account
14 in the amount of \$815.63 was
15 mailed to S.F.
16 48 9/7/10 JAMES LEE LANKFORD Interest-only payment, check
17 #5664 from Lankford's account
18 in the amount of \$589.31 was
19 mailed to M.R. and P.R.
20 49 2/2/09 JAMES LEE LANKFORD Interest-only payment, check
21 # 5316 from Lankford's
22 account in the amount of
23 \$609.31 was mailed to M.R.
24 and P.R.

25 All in violation of Title 18, United States Code, Sections 1341.

26 COUNT FIFTY: [18 U.S.C. § 1344 - Bank Fraud]

27 The Grand Jury further charges:

28 JON VANCE MCDADE, aka JON JON VANCE MCDADE,

defendant herein, as follows:

24. Paragraphs One and Two and Five through Twenty-Three of
Counts One through Forty-Nine of the Indictment are incorporated
herein as if fully set forth.

25. On or about June 19, 2007, in the State and Eastern
District of California and elsewhere, defendant JON VANCE MCDADE,
knowingly executed and attempted to execute a material scheme and

1 artifice for the purpose of obtaining money and property under the
2 custody and control of a financial institution, by means of
3 materially false and fraudulent pretenses, representations, and
4 promises, to wit, MCDADE submitted a loan application to
5 Wachovia/Wells Fargo Bank for the funding of a loan for the refinance
6 of property at 3331 Wycliffe Drive in Modesto, California which
7 contained false information and representations regarding his salary,
8 assets, and debts when in fact he knew such representations were
9 false, and caused the loan to be funded which ultimately caused a
10 loss of approximately \$580,170.02 to Wachovia/Wells Fargo Bank.

11 All in violation of Title 18, United States Code, Section 1344.

12 FORFEITURE ALLEGATION: [18 U.S.C. § 982(a)(2)(A)]

13 26. Paragraphs One through Twenty-Five, inclusive of Counts
14 One through Fifty, are fully incorporated by reference as though
15 fully set forth herein.

16 27. Pursuant to Title 18, United States Code, Section
17 982(a)(2)(A), upon conviction of the offenses in violation of Title
18 18, United States Code, Sections 1341 and 1344, defendants JAMES LEE
19 LANKFORD aka JIM LANKFORD, and JON VANCE MCDADE aka JON JON VANCE
20 MCDADE, shall forfeit to the United States all property constituting,
21 or derived from, proceeds obtained directly or indirectly as the
22 result of such violations.

23 If any of the property described above, as a result of any act
24 or omission of the defendant:

- 25 a. cannot be located upon the exercise of due diligence;
26 b. has been transferred or sold to, or deposited with, a third
27 party;
28 c. has been placed beyond the jurisdiction of the court;

- 1 d. has been substantially diminished in value; or
2 e. has been commingled with other property which cannot be
3 divided without difficulty,

4 the United States of America shall be entitled to forfeiture of
5 substitute property pursuant to Title 21, United States Code, Section
6 853(p), as incorporated by Title 18, United States Code, Section
7 982(b)(1) and Title 28, United States Code, Section 2461(c).

8 All pursuant to Title 18, United States Code, Section
9 982(a)(2)(A) and 28 United States Code, Section 2461(c).

10
11
12 A TRUE BILL.

13 /s/ Signature on file w/AUSA

14 FOREPERSON

15 BENJAMIN B. WAGNER
16 United States Attorney

17 BY: Mark E. Cullers
18 MARK E. CULLERS
19 Assistant U.S. Attorney
20 Chief, Fresno Office
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UNITED STATES DISTRICT COURT

Eastern District of California

Criminal Division

FILED

SEPT 23 2010

CLERK, U.S. DISTRICT COURT EASTERN DISTRICT OF CALIFORNIA

BY DEPUTY CLERK

THE UNITED STATES OF AMERICA

vs.

JAMES LEE LANKFORD, also known as JIM LANKFORD; JON VANCE McDADE, also known as JON JON VANCE McDADE

INDICTMENT

VIOLATION(S): 18 U.S.C. § 1341 - Mail Fraud; 18 U.S.C. § 1344 - Bank Fraud

A true bill,

15/

Foreman.

Filed in open court this _____ day

of _____, A.D. 20 _____

Clerk.

Bail, \$

NO BAIL WARRANT

[Handwritten signature]

PENALTY SLIP

DEFENDANT: JAMES LEE LANKFORD
aka JIM LANKFORD

VIOLATION: 18 U.S.C. §§ 1341
Mail Fraud (Counts One - Forty Nine)

PENALTY: 20 years imprisonment
\$250,000 fine
3 years supervised release

VIOLATION: 18 U.S.C. §1341
Bank Fraud (Count Fifty)

PENALTY: 30 years imprisonment
\$1,000,000.00 fine
5 years supervised release

PENALTY SLIP

DEFENDANT: JON VANCE McDADE
aka JON JON VANCE McDADE

VIOLATION: 18 U.S.C. §§ 1341
Mail Fraud (Counts One - Forty Nine)

PENALTY: 20 years imprisonment
\$250,000 fine
3 years supervised release

VIOLATION: 18 U.S.C. §1341
Bank Fraud (Count Fifty)

PENALTY: 30 years imprisonment
\$1,000,000.00 fine
5 years supervised release