

JUSTICE NEWS

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Minnesota Couple Pleads Guilty for Long-Running Fraud Scheme

Real Estate Company Pleads Guilty to Fraud Conspiracy

Detloff Marketing and Asset Management Inc. (Detloff Marketing), a real estate company based in Hopkins, Minnesota; its owner, Jeffery J. Detloff; and its accountant, Lori K. Detloff, pleaded guilty today in the U.S. District Court in St. Paul, Minnesota, for their participation in a long-running fraudulent bidding and kickback scheme in connection with foreclosed properties, the Department of Justice announced today.

According to court documents, from September 2007 and continuing until June 2015, Jeffery Detloff, of Minnetonka, Minnesota, conspired to defraud mortgage lenders and guarantors who had hired Detloff, a realtor, to oversee maintenance and repairs on foreclosed homes in the Minneapolis-St. Paul area. Jeffery Detloff steered maintenance and repair contracts to contractors who would pay a kickback to Detloff Marketing. Unbeknownst to his customers, Jeffery Detloff and Detloff Marketing included the kickbacks within bids and invoices sent to the lender or guarantor for reimbursement on maintenance and repairs. Lori Detloff, also of Minnetonka, Minnesota, was an accountant responsible for ensuring the kickbacks were paid by contractors to Detloff Marketing. In all, Detloff Marketing received over \$291,505 in kickbacks.

“For years, the defendants orchestrated and executed a scheme that allowed them to reap illicit profits from homes in foreclosure,” said Assistant Attorney General Makan Delrahim of the Department of Justice’s Antitrust Division. “These plea agreements demonstrate the Justice Department’s continued commitment, and that of our law enforcement partners, to protect victims, including Fannie Mae and Freddie Mac, from those who subvert competition using false, fraudulent, and sham bids.”

“In this case, the Detloffs abused their power and position with self-serving behavior that essentially increased mortgage costs to customers of the victim lenders,” said Jill Sanborn, Special Agent in Charge of the FBI’s Minneapolis Division. “The FBI works hand in hand with federal prosecutors to root out this type of fraud and hopes this case has a chilling effect on others who may have designs on similar behavior when put in positions of trust by lenders.”

Detloff Marketing and Jeffery Detloff pleaded guilty to Count 1 of the Indictment, which charged a conspiracy to commit mail and wire fraud affecting a financial institution. Lori Detloff pleaded guilty to aiding and abetting the principal offense described in Count 4 of the indictment, mail fraud affecting a financial institution. As part of their plea agreements, the Antitrust Division agreed to move to dismiss the remaining counts against Detloff Marketing, Jeffery Detloff, and Lori Detloff upon sentencing.

This is the second case involving fraud and kickbacks relating to maintenance and repair contracts for foreclosed properties in the Minneapolis-St. Paul area. The conspiracy and fraud charges carry a maximum penalty of 30 years in prison and a fine of \$1,000,000. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

In addition to their guilty pleas, the defendants agreed to pay restitution in the amount of \$291,505. The terms of the plea agreements are subject to the approval of the Court.

The plea agreements announced today are the result of a federal investigation of housing repair contracts in the Minneapolis area. The investigation is being conducted by the Antitrust Division's Chicago Office and the FBI's Minneapolis Division. Anyone with information on customer allocation, bid rigging, price fixing, or other anticompetitive conduct related to the real estate industry in Minnesota should contact the Antitrust Division's Chicago Office at 312-984-7200.

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