



# Department of Justice



United States Attorney John W. Vaudreuil  
Western District of Wisconsin

FOR IMMEDIATE RELEASE  
JANUARY 27, 2010  
WWW.USDOJ.GOV/USAO/WIW

CONTACT: STEPHEN P. SINNOTT  
PHONE: (608) 264-5158  
TTY: (608) 264-5006

## **MADISON AREA TAX PREPARER SENTENCED FOR MORTGAGE FRAUD AND TAX FRAUD**

Madison, Wis. - John W. Vaudreuil, United States Attorney for the Western District of Wisconsin, announced that Gail L. Mendez, 45, Sun Prairie, Wis., was sentenced today by U.S. District Judge William M. Conley to 66 months in federal prison for mortgage fraud and tax fraud. The prison sentence will be followed by a three-year term of supervised release.

In 2006 and 2007, Mendez engaged in two separate schemes, while working as a tax preparer doing business as Mendez Connections in the Madison area. She engaged in a mortgage fraud scheme and a separate tax fraud scheme.

Mendez is the last of five defendants to be sentenced as a result of the investigation. The four other individuals who have been convicted and sentenced on related charges are:

Amy Strait, 43, McFarland, Wis., a former mortgage loan officer at Park Bank in Madison was sentenced to three months in federal prison. She pleaded guilty on September 9, 2010, to conspiracy to obstruct the bank fraud investigation.

Carlos R. Solis, 33, Morrisonville, Wis., a former real estate agent, was sentenced on October 26, 2010, to a year and a half in federal prison. He pleaded guilty on May 25, 2010, to bank fraud.

Marty G. Mendez, 27, Sun Prairie, Wis., a former tax preparer at Mendez Connection, a Madison area tax preparation business, was sentenced on October 26, 2010, to one year and a day in federal prison. He pleaded guilty on May 17, 2010, to assisting in the filing of a false income tax return. Marty Mendez is the son of Gail Mendez.

David Knickmeier, 45, Madison, Wis., a former tax preparer at Mendez

Connection, pleaded guilty to assisting in the filing of a false income tax return and was sentenced on September 28, 2010, to one year and a day in federal prison.

### **The Mortgage Fraud Scheme**

During 2006 and 2007 Gail Mendez worked as a tax preparer in the Madison area, doing business as Mendez Connection. Amy Strait was employed as a mortgage loan officer at Park Bank, a federally-insured financial institution. Carlos Solis did business as a real estate agent.

Park Bank had a mortgage loan program that allowed borrowers to apply for a loan using an Individual Taxpayer Identification Number (ITIN) instead of a Social Security Number. An ITIN is a nine-digit tax processing number issued by the IRS to aliens who are required to have a U. S. taxpayer identification number but are not eligible to obtain a social security number. Under Park Bank's ITIN mortgage program, a borrower applying for an ITIN loan was required to submit to the bank copies of the borrower's income tax returns for the prior two tax years. Under the program, the bank did not check with the IRS to verify the income stated on a borrower's submitted federal tax returns.

From February 2006 to October 2007, Gail Mendez, Strait, and Solis engaged in a scheme to defraud Park Bank and to obtain money owned by the bank and under its custody and control. In connection with approximately 50 ITIN loans totaling more than \$8 million, Gail Mendez, Strait and Solis caused false tax returns to be fabricated and presented to Park Bank. The returns falsely inflated borrowers' income and had not been filed with the IRS.

The scheme resulted in \$498,000 in losses to Park Bank.

### **The Conspiracy to Obstruct the Bank Fraud Investigation**

When Park Bank told Amy Strait its discovery of the fraud scheme, the bank directed her not to talk with anyone about the investigation, noting that federal investigators could be involved. Immediately after Strait learned of the investigation, however, she called Solis and told him about it. She told him the bank was looking at tax documents that had been submitted for ITIN loans, and they were not matching what had been reported to the IRS. Strait purchased a prepaid cell phone for the purpose of communicating with Solis about the investigation.

Solis relayed to Mendez what Strait had told him. Mendez later asked for a list from Solis for all the loans that Park Bank might be investigating. Mendez told Solis she needed this list so she could be sure all her files matched the bank's loan files. Solis,

with Strait's assistance, generated a list of the loans under investigation and faxed it to Gail Mendez on October 24, 2007. Mendez then used the list of names to direct her employees to destroy evidence of the scheme contained in her tax files

### **The Tax Fraud Scheme and Further Obstruction**

Gail Mendez and her employees, including Marty Mendez and David Knickmeier, willfully aided and assisted taxpayers in filing U.S. Individual Income Tax Returns that falsely and fraudulently claimed dependents and child tax credits to which they were not entitled. The Court has found that the scheme resulted in a tax loss of \$925,000.

In December 2007, Gail Mendez learned that the IRS was investigating the claiming of child tax credits on returns prepared at Mendez Connection. At her direction, employees of Mendez Connection removed from the Mendez Connection files and destroyed any notes referring to the fraudulent child tax credits.

These charges are the result of an investigation conducted by the Federal Bureau of Investigation and Internal Revenue Service Criminal Investigation. The prosecution of these individuals has been handled by First Assistant U.S. Attorney Stephen P. Sinnott.

These prosecutions are part of President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

###