

# Judge tells Garofalo: You'll be away for 'some time'

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**HOMEWOOD (STMW)** A federal judge on Wednesday told a south suburban man convicted of a mortgage fraud scheme to prepare his family to get along without him "for some time," the SouthtownStar is reporting.

U.S. District Judge Wayne Anderson said he'll sentence James Garofalo of Homewood on July 9. Garofalo, 40, pleaded guilty in May 2009 to two counts of wire fraud in connection with a mortgage fraud scheme.

"I'll review all this," Anderson said at the end of a hearing Wednesday. "You and your wife need to figure out how your family will function without you there for some time."

**Garofalo, former co-owner of Olympia Fields-based Madison Homes Partnership**, originally was charged with selling newly constructed and existing residences to straw purchasers at inflated prices.

He and other sellers agreed to pay scheme mastermind Bobby Brown of Country Club Hills and his associates finder fees and commissions, ranging from 5 percent to 30 percent of each sale, knowing a portion would be kicked back to the buyers, prosecutors said.

**Garofalo's company built homes in subdivisions in several south suburban communities, including Chicago Heights, Flossmoor and Olympia Fields.**

Garofalo was accused of having eight of these homes, mostly in Homewood and Flossmoor, involved in these schemes.

Garofalo has found much success in running restaurants, including The Egg & I Restaurant, with locations in Chicago Heights and Tinley Park. His family recently opened Grady's Grille in Homewood.

Garofalo resigned his Homewood Village Board seat just before the original indictments for the mortgage fraud were announced in May 2008.

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**July 19, 2010 Southtown Star**

**BY JOHN K. RYAN**

Former Homewood village trustee and local businessman James Garofalo was sentenced Monday to six months in prison for his role in a mortgage fraud scheme that included houses in several Southland communities.

U.S. District Judge Wayne Anderson also gave Garofalo two years of probation, 300 hours of community service and ordered him to undergo alcohol treatment.

Garofalo pleaded guilty in 2009 to two counts of wire fraud.

Anderson said he sought a sentence that would send a message about the seriousness of Garofalo's crime but not cripple his ability to pay restitution to the lenders who were the victims of the scheme

## Garofalo sentenced to 6 months

**July 20, 2010 Southtown Star**

BY JOHN K. RYAN

<http://www.southtownstar.com/news/2513206,072010garofalosentenced.article>

Attorney Michael Monico said the next six months will be difficult for his client James Garofalo, of Homewood.

The former Homewood village trustee and local businessman was sentenced Monday to six months in prison for his role in a mortgage fraud scheme that included houses in several Southland communities.

"His family is strong. He'll get through it," Monico said.

U.S. District Judge Wayne Anderson also gave Garofalo two years of probation, 300 hours of community service and ordered him to undergo alcohol treatment.

Garofalo, as co-owner of Olympia Fields-based Madison Homes Partnership homebuilders, was charged with selling eight new and existing homes to straw buyers at inflated prices. Madison Homes Partnership no longer does business.

Prosecutors said about \$5.2 million was taken out in loans on the eight houses, but the straw buyers had no intention of living in the homes or paying back the mortgages. After the homes went into foreclosure and were resold, lenders lost approximately \$1.3 million.

Using the money he got for selling the homes, Garofalo agreed to pay finders fees and commissions (about \$400,000 for the eight homes) to scheme organizers, knowing a portion would be kicked back to the buyers, according to the indictment.

Garofalo, who runs The Egg & I restaurant in Chicago Heights and whose family recently opened Grady's Grill in Homewood, pleaded guilty in 2009 to two counts of wire fraud.

Anderson cast Garofalo, in his role as a homebuilder, as the one who created the possibilities for the crimes to take place.

Sentencing guidelines advised a minimum prison sentence of 3 years and 5 months for Garofalo, but Anderson said he sought a sentence that would send a message about the seriousness of Garofalo's crime but not cripple his ability to pay restitution to the lenders who were the victims of the scheme.

"The (Egg & I) may disappear if I give you 41 months," Anderson said. "We want to see the business continue to operate and restitution to continue."

Garofalo told the judge he has already paid about \$250,000 in restitution - which included his recent income tax refund and his cashed-in IRA.

Assistant U.S. Attorney Daniel May argued that Garofalo should not be allowed to "buy" his way out of jail.

Anderson said a person should get points for paying back victims because it mitigates prior bad acts. The judge also credited Garofalo for cooperating in other cases involving the mortgage fraud scheme, and for contributing to needy causes through his restaurant business.

"That's worth something," he said.

Before sentencing, Garofalo was contrite, telling Anderson he has learned a lesson about the effects of his actions.

"It's not just about me. It's about my wife, my family, (my) employees," said Garofalo, who has four children.

Garofalo was elected trustee in April 2007 as part of Mayor Rich Hofeld's Greater Homewood Party. He resigned in May 2008, just before the indictment was announced.

"It's unfortunate," Hofeld said. "He's a successful businessman. He'd be the first to admit he made a terrible mistake."

As for the judge's order to go through alcohol treatment, Monico said Garofalo's consumption of alcohol came up during the presentencing investigation by a probation officer.

"It can sometimes be an issue in dealing with what (Garofalo's) been going through," Monico said.

Anderson ordered Garofalo to report to prison Sept. 27. The location will be determined at a later date.

Garofalo declined comment after the hearing.

## **Garofalo begins prison sentence early**

**October 1, 2010 Southtown Star**

By John K. Ryan

James Garofalo - a former Homewood village trustee, local restaurateur and homebuilder who was convicted on fraud charges - has begun serving his six-month prison term, a couple of weeks earlier than scheduled, according to an associate of his attorney.

Garofalo, 42, has been assigned to the federal prison in Oxford, Wis., a minimum-security facility. His release date is March 6, according to the Federal Bureau of Prisons Web site.

Garofalo, who cited personal reasons when he resigned as trustee in 2008, pleaded guilty to wire fraud and was sentenced in July for his role in a mortgage fraud scheme that included houses in several Southland communities.

# Country Club Hills man gets 20 years for mortgage fraud scheme

Mar 5, 2011 Southtown Star BY MIKE NOLAN

A Country Club Hills man was sentenced Friday to 20 years in federal prison for his key role in a large-scale mortgage fraud scheme, one of the largest ever prosecuted in the Chicago area.

U.S. District Judge Virginia Kendall also ordered Bobbie Brown to pay more than \$32 million in restitution.

Brown, 47, had pleaded guilty nearly a year ago to wire and mail fraud and was painted as the leader of a mortgage fraud ring that included real estate agents and mortgage loan officers.

Prosecutors said Brown and 20 others working with him fraudulently obtained more than \$95 million in loans for homes in the Chicago suburbs as well as in California and Nevada.

Brown and his crew allegedly snookered banks into giving them loans for homes in Southland towns such as Country Club Hills, Flossmoor, Frankfort, Homewood and Mokena as well as a \$1.2 million mortgage for a house in an exclusive Orland Park subdivision.

Those loans weren't repaid, the homes went into foreclosure and banks were defrauded of about \$24 million because most of the homes were sold for less than the loan amounts, according to the government.

Nearly all of Brown's co-defendants have pleaded guilty and have been sentenced, while seven others are due to go on trial in Chicago in June.

Brown, who initially was released on bail after his June 2008 indictment, has been in federal custody since October 2008 for bail violations.

It was unclear what assets Brown could potentially be used to make restitution. Authorities said Brown and the co-defendants used the bank loans to buy more properties and enrich themselves.

Brown, who had prior convictions for theft and weapon possession, told the SouthtownStar shortly after his indictment that he got into real estate after his trucking company failed, and that he followed the advice of real estate infomercial guru Carleton Sheets. He claimed at the time that he was the victim of an imploding real estate market and was being railroaded by the government.

Brown learned in the summer of 2007 that he was under federal investigation and agreed to meet with FBI agents. During the meeting, Brown told agents that he grew up poor and liked having nice things, prosecutors said.

"I like flying first class and going to restaurants and not asking how much things cost," Brown told the FBI agents, according to a recent court filing.

Indicted with Brown was James Garofalo, a businessman and home builder who resigned as a Homewood trustee just weeks before the indictment was announced.

Garofalo pleaded guilty in May 2009 to two counts of wire fraud and was sentenced last July to six months in prison.