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Jury awards \$15M to investors defrauded in mortgage loan scam

Katherine Feser

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A Houston jury on Tuesday awarded \$15 million to investors who purchased pool of nonperforming residential mortgage loans five years ago from a shell company that didn't actually own the loans.

Jurors in U.S. District Judge Vanessa Gilmore's court found that 3 Star Properties of North Carolina; Houston real estate broker Mark Hyland and affiliated entities Biltmore Funding, TM Property Solutions, and TMPS, along with Houston lawyer Mark E. Dykes, formerly of The Nations Law Firm conspired to defraud SED Holdings of North Carolina.

Houston trial lawyer Jared Levinthal of Levinthal Wilkins and Doug Hanna of Graebe Hanna & Sullivan of Raleigh, N.C., represented SED in the case.

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The verdict stemmed from a deal in 2014 by SED Holdings to buy 1,235 nonperforming residential mortgage loans for nearly \$14 million from 3 Star. SED paid \$4 million in cash with the rest to be paid over several months. SED discovered that 3 Star did not actually own the loans, but was serving as a pass-through entity to flip the assets for cash, concealing the true owners. Hyland and related entities had purchased the loans for pennies on the dollar because many of the assets were incomplete.

Dykes served as escrow agent receiving SED's payments and funneling them to the Hyland affiliates. The Nations Law Firm was included in the suit but dismissed from the case.

"This was a long con in which my client purchased a bunch of empty file folders, loans that had been released long before and were not owned by 3 Star. Uncovering this scheme was like peeling back layers of a rotten onion," Levinthal said in an announcement. "I'm beyond pleased for our client that the jury saw these defendants for the fraudsters they were, held them accountable, punished them and did their level-headed best to make SED whole."

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