

### MI Casa? Sue Casa!

Hispanic immigrants cry foul over an alleged St. Louis housing scam  
By Chad Garrison

Upton Sinclair was the first to admit that his muckraking novel, *The Jungle*, missed its mark. "I aimed at the public's heart," said the author. "By accident, I hit it in the stomach."

The 1906 novel tells the story of the Rudkus family, Lithuanian Immigrants freshly arrived in turn-of-the-century Chicago. Soon the family comes across a smooth-talking real estate agent who speaks their native tongue and assures them the quickest route to financial freedom is home ownership.

But the home they purchase from the agent is in deplorable condition and costs much more than they'd been told. Forced to make payments on the house or risk losing everything they have, all of the family members go to work in the city's notorious meat-packing industry.

One hundred years later, *The Jungle* is widely credited with spurring legislation that led to the creation of the Food and Drug Administration. As for the plight of the working poor — which the author hoped to illuminate in his novel — their struggles continue.

A case now unfolding in St. Louis has all the trappings of a Sinclair novel. It includes an unsuspecting immigrant community, allegations of fraud and deceit, and an American dream turned nightmare.

The story begins with attorneys Gustavo Arango and Ken Schmitt, who over the past couple of years have carved out a small but tidy niche serving Hispanic clients on issues of immigration.

The 36-year-old Arango, a native of Colombia, gives free legal clinics at churches and community centers. After the clinics, some attendees show up at the attorneys' humble south-county law office to retain their services in securing green cards and other immigration matters.

Last December, while Arango was giving one of his free sessions at Our Lady of Guadalupe Catholic Church in Ferguson, a Mexican woman approached him. The woman claimed she'd been swindled into purchasing a home she could not afford. Although she'd told her Spanish-speaking agent that she could only afford a home costing around \$70,000, the house she purchased through the agent two years ago cost \$103,000.

Arango brought the woman's case to his law partner, Schmitt, who eyed her complaints warily. Real estate claims, he notes, can be meticulously petty and difficult to win, as one can never be certain who's been promised what. Plus, the woman had signed off on the purchase of the home, even if her limited English made it unlikely she understood all of the sales contracts.

It wasn't until Schmitt took a cursory glance at the woman's closing documents that he, too, became suspicious. There on the settlement statement was a \$46,781 commission charged to the seller of the home, Cots Realty Investments Inc., and payable to the woman's real-estate agent, RE/MAX Associates. By comparison, says Schmitt, a typical 7 percent sales commission on a \$103,000 sale would be around \$7,000.

"That just didn't make sense to me," recalls the 39-year-old attorney. "Immediately, I began to think that Cots Realty and RE/MAX must have some kind of relationship."

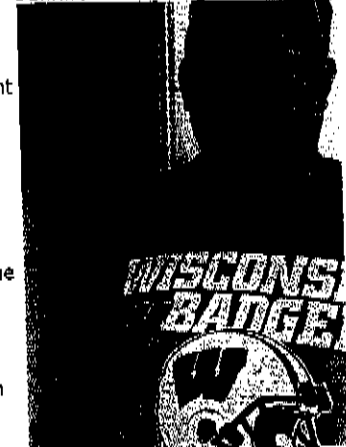
A look at files on record with the Missouri Secretary of State's office revealed Cots Realty Investments to be owned by Nigerian-born brothers Joseph and Leonard Adewunmi. At the time, the brothers also served as agents with RE/MAX Associates — the same company Schmitt's client contracted with to represent her as a buyer.

"She had no idea the seller of the home worked for the same agency that was supposed to be representing her as the buyer," Schmitt says. "At the very least, that's a conflict of interest and should have been disclosed."

The attorney was also intrigued by the fact that his client (an undocumented woman who asked that her name not be used for this article) claimed to know many more Latinos who felt they'd been deceived when purchasing a home through the Adewunmis' RE/MAX agency — particularly when represented by the brothers' Spanish-speaking assistants, Christian Joel Juan and Denisse Olmos.

Last month Arango and Schmitt filed a class-action lawsuit in St. Louis City Circuit Court alleging Joseph Adewunmi and real estate agents working on his behalf "formulated a clear and well-established pattern and practice constituting a scheme of deception and fraud in

Jennifer Silverberg



Fraudulent loan documents qualified Alfonso del Rio and his daughter, Maria, for a home they say they cannot afford.

Jennifer Silverberg photo by Jennifer Silverberg photo by Jennifer Silverberg photo by Jennifer Silverberg  
Attorneys Gustavo Arango (left) and Ken Schmitt believe as many as 70 Hispanic immigrants may have fallen victim to the alleged scheme.

Jennifer Silverberg



According to its owner, the del Rio home is still in need of repairs.

#### Details

Who / What:

order to carry out an unlawful merchandising practice."

Gustavo Arango  
Ken Schmitt

The suit also claims the defendants steered an untold number of Latino clients into purchasing immigrant community homes owned by the Adewunmis. These homes, the suit alleges, were priced well in excess of class-action lawsuit fair market value and far beyond what the buyers could afford.

Accompanied by their attorney, Robert Feldmann, Joseph Adewunmi and Christian Joel Juan met in the offices of the *Riverfront Times* earlier this week to dispute the allegations. Contrary to the charges laid out in the suit, the real estate brokers say their business practices were designed to benefit — not harm — Hispanics.

"As an immigrant myself, my primary clients are other immigrant groups — Hispanics, Arabs, Bosnians — who are underserved in this market," says Adewunmi. "The way things have been put [in the lawsuit] hurts my feelings because everything I've done in my real estate career so far is to try to make sure these people don't get taken advantage of. This suit is coming from people who think they can blackmail me and get money out of me."

This Wednesday the Adewunmis' business partners, Dean Porter and Marty Ribaldo of the Des Peres-based RE/MAX Associates Plus, formally severed ties with the brothers because of the lawsuit. (Prior to forming the partnership, all four brokers worked for a similarly named RE/MAX agency, RE/MAX Associates, which had offices in Clayton and Des Peres.)

Ribaldo says he's discussed the case with Joseph Adewunmi, and though he's seen no evidence of wrongdoing, he felt it best that they part company.

"This concerns us greatly," Ribaldo says. "This is our livelihood and reputation on the line. We're just as anxious to get to the bottom of this as anyone."

A freckled, quiet 60-year-old from the Mexican state of Michoacán, Alfonso del Rio secured his green card in 1990 and has since worked a number of low-wage jobs in California and Arkansas.

Six years ago he landed in St. Louis. His most recent job has him washing dishes for the tony Racquet Club Ladue. Del Rio earns just \$8 an hour, but that didn't stop him from buying a home last year through RE/MAX Associates Plus agent Christian Joel Juan.

Speaking in Spanish, del Rio tells how he calculated a budget allowing him to afford, at best, a \$70,000 home with a monthly mortgage of around \$600 — and that's only if his live-in daughter, Maria, helped make payments. But, del Rio says, Juan kept steering him toward more expensive homes, first telling him he qualified for an \$88,000 loan, then upping that figure to \$105,000.

After viewing just four homes last summer, del Rio recalls, he felt pressured in August 2005 to purchase a house Juan showed him on Dahlia Avenue in south St. Louis. The home was being remodeled, but, according to del Rio, Juan assured him that everything would be fixed by the time he moved in.

Unbeknownst to del Rio, the home was owned by Juan's employer, Joseph Adewunmi, and his Cots Realty Investments. Schmitt and Arango's lawsuit alleges that the *only* homes agents Juan and Olmos showed their Spanish-speaking clientele were properties owned by Cots Realty.

Adewunmi and Juan counter that they show clients a wide variety of homes; it just happens that the homes sold by Cots Realty Investments are affordable for immigrants.

Del Rio's home cost \$135,900; his monthly mortgage payment is \$960. How can a dishwasher afford such a place? Because del Rio's loan documents — allegedly prepared by Juan, according to the suit — showed him earning far more than his annual income of \$16,497. The application included payment stubs and tax returns claiming del Rio held down a second job earning \$23,000 per year as a laborer with Spectrum Group Inc.

Del Rio says he never worked for any such company. Records with the Secretary of State's office show that a company with a similar name operated in Missouri for a short while in the 1990s but went out of business in 1997.

Adewunmi and Juan deny any role in the alleged manipulation of del Rio's loan documents. From their files they produce a contract written in English and Spanish and signed by del Rio that states he provided them with correct and accurate loan information, including tax records, paycheck stubs, bank statements and credit information.

Adewunmi and Juan place the blame on the loan officer, Jeffrey Epple, another of the co-owners of RE/MAX Associates Plus, as well as a defendant in the lawsuit. Adewunmi and Juan say it was Epple's job to verify the loan information. (Epple could not be reached for comment.)

"All I do is run their credit scores," Adewunmi says. "I rely on the lender to check the loan information. They're the ones who are supposed to do that."

Schmitt and Arango list del Rio as the named plaintiff in the class-action suit because of his legal status in the United States. But based on the attorneys' research, there may be as many as 70 other potential plaintiffs who've purchased homes owned by Cots Realty Investments over the past three years and whose loan documents have been falsified.

"We really don't know how many people may have been impacted," says Schmitt. "That's why we filed as a class-action. We're hoping more people will come forward."

The attorneys say del Rio (as well as other Hispanic homebuyers) never met with anyone other than the real estate agents when buying the home. The suit alleges the defendants purposely interposed themselves between the alleged victims and all

other entities customarily involved in the purchase of real estate.

"They never let them meet with the appraiser, the loan officer or a representative of the title company," says Schmitt. "There was never any third party to say, 'Hey, wait a second. Do you know what you're signing?'"

Adegunmi refutes that claim. Yes, his real estate agents shepherd clients through the home-buying process, but that's only because clients need the agents to serve as interpreters.

"Most of the time, lenders or the title company don't speak Spanish, so I've hired agents who can help them through the process," says Adegunmi. "I've asked HUD [the United States Department of Housing and Urban Development] and the Realtors Association to provide me with forms in Spanish and I'd pay for them, and I wasn't able to get any of those forms."

Stories like del Rio's no longer surprise Mira Tanna and Katina Combs of the Metropolitan St. Louis Equal Housing Opportunity Council (EHO). Over the past two years, the fair-housing advocates have filed ten discrimination complaints with HUD. Some complaints allege that Adegunmi, and agents Juan and Olmos, falsified loan documents and failed to disclose their financial interest in homes they sold to immigrants at prices far exceeding market value.

"We found that many people didn't know the price of the homes until the closing," says Combs. "And on some occasions, buyers signed blank sales contracts that the agents would later fill out with financial terms. When they complained that the homes were more than they could afford, they were told not to worry, that the payments would soon go down."

Adegunmi's attorney, Robert Feldmann, says HUD looked into the complaints and found no evidence of wrongdoing. But a spokeswoman with the federal housing agency says the complaints are still under review.

In their unadorned office in the Forest Park Southeast neighborhood, Combs and Tanna keep a spreadsheet of some 40 homes in St. Louis that Cots Realty Investments has sold over the past three years. Nearly every sale has been to people with Hispanic last names and, says Tanna, often at prices much greater than what Cots originally paid for the property.

"We found houses Cots purchased for \$32,000 and turned around and sold a month and a half later for \$92,000," Tanna says. "In some cases it could be that Cots is investing in and improving these properties, but from what we've seen that's not always true. Many of these homes are in very poor condition. The buyer is completely upside-down on the loan. Some have been foreclosed on. There's no way they could resell the house for what they paid. So they're working extra hours or finding additional jobs to keep hold of the property."

Adegunmi maintains that the homes are sold for market value, with many of Cots Realty Investments' properties requiring two independent appraisers before a bank is willing to sign off on a loan.

"We don't cut corners," he says. "These homes are sold for what the market dictates."

Several of the loans for the Cots Realty Investments' homes came through mortgage broker Jeffrey Epple, formerly with Gorman & Gorman Home Loans. When that company underwent a change in ownership last year, Epple went to work for Debra Gorman and Associates Home Loans.

Debra Gorman declined to comment for this story. Mark Gorman, owner of Gorman & Gorman, says he's unaware of the lawsuit.

As a co-owner of RE/MAX Associates Plus, Epple kept a loan office in the Des Peres property that he shared with the Adegunmis. RE/MAX Associates Plus co-owner Ribaudo says Epple recently moved to Florida to open a mortgage company.

In their suit, Schmitt and Arango allege that Epple accepted loan applications from Juan and Olmos without exercising due diligence and while knowing, or having reason to believe, that the supporting documents were fraudulent.

"Many of the loan documents were completely made up," says Combs. "When I'd tell people how much they earned according to the loan documents, they couldn't believe it. They were like, 'I wish I earned that much!'"

In 2004 Tanna and Combs contacted the Missouri Attorney General's office to report the alleged fraud, but things turned problematic because many of the complainants are not legal residents. Tanna says the talk on the streets is that authorities are less likely to deport illegal immigrants who own a home, because they don't want to expel someone who owes money to the bank. But apparently that theory was not strong enough to allay fears that the Attorney General's office would report the illegals to the Department of Homeland Security.

"Yes, we were contacted about this," says John Fougere, spokesman for Attorney General Jay Nixon. "But if the complainants are unwilling to come forward and testify, it hampers anything we can do." What most angers Maria Lucrecia Knapp is that real-estate agents Christian Joel Juan and Denisse Olmos used their language skills as native Spanish speakers to allegedly take advantage of fellow immigrants.

As founder and director of Manos Unidas, an immigrant-rights organization run out of Our Lady of Guadalupe, Knapp says she's heard from several people over the past two years who feel they were deceived by Juan and Olmos. Many of the alleged victims, she says, felt intimidated by the agents.

"They're targeting undocumented people, and they're threatening them that if they make too big of a fuss, they'll alert authorities and get them deported," Knapp says.

Juan denies that he made any such threats.

This spring Knapp introduced 38-year-old Sophia to attorneys Schmitt and Arango. Although a legal resident, Sophia asked

that her real name not be used in this story. She gained refugee status in the United States three years ago and worries that a paramilitary group that threatened her life in Colombia may discover her whereabouts. Beyond that, Sophia doesn't want St. Louis city officials to track her down.

Two years ago she purchased a Cots Realty Investments home through agent Denise Olmos. The home was never inspected by the city prior to Sophia and her family moving in. It likely wouldn't pass inspection today.

Located in the Tower Grove South neighborhood, the clapboard house is in a state of disrepair. Like del Rio, Sophia says she was promised improvements to the home would be made before the sale, but says she was not allowed to inspect the house prior to closing. St. Louis real estate records show Cots Realty Investments purchased the home for \$35,000 in May 2004. Two months later, they sold the home to Sophia for \$105,000.

If Cots Realty put \$70,000 worth of work into the home, Sophia says, she doesn't know where it could have gone. Over the past two years, her husband has made some superficial improvements to the home — expanding the living room and widening closets — but it still feels something like a carnival fun house. The second-floor stairs are tilted almost to the point of falling over, and the sagging basement is held up by a temporary support beam. An advertised "bedroom" in the unfinished cellar is little more than a cubbyhole with a mattress.

When Sophia called Olmos to complain that the promised improvements had not been made to the home, she says the agent told her not to worry. They'd resell the house for \$160,000 and get her money back. That was two years ago. Sophia says she hasn't heard from Olmos since.

Sophia's loan documents, like del Rio's, contain erroneous information. For the past year Sophia has worked part-time as a bartender at a Hispanic nightclub. The job pays a few hundred dollars per month, but the loan application for her home has Sophia earning \$3,200 per month with Dormire Security & Consultants in Maryland Heights. No such company exists, according to the Secretary of State's office.

Sophia says she spent thousands of dollars to make the home habitable but realizes she'll likely never sell the house for what she paid for it.

"They're taking advantage of people who come to this country looking for a positive change," Sophia says. "We demand justice."

Whether justice will actually be served remains a question, cautions attorney Ken Schmitt.

"We hope to get the victims their money back, but that depends on what kind of assets the defendants may have," he says. "In the short run, we just want to expose the practice and put a stop to it."