

THE UNITED STATES ATTORNEY'S OFFICE
NORTHERN DISTRICT *of* OHIO

[U.S. Attorneys](#) » [Northern District of Ohio](#) » [News](#)

Department of Justice

U.S. Attorney's Office

Northern District of Ohio

FOR IMMEDIATE RELEASE

Wednesday, January 30, 2013

Steven Hinz Sentenced To Nine Years In Prison, Ordered To Pay More Than \$500,000

Steven R. Hinz was sentenced to nine years in prison and ordered to pay more than \$500,000 in restitution for his role in leading separate tax and mortgage fraud conspiracies, said Assistant Attorney General of the Justice Department's Tax Division Kathryn Keneally, United States Attorney for the Northern District of Ohio Steven M. Dettelbach, and Special Agent in Charge, Internal Revenue Service (IRS) Criminal Investigation, Cincinnati Field Office, Darryl K. Williams.

U.S. District Judge Patricia Gaughan ordered Hinz to pay \$458,302 in restitution to Wells Fargo Bank, \$50,069 to the IRS and \$36,211 to the Department of Housing and Urban Development.

Hinz pleaded guilty last year to one count of conspiracy to defraud the United States, one count of making a false 2008 income tax return, fifteen counts of aiding and assisting the preparation of false income tax returns, and one count of conspiracy to commit bank fraud involving a mortgage fraud scheme.

The other three defendants charged in case – Heather L. English, Patricia A. Polk, and William E. Phillips, III – have also pleaded guilty.

All four defendants were indicted in December 2011 on the tax conspiracy and various false return charges. Hinz was arrested in Miami, Florida, in January 2012 and Polk was arrested in Sarasota, Florida in February 2012. Phillips was arrested in Los Angeles in June 2012, after being deported from the Philippines upon request of the U.S. government.

According to court documents, Hinz promoted a scheme to defraud the United States by filing false federal income tax returns claiming large tax refunds using the so-called "OID process." The OID process involved the preparation of fictitious IRS Forms 1099-OID, Original Issue Discount, falsely reporting that financial institutions, creditors, and other entities had withheld large amounts of federal income tax on behalf of the defendants and other taxpayers, with respect to non-existent income. Hinz and English recruited potential clients by promoting the OID scheme to investors in and employees of Hinz's real estate business in Youngstown, Ohio, as well as to individuals they knew from organizations known at different times as NeoThink, NeoTech, and the Society of Secrets. English prepared or directed the preparation of the 1099-OID forms and prepared and electronically filed the tax returns. Based on these fictitious withholdings, at least 17 false tax returns for the year 2008 were filed with the IRS, claiming false refunds totaling over \$3,000,000. Under the scheme, taxpayers recruited by Hinz were to pay 20 percent of their refunds to Hinz and English, split equally between them, sometimes referred to as commissions and sometimes labeled as "donations."

According to court documents, from approximately December 2006 through May 2009, Hinz conducted his real estate business in part through a scheme to defraud two federally-insured banks, Wells Fargo Bank and Huntington National

Bank, that provided mortgage loans to the investors. The scheme was carried out through the filing of false mechanic's liens for work not actually done and the providing of undisclosed down payment assistance to the investors. The scheme was designed to induce the banks to make mortgage loans based on false representations concerning the true price and value of the properties, the sources of down payments, and the disposition of loan proceeds. Polk began conspiring with Hinz to conduct the scheme April 2008.

The case is being handled by Assistant U.S. Attorneys John M. Siegel and Henry F. DeBaggis and Tax Division Trial Attorney Robert C. Kennedy, following investigation by the Internal Revenue Service, Criminal Investigation, the Office of Investigations of the Department of Housing and Urban Development Office of Inspector General, and the Federal Bureau of Investigation.

Component(s):

USAO - Ohio, Northern

Updated March 12, 2015