

# Houses, Lots Stay Mired in Limbo as CM Development Case Drags

*Meghan Hoyer  
The Virginian-Pilot  
December 3, 2009*

The vacant house next door has been gone more than a year, but Patricia Beck still has to deal with the consequences.

The now-empty lot beside her home in Norfolk's Lindenwood neighborhood has attracted drug users and vagrants, trash and trouble. Beck would like to buy the lot, but there's a problem: No one will claim ownership.

The lot is stuck in limbo, one of the many properties that a failed real estate firm, CM Development, and its investors have abandoned in neighborhoods across the region.

"Homeowners living next to these properties - their lives are in danger," said Beck, describing how vagrants set fire to the old house last November and destroyed it, nearly igniting her home in the process. "People need to know - and the city needs to know, too - how much of a problem it is."

Just as many of the properties formerly owned by CM Development and by its investors have been left to linger, so too have the legal cases against the men who masterminded the \$26 million housing scheme.

Two and a half years after the company was forced into bankruptcy, the FBI says it is still working on its fraud investigation of the company's leaders. No charges have been filed.

The state of Michigan is only now taking action against the company's money man in an attempt to strip him of his real estate broker's licenses. And the company's bankruptcy has dragged, leaving creditors unpaid and some investors with houses they don't want.

"We just want this done," said Karen Crowley, an attorney representing two brothers who at one point owned 48 properties in Hampton Roads through CM Development. Her clients have lost an amount approaching \$1 million.

"It's really hard - it's expensive and time-consuming - to prosecute these actions. People just don't have the resources to commit," Crowley said. There's still a lot hanging over every single person involved, she said.

At its peak, CM Development and its investors owned more than 250 properties in the region, many vacant and most in disrepair. The company, which investors have accused of fraud, check-kiting and falsifying mortgage loans, went out of business in 2007 soon after it was forced into bankruptcy.

Its president, Cary McEntee, has insisted he did nothing wrong - that he was simply capitalizing on the housing boom to sell and resell houses among a pool of investors, taking out larger mortgages each time.

Some investors lent McEntee hundreds of thousands of dollars in cash to renovate houses that often were left unfinished. Others were paid a \$3,000 fee for letting the company use their names and credit lines to obtain mortgages.

One egregious case involved a Beach man who obtained nearly \$700,000 in mortgage loans while in jail on drug charges.

The man who brokered nearly all these mortgages - almost none of which required borrowers to document their incomes - was Clinton Van Nocker, a Lansing, Mich., resident. Along with McEntee's brother, Van Nocker was charged in 1999 with what was then Hampton Roads' largest case of housing fraud.

Van Nocker spent nearly four years in federal prison on charges of bank fraud. But his real estate broker's license, issued in the state of Michigan, remained active.

When he was released, Van Nocker was able to obtain a second broker's license. That was a major oversight, officials in Michigan's Bureau of Commercial Services acknowledged.

An employee flagged Van Nocker's 2006 application because he had been convicted of a federal offense, but no action was taken. Although records show that employees reopened the case after The Virginian-Pilot inquired in 2007 about the state of Van Nocker's licenses, Michigan officials only this year moved to strip him of his real estate credentials.

"That's clearly a mistake that's been made," said Stephen Gobbo, director of legal affairs for the Bureau of Commercial Services. "There was a lack of prompt coordination on it."

The revocation, which Van Nocker has appealed, will go before a judge next week. If the state is allowed to take the broker licenses away, it would limit Van Nocker's ability to sell and deal in real estate transactions.

Michigan also denied Van Nocker a third license earlier this year when he tried to start a new real estate development firm.

The FBI, meanwhile, says it is still investigating CM Development officials, although the agency has reassigned investigators several times. At one point, the probe stopped completely as the agent assigned to the case was sent to Afghanistan for months.

Nonetheless, "the matter does remain under investigation," FBI spokesman Phil Mann said.

The only CM Development member sent to prison in the aftermath of the company's collapse is Cary McEntee's brother, Jacques, who directed much of CM Development's business from behind the scenes.

That work was in violation of the terms of his probation stemming from his earlier housing fraud conviction. Jacques McEntee was sentenced in March 2008 to 25 months in federal prison by U.S. District Judge Jerome B. Friedman, who said at the time that he had never seen "a more blatant disregard" of the terms of probation.

McEntee is scheduled to be released from prison in January.

His brother, Cary, has been involved with real estate in the region since CM's collapse, helping to build several houses under other business names and, earlier this year, soliciting investors over the Internet. The investors, according to the advertisements, would get a bank loan in their name and turn the money over to McEntee, who would repay them with interest after building and selling a house.

McEntee, who lives in a three-story beachfront home in Norfolk, enlisted in the military this year, and has served in Iraq. His \$1 million home in Virginia Beach was foreclosed upon after his company's collapse.

His 2007 bankruptcy case continues to grind on. When it finally ends - attorneys say it likely will take three or four more months to tie up loose ends and clean up titles to properties scattered through all seven cities - he can be sued by individual creditors, who will be able to garnish his wages to collect some of the more than \$9 million they are owed.

Crowley said her clients probably would try to place a claim on McEntee. The brothers she represents still haven't shed all the loans and property titles they assumed as investors, and still legally have possession of five or so houses. In many of these remaining cases, banks have refused to foreclose because the title histories are so complicated, or because the property is in such bad shape, she said.

"We have talked to the cities about trying to take them back, and we've talked to the lenders, saying we'll give them back to you," Crowley said. "We are waiting."

It's unclear how many CM Development properties are in this ownership-foreclosure limbo, but a brief review of the company and its investors' holdings reveal at least a dozen similar situations across Hampton Roads.

One of the houses was the one that used to sit next to Patricia Beck's home. Norfolk is owed \$10,000 for tearing down the burned-out shell on Middle Avenue last year. Now Beck would love to turn the lot into a center for neighborhood youth.

"If someone near the property wants to buy it, they should let them have it. And for not a lot of money," she said. "This needs to be stopped in the neighborhood."