

From the Denver Business Journal

:<http://www.bizjournals.com/denver/news/2014/01/16/denver-realtor-accuses-fannie-mae-of.html>

Jan 27, 2014, 11:55am MST Updated: Jan 28, 2014, 10:18am MST

Colorado Realtor accuses Fannie Mae of hiding fraud



[Dennis Huspeni](#)

Reporter- *Denver Business Journal*

[Email](#) | [Google+](#) | [Twitter](#) | [Real Deals blog](#)

A metro Denver real estate broker claims in a response to a lawsuit filed against her by the Federal National Mortgage Association (Fannie Mae) that her contract work with the federally-sponsored company dried up after she tried to report alleged fraud.

In the U.S. District Court civil case, [Karen Frisone](#) alleges the fraud involved attempted bribes and a fake office scheme by other Denver brokers.

Frisone, managing broker and owner of K.O. Realty Inc. in Westminster, alleges in a counter claim that her contract with Fannie Mae was terminated last summer after she tried to report other local brokers she believed were fraudulently getting listing assignments.

She also alleges a Fannie Mae official tried "to solicit bribes" from her, court documents show.

The allegations are contained in an answer and counter-claim filed Nov. 27 in response to Fannie Mae filing a federal civil lawsuit against her in July, asking a judge to rule her contract was terminated legally.

Frisone said she was trying to do the right thing by reporting what she suspected was fraud, and that she was bound by her contract with Fannie Mae and its Code of Conduct to report suspected fraud.

"This whole thing is bigger than me," Frisone said. "At one point I had 13 employees. Now I'm down to two. They basically shut my business down."

The case [mirrors a case in Irvine, Calif.](#), where a former employee of Fannie Mae was indicted in 2013 on charges that he solicited illegal payments from a broker, as reported by the Los Angeles Times. That office's supervisor was fired in June.

Fannie Mae is a government-sponsored enterprise that backs many residential mortgages in the U.S. by buying them from lending institutions. It is currently under government conservatorship and reports to the **Federal Housing Finance Agency** (FHFA).

A Fannie Mae spokeswoman, in response to a request for comment, issued the following statement: "We expect our employees and the real estate professionals we work with to follow our standards in all interactions. While we cannot comment on the specifics of this matter, we believe the claims made by Ms. Frisone against Fannie Mae are without merit."

The spokeswoman declined comment on the Irvine office investigation.

Fannie Mae, in a civil action filed with U.S. District Court July 17, asked the court to "enter a declaratory judgment declaring that Fannie Mae followed the proper procedures and possessed a valid, legal right to terminate its broker contract" with Frisone.

Frisone's attorney, [Karen Fitzgerald](#) of Dallas-based Kleiman Lawrence Baskind Fitzgerald LLP, filed a response to the July 17 suit by Fannie Mae, and argued that Frisone was "engaged in activity protected under the False Claims Act" when she reported the alleged activity. The False Claims Act "prohibits retaliation against those who report violations of the" act.

Frisone had worked for Fannie Mae since 2005 managing and selling the enterprise's Denver-area REO ("real estate owned," or foreclosed) properties. She claims in her action against Fannie Mae that she and K.O. "were among Fannie Mae's top selling contract brokers and regularly received praise for their work."

But in August 2012, Frisone said in her action that she discovered that another Colorado REO brokerage team had amassed over 100 listings.

"Typically, long tenured top selling brokers such as K.O. had 20-30 properties assigned at any one time," Frisone's attorney argued.

When Frisone tried to report in September 2012 the suspected fraudulent activity, "K.O. was immediately retaliated against by Fannie Mae," and the Fannie Mae official "refused to engage in the discussion and abruptly cut Ms. Frisone off..." according to her filing.

"The retaliation against K.O. began immediately," her filing claims. "In the next few weeks, K.O. property assignments declined dramatically."

Fannie Mae terminated Frisone's contract in June.

"This was a big decision for me to fight this and I'm anxious to move on," Frisone said. "I think they were hoping I would go away quietly."

A trial date has been set for March 2, 2015.

Dennis Huspeni covers real estate and retail for the Denver Business Journal and writes for the "Real Deals" blog. Phone: 303-803-9232.