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Who Wants to Be a Millionaire?

A former employee at a Middletown company allegedly tried to cash in big on his access to 230,000 personal records

by [Meir Rinde](#) - June 1, 2006

The alleged extortion of Mortgage Lenders Network USA began innocently enough. Paul W. Schenkel, a 35-year-old product and portfolio analyst at the Middletown company, e-mailed his boss in late April and complained he wasn't paid enough.

MLN will make loans worth an estimated \$12 billion in 2006, but the percentage trickling down to Schenkel was evidently too small. "I love the work I do at MLN," he wrote to his supervisor, David Mills, but "without the additional income, I am running at a deficit."

In the e-mail, which Mills would later turn over to the police, Schenkel proposed the company promote him to assistant vice president and give him a salary of \$110,000, which is more than vice presidents make. Otherwise, after 16 months with the company, he'd quit and take a better job at American Home Mortgage on Long Island.

According to a warrant detailing the Middletown police investigation, the next day Mills told Schenkel he couldn't meet those demands, and asked for his resignation.

On Friday, May 5, which was to be his last day, Schenkel allegedly told Mills he'd downloaded over 230,000 records of the company's borrowers, including names and Social Security numbers, and made DVD copies of them. He apparently said he had a friend who ran pornographic websites and funneled customer account information to a relative in Nigeria, according to the warrant. Schenkel estimated the MLN data would be worth \$25 to \$30 per name on the street. If that data got out, the company could also face \$20 million in penalties, plus bad publicity and issues with government agencies, he said.

IMAGE COURTESY MIDDLETOWN POLICE



Paul W. Schenkel has been accused of trying to blackmail his employer.

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Schenkel said if MLN wouldn't pay him a salary "commensurate with the value of the data he handles," it could help set him up as a hedge fund manager by giving him an interest-only loan equal to the value of the records. When Mills asked how much that was, Schenkel said, "Figure it out. You have a calculator," according to court documents.

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Mills punched in the numbers. "That's \$6.93 million," he said. "That's right," Schenkel responded. "I want a \$6.9 million loan."

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Mills told police, "By the way that he spoke ... Schenkel made it very clear ... that he wanted a \$6.9 million loan from the company to keep him from selling the information he clearly had in his possession," the warrant said.

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Mills reportedly asked Schenkel if he was trying to blackmail the company. Schenkel shrugged and said, "That's just a tag name." Schenkel said he had other information, too, including personal information of MLN employees who had received their mortgages through the company. When Mills went to talk to his supervisor, Schenkel left.

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Schenkel sent another e-mail on Sunday, saying he felt morally obligated to disclose to the public that he'd been able to download the records. "I respectfully ask that MLN give me credit for recognizing the potential risk," the e-mail said, as quoted in the warrant. "I have to admit I am somewhat proud that I am responsible for protecting the identities of more than 231,000 people." If MLN didn't hold a press conference, Schenkel would call the *Hartford Courant*, he said.

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MLN searched Schenkel's work computer and found the hard drive contained about three times as much data as other employees'. One file, named "birth defects" and dated about three months after the birth of Schenkel's son, contained references to a genetic abnormality that is usually fatal. If the son did have a birth defect, it might explain Schenkel's need for money, Mills told police.

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The computer contained information about a mortgage consultancy Schenkel was apparently setting up at a Wethersfield address, along with a web page, www.mymortgage-moneysaver.com. The company also found information about 1,200 loan applications denied by a former MLN loan officer who Schenkel was friends with, the warrant said. It appeared Schenkel wanted to offer the unsuccessful applicants his credit-consulting services.

On May 20 the Middletown police searched Schenkel's home in Wethersfield and seized three computers, 23 DVDs, three CDs, a list of passwords, literature on identity theft, and handwritten notes of business plans. Schenkel was charged with computer crimes and larceny by extortion and released on \$250,000 bail.

Schenkel's attorney, Greg Cerritelli, said the arrest of his client was a mistake.

"In his tenure at Mortgage Lenders Network, he was an absolutely stellar employee," Cerritelli said. "This incident truly is a gross misunderstanding that was blown out of all proportion. He sought to expose a weakness in the way their data system was maintained, and instead of doing some internal review of their own to address these deficiencies, they have Paul arrested.

"It's a powerful, politically connected person who we believe is behind this," Cerritelli said. He would not identify the person, saying, "I'm not casting blame on anyone," but added, "I believe that there's more to this than meets the eye. There's more going on behind the scenes."

The president of MLN, Mitch Heffernan, did not return a call from the *Advocate*. Schenkel is scheduled to appear in court again on June 16.

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