



Department of Justice

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SNELLVILLE LAWYER PLEADS GUILTY IN MORTGAGE FRAUD SCHEME

Atlanta, GA - MICHAEL M. HIPE, 42, of Snellville, Georgia, pleaded guilty today in federal district court to conspiracy to commit mortgage fraud.

“Mortgage fraud destroys neighborhoods and increases borrowing costs for all home buyers,” said United States Attorney David E. Nahmias. “We will continue in our efforts to stamp out mortgage fraud, which has become a plague on Georgia’s real estate industry. We will continue in particular to focus on lawyers and other professionals who are involved in mortgage fraud. They know the rules, and when they break them, they should expect one day to end up in prison.”

James Byers, Special Agent in Charge of the Atlanta field office of the United States Secret Service, said of the case, “I am very proud of the successful completion of this investigation by the agents of this office and our partners at the Internal Revenue Service. The Secret Service will continue to aggressively investigate cases like this, which have significant impact on our community's economy.”

In May 2006, HIPE was indicted along with co-defendants ERIC FRIEDMAN, BRIANNE FRIEDMAN and TIMOTHY BAUER on two counts of conspiracy to commit mail fraud and money laundering, two counts of mail fraud, and eight counts of money laundering.

According to United States Attorney Nahmias and the information presented in court: In 2000, HIPE and co-defendant ERIC FRIEDMAN became partners in an used car sales business called “Hipe Motors” in the metro Atlanta area. HIPE invested in the business and ERIC FRIEDMAN ran the business. In order to raise money to operate the business, in the summer of 2000, HIPE purchased four new condominiums in the metropolitan Atlanta area. ERIC FRIEDMAN prepared false loan applications and supporting documentation, including tax returns, which misrepresented HIPE’s income. At the real estate closings, HIPE signed the false loan applications, certifying them as accurate and true.

In order to pull money out from the closings, ERIC FRIEDMAN and HIPE misrepresented to the lenders that a portion of the loan proceeds would be used for the renovation and construction of the properties, even though the condominiums were new or otherwise did not need renovation or upgrade. Further, ERIC FRIEDMAN and MICHAEL HIPE misrepresented to the lenders that the construction work was to be performed by "The Fabricators, Inc.," which in fact was a name of a shell company, not incorporated in the State of Georgia. ERIC FRIEDMAN and HIPE used the monies to finance Hipe Motors and for ERIC FRIEDMAN's personal expenses. The funds obtained at closings were run through HIPE's bank accounts and then run through ERIC FRIEDMAN's and BRIANNE FRIEDMAN's bank accounts. ERIC FRIEDMAN was supposed to obtain tenants for the condominiums and buy cars for the business, but failed to do so.

When HIPE was unable to obtain further financing to purchase condominiums, he introduced his mother and a family friend, both of whom live and work in Massachusetts, to ERIC FRIEDMAN. ERIC FRIEDMAN persuaded HIPE's mother to act as a "straw purchaser" on the purchase of three condominiums in Atlanta to provide funds to operate Hipe Motors. ERIC FRIEDMAN prepared loan applications containing false information and supporting documentation, including tax returns which misrepresented HIPE's mother's employment and income. At two of the three real estate closings for his mother, HIPE, along with ERIC FRIEDMAN, acted as her attorneys, and executed the documents, including the loan applications.

ERIC FRIEDMAN also persuaded HIPE's family friend to provide him with his credit information. Once FRIEDMAN obtained that information, he opened a checking account at Wachovia Bank in the name of the family friend "d/b/a The Fabricators," Inc. In June 2002, at ERIC FRIEDMAN's behest, the family friend purchased 104 Chablis Court, Braselton, Georgia, as a home for ERIC M. FRIEDMAN and BRIANNE FRIEDMAN and for the purpose of pulling money out of the transaction to further finance Hipe Motors. The transaction was also financed through the submission of a false loan application prepared by FRIEDMAN. At ERIC FRIEDMAN's behest, in February 2004, the family friend sold that property to straw purchaser/borrower TIMOTHY BAUER to obtain more money. At that real estate closing, BAUER signed an ERIC FRIEDMAN-prepared false loan application, which misrepresented his income and his intentions to reside at that address.

The lenders have foreclosed on all seven condominiums that HIPE and his mother purchased, because FRIEDMAN, HIPE, and HIPE's mother have failed to make the monthly mortgage payments. The lenders' loss amount on the condominiums exceeds \$500,000.

HIPE pleaded guilty to one count of conspiracy to commit mail fraud. He could receive a maximum sentence of five years in prison and a fine of up to \$250,000.

Sentencing for HIPE has not yet been scheduled by United States District Judge Orinda D. Evans. On August 23, 2006, co-defendant ERIC FRIEDMAN pleaded guilty to conspiracy to commit mail fraud, attempt to evade the payment of income taxes, credit card fraud, and interstate transportation of cars obtained by fraud. He could receive a maximum sentence of forty years in prison and a fine of up to \$1,250,000. No sentencing date is scheduled. Trial for BRIANNE FRIEDMAN and TIMOTHY BAUER is scheduled for December 11, 2006.

This case is being investigated by special agents of the United States Secret Service and the Internal Revenue Service-Criminal Investigation.

Assistant United States Attorney David Leta is prosecuting the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.usdoj.gov/usao/gan.