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SIXTY-SEVEN DEFENDANTS CHARGED IN A DOZEN SEPARATE CHICAGO AREA MORTGAGE FRAUD SCHEMES

CHICAGO – Sixty-seven defendants, including mortgage brokers, loan officers, realtors, home builders and five attorneys, are facing federal charges relating to mortgage fraud, identity theft and bankruptcy fraud in a dozen new cases in Chicago, federal law enforcement officials announced today as part of *Operation Malicious Mortgage*, a nationwide initiative against fraudulent home-lending schemes. Together, the cases involve more than $170 million in fraudulently-obtained home mortgages issued by various lenders and secured by several hundred residential properties in the Chicago area, and even some as far away as Nevada and California. As a result, the various lending companies suffered losses in excess of $40 million after the loans went into default and the properties were foreclosed upon. The local cases are included among more than 144 such prosecutions against more than 400 defendants, announced today by Justice Department officials in Washington, D.C., that have been handled nationwide since March as part of a coordinated law enforcement effort against crimes that pose a threat to the domestic housing industry and global credit markets.

In Chicago, six defendants were arrested yesterday, while dozens of others will soon be ordered to face the charges in U.S. District Court.

Among the cases announced here today are:

- Thirty-three defendants in two companion indictments with the same alleged ringleader, **Bobbie L. Brown, Jr.**, accused in both cases combined of directing one of the largest mortgage fraud schemes ever prosecuted here – involving fraudulently obtained loans totaling $111 million on 183 homes stretching from the Chicago suburbs to Nevada and California, resulting in losses totaling approximately $24.3 million to numerous mortgage lenders;

- three defendants accused of scheming to fraudulently obtain mortgages on 28 area properties totaling more than $40 million from large banks and mortgage companies, which ended up losing approximately $6 million when the loans were unpaid and the properties were foreclosed upon; and

- 12 defendants accused of fraud and identity theft for allegedly using stolen and bogus identities to fraudulently obtain more than $3.2 million in home loans from more than a dozen lenders by submitting false applications for loans secured by the property of unknowing homeowners in 17 real estate transactions in Chicago.

"Mortgage fraud inflicts serious damage upon financial institutions but, more importantly, makes life more difficult for ordinary citizens," said Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois. "These crimes, on the scale being addressed today, cause banks and lending companies, which have been saddled with huge numbers of fraudulent mortgages, to tighten their lending practices and adjust the costs of doing business. Ultimately, these burdens are borne by anyone hoping to purchase or sell a home and the shareholders of institutions financing those transactions," he added.

Mr. Fitzgerald announced the charges together with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Thomas P. Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; Alvin Patton, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago; Thomas A. Kelly, Special Agent-in-Charge of the U.S. Secret Service in Chicago; Barry McLaughlin, Special Agent-in-Charge of the U.S. Department of Housing and Urban Development Office of Inspector General in Chicago; Gary G. Olenkiewicz, Special Agent-in-Charge of the Chicago Field Division of the Drug Enforcement Administration, and Jody P. Weiss, Superintendent of the Chicago Police Department.

While the announcement of the 12 new cases filed in Chicago since March is meant to deter criminal activity in the home mortgage industry and send a message that federal law enforcement has elevated these crimes to a high priority, prosecuting mortgage fraud here is not new, the officials noted. Just before the current reporting period began, 25 additional defendants were indicted in early February in three related cases alleging one of the district's largest ever mortgage fraud schemes involving some 150 properties and losses totaling approximately $25 million. In an unrelated case last month, three additional defendants were arrested – including one outside a suburban bank just after a closing – for allegedly fraudulently obtaining or attempting to obtain approximately $3.5 million in multiple home equity loans. That investigation is continuing, authorities said.

From late 2005 through 2007, more than a dozen additional mortgage fraud cases were filed in Chicago against more than 40 defendants, and the U.S. Attorney's Office in Rockford has handled nine mortgage fraud cases against 25 defendants in the past two years.

All of the charges announced today are felonies and carry various maximum penalties, including 20 years in prison and a $250,000 fine on each count of mail and wire fraud, and 30 years in prison and a $1 million fine on each count of bank fraud. If convicted, the Court would determine the appropriate sentence to be imposed under the advisory United States Sentencing Guidelines.

The public is reminded that indictments contain only charges and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

Details of the cases announced today follow:

<u>United States v. Brown, et al.</u>, (08 CR 453)

In one of the largest federal mortgage fraud prosecutions ever in Chicago, alleged ring-leader **Bobbie L. Brown**, **Jr.**, and 20 co-defendants were charged with various counts of mail, wire and bank fraud and using false identification documents in a 26-count indictment that was unsealed yesterday. Other defendants include an attorney, a tax practitioner, seven loan officers, two realtors, and a new home builder. Between August 2004 and May 2008, the defendants allegedly fraudulently obtained 150 mortgage loans on homes in the Chicago area, from which they obtained more than $95 million in loan proceeds from lenders for themselves and others. The victim lenders incurred losses totaling approximately $19 million on the loans, the indictment alleges, because they were unpaid, causing the residences to be foreclosed upon and resold for amounts less than the outstanding mortgage loan balance.

According to the indictment, Brown, 44, of Country Club Hills, operated several businesses, including Chicago Global Investments, Inc., B&M Customs Homes, Inc., Brown Trucking, Inc., and World Wide Investments, Inc., which he used to facilitate the purchase and sale of real estate. The residences that were the subject of the alleged fraud scheme were located in various Chicago suburbs, including Country Club Hills, Flossmoor, Frankfort, Mokena, Woodridge, Elmhurst, Lemont, Orland Park, Addison, Homewood, Naperville and Aurora. The victim lenders included First Magnus Financial Corp., Accredited Home Lenders, Inc., Argent Mortgage Company, Midwest Funding Bancorp, American Home Mortgage, Long Beach Mortgage Co., First Franklin Financial Company, and Countrywide Home Loans, Inc.

The fraud scheme alleges that Brown individually acquired several residences using false personal identification information, such as stolen social security numbers. It further alleges that Brown – together with defendants **Barry Adams**, 52, of Lansing, field manager for Chicago Global; **Leslie Love**, 42, of Country Club Hills, a licensed real estate agent and owner of Total Real Estate; **Calvin Townsend**, 49, of Homewood, a licensed realtor and owner of Custom Home Service Corp.; and **Gwendolyn Jackson**, 43, of Flossmoor, who oversaw Chicago Global's financial affairs – purchased and caused to be purchased residences, individually or through nominees, including defendants **David Jackson**, 57, of Justice; **Prentice Mason**, 30, of Dyer, Ind.; **Buford Peteet**, 64, of Sauk Village; **Jean Hernal**, 48, her husband, **Edgardo Hernal**, 51, both of Westchester; **Bozidar Kelic**, 40, of Chicago; and **Donald J. Felton**, 57, of Oak Park, owner of Donald J. Felton Accounting and Tax Services. The nominees, or straw purchasers, were recruited by the others to buy multiple residences with promises of "no money down" and "cash back at closing" if they agreed to participate. The nominees were also promised that the residences would be rented out by Brown, Love, Gwendolyn Jackson and Townsend or their agents; that they would not have to make any mortgage payments; and that their names would be removed from the title after approximately 12 months. Brown, Adams, Love, Gwendolyn Jackson and Townsend referred the nominee buyers to loan originators, including defendants **Brandon Ellington**, 27, of Country Club Hills; **Wayne Harris**, 39, of Chicago; **Shalonda Sloan**, 33, of Chicago; **Tiffany Thurman**, 37, of Naperville; **Charquette Christine Campbell**, 29, of Chicago; **Dominic Moscato**, 34, of Darien; and **Latonja Spencer**, 43, of Country Club Hills, to prepare allegedly fraudulent loan applications.

The indictment alleges that Brown, Adams, Love, Gwendolyn Jackson and Townsend paid the nominees and some loan originators, using the proceeds from real estate transactions, and allegedly concealed that information from lenders. These same five defendants provided and caused to be provided down payments, earnest money checks and funds used by the nominees for the real estate deals, falsely representing the nominees as the source of the funds, which, in fact, the straw buyers had not contributed toward the purchase of various homes. All 21 defendants allegedly received proceeds of mortgage loans that lenders issued to the nominees and used the funds to enrich themselves and to buy and sell additional residences.

Brown, Adams, Love, Gwendolyn Jackson and Townsend and their associates, friends and relatives lived in the Brown residences without making mortgage payments, causing the loans to go into default, according to the indictment.

The same five lead defendants allegedly solicited **James Garofalo**, 38, of Homewood, co-owner of Madison Homes Partnership, and other new home builders, as well as other sellers, to sell their newly-constructed and existing residences to Brown's nominees at inflated prices. Garofalo and other sellers allegedly agreed to pay Brown, Love, Gwendolyn Jackson, Townsend and Moscato finders fees and commissions, ranging from 5 to 30 percent of each sale price, knowing that a portion of those funds were to be kicked-back to the nominees to complete the purchases of the new homes.

Meanwhile, the loan originators that Brown and other defendants steered the nominee purchasers to allegedly prepared and caused to be prepared false mortgage applications to ensure that the nominees qualified for loans. The loan packages allegedly contained a variety of false statements to induce the lender's approval, including information about the particular nominee's employment, income, assets, liabilities, and intention to occupy the residences as a primary or secondary home. In some instances, the applications failed to disclose that the nominees had recently purchased multiple residences and had obtained loans from other lenders.

Defendant **Harry DeForneau**, 66, of Chicago, an attorney, allegedly participated in the fraud scheme by representing the nominees at several real estate closings at the request of Brown and Love, knowing that the closing and mortgage documents contained false information material to the lending decisions. A licensed notary public, Allen Robinson, who was not charged in this case but was indicted in a companion case, allegedly notarized documents on behalf of Brown and the nominees, knowing they contained false statements material to lending decisions.

The indictment seeks forfeiture of $19 million from the defendants. All 21 defendants will be ordered to appear for arraignment in U.S. District Court.

The investigation, code-named *Operation Model Home*, was conducted by the FBI and the U.S. Postal Inspection Service. The Government is being represented by Assistant U.S. Attorney Daniel May.

United States v. Brown, et al., (08 CR 452)

Alleged ring-leader **Bobbie L. Brown**, **Jr.,** was indicted in a second case, together with 12 different co-defendants, on federal charges of mail, wire and bank fraud in a seven-count indictment that was unsealed yesterday. Similar to the companion case, but involving different participants, this indictment alleges that between August 2006 and April 2007, Brown and the others fraudulently obtained approximately 33 home mortgage loans – in this case on homes in Nevada and one in California, from which they obtained more than $16 million in loan proceeds from lenders for themselves and others. The victim lenders incurred losses totaling approximately $5.3 million on the loans, the indictment alleges, because they were unpaid, causing the residences to be foreclosed upon and resold for amounts less than the outstanding mortgage loan balance.

The fraud scheme alleges that Brown, together with defendants **Treyonda Towns**, 38, of Country Club Hills, an employee of B & M Custom Homes, Inc.; **Jennifer Lorenzen**, 39, of Las Vegas, a licensed real estate agent in Nevada, and others purchased and caused to be purchased residences in Las Vegas and Henderson, Nevada, and one in Santa Cruz, Calif., individually or through nominees, including defendants **Steven Anderson**, 40, his wife, **Jeanette Anderson**, 41, both of Country Club Hills; and **Kenneth Smith**, 44, of Chicago. Brown and Lorenzen allegedly recruited the nominees, or straw purchasers, to buy multiple residences with promises of "no money down" and "cash back at closing" if they agreed to participate. The nominees were also promised that the residences would be rented to others by Brown and Lorenzen or their agents; that they would not have to make any mortgage payments; and that their names would be removed from the title after approximately 12 months. Brown and Lorenzen referred the nominee buyers to loan originators, including defendant **Brian Barss**, 30, of Corona Del Mar, Calif., to prepare allegedly fraudulent loan applications.

The indictment alleges that Brown and Lorenzen paid the nominees, using the proceeds from real estate transactions, and allegedly concealed that information from lenders. Brown and Lorenzen also provided and caused to be provided down payments, earnest money checks and funds used by the nominees for the real estate deals, falsely representing the nominees as the source of the funds, which, in fact, the straw buyers had not contributed toward the purchase of various homes. All 13 defendants allegedly received proceeds of mortgage loans that lenders issued to the nominees and used the funds to enrich themselves and to buy and sell additional residences.

Brown, Lorenzen and others controlled the Brown residences and they, as well as their associates, friends and relatives lived in them without making mortgage payments, causing the loans to go into default, according to the indictment.

Brown, Lorenzen and others allegedly solicited **Timothy Mudd**, 41, of Paradise Valley, Ariz., owner of 3 to 5 LLC and ALL NV, LLC, which renovated and sold homes in Nevada and Arizona, and other sellers, to sell their residences to Brown's nominees at inflated prices. Mudd and other sellers allegedly agreed to inflate their prices to pay Brown and Lorenzen finder's fees and commissions, ranging from 3 to 16 percent of the sales price of each residence, knowing that a portion of those funds were to be paid to the nominees to complete the home purchases.

As part of the alleged scheme, Barss and others allegedly prepared and caused to be prepared false mortgage applications to ensure that the nominees qualified for loans. The loan packages allegedly contained a variety of false statements to induce the lender's approval, including information about the particular nominee's employment, income, assets, liabilities, and intention to occupy the residences as a primary or secondary home. In some instances, the applications failed to disclose that the nominees had recently purchased multiple residences and had obtained loans from other lenders.

Brown, Towns and Barss, together with defendants **Tracy Green**, 33, of San Francisco, and **Jotawn Draper**, 30, of Chicago, both of whom were employees of JP Morgan Chase Bank; and **Carolyn Thompson**, 34, of Normal, Ill., an accountant and owner of Thompson Tax and Accounting Services, created and caused to be created false verifications of employment, accountant letters and verifications of deposit to support the false loan applications submitted by and on behalf of the nominee purchasers.

Thompson and defendant **JasonJones**, 31, of Apple Valley, Calif., a tax practitioner and owner of Pacific Tax Consultants, allegedly prepared and caused to be prepared false documents claiming they had prepared tax returns for nominees, knowing that the false statements were material to the lenders' decisions and were made to induce the lenders to issue loans to unqualified nominees.

Defendant **Allen Robinson**, 42, of Chicago, a licensed notary public, allegedly notarized closing documents on behalf of Brown and the nominees, knowing they contained false statements material to lending decisions.

The indictment seeks forfeiture of $5.3 million from the defendants. All 13 defendants will be ordered to appear for arraignment in U.S. District Court.

This case is also part *Operation Model Home* investigation conducted by the FBI and the U.S. Postal Inspection Service. The Government is being represented by Assistant U.S. Attorney May.

<u>United States v. Rodgers, et al.</u>

Defendant **Darrell Rodgers**, 43, of Burr Ridge, also known as "D," controlled New Family Mortgage, located at 1234 South Michigan Ave., Chicago, where co-defendants **Henry Tate**, 48, of Olympia Fields, aka "June," and **Sandra Bowden**, 45, of Chicago, were loan officers and Bowden was also the office manager. All three were charged with multiple counts of mail, wire and bank fraud in a 25-count indictment returned by a federal grand jury yesterday. Between at least 2003 and 2006, they allegedly schemed to fraudulently obtain more than $40 million in mortgage loan proceeds from more than a dozen large banks and mortgage companies, which ended up losing approximately $6 million when the loans were unpaid and the properties were foreclosed. The properties securing these loans included 28 residences in Chicago, Bolingbrook, Richton Park, Hazel Crest, Aurora, Country Club Hills, Homewood and Skokie.

According to the indictment, at first through Express Mortgage, where they were loan officers, and later through New Family Mortgage, Rodgers, Tate and Bowden submitted, and caused to be submitted, loan applications to lenders falsely representing that the individual applying for the loan was the true purchaser of the property, when, in fact, the applicant was acting as a nominee, or straw purchaser, for the defendants. The defendants recruited nominees by promising them that they would not have to make any down payments or mortgage payments, or pay any other costs; that the properties would be in their names only temporarily until the properties were resold; and that they would be paid between $2,500 and $5,000 for each property for which they allowed their name to be used as a purchaser.

The defendants allegedly prepared and caused others to prepare fraudulent mortgage loan applications on behalf of the nominees, knowing they contained a variety of false statements, including information regarding the nominees' intent to occupy the property, employment, income, and assets, all of which were intended to induce lenders to approve mortgage loans to purchasers who were otherwise unqualified.

As part of the scheme, the defendants allegedly purchased and caused the purchase of down payment checks with New Family Mortgage funds, falsely listing the nominees as remitters, when, in fact, the nominees had not contributed any money toward down payments.

Rodgers and Tate profited from the sale of the properties to the nominees from the broker's fees paid as a percentage of the fraudulently obtained loans, the indictment alleges, and Bowden profited from her loan commission.

After initially paying directly, or providing nominees with funds to make monthly mortgage payments, Rodgers and Tate fraudulently obtained new loan proceeds by using a nominee purchaser as a nominee seller in a subsequent transaction in which the property was sold to a second nominee purchaser, the charges allege. The two men allegedly forged and caused to be forged the signature of the nominee seller on the title company checks payable to the nominee seller, and Bowden allegedly assisted by depositing those checks into a New Family Mortgage bank account.

The indictment seeks forfeiture of $5.7 million in proceeds from mail and wire fraud and $1.5 million in bank fraud proceeds.

All three defendants will be arraigned later in U.S. District Court.

The investigation, code-named *This Old House*, was conducted by the IRS Criminal Investigation Division and the Chicago Police Department. The Government is being represented by Assistant U.S. Attorneys Christina Egan and Matthew Getter.

United States v. Matthews, (08 CR 482)

Anthony Matthews, 38, of Chicago, who owned and controlled Express Mortgage, located at Wabash Street and Western Avenue in Chicago, was charged with one count of wire fraud in a criminal information that was filed yesterday. Between 2003 and 2006, Matthews allegedly schemed to fraudulently obtain more than $1.1 million in mortgage loan proceeds from various banks and lending companies, which ended up losing approximately $400,000 because the loans were not repaid and the lenders were unable to recover the balances due by foreclosing on the residences in Chicago.

As part of the scheme, Matthews allegedly prepared loan applications containing false information, including inflated employment income and personal savings, and documents supporting these false representations, to induce lenders to approve loans for prospective buyers who were not otherwise qualified. Matthews allegedly provided a co-schemer with false information to create false wage statements, bank statements and pay stubs to support the false loan packages that were submitted to lenders through Express Mortgage.

The charges also seek forfeiture of $400,000.

The case is part of the *This Old House* investigation conducted by the IRS Criminal Investigation Division and the Chicago Police Department. The Government is being represented by Assistant U.S. Attorneys Egan and Getter.

United States v. Johnson, et al.

Twelve defendants, including five loan officers and an attorney, were charged in a 20-count fraud and identity theft indictment that was unsealed yesterday. Between January 2003 and November 2005, the defendants allegedly fraudulently obtained more than $3.2 million in mortgage loan proceeds from more than a dozen lenders by submitting false loan applications for 17 fraudulent transactions involving residences located in Chicago. Defendant **Freddie Johnson** orchestrated the deals in which co-defendants using stolen and fraudulent identities appeared at staged real estate closings as the purported buyers, sellers and their representatives to obtain the loan proceeds "paid" to the purported sellers and their nominees, according to the indictment.

Johnson, 39, of Chicago, also known as "Shelton Williams," "Ramon," "Terry," and "Knucklehead," allegedly arranged the fraudulent real estate transactions without the actual homeowner's knowledge or consent. After the transactions closed, Johnson and his co-defendants obtained the loan proceeds that were paid to the imposter sellers, the indictment alleges, adding that the purported buyers in the deals then did not make mortgage payments and defaulted on the loans.

Johnson allegedly recruited and paid defendants **Marilyn Rainey**, 60, of Chicago; **Willie Collins**, 76, of Chicago; **Brandy Amos**, 26, of Chicago; and **Ernest Preston**, aka "Richard Preston," to pose as buyers, sellers and their purported representatives in the bogus real estate deals that he arranged. Rainey, Collins, Preston and defendant **Khadija Mumin**, aka "Erica Smith," 34, of Chicago, allegedly cashed "sale" proceed checks that were fraudulently obtained.

Johnson, together with five loan officers for various mortgage companies, co-defendants **Robin Yancy**, 39, of Philadelphia and formerly of Chicago; **Qiana Bishop-Oyedepo**, 29; **Owen Pittman**, 34, of Chicago; **Jennifer Richardson**; and **Leandre Burnett**, 31, of Elmhurst, allegedly knowingly prepared and submitted and caused to be prepared and submitted to lenders false loan applications and supporting documents in the names and on behalf of purported buyers using stolen and false identities. These documents included false appraisals and verifications of employment and rent, as well as false statements that the proposed buyer would occupy the home as his or her primary residence and failing to reveal that the buyers were simultaneously seeking or had obtained loans on additional residences from other lenders, according to the indictment.

Defendant **Lorie Westerfield**, 43, of Chicago, an attorney, allegedly handled some of the fraudulent transactions that she knew Johnson had arranged and also acted as a title company closer for some of the fraudulent deals.

Bishop-Oyedepo, Preston and Mumin were arrested yesterday and released on their own recognizance. Johnson, Rainey, Collins and Richardson are in federal custody, and the remaining defendants are scheduled to be arraigned on June 26 in U.S. District Court.

The investigation was conducted by the FBI and the Secret Service. The Government is being represented by Assistant U.S. Attorney Joel Hammerman.

United States v. Brunt, et al., (07 CR 853)

Six defendants, including a home renovator, an attorney, a mortgage broker and two appraisers, were charged with mail and wire fraud in a 10-count indictment unsealed yesterday for allegedly participating in a scheme to fraudulently obtain more than $11 million in mortgage loans and proceeds from those loans totaling more than $4.2 million, which is subject to forfeiture, for themselves and others.

The indictment identifies the defendants as **Robert Brunt**, 41, of Chicago, president of Genesis Investment Group, Inc., which purported to engage in the renovation and sale of residential properties; **Tracey Scullark**, 40, of Chicago, a sales agent for Genesis; **John Farano,** 46, of Palos Hills, an attorney who handled certain real estate closings for Brunt and Genesis, and also operated Big Dog Holdings, Inc., BD Financial Group and Capital Acquisitions, through which he provided funds to finance the purchase of properties by Brunt and Genesis; **Armani D'Aifallah**, 36, of Chicago, a mortgage broker; **Walter Jackson**, 34, of Chicago; and **Douglas Blanchard**, of Chicago, both of whom provided real estate appraisals.

According to the indictment, between 2002 and 2004, Brunt, Tracey, Scullark, Farano and another individual acquired and caused to be acquired residential properties in Chicago, often in economically-depressed areas that were in need of extensive rehabilitation work, with the intent of quickly reselling the properties at fraudulently and grossly inflated prices for a profit. Farano and another individual provided funds to purchase the properties.

As part of the scheme, Brunt, Scullark and others recruited unqualified buyers for the resale properties, enticing them with promises of "no money down" and "cash back at closing," together with false promises of making prompt renovations and repairs. The straw buyers either agreed to use their identities for a fee, or in some cases did not know that their identities were being used to purchase residences far in excess of their fair market value or based upon fraudulent appraisals. To induce the purchases, Brunt allegedly performed cosmetic improvements to disguise the true nature of the property. Jackson and Blanchard completed false appraisals representing that the properties had been improved, knowing that they had not been renovated or the changes were only cosmetic, the charges state.

The buyers signed documents at closings they had never seen, allegedly at the urging of Brunt, Scullark, Farano and another individual, who promised to and sometimes made several monthly payments on the buyer's mortgage to prevent a first payment default. After the closing, Brunt and another individual made mortgage payments for several months and then resold the property to yet another buyer at an inflated price so that the proceeds could be used, in part, to satisfy the earlier mortgage obligation, according to the indictment.

Brunt, Scullark and Jackson were arrested yesterday, and Brunt remains in federal custody pending a detention hearing tomorrow. The other three defendants will be arraigned at a later date.

The investigation was conducted by the IRS Criminal Investigation Division, the Department of Housing and Urban Development Office of Inspector General, and the Drug Enforcement Administration. The Government is being represented by Assistant U.S. Attorney James Kuhn.

United States v. Helton and White, (06 CR 763)

Charles White was added as a defendant and charged with seven counts of wire fraud in a 17-count superseding indictment returned last month. White and co-defendant **Norton Helton**, a Chicago lawyer who was first charged in 2006 with bankruptcy fraud, allegedly schemed to fraudulently obtain more than $1.6 million in mortgage loans through a so-called "mortgage bailout" program. Between August 2004 and September 2005, they allegedly perpetrated a "rescue fraud" scheme, preying on financially-distressed homeowners facing foreclosure by persuading them that they could avoid such action by selling their homes to a relative, friend, or a paid third-party investor for whom they fraudulently obtained mortgage financing.

Both men have pleaded not guilty in U.S. District Court.

White owned and operated Eyes Have Not Seen, Inc. ("EHNS"), located at 800 South Wells St., Chicago, which offered a mortgage bailout program that would purportedly prevent homeowners from losing their homes in foreclosure, and he was an owner of Title Zone L.L.C., which provided escrow and closing services for real estate transactions involving EHNS. Helton owned and operated Diamond Management of Chicago, Inc., located at 1657 North Halsted St., Chicago, through which he offered homeowners a similar rescue fraud program that would purportedly prevent them from losing their homes in foreclosure.

According to the indictment, White and Helton submitted and caused to be submitted to various mortgage lenders, false loan applications and real estate closing documents, enabling them to obtain fees totaling at least $390,000 through ENHS and Diamond Management from the sale of the nine clients' homes. The defendants then encouraged their clients to retain Helton to file a Chapter 7 bankruptcy case in which the clients concealed their recent residential sales.

White allegedly caused EHNS representatives to persuade clients to sell their homes to investors by assuring them that the investors would hold their homes while they attempted to eliminate their debt and repair their credit. As part of the scheme, the indictment alleges that White caused EHNS representatives to persuade clients that they would be able to live in their homes rent and mortgage free for one year, after which they would have the right to repurchase their homes, if financially able to do so. Through ENHS, White withdrew significant amounts of equity from the sale of clients' homes at the time of closing, it adds.

The investigation was conducted by the FBI, the Department of Housing and Urban Development Office of Inspector General and the Postal Inspection Service. The Government is being represented by Assistant U.S. Attorney Hammerman.

United States v. Hon

Jonathan Hon, 37, of Ottawa, Ill., who bought and sold real estate, including seven homes in Chicago, Oak Park and River Forest, and was a principal of Burnham Mortgage, Inc., was indicted Tuesday on 11 counts of mail and wire fraud for allegedly obtaining approximately $2.5 million in fraud proceeds.

The indictment alleges that Hon used straw purchasers to defraud lenders, title companies, lien holders and banks in 2002 and 2003 by submitting fraudulent loan applications on their behalf through Burnham Mortgage to lenders. Hon allegedly knew that these individuals were not bona fide purchasers and would not make loan payments, but instead were nominees through which he would continue to control the seven properties. Hon submitted loan applications containing false statements, knowing that the straw purchasers would not reside in the homes, that he would provide the down payment funds, and that the lenders would rely on these misrepresentations, the charges state.

According to the indictment, Hon fraudulently obtained approximately $570,000 in mortgage loan proceeds in the form of title company checks payable to himself or a nominee as seller of the properties, and approximately $1.9 million in loan proceeds in the form of title company checks payable to lien holders, including financial institutions.

The indictment further alleges that Hon fraudulently obtained approximately $200,000 in Section 8 housing assistance payments from the U.S. Department of Housing and Urban Development, by falsely representing that he owned rental properties occupied by tenants entitled to Section 8 support, knowing that, in fact, he had sold all the properties and was not eligible to receive the federal assistance payments.

The investigation was conducted by the FBI and the Department of Housing and Urban Development Office of Inspector General. The Government is being represented by Assistant U.S. Attorney Brian Netols.

United States v. Trochowski and Sarwa, (08 CR 481)

Jeff Trochowski, 41, of Somonauk, owner of Lakeshore Financial Corp., a licensed mortgage broker, and **Greg Sarwa**, 39, who owned properties in Chicago through PGN, Inc., and Kee Builders, Inc., were each charged with one count of wire fraud in a criminal information filed yesterday. They allegedly schemed to obtain approximately $757,500 in fraudulent loan proceeds between 2001 and 2003, including for the purported sales of four basement condominiums in the 3200 block of West

Polk Street that did not exist, as the basement had no plumbing and no interior walls separating the area into units.

The information alleges that Sarwa transferred those properties and others in Chicago to nominees and Sarwa and Trochowksi, together, obtained loans secured by those properties that exceeded their value by making false representations to the lenders about the nominees and the property values. Sarwa allegedly received the proceeds of the fraudulently obtained loans and Trochowski received fees totaling $23,145 for brokering the fraudulent loans, the charges state. The charges seek forfeiture of $713,668.

The investigation was conducted by the FBI. The Government is being represented by Assistant U.S. Attorney Margaret Hickey.

United States v. Carroll, et al., (07 CR 840)

Mario A. Carroll, 45; **Robert E. Louis**, 59; **Lashon Daniels**, 35, a loan officer for American Street Mortgage; all of Chicago, were charged with one count each of bank and wire fraud, and **Cecilia J. Edwards**, 37, of Chicago, was charged with one count of wire fraud for their alleged roles in obtaining a total of approximately $600,000 in fraudulent mortgage loan proceeds involving the completely fictitious sales of two residences in Chicago without the knowledge of the true owners.

According to the indictment, in late 2007, Carroll, Louis and Daniels recorded a quit claim deed bearing the forged signatures of the true owners of a residence in the 700 block of North Drake Street in Chicago, purporting to transfer the residence to Carroll. In return for a promise of $40,000 if the loan was approved, Daniels allegedly agreed to submit a false loan application to obtain financing for an unnamed individual who had no knowledge of the application to purchase the home from Carroll for $335,000. Carroll agreed to falsely pose as the seller at the closing on the Drake Street home in return for a promise of 10 percent of the proceeds, while Louis agreed to falsely pose as the buyer in return for a promise of $15,000 from the proceeds, the charges allege.

About the same time, those three defendants plus Edwards were allegedly involved in a similar scheme to hijack a home in the 1800 block of South Kedzie in Chicago. Edwards allegedly agreed to falsely pose at the closing as the seller, while Louis agreed to falsely pose as the buyer in the purported $350,000 transaction. Following the closing, at which a check for more than $317,000 representing the loan proceeds was obtained, Carroll, Louis and Edwards allegedly traveled to a currency exchange to cash the check and obtained the proceeds over the next few days.

The investigation was conducted by the Department of Housing and Urban Development Office of Inspector General and the Secret Service. The Government is being represented by Assistant U.S. Attorney Rick Young.

United States v. Macklin, (08 CR 349)

Julius Macklin was charged with wire fraud and using a false identification document for allegedly using an alias and a minor's Social Security number without authority to fraudulently obtain primary and secondary mortgages on two properties – one in Chicago Heights and the other in Matteson – and a line of personal credit, altogether totaling $324,000, from lending companies.

Macklin, also known as "Julius Heart," 43, of Matteson, was arrested on May 10 and remains in federal custody. He pleaded not guilty last week to a five-count indictment that was returned earlier this month.

According to the indictment, in 2005, Macklin used his alias and the minor's social security number to apply for a $100,000 primary mortgage and a $25,000 secondary mortgage on a residence in Chicago Heights. In 2006, he allegedly used the same false identification to apply for a $151,200 primary mortgage and a $37,800 secondary mortgage on a residence in Matteson. In 2007, Macklin fraudulently applied for a $10,000 personal line of credit, the charges allege.

The investigation was conducted by the Secret Service. The Government is being represented by Assistant U.S. Attorney Bethany Biesenthal.

United States v. Sturdivant, (08 CR 206)

A South suburban couple was charged with various counts of bankruptcy and wire fraud for allegedly scheming between 1996 and 2006 to fraudulently obtain more than $2.4 million in mortgage loans from various lenders. The defendants, **Steven Sturdivant**, 48, and his wife, **Yasmeen Sturdivant**, 54, also known as "Yasmeen Kahn," were charged in a six-count indictment returned in March. Both have pleaded not guilty.

According to the indictment, the couple owned personal residences in Dolton and Crete and two properties in Chicago that they leased for rental income. They allegedly misrepresented their income, assets, debts and liabilities, as well as the purchase price for the properties and the down payments they provided to the sellers. The defendants also inflated the purchase prices of the rental properties to the lenders to increase the amounts of money they could borrow, the charges allege.

Steven Sturdivant is in federal custody while his wife was released on bond.

The investigation was conducted by the Department of Housing and Urban Development Office of Inspector General. The Government is being represented by Assistant U.S. Attorney Brandon Fox.

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