



Department of Justice

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Southern District of Indiana**

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LOCAL MAN INDICTED IN HALF MILLION DOLLAR MORTGAGE FRAUD SCHEME

PRESS RELEASE

Timothy M. Morrison, United States Attorney for the Southern District of Indiana, announced that FREDERIC I. BOWLES, JR., McCordsville, Indiana, age 44, was arrested on a 12-count indictment returned by a federal grand jury for crimes related to mortgage fraud activities in which he participated during 2003 and 2004. BOWLES is charged with six counts of wire fraud and six counts of money laundering relating to the obtaining of fraudulent mortgage loans from an Illinois lending institution. This case was the result of an investigation by the Internal Revenue Service, and the investigation is continuing.

BOWLES assisted investors in obtaining fraudulent loans by submitting false loan applications, fraudulent financial documents, and falsely inflated appraisals. These investors obtained the fraudulent loans to purchase properties which BOWLES in fact owned and had purchased at a much lower price. BOWLES profited by obtaining the fraudulent loan proceeds.

The charges in the Indictment relate to six specific properties which BOWLES bought and sold. The total of the loans on these six properties is approximately half a million dollars. As to a property at 2958-60 Broadway in Indianapolis, the Indictment charges that BOWLES purchased it for \$38,000, and sold it to an investor a couple of months later for \$115,000.00. After the loan went into foreclosure, the property was re-purchased by Bowles Group LLP (a company controlled by BOWLES) for \$38,000, the exact amount he had paid for it the first time. As to a property at 3668 Birchwood in Indianapolis, the Indictment charges that BOWLES purchased it for \$27,000, and sold it to an investor two months later for \$92,000. After BOWLES received a check for his sales proceeds, he made a payment of over \$40,000.00 on his personal mortgage for his home in McCordsville.

According to the charges in the Indictment, BOWLES purchased distressed properties in the Indianapolis area at a low fair market value price. With the assistance of individuals working

with him, BOWLES then found investors to purchase the properties from him at a much higher price than the properties were worth. BOWLES was president of Aarmor Mortgage Company, a mortgage brokerage business in Indianapolis. The investors in the properties were directed by BOWLES' associates to obtain loans thru Aarmor Mortgage. The loan originators at Aarmor (who were friends and relatives of BOWLES) prepared loan applications for the investors which contained false statements as to the down payment source for the loans as well as false statements and documents regarding the investors' income and assets. Aarmor Mortgage then submitted those loan applications, along with falsely inflated appraisals, to the Illinois lender who agreed to issue the mortgage loans. The lender agreed to issue the loans in large part because the documents provided by Aarmor Mortgage indicated that the investors were making a down payment of approximately 20% of the purchase price of the properties. In fact, the investors made no down payment, rather, they were usually paid money by BOWLES to be investors. The 20% down payment (which induced the lender to make the loan) was provided by BOWLES, either from his own funds or funds he borrowed from another individual, and then paid back out of the fraudulent loan proceeds.

BOWLES profited from the scheme by receiving most of the fraudulent loan proceeds. He then used that money for his own personal use, to further invest in other fraudulent transactions, or to pay individuals who assisted him in his scheme. The investors failed to pay the mortgage loans, the properties went into foreclosure, and the properties were subsequently resold at the approximate price for which BOWLES originally purchased them.

According to Assistant U. S. Attorney Susan Heckard Dowd, who is prosecuting the cases for the government, BOWLES faces a maximum possible prison sentence of 180 years and a maximum possible fine of \$6,000,000.00. BOWLES appeared in court late yesterday following his arrest, for an initial hearing before United States Magistrate Judge Kennard Foster in Indianapolis. BOWLES is scheduled to go on trial on these charges before United States District Court Judge Sarah Evans Barker on November 3, 2008.

The Indictment is an allegation only, and the defendant is presumed innocent unless and until proven guilty at trial or by guilty plea.

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