



# Department of Justice

**Timothy M. Morrison, United States Attorney  
Southern District of Indiana**

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CONTACT: MARY BIPPUS  
(317) 229-2403  
Fax: (317) 226-5002  
Cell: (317) 590-7928

## **SEVEN LOCAL RESIDENTS CHARGED WITH MORTGAGE FRAUD CRIMES INVOLVING NEARLY \$20 MILLION IN FRAUDULENT LOANS**

*Includes Windsor Village properties, near Arlington and 21<sup>st</sup> St.*

### PRESS RELEASE

Timothy M. Morrison, United States Attorney for the Southern District of Indiana, announced that seven persons were charged today in U.S. District Court in Indianapolis with crimes related to an alleged mortgage fraud scheme occurring between 2003 and 2005. They are:

TAMARA E. SCOTT, a/k/a, TAMARA PENN, Indianapolis, Indiana, age 49  
DONALD T. BROWN, Lebanon, Indiana, age 66  
STEPHEN SCOTT BROWN, Indianapolis, Indiana, age 37  
AARON J. WARREN, Indianapolis, Indiana, age 40  
MARK ROTH, Westfield, Indiana, age 54  
JERRY J. JAQUESS, Carmel, Indiana, age 67  
TIMOTHY A. BROWN, Indianapolis, Indiana, age 44<sup>1</sup>

The first four individuals were each charged with one count of conspiracy to commit wire fraud and one count of money laundering. The last three individuals were each charged with one count of wire fraud and one count of money laundering.

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<sup>1</sup>TIMOTHY BROWN is DONALD BROWN's son. STEPHEN SCOTT BROWN is not related to TIMOTHY BROWN or DONALD BROWN.

The charges follow an investigation by Special Agents of the Internal Revenue Service - Criminal Investigation Division and the United States Attorney's Office, with assistance by the Federal Bureau of Investigation. The investigation is not complete and is continuing.

According to the charges set forth in the seven separate Informations, between November, 2003 and August, 2005, a total of 149 fraudulent loans amounting to \$19.7 million dollars were obtained by the charged defendants from three different lenders, including 60 loans from the Argent Mortgage Company, 86 loans from People's Choice Mortgage / Countrywide Home Loans, and 3 loans from The Money Station. The total estimated loss is \$8,055,243. Each of the individuals charged are responsible for some, but not all, of the loans charged as set forth in their respective charging documents. Multiple defendants are charged in many of the loan transactions.

The mortgage fraud schemes charged were all accomplished in the same general fashion. Participants in the schemes located properties and arranged to purchase them at a fair market value generally by means of an option agreement or unrecorded land contract. Investors were located who were willing to invest their good credit, but no money, to be the purchasers of these properties at a much higher price than that negotiated with the seller. Most of these investors were unwitting participants in the scheme; the majority were located in Virginia and were friends and relatives of one of the participants in the scheme. The investors generally never saw the properties they were purchasing. They were told that they were joining an investment club, that they would not have to make any payments on the properties, and that the properties would be managed for them by various participants (including renting the properties and paying all bills). These investors received money for participating in the investment club, generally \$4,000 for each property purchased in their name. Mortgage brokers participating in the schemes allegedly prepared fraudulent loan applications, containing false statements, including: that the investors owned bank accounts, stock and other assets which they did not own; that the investors had income which they did not actually have; and that the investors were making the down payments on the properties from their own funds. In reality, other participants in the schemes actually provided the down payments for the properties, and were paid a fee of \$1,000 - \$3,000 for doing so. Appraisers were employed by scheme participants to prepare appraisals which vastly overstated the values of the properties, in order to support the sales price which was ultimately shown on the closing documents. The false loan applications, appraisals, and other fraudulent documents were then submitted to the lenders. The lenders, relying upon the false statements in the loan packages, issued the loans. The loans were funded via wire transfers of money from the lenders to a title company, which the scheme participants used to assist them in preparing false closing documents and issuing title company checks. At the time the loans closed, the properties sold for the fraudulently inflated sales price, and the fraudulently obtained loan proceeds were shared by scheme participants. The sellers were paid the amount they had negotiated to receive, and the scheme participants shared the excess proceeds. The scheme participant who had located the properties generally received \$1,000 per property located. The loan processors were generally paid \$500 for assisting in obtaining the loan. The scheme participant funding the down payment was paid \$1,000 - \$3,000 for each down payment they loaned. The scheme participant

who recruited the investors and assisted them in signing the loans papers was paid \$1,000 per loan. The remaining amounts were split between scheme participants and also used to pay existing mortgages on earlier purchased properties to keep the scheme from being detected by the lenders.

Of the fraudulent loans charged, fifty-two (52) loans related to the purchase of properties from individual sellers, generally individuals who either did not have their homes listed to sell, or had them listed as “for sale by owner.” These loans totaled \$10,452,750 and were all issued by Argent Mortgage Company.

The remaining ninety-seven (97) fraudulent loan transactions charged all relate to the sale of duplexes in the Windsor Village neighborhood, located near Arlington Avenue and 21<sup>st</sup> Street, on the east side of Indianapolis. These properties were all owned by one person, thru various land trusts. Participants in the schemes negotiated with this individual to purchase all of the duplexes at a price of \$50,000 each (the last group of these properties actually sold for \$60,000). Investors were recruited to purchase each of these duplexes for \$120,000 each. Inflated appraisals were obtained showing that the properties were worth \$120,000 each. Immediately prior to the closing of the sale, the original owner transferred the properties via quitclaim deeds to scheme participants. Scheme participants were then shown as the sellers of the properties on the closing documents and investors who had been recruited were shown as the buyers. Fraudulent loan packages had been prepared and submitted to the lenders. Scheme participants funded the down payments. Lenders funded a loan in the amount of \$96,000 on each of the ninety-seven (97) properties (a total of \$9,312,000 in loan proceeds). After the properties closed, the original owner was paid his negotiated price (less any appropriate closing costs) and scheme participants received the remaining proceeds (generally in excess of \$70,000 for each property). Eight of the Windsor Village loans were funded by Argent Mortgage Company and three of the loans were funded by The MoneyStation. The remaining eighty-six (86) loans were all originally funded by People’s Choice Mortgage, a warehouse lender in Kentucky who had a correspondent lending agreement with Countrywide Home Loans in California. Countrywide Home Loans purchased all of these loans shortly after they were funded. All of the Windsor Village properties went into early payment default, that is, no payments were made on the mortgages and the lenders suffered a loss for the entire amount of the loans.

All of the loans involved in the schemes went into default, and the lenders either foreclosed on the homes or took other action, including granting deeds in lieu of foreclosure or allowing short sales of the properties. Many of the duplexes in Windsor Village later re-sold in 2007 and 2008, generally for amounts between \$3,500 and \$15,000.

In addition to the fraud or conspiracy charges, each defendant is charged with money laundering for allegedly conducting financial transactions in excess of \$10,000 with the proceeds of the illegally obtained loans.

Al Patton, Special Agent in-Charge, IRS Criminal Investigation, Chicago Field Office said: "Mortgage fraud adds to the underground economy that erodes the integrity of our tax system and it threatens the financial health of our communities. IRS-Criminal Investigation has an ongoing commitment to jointly working with other federal and state law enforcement agencies to pursue those individuals who manipulate the mortgage loan process for their own financial gain."

A description of the role of each individual charged today follows.

TAMARA E. SCOTT, a/k/a, TAMARA PENN, was allegedly involved in the business activities of most of the entities used to purchase, sell and manage properties in the fraudulent transactions, including Showhomes Property Management LLC, Star Consulting LLC, Realty Options LLC, EU Group LLC and Land Economics LLC. She purportedly attended closings and signed fraudulent documents, received checks for fraudulent loan proceeds, deposited those checks to corporate bank accounts, obtained cashiers' checks to pay co-conspirators, and directed others in the disbursements to be made from the corporations. She owned and operated Showhomes Properties Management LLC, the entity created to manage the properties, including finding renters, collecting rents, and paying mortgage payments and other expenses. She obtained monies to "front" down payments, either by purchasing a cashier's check from a bank account or by finding someone else to "front" the money (often DON BROWN or STEPHEN SCOTT BROWN). As part of the Windsor Village transactions, TAMARA SCOTT allegedly added the names of investors to bank accounts of numerous entities and forged their signatures on bank account signature cards, to make it appear that the investors had assets which they did not have.

TIMOTHY A. BROWN (TA BROWN) and his father DONALD T. BROWN (DT BROWN) were also allegedly involved in funding down payments for investors on fraudulent real estate transactions. TA BROWN purportedly incorporated Brown Funding Inc., opened a bank account in that name and, along with DT BROWN, allegedly used that bank account to fund down payments. Both TA BROWN and DT BROWN obtained down payment checks and provided them to someone else to take to the closings. After the closing, both TA BROWN and DT BROWN purportedly received return of the down payments, plus the \$1,000 - \$3,000 fee, from the fraudulent loan proceeds. Both TA BROWN and DT BROWN borrowed some of the money for down payments from individuals each knew, but did not tell those individuals that their money was being used to fund fraudulent real estate transactions. In addition, TIMOTHY BROWN was himself the seller on some of the real estate transactions. He agreed to allow other scheme participants to share in the fraudulent loan proceeds, and he even funded the buyers' down payments on some of these properties he was selling. DT BROWN, along with TAMARA SCOTT, purportedly added investors' names to the Brown Funding, Inc, bank account in order to convince the lenders that the investors had access to money which they did not have.

STEPHEN SCOTT BROWN (SS BROWN) was involved in the mortgage brokerage business and allegedly assisted in brokering many of the loans with Argent Mortgage Company and The MoneyStation. He purportedly filled out false loan applications, obtained false

documents, obtained inflated appraisals, and submitted the fraudulent loan packages to the lenders, knowing the documents to be false. SS BROWN allegedly received \$1,500-2,000 for each fraudulent loan which he brokered. SS BROWN also assisted in funding some of the fraudulent down payments, by borrowing money from a friend of his who was unaware that the money was being used to fund fraudulent real estate ventures. SS BROWN picked up the cashier's check for the down payment and either provided the check to the title company or to a co-conspirator, who would take it to the closing. After the closing, SS BROWN would allegedly get a check back from the fraudulent proceeds, plus a fee of \$1,000 - \$3,000.

AARON J. WARREN negotiated the purchase of properties at a fair market price and then purportedly recruited investors to purchase them at an inflated price. He allegedly provided fraudulent information to a mortgage broker to assist the investor in obtaining fraudulent loans, including fraudulent documents that showed that these investors worked for, and had substantial income from WARREN's company, Warren Property Group LLC, when in fact they did not. WARREN then caused the fraudulent loan proceeds to be paid to him by preparing a "consulting agreement" showing that his company, Warren Property Group, was entitled to this money for services rendered.

MARK ROTH was involved in the mortgage brokerage business and also allegedly assisted in brokering numerous loans thru Argent Mortgage Company and The MoneyStation Inc. Through his years of experience in the business, ROTH had developed relationships with Argent Mortgage Company employees. ROTH prepared the Argent mortgage broker application packages for Web Mortgage Company LLC and American Funding Solutions Inc., to assist these companies in being able to broker loans through Argent. ROTH also opened and ran the Indianapolis branch office of 1<sup>st</sup> Start Mortgage. ROTH, alone and with the assistance of others, purportedly prepared and submitted to the lenders false and fraudulent loan applications along with false supporting documentation for the loans, knowing that the documents were false when he submitted them. On some occasions, ROTH also requested other individuals to "front" down payment checks for the investors. ROTH allegedly received money from the fraudulent loan proceeds. He opened an entity and bank account in the name WJP Roth Investments Inc., and purportedly used this bank account to deposit the fraudulent loan proceeds which he received. ROTH was also partners with JERRY J. JAQUESS in Homevestors LLC, a company involved in the purchase of the first eleven Windsor Village properties.

JERRY J. JAQUESS owned and operated Homevestors LLC, a company involved in the development and construction of new real estate properties, as well as the purchase and sale of existing residential real estate properties. JAQUESS allegedly used this company to negotiate the purchase and sale of the first eleven Windsor Village properties. On each of the properties, JAQUESS entered into a land contract (and other documents) immediately preceding the closing, showing that Homevestors LLC was purchasing the property from the owner for \$50,000.00. He also entered into agreements to sell the properties to investors for \$120,000.00 each. In early February 2005, prior to the first purchase agreements ever being finalized, JAQUESS, or individuals associated with him, caused three of the Windsor Village properties to be listed on

the Metropolitan Indianapolis Board of Realtors Multiple Listing Service (MLS) showing a list price of \$120,000. JAQUESS did not own the properties at the time they were listed and did not even enter into land contracts to purchase these properties (for \$50,000 each) until mid-March 2005. These properties were the first three Windsor Village properties closed (on March 17, 2005). A few days after these properties closed, JAQUESS and his associates purportedly caused these three sales (at \$120,000 apiece) to be placed on the MLS. This allowed JAQUESS and other individuals allegedly involved in the scheme to show these three properties as comparables on appraisals to be prepared for all of the remaining Windsor Village properties, thus making it appear that each of those properties was worth \$120,000. JAQUESS attended the closings as the seller of the properties, and generally also took the buyer's (investor's) down payment check to the closings. JAQUESS signed the loan closing documents on behalf of Homevestors LLC, including the false HUD-1 Settlement Statements, showing that the investors were providing the down payments, which he knew to be untrue. After the closing, JAQUESS received checks to Homevestors LLC for the amount of the fraudulent loan proceeds (generally more than \$70,000 per property). JAQUESS then caused Homevestors LLC to issue checks disbursing the fraudulent loan proceeds. Included in these checks were payments purportedly totaling approximately \$42,000 payable to JAQUESS personally, or a family member of his, as well as checks to repay the individuals "fronting" the down payment (plus \$1,000 - \$3,000 fee) and checks to pay the investors \$4,000 for each property purchased.

According to Assistant U. S. Attorney Susan Heckard Dowd, who is prosecuting the cases for the government, TAMARA SCOTT, DONALD BROWN, STEPHEN SCOTT BROWN and AARON J. WARREN each face a maximum possible prison sentence of fifteen (15) years and a maximum possible fine of \$1,000,000.00. MARK ROTH, JERRY JAQUESS and TIMOTHY BROWN each face a maximum possible prison sentence of thirty (30) years and a maximum possible fine of \$1,000,000. An initial appearance will be set for each of the defendants before of a U.S. Magistrate Judge in Indianapolis.

**An Information is an allegation only, and the defendants are presumed innocent unless and until proven guilty at trial or by guilty plea.**

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