

DMD
8-19-2010

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**

UNITED STATES OF AMERICA

v.

JOHN STEWART MORRISON IV,

Defendant.

FILED
CLERK'S OFFICE
AT BALTIMORE
2010 AUG 19 P 5:07
Criminal No. WDQ-10-0507
(Mail Fraud, 18 U.S.C. § 1341;
Forfeiture, 18 U.S.C. § 981(a)(1)(C))

.....oOo.....

INDICTMENT

COUNTS ONE AND TWO

(Mail Fraud)

The Grand Jury for the District of Maryland charges that:

INTRODUCTION

At all times relevant to this Indictment:

1. **JOHN STEWART MORRISON IV** was a resident of the State of Maryland. In 2006, **MORRISON** worked as a mortgage loan originator and was associated with Company A, a Maryland corporation.

2. Lot #1, Rexwood Drive ("Lot #1") was a steeply graded parcel of land in Glen Rock Borough, Pennsylvania. In order for a home to be built on Lot #1, extensive soil and engineering work had to be done.

3. Title Company A ("the Title Company") was an entity located in Owings Mills, Maryland that conducted closings on real estate transactions. Among the Title Company's responsibilities as the settlement agent at a real estate closing was to organize the paperwork relevant to finalizing the transaction and disbursing the proceeds of the transaction in the manner set forth on the settlement sheet, known as the Form HUD-1. Following a closing, the Title

Company also would mail relevant documents to the intended recipients by means of Federal Express, a commercial interstate carrier.

4. SunTrust Mortgage (“SunTrust”), a wholly-owned subsidiary of SunTrust Bank, was a mortgage lending company whose principal place of business was in Richmond, Virginia. SunTrust made loans to purchasers of residential real estate, secured by the real estate, and refinanced loans for owners of residential real estate. As part of the loan approval process, SunTrust required a prospective borrower to fill out a loan application that provided truthful information concerning the applicant’s current employment, assets, and monthly income.

5. SunTrust also offered construction mortgage loans to purchasers of residential real estate. These loans, referred to as “construction permanent” loans, or “C/P loans”, allowed borrowers to secure financing to build a home at the same time that they borrowed funds to purchase real estate. SunTrust permitted prospective borrowers interested in securing a C/P loan to submit one combined loan application requesting the total amount of funds required.

6. A SunTrust underwriter reviewed and assessed the information provided on the loan application, which was material to SunTrust’s decision to approve and fund the requested loan. In deciding whether to fund the loan, the SunTrust underwriter also reviewed and relied upon the property’s appraisal.

THE SCHEME TO DEFRAUD

7. From in or about late 2005 or early 2006 until in or about at least June 2006, in the District of Maryland and elsewhere, the defendant,

JOHN STEWART MORRISON IV,

knowingly and willfully devised and intended to devise a scheme and artifice to defraud SunTrust Mortgage and to obtain money and property, namely \$431,377, more or less, by means of material false and fraudulent pretenses, representations, and promises, as further described below.

BACKGROUND TO THE SCHEME TO DEFRAUD

8. On or about November 17, 2005, **MORRISON** contracted to purchase Lot #1 from Company B, the original owner of Lot #1, which disclosed to **MORRISON** at least two documents detailing significant problems with the land. The contract price was \$74,900.

9. Through late 2005 and early 2006, **MORRISON** failed to follow through on his purchase of Lot #1. Instead, he recruited P.H., a person known to the Grand Jury, to purchase Lot #1 from Company B. P.H. wished to purchase the land and to have a modular home installed on the site.

MANNER AND MEANS OF THE SCHEME TO DEFRAUD

10. It was a part of the scheme and artifice to defraud that **MORRISON** did not inform P.H. about the serious problems with Lot #1, thereby misleading P.H. into believing the land was suitable for the delivery and installation of a modular home in its existing state.

11. It was further a part of the scheme and artifice to defraud that **MORRISON** presented paperwork to Company B falsely representing that P.H. had received the relevant disclosures about the problems with Lot #1.

12. It was further a part of the scheme and artifice to defraud that **MORRISON** and W.A., a person known to the Grand Jury, arranged for P.H. to apply for a C/P loan from SunTrust. W.A. was a licensed mortgage broker who, like **MORRISON**, was associated with Company A. **MORRISON** and W.A. were responsible for putting together the loan package in P.H.'s name that was mailed to SunTrust.

13. It was further a part of the scheme and artifice to defraud that this package contained a loan application that contained false information about P.H.'s monthly income and

falsely asserted that W.A. had met with P.H. in a face-to-face interview. The application requested a loan amounting \$431,377.

14. It was further a part of the scheme and artifice to defraud that **MORRISON** did not inform the appraiser whom he hired to evaluate Lot #1 as part of the loan application process about the serious problems with the property.

15. It was further a part of the scheme and artifice to defraud that **MORRISON** caused Company A to mail the resulting appraisal to SunTrust as part of P.H.'s loan package. In determining whether to approve P.H.'s loan request, SunTrust received and relied upon a materially deficient appraisal. In due course, SunTrust approved P.H.'s C/P loan request.

16. It was further a part of the scheme and artifice to defraud that on or about June 12, 2006, **MORRISON** sent a fax to the Title Company in which he asked that the Form HUD-1 for P.H.'s purchase of Lot #1 reflect that any payments made to **MORRISON** were made instead to an entity called the "Atlantic Group." Though **MORRISON** sent the fax, he falsely made it appear that Company B had made this request.

17. It was further a part of the scheme and artifice to defraud that **MORRISON**, by concealing the problems with Lot #1 from P.H. and from the appraiser, and by representing to Company B that the necessary disclosures had been made to P.H., caused P.H.'s purchase of Lot #1 to proceed to closing on June 14, 2006. The closing took place at the Title Company's offices in Owings Mills, Maryland. Still believing that the land could be built-upon without additional preparatory work, P.H. paid \$115,500 for Lot #1.

18. It was further a part of the scheme and artifice to defraud that **MORRISON** received \$36,800, more or less, as a result of P.H.'s purchase of Lot #1. According to the

transaction's Form HUD-1, these funds were paid to the Atlantic Group, an entity that **MORRISON** created and wholly controlled, and which he used to ensure his name did not appear on the transaction's Form HUD-1.

THE CHARGE

19. On or about the following dates, in the District of Maryland and elsewhere,

JOHN STEWART MORRISON IV,

the defendant herein, having devised the above-described scheme and artifice to defraud, for the purpose of executing this scheme and artifice to defraud and of attempting to do so, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, did knowingly and willfully deposit, or cause to be deposited, with Federal Express, a commercial interstate carrier, packages containing documents related to the fraudulent sale of Lot #1 to P.H., to wit, the mailings set forth below:

COUNT	DATE	DESCRIPTION OF MAILING
1	June 13, 2006	A Federal Express package, bearing airbill #790955803000 and containing the unexecuted closing documents for P.H.'s purchase of Lot #1, which was sent from SunTrust's office in Herndon, Virginia to the Title Company, in Owings Mills, Maryland.
2	June 15, 2006	A Federal Express package, bearing airbill #791019136933 and containing the executed closing documents for P.H.'s purchase of Lot #1, which was sent from the Title Company, in Owings Mills, Maryland, to the attention of SunTrust's payoff department in Richmond, Virginia.

18 U.S.C. § 1341

FORFEITURE ALLEGATION

The Grand Jury further finds that:

1. Pursuant to 18 U.S.C. Section 981(a)(1)(C) and 28 U.S.C. Section 2461(c), upon conviction of an offense in violation of 18 U.S.C. § 1341, as alleged in Counts One and Two, the defendant shall forfeit to the United States of America all property, real and personal, which constitutes and is derived from proceeds traceable to the scheme to defraud.

2. The property to be forfeited includes, but is not limited to, the following:

- a. A sum of money equal to the value of the proceeds of the scheme to defraud, which amount is at least \$431,317.

3. If any of the property described above, as a result of any act or omission of the defendants:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

18 U.S.C. § 981(a)(1)(C); 28 U.S.C. § 2461(c); Rule 32.2(a), F.R.Crim.P.

Rod J. Rosenstein / SR
ROD J. ROSENSTEIN
UNITED STATES ATTORNEY

SIGNATURE REDACTED

Foreperson

8/19/10

Date