

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

FILED
U.S. DISTRICT COURT
INDIANAPOLIS DIVISION

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SOUTHERN DISTRICT
OF INDIANA
LAURA A. BRIGGS
CLERK

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
DONALD T. BROWN,)
)
Defendant.)

1:09-cr-0066 LJM-KPF
Cause No. 1:09-CR- -01- -KPF

INFORMATION

COUNT ONE

(Conspiracy to Commit Wire Fraud - Title 18, United States Code, Section 371)

The United States Attorney charges that:

Beginning in 2003, and continuing through in or about the fall of 2005, in the Southern District of Indiana, and elsewhere, DONALD T. BROWN (hereinafter, DON BROWN), Defendant herein, and other individuals, known and unknown to the United States Attorney, did knowingly and unlawfully conspire with each other to commit an offense against the United States, to wit: did knowingly devise and intend to devise and participate in a scheme to defraud, and to obtain and attempt to obtain money by means of false and fraudulent pretenses, representations and promises, and for purposes of executing said scheme to defraud and obtain money, did transmit or cause to be transmitted by means of wire in interstate commerce, certain writings, signs, signals, pictures, and sounds for the purpose of executing such scheme or artifice, in violation of Title 18, United States Code, Section 1343, which conspiracy is more fully

described below.

INTRODUCTORY ALLEGATIONS

1. At all times relevant herein, co-conspirators operated mortgage brokerage companies doing business in Indianapolis, Indiana. These companies obtained financing for the purchase of residential properties in the Indianapolis, Indiana area from various mortgage lenders, including, but not limited to, Argent Mortgage Company, The MoneyStation Inc., People's Choice Mortgage, and Countrywide Home Loans, Inc.

2. At all times relevant herein, DON BROWN, along with a family member, owned and operated Tab Productions, LLC and Tab Management, LLC, companies which were involved in real estate activities in Indianapolis. DON BROWN also operated Brown Funding, Inc., a company used by DON BROWN and co-conspirators to fund the down payments for residential properties purchased and re-sold by co-conspirators.

3. At all times relevant herein, co-conspirators located residential properties in the Indianapolis area that were offered for sale by others, negotiated a fair market value purchase price for the properties with the sellers, and entered into option agreements, land contracts, or other agreements to purchase those properties. DON BROWN was the seller on some of these properties. Co-conspirators then arranged for the closing documents for these properties to show as the sales price an amount which greatly exceeded the negotiated fair market price of the properties. Prior to the closing of the sales, co-conspirators arranged for investors to obtain loans from the above lenders for 80-90% of the inflated sales price. This was accomplished by co-conspirators submitting false documents to the lenders, including false statements that the investors were providing the other 10-20% of the sales price as a down payment on the

properties. DON BROWN, thru Brown Funding, Inc. provided the down payment on many of these properties.

4. Co-conspirators also recruited real estate appraisers to appraise the properties at inflated values and utilized closing agents to conduct the closings for the property sales at a title company in Greenwood, Indiana.

OBJECT OF THE CONSPIRACY

The object of the conspiracy was for DON BROWN and co-conspirators to falsely and fraudulently obtain monies from various lending institutions by submitting false and fraudulent loan applications, and false supporting documentation to various lending institutions for the purpose of obtaining mortgage loans.

MANNER AND MEANS OF THE CONSPIRACY

The manner and means by which the conspiracy was carried out, in the Southern District of Indiana, and elsewhere, included but were not limited to the following.

1. Co-conspirators located residential properties for sale in Indianapolis, Indiana. In some cases, these were individual homes listed for sale by owner. In other cases, these properties constituted an entire neighborhood, known as Windsor Village, which consisted of approximately one hundred eighty-four (184) duplexes, all owned by a single individual through various land trusts. Co-conspirators negotiated to purchase these properties at a fair market value from the sellers and entered into option agreements or land contracts to accomplish these purchases.

2. When the sale of these properties actually closed, the co-conspirator was not shown as the purchaser of the property. Rather, an investor was shown as the purchaser. In addition, the sales price shown on the HUD-1 Settlement Statement (HUD) was much higher than the fair market value price negotiated with the seller. The difference between the actual sales price and the negotiated selling price was paid to co-conspirators. This was accomplished in various ways: 1) a line item payout was shown on the HUD (and a check issued) to a company owned by co-conspirators; 2) two checks were issued to the seller, with the seller endorsing the excess proceeds check and giving it back at the closing to a co-conspirator (or giving it back to the title company closing agent who then gave it to a co-conspirator); 3) the property was transferred via a quitclaim deed to a co-conspirator prior to closing - on the closing documents, the co-conspirator was then shown as the seller of the property and the actual seller was paid via a line item payout on the HUD.

3. Co-conspirators recruited investors to be the purchasers of these properties. These investors were generally friends and relatives of co-conspirators, most of whom lived in the Martinsville, Virginia area. The investors were told by co-conspirators that they were joining a real estate investment group and that they would be investing their credit for purposes of purchasing real estate in the Indianapolis area. Investors were told that they would not be required to make any down payments or other payments on the properties. They were further told that companies owned by the co-conspirators would make all payments (mortgage, taxes and insurance) on the properties, and manage the properties (including finding renters, collecting rent, and providing maintenance and upkeep). The investors never saw the properties they were purchasing and were unaware that the properties were worth much less than the price they were

paying for them. The investors were paid a fee, generally \$4,000.00 per property, for investing their credit in the venture. The source of the funds paid to investors was money illegally obtained from the mortgages supplied by the lenders. Investors signed all loan and closing documents at the home or business of one of the co-conspirators, who lived in Martinsville, Virginia.

4. Co-conspirators originated loans to obtain financing for these properties through Argent Mortgage Company, The MoneyStation Inc., People's Choice Mortgage, Countrywide Home Loans, Inc. and other lenders. Co-conspirators prepared and submitted to the lenders false and fraudulent loan applications along with false supporting documentation for the loans. The loan applications included false statements, including: that the investor was providing a 10-20% down payment for the purchase from the investor's own funds; that the investor owned assets which they did not own; and, that the investor's income was higher than it actually was.

5. The lenders relied upon the inflated appraisals, false loan applications, and false supporting documents in the loan packages to approve and disburse the loans for these properties. In making their decisions to grant the loans, the lenders relied upon the representation on the loan applications that the investors were providing the down payment.

6. Co-conspirators and other individuals recruited by co-conspirators furnished ("fronted") the down payments on these properties, by obtaining cashier's checks which were submitted at the time of the closing on the property to make it appear that the buyers were actually making a down payment on the property, when in fact they were not. The individuals who provided ("fronted") the down payments were then reimbursed the down payment money from illegal funds obtained after closing; they were generally given an additional \$1,000.00 for

“loaning” the money for the down payments (occasionally the amount was \$2,000.00 - 3,000.00). DON BROWN, thru Brown Funding Inc., funded the down payments on many of these loans. DON BROWN purchased many of the down payment checks himself and provided those checks to other co-conspirators in order that the loan closings could occur. DON BROWN received back the amount of the down payment checks, plus \$1,000.00, following the loan closings. DON BROWN borrowed some of the money which he used for the down payments from friends and business associates of his; DON BROWN was not truthful with these individuals as to the purpose of their loan, and did not tell these people that the money they were loaning him was to be used to “front” down payments in a fraudulent real estate venture. In addition, during co-conspirators’ negotiations with Countrywide Home Loans to fund the Windsor Village purchases, DON BROWN placed investors’ names on the Brown Funding Inc. bank account as signatories, to make it appear that the investors had an interest in, and access to, the money (several hundred thousand dollars) in this account, thus inducing Peoples Choice / Countrywide to fund the loans.

7. Co-conspirators employed closing agents at title companies to assist in the preparation and processing of false documents, including false and fraudulent settlement statements (Form HUD-1), and checks used to disburse the loan funds. DON BROWN often was contacted by the title company and advised of the amount of down payment money needed to fund a closing. On many occasions, DON BROWN provided the down payment check to the closing agent or to a co-conspirator to take to the closing. Following the closings, on numerous occasions, DON BROWN received the fraudulent proceeds checks from the closings, deposited those checks to the Brown Funding Inc. bank account, and then laundered the funds to various

other co-conspirators.

8. DON BROWN and other co-conspirators fraudulently obtained funds from these transactions. The fraudulently obtained funds essentially consisted of the difference between the loan amount (80-90% of the falsely inflated sales price) and the real value of the property (generally the fair market value sales price negotiated with the seller). Co-conspirators set up numerous corporate entities and opened numerous bank accounts at several banks for purposes of carrying out their fraudulent activities. The Brown Funding Inc. account used by DON BROWN was set up solely for the purpose of funding down payments for the fraudulent real estate transactions. DON BROWN opened and shared office space with many of the co-conspirators during the years 2004 and 2005.

9. None of the loans obtained in these fraudulent transactions were repaid as agreed. All of the loans went into default and were the subject of various legal action by the lenders. The Windsor Village loans all went into early payment default, that is, no mortgage payments were made on the majority of the loans. All of the loans were either the subject of foreclosure action, or the lenders took deeds in lieu of foreclosure, or allowed short sales on the properties.

10. Co-conspirators transmitted, or caused to be transmitted, by means of wire transmission in interstate commerce, the loan proceeds for all of the fraudulent loans. The wire transfers went from bank accounts (in New York or California) of the out-of-state lenders to a bank account of the title company in Greenwood, Indiana (bank located in Ohio).

OVERT ACTS

DON BROWN and other co-conspirators, known and unknown to the United States Attorney, committed numerous overt acts in furtherance of the conspiracy. Between late October 2004 and August 2005, DON BROWN, along with other co-conspirators, committed overt acts in at least one hundred thirteen (113) separate transactions, each of which involved co-conspirators falsely obtaining a mortgage loan from Argent Mortgage Company or People's Choice Mortgage / Countrywide Home Loans, Inc. These lenders disbursed approximately \$12,541,000.00 in fraudulent loan proceeds for the one hundred thirteen (113) mortgage loans. Attachment 1 to this Information, which is incorporated herein, lists these transactions and contains the following information: the property addresses for which these one hundred thirteen (113) mortgage loans were issued; the closing date for, and sales price of, the properties; the name of the lender and amount of the mortgage loan; the fair market value of the property; and the fraudulent proceeds from the loan. The first twenty-seven (27) loans on Attachment 1 relate to the purchase of individual properties. The remaining eighty-six (86) loans on Attachment 1 relate to the purchase of a group of duplexes in Windsor Village.

Examples of the overt acts committed by DON BROWN and other co-conspirators in some of the fraudulent loan transactions are detailed as follows:

1. 2050 N. Delaware Street, Indianapolis, Indiana (Attachment 1, number 5)

On or about November 19, 2004, a co-conspirator entered into an option agreement with the owner (seller) of the property to purchase the property for a fair market price of \$235,000.00. A purchase agreement was prepared on or about that same date showing the owner was selling the property to a co-conspirator for \$450,000.00. This agreement was not signed by the seller,

and the seller was unaware of the document's existence until the loan closing. On or about the same date, November 19, 2004, another purchase agreement was prepared showing that the owner was selling the property to an investor for \$370,000.00; this agreement appears to bear the signature of the owner, but this signature was forged.

On or about October 19, 2004, a co-conspirator prepared a loan application for the investor, requesting a loan of \$380,000.00 (later loan application changed to \$333,000.00). This loan application contained the following false statements: that the investor was providing the down payment from her checking / savings account; that the investor owned stock in a co-conspirator company which she did not own; that the investor's income was more than she actually made. On or about December 7, 2004, a co-conspirator obtained an inflated appraisal showing that the property was worth \$370,000.00. The fraudulent loan application, appraisal and other fraudulent documentation was provided to Argent Mortgage Company by a co-conspirator. In reliance upon those documents, Argent Mortgage Company agreed to and did fund a loan to the investor in the amount of \$333,000.00.

On or about December 14, 2004, DON BROWN withdrew \$43,240.21 from the Brown Funding Inc. bank account and purchased a Union Federal Bank Official Check in that same amount. The check was made payable to a title company in Greenwood, Indiana; the check was used to fund the down payment for the purchase of the property. DON BROWN provided this check to the title company for closing.

On or about December 14, 2004, the loan closing occurred at the title company. The seller of the property was present with the closing agent and signed the loan documents. The investor had already signed some of the loan closing documents at a co-conspirator's residence or

business in Virginia; the remaining closing documents were signed by a co-conspirator at the closing. Argent Mortgage Company wire transferred \$329,636.29 from their bank account in New York to the title company bank account. According to the HUD, the amount due the seller was \$282,849.80. The title company prepared two checks to the seller: one in the amount of \$150,857.30, and one in the amount of \$131,992.50. The seller received the check for \$150,857.30. Per the instructions of the closing agent, the seller also endorsed the check for \$131,992.50. This check was later deposited to a bank account of a co-conspirator.

These fraudulently obtained proceeds were then paid to various other co-conspirators, including repayment to DON BROWN for the amount of the down payment check plus \$2,000.00.

2. 1432 N. Central Avenue, Indianapolis, Indiana (Attachment 1 - number 14)

On or about January 6, 2005, a co-conspirator entered into an option agreement with the owner (seller) of the property to purchase the property for a fair market price of \$186,000.00. A purchase agreement was prepared that same date showing the owner was selling the property to a co-conspirator for \$186,000.00. On that same date, another purchase agreement was prepared showing that the owner was selling the property to an investor for \$350,000.00; this agreement appears to bear the signature of the owner, but this signature was forged.

On or about January 13, 2005, a co-conspirator prepared a loan application for the investor, requesting a loan of \$315,000.00. This loan application contained the following false statements: that the investor was providing the down payment from her checking / savings account; that the investor owned stock in a co-conspirator company which she did not own; that the investor's income was more than she actually made. On or about January 20, 2005, a co-

conspirator obtained an inflated appraisal showing that the property was worth \$350,000.00. The fraudulent loan application, appraisal and other fraudulent documentation was provided to Argent Mortgage Company by a co-conspirator. In reliance upon those documents, Argent Mortgage Company agreed to and did fund a loan to the investor in the amount of \$315,000.00.

On or about January 26, 2005, the loan closing occurred at the title company; the seller of the property was present with the closing agent and signed the loan documents. The investor had already signed the loan closing documents at a co-conspirator's residence or business in Virginia. Argent Mortgage Company wire transferred \$312,477.11 from their bank account in California to the title company bank account. According to the HUD, the amount due the seller was \$193,586.36. The title company prepared two checks to the seller: one in the amount of \$30,662.36, and one in the amount of \$162,924.00. The seller received the check for \$30,662.36. Per the instructions of the closing agent, the seller also endorsed the check for \$162,924.00. This check was later deposited to a bank account of a co-conspirator.

On or about January 27, 2005, the day after the closing, DON BROWN withdrew \$39,725.58 from the Brown Funding Inc. bank account and purchased a Union Federal Bank Official Check in that same amount. The check was made payable to a title company in Greenwood, Indiana; the check was used to fund the down payment for the purchase of the property. DON BROWN provided this check, or caused it to be provided, to the title company after the closing.

The fraudulently obtained loan proceeds were paid to co-conspirators, including repayment to DON BROWN and Brown Funding for the amount of the down payment check plus \$2,000.00.

3. Windsor Village transactions (Attachment 1 - number 28 thru 113)

In January, February and March 2005, co-conspirators entered into purchase agreements with an individual who owned one hundred eighty-four (184) duplexes near 21st Street and Arlington Avenue on the east side of Indianapolis to purchase all of the duplexes. This neighborhood was known as Windsor Village. Each duplex contained two two-bedroom, one-bath units measuring approximately 800 square feet; most of the units were in fair to poor condition. The agreements provided for co-conspirators to pay the seller \$50,000.00 per duplex.

Beginning in February 2005 and continuing thru August 2005, co-conspirators entered into purchase agreements with investors in Virginia to sell these duplexes for \$120,000.00. Other co-conspirators prepared fraudulent loan applications for these investors, falsely stating: that the investors were making the 20% down payments from their own funds; that the investors owned assets which they did not own; and that the investors had higher incomes than they actually had. Co-conspirators obtained inflated appraisals showing that the duplexes were worth \$120,000.00, when, in fact, they were worth much less than that. The false loan applications, appraisals and other supporting documentation were submitted to lenders to obtain the loans.

The first three loans were submitted to The MoneyStation, a warehouse bank who funded the loans, relying on the false documents submitted. The MoneyStation then sold the loans to GMAC Mortgage through a correspondent lending agreement. After these first three loans closed, co-conspirators caused these three sales to be shown as comparables on the appraisals for the other properties, thus making it appear that all of the duplexes were worth \$120,000.00. The next eight (8) loans were submitted to Argent Mortgage Company, who, relying on the false documents, agreed to and did finance the loans.

Co-conspirators then entered into another agreement with the seller, whereby co-conspirators would purchase eighty-six (86) more of the duplexes, with the other eighty-seven (87) to be purchased by another individual (co-conspirators agreed to pay \$50,000.00 for fifty-eight (58) of these duplexes and \$60,000.00 for twenty-eight (28) of these duplexes; all were sold to Virginia investors for \$120,000.00).

Co-conspirators encountered difficulty in finding a lender to finance the eighty-six (86) loans. They were able to locate a mortgage broker / warehouse banker known as People's Choice Mortgage, who was a correspondent lender with Countrywide Home Loans, Inc. During negotiations between the co-conspirators and the lenders (People Choice / Countrywide), co-conspirators falsely represented to the lenders that all of the investors had an ownership interest, and full access to the funds of, Brown Funding Inc., the bank account used by DON BROWN. Based upon these false representations, Countrywide issued a "variance," which was a deviation from their standard lending practices, for all of these loans. This variance provided that the funds for the down payments for all of these loans could be provided by the business (Brown Funding). In fact, none of the investors had any interest in Brown Funding, nor even any knowledge of its existence. In fact, Brown Funding was not even an LLC.

During the negotiations and prior to the issuance of the variance letter, DON BROWN added the names of numerous investors as signatories on the Brown Funding bank account, to make it appear that the investors had ownership in, and access to, the funds in that account; a co-conspirator forged the signatures of all of these people on the signature cards.

During May, June and August 2005, co-conspirators then closed eight-six (86) loans funded by Peoples Choice / Countrywide (Attachment 1 - numbers 29 thru 114). All of the

duplexes were transferred by quitclaim deed from the seller to a co-conspirator prior to closing. The co-conspirator was then shown as the seller on the closing documents. The investor was shown as the buyer. The original seller of the properties was paid via a line item payout on the HUD at closing. The co-conspirators then received all of the excess proceeds of the loan.

Most of the loans were closed at the title company in Greenwood, Indiana. The investors had signed all of the closing documents prior to the closing, at the residence or business of a co-conspirator in Virginia. All of the loans were based upon false loan applications and supporting documentation, inflated appraisals, and false representations as to the source of the down payment funds. DON BROWN withdrew funds from the Brown Funding account to purchase the majority of these down payments. DON BROWN provided the down payment checks to the title company in Greenwood who closed all of the loans; DON BROWN either gave the checks to a co-conspirator or took them to the title company himself. DON BROWN received proceeds checks from the illegally obtained loans. DON BROWN received the down payment amounts back plus a \$1,000.00 fee for each down payment made (occasionally the amount was \$2,000.00 - 3,000.00). DON BROWN also, on occasions, assisted in laundering the illegal loan proceeds by receiving checks from the closing made out to co-conspirators, depositing those checks to the Brown Funding account, and then causing checks from that account to be issued to co-conspirators.

All of the Windsor Village loans went into early payment default, that is, few if any payments were made on these loans. After legal or other proceedings by the lenders to divest themselves of the properties (foreclosure actions, deeds in lieu of foreclosure, short sales), the properties were eventually re-sold on the real estate market, or thru sheriff's sales. Of the

subsequent sales of the eight-six (86) Windsor Village transactions (Attachment 1 - numbers 28-113) in 2007 and 2008, the lowest sales price for the properties was \$3,500.00, and the highest sales price was \$26,000.00.

All in violation of Title 18, United States Code, Section 371.

COUNT 2
(Money Laundering - Title 18, United States Code, Section 1957)

The United States Attorney further charges that:

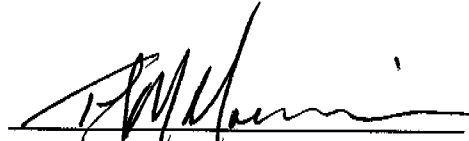
1. The United States Attorney realleges and incorporated by reference all allegations of Count 1 herein.

2. Between approximately October 2004 and August 2005, DONALD T. BROWN engaged in numerous monetary transactions, each with a value greater than \$10,000, with funds derived from the wire fraud transactions described in Count 1 of the Information.

3. On or about June 3, 2005, in the Southern District of Indiana, DONALD T. BROWN, Defendant herein, knowingly engaged and attempted to engage in a monetary transaction by, through, and to a financial institution, affecting interstate commerce, in criminally derived property whose value was greater than \$10,000.00, to wit: on or about June 3, 2005, DONALD T. BROWN received six (6) checks from a title company, totaling \$402,455.90, each check made out to a co-conspirator and each check having been endorsed over to Brown Funding by a co-conspirator, and deposited those checks to the Brown Funding Inc. bank account at Union Federal Bank, each of said checks representing fraudulently obtained proceeds of the loans disbursed by the above-named lenders relative to the sales of six (6) properties (as more fully set


forth in the Overt Acts section of Count One);

All in violation of Title 18, United States Code, Section 1957.

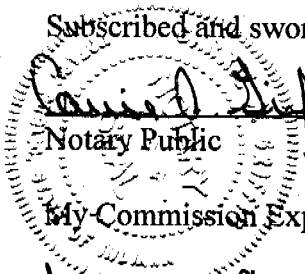


TIMOTHY M. MORRISON
United States Attorney
Southern District of Indiana

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Susan H. Dowd, being first duly sworn, upon her oath deposes and says that she is an Assistant United States Attorney in and for the Southern District of Indiana, that she makes this affidavit for and on behalf of the United States of America, and that the Allegations in the foregoing Information are true as she is informed and verily believes.


Susan H. Dowd
Assistant United States Attorney

Subscribed and sworn to before me, a notary public, this 29th day of April, 2009.



Notary Public

My Commission Expires:
January 2, 2016
My County of Residence:
Hancock