

ORIGINAL

FILED IN OPEN COURT
U.S. D.C. Atlanta
OCT 14 2009

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

JAMES N. HATTEN, Clerk
By: *[Signature]* Deputy Clerk

UNITED STATES OF AMERICA :
 :
 v. : CRIMINAL INFORMATION
 :
 EDWARD WILLIAM FARLEY : NO. 1:09-CR-00445
 :
 Defendant. :

THE UNITED STATES ATTORNEY CHARGES THAT:

COUNT ONE
Bank Fraud
18 U.S.C. §§ 1344 and 2

1. From on or about September 3, 1999, through in or about July 2001, in the Northern District of Georgia, defendant EDWARD WILLIAM FARLEY, aided and abetted by others, did knowingly execute and attempt to execute a scheme and artifice to defraud insured depository financial institutions as defined in Title 18, United States Code, Section 20, including Bank of America, Bank One, Branch Banking and Trust Company, Chase Manhattan Bank, First Union National Bank of Delaware, HSBC Bank, Union Planters Bank and others, all banks then insured by the Federal Deposit Insurance Corporation, and to obtain money and funds owned by and under the custody and control of said financial institutions by means of materially false and fraudulent pretenses, representations and promises, in that, the defendant obtained and attempted to obtain mortgage loans in the names of unqualified borrowers based upon materially false and fraudulent qualifying information and other

false pretenses, representations and promises regarding property valuations which the defendant submitted and caused to be submitted to said lenders.

2. At times during this scheme and in furtherance thereof, defendant EDWARD WILLIAM FARLEY:

(a) Incorporated companies, including Creative Home Search (CHS), Southern Land Partners (SLP) and Georgia Land Group (GLG).

(b) Acquired an interest in Global Mortgage, a mortgage brokerage firm.

Company Investment Scheme

(c) Recruited persons to invest between \$20,000 and \$90,000 each in his companies, CHS, SLP and GLG, for the purported purpose of purchasing distressed residential properties which defendant FARLEY falsely promised he would renovate, lease and resell at a profit within three to six months while making quarterly dividend payments to his investors.

(d) Purchased property from investor proceeds which defendant FARLEY could not promptly resell, so he failed to use investor funds as represented, thereafter obtaining bank loans in the names of unqualified "investors" for same-day, fraudulent property flips to realize scheme proceeds immediately as follows.

Property Investment Scheme

(e) Recruited unqualified "investors" to purchase dozens

of residential properties located in Acworth, Alpharetta, Atlanta, Buford, College Park, Conyers, Cumming, Dacula, Grayson, Lawrenceville, Lithonia, Norcross, Marietta, Roswell, Snellville, Suwanee and other Northern District of Georgia locations from his companies, CHS, SLP and GLG, at fraudulently inflated amounts with mortgage loans from banks arranged by defendant FARLEY through Global Mortgage, which properties he falsely promised the investors were "good deals" that he would renovate, lease, make their mortgage payments and resell at a profit.

(f) Signed agreements to purchase properties in the names of his companies at true market value, directed his appraiser to create materially inflated appraisals falsely listing his companies as the current owners and signed agreements with "investors" to purchase the properties from his companies at the inflated amounts.

(g) Encouraged his appraiser to use comparables of greater value than the subject properties, add nonexistent amenities to subject properties and neighborhoods, conceal "for sale" signs when photographing subject properties and list inflated after repair valuations while falsely claiming his appraisal valuations were for properties in their "as is" condition.

(h) Submitted loan applications through Global Mortgage to banks to finance the inflated purchase prices in the names of investors who were falsely represented to be owner occupants, with

the applications supported by false borrower income, employment, bank deposits, bank statements, W2s, tax returns and/or leases.

(i) Provided borrower down payments required by lenders.

(j) Paid and promised to pay his investor/borrowers from loan proceeds, while concealing said payments from lending banks.

(k) Used the remaining loan proceeds to purchase at the true market price the properties just sold by his companies to the investor/borrowers at fraudulently inflated amounts, pay his closing attorney a monthly retainer of up to \$6,000 through his three companies, plus over \$1,300 for same-day closings of the property "flips," pay his appraiser and keep the rest of the proceeds for himself, some of which was to pay the mortgages and make after-closing renovations.

(l) Failed to complete renovations, find renters, make mortgage payments and resell the properties, causing the properties to go into foreclosure and lenders, insurers and title companies to incur several million dollars in losses.

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT TWO
Conspiracy
18 U.S.C. § 1349

3. From in or about February 2004, through on or about August 20, 2007, in the Northern District of Georgia, defendant EDWARD WILLIAM FARLEY did willfully, knowingly and unlawfully

combine, conspire, confederate, agree and have a tacit understanding with others to commit certain offenses against the United States, including the following:

(a) To devise and intend to devise a scheme and artifice to defraud lenders, including individuals, hard money lenders, financial institutions and others, of money and property by means of materially false and fraudulent pretense, representations and promises, causing interstate wire communications to be used in furtherance of said scheme to defraud, in that, the defendant falsely represented that all such lenders were secured by either a first or second position security interest in the properties sufficient to cover their loan amounts, in violation of Title 18, United States Code, Section 1343.

(b) To knowingly execute and attempt to execute a scheme and artifice to defraud insured depository financial institutions, as defined in Title 18, United States Code, Section 20, including Alpha Bank & Trust, Bank of America, Bank One, Bank of North Georgia, Bank United, Best Bank, JP Morgan Chase Manhattan Bank, Discover Bank, First State Bank of Stockbridge, Georgia Federal Bank, HSBC Bank, Midtown Bank & Trust, One Georgia Bank, Providence Bank, Security Bank, Suntrust Bank, The Brand Banking Company, Washington Mutual Bank and Wells Fargo Bank, all banks then insured by the Federal Deposit Insurance Corporation, in violation of Title 18, United States Code, Section 1344.

4. It was a part of this conspiracy and the objects thereof for defendant EDWARD WILLIAM FARLEY to:

(a) Incorporate Alliance Resource Management (ARM) and open ARM bank accounts in the name of his wife to conceal his association with ARM from prior investors, banks and other lenders who had been defrauded by defendant FARLEY through his companies, Creative Home Search, Southern Land Partners and Georgia Land Group, as further described in Count One of this Criminal Information.

(b) Represent that ARM was in the business of purchasing primarily residential properties which were being renovated and resold at a profit, when ARM had insufficient equity and income to fund operations and purchase properties as represented.

Property Purchase/Refinance Loan Fraud

(c) Recruit and pay others to recruit private investors, hard money lenders and some banks to lend ARM the money to purchase or refinance properties, falsely representing that such loans were completely secured by the properties purchased or refinanced, with each lender falsely promised either a first or second lien position or security deed on specified properties to fully secure their loans.

(d) Issue ARM promissory notes to lenders, usually guaranteed personally by defendant FARLEY, which promised to pay at an annual interest rate of between 12% to 60%, depending on the

specific note.

(e) Place multiple ARM lenders in first and second positions on the same properties, often filing forged quit claim deeds releasing investors' security interest in properties without the knowledge or consent of the lenders, and without repaying the secured indebtedness owed to them, thereby fraudulently clearing the title record to obtain new loans to ARM, all seemingly secured by a first or second security interest in the same properties, with the multiple loans far exceeding the actual value of the properties purportedly securing them.

(f) Divert significant loan proceeds from ARM to defendant FARLEY, while ARM continued to borrow from existing and new lenders without acquiring new properties or completing renovations on already acquired properties.

(g) Divert significant loan proceeds from ARM to start the Resource Center, another company controlled by defendant FARLEY, which was to locate properties for resale, obtain financing, arrange renovations and manage properties while marketing them for resale.

(h) Divert millions of dollars in new lender proceeds from ARM to repay prior lenders, including those threatening to report the questionable activities of defendant FARLEY and his closing attorney, rather than purchasing the properties which were represented to secure the new loans or using the new proceeds to

generate income for ARM and its investor/lenders by renovating properties for resale at a profit.

(i) Direct the closing attorney to issue title commitments and policies assuring clear title when hard money lenders, banks and other corporate lenders funded purported ARM property purchases and refinances, even when property titles were encumbered by other investor/lenders already in first and second positions.

Construction Loan Fraud

(j) Obtain short term loans from private investors, hard money lenders and banks for construction of a number of buildings by ARM, including a residence for defendant FARLEY for which false borrower qualifying information was submitted to a bank.

Property Transfer Fraud

(k) Pay distressed homeowners to transfer title to "trusts" controlled by defendant FARLEY who falsely promised to make the homeowners' mortgage payments, all without the knowledge or consent of the banks who funded the homeowners' original mortgage loans, without repaying the outstanding mortgage loans on these properties and contrary to requirements of the original lending banks.

(l) Collect additional funds from other ARM investors and lenders for purported refinances without paying off the original lenders, thereby clouding titles and creating obstacles

for purportedly secured lenders to foreclose under these circumstances.

(m) Transfer other properties to his wife's name to obtain refinance loans from banks based upon false borrower qualifying information provided by defendant FARLEY.

Check Kiting Fraud

(n) Transfer funds he did not have among ARM accounts at The Brand Banking Company, Best Bank and Washington Mutual Bank for several weeks in October and November 2006, via multiple ARM checks, cashiers checks and wire transfers, knowing that the accounts on which such withdrawals and redeposits were made had insufficient collectable funds to cover said checks and wires, with defendant FARLEY obtaining \$1,222,000 to which he had no legitimate claim.

(o) Divert \$400,000 in investor funds solicited for property refinance loans to Washington Mutual Bank upon Washington Mutual's discovery of their check kiting losses.

Bankruptcy Fraud

(p) Divert \$20,000 of ARM assets from secured ARM lenders to defendant FARLEY after filing bankruptcy by directing an ARM debtor to repay FARLEY personally.

(q) Fail to report and actively conceal such payments to defendant FARLEY from the Bankruptcy Court.

(r) Reward his loyal staff and conspirators with things

of value purchased with ARM assets.

All in violation of Title 18, United States Code, Section
1349.

SALLY QUILLIAN YATES
ACTING UNITED STATES ATTORNEY

A handwritten signature in cursive script that reads "Gale McKenzie".

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