

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF INDIANA  
INDIANAPOLIS DIVISION

INDIANAPOLIS DIVISION

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SOUTHERN DISTRICT  
OF INDIANA  
LAURA A. BRIGGS  
CLERK

UNITED STATES OF AMERICA, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
STEPHEN SCOTT BROWN, )  
 )  
Defendant. )

Cause No. 1:09-CR- -01- -KPF

**1 : 09 - cr - 0068 WTL - KPF**

INFORMATION

COUNT ONE

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

The United States Attorney charges that:

Beginning in 2004, and continuing through April 2005, in the Southern District of Indiana, and elsewhere, STEPHEN SCOTT BROWN (hereinafter, SCOTT 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, SCOTT BROWN operated as a loan broker for American Funding Solutions, a mortgage brokerage business in Indianapolis, Indiana. For a short period of time in March and April 2005, SCOTT BROWN also brokered mortgage loans thru The MoneyStation, Inc., another mortgage brokerage business in Indianapolis, Indiana. SCOTT BROWN also assisted co-conspirators in funding 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. 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. SCOTT BROWN obtained and provided the down payment

on some 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 SCOTT 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. SCOTT BROWN and other co-conspirators prepared and submitted to the lenders false and fraudulent loan applications along with false supporting documentation for the loans. In submitting the loan applications, SCOTT BROWN knowingly 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). SCOTT BROWN funded the down payments on some of these loans. SCOTT BROWN purchased the down payment checks himself and provided those checks to other co-conspirators, or to the title company in order that the loan closings could occur. SCOTT BROWN received back the amount of the down payment checks, plus the "fee" for providing them, following the loan closings. SCOTT BROWN borrowed the money which he used for the down payments from a friend of his; SCOTT BROWN was not truthful with this individual as to the purpose of his loans, and did not tell his friend that the money he was lending was to be used to "front" down payments in a fraudulent real estate venture.

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. SCOTT BROWN was sometimes contacted by the title company and advised of the amount of down payment money needed to fund a closing. On some occasions, SCOTT BROWN provided the down payment check to the closing agent or to a co-conspirator to take to the closing.

8. SCOTT BROWN and other co-conspirators and investors 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. SCOTT BROWN 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**

SCOTT BROWN and other co-conspirators, known and unknown to the United States Attorney, committed numerous overt acts in furtherance of the conspiracy. Between approximately June 2004 and April 2005, SCOTT BROWN, along with other co-conspirators, committed overt acts in at least forty-three (43) separate transactions, each of which involved co-conspirators falsely obtaining a mortgage loan from Argent Mortgage Company or The MoneyStation, Inc. These lenders disbursed approximately \$6,575,300.00 in fraudulent loan proceeds for the forty-three (43) 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 forty-three (43) 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 thirty-two (32) loans on Attachment 1 relate to the purchase of individual properties. The remaining eleven (11) loans on Attachment 1 relate to the purchase of a group of duplexes in Windsor Village.

Examples of the overt acts committed by SCOTT 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 6)**

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, SCOTT BROWN 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. SCOTT BROWN knew that these statements on the loan application were false. 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 SCOTT BROWN. 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, a co-conspirator obtained an official bank check in the amount of \$43,240.21 for purposes of making the investor's down payment on the property. The check was made payable to a title company in Greenwood, Indiana. A co-conspirator 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.

**2. 4931 N. Park Ave., Indianapolis, Indiana (Attachment 1 - number 23)**

On or about January 18, 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 \$185,000.00. On or about January 25, 2005, SCOTT BROWN submitted a document to a title company requesting

a title search, showing the name of an investor as the purchaser of the property. On or about February 1, 2005, a purchase agreement was prepared showing this co-conspirator was selling the property to another investor for \$320,000.00. In late February 2005, a HUD settlement statement was prepared showing the owner of the property as the seller, and the first investor as the buyer. When the seller saw the sales price on the HUD, the seller refused to close. On or about March 2, 2005, a co-conspirator entered into another agreement with the seller to purchase the property for \$190,000.00. Between March 2 and March 28, 2005, two co-conspirators participated in executing a land contract, purporting to show that the owner (seller) of the property had entered into a land contract with co-conspirators to sell the property for \$274,900.00. The seller's name was forged on this contract and the document was backdated to November 1, 2004.

On or about March 8, 2005, SCOTT BROWN prepared a loan application for the second investor, requesting a loan of \$288,000.00. This loan application contained the following false statements: that the investor was providing the down payment from his checking / savings account; that the investor owned stock in a co-conspirator company which he did not own; that the investor's income was more than he actually made. On or about March 8, 2005, a co-conspirator obtained an inflated appraisal showing that the property was worth \$320,000.00. SCOTT BROWN submitted the fraudulent loan application, appraisal and other fraudulent documentation to Argent Mortgage Company, knowing that the documents contained false statements. In reliance upon those documents, Argent Mortgage Company agreed to and did fund a loan to the investor in the amount of \$288,000.00.

On or about March 28, 2005, SCOTT BROWN withdrew \$36,108.61 from the bank

account of a friend of his and purchased a Fifth Third 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. SCOTT BROWN provided this check to the title company for closing.

On or about March 28, 2005, the loan closing occurred at the title company. On or about that date, the owner (seller) of the property executed a quitclaim deed, transferring the property to a co-conspirator entity. On or about that same date, the co-conspirator entity executed a Special Warranty Deed, transferring the property to the second investor. The co-conspirator entity was shown as the seller on the HUD, and the second investor was shown as the buyer. A co-conspirator was present with the closing agent and signed the loan documents as the seller. The investor had already signed the loan closing documents at a co-conspirator's residence or business in Virginia. Argent Mortgage Company wire transferred \$286,456.17 from their bank account in New York to the title company bank account. The original owner (seller) was paid \$185,804.44 by means of a check from the title company; this amount was shown as a line item payout on the HUD. The co-conspirator, shown as the seller, was paid \$128,834.00 with a title company check, written from the illegal loan proceeds. These fraudulently obtained proceeds were deposited to a co-conspirator bank account and then disbursed to various other co-conspirators, including repayment to SCOTT BROWN for the amount of the down payment check he had obtained plus \$3,000.00.

**3. Windsor Village transactions (Attachment 1 - number 33 thru 43)**

In January, February and March 2005, co-conspirators entered into purchase agreements with an individual who owned one hundred eighty-four (184) duplexes near 21<sup>st</sup> 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, including SCOTT BROWN, 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 (3) 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. These three (3) loans were brokered thru The MoneyStation, which was also a licensed mortgage broker. SCOTT BROWN was introduced to The MoneyStation by a co-conspirator for the purpose of assisting in brokering these loans. SCOTT BROWN provided false information for the loan applications to the MoneyStation, knowing this information to be false. After these first three (3) 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. Four (4) of these loans were brokered by SCOTT BROWN through American Funding Solutions; the other four (4) of these loans were brokered by The MoneyStation with the assistance of SCOTT BROWN. SCOTT BROWN provided, and caused to be provided, to Argent Mortgage Company, false loan applications and other documents, knowing these applications and documents to be false.

After these first eleven (11) Windsor Village loans were closed, SCOTT BROWN stopped processing loans and providing down payments for the co-conspirator entities.

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 these first eleven (11) Windsor Village transactions in 2007, the lowest sales price for the properties was \$8,000.00, and the highest sales price was \$13,500.00.

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. In March and April, 2005, STEPHEN SCOTT BROWN engaged in 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 March 28, 2005, in the Southern District of Indiana, STEPHEN SCOTT 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 March 28, 2005, STEPHEN SCOTT BROWN received a check from a co-conspirator in the amount of \$73,209.03, and caused this check to be negotiated and deposited to a bank account at Fifth Third Bank, said check representing fraudulently obtained proceeds of loans disbursed by Argent Mortgage Company relative to the sale of two (2) properties, to wit: said check representing the return of down payment money for 4908 Carrollton and 4931 N. Park Ave. (Attachment 1 - numbers 22 and 23) (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*

\_\_\_\_\_  
Susan H. Dowd  
Assistant United States Attorney

Subscribed and sworn to before me, a notary public, this 27<sup>th</sup> day of April, 2009.

*David Duffin*  
\_\_\_\_\_  
Notary Public  
My Commission Expires:

*January 21, 2016*

My County of Residence:

*Hancock*  
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