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Operation Stolen Dreams

NORTHERN GEORGIA AMONG LEADERS IN U.S. IN MORTGAGE FRAUD PROSECUTIONS

ATLANTA, GA - The Northern District of Georgia is one of the key participants in the nationwide fraud initiative named "Operation Stolen Dreams," announced earlier today in Washington, D.C. by the United States Department of Justice.

Sally Quillian Yates, United States Attorney for the Northern District of Georgia, said of Operation Stolen Dreams, "This nationwide effort reflects what we've been seeing in our district: mortgage fraud moving as fast as the housing market here in Georgia. The frauds have now taken many different forms, steered by crooked closing attorneys, brokers and appraisers, as well as the straw buyers, straw sellers and everyone in between. With the compression of the housing market, we are also finding and prosecuting "reverse" mortgage fraud and "short sales" fraud using real time enforcement techniques such as sting operations right at the closing tables. We hope to have the kind of impact on the crooks as they have had on our citizens and our neighborhoods."

United States Attorney Yates identified several significant mortgage fraud cases which demonstrate law enforcement's commitment to investigate and prosecute this type of fraud:

- On May 6, 2010, a U.S. Magistrate Judge in Atlanta unsealed a 51-count indictment (returned by a federal grand jury on April 14, 2010), relating to the collapse of "Integrity Bank," a \$1 billion institution that was taken over and liquidated by the Federal Deposit Insurance Corporation in August 2008. In that case, DOUGLAS BALLARD, the former executive vice president and risk management officer, and JOSEPH FOSTER, the chief lending officer, were indicted on several counts of bank fraud, receipt of bribes, securities fraud, and structuring of cash deposits. The indictment also charged the bank's former largest customer, a hotel developer named GUY MITCHELL, with bank fraud and paying bribes. In total, MITCHELL allegedly obtained over \$80 million from Integrity Bank over 3 years, much of which was under false pretenses and the result of bribes, and

nearly all of which remains unpaid. These loans were secured or purportedly secured by various commercial real estate properties and projects, including shopping centers and major hotels around the country. The events underlying this case resulted in the FDIC's foreclosure sale of a major luxury hotel outside of San Francisco, California, the Casa Madrona Hotel and Spa in Sausalito, California. This case remains under investigation.

Ms. Yates noted that other cases prosecuted in this District relate to the failure of Omni National Bank, formerly headquartered in Atlanta, Georgia, with branches in Florida, Alabama, North Carolina, Illinois, Pennsylvania and Texas. Those cases, in court as recently as this week, include the following:

● CHRISTOPHER BERNARD LOVING, 32, of McDonough, Georgia, consented on June 15, 2010 to the filing of a Criminal Information charging him with making false statements to Special Agents of the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) in a mortgage fraud investigation into payment of kickbacks to a former officer of the now-failed Omni National Bank. LOVING's guilty plea hearing is now scheduled for June 24, 2010, before District Judge Jack T. Camp in Newnan, Georgia. LOVING faces a maximum possible sentence of up to 5 years in prison and a fine of up to \$250,000.

1. JEFFERY L. LEVINE, 68, of Atlanta, Georgia, the former head of the Omni Community Redevelopment Lending Department, on January 14, 2010, pleaded guilty to a Criminal Information charging that he caused materially false entries to be made in Omni National Bank's books, records and statements that overvalued properties securing Omni inner city mortgage loans. As agreed in his plea agreement, on March 24, 2010, LEVINE signed an Office of Comptroller of Currency ("OCC") Consent Order for Probation against further participation in banking. He is also cooperating in finding assets for the multi-million dollar expected restitution. LEVINE faces a maximum possible sentence of up to 30 years in prison and a fine of up to \$1,000,000, and is scheduled to be sentenced on August 3, 2010.
2. BRENT MERRIELL, 37, of Atlanta, Georgia, pleaded guilty on March 23, 2010, to making false statements to the FDIC and aggravated identity theft in connection with "short sales" to stolen identities. In these transactions, MERRIELL requested the FDIC to forgive \$2.2 million in 14 delinquent Omni-funded mortgage loans where he and his straw borrowers were facing foreclosure. MERRIELL was caught in a "sting" operation by the Special Inspector General for the Troubled Asset Relief Program ("SIGTARP") and was detained without bond. MERRIELL faces a maximum possible sentence of 30 years in prison and a \$1,000,000 fine for the false statement violation, followed by a mandatory consecutive 2 years in prison and a potential additional \$250,000 fine for aggravated identity theft. MERRIELL is scheduled to be sentenced on August 3, 2010.

3. MARK ANTHONY MCBRIDE, a/k/a “Charles Conley” and “Manuel Evans,” 44, of East Point, Georgia, was sentenced on April 24, 2010, to 16 years and 2 months in prison followed by 5 years supervised release and ordered to pay \$2,187,929 in restitution. MCBRIDE pleaded guilty to mortgage and bankruptcy fraud charges. He fraudulently obtained mortgage loans in stolen identities and unqualified straw borrower names from Omni National Bank and other banks, and filed eight bankruptcy petitions to avoid foreclosure for over five years. He even attended mortgage closings while in the halfway house completing his prison sentence for a prior mortgage fraud conviction, and while on supervised release.
4. DELROY DAVY, 37, of Lithonia, Georgia, pleaded guilty on May 11, 2010, to a Criminal Information charging him with bank fraud and conspiracy in connection with a scheme to fraudulently obtain millions of dollars in mortgage loans for unqualified borrowers from Omni National Bank and other banks, and to pay kickbacks to a Omni National Bank loan officer. He faces a maximum possible sentence of up to 30 years in prison and a fine of up to \$1,000,000 on each count. DAVY is scheduled to be sentenced on August 3, 2010.

The United States Attorney’s Office also prosecuted one of the first purchase money “reverse mortgage” fraud prosecutions in the country; and one of the first prosecutions involving alteration of Multiple Listing Service (MLS) records. Those cases include the following:

1. KELSEY TORREY HULL, 38, and JONATHAN ALFRED KIMPSON, 27, both of Lithonia, Georgia, pleaded guilty on April 8, 2010, in separate cases, to conspiracy to defraud reverse mortgage lenders and the HUD/FHA insurer of loans. HULL pleaded guilty to an additional count of bank fraud and KIMPSON pleaded guilty to an additional count of aggravated identity theft. Both profited from the corruption of an FHA-insured program designed to assist seniors 62 years or older with either cash for equity in their homes (“refi reverses”), or with funds toward the purchase of a home (“purchase money reverses”). HULL and KIMPSON faked down payments, arranged inflated appraisals to create bogus equity of up to \$100,000 in the properties securing these reverse mortgage loans, and diverted the loan proceeds to themselves. KIMPSON used the stolen identities and passwords of realtors to increase Georgia Multiple Listing Service listings and sale prices to support the inflated appraisals, and in order to create the substantial equity required to remain in the properties. Since reverse loans do not have to be repaid by the senior as long as they live in the property, HUD has to recover the loan amount, plus interest, servicing cost and other expenses upon sale of the property when the senior moves out. HULL faces a maximum possible sentence of up to 30 years in prison and a fine of up to \$1,000,000 on each of his two counts. KIMPSON faces a maximum possible sentence of up to 30 years in prison and a fine of up to \$1,000,000 on the conspiracy, followed by a mandatory consecutive 2 years in prison and a possible \$250,000 additional fine for aggravated identity theft. Both are scheduled for sentencing on July 16, 2010.

These cases were investigated by HUD-OIG and the FBI, assisted by the U.S. Secret Service, the U.S. Department of Treasury Financial Crimes Enforcement Network (FINCEN) and the DeKalb County Police Department.

Finally, Ms. Yates noted other recent prosecutions cases involving a former mortgage broker, an appraiser, and a closing attorney:

2. EDWARD WILLIAM FARLEY, 47, of Hoschton, Georgia, a former mortgage broker, was sentenced on May 4, 2010, to 25 years in prison followed by 5 years supervised release and ordered to pay restitution of \$24,131,857. FARLEY pleaded guilty to a Criminal Information charging bank fraud and conspiracy involving mortgage fraud, a \$1.2 million check fraud and bankruptcy fraud. Over one hundred banks, corporate and individual mortgage lenders and title insurers were defrauded through fraudulently inflated property “flips” to unqualified borrowers, and by multiple mortgages being “fully secured” by the same property. FARLEY also diverted a company asset to himself after a bankruptcy petition was filed, and concealed that diversion from the United States Bankruptcy Court.

3. WALTER JULIUS HERMANN, 41, of Dunwoody, Georgia, a former appraiser, was sentenced on May 4, 2010, to 2 years and 9 months in prison followed by 5 years supervised release and ordered to pay restitution of \$2,023,077. HERMANN pleaded guilty to a Criminal Information charging bank fraud in connection with a scheme to overvalue by \$50,000 to \$100,000 some of the properties “flipped” to unqualified borrowers by FARLEY.
4. TRENT EDWARD WRIGHT, 38, of Cumming, Georgia, a former closing attorney, was sentenced on March 12, 2010, to 1 year and 9 months in prison followed by 3 years supervised release and ordered to pay restitution of \$2,409,760. WRIGHT pleaded guilty to a Criminal Information charging him with mail fraud in connection with a scheme to assist FARLEY by issuing title insurance policies when closing new mortgage loans without paying off prior security holders.

To report possible fraud related to reverse mortgages, also known as Home Equity Conversion Mortgages (HECMs), please call the HUD hotline at 1-800-347-3735.

These cases are being investigated by the FBI with the assistance of the HUD-Office of Inspector General (OIG), Postal Inspection Service, FDIC-OIG, and Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the U.S. Secret Service, the U.S. Trustee's Office, the Georgia Department of Banking and Finance, the Gwinnett County Police Department, the Gwinnett County District Attorney's Office, the United States Trustee's Office, the Georgia Appraisal Board, the Georgia Secretary of State and Georgia Department of Banking and Finance.

Assistant United States Attorneys Gale McKenzie and Christopher Bly are prosecuting the cases.

For further information please contact Sally Quillian Yates, United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.usdoj.gov/usao/Georgian.