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**17 DEFENDANTS CHARGED IN SEVEN SEPARATE MORTGAGE FRAUD
CASES AS PART OF NATIONWIDE *OPERATION STOLEN DREAMS***

CHICAGO — Following an announcement today by Attorney General Eric Holder in Washington, D.C., Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, announced the local results of the nationwide initiative, *Operation Stolen Dreams*, which targeted alleged perpetrators of mortgage fraud in the Chicago area and throughout the country and is the largest collective effort ever brought to bear in confronting mortgage fraud.

The operation was organized by the interagency Financial Fraud Enforcement Task Force, which was established to lead an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. Starting on March 1, *Operation Stolen Dreams* has resulted in 1,125 criminal defendants nationwide, including 485 arrests, who are allegedly responsible for more than \$2.3 billion in losses. Additionally, to date the operation has resulted in 191 civil enforcement actions which have resulted in the recovery of more than \$147 million.

“We will use every tool available to investigate, prosecute, and prevent mortgage fraud, and we will not rest until anyone preying on vulnerable American homeowners is brought to justice,” said Attorney General Holder.

Since 2008, approximately 165 defendants have been charged in two dozen cases in U.S. District Court in Chicago and Rockford with engaging in various mortgage fraud schemes involving nearly 1,000 properties and \$259 million in potential losses, signifying the high priority that federal law enforcement officials give mortgage fraud in an effort to deter others from engaging in crimes relating to residential and commercial real estate.

“Mortgage fraud, in all of its various forms, continues to persist as a serious crime that affects financial institutions, investors, and even ordinary citizens simply trying to pursue the American dream of owning their own home. As long as mortgage fraud continues to financially harm the citizens of this district, we will diligently pursue the individuals and businesses who victimize our communities,” Mr. Fitzgerald said.

“Recent years have brought enormous and damaging developments in the mortgage and housing markets with an urgent reliance on the government to bolster unstable marketplaces and devastated communities,” said Kenneth M. Donohue, Inspector General of the Department of Housing and Urban Development. “The HUD OIG, in partnership with other federal agencies, is deeply committed to ensuring that scarce resources are not diverted to those who seek to enrich themselves at the expense of those who so desperately need assistance today.”

Mr. Grant said, “The FBI is continuing its efforts, both here in Chicago and across the country, to protect communities and financial institutions from the effects of mortgage fraud. We will not allow the unbridled greed of real estate professionals and others associated with the housing industry to exploit our financial system for their personal gain and turn once thriving communities into deserted rows of boarded up houses.”

This latest round of local charges resulting from *Operation Stolen Dreams* involved a total of 17 defendants charged in seven separate cases in Federal Court in Chicago. Mr. Fitzgerald announced the charges with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Barry McLaughlin, Special Agent-in-Charge of the U.S. Department of Housing and Urban Development Office of Inspector General in Chicago; and Thomas P. Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago.

The Financial Fraud Enforcement Task Force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit: www.StopFraud.gov.

The seven local cases charge defendants with various counts of bank fraud, mail fraud and wire fraud. Each count of bank fraud, or mail or wire fraud affecting a financial institution, carries a maximum penalty of 30 years in prison and a \$1 million fine, while other counts of mail fraud and wire fraud carry a maximum penalty of 20 years in prison and a \$250,000 fine.

The public is reminded that indictments and criminal informations contain only charges and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

Details of the cases announced today follow:

United States v. Daryl Fernandes, et al. (10 CR 401)

On May 19, federal agents interrupted the closing on an allegedly fraudulent mortgage transaction and arrested five defendants who were each charged with one or more counts of bank fraud in a five-count indictment returned a week before their arrest. The defendants and others allegedly engaged in a scheme from November 2009 through May 2010 to obtain approximately \$887,000 in mortgage loan proceeds by using fraudulently inflated appraisals to sell various properties to a nominee buyer who did not intend to actually make mortgage loan payments or occupy the homes. The investigation overlapped with *Operation Mad House*, a joint FBI-HUD OIG undercover mortgage fraud investigation.

According to the indictment, brothers **Daryl Fernandes**, 45, and **Obrian Fernandes**, 39, both of Chicago, controlled four properties in Chicago, Des Plaines and Homewood that were likely to go into foreclosure. They enlisted the help of **Muhammad Ubaid Chaudhry**, 30, of Palos Hills, to help prepare false loan applications for the nominee purchaser, and **Usama “Sam” Fakhouri**, 47, of Naperville, to arrange for the preparation of falsely inflated appraisals for the properties to support their application for higher mortgage loan amounts. Fakhouri then recruited **Kevin Burns**, 48, of Frankfort, to generate the false appraisals.

In order to complete the fraudulent transfer of the properties, Daryl Fernandes, Obrian Fernandes, and Chaudhry allegedly generated materially false mortgage loan applications, including false employment, asset, and residence information for the nominee buyer. Daryl Fernandes and Obrian Fernandes falsely portrayed themselves as landlords for the nominee buyers in order to fraudulently verify the nominee buyer’s rental residence with the lending institution, the charges allege. Daryl Fernandes and Chaudhry prepared false real estate contracts for the properties that contained the forged signatures of the true owners of the properties. Various other documents, including quit claim deeds and supporting loan documents, were also falsified in order to defraud the lending institutions, the indictment states.

All five defendants have pleaded not guilty and are free on bond. The government is being represented by Assistant U.S. Attorney Sunil R. Harjani.

United States v. Ernest Lee Taylor and Darsha Harrod (10 CR 499)

Ernest Lee Taylor, 48, of Romeoville, and **Darsha Harrod**, 40, of Bolingbrook, were each charged with one or more counts of mail fraud in a four-count indictment returned on June 10. They allegedly engaged in a scheme spanning approximately four years to submit materially false mortgage loan applications and supporting documentation so that Taylor and others could obtain purchase money loans for residential real estate. Harrod was a licensed loan officer and originator who transmitted loan applications and supporting documents to various lenders.

The alleged fraud scheme lasted from July 2004 through August 2008 and involved the sale of at least 19 properties and involved mortgage loans totaling at least \$4 million. As a result of the scheme, lenders incurred losses of approximately \$1.4 million, and the indictment seeks forfeiture of that amount.

Both defendants are scheduled to be arraigned on June 23. The government is represented by AUSA Lisa Noller.

United States v. John Lewis (10 CR 179)

John Lewis, 63, of Maywood, a tax practitioner, was charged with six counts of wire fraud and two counts of obstruction of justice in an indictment returned on March 4. He allegedly schemed to defraud multiple lenders by submitting fraudulent mortgage loan applications and supporting documents between August 2003 and September 2009. Lewis also allegedly obstructed a grand jury investigation of his activities.

The indictment alleges that the total amount of fraudulently obtained mortgage loans was at least \$3.7 million, with actual losses from unpaid loans of approximately \$1 million, and the indictment seeks forfeiture of that amount.

Each count of obstruction of justice carries a maximum penalty of 10 years in prison and a fine of \$250,000, if convicted.

Lewis has pleaded not guilty to the charges and is free on bond. The government is represented by AUSA Noller.

United States v. Bruce Brown, et al. (10 CR 515)

Six defendants were charged with various counts of fraud in a nine-count indictment returned yesterday. The defendants allegedly engaged in a scheme between May 2005 and April 2006 to fraudulently obtain more than \$1.8 million in mortgage loans in connection with the sale of six properties to two nominee purchasers. Five of the properties were located in Chicago and one was in Olympia Fields. The defendants allegedly caused the submission of false loan applications and supporting documentation to various lenders.

Bruce Brown, 41, of Chicago, was the alleged leader of the scheme, while **Brigitte Grose**, 36, of Wheatland, Wyo., and **Mario Moore**, 28, of Burnham, Ill., allegedly participated as the purchasers and/or refinancers of the properties. Loan officer **Walker Smith**, 38, of Richton Park, was a licensed loan originator employed by Allied Home Mortgage in Chicago, who allegedly submitted false loan applications for Grose and Moore in connection with the sale of four properties and the refinancing of one property. Licensed real estate broker **Anne Taylor**, 62, of Flossmoor, was allegedly involved in the fraudulent financing of the Olympia Fields property. **Bernard Sheppard**, 36, of Richton Park, participated in the scheme by submitting a false document in support of a mortgage loan application, according to the indictment.

The total losses allegedly exceeded more than \$1 million and the indictment seeks forfeiture of proceeds in excess of \$900,000.

The defendants will be arraigned at a date yet to be set in U.S. District Court. The government is represented by AUSA Felicia Manno Alesia.

United States v. Catherine Weaver (10 CR 502)

Catherine Weaver, 43, of Schaumburg, a paralegal, was charged with one count of wire fraud in a criminal information filed on June 11. She allegedly schemed to embezzle more than \$800,000 in real estate closing funds from the escrow account of an unnamed law firm in Rolling Meadows where she worked.

Between December 2007 and January 2009, Weaver allegedly directed the disbursement of closing proceeds from a title company to the law firm's escrow account. She entered the title company computer database without permission and manipulated the database so that closing proceeds that should have been transmitted to property lienholders were instead diverted to the escrow account, according to the charges. Once the funds were diverted to the escrow account, Weaver withdrew the funds by writing forged law firm checks made payable to herself. The charges seek forfeiture of \$845,577.

The government is represented by AUSA Stephen A. Kubiowski.

United States v. Timothy Daniel (10 CR 227)

Timothy Daniel, 38, of Evergreen Park, was charged with four counts of wire fraud in an indictment returned on March 23. He allegedly engaged in a form of a scheme commonly known as "rescue fraud," that targeted vulnerable homeowners afraid of losing their residences. Working under the corporate name of Eyes Have Not Seen, Inc. (EHNS), Daniel allegedly persuaded homeowners fearful of losing their properties to foreclosure to sell their homes to a third-party "investor," with the promise that they could live in their homes rent and mortgage free for a year and could later repurchase their residences if they were able to afford it. Daniel caused the submission of false mortgage loan applications and supporting documents to various lenders on behalf of the investors, and in the process obtained more than \$750,000 in mortgage loans based upon false pretenses, according to the indictment.

Daniel was arrested on May 6 and released on bond after pleading not guilty to the charges. The government is represented by AUSA Joel Hammerman.

United States v. Andre Johnson (10 CR 501)

Andre Johnson, 46, of Chicago, was charged with two counts of bank fraud in an information filed on Tuesday. He allegedly submitted false employment verifications on behalf of buyers who eventually obtained approximately \$610,000 in mortgage financing, in connection with purchasing two properties, for which they otherwise would not have qualified.

The information alleges that Johnson falsely represented to a lender that one of the proposed purchasers was a consultant to a law firm that Johnson controlled. Johnson is not a lawyer, does not control a law firm and knew the individual was not a consultant to a law firm, the charges allege.

Johnson will be arraigned at a date yet to be set in U.S. District Court. The government is represented by AUSA Margaret Hickey.

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