

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON**

CR No. 08- 280-Ki

UNITED STATES OF AMERICA

INDICTMENT

v.

MARTY RAY FOLWICK,

UNDER SEAL

Defendant.

**18 U.S.C. § 2
18 U.S.C. § 1343
18 U.S.C. § 1344
18 U.S.C. § 1956**

THE GRAND JURY CHARGES:

INTRODUCTION

At material times:

1. Defendant **MARTY RAY FOLWICK (FOLWICK)**, was a real estate loan officer, working in the District of Oregon and elsewhere.
2. Beginning in about April 2005 and continuing to about April 2007, **FOLWICK**, in the District of Oregon and elsewhere, and with the assistance of others known and unknown to the Grand Jury, recruited individuals to purchase residential real estate with mortgage loans in excess of the true sales price and which were procured through materially false loan applications.
3. Among the material falsehoods that **FOLWICK** included or caused to be included in various residential loan applications were: (1) false income information; (2) false verification of employment; and (3) false statements that the residential home to be purchased would be the buyer's primary residence.
4. The residential loan applications were also materially false because **FOLWICK** omitted or caused to be omitted on the loan applications, described below, the facts that: (1) **FOLWICK** would be receiving a kickback; (2) the cash required of the buyer at closing was supplied by a third party other than the buyer; and (3) the buyer had loan obligations on other residential properties not disclosed in the loan application.

5. To effectuate the material scheme and artifice to defraud lending institutions and to obtain money and property from these lending institutions by means of materially false and fraudulent pretenses, representations and promises (“scheme to defraud”), **FOLWICK** worked as a loan officer for and on behalf of Crown Point Enterprises, d.b.a. Lighthouse Financial Group (“Lighthouse”), a mortgage brokerage company, headquartered in Vancouver, Washington and licensed to do business in Washington, Oregon and Idaho.

6. In or around 2002 and continuing through at least 2007, **FOLWICK** formed and operated MG Investments, which was registered in Oregon first as an assumed business name and then incorporated and registered with the State of Oregon. MG Investments was used by **FOLWICK** to perpetrate the scheme to defraud, in a variety of ways, including (1) concealing kickbacks to **FOLWICK** from the residential sales he engineered; and (2) providing false verifications of employment for straw buyers **FOLWICK** found to buy homes with materially false loan applications.

Counts 1 - 4
931 Gatch Street, Woodburn, Oregon
(Bank Fraud, Wire Fraud, Money Laundering)

7. In 2005, **FOLWICK** recruited Kenneth and Phyllis Cooper to buy a property located at 931 Gatch Street, Woodburn, Oregon for \$390,000.

8. **FOLWICK** represented to the Coopers that he would help them buy properties with mortgages in excess of the true sales price. **FOLWICK** told the Coopers that the borrowed money in excess of the sale price would be invested in the stock market.

9. Beginning in or about October 2005 and continuing through March 2006, **FOLWICK** and others known and unknown to the grand jury, in the District of Oregon and elsewhere, devised a material scheme to defraud SunTrust Mortgage, a subsidiary of SunTrust Bank (SunTrust), the deposits of which were insured by the Federal Deposit Insurance Corporation (FDIC) and to obtain money and property from SunTrust by materially false and fraudulent pretenses, representations and promises as follows.

It was part of the scheme that:

10. On or about October 3, 2005, **FOLWICK**, while acting as a loan officer for Lighthouse and for the purpose of obtaining a loan in excess of the true sales price, caused the Coopers to sign a residential loan application for the purchase of the Gatch Street house.

11. The loan application was materially false in the following respects:

(a) It overstated the monthly income of both Phyllis and Kenneth Cooper;

(b) It failed to disclose that the Coopers had an outstanding mortgage on another property in Oregon; and

(c) It failed to disclose that the mortgage amount was in excess of the true sale price and that **FOLWICK** was to receive a kickback of \$25,000, disguised as a payment to an unrelated third-party, to be funded out of escrow.

12. On or about March 3, 2006, during the closing of the sale of the Gatch Street property to the Coopers, the Coopers presented a check of \$9,426.52, which was necessary to fully fund their obligation to buy the property. This check was funded by or caused to be funded by **FOLWICK**, and the lender was not advised of the material fact that this money came from **FOLWICK**, a loan officer affiliated with Lighthouse, the mortgage brokerage entity presenting the loan to SunTrust, rather than the buyers, the Coopers.

Count 1
Bank Fraud
(18 U.S.C. §§ 2, 1344)

13. Paragraphs 1 - 12 are realleged.

14. On or about January 17, 2006, **FOLWICK**, in the District of Oregon, to knowingly execute or attempt to execute the material scheme to defraud SunTrust, and to obtain money and property from SunTrust by means of materially false and fraudulent pretenses, representations and promises, submitted or caused to be submitted a residential loan application to SunTrust, which was materially false, as described in paragraph 11. As described in paragraph 12, the loan application submitted to SunTrust also failed to disclose that **FOLWICK** and not the buyers would supply the funds necessary to complete the transaction in March 2006; all in violation of 18 U.S.C. §§ 2, 1344.

Counts 2-3
Wire Fraud
(18 U.S.C. §§ 2, 1343)

15. Paragraphs 1 - 12 are realleged.

16. On or about the dates listed below for each count, in the District of Oregon, **FOLWICK**, having devised and intending to devise the material scheme to defraud involving 931 Gatch Street, described above, did knowingly transmit and caused to be transmitted by means of wire, radio and television communication, in interstate commerce, the writings, signs, signals, pictures, and sounds, described below for each count, for the purpose of executing said scheme; all in violation of Title 18, United States Code, Sections 2, 1343.

<u>Count</u>	<u>Date</u>	<u>Interstate Wire</u>
2	03/07/2006	\$313,713.60 - Wire transfer from SunTrust in Atlanta, Georgia to Chicago Title, US Bank, Oregon. (First Mortgage)
3	03/07/2006	\$76,787.25 - Wire transfer from SunTrust in Atlanta, Georgia to Chicago Title, US Bank, Oregon. (Second Mortgage)

Count 4
Money Laundering
(18 U.S.C. §§ 2, 1956(a)(1)(B)(I))

17. Paragraphs 1 - 16 are realleged.

18. On or about March 7, 2006, in the District of Oregon, **FOLWICK**, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, did conduct and attempt to conduct a financial transaction in connection with the closing of the sale of 931 Gatch Street, Woodburn, Oregon, to-wit: by causing and instructing Chicago Title to wire \$25,000 of the sale proceeds of the Gatch Street house from US Bank to Christopher McNealy, at an account at Wells Fargo Bank, which he jointly controlled with **FOLWICK**, knowing that the transaction was designed, in whole or in part, to conceal or disguise the nature, location, ownership and control of the proceeds of specified unlawful

activity, to-wit: bank fraud and wire fraud, as alleged in Counts 1 - 3, which are violations of Title 18, United States Code, Sections 1344 (Count 1) and 1343 (Counts 2, 3); all in violation of Title 18, United States Code, Sections 2, 1956(a)(1)(B)(I).

Counts 5-7
5831 SE Raymond Street, Portland, Oregon
(Wire Fraud, Money Laundering)

Introduction to Counts 5 - 7:

19. Paragraphs 1 - 6 are realleged.

20. In early 2006, **FOLWICK** and others, known and unknown to the grand jury, recruited and caused to be recruited Hsin-Yi Liu and Louie Liu to act as the purchaser of a residential property located at 5831 SE Raymond Street, Portland, Oregon for the sum of \$219,000.

21. While working as a loan officer at Lighthouse, **FOLWICK**, for the purpose of obtaining a loan in excess of the true sales price, caused Hsin-Yi Liu and Louie Liu (the Lius or the Buyers) to submit a residential loan application to Millenium Mortgage on or about April 12, 2006 which was materially false in the following respects:

(a) The application falsely lists Hsin-Yi Liu's employment as a rental manager of MG Investments, the entity formed by and controlled by **FOLWICK**;

(b) The application falsely states that Hsin-Yi Liu had a gross monthly income as \$7,200;

(c) The application falsely states that the buyers intended to use the Raymond Street house as their primary residence when in fact they lived in Lincoln City, Oregon;

(d) The application failed to disclose the material fact that the Buyers' obligation to provide \$8,805.38 at closing was going to be supplied by a third party; and

(e) The application failed to disclose the material fact that the mortgage amount exceeded the true sales price and a \$20,000 kickback from the sale was to be sent at closing to an unrelated third party as a means of disguising the fact that **FOLWICK** would actually receive the kickback.

22. To further the scheme to defraud, on or about April 28, 2006, Millenium performed a verbal verification of employment to MG Investments. **FOLWICK** caused someone at MG Investments to falsely tell Millenium that Hsin-Yi Liu was employed at MG Investments, when in fact she was living in Lincoln City, Oregon.

Count 5-6
Wire Fraud
(18 U.S.C. § 2, 1343)

23. Paragraphs 1-6, 20-22 are realleged.

24. On or about the dates listed below for each count, in the District of Oregon, **FOLWICK**, having devised and intending to devise the material scheme described in paragraphs 20-22 above, did knowingly transmit and caused to be transmitted by means of wire, radio and television communication, in interstate commerce, the writings, signs, signals, pictures and sounds described below for each count, for the purpose of executing said scheme; all in violation of Title 18, United States Code, Sections 2, 1343.

<u>Count</u>	<u>Date</u>	<u>Interstate Wire</u>
5	06/13/2006	\$174,816.56 - Wire transfer from Millenium Mortgage using First Collateral Services in Concord, California to Chicago Title, US Bank, Oregon. (First Mortgage)
6	06/13/2006	\$43,537.20 - Wire transfer from Millenium Mortgage using First Collateral Services in Concord, California to Chicago Title, US Bank, Oregon. (Second Mortgage)

Count 7
Money Laundering
(18 U.S.C. §§ 2, 1956 (a)(1)(B)(I))

25. Paragraphs 20-24 are realleged.

26. On or about June 13, 2006, in the District of Oregon, **FOLWICK**, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, did conduct and attempt to conduct a financial transaction in connection with

the closing of the sale of 5831 SE Raymond Street, Portland, Oregon, to-wit: by causing Chicago Title to issue a \$20,000 check drawn from US Bank from the proceeds of the sale of the Raymond Street house and made payable to Christopher McNealy, knowing that the transaction was designed, in whole or in part, to conceal or disguise the nature, location, ownership and control of the proceeds of specified unlawful activity, to-wit: wire fraud as alleged in Counts 5 and 6, which are violations of Title 18, United States Code, Section 1343; all in violation of Title 18, United States Code, Sections 2, 1956(a)(1)(B)(I).

Counts 8-10
21558 SW Longacre Street, Aloha, Oregon
(Wire Fraud, Money Laundering)

Introduction to Counts 8-10:

27. Paragraphs 1-6 are realleged.

28. In early 2006, **FOLWICK** and others, known and unknown to the grand jury, recruited and caused to be recruited Hsin-Yi Liu and Louie Liu (the Lius or the Buyers) to act as the purchasers of a residential property located at 21558 SW Longacre Street, Aloha, Oregon for \$289,000.

29. While working as a loan officer at Lighthouse, **FOLWICK**, caused Hsin-Yi Liu and Louie Liu to submit a residential loan application to Fremont Investment and Loan in June 2006 which was materially false in the following respects:

- (a) The loan application falsely lists Hsin-Yi's employment as a rental manager for MG Investments;
- (b) The application falsely lists Hsin-Yi's monthly income as \$8,050 from MG Investments;
- (c) The application falsely states that the Longacre property would be the Buyers' primary residence;
- (d) The application fails to state a material fact, namely that the Buyers had mortgages on two other properties;

(e) The application fails to state that two deposits of \$8,074.08 and \$903.55 required to be furnished by the Buyers at closing were, in fact, going to be funded by an unrelated third party; and

(f) The application fails to disclose that the mortgage amount exceeded the true sales price and that at closing \$10,000 would be sent to **FOLWICK** through his nominee, Christopher McNealy.

30. To further the scheme to defraud, on or about June 27, 2006 Fremont Investment telephoned MG Investments, which had been falsely listed as Hsin-Yi Liu's employer, to verify Liu's employment status. **FOLWICK** caused someone at MG Investments to falsely tell Fremont that Hsin-Yi Liu was employed at MG Investments, when in fact she was living in Lincoln City, Oregon.

Counts 8-9
Wire Fraud
(18 U.S.C. §§ 2, 1343)

31. Paragraphs 1-6, 28-30 are realleged.

32. On or about the dates listed below for each count, in the District of Oregon, **FOLWICK**, having devised and intending to devise the material scheme described in paragraphs 28-30 above, did knowingly transmit and caused to be transmitted by means of wire, radio and television communication, in interstate commerce, the writings, signs, signals, pictures and sounds described below for each count, for the purpose of executing said scheme; all in violation of Title 18, United States Code, Sections 2, 1343.

<u>Count</u>	<u>Date</u>	<u>Interstate Wire</u>
8	06/30/2006	\$224,574.71 - Wire transfer from Fremont Investment and Loan in Anaheim, California to Ticor Title, US Bank, Oregon. (First Mortgage)
9	06/30/2006	\$57,482.63 - Wire transfer from Fremont Investment and Loan in Anaheim, California to Ticor Title, US Bank, Oregon. (Second Mortgage)

Count 10
Money Laundering
(18 U.S.C. §§ 2, 1956(a)(1)(B)(I))

33. Paragraphs 27-32 are realleged.

34. On or about June 30, 2006, in the District of Oregon, **FOLWICK**, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, did conduct and attempt to conduct a financial transaction in connection with the closing of the sale of 21588 SW Longacre Street, Aloha, Oregon, to-wit: by causing and instructing Ticor Title to issue a check of \$10,000, from its account at US Bank and from the sale proceeds to Christopher McNealy, which he deposited in his account with Wells Fargo Bank, knowing that the transaction was designed, in whole or in part, to conceal or disguise the nature, location, ownership and control of the proceeds of specified unlawful activity, to-wit: wire fraud as alleged in Counts 8-9, which are a violation of Title 18, United States Code, Section 1343; all in violation of Title 18, United State Code, Sections 2, 1956(a)(1)(B)(I).

Counts 11-13
397 S Settlemeir Avenue, Woodburn, Oregon
(Wire Fraud, Money Laundering)

Introduction to Counts 11-13:

35. Paragraphs 1-6 are realleged.

36. In early 2005, **FOLWICK** recruited Thomas Ehlers to act as the purchaser of a residential property located at 397 S Settlemeir Avenue, Woodburn, Oregon for \$255,000.

37. While working as a loan officer at Lighthouse, **FOLWICK**, for the purpose of obtaining a residential loan in excess of the true sales price, caused Thomas Ehlers to submit a residential loan application to Frontier Investment, d.b.a. Rainland Mortgage Company, that was materially false in the following respects:

(a) The loan application falsely lists the Settlemeir property as his primary residence and includes a false affidavit of occupancy;

(b) The loan application fails to disclose the material fact that Ehlers had a mortgage on another property; and

(c) The loan application fails to disclose the material fact that a \$20,000 kickback to **FOLWICK** was to be paid out of escrow through a wire transfer to Christopher McNealy.

Counts 11-12
Wire Fraud
(18 U.S.C. §§ 2, 1343)

38. Paragraphs 1-6, 36-37 are realleged.

39. On or about the dates listed below for each count, in the District of Oregon, **FOLWICK**, having devised and intended to devise the material scheme described in paragraphs 36-37 above, did knowingly transmit and caused to be transmitted by means of wire, radio and television communication, in interstate commerce, the writings, signs, signals, pictures and sounds described below for each count, for the purpose of executing said scheme; all in violation of Title 18, United States Code, Sections 2, 1343.

<u>Count</u>	<u>Date</u>	<u>Interstate Wire</u>
11	09/08/2005	\$202,318.92 - Wire transfer from Rainland Mortgage using First Collateral Services in Concord, California to Chicago Title, US Bank, Oregon. (First Mortgage)
12	09/08/2005	\$51,124.74 - Wire transfer from Rainland Mortgage using First Collateral Services in Concord, California to Chicago Title, US Bank, Oregon. (Second Mortgage)

Count 13
Money Laundering
(18 U.S.C. §§ 2, 1956(a)(1)(B)(D))

40. Paragraphs 1-6, 36-39 are realleged.

41. On or about September 9, 2005, in the District of Oregon, **FOLWICK**, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, did conduct and attempt to conduct a financial transaction in connection with the closing of the sale of 397 S Settlemeir Avenue, Woodburn, Oregon, to-wit: by causing and

instructing Chicago Title to wire \$20,000 of the sale proceeds of the Settlemeir Avenue house from US Bank to Christopher McNealy, at his account at Wells Fargo Bank, knowing that the transaction was designed, in whole or in part, to conceal or disguise the nature, location, ownership and control of the proceeds of specified unlawful activity, to-wit: wire fraud, as alleged in Counts 11 - 12, which is a violation of Title 18, United States Code, Section 1343; all in violation of Title 18, United States Code, Sections 2, 1956(a)(1)(B)(I).

Counts 14-15
6103 SW Salmon Street, Portland, Oregon
(Wire Fraud, Money Laundering)

42. Paragraphs 1-6 are realleged.

43. In the Fall of 2006, **FOLWICK** recruited Earleen Cohn to purchase a residential property located at 6103 SW Salmon Street, Portland, Oregon for \$640,000.

44. While working as a loan officer, **FOLWICK**, for the purposes of obtaining a loan in excess of the true sales price, caused Earleen Cohn to submit a residential loan application to Fieldstone Mortgage Company on December 28, 2006 which was materially false in the following respects:

(a) The loan application falsely stated that Cohn was employed as Chief Operating Officer of MG Investments;

(b) The application and accompanying affidavit falsely stated that Cohn would occupy the Salmon Street house as her primary residence; and

(c) The application failed to disclose the material fact that a \$60,000 kickback from the sale proceeds would be remitted to **FOLWICK** at closing.

45. In furtherance of the scheme to defraud, on or about January 8, 2007, **FOLWICK** caused MG Investments to transmit by fax to Fieldstone Mortgage a false verification of employment form indicating that Cohn had been employed by MG Investments as Chief Operating Officer since November 1, 2004.

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