

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA : **CRIMINAL NO.** _____

v. : **DATE FILED:** _____

CHRISTOPHER GALLAGHER : **VIOLATIONS:**
: **18 U.S.C. § 1343 (wire fraud – 3 counts)**
: **18 U.S.C. § 7203 (failure to file income tax**
: **returns – 2 counts)**
: **18 U.S.C. § 2 (aiding and abetting)**

INDICTMENT

COUNTS ONE THROUGH THREE

THE GRAND JURY CHARGES THAT:

1. From in or about 1998 through in or about 2003, defendant CHRISTOPHER GALLAGHER was employed as a mortgage broker who managed and supervised the Mortgage Access Center (“MAC”), a mortgage brokerage company located at 112 North 7th Street, Allentown, Pennsylvania.

2. Defendant GALLAGHER’s duties and responsibilities as a mortgage broker included, among other things: a) assisting borrowers who were seeking financing to purchase homes in completing mortgage loan application forms, b) gathering information about a borrower’s income, employment history, assets, and financial obligations, and c) locating a mortgage lending company that would be willing to provide financing for the borrower.

3. Defendant CHRISTOPHER GALLAGHER dealt primarily with a group of buyers known as “subprime” borrowers. “Subprime” borrowers are individuals with damaged credit

who are unable to obtain financing from banks and other finance companies at the lowest market rates, leaving them with few options in the mortgage lending market.

4. Defendant CHRISTOPHER GALLAGHER had an ongoing business relationship with Patrick Balf, charged elsewhere. Balf managed and supervised the Real Estate Center (“TREC”), a real estate company located in the same office building as MAC. Balf made referrals of home buyers to defendant GALLAGHER and MAC to obtain the necessary financing in order to complete the home purchase.

5. Defendant CHRISTOPHER GALLAGHER employed at MAC Donald Stone, charged elsewhere. Stone’s duties included answering phones, having initial contact with clients to obtain financial information, and performing such other duties as directed by defendant GALLAGHER.

6. Defendant CHRISTOPHER GALLAGHER collected financial and other information from potential buyers and compiled it into a loan application package which he sent to mortgage lending companies for review and which he knew contained information the mortgage companies relied upon to determine whether they would provide financing to a particular borrower.

7. Defendant CHRISTOPHER GALLAGHER was required to submit truthful and accurate financial information, employment history and rental history in the loan application package to the mortgage companies.

THE SCHEME

8. From in or about 1998 through in or about September 2003, in Allentown, in the Eastern District of Pennsylvania and elsewhere, defendant

CHRISTOPHER GALLAGHER

devised and intended to devise a scheme to defraud real estate buyers and mortgage lending companies, and to obtain money and property from those persons and entities by false and fraudulent pretenses, representations, and promises.

MANNER AND MEANS

It was part of the scheme that:

9. Defendant CHRISTOPHER GALLAGHER knowingly misrepresented material facts to mortgage lending companies, with the intent to deceive, in the following manner, among others:

- a) falsified mortgage loan documents submitted to mortgage lending companies;
- b) defrauded mortgage lending companies by misrepresenting that unqualified real estate buyers actually qualified for mortgages for which they had applied;
- c) falsified documents relating to the true source of the buyer's down payment;
- d) provided false W-2 forms for loan applicants;
- e) provided false employment documents for loan applicants;
- f) provided false rental verification documents for loan applicants; and
- g) falsely claimed that sellers were providing second mortgages to buyers.

10. Defendant CHRISTOPHER GALLAGHER, together with Donald Stone, prepared and submitted false and fraudulent mortgage loan applications to mortgage lending companies on behalf of home buyers referred to defendant GALLAGHER by Patrick Balf.

11. Defendant CHRISTOPHER GALLAGHER targeted real estate transactions in the fraudulent scheme which involved houses in a limited area of downtown Allentown, Pennsylvania, in which the majority of the buyers were Hispanic. The scheme involved numerous real estate transactions which were valued, in total, at more than \$1,500,000.

12. Defendant CHRISTOPHER GALLAGHER, together with Patrick Balf and Donald Stone, structured numerous real estate transactions to make it falsely appear that the buyers met the lending criteria required by the mortgage lending company, when in fact, as defendant CHRISTOPHER GALLAGHER well knew, they did not.

13. As a result of the fraudulent scheme, defendant CHRISTOPHER GALLAGHER caused many of the borrowers to go into mortgage foreclosures, causing losses to the mortgage lending companies in excess of \$1,000,000.

14. Defendant CHRISTOPHER GALLAGHER, and others, received fees and/or commissions from each of the transactions structured through the fraudulent scheme.

15. On or about each of the dates listed below, in the Eastern District of Pennsylvania and elsewhere, defendant

CHRISTOPHER GALLAGHER,

for the purpose of executing the scheme described above, and aiding and abetting its execution, caused to be transmitted by means of wire communications in interstate commerce the signals

and sounds described below for each count, each transmission constituting a separate count:

COUNT	DATE	DESCRIPTION
1.	June 19, 2002	Wire transfer of funds in the amount of \$43,234 from California to Broadaxe, Pennsylvania regarding property located at 526 W. Liberty Street, Allentown, Pennsylvania
2.	August 1, 2002	Wire transfer of funds in the amount of \$45,826 from New York to Broadaxe, Pennsylvania regarding property located at 746 E. 4th Street, Bethlehem, Pennsylvania
3.	February 28, 2003	Wire transfer of funds in the amount of \$54,785.39 from New York to Broadaxe, Pennsylvania regarding property located at 631 ½ N. 9th Street, Allentown, Pennsylvania

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNTS FOUR AND FIVE

THE GRAND JURY FURTHER CHARGES THAT:

During the calendar years set forth below, in the Eastern District of Pennsylvania,
defendant

CHRISTOPHER GALLAGHER,

a resident of Aldan, Pennsylvania, had and received gross income substantially in excess of the minimum filing requirement, as set forth below, and that by reason of such gross income he was required by law, following the close of each calendar year and on or before April 15 of the following year, to make an income tax return to the Director of the Internal Revenue Service Center, or other proper officer of the United States in the Eastern District of Pennsylvania, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that knowing this, he willfully failed to make an income tax return to the Director of the Internal Revenue Service Center, or to any proper officer of the United States in the Eastern District of Pennsylvania, each failure constituting a separate count:

COUNT	YEAR	GROSS INCOME FILING REQUIREMENT
4.	2001	\$13,400
5.	2002	\$13,850

All in violation of Title 26, United States Code, Section 7203.

A TRUE BILL:

GRAND JURY FOREPERSON

PATRICK L. MEEHAN
UNITED STATES ATTORNEY