

WI x 5

UNITED STATES DISTRICT COURT

EASTERN

DISTRICT OF

MICHIGAN

UNITED STATES OF AMERICA

V.

EDWARD TATE, CRAIG COVERT, RICHARD ALLEN, LOUIS LYNCH, and RICHARD WATTS, DEFENDANTS

(Name and Address of Defendant)

CRIMINAL COMPLAINT

Case: 2:09-mj-30297

Judge: Unassigned,

Filed: 07-07-2009 At ~~08:22 AM~~

CMP: Sealed Matter (jj)

I, the undersigned complainant state that the following is true and correct to the best of my knowledge and belief. On or about 6/9/2008 - Present in Wayne County, in the Eastern District of Michigan defendant(s) did,

(Track Statutory Language of Offense)

- with each other and with other persons known and unknown, did knowingly and willfully conspire, combine, and agree with each other to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses and representations from banks and lending institutions, and for the purpose of executing and attempting to execute the scheme did transmit and cause to be transmitted by means of wire communications in interstate commerce, writings, signs, signals and sounds,

in violation of Title 18 United States Code, Section(s) 1349.

I further state that I am a(n) Special Agent of the FBI and that this complaint is based on the following facts:

I further state that I am a Special Agent, Federal Bureau of Investigation, and that this complaint is based on the following facts, see the attached affidavit, which is continued on the attached sheets and made a part hereof.

Continued on the attached sheet and made a part of this complaint: X Yes [] No

Signature of Complainant (Handwritten: Gregory R. Brown)

Printed Name of Complainant (Gregory R. Brown, Special Agent, FBI-Detroit)

Sworn to before me and signed in my presence,

Date (July 7, 2009)

at (Detroit, Michigan)

Name and Title of Judicial Officer (Virginia M. Morgan, U.S. Magistrate Judge)

Signature of Judicial Officer (Handwritten: Virginia Morgan)

AFFIDAVIT

I, Gregory R. Brown, after being duly sworn, do hereby declare and state:

1. I am a Special Agent with the Federal Bureau of Investigation (hereinafter referred to as FBI) and have been employed as such since April, 2003. I am currently assigned to the Detroit Office of the FBI and my current duties and responsibilities include investigating criminal violations pertaining to mortgage fraud, wire fraud, bank fraud, and mail fraud.

2. The information contained in this Affidavit is based on personal investigation and on information from other witnesses, law enforcement officers and from documents I have reviewed. The information set forth in this Affidavit is for the limited purpose of providing probable cause; this Affidavit, therefore, may not include all of the information collected during this investigation.

Definitions

3. **"Distressed Property"** – Property that is for sale because of foreclosure proceedings, or as a result of an owner who is desperate to sell the property for financial or other reasons.

4. **"Straw Buyer"** – An individual who, willingly or by trick, is enticed to pretend to be a legitimate purchaser of property. These individuals generally have good credit, but not enough income to purchase the property. A mortgage typically is secured with fraudulent documentation and information regarding the straw buyer.

5. **"Short-sale Scheme"** – A type of pre-foreclosure sale in which the lender agrees to sell a property for less than the mortgage owed. In a typical short-sale scheme, the perpetrator instructs an accomplice, also known as a straw buyer, to purchase a property with the intention of defaulting on the loan, in an attempt to persuade the unwitting lender to agree to a short sale. The mortgage is secured with fraudulent documentation and information regarding the straw buyer. After the straw buyer defaults on the mortgage, and prior to the foreclosure sale, the perpetrator negotiates a short-sale with the lender. The lender agrees without knowing that the short-sale was premeditated.

6. **"Property Flipping Scheme"** – Property is purchased, falsely appraised at a higher value, and then quickly sold to a straw buyer. The schemes typically involve one or more of the following: fraudulent appraisals, doctored loan documentation, inflating

buyer income, etc. Kickbacks to buyers, investors, loan brokers, appraisers, and title company employees are common in this scheme.

Overview of Investigation

7. In February 2009, Special Agents of the Detroit-FBI began conducting an investigation into a real estate/mortgage fraud scheme involving properties primarily located along Detroit's riverfront. The investigation began when an individual who had been established by the Detroit-FBI as a cooperating witness ("CW-1"), was introduced to Craig COVERT. COVERT recruited CW-1 to participate in an ongoing mortgage fraud scheme involving himself, Edward TATE and others. CW-1 was recruited to provide straw buyers for the scheme.

8. The investigation initially focused on the distressed properties located within the "Harbortown" luxury condominium development. SMU, LLC ("SMU"), the developer of Harbortown, defaulted on a Bank of America commercial real estate loan which was collateralized by the condominium units. As part of the loan workout plan that was negotiated between SMU and Bank of America, SMU was granted authority to sell the condominiums at a drastically reduced price (i.e. short-sale).

9. The fraud in this case involved, in essence, a combination of a short-sale and property flipping scheme. Based on my review of Bank of America documents and discussions with Bank of America employees, I have learned that on or about December 2007, Edward TATE, owner of Ventura Holding Company ("Ventura")¹, entered into a purchase agreement with SMU to purchase 15 Harbortown condominiums at a short-sale price agreed to by Bank of America. Under this agreement, TATE contracted to purchase each of the 15 units for \$65,000, TATE, with the assistance of other individuals including Craig COVERT, recruited straw buyers who would then purchase the condominium units at an inflated purchase price, thus creating an immediate profit.

10. Generally, the first transaction of each flip involved the purchase of one of the condominium units by a "straw buyer" from Ventura/TATE, despite the fact that Ventura/TATE was not yet the true owner of the unit. TATE and others would assist the straw buyers in applying and obtaining loans using false employment, income and asset

¹State of Michigan Department of Energy, Labor and Economic Growth, Bureau of Corporation Services ("DLEG-BCS") business entity records list Edward TATE as the incorporator and resident agent of Ventura Holding Co. Various other documents related to the real estate transactions described in this Affidavit identify TATE as the president of Ventura Holding Co.

information, as well as by stating a false intention to occupy the property as a primary residence. The loan would then be closed by PURE TITLE AGENCY, formerly known as GENERAL TITLE AGENCY and ABLE TITLE AGENCY, 6960 Orchard Lake Road, Suite 239, West Bloomfield. The title company at this location is known to be connected to TATE, and would close these loans despite the fact that Ventura/TATE was not the true owner of the condominium at the time of closing. Either the same date or immediately thereafter, and unbeknownst to the lenders, the seller proceeds from the first transaction then would be used by Ventura/TATE to purchase the condominium unit from SMU at the short sale price, thus creating a profit which TATE, COVERT, the straw buyers and others involved in the scheme would share. The second transaction of each flip generally closed at Title Connect, LLC.

11. During the course of this investigation, I have obtained and reviewed records obtained from Bank of America in order to identify other suspicious real estate transactions regarding the Harbortown loan workout and the involvement of Edward TATE. I have also reviewed bank records and records from the Wayne County Register of Deeds, as well as internal fraud investigation documents from at least one of the lenders involved. As a result of that review, I have identified several transactions believed to be a part of the above-described scheme:

A. The property located at **250 E. Harbortown Drive #403, Unit 29, Detroit, Michigan** was purchased and sold by Edward TATE/Millennium Corp.² as follows:

- 12/13/07: Edward TATE/Millennium Corp. enters into written agreement with SMU to purchase Unit 29 for \$164,311.
- 6/9/08: RICHARD WATTS purchases Unit 29 from Ventura/TATE for \$295,000. WATTS obtains a \$236,000 loan from CitiMortgage Inc. The closing occurred at General Title West Agency, Inc., 6960 Orchard Lake Road, Suite 239, West Bloomfield, Michigan.
- 6/9/08: CitiMortgage wire transferred \$240,690.72 from the state of Missouri to General Title Agency, Inc., located in West Bloomfield, Michigan.

²State of Michigan Department of Energy, Labor and Economic Growth, Bureau of Corporation Services business entity records list Edward TATE as the president, incorporator and resident agent of Millennium Corporation.

- 6/9/08: General Title Agency wire transferred \$256,662.92 to the bank account of Ventura Holding Co.
- 6/13/08: Edward TATE/Millennium Corporation purchases Unit 29 from SMU for \$163,311. No mortgage listed. The closing occurred at Home Title Connect, LLC located in Bingham Farms, Michigan.
- 6/13/08: Home Title Connect, LLC wire transferred \$136,446.12 to Bank of America in satisfaction of the payoff statement for Unit 29 provided by Bank of America to SMU.

WATT's loan application included the following false information:

- WATTS intended to occupy Unit 29 as his primary residence.
- WATTS had been employed as a Program Coordinator at All Star Room & Board Services of Michigan for 2 ½ years making a monthly income of \$4,833.

The above information is false because:

- During the period of his claimed employment, WATTS was incarcerated and serving a 8 to 15 year prison sentence for a conviction of Homicide. WATTS was not paroled until 5/22/07.
- WATTS also indicated that Unit 16, *infra*, which he purchased 3 weeks after this unit, would be his primary residence.

In April 2009, CitiMortgage foreclosed on Unit 29 due to non-payment. The principal balance is \$244,443.29.

B. The property located at 250 E. Harbortown Drive #302, Unit 16, Detroit, Michigan was purchased and sold by Ventura/TATE as follows:

- 12/20/07: Ventura/TATE enters into written agreement with SMU to purchase Unit 16 for \$65,000.
- 6/30/08: RICHARD WATTS purchases Unit 16 from Ventura/TATE for \$150,000. WATTS obtains a \$127,500 loan through Superior Home Mortgage Corp. and funded by warehouse lender

Countrywide Home loans. The closing occurred at General Title Agency West, Inc., 6960 Orchard Lake Road, Suite 239, West Bloomfield, Michigan.

- 6/30/08: Countrywide Home Loans wire transferred \$123,356.34 from the state of California to General Title Agency, Inc., located in West Bloomfield, Michigan.
- 7/1/08: General Title Agency, Inc. wire transferred \$115,456.49 to the bank account of Ventura Holding Co.
- 7/2/08: Ventura Holding Co. wire transferred \$66,964.22 to Home Title Connect, LLC.
- 7/3/08: Ventura/TATE purchases Unit 16 from SMU for \$65,000. No mortgage listed. The closing occurred at Home Title Connect, LLC. located in Bingham Farms, Michigan.
- 7/3/08: Home Title Connect, LLC wire transferred \$59,800 to Bank of America in satisfaction of the payoff statement for Unit 16 provided by Bank of America to SMU.

WATTS' loan application included the following false information:

- WATTS intended to occupy Unit 16 as his primary residence.
- WATTS had been renting his current residence located at 7545 Hanover, Detroit, Michigan for 2 ½ years.
- WATTS had been employed as a grounds coordinator at All Star Room and Board of Michigan for 6 years making a monthly income of \$5,166.67.

The above information is false because:

- In addition to the fact that WATTS was incarcerated during the period of claimed employment and residence as described above, the employment and salary information differs with the information provided in the loan application for Unit 29, *supra*.

In April 2009, Wells Fargo, who now services the loan, foreclosed on Unit 16 due to non-payment. The principal balance is \$127,395.48.

C. The property located at **250 E. Harbortown Drive #911, Unit 97, Detroit, Michigan** was purchased and sold by Ventura/TATE as follows:

- 12/20/07: Edward TATE/Ventura Holding Company enters into written agreement with SMU to purchase Unit 97 for \$65,000.
- 9/5/08: LOUIS LYNCH purchases Unit 97 from Ventura/TATE for \$190,000. LYNCH obtains a \$161,500 loan from Fifth Third Bank. The closing occurred at Able Title Agency LLC³, 6960 Orchard Lake Road, Suite 239, West Bloomfield, Michigan.
- 9/5/08: Fifth Third Bank wire transferred \$161,250.88 from the state of Ohio to Able Title Agency's bank account located in Michigan.
- 9/5/08: Able Title Agency wire transferred \$169,279.28 to Ventura Holding Co.'s bank account.
- 9/5/08: Ventura Holding Co. wire transferred \$65,000 to Home Title Connect, LLC.
- 9/9/08: Ventura/TATE purchases Unit 97 from SMU for \$65,000. No mortgage listed. The closing occurred at Home Title Connect, LLC located in Bingham Farms, Michigan.
- 9/9/08: Home Title Connect, LLC wire transferred \$59,800 to Bank of America in satisfaction of the payoff statement for Unit 97 provided by Bank of America to SMU.

LYNCH's loan application included the following false information:

³The HUD-1 lists the settlement agent as "Able Title Agency" located at 6960 Orchard Lake Road, Suite 239, West Bloomfield, Michigan. It also lists the same phone number held by General Title Agency and Pure Title Agency. The recorded deed also includes the name "Pure Title." In addition, the HUD-1 is signed by "Marc Danyal" of Able Title Agency. Michigan DLEG-BCS records reveal that "Marc Danyal" is the incorporator and president of Pure Title Agency.

- LYNCH had been renting his current residence located at 18393 Grayfield, Detroit, Michigan for the past 10 years.
- LYNCH had been employed as an assistant director/teacher at First Learning Center East for 11 years making a monthly income of \$6,398.76.

The above information is false because:

- During the period of his claimed employment and time at his current residence LYNCH was incarcerated and serving a 5 to 20 year prison sentence for a conviction of CSC-Assault with Intent to Commit Sexual Penetration. LYNCH was not paroled until 6/3/08.

The mortgage payments are current and the principal balance is \$160,392.53.

D. The property located at **250 E. Harbortown Drive, #411, Unit 37, Detroit, Michigan** was purchased and sold by Ventura/TATE as follows:

- 12/20/07: Ventura/TATE enters into written agreement with SMU to purchase Unit 37 for \$65,000.
- 10/2/08: Richard ALLEN purchases Unit 37 from Ventura/TATE for \$200,000. ALLEN obtains a \$160,000 loan from CitiMortgage. The closing occurred at Pure Title Agency, 6960 Orchard Lake Road, Suite 239, West Bloomfield, Michigan.
- 10/2/08: CitiMortgage wire transferred \$162,260.79 from the state of Missouri to Pure Title Agency's bank account located in the state of Michigan.
- 10/2/08 Pure Title Agency wire transferred \$181,290.97 to the bank account of Ventura Holding Co.
- 10/2/08: Ventura Holding Co. wire transferred \$67,000 to Home Title Connect, LLC.
- 10/2/08 Ventura/TATE purchases Unit 37 from SMU for \$65,000. No mortgage listed. The closing occurred at Home Title Connect, LLC located in Bingham Farms, Michigan.

10/6/08 Home Title Connect, LLC wire transferred \$59,800 to Bank of America in satisfaction of the payoff statement for Unit 37 provided by Bank of America to SMU

ALLEN's loan application included the following false information:

- ALLEN's present address of the past four years was 366 E. Webster Street, Ferndale, Michigan.
- ALLEN was employed during the past 3.6 years as project manager with Global Amalgamation of 20700 Civic Center Drive, in Southfield, Michigan, and made a monthly income of \$11,389.00.
- ALLEN had a checking account with Chase Bank which contained \$61,000.

The above information is false because:

- During the period of his claimed employment and time at his current residence, Richard ALLEN was incarcerated and serving a 25 to 60 year prison sentence for a conviction of homicide, murder in the second degree. ALLEN was not paroled until 6/26/07.
- ALLEN's bank account records which reveal that at no time did ALLEN carry the \$61,000 balance indicated on the loan application.

The mortgage payments are current and the outstanding balance is \$159,032.74.

Undercover Investigation

12. On or about February 20, 2009, CW-1 was introduced to Craig COVERT by a mutually known real estate appraiser, as someone who could provide straw buyers for the scheme described above. Craig COVERT would receive a referral fee from TATE for locating straw buyers to participate in the scheme.

13. On or about February 20, 2009, COVERT introduced CW-1 to TATE. During this meeting, TATE and COVERT outlined their scheme to defraud for the purpose of inducing CW-1 to participate by providing straw buyers. This meeting was consensually videotaped by the Detroit-FBI. During that recorded meeting, TATE and COVERT described the scheme as follows:

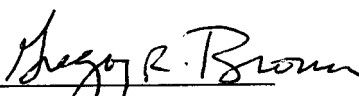
- a. COVERT stated 2 bedroom units could be purchased from Bank of America at the workout price of \$135,000 and then those units could be sold to CW-1's straw buyers for \$280,000, with a loan of \$210,000 or \$220,000 depending on which lender they use.
- b. TATE stated that each straw buyer could acquire two loans; each with a different lender and that both loans could be submitted as "owner occupied."
- c. TATE stated that he would provide the required down payment to the straw buyer.
- d. TATE further stated that the lenders required a signed form 4506 which authorized the lender to obtain the borrower's Federal Tax Returns. According to TATE, if the borrowers did not have tax returns, his accountant could fraudulently create them and file them with the Internal Revenue Service.
- e. COVERT and TATE stated that the loans would close at Pure Title, formerly called General Title. They described TATE as having an "in" with the title company and that it was TATE's title company.
- f. COVERT explained that there is a lot of money to be made from the scheme and described how that profit would be made.

14. During that meeting, and for the purpose of further convincing CW-1 to provide additional straw buyers for the scheme, TATE e-mailed CW-1 the HUD-1 Settlement Statement from the transaction involving Richard ALLEN, described earlier.

15. On or about April 30, 2009, COVERT e-mailed CW-1. Within the e-mail, COVERT stated that TATE and others filed the taxes for the straw buyers and that TATE stated that he (TATE) is confident the loans will close.

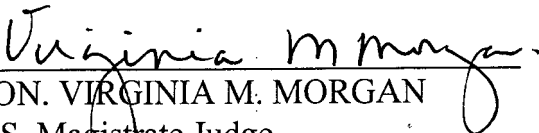
Conclusion

16. Based upon these facts, there is probable cause to believe that Edward TATE, Craig COVERT, Richard ALLEN, Richard WATTS and Louis LYNCH with each other and with other persons known and unknown, did knowingly and willfully conspire, combine, and agree with each other to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses and representations from banks and lending institutions, and for the purpose of executing and attempting to execute the scheme did transmit and cause to be transmitted by means of wire communications in interstate commerce, writings, signs, signals and sounds, in violation of Title 18, United States Code, Section 1349.



Gregory R. Brown
Federal Bureau of Investigation

Subscribed and sworn to before me
this 7 day of July, 2009.



HON. VIRGINIA M. MORGAN
U.S. Magistrate Judge
Eastern Judicial District of Michigan