

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

FILED - GR
July 26, 2012 2:33 PM
TRACEY CORDES, CLERK
U.S. DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
BY: MKC / _____ SCANNED BY: AW, 7-26

UNITED STATES OF AMERICA,

Plaintiff,

vs.

No.

1:12-cr-192

Hon.

**Robert J. Jonker
U.S. District Judge**

ERIC WILLIAMS,
AARON TEACHOUT,
ISAAC MODERT,
MARIO GIANNANDREA,
RICK ARTIBEE,
DENNIS SARE and
NICHOLE BUDA,

Defendants.

INDICTMENT

_____ /

The Grand Jury charges:

COUNT 1
(Conspiracy to Commit Bank Fraud)

Between in or about 2005 and in or about 2007, in Ingham County, in the
Southern Division of the Western District of Michigan and elsewhere,

**ERIC WILLIAMS,
AARON TEACHOUT,
ISAAC MODERT,
MARIO GIANNANDREA,
RICK ARTIBEE,
DENNIS SARE and
NICHOLE BUDA**

did conspire with each other and with others known to the grand jury to commit
offenses against the United States, and members of the conspiracy engaged in actions to
effect the objects of the conspiracy. Specifically, the defendants agreed with others to

commit acts which violated the federal bank fraud statute, 18 U.S.C. § 1344.

OBJECT OF THE CONSPIRACY

The overall goal of the conspiracy was to fraudulently obtain funds from a bank so that they could be used by the coconspirators for their own purposes.

MANNER AND MEANS OF THE CONSPIRACY

The members of the conspiracy worked in the mortgage and real estate industry and knew that when deciding to make a mortgage loan, banks relied upon the borrower's income information and whether the borrower would be living in the home after purchasing it. They were also aware that a lending bank would place emphasis upon how much of a down payment the purchaser would make in connection with the purchase, and from where the down payment originated. Finally, the coconspirators were aware that a lender wished to be advised about how the funds were distributed at the closing of the purchase transaction. The conspirators knew that any documents submitted to a lender would influence the lender in making the decision to lend money.

During 2006 and 2007, the conspirators agreed to defraud mortgage lenders by selecting homes to purchase and inflating their value before applying for funding for the transaction. The conspirators would find a dishonest appraiser to assign an artificially high value to the home, and then find a "straw buyer" to agree to buy the home. The straw buyer would submit loan documents, prepared by members of the conspiracy, containing intentionally false income and asset information to deceive the lender into believing they were a good credit risk. The loan documents would also

falsely indicate that the straw buyer would supply a specified down payment at the loan closing; in fact, this money would be supplied by other members of the conspiracy and would be repaid immediately after the closing from loan proceeds. The loan documents would not disclose that the straw buyer would receive a payment from members of the conspiracy, and would not disclose that a substantial portion of the loan proceeds would be given to members of the conspiracy for their own purposes.

Members of the conspiracy agreed that mortgage payments would be made on behalf of the straw buyers for a short period of time, so that the scheme would not be immediately revealed. This scheme was repeated in connection with approximately 35 mortgage loans and led to losses to lenders of approximately \$1,700,000 when the homes went into foreclosure.

The mortgage loan done in connection with 6486 Wyndham Drive, in West Bloomfield, Michigan ("the West Bloomfield Property") provides an example of how this conspiracy worked in connection with a particular mortgage transaction. In or about July, 2007, the conspirators agreed to defraud a financial institution of funds in connection with the West Bloomfield Property. This residence had been built by Spartan Estate Homes, owned by MARIO GIANNANDREA.

AARON TEACHOUT was introduced to MARIO GIANNANDREA by ERIC WILLIAMS. They agreed that the West Bloomfield Property would be sold and that if GIANNANDREA got approximately \$300,000 out of the sale after paying off his own lender, CDC he would turn over to CDC any other excess funds that could be obtained

from a lender. GIANNANDREA and TEACHOUT agreed that the targeted lender would be told that the sale price was far in excess of that figure, and further agreed that the lender would not be told that GIANNANDREA would be disbursing the excess funds in this manner, as they both knew that such a disclosure would alert the lender that a fraudulent scheme was occurring and cause it to pull out of the transaction.

Washington Mutual Bank ("the Bank"), then insured by the Federal Deposit Insurance Corporation, was the lender induced to fund the transaction. TEACHOUT agreed with NICHOLE BUDA that she would act as the buyer of the home, a practice that she had engaged in prior to this transaction. In exchange, BUDA would get a percentage of the profits realized by the fraud. BUDA had no intention of living at the address and knew she could not afford to repay the mortgage loan. RICK ARTIBEE, a mortgage broker, agreed to supply false income and asset information relating to BUDA, who was not employed, on the loan application to be supplied to the Bank. ARTIBEE also falsely advised the Bank that BUDA intended to live in the residence. BUDA verified that this information was true when she knew it was false.

The Bank was misled by the false information in the mortgage application and approved the loan, subject to the condition that BUDA would supply a down payment of \$161,611. The sales price submitted to the Bank was \$1,575,000, and the Bank made a loan of \$1,429,525 in connection with the transaction. The Bank required BUDA to bring approximately \$161,611 at the closing. This money was supplied at closing, but not by BUDA; it was provided by another member of the conspiracy on condition that it

be repaid immediately after the closing, plus an additional \$36,000.

DENNIS SARE was the closing agent on this transaction, part of which occurred on or about August 15, 2007, at CDC Investments, LLC, 3815 West St. Joseph, in Lansing, Michigan. SARE was aware of the fraudulent nature of the transaction. He issued the funds provided by the Bank at the closing even though he knew that the \$161,611 BUDA presented as her down payment did not come from her, but from another member of the conspiracy. SARE knew that this fact alone would have halted the mortgage transaction if the Bank had been made aware of it, and he knew he was the person responsible for representing the Bank's interests at the closing.

Following the loan closing, on August 22, 2007, GIANNANDREA received the Bank's payment of \$785,199, which represented the inflated sales price, less what GIANNANDREA had borrowed from another bank to build the house. On or about August 22, 2007, TEACHOUT, MODERT, and another member of the conspiracy collected \$469,140 from GIANNANDREA in the form of a check. These funds were further divided among members of the conspiracy: on August 22, 2007, a member of the conspiracy received two checks totaling \$198,937.50; BUDA and TEACHOUT received \$234,332.50, WILLIAMS got \$18,000, and MODERT received approximately \$13,000.

OVERT ACTS

Some of the overt acts engaged in by members of this conspiracy to effect its objects include the following:

1. On or about July 18, 2007, NICHOLE BUDA, AARON TEACHOUT,

MARIO GIANNANDREA and ERIC WILLIAMS completed a Uniform Buy and Sell Contract for 6486 Wyndham Drive, West Bloomfield, Michigan. This document falsely reflected that GIANNANDREA wished to sell the property for \$1,575,000 when in fact he knew he had negotiated a sales price far lower than that.

2. On or about July 23, 2007, an appraisal was ordered for 6486 Wyndham Drive, West Bloomfield, Michigan. An appraiser assigned a value of \$1,575,000 to the home.

3. On or about August 15, 2007, NICHOLE BUDA and RICK ARTIBEE completed a Uniform Residential Loan Application for the purchase of 6486 Wyndham Drive, West Bloomfield, Michigan. This Application falsely stated that BUDA intended to use the real estate as her primary residence. It also falsely reported that BUDA was employed at Intelligent Technology and had been so employed for the three-year period leading up to the application. It further falsely reflected that BUDA earned monthly wages of \$25,000 from her employment. Finally, the Loan Application falsely indicated that BUDA held an account at National City Bank containing \$275,000.

4. On or about August 15, 2007, a Settlement Statement was prepared by DENNIS SARE. The Settlement Statement falsely noted that NICHOLE BUDA had brought \$162,611.44 to the closing to serve as her down payment. It also falsely reflected that GIANNANDREA would receive \$785,870.28, but did not disclose the plan to hand over the majority of this money to members of the conspiracy immediately after the closing.

5. On or about August 22, 2007, DENNIS SARE disbursed \$785,199 to GIANNANDREA.

6. On or about August 22, 2007, GIANNANDREA transferred a check in the amount of \$469,140 payable to AARON TEACHOUT.

7. On or about August 22, 2007, AARON TEACHOUT, ISAAC MODERT and another conspirator drove to the seller's bank, a Fifth Third Bank branch located in downtown Lansing, to cash the check. AARON TEACHOUT cashed the check and purchased three cashier's checks in the amounts of \$162,611.44, \$36,326.06 and \$262,202.50. TEACHOUT kept the remaining funds in cash.

8. On or about August 22, 2007, AARON TEACHOUT gave two checks, in the amounts of \$162,611.44 and \$36,326.06, to a conspirator to repay that individual for supplying NICHOLE BUDA's down payment, and to provide him a profit for doing so.

9. On or about August 23, 2007, AARON TEACHOUT went to a different Fifth Third Bank branch and cashed the cashier's check for \$262,202.50. This was converted into two additional cashier's checks. One, in the approximate amount of \$240,000, was deposited into a joint account held by AARON TEACHOUT and NICHOLE BUDA. The remaining funds were paid out to other members of the conspiracy.

18 U.S.C. § 1349

COUNT 2
(Bank Fraud)

Between in or about July and August, 2007, in the Southern Division of the Western District of Michigan and elsewhere,

ERIC WILLIAMS,
AARON TEACHOUT,
ISAAC MODERT,
MARIO GIANNANDREA,
RICK ARTIBEE,
DENNIS SARE and
NICHOLE BUDA

did knowingly execute a scheme and artifice to defraud a federally-insured financial institution, specifically Washington Mutual Bank, and did aid and abet the scheme.

Specifically, the defendants engaged in a scheme to defraud Washington Mutual Bank by presenting it with a mortgage loan application and other documents falsely indicating that the transaction would represent the sale of a home to a purchaser who was creditworthy and intended to live in the residence and pay off the mortgage loan, by a seller who negotiated the sale price at arms length and intended to keep the proceeds for his own purposes. In fact, the seller intended to split the proceeds of the loan with the buyer and those assisting her, and she was neither truthful about her creditworthiness nor intended to live in the home, nor intended to pay off the mortgage loan.

Washington Mutual Bank was misled by this fraudulent scheme and made a loan in the amount of \$1,429,551.56.

18 U.S.C. § 1344(1)
18 U.S.C. § 2

COUNT 3
(Money Laundering)

On or about August 22, 2007, in the Southern Division of the Western District of Michigan,

MARIO GIANNANDREA

did conduct a financial transaction, knowing that the property involved in it represented the proceeds of unlawful activity and when the property in fact represented the proceeds of bank fraud, with the intent to promote the carrying on of bank fraud. Specifically, on August 22, 2007, the defendant received a wire transfer in the amount of \$785,199 from Washington Mutual Bank as a result of his participation in the fraudulent scheme alleged in Counts 1 and 2 of this Indictment, incorporated here by reference. This payment was wired into a Fifth Third Bank account the defendant had opened shortly before the fraud occurred. On the same day, the defendant wrote a check to AARON TEACHOUT in the amount of \$469,140 from that same Fifth Third account as he had agreed to do at the beginning of the scheme. At the time the defendant wrote this check, he knew it represented proceeds of specified unlawful activity and it was in fact the proceeds of bank fraud.

18 U.S.C. § 1956(a)(1)(A)(i)

COUNT 4
(Money Laundering)

On or about September 27, 2007, in the Southern Division of the Western District of Michigan,

NICHOLE BUDA

did conduct a financial transaction, knowing that the property involved in it represented the proceeds of specified unlawful activity and when the property in fact represented the proceeds of bank fraud, with the intent to promote the carrying on of bank fraud. Specifically, BUDA wrote a check in the amount of \$2,256.55 on Dart Bank account 541249 to Sarah Naven, so that Naven could use those funds to make a mortgage payment on a property purchased through the fraudulent scheme described in Count 1 of this Indictment, incorporated here by reference. At the time she wrote the check, BUDA knew that the funds in Dart Bank account 541249 came from the bank fraud scheme alleged in Count 2 of this Indictment, incorporated here by reference.

18 U.S.C. § 1956(a)(1)(A)(I)

FORFEITURE ALLEGATION
(Conspiracy to Commit Bank Fraud)

The allegations contained in Count 1 of this Indictment are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c).

Upon conviction of the violation of 18 U.S.C. § 1349 set forth in Count 1 of the Indictment, the defendants,

**ERIC WILLIAMS,
AARON TEACHOUT,
ISAAC MODERT,
MARIO GIANNANDREA,
RICK ARTIBEE,
DENNIS SARE and
NICHOLE BUDA,**

shall forfeit to the United States of America, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the offense. The property to be forfeited includes, but is not limited to, the following:

1. MONEY JUDGMENT: Pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), a sum of money equal to at least \$1,700,000, which constitutes or is derived from proceeds obtained, directly, or indirectly, as a result of the offense charged in Count 1 of the Indictment.

2. SUBSTITUTE ASSETS: Pursuant to 21 U.S.C. § 853(p) as incorporated by 28 U.S.C. § 2461(c), the United States shall be entitled to forfeiture of substitute property up to the value of the above-forfeitable property if, by any act or omission of the

defendants, the above-forfeitable property, or any portion thereof,

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided

without difficulty.

18 U.S.C. § 981(a)(1)(C)

21 U.S.C. § 853(p)

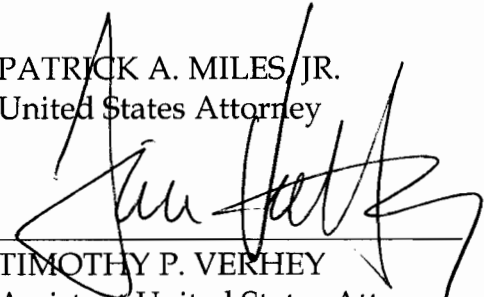
28 U.S.C. § 2461(c)

18 U.S.C. § 1349

A TRUE BILL


GRAND JURY FOREPERSON

PATRICK A. MILES JR.
United States Attorney


TIMOTHY P. VERHEY
Assistant United States Attorney


RONALD M. STELLA
Assistant United States Attorney