

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

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PETER OPPENEER
CLERK US DIST COURT
WD OF WI

UNITED STATES OF AMERICA

INFORMATION

v.

Case No. _____

P. EDWIN GRAY,

18 U.S.C. § 371

Defendant.

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES:

1. From on or about March 16, 2006, to on or about April 21, 2006, in the Western District of Wisconsin, and elsewhere, the defendants,

P. EDWIN GRAY,

knowingly conspired with Mortgage Broker A, and other persons known and unknown, to knowingly make false statements for the purpose of influencing the action of Washington Mutual Bank (WAMU), an institution the deposits of which were then insured by the Federal Deposit Insurance Corporation, in connection with residential loan applications, Forms 1003, in violation of Title 18, United States Code, Section 1014.

Parties, Persons and Entities

2. At all times material to this conspiracy:

a. "Mortgage Broker A" was the President, CEO, and owner of a mortgage company in Madison, Wisconsin.

b. P. EDWIN GRAY (GRAY) was a small business bookkeeper operating in the area of Madison, Wisconsin who held himself out as a certified public accountant though his license was no longer in effect during time material to this conspiracy.

c. Mortgage Broker A's mortgage company was engaged in the business of brokering commercial and residential loans. Mortgage Broker A's mortgage company's employees included loan officers who brokered loans for potential borrowers, loan processors who assembled the loan documents and files for closings, and telemarketers who solicited potential borrowers for commercial loans, home purchase loans, and refinance loans. Its offices were located in Madison, Wisconsin.

d. Washington Mutual Bank (WAMU) was an institution the deposits of which were insured by the Federal Deposit Insurance Corporation. WAMU was in the business of funding residential mortgage loans secured by real estate. The funding of these loans was dependent and conditioned upon borrowers, through their representatives, providing true and accurate information, which met the underwriting standards of the WAMU. WAMU, through its subsidiary, Long Beach Mortgage Company, funded subprime mortgages. Subprime mortgages are loans to individuals who have unfavorable credit histories, high debt-to-income ratios, or other issues that make it difficult for the borrower to obtain mortgages through traditional channels.

e. Long Beach Mortgage Company (Long Beach) was a subsidiary of WAMU, and was in the business of originating, purchasing, and selling subprime

residential mortgages and home equity loans. Long Beach worked through a nation wide network of independent loan brokers who presented potential borrowers to Long Beach. Long Beach then sold its loans into the secondary market but retained the rights to service the loan.

f. Among the types of mortgages it processed for WAMU, Long Beach processed "full document loans" or "full doc loans." These loans required the borrower to truthfully state their income and assets. In addition, the borrower was required to provide documentation -- like tax returns and bank statements -- to support their claimed income and assets. Borrowers qualified for the loans based upon their credit score, downpayment amount, and debt-to-income ratio.

g. Long Beach also processed "stated income loans" for WAMU. These loans required the borrower to truthfully state their income and assets. However, the borrower was not required to provide documentation -- like tax returns and bank statements -- to support the numbers. Borrowers also qualified for stated income loans based upon their credit score, downpayment amount, and debt-to-income ratio.

h. An individual, known here as Borrower A, purchased a single family residence located at 5579 Kupfer Road, Westport, Wisconsin, on April 12, 2006, for \$1,186,100. In order to purchase the home, Borrower A obtained a first mortgage for \$948,880, and a second mortgage for \$237,220, both from WAMU through Long Beach.

Manner and Means

3. The manner and means by which the conspiracy was sought to be

accomplished included, among other things, the following:

a. It was a part of the conspiracy that Mortgage Broker A submitted false and fraudulent loan documentation to lenders for borrowers to obtain financing for the purchase of residences or refinancing of residences.

b. It was a further part of the conspiracy that GRAY, holding himself out as a Certified Public Accountant, provided false income and tax documentation on borrowers to Mortgage Broker A, in order to facilitate the loan documentation and allow the borrower to obtain financing for the purchase of residences or refinancing of residences.


Overt Acts

4. In furtherance of the conspiracy and to accomplish its objectives, the following overt acts were committed in the Western District of Wisconsin, and elsewhere:

a. On or about April 7, 2006, GRAY sent a fax to Mortgage Broker A containing a fraudulent 2005 W-2 for Borrower A which contained false yearly income for Borrower A to enable him to qualify for the purchase of the residence at 5579 Kupfer Road, Westport, Wisconsin.

(All in violation of Title 18, United States Code, Section 371).

July 13, 2012
Date



JOHN W. VAUDREUIL
United States Attorney