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PRESS RELEASE

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Nine Sentenced in Multi-Million Dollar Mortgage Fraud Scheme -Scam Involved 45 Properties and \$16 Million in Mortgage Loans-

WASHINGTON – Nine individuals have been sentenced on federal charges stemming from a mortgage fraud scheme involving 45 properties and \$16 million in mortgage loans used for the purchase of residential real estate in the District of Columbia and Maryland.

The sentences were announced today by Acting U.S. Attorney Vincent H. Cohen, Jr.; Olga Acevedo, Special Agent in Charge of the Mid-Atlantic Region, Office of the Inspector General, Federal Housing Finance Agency; Cary Rubenstein, Special Agent in Charge of the Mid-Atlantic Region of the Office of the Inspector General of the U.S. Department of Housing and Urban Development (HUD-OIG); and Andrew G. McCabe, Assistant Director in Charge of the FBI's Washington Field Office.

The sentences, the most recent of which took place today, occurred before the Honorable Reggie B. Walton of the U.S. District Court for the District of Columbia. Defendants include:

Edward Dacy, 77, of West Melbourne, Fla. He was sentenced on Aug. 6, 2015 to six years in prison. Dacy was found guilty by a jury of 10 counts of conspiracy, bank fraud, and mail fraud. Upon completion of his prison term, Dacy will be placed on three years of supervised release. In addition, Judge Walton ordered that he pay \$2,730,345 in restitution and an identical amount as a forfeiture money judgment.

Frank Davis, Jr., 49, of Washington, D.C. He was sentenced on Aug. 7, 2015 to five years in prison for conspiracy to commit bank fraud. Upon completion of his prison term, Davis will be placed on three years of supervised release. Judge Walton also ordered that Davis pay \$2,730,345 in restitution and an amount of \$2,296,463 as a forfeiture money judgment;

Frederick Robinson, Sr., 52, of Montgomery, Ala. He was sentenced on July 31, 2015 to 27 months in prison for conspiracy to commit bank fraud. Upon completion of his prison term, Robinson will be placed on three years of supervised release. Robinson also was ordered to pay \$925,311 in restitution and an amount of \$971,900 as a forfeiture money judgment.

Lonnie Johnson, 47, of Greensboro, N.C. He was sentenced on July 15, 2015 to one year and one day in prison for conspiracy to commit bank fraud. Upon completion of his prison term, Johnson will be placed on three years of supervised release. In addition, Judge Walton ordered that he pay \$277,000 in restitution.

Cheryl E. Morrison, 54, of West Melbourne, Fla. She was sentenced on Aug. 5, 2015 to five years of probation for conspiracy to commit mail fraud; she was required to serve 90 days of that time in home detention. She also must pay \$42,600 in restitution;

Howard Tutman, III, 54, of Woodstock, Md. He was sentenced on Aug. 4, 2015 to five years of probation for conspiracy to commit bank fraud; he was required to serve 20 weekends in jail. In addition, Judge Walton ordered Tutman to pay \$484,370 in restitution and \$606,414 in forfeiture;

Pauline Pilate, 50, of Washington, D.C. She was sentenced on July 16, 2015 to three years of probation for conspiracy to commit bank fraud; she was required to serve eight weekends in jail. In addition, Judge Walton ordered that she pay \$1 million in restitution and an identical amount as a forfeiture money judgment;

A. Conrad Austin, 49, of Bowie, Md. He was sentenced on May 15, 2015 to five years of probation for conspiracy to commit bank fraud, mail fraud, and wire fraud; he was required to serve four weekends in jail. In addition, Judge Walton ordered that he pay \$5,001 in restitution and an identical amount as a forfeiture money judgment.

Anthony Young, 47, of Clinton, Md. He was sentenced today to five years of probation for conspiracy to commit bank fraud; he is required to serve eight weekends in jail. In addition, Judge Walton ordered that he pay \$300,600 in restitution.

Today's sentencing concludes a three-year investigation relating to this mortgage fraud scheme involving the defrauding of banks, mortgage lenders, and the Federal Housing Administration, part of U.S. Department of Housing and Urban Development, of money by obtaining mortgage loans on residential real estate properties through false loan applications and documents and fraudulent settlements. These actions ultimately caused a loss to the banks, lenders, and FHA when mortgages were not paid. Some of the fraudulently-obtained mortgage loans were later resold in the secondary mortgage market to Freddie Mac and Fannie Mae.

"In this case, a group of greedy individuals teamed up with a real estate agent, a certified public accountant, employees of a settlement company, and others to carry out a far-reaching scheme that caused millions of dollars in losses to banks and other lending institutions," said Acting U.S. Attorney Cohen. "These defendants took money that could have been used to help

honest, hard-working people attain the dream of home ownership. They used straw buyers and falsified documents to carry out their long-running fraud. The prosecution in this case demonstrates our resolve to aggressively deal with those who engage in mortgage fraud at the expense of the entire community.”

“This was a multi-tiered scheme with multiple individuals playing a role, and every single one of them underestimated the ability and commitment of law enforcement to protect innocent victims and ultimately the taxpayers from mortgage fraud schemes,” said Special Agent in Charge Acevedo. “We are proud to be a part of the multi-agency effort to hold accountable those who engage in mortgage and bank fraud. FHFA-OIG will continue to carry out this work until all are held accountable.”

“This sentencing was the result of outstanding investigative work conducted by the HUD OIG, and our law enforcement partners,” said Special Agent in Charge Rubenstein. “This collaborative effort sends a clear message that we will commit the necessary resources to make sure that the fraudsters are brought to justice and are prosecuted to the full extent of the law.”

“Even though this \$16 million mortgage fraud conspiracy targeted lenders, banks, and the Federal Housing Administration, the result of these criminal actions hurts our entire community,” said Assistant Director in Charge McCabe. “The FBI will continue to work with our law enforcement partners to ensure that these criminal schemes do not go unpunished.”

Davis and Robinson purchased properties in the names of general partnerships; Davis and Robinson then recruited individuals, or straw buyers, to re-purchase these same properties for higher amounts, funded by fraudulently obtained mortgage loans, by promising the buyers that they would not be required to: make financial contributions toward the purchase of the properties; pay the monthly mortgage payments or expenses; or maintain the properties. These mortgage loans were obtained by fraudulent statements and documents, including false loan applications and real estate contracts, phony cashier’s checks and verifications from banks, fabricated tax returns, and letters from a Certified Public Accountant.

Davis recruited Young, who assisted with recruiting other straw buyers; Pilate, who obtained her real estate license in order to create real estate sales contracts for the straw buyers, and Johnson, a bank employee who assisted in creating false verifications of deposits. In order to obtain mortgage loans in the names of some of the straw buyers, Robinson recruited Austin, a Certified Public Accountant (CPA), to create false CPA letters, inflated tax returns, and unjustified financial statements. Tutman was the loan officer on 14 loans or loan attempts, and knew that the borrowers were merely straw buyers for Davis and Robinson and the loan applications contained inflated salaries.

Morrison worked at the settlement company with Dacy, her husband. The settlement company received the funding from the mortgage lender and should have collected the buyers’ cash contributions; it was under the obligation to disburse the loan money only if all of the mortgage lender’s conditions were met and the buyer’s financial contributions collected. Morrison and Dacy handled the straw buyers’ settlement of the properties, with knowledge that the straw buyers did not pay the cash contribution as required by the lenders.

In announcing the sentences, Acting U.S. Attorney Cohen, Special Agent in Charge Acevedo, Special Agent in Charge Rubenstein, and Assistant Director in Charge McCabe expressed appreciation for the work performed by the Special Agents and analysts from the Offices of Inspector General of the Federal Housing Finance Agency and Department of Housing and Urban Development and the FBI, who investigated the case. They also expressed appreciation for the work of the U.S. Secret Service and the Offices of Inspector General of the Central Intelligence Agency, the Department of Justice, and Department of Homeland Security, which assisted in the investigation. They acknowledged the efforts of those working on the case from the U.S. Attorney's Office for the District of Columbia, including Paralegal Specialists Ida Anbarian, Donna Galindo, Corinne Kleinman, Kristy Penny, Tasha Harris, and Heather Sales, former Paralegal Specialist Sarah Reis, and Assistant U.S. Attorneys Anthony Saler, Thomas Swanton, and Arvind K. Lal, who assisted with forfeiture issues. Finally, they commended the work of Assistant U.S. Attorneys Virginia Cheatham and David A. Last, who tried the case against Edward Dacy and handled the plea negotiations with Conrad Austin, and Virginia Cheatham who prosecuted the case.

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