

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
 :
 v. : Criminal No.
 :
 BARRY FAUNTLEROY, a/k/a : 18 U.S.C. §§ 371, 1001,
 "Christopher B. Fauntleroy," : 1343, and 2
 and DEVON BOWIE :

I N D I C T M E N T

The Grand Jury in and for the District of New Jersey,
sitting in Newark, charges:

COUNT ONE
Conspiracy

1. At all times relevant to this Indictment:

a. Defendant BARRY FAUNTLEROY resided in Mendham,
New Jersey, and was a real estate investor who bought and sold
real property. He was the President of EON Institute Inc.
("EON"), a real estate holding company, and controlled a bank
account in the name of Neighborhood Holdings, LLC. Both EON and
Neighborhood Holdings, LLC had the same mailing address as
FAUNTLEROY's Mendham home.

b. Defendant DEVON BOWIE was the president of Neighborhood Mortgage Bankers Company ("Neighborhood Mortgage"), which maintained an office in Elmsford, New York. In addition, he controlled a bank account in the name of Urban Renaissance.

c. Neighborhood Mortgage was a corporation in the business of making mortgage loans for residential properties. Neighborhood Mortgage was authorized by the United States Department of Housing & Urban Development ("HUD") to make mortgage loans, subject to HUD regulations, that were insured under the Federal Housing Administration ("FHA") program.

d. A.A., an unindicted co-conspirator, was a loan processor for Neighborhood Mortgage. As a loan processor, A.A. processed loan applications for prospective purchaser-borrowers ("Borrowers"). Among other things, A.A. verified Borrowers' incomes and their creditworthiness.

e. S.L.M., an unindicted co-conspirator, was a certified mortgage underwriter for Neighborhood Mortgage. As a mortgage underwriter, S.L.M. had authority to approve or reject loan applications made to Neighborhood Mortgage, based upon, among other things, the putative Borrowers' income, their creditworthiness, and the terms of the real property transactions that the loans would finance.

f. Garden State Searches, Inc., ("Garden State Searches") located in Pennsauken, New Jersey, was a corporation in the business of providing real estate title insurance, and also served as a mortgage settlement agent.

g. N.M., an unindicted co-conspirator, was the President of Garden State Searches. N.M. approved and provided title insurance policies for certain mortgages issued by Neighborhood Mortgage, and also acted as the mortgage settlement agent for mortgages issued by Neighborhood Mortgage.

h. Port Abstract, Inc., ("Port Abstract") located in Garden City, New York, was a corporation in the business of providing real estate title insurance, and also served as a mortgage settlement agent.

i. P.P., an unindicted co-conspirator, was the President of Port Abstract. P.P. approved and provided title insurance policies for certain mortgages issued by Neighborhood Mortgage, and also acted as the mortgage settlement agent for mortgages issued by Neighborhood Mortgage.

j. S.M., an unindicted co-conspirator, was an attorney licensed to practice law in the State of New York. S.M. maintained offices in East Orange, New Jersey and New York, New York. As a real estate closing attorney, S.M. conducted closings

for properties located in New Jersey which were financed through loans issued by Neighborhood Mortgage.

k. K.M., an unindicted co-conspirator, was a contractor and real estate investor in New Jersey. K.M. located residential real estate properties, primarily in the Essex County, New Jersey, that were in need of major repair and sold them to prospective buyers. K.M. directed prospective buyers, for the homes K.M. was selling, to use Neighborhood Mortgage when obtaining a loan.

The Lending Process

2. After locating a property to purchase, a Borrower typically applied for a mortgage loan. Mortgage loans were offered by, among others, lenders whose accounts were insured by HUD, such as Neighborhood Mortgage.

3. Lenders typically reviewed the loan application and related documents and information about the Borrower and the property in order to reach a decision regarding whether a given loan should be made, and under what terms, which was all part of a process called underwriting.

4. Among other factors generally considered in the underwriting decision were the Borrower's ability to repay the loan, as evidenced by the income, assets and liabilities of the

Borrower, and the Borrower's payment responsibility, as evidenced by his or her credit history.

5. In assessing the Borrower's ability to repay the loan, a lender typically relied upon, among other things, the amount of money the Borrower was able to place in an escrow account, such account often being maintained by an attorney involved in the process of closing the loan, the amount of money the Borrower paid at closing to close the transaction, and the Borrower's income and liabilities.

6. Following the approval of the loan application in the form of the issuance of a loan commitment, the funds were transferred to the title company acting as settlement agent on the property, or the escrow or trust account of the attorney participating in the closing of title on the property, to be disbursed at closing.

7. In connection with the closing of title on the property, the settlement agent or closing attorney typically prepared various documents, including, among others, a mortgage, deed, and a HUD-1 Uniform Settlement Statement (the "Settlement Statement").

8. The Settlement Statement contained all of the material terms of the transaction, including, among others, the sale price of the property, the Borrower's down payment and money

brought to closing, and disbursements made by the title company or closing attorney to the various parties, including the seller and the real estate and mortgage broker.

FHA-Insured Loans

9. HUD was an agency of the United States.

10. The Federal Housing Administration ("FHA") was a mortgage insurance program administered by HUD. Generally, the FHA mortgage loan insurance program was designed to assist low and moderate income borrowers by lowering the costs of mortgage loans they obtained to purchase their homes and by encouraging lenders to make mortgage loans to borrowers who might not have been able to meet conventional loan underwriting requirements. The insurance program protected lenders against loan defaults by guaranteeing payment in the event that the borrower failed to make loan payments.

11. Compared to conventional loans, FHA-insured loans usually had the advantage of lowering downpayment requirements, limiting mortgage company fees, and the option to include various closing costs in the loan amount.

12. To facilitate the making of FHA-insured loans, certain mortgage companies specifically approved by HUD were authorized to act as agents for HUD by reviewing and approving FHA-insured loans themselves, all through the Direct Endorsement ("DE") program.

13. The mortgage companies approved by the DE program (the "DE mortgage companies") were responsible for determining

whether a proposed mortgage loan was eligible for insurance by, among other things, evaluating the borrower's income and available assets and evaluating an appraisal of the property. If after conducting such review, the DE mortgage company was satisfied that the FHA's loan program criteria had been met, it would approve the loan for FHA insurance and disburse the loan monies at a closing.

14. Typically within sixty days (60) following the loan closing, the DE mortgage company was required to send a mortgage loan package for insurance endorsement to a HUD Home Ownership Center. The package generally included, among other things, the loan application; employment and income information relating to the borrower; documents attesting to the provision by a third party of a gift of money to the Borrower to be applied toward the purchase of the home; a property appraisal; copies of the mortgage and note; and a certification from the DE company's underwriter that HUD's underwriting criteria had been satisfied.

15. Following receipt of the mortgage loan package and a review by HUD of the information in the package, HUD would, if appropriate, endorse the loan for insurance by issuing a mortgage insurance certificate. In doing so, HUD and the FHA would rely on the accuracy and honesty of the documents included in the mortgage loan package and in the loan underwriting and processing performed by the DE mortgage company.

16. If a borrower defaulted on an FHA-insured mortgage loan, the lender or other institution holding the mortgage note was required to make reasonable attempts to collect outstanding mortgage payments. If these attempts failed, the lender or institution would begin foreclosure proceedings on the subject property, file a claim with HUD, and later convey the property to HUD. HUD would reimburse the lender or institution for the unpaid mortgage amount. Additionally, HUD would be responsible for paying the holding costs associated with the property, such as property taxes, protection fees, and attorney's fees, until HUD could resell the property.

The Conspiracy

17. From at least in or about June 1999, through in or about July 2001, in Essex County, in the District of New Jersey and elsewhere, defendants

BARRY FAUNTLEROY, a/k/a "Christopher B. Fauntleroy," and DEVON BOWIE

did knowingly and willfully conspire and agree with each other and with A.A., S.L.M., N.M., P.P., S.M., K.M., and others to make materially false, fictitious and fraudulent statements and representations in matters within the jurisdiction of the executive branch of the United States, namely the Department of Housing and Urban Development, contrary to Title 18, United States Code, Section 1001, in the form of falsified loan applications and supporting documents which were submitted to the FHA, and which related to loans insured by the FHA.

The Object of the Conspiracy

18. It was the principal object of the conspiracy to fraudulently induce FHA to insure certain mortgage loans made by Neighborhood Mortgage to unqualified Borrowers, enabling defendants BARRY FAUNTLEROY, DEVON BOWIE and their co-conspirators to earn profits from the sales of properties financed by such fraudulently induced loans.

Means and Methods of the Conspiracy

19. It was part of the conspiracy that defendants FAUNTLEROY, BOWIE and others solicited and recruited individuals with relatively low income to buy homes in Essex County, New Jersey and elsewhere (the "Borrowers") with the promise, among others, that the Borrowers could buy homes with little or no money down.

20. It was a further part of the conspiracy that defendants FAUNTLEROY, BOWIE and others located dilapidated properties in Essex County, New Jersey and elsewhere, that were available for sale (the "Property" or "Properties").

21. It was a further part of the conspiracy that defendants FAUNTLEROY, BOWIE and others showed the Borrowers the Properties, represented to the Borrowers that FAUNTLEROY, BOWIE and others owned the Properties, would significantly renovate and otherwise improve the Properties, and sell the Properties to the Borrowers at an agreed upon price, which represented the fair market value of the Properties in the significantly improved condition (the "Contract Price").

22. It was a further part of the conspiracy that defendants FAUNTLEROY, BOWIE, co-conspirators A.A., S.L.M., K.M., S.M., and others arranged for the Borrowers to purchase the Properties by assisting the Borrowers in obtaining FHA-insured loans through Neighborhood Mortgage in the amount of the Contract

Price, by submitting a loan application and supporting documents that were materially false, fictitious and fraudulent and by approving loan applications knowing that they contained materially false, fictitious and fraudulent documents and information.

23. It was a further part of the conspiracy that among the documents so created and submitted were false and fictitious bank statements, leases, IRS Forms W-2, verifications of past mortgage payments, pay stubs, attorney escrow letters, gift letters, verification of employment, real property appraisals and deposit checks (the "Fabricated Loan Documents").

24. It was a further part of the conspiracy that co-conspirators N.M., P.P., and others performed the function of Title Insurance Agent. In that role, N.M., P.P., and others provided title insurance in the sale of the Properties to the Borrowers, where Neighborhood Mortgage intended to issue the loans.

25. It was a further part of the conspiracy that co-conspirators N.M., P.P., S.M. and others would function as settlement agents. As settlement agents, N.M., P.P., S.M. and others would complete Settlement Statements and misrepresent, among other things, the Borrowers' downpayment monies and to whom the monies were actually disbursed.

26. It was a further part of the conspiracy that defendants FAUNTLEROY, BOWIE and others purchased the Properties at a reduced price, at times using the proceeds from FHA-insured loans obtained by the Borrower, and re-sold the Properties to the Borrowers at the Contract Price, having done little or no work to renovate or otherwise improve the Properties.

27. It was a further part of the conspiracy that defendant BOWIE and others obtained money by charging the Borrowers high "origination" and "discount" fees when the Borrowers secured a loan with Neighborhood Mortgage.

28. It was a further part of the conspiracy that defendants FAUNTLEROY, BOWIE and others obtained money by directing the proceeds from the sale of a Property to a Borrower to be transferred to bank accounts controlled by FAUNTLEROY and BOWIE, including Neighborhood Holdings, EON and Urban Renaissance, and to individuals with whom FAUNTLEROY and BOWIE maintained a personal relationship.

29. It was a further part of the conspiracy that defendants FAUNTLEROY, BOWIE and others, submitted and caused to be submitted mortgage loan packages containing Fraudulent Loan Documents to HUD for FHA-insurance endorsement.

OVERT ACTS

30. In furtherance of the conspiracy and to effect its object, defendants FAUNTLEROY and BOWIE committed, and caused to be committed, the following overt acts in the District of New Jersey and elsewhere:

31. On or about July 9, 1999, EON sold 624 Springdale Avenue, East Orange, New Jersey to Borrower B.R. for \$140,000.

32. On or about October 19, 1999, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower B.R.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 624 Springdale Avenue, East Orange, New Jersey.

33. On or about April 27, 2000, EON sold 820 Hunterdon Avenue, Newark, New Jersey to Borrower S.G. for \$145,000.

34. On or about June 6, 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower S.G.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 820 Hunterdon Avenue, Newark, New Jersey.

35. On or about May 26, 2000, EON sold 165 Hillside Avenue, Hillside, New Jersey to Borrower H.C. for \$140,000.

36. On or about July 12, 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower H.C.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 165 Hillside Avenue, Hillside, New Jersey.

37. On or about June 5, 2000, EON sold 97-99 Chestnut Avenue, Irvington, New Jersey to Borrower S.W. for \$134,900.

38. In or about August 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower S.w.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 97-99 Chestnut Avenue, Irvington, New Jersey.

39. On or about June 22, 2000, K.M. sold 228 Glenwood Ave., East Orange, New Jersey to Borrower C.B. for \$146,000.

40. In or about July 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower C.B.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 228 Glenwood Ave., East Orange, New Jersey.

41. On or about June 23, 2000, EON sold 31 Cedar Avenue, Newark, New Jersey to Borrower T.M. for \$150,000.

42. On or about July 17, 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower T.M.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 31 Cedar Avenue, Newark, New Jersey.

43. On or about July 6, 2000, EON sold 102 Howard Street Irvington, New Jersey to Borrower A.M. for \$145,000.

44. In or about October 11, 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower A.M.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be submitted to HUD, for FHA-insurance endorsement, for the purchase of 102 Howard Street Irvington, New Jersey.

45. On or about July 25, 2000, EON sold 1222 9th Avenue, Neptune, New Jersey to Borrower T.W. for \$125,000.

46. On or about August 25, 2000, Defendants FAUNTLEROY, BOWIE and co-conspirator S.L.M. caused Borrower T.W.'s mortgage loan package, containing materially false, fictitious and fraudulent documents and information, to be

submitted to HUD, for FHA-insurance endorsement, for the purchase of 1222 9th Avenue, Neptune, New Jersey.

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

COUNTS TWO THROUGH FOUR
False Statements

1. The allegations contained in paragraphs 1 through 16 and 18 through 46 of Count One of this Indictment are realleged as if set forth at length herein.

2. On or about the dates set forth below, in the District of New Jersey, and elsewhere, defendants

BARRY FAUNTLEROY a/k/a "Christopher B. Fautleroy," and DEVON BOWIE,

in a matter within the jurisdiction of the executive branch of the United States, namely the Department of Housing and Urban Development, knowingly and willfully made and caused to be made, materially false, fraudulent, and fictitious statements and representations to HUD, which statements are described below:

<u>COUNT</u>	<u>APROX. DATE</u>	<u>FALSE STATEMENT</u>
2	06/05/2000	False HUD-1 Uniform Settlement Statement #352-4025153 for the property located at 97-99 Chestnut Ave., Irvington, NJ, indicating that S.W. placed \$4,050 in escrow and gave approximately \$9,300 to Seller.

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|---|------------|---|
| 3 | 06/22/2000 | False HUD-1 Uniform Settlement Statement #352-4063899 for the property located at 228 Glenwood Ave., East Orange, NJ, indicating that C.B. placed \$4,380 in escrow and gave approximately \$9,500 to Seller. |
| 4 | 07/06/2000 | False HUD-1 Uniform Settlement Statement #352-4085309 for the property located at 102 Howard St., Irvington, NJ, indicating that A.M. placed \$4,350 in escrow and gave approximately \$10,600 to Seller. |

All in violation of Title 18, United States Code, Sections 1001 and 2.

COUNTS FIVE THROUGH SEVEN

Wire Fraud

1. The allegations contained in paragraphs 1 through 16 and 18 through 46 of Count One of this Indictment are realleged as if set forth at length herein.

2. On or about the dates set forth below, for the purpose of executing the above-described scheme and artifice to defraud and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, in the District of New Jersey, and elsewhere, defendants

BARRY FAUNTLEROY a/k/a "Christopher B. Fautleroy," and DEVON BOWIE,

knowingly and willfully transmitted and caused to be transmitted by means of wire communication in interstate commerce writings, signs, and signals, which transmissions are described below:

<u>Count</u>	<u>Approx. Date</u>	<u>Use of Interstate Wires</u>
5	06/5/2000	Wire transfer of funds from Neighborhood Mortgage Bank (New York) to Garden State Searches (New Jersey) for purchase of the property located at 97-99 Chestnut Ave., Irvington, NJ
6	06/22/2000	Wire transfer of funds from Neighborhood Mortgage Bank (New York) to Garden State Searches (New Jersey) for purchase of the property located at 228 Glenwood Ave., East Orange, NJ

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07/06/2000

Wire transfer of funds from
Neighborhood Mortgage Bank (New
York) to Garden State Searches (New
Jersey) for purchase of the
property located at 102 Howard St.,
Irvington, NJ

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

A TRUE BILL

FOREPERSON

CHRISTOPHER J. CHRISTIE
United States Attorney