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PRESS RELEASE

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Two Men Indicted in Multi-Million Dollar Mortgage Fraud Scheme **Defendants Allegedly Part of Larger Fraud Against Banks and Lenders** **Using Washington, D.C.-Area Real Estate**

WASHINGTON –Edward Dacy, 76, of West Melbourne, Fla., and A. Conrad Austin, 49, of Bowie, Md., have been indicted on conspiracy, bank fraud, and other federal charges stemming from a multi-million dollar mortgage fraud scheme in which they are accused of assisting their co-conspirators to defraud banks and mortgage lenders through the purchase of residential real estate in the District of Columbia and Maryland.

The indictment, unsealed today in the U.S. District Court for the District of Columbia, was announced by U.S. Attorney Ronald C. Machen Jr.; Michael P. Tompkins, Special Agent in Charge, Washington Field Office, Department of Justice Office of the Inspector General; Valerie Parlave, Assistant Director in Charge of the FBI's Washington Field Office; Kathy A. Michalko, Special Agent in Charge, Washington Field Office, U.S. Secret Service; Cary Rubenstein, Special Agent in Charge, Mid-Atlantic Region, Office of the Inspector General of the U.S. Department of Housing and Urban Development (HUD); John Roth, Inspector General of the Department of Homeland Security (DHS), and Michael P. Stephens, Acting Inspector General for the Federal Housing Finance Agency Office of Inspector General.

Dacy and Austin, who were arrested today, were named in a 19-count indictment charging them with conspiracy, bank fraud, wire fraud, and mail fraud. Dacy is charged with all 19 counts; Austin is charged with conspiracy, one of the five bank fraud counts, all of the nine wire fraud counts, and two of the four mail fraud counts. The indictment also includes forfeiture allegations seeking all proceeds that can be traced to the scheme.

The government also announces the following seven guilty pleas, all of which occurred before the Honorable Reggie B. Walton in the U.S. District Court for the District of Columbia:

Frank Davis, Jr., 49, of Washington, D.C., pled guilty on April 30, 2014 to conspiracy to commit bank fraud. The plea carries a potential sentencing guideline term of imprisonment of 51 to 63 months, \$2,296,463 in restitution, supervised release, fines and forfeiture.

Lonnie Johnson, 47, of Greensboro, N.C., pled guilty on May 2, 2013 to conspiracy to commit bank fraud. The plea carries a potential sentencing guideline term of imprisonment of 18 to 24 months, \$375,000 in restitution, supervised release, and fines.

Cheryl E. Morrison, 54, of West Melbourne, Fla., pled guilty on Sept. 25, 2013, to conspiracy to commit mail fraud. The plea carries a potential sentencing guideline term of imprisonment of 10 to 16 months, \$42,600 in restitution, supervised release, fines and forfeiture.

Pauline Pilate, 50, of Washington, D.C., pled guilty on July 3, 2014 to conspiracy to commit bank fraud. The plea carries a potential sentencing guideline term of imprisonment of 18 to 37 months, at least \$341,070 in restitution, supervised release, fines and forfeiture.

Frederick Robinson, Sr., 52, of Montgomery, Ala., pled guilty on April 23, 2014, to conspiracy to commit bank fraud. The plea carries a potential sentencing guideline term of imprisonment of 37 to 46 months, \$971,900 in restitution, supervised release, fines and forfeiture.

Howard Tutman, III, 54, of Woodstock, Md., pled guilty on July 2, 2014 to conspiracy to commit bank fraud. The plea carries a potential sentencing guideline term of imprisonment of 24 to 37 months, \$606,414 in restitution, supervised release, fines and forfeiture.

Anthony Young, 47, of Clinton, Md., pled guilty on Jan. 30, 2013 to conspiracy to commit bank fraud. The plea carries a potential sentencing guideline term of imprisonment of 27 to 33 months, \$378,118 in restitution, supervised release, and fines.

According to the indictment, Dacy and Austin defrauded banks, mortgage lenders, and the Federal Housing Administration, "FHA," (part of U.S. Department of Housing and Urban Development) of money by assisting others to obtain mortgage loans on residential real estate properties through false loan applications and documents and fraudulent settlements, ultimately causing a loss to the banks, lenders, and FHA when mortgages were not paid.

The indictment states that co-conspirators Frank Davis, Jr., and Frederick Robinson, Sr. purchased properties in the names of general partnerships; Davis and Robinson would then recruit individuals 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. The straw buyers were used to purchase a

number of properties; the indictment lists 15 transactions seeking or obtaining in excess of \$4.3 million in mortgage loans.

Furthermore, according to the indictment, Austin is a Certified Public Accountant (“CPA”) licensed in the State of Maryland. CPAs are licensed by an authorizing state or District of Columbia agencies, and may prepare tax returns and other financial documents. CPAs are required periodically to attest that they had received continuing ethical training to maintain their CPA license. Mortgage lenders often give deference to documents prepared by CPAs based on the stringent standards required of CPAs to provide accurate analysis supported by detailed documentation. In order to obtain mortgage loans in the names of some of the straw buyers, Robinson recruited Austin to create false CPA letters, inflated tax returns, and unjustified financial statements.

The indictment further alleges that Dacy was an agent for a settlement company, which would receive the funding from the mortgage lender and the buyer’s cash contribution and would be under the obligation to disburse the money only if all of the mortgage lender’s conditions were met and the buyer’s financial contribution collected. Only then would the settlement company be authorized to release the lender’s money, and pay the costs of the closing, the debts of the property or seller, and any other authorized expenses as set forth on the Settlement Statement. According to the indictment, 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.

An indictment is merely a formal charge that a defendant has committed a violation of criminal laws and every defendant is presumed innocent until, and unless, proven guilty.

In announcing the charges, U.S. Attorney Machen, Special Agent in Charge Tompkins, Assistant Director in Charge Parlave, Special Agent in Charge Michalko, Special Agent in Charge Rubenstein, Inspector General Roth, and Acting Inspector General Stephens expressed appreciation for the work performed by Special Agents and analysts from the FBI, U.S. Secret Service, and the Offices of Inspector General of Department of Homeland Security, Department of Justice, Department of Housing and Urban Development, and Federal Housing Finance Agency. They also acknowledged the efforts of those who are working on the case from the U.S. Attorney’s Office, including Paralegal Specialists Donna Galindo, Corinne Kleinman, and Kristy Penny, Assistant U.S. Attorneys Anthony Saler and Arvind K. Lal, and Assistant U.S. Attorney Virginia Cheatham, who is prosecuting the case.

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