

# Department of Justice

U.S. Attorney's Office

Western District of Oklahoma

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FOR IMMEDIATE RELEASE

Thursday June 4, 2020

## **Former President of First Mortgage Company Charged with 24 Counts of Financial Fraud**

OKLAHOMA CITY – Yesterday, a federal grand jury returned a 24-Count Indictment charging Ronald J. McCord, 69, of Oklahoma City, Oklahoma, with defrauding two locally-based banks, Fannie Mae, and others, announced Timothy J. Downing, United States Attorney for the Western District of Oklahoma. The charges include bank fraud, money laundering, and making a false statement to a financial institution.

McCord was the former President of First Mortgage Company, LLC ("FMC"), an Oklahoma City-based mortgage lending and loan servicing company. The Indictment alleges a broad range of fraudulent conduct spanning approximately three years.

McCord is charged in Counts 1 through 7 with defrauding Spirit Bank ("Spirit") and Citizens State Bank ("Citizens")—two state-chartered financial institutions—as well as their respective residential mortgage subsidiaries, American Southwest Mortgage Corporation ("Mortgage Corp.") and American Southwest Mortgage Funding Corporation ("Funding Corp."). According to the Indictment, in approximately June 2016, an independent audit discovered that McCord had sold more than \$14,100,000.00 in Spirit/Mortgage Corp. and Citizens/Funding Corp. loans "out of trust" by failing to repay Spirit/Mortgage Corp. when certain Spirit/Mortgage Corp.-initiated loans were refinanced or otherwise paid off. At the time of this discovery, FMC carried outstanding balances of about \$200,000,000.00 and \$140,000,000.00 on the Spirit/Mortgage Corp. and Citizens/Funding Corp. lines of credit, respectively.

According to the Indictment, this discovery prompted further internal review. An internal audit revealed that McCord had misappropriated additional Spirit/Mortgage Corp. and Citizens/Funding Corp. loans by: (1) using FMC's warehouse line of credit with (i.e., obtaining mortgage loans from) Spirit/Mortgage Corp. or Citizens/Funding Corp., selling those Spirit/Mortgage Corp. or Citizens/Funding Corp. loans to Fannie Mae, then resubmitting the loan documents to Spirit/Mortgage Corp. or Citizens/Funding Corp. to receive additional money from the Spirit/Mortgage Corp. or Citizens/Funding Corp. line of credit; (2) using FMC's warehouse line of credit with Spirit/Mortgage Corp. or Citizens/Funding Corp. to refinance the resulting loans without repaying Spirit/Mortgage Corp. or Citizens/Funding Corp. the originally loaned funds; (3) using FMC's Spirit/Mortgage Corp. or Citizens/Funding Corp. line of credit to fund mortgages to borrowers, receiving payments from those borrowers, but never repaying Spirit/Mortgage Corp. or Citizens/Funding Corp.; (4) obtaining funds from Spirit/Mortgage Corp. or Citizens/Funding Corp. for loans that never closed, then failing to return the funds to Spirit/Mortgage Corp. or Citizens/Funding Corp.; and (5) using FMC's warehouse lines of credit with Spirit/Mortgage Corp. and Citizens/Funding Corp. to "double fund" loans by obtaining funds from both financial institutions to fund the same loans. The Indictment alleges that McCord's actions involved Spirit/Mortgage Corp. and Citizens/Funding Corp. loans that totaled approximately \$40,000,000.00, in addition to the more than \$14,100,000.00 in Spirit/Mortgage and Citizens/Funding Corp. loans that McCord had sold out of trust.

The Indictment further alleges that, upon learning of McCord's conduct, Spirit/Mortgage Corp. and Citizens/Funding Corp. terminated future warehouse lending to FMC, and instituted new notification requirements that required McCord to assign FMC-funded mortgages to Spirit/Mortgage Corp. and Citizens/Funding Corp., to ensure that the title companies handling those mortgages sent payoffs directly to the banks. Though McCord filed the assignments as required, his employees contacted the title companies handling the mortgages and directed payments to FMC, not Spirit/Mortgage Corp. and Citizens/Funding Corp. McCord continued to collect loan payoffs without repaying Spirit/Mortgage Corp. and Citizens/Funding Corp. He then signed releases on the assigned mortgages after receiving the

payoffs, subjecting the properties to potential foreclosure should Spirit/Mortgage Corp. or Citizens/Funding Corp. try to collect payments on the mortgages, to which they held title.

According to Count 8 of the Indictment, Spirit/Mortgage Corp. and Citizens/Funding Corp.'s refusal to fund new FMC mortgages prompted McCord to seek out a new warehouse lender. In early 2017, McCord began negotiating with CapLOC, LLC, a North Carolina-based mortgage lending business, and offered to sell FMC's mortgage lending business in exchange for quick funding from CapLOC. In the course of those negotiations, McCord made false statements and representations to obtain CapLOC funds. McCord then used the money to repay Spirit/Mortgage Corp. part of his outstanding \$40,000,000.00 debt.

Finally, the Indictment alleges that, in 2017, FMC serviced approximately 12,000 loans worth a total of approximately \$1,800,000,000.00 for the Federal National Mortgage Association ("Fannie Mae"). Counts 9 through 24 of the Indictment allege that McCord defrauded Fannie Mae by diverting escrow monies intended to pay homeowners' taxes, insurance, principal, and interest, to cover FMC's operating expenses. As a result, McCord bounced checks to more than sixty taxing authorities, and borrowers throughout the Oklahoma City area and elsewhere missed making their tax payments. The Indictment further alleges that McCord laundered the stolen escrow monies by using the funds to write himself checks, pay more than half the purchase price of his son's \$900,000.00 Oklahoma City home, and build a custom vacation home in Colorado.

With regard to the bank fraud and false statement to a financial institution charges in the Indictment, McCord faces up to 30 years in prison and a fine of up to \$1,000,000.00 on each count. He also faces up to 10 years in prison and a \$250,000 .00 fine on to each of the money laundering counts. Furthermore, the Indictment seeks forfeiture from McCord in the amount of the proceeds of the fraudulent schemes and in the amount of the property involved in the offenses.

This case is the result of an investigation by the Federal Housing Finance Agency Office of the Inspector General, Federal Deposit Insurance Corporation Office of Inspector General, and the Federal Bureau of Investigation Oklahoma City Field Office. It is being prosecuted by Assistant U.S. Attorney Julia E. Barry.

Reference is made to the Indictment and other public filings for further information. An indictment is only a charge and is not evidence of guilt. A defendant is presumed innocent and is entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt. To download a photo of U.S. Attorney Downing, [click here](#).

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**Topic(s):**  
Financial Fraud

**Component(s):**  
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