



U.S. Department of Justice

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Event: Felony Criminal Complaints

Defendant: Edward Tate et al

SEVEN CHARGED IN TWO SEPARATE MORTGAGE FRAUD SCHEMES

Terrence Berg, United States Attorney for the Eastern District of Michigan, announced today the unsealing of felony criminal complaints in two separate mortgage fraud investigations. The first complaint alleges that Edward Tate, Craig Wright Covert, Richard Anthony Allen, Richard Ruben Watts, and Louis Anderson Lynch conspired to commit wire fraud. The second complaint alleges that Rodney Dumas and Derek Walker conspired to commit the federal crime of bank fraud.

Mr. Berg was joined in the announcement by Andrew G. Arena, Special Agent in Charge, Federal Bureau of Investigation, Detroit Field Office, Special Agent in Charge Maurice Aouate, Internal Revenue Service, Criminal Investigation and Inspector in Charge Joseph Pirone, U.S. Postal Inspection Service.

Harbortown Condominiums

According to the complaint, in February 2009, Special Agents of the Detroit-FBI began conducting an investigation into a real estate/mortgage fraud scheme involving properties primarily located in the Harbortown Condominium development located along the Detroit River. This scheme, orchestrated by Edward Tate, 27, of Detroit, Michigan, involved a real estate developer who defaulted on a commercial real estate loan that was granted to it by Bank of America. The acquired loan was collateralized by the luxury condominiums located in the Harbortown development. As part of a workout plan that was negotiated by and between the developer and Bank of America, the developer was granted authority to sell the condominiums under the guise of a "short-sale" or at a drastically reduced price. The scheme to defraud, Tate purchased some of the condominium units from the developer at a short-sale price. With the assistance of Tate and others, loans were obtained for unqualified straw buyers based on false loan applications. Richard Anthony Allen, 42, of Belleville, Michigan, Richard Ruben Watts, 40, of Detroit, Michigan and Louis Anderson Lynch, 57, of Detroit, Michigan were three such straw buyers. Each are convicted felons for crimes such as murder and attempted rape who were in prison during the time period of employment and residency claimed on each of their loan applications. Craig Wright Covert, 33, of Dearborn, Michigan was one of the individuals Tate paid to recruit straw buyers in furtherance of this scheme. All five individuals were arrested today. In addition to the arrests, a federal search warrant was executed at Pure Title Agency, LLC, now located in Farmington Hills, Michigan. Thus far, the fraud exceeds over \$1,000,000.

This case is being investigated by agents of the Federal Bureau of Investigation and Internal Revenue Service, Criminal Investigation Division, and is being prosecuted by Assistant United States Attorney Frances Lee Carlson.

Rodney Dumas and Derek Walker

On July 7, 2009, a criminal complaint was filed in the Eastern District of Michigan alleging Rodney Dumas, 39, of Farmington Hills, Michigan, a mortgage broker, and Derek Walker, 30 of Oxford, Michigan, president of Fidelity Funding, conspired to obtain fraudulent mortgages by "flipping" properties. Other members of this conspiracy have already been indicted in *United States v. Pierre Greene, et al.*, Criminal Case 2:08 20362, pending before the Honorable Gerald E. Rosen.

The conspirators used a mortgage fraud scheme commonly known as "flipping." In this scheme, Rodney Dumas (or other conspirators) would buy a run-down property, or a property in foreclosure, for a very low price; often, the properties were completely uninhabitable. Dumas might purchase the property in his own name, or in the name of a company he has established for that purpose, CMB Investments. As quickly as possible, Dumas would resell the property. He would obtain a fraudulent appraisal of the property that grossly inflates its value. He would then pay an individual with a good credit rating willing to act as a "straw buyer," obtaining a mortgage on the property in the amount of the falsely inflated appraisal and then letting it go into default. If necessary, Dumas and his co-conspirators would supply false employment and bank account documents, and even create false Federal Income Tax Returns, to support the mortgage application of the straw buyer and to persuade the lending institution that the buyer would be able to re-pay the mortgage loan. On occasion, Derek Walker paid underwriters and others whose job it was to review the mortgage applications to "look the other way" and ignore irregularities. Relying on the series of false representations, the banks approved the mortgages and paid the conspirators the inflated value of the property at closing. Dumas, Walker and their co-conspirators, usually including the straw buyer, would then divide the proceeds of the fraud and the mortgages went into default. The banks were left with significant losses and nearly worthless collateral.

To date, losses attributed to this mortgage fraud conspiracy total over \$2,500,000. This case was investigated by the Detroit Metro Mortgage Fraud Task Force, led by the FBI and the U.S. Postal Inspection Service, and is being prosecuted by Assistant United States Attorney Cynthia Oberg.

United States Attorney Terrence Berg stated, "Mortgage fraud has many victims and a host of negative consequences for our community. These cases are good examples of how we will continue ramping up our efforts to investigate and prosecute this damaging crime."

Special Agent Andrew G. Arena stated, "Mortgage fraud continues to have significant consequences on the Michigan economy. We no longer can wait for mortgage fraud to come to law enforcement after the crime has occurred. Today, through the efforts of several agencies and financial institutions attached to the Task Force, mortgage fraud is being fought from the front, as the Task Force aggressively works to stop mortgage fraud before the loan funds and before someone's property is stolen out from underneath them. The message we are sending today is if you are currently engaged in mortgage fraud, the person sitting across the table from you at closing could be an undercover FBI agent."

Maurice Aaoute, Special Agent in Charge of IRS Criminal Investigation said, "These types of crimes create a significant loss of tax revenue, drive buyers into foreclosure, leave lenders burdened with bad loans and neighborhoods with abandoned and deteriorating properties. IRS CI is committed to pursuing individuals who create such havoc."

The Detroit Mortgage Fraud Task Force will continue to set up and use new proactive methods to combat Michigan's mortgage fraud in order to get out in front of the problem and to disrupt and dismantle mortgage fraud rings currently operating in Michigan.

Additional information can be found on the FBI's website at www.fbi.gov, search Mortgage Fraud. To report illegal activity related to mortgages in Detroit or anywhere in Michigan; please call the Detroit Mortgage Fraud Hotline at 313-237-4530, www.tips.fbi.gov, or the Wayne County Register of Deeds' Deed Fraud Hotline at 313-224-5869.