
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

CRIMINAL COMPLAINT

v.

CASE NUMBER:

PHILIP McMAHON,
SEAN McKEE,
AHMED IDOWU,
STANLEY HAYES,
RICHARD STOKES and
SHAMEKIA KIMBROUGH

UNDER SEAL

I, the undersigned complainant, being duly sworn on oath, state that the following is true and correct to the best of my knowledge and belief: From on or about March 8, 2011 through on or about July 12, 2011, in the Northern District of Illinois, Eastern Division, PHILIP McMAHON, SEAN McKEE, AHMED IDOWU, STANLEY HAYES, RICHARD STOKES AND SHAMEKIA KIMBROUGH, defendants herein:

knowingly executed and attempted to execute a scheme to defraud and to obtain money and funds owned by, and under the custody and control of, a financial institution by means of materially false and fraudulent pretenses, representations, and promises;

in violation of Title 18, United States Code, Sections 1344 and 2. I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the facts contained in the Affidavit which is attached hereto and incorporated herein.

Signature of Complainant

JODY BLAU

Special Agent, Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,

August 1, 2011

Date

at

Chicago, Illinois

City and State

GERALDINE SOAT BROWN, U.S. Magistrate Judge

Name & Title of Judicial Officer

Signature of Judicial Officer

UNITED STATES DISTRICT COURT)
) SS
NORTHERN DISTRICT OF ILLINOIS)

UNDER SEAL

AFFIDAVIT

I, Jody Blau, having been duly sworn, state as follows:

1. I am a Special Agent with the Federal Bureau of Investigation (“FBI”) and have been so employed for approximately three years. My responsibilities include the investigation of allegations of bank fraud, corporate fraud, and money laundering, among other crimes.

2. As part of my duties and responsibilities as a Special Agent with the FBI, I have been involved in an investigation of Philip McMahon (“McMahon”), Sean McKee (“McKee”), Ahmed Idowu (“Idowu”), Stanley Hayes (“Hayes”), Richard Stokes (“Stokes”) and Shamekia Kimbrough (“Kimbrough”), among others, concerning violations of Title 18, United States Code Sections 1344 and 2, as described more fully below.

3. This affidavit is submitted for the limited purpose of establishing probable cause that McMahon, McKee, Idowu, Hayes, Stokes and Kimbrough knowingly executed, and attempted to execute, a scheme to defraud and to obtain money and funds owned by, and under the custody and control of, a financial institution by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Sections 1344 and 2.

4. I make this affidavit from personal knowledge based on my participation in this investigation, including review of consensual audio/video recordings of in-person meetings, consensual audio recordings of telephone conversations, email and text message correspondence, witness statements and documents; communications with others who have personal knowledge of the events and circumstances described herein; and information gained through my training and experience. Because this affidavit is being submitted for the limited purpose of supporting a finding of probable cause, it does not include all details known to me concerning this investigation.

5. Based on my training and experience, I understand that, at all times relevant to this investigation, bank lenders required applicants for mortgage loans to provide truthful information, including the borrower's identity, employment, financial condition, assets, liabilities, payment history, rental income, contributions to the purchase price, and intention to occupy the property purchased; the distribution of the loan proceeds; and the sales price, value and condition of the property, all of which was material to bank lenders' approval, terms, and funding of mortgage loans.

Background of the Investigation

6. In early 2011, the FBI initiated an undercover operation in which a cooperating individual ("the CI") posed as an individual who was engaged in mortgage fraud and was seeking assistance in structuring fraudulent mortgage loan transactions. The CI claimed to have a contact at Bank A who would approve fraudulent mortgage loan applications on

behalf of straw buyers provided by the CI.¹ An undercover law enforcement agent (“the UC”) posed as the straw buyer. In addition, Bank A, an FDIC-insured financial institution, cooperated in this investigation.

7. As described more fully below, as part of this undercover investigation, McMahon and the CI agreed to prepare and submit a fraudulent mortgage loan application to Bank A for the purchase of a residential property by a straw buyer who would receive a share of the seller’s loan proceeds. McMahon attempted to locate a buyer on behalf of the seller, Individual B, in return for a fee. McMahon introduced the CI to Idowu, McKee and Stokes. Idowu provided the fraudulent sales contract. McKee provided the necessary title documents for the fraudulent transaction. Stokes prepared a fraudulent verification of employment, and Kimbrough prepared a fraudulent verification of rent. Finally, Hayes prepared a fraudulently inflated appraisal for the property. Each of these individuals knew that the purchaser was a straw buyer who had no intention of occupying the property, and that the loan application contained multiple materially false statements.

Details of the Scheme

8. On March 8, 2011, the CI contacted McMahon by phone and introduced himself as a mutual friend of Individual A. The CI told McMahon s/he was calling to “try

¹The CI has been charged with mortgage fraud-related offenses and is cooperating in the hope that the government will be more lenient in its charges or recommend a reduced sentence on those charges in exchange for the CI’s cooperation. The government has made no promises to the CI in this regard.

to get some business,” and McMahon asked if the CI found “buyers for buildings.”² The CI had engaged in mortgage fraud with Individual A, and understood that McMahon had as well.

9. The following day, McMahon met with the CI. During the meeting, the CI said that s/he had buyers who wanted to make money and were not picky about the area or condition of the properties they would be buying. McMahon explained that he had properties he was trying to sell, which he had rehabbed. McMahon said he would pay “cash back” to the CI’s buyers at the closing through a third party. The CI told McMahon that the title companies with which the CI had been dealing would not allow payments back to the buyers. McMahon explained that the title company he uses would allow deals to be structured in such a fashion as long as there was a “verifiable chain.”

10. On March 11, 2011, McMahon sent an email to the CI identifying 5517 South Shields, Chicago, Illinois (“the Shields property”) as a property that McMahon wanted to sell. According to the email, the Shields property had an estimated value of between \$295,000 and \$325,000. McMahon explained that based on that value, the buyer could expect to receive a \$70,000 to \$95,000 “credit back” and reimbursement of any down payment.

²Unless otherwise noted, all of the conversations summarized in this affidavit were audio recorded, and some were video recorded. Portions of the conversations included in the affidavit include direct quotes of the conversations. These portions are still preliminary quotations, and they may be corrected upon further review.

11. The following day, the CI telephoned McMahon and said that s/he was interested in the Shields property. McMahon said that if the CI could get the property appraised for over \$295,000, more money would be paid back to the buyer. The CI asked McMahon if he had an appraiser who could get the job done for them. McMahon said he would try to find one. During the same conversation, the CI explained to McMahon that the CI had a contact at a bank who would approve fraudulent mortgage loan applications and that the CI paid his/her contact “on the side” for completing the CI’s deals.

12. On March 21, 2011, the CI telephoned McMahon and explained that s/he was not interested in signing a contract for the Shields property unless McMahon had an appraiser who could “guarantee” the value. The CI said that if McMahon could provide such an appraiser, the CI would pay for the appraisal. McMahon explained that his ability to provide such an appraiser would depend on whether the bank would allow the CI to provide his own appraisal. The CI responded that his/her contact at the bank would allow him/her to select the appraiser. McMahon replied that he was confident he could find an appraiser who would “get it appraised out.” During the same conversation, the CI explained that the buyers simply wanted money and were not actually interested in the properties. The CI also said that the buyers did not have jobs, but had good credit. The CI again explained that s/he had things “hooked up” at the bank.

13. On March 22, 2011, McMahon sent the CI a text message with the contact information for Hayes, a licensed Illinois appraiser. The CI telephoned McMahon and said s/he was about to call Hayes. The CI asked McMahon if he knew Hayes. McMahon

responded that his partner, McKee, had referred Hayes to him after McKee had spoken with Hayes about the deal. The CI then asked, “Can I talk to him, you know what I mean?” McMahon responded, “Ya, ya, tell him exactly what, you know, if you want him to do the appraisal, you know we told him we are looking for a \$315,000 value, see if you can pull up comps to justify the value before he goes out and does the appraisal.”

14. Later that day, the CI telephoned Hayes, who said that McKee told him that the CI would be calling. The CI explained that s/he was using Bank A and that s/he had an arrangement that would allow him/her to direct the appraisal to whomever s/he recommended. The CI then gave the Shields address to Hayes, who said he would look up the property and call the CI the next day.

15. On March 23, 2011, Hayes telephoned the CI and told him/her that the Shields property had been listed in January 2011 for \$230,000. The CI responded that they were trying to write the contract for \$315,000. Hayes then said that if he was to perform the appraisal, “we can work it out, but we need to talk, you know?”

16. On March 24, 2011, Hayes and the CI met. During the meeting, Hayes again told the CI that the Shields property was listed in January 2011 for \$230,000. Hayes said he had spoken with McKee, who told him they wanted a sales price of \$315,000. The CI said s/he was willing to pay whatever s/he needed to pay to “make it happen.” Hayes explained that appraising the Shields property for \$315,000 would be a “little push” and would “probably throw a red flag,” but said he could appraise the property between \$305,000 and \$310,000. Hayes confirmed with the CI that the bank would allow the appraisal to be

directed to Hayes, and asked the CI, “What is it worth to you?” The CI responded, “I need it man, you tell me, throw a number at me. I got you.” Hayes responded, “I charge \$550 for an appraisal,” and “there is a huge difference between this and the \$230,000.” Hayes then said he would do the appraisal for “the normal fee, plus \$1,000.” The CI told Hayes that in exchange for payment “on the side,” his/her contact at Bank A would “get the loan done” as long as the appraisal looked good. Hayes said he would deliver an appraisal in excess of \$300,000.

17. Later that day, the CI telephoned McMahan and told him Hayes had agreed to do the appraisal for \$1,500. The CI said that Hayes didn’t explain how he would arrive at the designated value, but that he did say he wanted to be paid extra for being “creative.” The CI also asked McMahan for a meeting with the seller so s/he could be assured that the CI’s buyer would be paid cash back after the closing. McMahan said he would have his lawyer draft an agreement that spelled out everything, so that everything “is straight and legal.” McMahan explained that, under the terms of the sales contract, all loan proceeds above a certain dollar amount would go to him. McMahan said he had agreed with the seller to find a buyer in exchange for rehab work and a cut of the loan proceeds. McMahan said the seller knew what was happening, and that he would put the CI in touch with McKee, who had done previous deals with the seller.

18. Later that day, McKee telephoned the CI and said McMahan wanted him to call the CI regarding the property funding. The CI told McKee that before s/he paid \$1,500 for an appraisal, s/he wanted to make sure the sellers would pay the buyers after the closing.

McKee agreed to arrange a meeting between the CI and Idowu, the seller's representative.

19. On March 29, 2011, Hayes, Idowu and the CI met at the Shields property. During the meeting, Idowu said the seller would require that six months of mortgage payments be placed in an escrow account. The CI responded that s/he too wanted to put the mortgage payments in escrow. The CI explained that the buyer was not interested in the property, only in receiving cash, and that six months of payments would "keep everyone out of trouble" by providing "cover." The CI explained that s/he had to pay Hayes \$1,500 to obtain the desired value and to have Hayes "put something together to get around the fact that the Shields property had been listed earlier in the year." Idowu confirmed that the property had been listed within the past few months, but said the property had been listed without improvements that had been made. Idowu asked the CI if s/he specialized in finding buyers. The CI responded that s/he finds buyers and has a "hook up" at a bank to get deals approved. The CI again explained to Idowu that Hayes was "going to play ball," but that the CI would have to pay him "a little extra" for delivering the value they wanted. Hayes asked the CI how long s/he had known his/her bank contact. The CI said s/he had closed three deals with the bank contact. The CI said his/her bank contact does some things to "cover her end" by "checking stuff" out. The CI then paid Hayes \$500 and agreed to pay the remaining \$1,000 once the appraisal was finished.

20. On March 30, 2011, Idowu called the CI to request the name and contact information for the CI's bank contact. The CI told Idowu that providing that information would be a problem. The CI explained that s/he had spoken with his/her bank contact, who

knew about the loan “as far as the buyer getting cash back” and that the bank contact did not want to talk to anyone other than the seller’s attorney to schedule the closing. The CI further explained that the bank contact wanted to “keep her hands off of the deal as much as possible, just in case anything went bad,” which is why she required six months of escrowed payments. The CI explained that his/her bank contact knew that the deal was not one in which the buyer was “straight buying a house.” The CI also said s/he would “take care of her on the side.” Idowu said the seller had been concerned that there would be “too many people on BS.”

21. Later that day, McMahon telephoned the CI. The CI explained that Hayes had agreed to provide the desired value in exchange for the CI’s paying him “extra money.” McMahon remarked that one does not want to be “looking over your shoulder” when doing this kind of deal.

22. Later that day, the CI telephoned McKee and explained that Hayes came to the property the previous day, and that it looked as though Hayes would be able to get the value they wanted in exchange for \$1,500. The CI also told McKee that s/he had a contact at Bank A.

23. On April 4, 2011, Idowu telephoned the CI and asked if the appraiser planned to appraise the property at the value they wanted. The CI said the appraisal would come back at \$300,000. Idowu then pointed out that the contract was written for \$315,000, and suggested that the CI speak with the appraiser about raising the value to \$315,000.

24. On April 7, 2011, the CI met with Idowu and Hayes at Idowu's office. At Idowu's request, the CI signed a new real estate purchase contract in the name of the UC.³ Additionally, the CI paid Hayes the remaining \$1,000 for providing the appraisal at the agreed upon value.

25. On April 11, 2011, Hayes emailed the CI and Idowu a copy of the appraisal for the Shields property. The appraisal valued the property at \$315,000.

26. On April 12, 2011, Idowu sent the CI an e-mail that contained the fully-executed real estate contract purchase contract signed by the UC as the buyer and Individual B as the seller.

27. On April 15, 2011, the CI placed separate telephone calls to McMahon and McKee and asked them for assistance in obtaining a verification of employment ("VOE") for the buyer. Both McMahon and McKee indicated they would try to assist.

28. On April 18, 2011, McMahon sent the CI an email containing a title commitment letter for the Shields property. The email chain showed that McKee had ordered the title commitment and sent it on to McMahon.

29. On April 26, 2011, the CI telephoned McMahon and said s/he had submitted the loan information to his/her contact at Bank A for the purpose of doing an informal file review before it was logged into Bank A's system. The CI advised McMahon that his/her bank contact wanted them to address three items. First, the file would be stronger if they

³The name used by the UC is fictitious and used solely for purposes of law enforcement investigations.

could provide a verification of rent (“VOR”). Second, while they had money in a bank account to cover the asset verification, that account was not sufficiently “seasoned.” The CI explained that s/he had a friend who would allow them to add the buyer to a seasoned account for a fee. Third, the bank contact wanted them to provide a VOE.

30. On April 28, 2011, Idowu called the CI and asked for an update on the Shields property deal. The CI responded that s/he had given the documents to his/her bank contact for the purpose of conducting an informal review, and his/her contact had requested a VOE for the buyer. The CI also explained that s/he was paying someone \$500 to add the buyer’s name to a seasoned bank account. The CI asked Idowu if he knew anyone who could provide a seasoned account for less money, and Idowu responded that the people he knew would charge a similar amount. The CI also asked Idowu if he could help obtain a VOR. Idowu said he used to have companies he could use for VORs, but not anymore.

31. On May 2, 2011, McMahon sent a text message to the CI asking for an update on the Shields property. The next day, a law enforcement agent purporting to be the CI sent a reply text message to McMahon stating that the CI was attempting to satisfy the bank’s requests. The text message further said that the CI’s Bank A contact wanted to do enough due diligence so she would be protected if anyone asked questions after the escrow payments were spent. Later in the day, McMahon responded, “K, Keep me posted. Seller getting antsy.”

32. On May 3, 2011, and then again on May 5, 2011, Idowu called the CI and

asked for an update on the Shields property. During the May 5 call, the CI said s/he was waiting to hear from his/her contact regarding the seasoned bank account.

33. On May 18, 2011, McMahon and the CI discussed a VOE source. The CI asked about using McMahon's construction company. McMahon said he would prefer not to do that "in case something happens down the road." Later that day, McMahon sent a text message to the CI stating that McKee would call the CI with a potential VOE source.

34. On May 20, 2011, McKee sent text messages to the CI stating that he was unable to find someone who could provide a VOE, but that McMahon had found someone and would contact the CI soon. Shortly thereafter, McMahon sent the CI a text message with the name and contact information for Stokes, who, according to McMahon, would assist with providing a VOE.

35. Later that day, the CI telephoned Stokes, said McMahon had referred him/her, and explained that s/he needed a place to claim as an employer in order to obtain a loan. Stokes said he had a restaurant that could be used for a VOE. The CI responded that s/he needed check stubs and someone who would answer the phone when the bank called. Stokes said he usually charged \$500 for a VOE, but would only charge the CI \$250 because McMahon had provided the referral.

36. On May 23, 2011, McKee sent the CI a text message asking for an update on the Shields property. A law enforcement agent purporting to be the CI sent a response text message stating, "Just trying to hook up with that guy phil [McMahon] referred me to for our dummy VOE. Once we have that in place, we should be able to move at a good pace."

37. The next day, McMahon telephoned the CI and said he needed a blank VOE form to give Stokes.

38. On May 25, 2011, the CI and the UC met with Stokes at Stokes's restaurant in Markham, Illinois.⁴ During the meeting, Stokes signed and gave to the CI a VOE form falsely stating that the UC had been employed at Stokes's restaurant as a manager since January 5, 2011. Stokes agreed to have his accountant prepare two check stubs indicating that the UC had been earning approximately \$7,800 per month. Stokes also agreed to verify the UC's employment when the bank called for a verification. The CI paid Stokes \$250.

39. Later the same day, McMahon called the CI and said he knew that the CI had met with Stokes to obtain the VOE. McMahon said he would tell the seller that there was a delay because of the VOE, but that the loan application would be submitted soon.

40. On June 10, 2011, Idowu met with the CI and the UC at Idowu's office. The CI and the UC explained that the deal was being delayed because the person they paid to provide a VOE had not yet provided it. The UC explained that he had someone on the inside of the bank that they could "throw a little money at to make things happen." The UC also explained that they had to pay someone to create a VOE so the loan file looked good enough to protect the contact at the bank.

41. Later the same day, the CI telephoned McMahon and told him Stokes had not delivered the check stubs. McMahon said he would try to get Stokes to provide the stubs.

⁴This meeting was not recorded because the audio/video recording equipment malfunctioned.

42. On June 16, 2011, Stokes telephoned the CI and said one of his employees seemed to have misplaced the check stubs, so he would need to contact his accountant to have a new set of check stubs created.

43. On June 20, 2011, Stokes called the CI and said he had been waiting for his accountant to give him the new check stubs. The CI said s/he planned to submit the loan application without the check stubs, and that the bank would call Stokes on Wednesday (June 22, 2011) to perform the VOE. Stokes said he would take the call.

44. Later the same day, a law enforcement agent compiled the loan application package for the Shields property and mailed it to Bank A. The loan application package included an application in the name of the UC for a mortgage loan in the amount of \$303,975, the false VOE form signed by Stokes, the fraudulently inflated appraisal prepared by Hayes, the real estate sales contract with the seller's signature provided by Idowu, and a title commitment letter provided by McKee through McMahon.

45. Later the same day, a law enforcement agent purporting to be the CI sent Stokes a text message stating that the bank would call in two days to confirm the VOE.

46. Later the same day, McMahon telephoned the CI, who said that the loan application had been submitted without the check stubs, and that the bank would confirm the VOE in two days.

47. On June 22, 2011, a cooperating Bank A representative called Stokes, who, after identifying himself, falsely represented to the representative that the UC been an employee at Stokes's restaurant since January 2011 as a cook and a general manager, and

was paid \$1,250 to \$1,400 a week.

48. Later that day, Stokes called the CI and said the VOE call with Bank A “went fine.” Stokes said that during the call, he could not remember how much he had said the buyer earned, so he just made up a sufficiently large salary range. The CI said that as soon as Stokes had the check stubs ready, the CI would pay him an additional \$250.

49. On June 30, 2011 the CI called Idowu and said the deal had taken longer than anticipated. The CI said the contact at the bank was handling the file by herself because she did not want others to see the file.

50. On July 5, 2011, the UC telephoned Kimbrough, and told her s/he wanted to hire her to conduct a VOR. The CI had been referred to Kimbrough by another individual, and Kimbrough had provided a false VOR for another fraudulent loan application. The UC asked Kimbrough how much she would charge for the VOR. Kimbrough responded that she had two properties she was trying to sell, and that she would do the VOR as a partial payment if the UC could find buyers for the properties.

51. On July 8, 2011, McMahon sent the CI an email containing an updated title commitment letter for the Shields property. The email chain showed that McKee had ordered the title commitment and sent it on to McMahon.

52. The same day, the UC met with Kimbrough at a property she said she owned on Chicago’s South side. During the meeting, Kimbrough completed and signed a VOR form falsely representing that Kimbrough rented property in Chicago, Illinois to the UC for \$1,000 a month. Kimbrough again stated that the UC could pay her by locating buyers for

her two properties.

53. On July 12, 2011, the UC telephoned Kimbrough and told her the bank would call around 12:00 that day to confirm the VOR.

54. Later that day, a cooperating Bank A representative telephoned Kimbrough. During the phone call, Kimbrough identified herself and falsely stated that she rented property to the UC for \$1,000 a month.

55. The same day, a law enforcement agent mailed to Bank A a copy of the false VOR form that Kimbrough had provided to the UC.

Conclusion

56. Based on the facts set forth in this affidavit, I believe there is probable cause to believe that Philip McMahon, Sean McKee, Ahmed Idowu, Stanley Hayes, Richard Stokes and Shamekia Kimbrough, from on or about March 8, 2011 to on or about July 12, 2011, knowingly executed, and attempted to execute, a scheme to defraud and to obtain money and funds owned by, and under the custody and control of a financial institution, namely Bank A, by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Sections 1344 and 2. Accordingly, it is requested that warrants for the arrest of Philip McMahon, Sean McKee, Ahmed Idowu, Stanley Hayes, Richard Stokes and Shamekia Kimbrough be issued.

FURTHER AFFIANT SAYETH NOT.

Jody Blau, Special Agent
Federal Bureau of Investigation

SUBSCRIBED AND SWORN TO BEFORE ME
This 1st day of August 2011

Geraldine Soat Brown
United States Magistrate Judge