
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA

CRIMINAL COMPLAINT

v.

CASE NUMBER:

STANLEY HAYES,
KENDALL JONES,
THOMAS UNDERDUE,
LASHAN HICKS and
LATOIA GREEN

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 11, 2011, in the Northern District of Illinois, Eastern Division, STANLEY HAYES, KENDALL JONES, THOMAS UNDERDUE, LASHAN HICKS and LATOIA GREEN, 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 Stanley Hayes (“Hayes”), Kendall Jones (“Jones”), Thomas Underdue (“Underdue”), Lashan Hicks (“Hicks”) and Latoia Green (“Green”), 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 Hayes, Jones, Underdue, Hicks and Green 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 Undercover law enforcement agents (“UC1” and “UC2”) posed as the straw buyers and/or their associates. In addition, Bank A, an FDIC-insured financial institution, has cooperated in this investigation.

7. As described more fully below, as part of this undercover investigation, Jones agreed with the CI to facilitate fraudulent mortgage loan transactions involving the sale of two residential properties owned by Jones to straw buyers provided by the CI. Jones and the CI agreed to conceal from Bank A a kickback to the buyers of a portion of the seller’s loan proceeds. Hayes, a licensed Illinois appraiser, prepared fraudulently inflated appraisals for the properties. Jones introduced the CI to Underdue, who prepared fraudulent verifications of rent for the straw buyers. Hayes introduced the CI to Hicks, who prepared fraudulent verifications of employment and earnings statements for the straw buyers. Hicks, in turn, introduced the CI to Green, who assisted with the fraudulent verifications of employment.

Details of the Scheme

8. On April 25, 2011, Hayes sent the CI a text message stating that Hayes was trying to facilitate the sale of a two-flat building with a motivated seller, later identified as Jones. The CI and Hayes had met previously in connection with another fraudulent mortgage loan transaction related to this investigation.

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.

9. Later the same day, the CI telephoned Hayes, who told the CI that he was trying to find a buyer for a property located at 5515 S. Wolcott Avenue, Chicago, Illinois (“the Wolcott property”), and that the seller wanted to make \$210,000 on the sale. The CI asked Hayes what he could appraise the Wolcott property at, and Hayes responded between \$330,000 and \$340,000.²

10. On April 26, 2011, Hayes telephoned the CI, who asked Hayes if the Wolcott property seller would be agreeable to paying the buyer after the closing. Hayes said that the seller was agreeable to such an arrangement and that the seller only was concerned with making \$210,000 from the deal. The CI requested a meeting with the seller so the CI could be sure the seller would not “catch amnesia” at the closing. Hayes assured the CI that he grew up with the seller and had done appraisals for him in the past.

11. On May 6, 2011, the CI telephoned Hayes. Hayes asked the CI if s/he planned to use his/her contact at Bank A for the Wolcott property deal. The CI confirmed that s/he planned to use the same contact. On a previous fraudulent mortgage loan transaction, the CI had told Hayes that s/he had a contact at Bank A who would approve fraudulent mortgage loan applications.

12. On May 9, 2011, the CI and UC1 met with Hayes and Jones at the Wolcott property. During the meeting, UC1 told Jones that s/he was a recruiter who assisted buyers

²Unless otherwise indicated, 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.

who wanted to get paid for purchasing real estate. Jones explained that he had purchased the Wolcott property 6 to 7 months before, when, according to Jones, the Wolcott property was appraised for \$278,000. Jones said that when he later tried to sell the Wolcott property, it was appraised for \$150,000.

13. Later the same day, Jones took UC1 and the CI to a property located at 5429 S. Carpenter Street, Chicago, Illinois (“the Carpenter property”). Jones said the deal for the Carpenter property would be the same as the Wolcott property deal. Jones, Hayes, UC1 and the CI discussed paying the buyers after the closings, and Jones said he only did such deals with people he knew.

14. On May 12, 2011, Hayes telephoned the CI. During the call, the CI told Hayes that he wanted approximately \$100,000 to be paid to the buyer after the closing. Hayes said the Wolcott property had been appraised for \$278,000 approximately seven months earlier. The CI agreed to check with his/her bank contact to determine how long they would have to wait from the previous appraisal before submitting an appraisal at a higher value.

15. Later the same day, Hayes telephoned the CI and said he thought the appraisal would be in the bank’s system for 120 days and that the previous appraisal for the Wolcott property was prepared in March. Hayes said, in that event, they would not be able to obtain a new appraisal and Jones would accept as little as \$190,000 on the Wolcott property.

16. Later the same day, the CI telephoned Hayes and told him that his/her bank contact had said that a new appraisal could be used 60 days after an earlier appraisal had been submitted. The CI said that if that was true, they could raise the seller’s bottom line

back to \$210,000 and have the Wolcott property appraised at a higher value. Hayes agreed.

17. On May 17, 2011, the CI telephoned Hayes and said s/he had buyers for the Wolcott property and the Carpenter property. The CI said that the buyers wanted to see the properties.

18. On May 19, 2011, Hayes and Jones met with the CI, UC1 and UC2 at the Wolcott and Carpenter properties. During the meeting, Hayes asked the CI if s/he was able to confirm that an old appraisal only remained in the bank's system for 60 days. The CI confirmed that a new appraisal could be submitted on the 61st day. Jones explained that when he buys properties, he purchases them as "owner occupied" because the Federal Housing Administration and Freddie Mac have programs to assist owner-occupied purchasers. Jones said he would buy a home, rehab it, and then "change his mind" and decide to sell it. Jones said that "they can't do nothing about it," and that there was no way for anyone to tell whether he actually had occupied the property. The CI asked how Jones wanted to pay the buyers, and Jones said a mechanic's lien could be used as a tool to pay the buyers at the closings. Jones said if they did not use a lien, he would need to pay the buyers and issue them a tax form 1099. UC1 said he preferred the lien option, which would have a tax benefit.

19. On June 2, 2011, the CI telephoned Hayes and asked how much Hayes would be charging for the Wolcott and Carpenter property appraisals. Hayes said he would charge a total of \$1,000.

20. On June 6, 2011, Hayes met with the CI and UC1. UC1 paid Hayes \$1,000 to perform the appraisals. During the meeting, UC1 asked Hayes if he had anyone who could assist with a verification of employment (“VOE”) for the buyers. UC1 and Hayes then discussed the price for providing a VOE. UC1 explained that the VOE was being done to protect UC1 and the CI’s contact at the bank. Hayes said he had someone in mind to do the VOE and that he would put UC1 and the CI in contact with her.

21. On June 8, 2011, Hayes telephoned the CI and said he spoke with his contact, later identified as Hicks, about providing a VOE. Hayes said they would have a conference call later to discuss what was needed.

22. Later that day, Jones called the CI, who said that Hayes would have the appraisals completed shortly, and that Hayes was helping to obtain the VOEs. The CI told Jones that the last thing they needed was a verification of rent (“VOR”) for the buyers. The CI asked Jones if s/he had anyone who could do a VOR. The CI explained that his/her contact at the bank would call to confirm the VOR. The CI further explained that s/he paid his bank contact to get his/her deals approved, but someone needed to answer the phone and say that the buyers of the Wolcott and Carpenter properties were renters for the person. Jones said that he knew someone who could perform the VORs and that he would get back to the CI.

23. On June 9, 2011, Jones telephoned the CI and said he found someone to perform the VOR, Thomas Underdue, and provided his contact information. Jones explained that Underdue was one of his “boys” who did not work during the day.

24. Later the same day, the CI telephoned Underdue, said that Jones had referred him/her, and that s/he needed someone to provide a VOR. The CI said that he had a connection at a bank, and that would make the VOR easy. Underdue agreed to provide the VOR in exchange for \$200.

25. On June 20, 2011, Jones telephoned the CI and asked for an update on the Wolcott and Carpenter property transactions. The CI told Jones that there had been a delay, but that the transactions should proceed once Underdue provided the VOR and Hicks provided the VOE.

26. On June 21, 2011, Hayes, Hicks and the CI spoke over the telephone during a conference call. The CI explained that s/he was trying to obtain a VOE, and said s/he needed check stubs and someone to answer the phone when the bank called. Hicks said she would perform the VOE, and would charge \$100 for the check stubs. Hicks added that she only did VOEs on weekends, but she had someone, later identified as Green, who would be available on weekdays to answer the bank's call.

27. On June 22 and 23, 2011, Jones emailed the CI title commitment letters for the Wolcott and Carpenter properties.

28. Later the same day, the CI and UC1 met with Underdue at Underdue's home in Chicago. The CI told Underdue he would pay him \$200 then and another \$200 after Underdue answered the bank's VOR call. UC1 explained that UC1 and the CI had a person inside the bank who knew what the CI and UC1 were doing, and that the VOR was meant to provide protection. Underdue then completed VOR forms for the buyers of the Wolcott

and Carpenter properties. The VOR forms falsely stated that UC1, the Wolcott buyer, had paid Underdue \$1,000 per month in rent since February 2008, and falsely stated that UC2, the Carpenter buyer, had paid Underdue \$1,000 per month in rent since April 2009.³

29. On June 24, 2011, Hayes telephoned the CI, who said s/he wanted to arrange a meeting with the person who would be answering the bank's call (Green) at the same time he met with the person who would be creating the check stubs (Hicks). Hayes said he would find out if such a meeting could be scheduled.

30. On June 25, 2011, the CI telephoned Hicks and again said s/he needed someone who could create two check stubs and answer a VOE call from the bank. The CI said s/he had a contact at the bank, and Hicks confirmed that the VOEs would be in connection with a home purchase. Hicks said that she charged \$100 for check stubs and VOEs. The CI said that he was willing to pay extra if he could do a dry run to make sure that everyone knew what they were doing. Hicks said that she had been doing this for a long time and that she was a professional accountant. Hicks assured the CI that Green was "very professional." Hicks asked the CI if s/he wanted to use one of Hicks's employers for the VOE. The CI said yes. Hicks said she had an insurance company and a university medical hospital that she could use as employers.

31. Later the same day, the CI met with Hicks at Hicks's home in Chicago. During the meeting, Hicks signed two VOE forms falsely representing that UC1 and UC2 were

³The UC names are fictitious and used solely for law enforcement investigations.

employed at Company A. Hicks used a signature stamp to sign the forms in another person's name. Hicks also provided two false earnings statements for UC1 and UC2. Hicks explained that during the week while she was at work, she forwarded calls to her cousin, Green, in Iowa. Hicks called Green and let the CI speak with Green. Green confirmed that she had conducted VOEs in the past and provided a phone number for the CI to call to let Green know when the bank would be calling. Hicks said that Green did VOEs for her "full-time." Hicks also said that, in addition to the earnings statements that she had created, she could produce W-2s, notaries, and tax form 1040s. Hicks said she had people who could do "all kinds of stuff." The CI paid Hicks \$300 for providing the false VOEs.

32. On June 29, 2011, Hayes emailed the CI appraisals for the Wolcott and Carpenter properties. Each appraisal was for \$332,000.

33. Later the same day, a law enforcement agent compiled and mailed to Bank A the loan application packages for the Wolcott and Carpenter properties. The package for each property included, among other things, an application for a \$318,450 mortgage loan based on a purchase price of \$330,000 (identical for both properties), a real estate purchase contract prepared in part by Kendall Jones, a false VOE form and false earnings statements prepared by Hicks, a false VOR form signed by Underdue, a title insurance policy and disclosure forms obtained by Jones, and an appraisal of \$332,000 (again, identical) prepared by Hayes.

34. On July 6, 2011, the CI received a call from a woman who identified herself as Green. The CI told her the bank would call the following day to conduct the VOEs.

35. Later the same day, the CI telephoned Underdue and told him the bank would call the following day to do the VORs.

36. On July 7, 2011, Jones telephoned the CI. During the call, Jones stated that, since the properties were in the name of Jones's company, Jones would tell the title company that the CI was Jones's partner and ask if the title company could issue a check to the CI as Jones's partner. Jones said that this story should not sound "shady" to the title company, and that he would run it by his friend who referred the title company. Jones added that if such a payment arrangement would not work, he would file a mechanic's lien on the CI's behalf.

37. Later the same day, a cooperating Bank A representative placed two telephone calls to Underdue. During the calls, Underdue identified himself, and falsely stated that he was the landlord for both UC1 and UC2, and that he rented properties to the UC1 and UC2 according to the terms in the VOR forms he had previously completed.

38. Later that day, a cooperating Bank A representative placed two telephone calls to Green. During the calls, Green, using the name Lisa Johnson, falsely stated that UC1 and UC2 worked for Company A.

39. Later the same day, the CI received telephone calls from Underdue, who said he had completed the VOR calls.

40. Also that day, the CI received two telephone calls from Green, who said she had completed the VOE calls. Green said she did not know how long she was supposed to say that one of the buyers was employed, so she told the Bank A representative that the buyer had been employed for 6 years.

41. On July 10, 2011, the CI received a call from Green, who said she wanted to be paid that day. The CI said s/he could pay Green that Tuesday (four days later). Green stated that she was not going to wait until Tuesday and that she already had done her part. Green said that it “isn't cool” with her to make her wait to get her money until it is convenient for the CI. The CI said s/he would pay Green the following day. Green responded that she was returning to Iowa later in the day. When the CI said s/he could not pay Green that day, Green told the CI that s/he “messed with the wrong m----- f-----.”

42. On July 11, 2011, Hayes telephoned the CI. Hayes said that Green was “irate” about not getting paid sooner and that he was concerned that Green would do something to hurt the deal.

43. Later the same day, the CI telephoned Green and asked her if she already had left for Iowa. Green said she had and told the CI to give the money to Hicks.

44. Later the same day, Jones telephoned the CI. Jones asked the CI what name s/he wanted put on the HUD statement for the CI's portion of the loan proceeds. The CI gave Jones the name of a company purportedly related to the CI.

45. The same day, the CI telephoned Hayes and stated that they were cleared to close. Hayes asked if they had any “beef” with the appraisals. The CI responded that the appraisals were good. Hayes asked if the CI had resolved things with Green, and the CI said he would give Green's money to Hicks.

Conclusion

46. Based on the facts set forth in this affidavit, I believe there is probable cause to believe that Stanley Hayes, Kendall Jones, Thomas Underdue, Lashan Hicks and Latoia Green, from on or about March 8, 2011 to on or about July 11, 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 Stanley Hayes, Kendall Jones, Thomas Underdue, Lashan Hicks and Latoia Green 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