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TWO FREEPORT BUSINESS OWNERS PLEAD GUILTY TO CHARGES RELATING TO \$1 MILLION FHA MORTGAGE INSURANCE FRAUD

ROCKFORD – PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois; ROBERT D. GRANT, Special Agent-In-Charge of the Chicago Office of the Federal Bureau of Investigation; BARRY McLAUGHLIN, Special Agent-In-Charge of the Chicago Field Office of the Department of Housing and Urban Development – Office of the Inspector General (“HUD-OIG”); and JERRY L. WHITMORE, Chief of the Freeport Police Department, today made the following announcement:

Today in federal court in Rockford, two Freeport business owners pleaded guilty to charges relating to a scheme to defraud the federal government in connection with the FHA mortgage insurance program.

CHAD J. NICKS, 30 (DOB: 01/26/75), of 1719 South West Avenue, Freeport, Illinois, and **DALE L. NELSON**, 49 (DOB: 3/20/56), of 1439 Stephenson Street, Freeport, Illinois, pleaded guilty today to one count each of making a materially false statement to a federal agency.

The charges to which NICKS and NELSON pled guilty are part of a 61-count indictment charging individuals with conspiring to defraud the United States, making material false statements to HUD, and making false statements to cause HUD to insure home mortgage loans. According to the indictment, the leaders of the scheme profited by selling, at inflated prices, houses in Freeport which they owned and controlled. The indictment charges that the defendants falsified numerous documents in order to get FHA insured loans for unqualified home buyers. By causing these unqualified buyers to receive FHA insured loans, the indictment alleges, the defendants have caused a loss to the federal government which is expected to exceed \$1 million.

NICKS owned and operated Planet Wireless, a cellular telephone business in Freeport. In pleading guilty today, Nicks admitted that he knowingly signed a false credit letter. This credit letter falsely stated that an particular individual was a customer of Planet Wireless and that the individual had made all of her payments on time. In his plea agreement, Nicks admitted that the individual was never a customer of Planet Wireless. This credit letter was later submitted to HUD in support of an application for the individual to receive an FHA insured loan. Nicks further admitted that the leaders of the scheme occasionally paid him \$100 for providing false credit letters.

NELSON owned and operated AMD Sales & Services, a computer sales and service business in Freeport. In pleading guilty today, Nelson admitted that he knowingly signed a false “Verification of Employment” form. This form falsely stated that a particular individual had been

employed at AMD Sales and Services as a “Tech” and had been earning a salary of over \$20,000 per year. In his plea agreement, Nelson admitted that this individual was never employed by AMD Sales and Services. This Verification of Employment form was later submitted to HUD in support of an application for the individual to receive an FHA insured loan. Nelson further admitted that the leaders of the scheme paid him \$500 for signing the false employment form.

The sentencing hearing for NICKS has been scheduled for March 24, 2006, at 2:30 p.m. NELSON’s sentencing hearing has been scheduled for March 24, 2006, at 1:30 p.m. The sentencing hearings will be conducted by United States District Judge Philip G. Reinhard. The charges to which both NICKS and NELSON pled guilty carry a maximum sentence of up to 5 years of imprisonment, a fine of up to \$250,000, and restitution. The actual sentence for each defendant will be determined by the United States District Court, guided by the United States Sentencing Guidelines.

To date, three other individuals in the case have also pleaded guilty to felony charges contained in the 61-count indictment. They are:

EDWARD J. MARTINS, 41 (DOB: 09/14/64), 4995 Stagecoach Trail, Lena. On June 13, 2005, Martins pled guilty to conspiring to defraud the United States and making a material false statement to HUD. In his plea agreement, Martins admitted that he conspired to defraud the United States by causing unqualified individuals to receive FHA insured loans to purchase houses that he was involved in selling. To accomplish this fraud, Martins admitted that he falsified various documents that were submitted to HUD. Martins has not yet been sentenced. Both of the counts which Martins pled guilty to carry a maximum sentence of up to 5 years in prison, a maximum fine of \$250,000, or twice the loss caused by the fraud, and restitution.

PRICE V. BROOKS, 50 (DOB: 01/31/55), 621 East Iroquois, Freeport. On June 14, 2005, Brooks pled guilty to conspiring to defraud the United States. In his plea agreement, Brooks admitted that he signed three fraudulent “Verification of Employment” forms which falsely stated that certain home-buyers worked at “Brooks Detail Shop” in Freeport. Brooks has not yet been sentenced. The count which Brooks pled guilty to carries a maximum sentence of up to 5 years in prison, a maximum fine of \$250,000, or twice the loss caused by the fraud, and restitution.

TODD P. ERNST, 45 (DOB: 07/20/60), 3595 Scioto Mills Road, Freeport, pled guilty on August 18, 2005, to making a false statement to cause HUD to insure a home mortgage loan. Ernst owns and operates Ernst Roofing in Freeport. In pleading guilty, Ernst admitted that he knowingly signed a false “Verification of Employment” form. This form falsely stated that an particular individual was an employee of Ernst Roofing. In his plea agreement, Ernst admitted that the individual was never employed at Ernst Roofing. Ernst further admitted that the leaders of the scheme occasionally hired him to perform roofing work on homes that they were selling. On November 22, 2005, Judge Reinhard sentenced Ernst to 5 months in federal prison without parole, 5 months of home confinement following his release from prison, one year of supervised release, and ordered Ernst to pay \$84,154.31 in restitution.

Three other defendants have pleaded guilty to separate, but related, misdemeanor charges. They are:

ALEXANDREA M. ELLIS, 23 (DOB: 10/26/82), 726 ½ Adams in Freeport. On June 16, 2005, Ellis pled guilty to a misdemeanor count of making a false statement to HUD. In her plea agreement, Ellis admitted that she used a stolen identity to purchase a house in Freeport with an FHA insured loan. Ellis has not yet been sentenced. The charge which Ellis pled guilty to carries a maximum sentence of up to 1 year in prison, a maximum fine of \$100,000, and restitution.

BRIAN A. FOX, 35 (DOB: 02/01/70), 1158 West Staver Street, Freeport. On June 16, 2005, Fox pled guilty to a misdemeanor count of making a false statement to HUD. In his plea agreement, Fox admitted that he signed a fraudulent "Verification of Rent" form which falsely stated that he had leased a residence to a certain home-buyer and that home-buyer had made her rent payments on time. Fox's sentencing hearing has been yet been set. The charge which Fox pled guilty to carries a maximum sentence of up to 1 year in prison, a maximum fine of \$100,000, and restitution.

ADAM L. ERNST, 22 (DOB: 7/05/83), 3595 Scioto Mills Road, Freeport. On June 22, 2005, Ernst pled guilty to a misdemeanor count of making false statements to HUD. In his plea agreement, ADAM ERNST admitted that he acted as a "straw" purchaser of a property he had no actual interest in purchasing. Ernst's sentencing hearing has not yet been set. The charge which Ernst pled guilty to carries a maximum sentence of up to 1 year in prison, a maximum fine of \$100,000, and restitution.

The remaining defendants charged in the 61-count indictment are scheduled to appear for a status hearing on February 10, 2006, at 11:30 a.m. It is expected that Judge Reinhard will set a trial date for the remaining defendants at that hearing. These remaining defendants are:

DOUGLAS L. HASTINGS, 40 (DOB: 08/02/65), 645 North Quail Drive, Lena. Hastings owns several businesses, including "Stagecoach Trail Realty & Auction" in Lena, the "Presidents Club" bar in Freeport, and "Brooks Detail Shop," a carwash in Freeport. The indictment charges Hastings with one count of conspiracy, twenty-two counts of making material false statements to the federal government, and twenty-two counts of making false statements to cause HUD to insure loans.

PHILIP R. MISKIMON, 50 (DOB: 11/21/55), 424 Hubbard, Winslow. The indictment charges that Miskimon was a partner of Edward J. Martins in a Freeport business known as "R & J Renovations." Miskimon is charged with one count of conspiracy, twenty-five counts of making material false statements to the federal government, and twenty-five counts of making false statements to cause HUD to insure loans.

JEFFREY L. MEYER, 51 (DOB: 07/17/54), 206 Carver Street, Winslow. Meyer owns and operates Meyer Insurance Agency, an independent insurance agency in Winslow. The indictment charges Meyer with one count of conspiracy, three counts of making material false statements to the federal government, and three counts of making false statements to

cause HUD to insure loans. The indictment alleges Meyer prepared credit letters that falsely stated that certain home buyers had purchased insurance through Meyer Insurance Agency.

JULIE A. SMITH, 48 (DOB: 11/08/57), 219 Butternut Drive, Lena. Smith is a vice president of the Marvin Uecker Agency, an independent insurance agency in Lena. Smith is charged with one count of conspiracy, three counts of making material false statements to the federal government, and three counts of making false statements to cause HUD to insure loans. The indictment alleges Smith prepared credit letters that falsely stated that certain home buyers had purchased insurance through the Marvin Uecker Agency.

TASHA M. THOMPSON, also known as “Tasha M. Barnes,” 25 (DOB: 01/17/80), 1510 Winter Drive, Freeport, is charged with one count of conspiracy, three counts of making material false statements to the federal government, and three counts of making false statements to cause HUD to insure loans. The indictment alleges Thompson fraudulently purchased a house using false employment and landlord information, fraudulently acted as a “straw” seller in the sale of another house, and assisted in providing a fraudulent gift to another one of the home buyers.

AKIA A. SANDERS, 24 (DOB: 11/04/81), 508 South Carroll Avenue, Freeport, is charged with one count of conspiracy, two counts of making material false statements to the federal government, and two counts of making false statements to cause HUD to insure loans. The indictment alleges Sanders assisted in providing fraudulent gifts to two of the home buyers.

SHAWN M. FLEMING, 21 (DOB: 04/28/84), 305 ½ South Adams Street, Freeport, is charged with one count of conspiracy, two counts of making material false statements to the federal government, and two counts of making false statements to cause HUD to insure loans. The indictment alleges Fleming fraudulently purchased a house using false employment information and solicited another individual to purchase a house using a stolen identity.

The conspiracy charge and each charge of making a false statement to the federal government carry a maximum sentence of five years of imprisonment. Each charge of making a false statement to cause HUD to insure loans carries a maximum penalty of two years of imprisonment. All of the charges carry a fine of up to \$250,000 and restitution. If convicted, each defendant’s actual sentence will be determined by the United States District Court, guided by the United States Sentencing Guidelines.

The case is being investigated by the Rockford office of the FBI, the Chicago office of HUD-OIG, and the Freeport Police Department. The case will be prosecuted in federal court by Assistant United States Attorney SCOTT A. VERSEMAN.

Members of the public are reminded that an indictment is only a charge and is not evidence of guilt. Each defendant is entitled to a fair trial at which the government has the burden of proving his or her guilt beyond a reasonable doubt.

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