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U.S. DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

No. 1:11-CR-131

vs.

Hon. Robert J. Jonker
U.S. District Court Judge

KEVIN LEE GRADY, SR.,
LISA LYNN WALTERS,
CARLUS DEMOND BRIDGEFORTH, and
JIMMY LADELL COLLINS,

SUPERSEDING INDICTMENT

Defendants.

The Grand Jury charges:

COUNT 1

(Conspiracy to Commit Wire Fraud)

Beginning in or about October 2005, and continuing to on or about September 5, 2006, in Kent County, in the Western District of Michigan, Southern Division,

**KEVIN LEE GRADY, SR. and
LISA LYNN WALTERS**

did knowingly combine, conspire, confederate and agree with each other and with other persons both known and unknown to the grand jury to devise a scheme and artifice to defraud private mortgage lenders of money and property by submitting materially false and fraudulent mortgage loan applications and false supporting documents to private mortgage lenders, and for the purpose of executing such scheme, and attempting to do so, did cause to be transmitted, by means of wire communication, mortgage loan funds and other electronic communications in interstate commerce, all in violation of Title 18, United States Code, Sections 1343 and 1349.

INTRODUCTION

1. At all times relevant to this Superseding Indictment, **KEVIN LEE GRADY, SR.** was a mortgage loan officer and manager of the Grand Rapids branch of Sure Financial mortgage brokerage company. **KEVIN LEE GRADY, SR.** was not a licensed mortgage broker, but worked under the license of the mortgage broker who owned Sure Financial.

2. **KEVIN LEE GRADY, SR.** also owned and operated Grady Group Properties Corporation ("Grady Group Properties"), a business that bought properties for investment purposes. Grady Group Properties maintained a bank account that also used the name Michigan Home Mortgages, another business name affiliated with **KEVIN LEE GRADY, SR.**

3. At all times relevant to this Superseding Indictment, **KEVIN LEE GRADY, SR.** was not a licensed real estate broker or agent and could not legally receive compensation from the sale of real estate for acting in those capacities.

4. At all times relevant to this Superseding Indictment, **LISA LYNN WALTERS** was a licensed residential appraiser who owned and operated a residential appraisal business by the name of Appraisal Matrix Inc. During 2005 and 2006, **LISA LYNN WALTERS** received a steady flow of appraisal work from **KEVIN LEE GRADY, SR.**

OBJECT OF THE CONSPIRACY

5. The principal object of the conspiracy was to carry out a seller assistance scheme to fraudulently and unjustly enrich the co-conspirators at the expense of victim lenders. In a seller assistance scheme, a perpetrator solicits or otherwise engages a seller and offers to find a buyer. The perpetrator negotiates with the seller the amount that the seller is willing to accept for the home or otherwise determines what amount the seller will receive. The perpetrator then hires

an appraiser who is often willing to fraudulently inflate the home's value. The home is sold at the inflated value to a buyer who is recruited by the perpetrator. With the assistance of the perpetrator, the buyer obtains a mortgage loan at the inflated value by making material misrepresentations to the mortgage lender. When the loan closes, the seller receives the previously determined price for the home and the perpetrator pockets the surplus loan proceeds over and above the amount paid to the seller. The lender is unaware of this secret deal, and the loan is at increased risk of default. When the mortgage defaults, which it invariably does because of the overvaluation of the home, the lender forecloses on the house, but is unable to sell it for the amount owed as a result of the falsely inflated value.

6. To further achieve the objects of the conspiracy, **KEVIN LEE GRADY, SR.** and other co-conspirators sought and found individuals and businesses who were facing foreclosure and looking to sell one or more properties, were in difficult financial circumstances, or were otherwise financially motivated to quickly sell their properties. The properties were typically not listed on the Multiple Listing Service by a licensed realtor, and were not otherwise advertised to the public. **KEVIN LEE GRADY, SR.** and other co-conspirators would reach a fixed agreed amount that the seller would accept for the property with the express or implied understanding that **KEVIN LEE GRADY, SR.** or the co-conspirators would keep the proceeds of any mortgage loan over and above the agreed-upon amount. The agreements between the sellers and **KEVIN LEE GRADY, SR.** and other co-conspirators were intentionally never reduced to writing and never disclosed to the lenders.

7. To further achieve the principal object of the conspiracy, **KEVIN LEE GRADY, SR.** and other co-conspirators would seek and obtain buyers to carry out the seller assistance

scheme by inducing them to purchase properties through promises of cash payments or kickbacks made to the buyers outside of the closing for the underlying real estate transactions. These cash payments after the sale were as much as \$10,000.00 per property.

8. To further achieve the principal object of the conspiracy, **KEVIN LEE GRADY, SR.** and other co-conspirators induced various mortgage lenders to approve mortgage loans which the lenders would otherwise not have approved if they had been provided with truthful financial information in loan applications regarding the borrowers' financial situation. These loan applications often contained the following material false representations regarding the borrowers' financial status: grossly inflated salaries, fictitious employment, non-existent or false rental income, exaggerated or simply false financial information, and a promise that the property would be used as the principal residence of the borrower, when in fact it would not.

9. To further achieve the principal object of the conspiracy, **KEVIN LEE GRADY, SR.** and other co-conspirators did unjustly and fraudulently enrich themselves by inducing various mortgage lenders to make residential home loans on properties with falsely inflated sales prices that were well in excess of their true market value, which allowed **KEVIN LEE GRADY, SR.** and other co-conspirators to skim this fraudulently-created equity or loan surplus by way of distributions at the closings or as direct payments outside of the closings for their own personal gain.

MANNER AND MEANS OF THE CONSPIRACY

A. SELLER ASSISTANCE SCHEME - SALES OF PORTFOLIO PARTNERS' PROPERTIES

10. In 2001, Portfolio Partners LLC ("Portfolio Partners"), a local business owned by a Grand Rapids businessman, purchased 29 residential properties from Metropolitan Hospital and immediately leased the properties back to the hospital so that the hospital could, in turn, rent the properties to its physicians, residents, interns and other medical staff.

11. Sometime during the first half of 2006, Metropolitan Hospital informed Portfolio Partners that it would not be renewing its lease agreement for the 29 properties, which was set to expire in August 2006. The hospital's decision not to renew the lease was predicated upon its decision to move the hospital to a new location.

12. At some time in 2006, but on or before June 2006, **KEVIN LEE GRADY, SR.** began discussions with Portfolio Partners regarding the sale of these approximately 29 properties owned by Portfolio Partners and located around the former Metropolitan Hospital near the intersection of Plymouth and Boston.

13. At some time in 2006, but on or before June 2006, Portfolio Partners met with **KEVIN LEE GRADY, SR.** and agreed to have **KEVIN LEE GRADY, SR.** sell the properties on its behalf. Portfolio Partners entered into this unwritten agreement with **KEVIN LEE GRADY, SR.** despite the fact that **KEVIN LEE GRADY, SR.** was not a licensed real estate broker or salesperson authorized by law to broker or sell real estate. Portfolio Partners advised **KEVIN LEE GRADY, SR.** of a specified amount that it needed to realize from the sale of these

properties and told **KEVIN LEE GRADY, SR.** that he could retain any monies obtained above this amount.

14. In order to profit from this arrangement with Portfolio Partners, **KEVIN LEE GRADY, SR.** sought out and induced various prospective purchasers to purchase the Portfolio Partners' properties in blocks of four or five by representing to them that the properties could be purchased for little or no money down, could be easily rented or were already rented for amounts sufficient to meet the corresponding monthly mortgage obligations and by promising that they would receive cash payments, sometimes as much as \$10,000.00 per property, after the closing.

15. To further his scheme and to maximize his return on the sales of the Portfolio Partners' properties, **KEVIN LEE GRADY, SR.** requested appraisals of the properties from **LISA LYNN WALTERS** in amounts far greater than their actual fair market value. Rather than seeking true, unbiased and fair appraisals of the properties, **KEVIN LEE GRADY, SR.** conspired with **LISA LYNN WALTERS** to inflate the properties' true values, often by as much as \$20,000.00.

16. To accommodate **KEVIN LEE GRADY, SR.**'s request for inflated property appraisals, **LISA LYNN WALTERS** often failed to conduct a true fair market appraisal of the properties, but instead manipulated her appraisal reports so that the reports reflected the inflated values requested by **KEVIN LEE GRADY, SR.** **KEVIN LEE GRADY, SR.** and **LISA LYNN WALTERS** manipulated the market values as follows:

- a. Prior to seeking a property appraisal, **KEVIN LEE GRADY, SR.** determined the appraised value that he wanted for the property in order to generate the mortgage loan amount he needed to realize a substantial profit from the sale;

b. **LISA LYNN WALTERS** conducted an appraisal designed to justify the value requested by **KEVIN LEE GRADY, SR.** and not designed to determine the true fair market value of the property;

c. In instances where standard appraisal practices would not result in the inflated values that **KEVIN LEE GRADY, SR.** requested, **LISA LYNN WALTERS** would abandon standard appraisal practices in ways designed to falsely inflate the value of the subject property, including, but not limited to:

- (i) Using properties for comparison to the subject property that were not located within the same market area;
- (ii) Misrepresenting the distance of the comparable properties from the subject properties to conceal that the comparable properties were not located within the same neighborhood as the subject;
- (iii) Misrepresenting the physical characteristics of the comparable properties, including their square footage and whether they had finished basements, multiple bathrooms, and other amenities;
- (iv) Misrepresenting the effective age of the subject property;
- (v) With respect to investment properties, preparing false or fraudulent comparable rental schedules and/or operating income statements for the properties.

17. Once **KEVIN LEE GRADY, SR.** received the fraudulent inflated appraisals from **LISA LYNN WALTERS, KEVIN LEE GRADY, SR.** would sell the properties at the inflated prices to purchasers selected by him or one of his co-conspirators.

18. In order to obtain loans on these properties with falsely inflated values, **KEVIN LEE GRADY, SR.**, either personally or through other co-conspirators including his loan processor, A.B., would knowingly submit fraudulent loan applications to the lenders which contained materially false statements and representations about the borrowers, including grossly inflated salaries, false and non-existent employment, grossly exaggerated or simply false financial information, false net worth, false source of down payments, and false statements that properties were purchased as principal residences.

19. To conceal from the lenders the false employments of borrowers, **KEVIN LEE GRADY, SR.** directed his loan officers to create limited liability corporations under the guise that doing so would limit their liability exposure. In truth and in fact, **KEVIN LEE GRADY, SR.** instructed his loan officers to use these limited liability shell corporations as false employers for borrowers who did not have employment or whose employment income would not be sufficient to justify the purchase of multiple properties at the same time.

20. **KEVIN LEE GRADY, SR.** and other co-conspirators also defrauded mortgage lenders with respect to borrowers who were self-employed. When mortgage lenders requested a letter from the borrower's accountant to prove the existence and viability of the borrower's business and net worth, **KEVIN LEE GRADY, SR.** and the co-conspirators obtained a false letter from a local accountant claiming to have filed tax returns and performed accounting services for the borrower, when, in truth and in fact, no such tax return or accounting services had been provided.

21. It was further part of the conspiracy that **KEVIN LEE GRADY, SR.** and the co-conspirators would cause mortgage loan applications to contain material misrepresentations regarding:

- a. The borrower's net worth;
- b. Other real estate owned by the borrower and the existence of rental agreements to meet the underlying mortgage debt on such properties;
- c. The balance of the borrower's bank accounts.

22. It was part of the conspiracy that **KEVIN LEE GRADY, SR.** would prepare or cause to be prepared mortgage loan applications falsely representing that a borrower would live in the subject home as his or her primary residence. When a purchaser was seeking mortgage financing for several homes that would be financed with primary residence loans, **KEVIN LEE GRADY, SR.** and other coconspirators would submit the individual loan applications to different lenders so that any individual lender would be unaware of the existence of the other mortgage loan applications by the same borrower on different properties.

23. After submission of the fraudulent mortgage loan applications by **KEVIN LEE GRADY, SR.** and other co-conspirators, the prospective mortgage lenders typically responded with certain stipulations and requests that needed to be satisfied before the lender would give final approval for the loans. **KEVIN LEE GRADY, SR.** and other co-conspirators further defrauded the mortgage lenders by responding to the various loan stipulations as follows:

- a. Falsely verifying the applicant's place of employment and salary, which was achieved by listing false employment telephone numbers on the mortgage loan

application and then, when the prospective lender called, pretending to be a manager or other authorized representative of the employer listed on the mortgage loan application;

b. Falsely verifying the applicant's place of employment in writing by creating a false verification of employment document in the name of the fictitious employer disclosed on the mortgage loan application;

c. Falsely verifying the applicant's history of payment of rent as a tenant at a current or past place of residence;

d. Wiring funds not belonging to the applicant to the applicant's bank account so that verification of bank account balances would approximate the amount required by the lender for the down payment on the underlying property or the amount disclosed on the mortgage loan application;

e. Creating false leases with monthly rental amounts matching the amounts disclosed on the mortgage loan applications and forging signatures of the names of the tenants;

f. Requesting and obtaining from **LISA LYNN WALTERS** Single Family Comparable Rent Schedules and/or Operating Income Statements that falsely claimed that the properties were being rented for monthly amounts that were supported by a legitimate analysis of the relevant rental market.

24. After a loan was approved, fraudulent equity or a loan surplus existed because the loan proceeds that the borrower actually borrowed to purchase the home far exceeded the true market value of the home and also exceeded the amount the seller agreed to accept for the home. It was further part of the conspiracy that **KEVIN LEE GRADY, SR.** and the other co-

conspirators would unjustly enrich themselves by skimming this fraudulently-created equity or loan surplus by claiming on the HUD-1 Settlement Statement that a company had provided repairs or other services to the home prior to the closing, and that such repairs were a valid settlement charge payable from the loan proceeds at the time of the closing, when in truth and in fact, and unknown to the lender, the said company was affiliated with or under the control and direction of **KEVIN LEE GRADY, SR.** or the other co-conspirators, and the company in fact made few, if any, repairs to the property and did not provide any other services with respect to the property.

25. Between in or about June 2006 and in or about August 2006, five buyers purchased 23 properties owned by Portfolio Partners with over three million dollars of mortgage loans brokered through **KEVIN LEE GRADY, SR.**'s branch of Sure Financial. The buyers defaulted on all but 5 of these loans, resulting in substantial losses to the mortgage lenders.

B. SELLER ASSISTANCE SCHEME - SALES NOT INVOLVING PORTFOLIO PARTNERS' PROPERTIES

26. In addition to the fraud committed upon lenders with respect to the Portfolio Partners' properties, **KEVIN LEE GRADY, SR.** and other co-conspirators also committed a similar fraud on various lenders with respect to other properties secured and brokered by and through **KEVIN LEE GRADY, SR.** and other co-conspirators. As had been done with the Portfolio Partners' properties, **KEVIN LEE GRADY, SR.** and other co-conspirators secured a willing seller to sell at an unwritten set price, on certain properties obtained a false and inflated appraised value for the property, induced purchasers to buy a block of homes in return for promises of a cash kickback and readily available rental income, submitted false and fraudulent

loan applications containing material misrepresentations as to the borrower's true financial situation and then skimmed the fraudulently-created equity or loan surplus by claiming to have provided services to the property, claiming a mortgage lien on the property, or otherwise receiving payments from the seller outside of the closing.

27. Between in or about November 2005 and in or about June 2006, two buyers purchased 8 properties owned by various sellers with nearly a million dollars of mortgage loans brokered through **KEVIN LEE GRADY, SR.**'s branch of Sure Financial. The buyers defaulted on all of these loans, resulting in substantial losses to the mortgage lenders.

OVERT ACTS

In furtherance of the conspiracy, and to effect the objects of the conspiracy, the following overt acts, among others, were committed by at least one co-conspirator in the Western District of Michigan:

Seller Assistance Scheme: The Portfolio Partners Properties

1. On or about June 8, 2006, **KEVIN LEE GRADY, SR.** requested appraisals for the 29 Portfolio Partners properties from **LISA LYNN WALTERS**. **KEVIN LEE GRADY, SR.** claimed that his customers were Renard Johnson, Roland Johnson, Jeremiah White, and Oral Campbell, even though such individuals had not given **KEVIN LEE GRADY, SR.** the authority to order appraisals in their names. Each appraisal order form requested that **LISA LYNN WALTERS** appraise the properties at or around a specified inflated price that was provided by **KEVIN LEE GRADY, SR.**

2. On or about June 13, 2006, **LISA LYNN WALTERS** provided **KEVIN LEE GRADY, SR.** with inflated appraisal reports for each of the 29 properties that he requested, and, for nearly every property, the appraised value equaled or exceeded the value requested by **KEVIN LEE GRADY, SR.**

A. 1910 Adams Street, SE

1. On or about August 10, 2006, **KEVIN LEE GRADY, SR.** and A.B., his loan processor, completed a mortgage loan application for E.M. for the purchase of property located at 1910 Adams Street, SE in Grand Rapids representing that E.M. would live in the property as his primary residence. The mortgage loan application further represented that E.M.'s

current residence was rented for the monthly amount of \$1,200.00, when, in truth and in fact, this property was not rented.

2. On or about August 7, 2006, A.B. transmitted by facsimile to the mortgage lender located outside of Michigan a lease purporting to represent that E.M. had leased his principal property at 1829 Linden Street, SE to several individuals for \$1,000.00 per month. In truth and in fact, A.B. created the lease at the direction of **KEVIN LEE GRADY, SR.** and, along with other co-conspirators and employees, forged the signatures of the purported tenants.

3. On or about August 10, 2006, A.B. transmitted by facsimile to the mortgage lender located outside of Michigan a final signed version of the mortgage loan application indicating that E.M. would reside in the property as his primary residence. In truth and in fact, A.B. knew that E.M. was not going to reside in the property as a primary residence, as he had purchased three other properties as primary residences through **KEVIN LEE GRADY, SR.**'s office within the preceding two weeks.

4. On or about August 11, 2006, the closing agent for the real estate transaction paid \$20,918.45 to Vetron Servicing & Processing, a shell company under the direction of A.B., by way of check number 11761 drawn on the closing agent's bank account.

5. On or about August 11, 2006, A.B. paid **KEVIN LEE GRADY, SR.** \$1,871.86 by way of check number 102271245 drawn on her Vetron Servicing & Processing account and made payable to Grady Group Properties.

6. On or about August 14, 2006, A.B. paid a kickback to E.M. in the sum of \$10,141.00 outside of the closing by way of check number 102078810 drawn on her Vetron Servicing & Processing account at Huntington National Bank.

B. 1942 Boston Street, SE

1. On or about July 17, 2006, **KEVIN LEE GRADY, SR.** and his loan processor, A.B., prepared a mortgage loan application for purchaser, K.H., for property located at 1942 Boston Street, SE in Grand Rapids. The mortgage loan application falsely represented that K.H. rented his current residence at 1743 Clearbrook when in fact he owned that property, and failed to list the mortgage lien against the Clearbrook property as a liability for purposes of the calculation of K.H.'s net worth.

2. On or about August 7, 2006, **KEVIN LEE GRADY, SR.** and his loan processor, A.B., sent a lease for 1942 Boston Street, SE to the mortgage lender by facsimile purporting to show that the property was rented to several tenants for the sum of \$1,500.00 per month. In truth and in fact, the loan processor, at the direction of **KEVIN LEE GRADY, SR.**, created the false lease and, along with other loan officers or employees, forged the signatures of the purported tenants.

3. At a time unknown to the grand jury, but before August 10, 2006, **LISA LYNN WALTERS** produced a Single Family Comparable Rent Schedule for 1942 Boston Street, SE and an Operating Income Statement representing that the property had a market monthly rent of \$1,500.00.

4. On or about August 10, 2006, in conjunction with the real estate closing for 1942 Boston Street, SE, the closing agent paid Grady Group Properties \$8,894.22 by way of check number 11748 drawn on her Huntington National Bank account.

5. On or about August 16, 2006, **KEVIN LEE GRADY, SR.** paid K.H. the sum of \$1,200.00 outside of the closing by way of check number 3150 from his Grady Group Properties account.

C. 1914 Boston Street, SE

1. On or about August 15, 2006, **KEVIN LEE GRADY, SR.** and his loan processor, A.B., prepared and transmitted by facsimile a mortgage loan application for K.H. and S.H., purchasers of property located at 1914 Boston Street, SE in Grand Rapids to the mortgage lender located outside of Michigan. The mortgage loan application falsely represented that K.H. resided at 922 Calvin Street, SE and listed several other properties owned by K.H. and S.H., including 2200 Audobon, SE, East Grand Rapids, Michigan, that was purportedly rented for \$1,100.00 to \$1,500.00 per month.

2. On or about August 23, 2006, A.B., the loan processor, at the direction of **KEVIN LEE GRADY, SR.**, prepared and transmitted to the lender a lease for 2200 Audobon, SE, East Grand Rapids, Michigan, falsely representing that a tenant was renting the property from K.H. for \$1,100.00 per month. The signature of the tenant was forged by A.B. or someone at her direction.

3. On or about August 23, 2006, A.B., the loan processor, at the direction of **KEVIN LEE GRADY, SR.**, prepared and transmitted to the lender a lease for the subject property, 1914 Boston Street, SE, falsely representing that a tenant was renting the property from K.H. for \$1,500.00 per month. The tenant's name was fictitious, and the signature of the tenant was forged by A.B. or someone at her direction.

4. On or about August 23, 2006, in conjunction with the real estate closing for 1914 Boston Street, SE, the closing agent paid Grady Group Properties \$22,011.34 by way of check number 12052 drawn on her Huntington National Bank account.

5. On or about September 4, 2006, **KEVIN LEE GRADY, SR.** paid K.H. a kickback in the sum of \$10,000.00 outside of the closing by way of check number 3186 from his Grady Group Properties account.

D. 1515 Cornell Road

1. On or about August 28, 2006, **KEVIN LEE GRADY, SR.** and other co-conspirators caused a mortgage loan application in the name of V.A. for a residential property at 1515 Cornell Road, Grand Rapids to be transmitted by facsimile to a mortgage lender outside of Michigan. The mortgage loan application falsely represented that V.A. would occupy the home as her primary residence and falsely represented that she earned a gross monthly income of \$7,300.00 as a self-employed salesperson, when, in truth, V.A. was purchasing the home as an investment property and did not earn \$7,300 per month.

2. At a time unknown to the grand jury, but before August 30, 2006, **KEVIN LEE GRADY, SR.** caused a co-conspirator to send to the mortgage lender a letter from an accountant falsely representing that the accountant was and had been the tax preparer for V.A.'s business for over three years.

3. On or about August 30, 2006, in conjunction with the closing, the closing agent paid Grady Group Properties \$21,790.82 by way of check number 12326 drawn on the closing agent's account at Huntington National Bank.

4. On or about August 31, 2006, after the closing on 1515 Cornell Road, **KEVIN LEE GRADY, SR.** wrote check number 3180 to JCK Investments in the amount of \$16,800.00, drawn on the Grady Group Properties account at Huntington National Bank.

E. 1520 Cornell Road

1. At a time unknown to the grand jury, but on or before July 31, 2006, **KEVIN LEE GRADY, SR.** prepared, or caused other co-conspirators to prepare, a mortgage loan application in the name of F.T. and F.T., for the purchase of property located at 1520 Cornell Road, Grand Rapids. The mortgage loan application misrepresented the balance of F.T. and F.T.'s bank account, and the value of their life insurance, and did not list two other properties simultaneously being acquired by F.T. and F.T. through **KEVIN LEE GRADY, SR.**'s mortgage branch.

2. On or about July 25, 2006, **LISA LYNN WALTERS**, at the request of **KEVIN LEE GRADY, SR.** or a co-conspirator, re-issued her appraisal report originally dated June 13, 2006, in the names of F.T. and F.T. Her report stated a fair market value for the property of \$158,000.00, which was false and fraudulent because she used comparable properties over one mile away and misrepresented the square footage of the living area of at least two of the comparable properties to increase the value of 1520 Cornell Road.

3. On or about July 25, 2006, **LISA LYNN WALTERS** included an Operating Income Statement with the appraisal that falsely represented that the property at 1520 Cornell Road had a market rental value of \$1,500.00 per month and that the property was actually rented for that amount.

4. On or about July 31, 2006, in conjunction with the closing transaction for 1520 Cornell Road and two other properties purchased by F.T. and F.T. through **KEVIN LEE GRADY, SR.**'s mortgage branch, the closing agent issued three checks to Vetron Servicing & Processing, a shell company under the direction of A.B., check numbers 11518, 11535, and 11503, drawn on F.T. and F.T.'s bank account at Huntington National Bank and totaling \$64,718.06.

5. On or about August 1, 2006, A.B. issued a check outside of the closing to Grady Group Properties, check number 102078756 drawn on the Vetron Servicing & Processing bank account at Huntington National Bank and totaling \$4,718.06.

6. On or about August 1, 2006, A.B. issued a check outside of the closing to F.T. and F.T., check number 102078752, drawn on the Vetron Servicing & Processing bank account at Huntington National Bank and totaling \$26,143.00.

F. 1918 Adams Street, SE

1. At a time unknown to the grand jury, but on or before July 31, 2006, **KEVIN LEE GRADY, SR.** prepared, or caused other co-conspirators to prepare, a mortgage loan application in the name of F.T. and F.T., for the purchase of property located at 1918 Adams Street, SE, Grand Rapids. The mortgage loan application misrepresented the balance of F.T. and F.T.'s bank account and the value of their life insurance, and did not list two other properties being acquired through **KEVIN LEE GRADY, SR.**'s mortgage branch at the same time.

2. At a time unknown to the grand jury, but on or before July 31, 2006, **LISA LYNN WALTERS** produced an Operating Income Statement that falsely represented that the

property at 1918 Adams Street, SE had a market rental value of \$1,500.00 per month and that the property was actually rented for that amount.

G. 1501 Cornell Road

1. At a time unknown to the grand jury, but on or before August 31, 2006, **KEVIN LEE GRADY, SR.** prepared, or caused other co-conspirators to prepare, a mortgage loan application in the name of C.H., for the purchase of property located at 1501 Cornell Road, Grand Rapids. The mortgage loan application falsely represented that C.H. was self-employed by C.W. Harris & Companies and earned a monthly employment income of \$12,500.00, when in truth and in fact C.H. worked at the branch of Sure Financial managed by **KEVIN LEE GRADY, SR.**, and his tax return for 2006 reported annual employment income of \$1,015.85, or less than \$100 per month. Additionally, the mortgage loan application represented that in addition to 1501 Cornell Road, C.H. owned or was acquiring three other properties and that the subject property and these three additional properties were all rented for \$1,500.00 to \$1,800.00 per month.

2. On or about August 2, 2006, **LISA LYNN WALTERS** produced a Single Family Comparable Rent Schedule falsely representing that the monthly market rental value of the property at 1501 Cornell Road was \$1,500.00.

3. On or about August 23, 2006, in connection with the underlying mortgage loan application process for the property at 1501 Cornell Road, and the three additional properties, **KEVIN LEE GRADY, SR.** caused A.B. to wire \$35,000.00 to the bank account of C.H., the source and existence of which was not disclosed to the mortgage lender, and which

funds were used by C.H. to make the down payments on the four residential homes that he purchased.

4. On or about August 24, 2006, a co-conspirator transmitted by facsimile to the mortgage lender located outside of Michigan two Form 1040 Schedule E, Supplemental Income and Loss documents purporting to show that C.H. realized rental income in 2004 and 2005 from properties located at 1639 McReynolds, NW and 1138 Watkins, SE in Grand Rapids. In truth and in fact, C.H. did not own or have any interest in either of these properties at any time.

5. On August 29, 2006, **KEVIN LEE GRADY, SR.**, by way of check number 3177 drawn on his Grady Group Properties account, re-paid A.B. the sum of \$35,000.00 that she advanced to C.H. for his down payments.

H. 1444 Strathmoor Place

1. At a time unknown to the grand jury, but on or before August 31, 2006, **KEVIN LEE GRADY, SR.** prepared, or caused other co-conspirators to prepare, a mortgage loan application in the name of C.H., for the purchase of property located at 1444 Strathmoor Place, Grand Rapids. The mortgage loan application falsely represented that C.H. was self-employed by C.W. Harris & Companies and earned a monthly employment income of \$12,500.00. Additionally, the mortgage loan application represented that in addition to 1444 Strathmoor Place, C.H. owned or was acquiring three other properties and that the subject property and these three additional properties were all rented for \$1,500.00 to \$1,800.00 per month.

2. On or about August 2, 2006, **LISA LYNN WALTERS** produced a Single Family Comparable Rent Schedule falsely representing that the monthly market value of the property at 1444 Strathmoor Place was \$1,600.00.

3. On or about August 17, 2006, **KEVIN LEE GRADY, SR.** caused a co-conspirator to send to the mortgage lender a letter from an accountant falsely representing that the accountant was and had been the tax preparer for C.W. Harris & Companies for over three years.

4. On or about August 31, 2006, in conjunction with the real estate closing for 1444 Strathmoor Place and the three additional properties purchased by C.H. on that same day, the closing agent distributed loan proceeds to Grady Group Properties totaling \$135,588.73, by way of check numbers 12225, 12295, 12265, and 12211, drawn on her account at Huntington National Bank.

5. On or about September 5, 2006, **KEVIN LEE GRADY, SR.** paid C.H. \$20,000.00 outside of the closing by way of check number 3188 drawn on his Grady Group Properties account.

Seller Assistance Scheme: Sales Not Involving Portfolio Partners Properties

I. 1401 Johnston Street, SE

On or about October 25, 2005, **JIMMY LADELL COLLINS, KEVIN LEE GRADY SR.** and V.W., a loan officer and co-conspirator, completed a mortgage loan application for the purchase of property at 1401 Johnston Street, SE in Grand Rapids as the primary residence for **JIMMY LADELL COLLINS**. The mortgage loan application falsely represented that **JIMMY LADELL COLLINS** was employed by Children Need Both Parents

and was earning a monthly employment income of \$5,300.00, when in truth and in fact, as **JIMMY LADELL COLLINS** and the co-conspirators well knew, **JIMMY LADELL COLLINS** was not employed at Children Need Both Parents, but was instead employed at Kerry Incorporated and earned an annual salary of \$21,098.00 in 2005, or less than \$2,000.00 per month.

J. 817 Dorchester Avenue, SW

1. On or before November 7, 2005, **JIMMY LADELL COLLINS** and V.W., a loan officer and co-conspirator working at the branch office of Sure Financial managed by **KEVIN LEE GRADY, SR.**, completed a mortgage loan application for the purchase of property at 817 Dorchester Avenue, SW in Grand Rapids as **JIMMY LADELL COLLINS'** primary residence. The mortgage loan application falsely represented that **JIMMY LADELL COLLINS** was employed by Children Need Both Parents and was earning a monthly employment income of \$5,300.00.

2. On or about November 7, 2005, V.W., under the direction of **KEVIN LEE GRADY, SR.**, caused an electronic transfer of funds from his National City Bank account to the National City Bank account of **JIMMY LADELL COLLINS** in the amount of \$4,000.00 so that **JIMMY LADELL COLLINS** would have sufficient funds for the down payment for closing, all the while knowing that this money would be returned to V.W. after the closing.

3. On or about December 6, 2005, in conjunction with the closing of the real estate transaction for 817 Dorchester Avenue, S.W., the closing agent paid the seller \$20,476.97 by way of check number 8392 drawn on her account at Huntington National Bank.

4. On or about December 16, 2005, and January 3, 2006, the seller paid a total of \$20,900.00 to Principle Investment Properties by way of two checks, numbers 797824 and 726873, drawn on the seller's bank account. Principle Investment Properties was a limited liability corporation owned by loan officer V.W.

5. On or about December 27, 2005, Principle Investment Properties paid **JIMMY LADELL COLLINS** \$5,000.00 by way of a check number 101743782 drawn on its bank account.

K. 1750 Alto Avenue, SE

1. On or about May 5, 2006, **CARLUS DEMOND BRIDGEFORTH** and **KEVIN LEE GRADY, SR.** completed a mortgage loan application for financing of the purchase of property at 1750 Alto Avenue, SE in Grand Rapids as **CARLUS DEMOND BRIDGEFORTH's** primary residence. The mortgage loan application falsely represented that **CARLUS DEMOND BRIDGEFORTH** was employed by Principle Investment Properties as an Assistant Manager and was earning a monthly employment income of \$4,000.00. In truth and in fact, **CARLUS DEMOND BRIDGEFORTH** was not employed at Principle Investment Properties, which was simply a limited liability corporation created by loan officer V. W., but instead **CARLUS DEMOND BRIDGEFORTH** had virtually no regular employment and earned yearly income of less than \$2,000.00 for tax year 2006, or less than \$200 per month.

2. On or about May 5, 2006, in conjunction with the closing of the real estate transaction for 1750 Alto Avenue, SE, the closing agent paid Grady Group Properties, a corporation solely owned by **KEVIN LEE GRADY, SR.**, the sum of \$8,626.62, by way of check number 1041, as a settlement charge to the seller on the HUD-1 because Grady Group

Properties claimed to be the holder of a second mortgage against the property. In truth and in fact, there was no second mortgage of record against the property in the name of Grady Group Properties.

3. On or about May 11, 2006, Grady Group Properties paid a kickback outside the closing to Cascade Restoration, a company formed by **CARLUS DEMOND BRIDGEFORTH**, in the sum of \$15,000.00 by way of check number 2941 drawn on the account of Grady Group Properties at Huntington National Bank.

L. 1138 Watkins Street, SE

1. On or about May 22, 2006, **CARLUS DEMOND BRIDGEFORTH** and **KEVIN LEE GRADY, SR.** completed a mortgage loan application for the purchase of property at 1138 Watkins Street, SE, in Grand Rapids as **CARLUS DEMOND BRIDGEFORTH's** primary residence. The mortgage loan application falsely represented that **CARLUS DEMOND BRIDGEFORTH** was employed by Principle Investment Properties as an Assistant Manager and was earning a monthly employment income of \$4,000.00. In truth and in fact, **CARLUS DEMOND BRIDGEFORTH** was not employed at Principle Investment Properties, which was simply a limited liability corporation created by loan officer V.W., but instead had virtually no regular employment and earned yearly income of less than \$2,000.00 for tax year 2006, or less than \$200 per month.

2. On or about June 1, 2006, in conjunction with the closing for 1138 Watkins Street, SE, the closing agent paid **KEVIN LEE GRADY, SR.** \$45,500.00 by way of check number 10771, drawn on her account at Huntington National Bank, and made payable to Grady Group Properties.

3. On or about June 2, 2006, **KEVIN LEE GRADY, SR.** paid **CARLUS DEMOND BRIDGEFORTH** \$15,000.00 by way of check number 2987 drawn on his Grady Group Properties' bank account.

18 U.S.C. § 1349

18 U.S.C. § 1343

COUNTS 2-9
(Wire Fraud)

The Grand Jury re-alleges and incorporates by reference the allegations contained in Count 1 as if set forth in full herein as a scheme and artifice to defraud, and further charges:

From in or about October 2005, and continuing to in or about September 2006, in the Western District of Michigan, Southern Division,

**KEVIN LEE GRADY, SR. and
LISA LYNN WALTERS,**

having devised and intending to devise a scheme and artifice to defraud mortgage lenders by means of material false and fraudulent pretenses, representations and promises, did, in order to execute the scheme, transmit or cause to be transmitted by means of wire, radio, and other communication in interstate commerce the following signals, communications and writings:

Count	Date	Property Address	Wire Communication
2	August 11, 2006	1910 Adams	Wire transfer of \$149,405.00 in loan proceeds from Deutsche Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
3	August 11, 2006	1942 Boston	Wire transfer of \$119,120.56 in loan proceeds from JP Morgan Chase Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
4	August 23, 2006	1914 Boston	Wire transfer of \$111,425.14 in loan proceeds from JP Morgan Chase Bank

			in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
5	August 30, 2006	1515 Cornell	Wire transfer of \$140,963.89 in loan proceeds from JP Morgan Chase Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
6	July 31, 2006	1918 Adams	Wire transfer of \$118,233.43 in loan proceeds from JP Morgan Chase Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
7	July 31, 2006	1520 Cornell	Wire transfer of \$127,130.59 in loan proceeds from JP Morgan Chase Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
8	August 31, 2006	1444 Strathmoor Place	Wire transfer of \$123,309.95 in loan proceeds from JP Morgan Chase Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.

9	August 31, 2006	1501 Cornell	Wire transfer of \$122,664.53 in loan proceeds from JP Morgan Chase Bank in New York, New York to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
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18 U.S.C. § 1343

18 U.S.C. § 2

COUNT 10
(Bank Fraud)

The Grand Jury re-alleges and incorporates by reference the allegations contained in paragraphs 1 through 27 of Count 1, and paragraphs I and J of the Overt Acts set forth in Count 1, as if set forth in full herein as a scheme and artifice to defraud, and further charges:

Between on or about November 7, 2005, and December 27, 2005, in the Western District of Michigan, Southern Division,

**KEVIN LEE GRADY, SR. and
JIMMY LADELL COLLINS**

did knowingly execute a scheme and artifice to defraud a federally-insured financial institution, specifically Wells Fargo Bank.

Defendants accomplished this scheme by obtaining a mortgage loan totaling \$85,311.14 from Wells Fargo Bank, which the bank made after considering personal financial information on the mortgage loan application for a property at 817 Dorchester Avenue, SW, Grand Rapids. The information supplied by the Defendants was false and they knew it to be false. The Defendants misrepresented to the bank that **JIMMY LADELL COLLINS** was working for a company called Children Need Both Parents and was earning a monthly employment income of \$5,300. This was false information, as Defendant **JIMMY LADELL COLLINS** was working for a different employer and was making less than \$2,000.00 per month. Additionally, **JIMMY LADELL COLLINS** accepted money from another source for purposes of the down payment on the underlying real estate, and accepted money after the closing of the real estate transaction, and did not disclose this information to Wells Fargo Bank.

18 U.S.C. § 1344(1)
18 U.S.C. § 2

COUNTS 11 -14
(Wire Fraud)

The Grand Jury re-alleges and incorporates by reference the allegations contained in paragraphs 1 through 27 of Count 1, and paragraphs K and L of the Overt Acts set forth in Count 1, as if set forth in full herein as a scheme and artifice to defraud, and further charges:

From in or about April 2006, and continuing to in or about June 2006, in the Western District of Michigan, Southern Division,

**KEVIN LEE GRADY, SR. and
CARLUS DEMOND BRIDGEFORTH,**

having devised and intending to devise a scheme and artifice to defraud mortgage lenders by means of material false and fraudulent pretenses, representations and promises, did, in order to execute the scheme, transmit and cause to be transmitted by means of wire, radio and other communication in interstate commerce, the following signals, communications and writings:

Count	Date	Property Address	Communication
11	May 5, 2006	1750 Alto S.E.	Wire transfer of \$79,976.87, representing the proceeds of the first mortgage, from Wachovia Bank in Pennsylvania to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
12	May 5, 2006	1750 Alto S.E.	Wire transfer of \$18,802.51, representing the proceeds of the second mortgage, from Wachovia Bank in Pennsylvania to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.

13	June 1, 2006	1138 Watkins	Wire transfer of \$99,101.00, representing the proceeds of the first mortgage, from JP Morgan Chase Bank in New York, New York, to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.
14	June 1, 2006	1138 Watkins	Wire transfer of \$24,938.00, representing the proceeds of the second mortgage, from JP Morgan Chase Bank in New York, New York, to Huntington National Bank in Columbus, Ohio, and then electronically transmitted to an account at a branch of Huntington National Bank located in the Western District of Michigan.

18 U.S.C. § 1343

18 U.S.C. § 2

COUNT 15

(False Statement to Agency of the United States)

On or about May 18, 2011, in the Western District of Michigan, Southern Division,

KEVIN LEE GRADY, SR.

did willfully and knowingly make and cause to be made a materially false, fictitious, and fraudulent statement and representation in a matter within the jurisdiction of a department or agency of the United States, to wit: during an interview with Special Agents of the Federal Bureau of Investigation, investigating evidence of mortgage fraud in the sale of approximately 29 properties owned by Portfolio Partners, **KEVIN LEE GRADY, SR.** stated to the Special Agents that he had not paid any monies, either before, during or after the real estate closings, to any of the purchasers of the 29 properties sold by Portfolio Partners, when as he then and there knew, he had in truth and in fact made such payments.

18 U.S.C. § 1001(a)(2)

FORFEITURE ALLEGATION

(Conspiracy to Commit Wire Fraud and Wire Fraud)

The allegations contained in Counts 1 - 9 of this Indictment are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(2)(a) and Title 28, United States Code, Section 2461(c).

Upon conviction of any of the offenses in violation of Title 18, United States Code, Sections 1343 and 1349 set forth in Counts 1 - 9 of this Indictment, the defendants,

**KEVIN LEE GRADY and
LISA LYNN WALTERS,**

shall forfeit to the United States, pursuant to Title 18, United States Code, Sections 981(a)(1)(C), and/or 982(a)(2)(A), and/or Title 28, United States Code, Section 2461(c), any property constituting, or derived from, proceeds obtained, directly or indirectly, as a result of such violation(s). The property to be forfeited includes, but is not limited to, the following:

1. MONEY JUDGMENT: Pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and/or 982(a)(2)(A), a sum of money equal to at least \$1,012,253.10, which represents the amount of gross proceeds obtained, directly or indirectly, as a result of the offenses charged in Counts 1 - 9 of this Indictment.

2. SUBSTITUTE ASSETS: Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c), the United States shall be entitled to forfeiture of substitute property up to the value of the above forfeitable property if, by any act or omission of the Defendants, the above forfeitable property, or any portion thereof,

A. cannot be located upon the exercise of due diligence;

- B. has been transferred or sold to, or deposited with, a third party;
- C. has been placed beyond the jurisdiction of the court;
- D. has been substantially diminished in value; or
- E. has been commingled with other property which cannot be divided without difficulty.

18 U.S.C. § 1343

18 U.S.C. § 981(a)(1)(C)

18 U.S.C. § 982(a)(2)(A)

21 U.S.C. § 853(p)

18 U.S.C. § 982(b)(1)

28 U.S.C. § 2461(c)

FORFEITURE ALLEGATION

(Bank Fraud)

The allegations contained in Count 10 of this Indictment are hereby realleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 982(a)(2)(A).

Upon conviction of the offense in violation of Title 18, United States Code, Section 1344 set forth in Count 10 of this Indictment, the defendants,

**KEVIN LEE GRADY and
JIMMY LADELL COLLINS,**

shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 982(a)(2)(A), any property constituting, or derived from, proceeds obtained, directly or indirectly as a result of such violation. The property to be forfeited includes, but is not limited to, the following:

1. MONEY JUDGMENT: Pursuant to Title 18, United States Code, Section 982(a)(2)(A), a sum of money equal to at least \$85,311.14, which represents the amount of gross proceeds obtained, directly or indirectly, as a result of the offenses charged in Count 10 of this Indictment.

2. SUBSTITUTE ASSETS: Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c), the United States shall be entitled to forfeiture of substitute property up to the value of the above forfeitable property if, by any act or omission of the Defendants, the above forfeitable property, or any portion thereof,

A. cannot be located upon the exercise of due diligence;

- B. has been transferred or sold to, or deposited with, a third party;
- C. has been placed beyond the jurisdiction of the court;
- D. has been substantially diminished in value; or
- E. has been commingled with other property which cannot be divided without difficulty.

18 U.S.C. § 1344

18 U.S.C. § 982(a)(2)(A)

21 U.S.C. § 853(p)

18 U.S.C. § 982(b)(1)

28 U.S.C. § 2461(c)

FORFEITURE ALLEGATION

(Wire Fraud)

The allegations contained Counts 11 - 14 of this Indictment are hereby re-alleged and incorporated by reference for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Section 982(a)(2)(A).

Upon conviction of any of the offenses in violation of Title 18, United States Code, Section 1343 set forth in Counts 11 - 14 of this Indictment, the defendants,

**KEVIN LEE GRADY and
CARLUS DEMOND BRIDGEFORTH,**

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(2)(A), any property constituting, or derived from, proceeds obtained, directly or indirectly, as a result of such violation(s). The property to be forfeited includes, but is not limited to, the following:

1. MONEY JUDGMENT: Pursuant to Title 18, United States Code, Section 982(a)(2)(A), a sum of money equal to at least \$222,818.38, which represents the amount of gross proceeds obtained, directly or indirectly, as a result of the offenses charged in Counts 11 - 14 of this Indictment.

2. SUBSTITUTE ASSETS: Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c), the United States shall be entitled to forfeiture of substitute property up to the value of the above forfeitable property if, by any act or omission of the Defendants, the above forfeitable property, or any portion thereof,

- A. cannot be located upon the exercise of due diligence;
- B. has been transferred or sold to, or deposited with, a third party;

- C. has been placed beyond the jurisdiction of the court;
- D. has been substantially diminished in value; or
- E. has been commingled with other property which cannot be divided without difficulty.

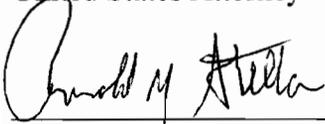
18 U.S.C. § 1343
18 U.S.C. § 982(a)(2)(A)
21 U.S.C. § 853(p)
18 U.S.C. § 982(b)(1)
28 U.S.C. § 2461(c)

A TRUE BILL



GRAND JURY FOREPERSON

DONALD A. DAVIS
United States Attorney



RONALD M. STELLA
BRIAN K. DELANEY
Assistant United States Attorneys