

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

UNITED STATES OF AMERICA * CRIMINAL NO. 18-221
v. * SECTION: B
VALERIE SCHONES * MAGISTRATE:
* * *

FACTUAL BASIS

The defendant, VALERIE SCHONES (hereinafter "SCHONES"), intends to plead guilty to the Bill of Information pending against him.

The United States and SCHONES do hereby stipulate and agree that the allegations in the Bill of Information and the following facts are true and correct, should this matter have proceeded to trial, the government would have proven them beyond a reasonable doubt, through the introduction of competent testimony and admissible tangible and documentary exhibits. This Factual Basis does not attempt to set forth all of the facts known to the United States at this time. The limited purpose of this Factual Basis is to demonstrate that there exists a sufficient legal basis for SCHONES's guilty plea. By their signatures below, the parties expressly agree that there is a factual basis supporting the defendant's guilty plea. The parties also agree that this Factual Basis may, but need not, be used by the United States Probation office and the Court in determining the applicable advisory guideline range under the United States Sentencing Guidelines or the appropriate sentence under 18 U.S.C. § 3553(a).

THE FRAUD

1. In or around March 30, 2007, ABC Homes, LLC ("ABC Homes") was a limited liability company owned and operated by Individual A and defendant JARED CASTELLAW ("CASTELLAW") for the purpose of renovating and selling homes in the St. Bernard Parish area,

in the Eastern District of Louisiana. ABC Homes was funded, in part, by private investors.

2. At a time unknown, but in or around 2008, ABC Homes purchased approximately 100 properties in the St. Bernard parish area to renovate and sell. ABC Homes aimed to provide affordable housing in the New Orleans area and targeted lower income individuals to buy their homes.

3. From in or around 2007 through in or around 2014, CASTELLAW was the Operations Director of ABC Homes and his job was to handle day-to-day operations, as well as over-seeing the marketing and sale of ABC Homes.

4. CASTELLAW had signatory authority on Regions Bank Accounts ending in 7543 and 7632 where ABC Homes' affiliated entities, ABC Homes Equity Fund I and ABC Homes Equity Fund III, conducted much of its operations ("ABC Homes Account(s)").

5. XYZ Financial was a mortgage lending institution based in Tucson, Arizona. XYZ Financial was authorized by the United States Department of Housing and Urban Development, ("HUD") and its agency, the Federal Housing Administration ("FHA") to qualify borrowers for FHA insured home loans.

6. In order to qualify borrowers for FHA insured loans, XYZ Financial signed an agreement with the FHA, establishing an agency relationship, where XYZ Financial promised to follow HUD policies when qualifying borrowers for FHA insured loans ("HUD/FHA policies").

7. HUD and the FHA rely on lenders such as XYZ Financial to conduct due diligence of FHA insured loans, including determining the borrower's credit history, capacity to pay, cash to close, and collateral. XYZ Financial owed the FHA and HUD the duty to exercise the same level of care that HUD or the FHA would exercise in obtaining and verifying information for a loan.

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8. Defendant, **VALERIE SCHONES** (“**SCHONES**”), was a loan officer at XYZ Financial and worked almost exclusively with ABC Homes in qualifying borrowers for FHA insured loans so they could buy homes owned by ABC Homes or its affiliated entities.

9. Defendant, **PATRICK HEALEY** (“**HEALEY**”), was an ABC Homes employee whose primary responsibility was to recruit buyers and assist them in qualifying for FHA insured mortgages through XYZ Financial.

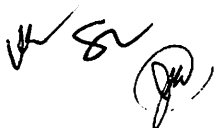
10. In or around 2008, HUD had strict requirements that prospective borrowers had to meet in order to qualify for FHA insured loans. For example, the borrower had to demonstrate that they had adequate credit, capacity to repay, cash to close, and collateral.¹ *See* HUD Handbook, 4155.1 Rev-5 at 30. HUD policy permitted borrowers to furnish the FHA lender a “gift letter” from a family member showing that they received funds from the family member, if they did not have their own funds. *Id.* at 47. HUD policies specifically stated that the seller or any interested party² could not provide the funds to the borrower. *Id.* Further, HUD policies considered “gift funds” from the seller or a party with an interest in the transaction to be inducements to the sale and required those funds to be subtracted from the sale price. *Id.*

11. In cases where the borrower used gift funds to furnish the downpayment, HUD policy required the lender to document the transfer of the funds from the donor to the homebuyer by obtaining a copy of the canceled check or other withdrawal document showing that the withdrawal is from the donor’s account. *See* HUD Handbook, 4155.1 Rev-5 at 47 (October 2003). The homebuyer’s deposit slip and bank statement that shows the deposit were also required. *Id.*

12. HUD policies governing FHA insured loans also prohibited sellers and other parties with

¹ Other acceptable sources of “gift” funds for the downpayment were an employer, labor union, a charitable organization, non-profit, or close friend with a clearly documented interest in the borrower.

² An interested party is considered to be a seller, real estate agent, builder or any entity associated with them.



a financial interest in the sale of the residence from providing funds to satisfy liens, especially if the source of the funds was an interested party. *See* HUD Handbook, 4155.1 Rev-5 at 12, 47 (October 2003).

13. On numerous occasions, from July 2008 through March 2009, ABC Homes, and the defendants **CASTELLAW**, **HEALEY**, and **SCHONES** aided and abetted each other in creating false and fraudulent gift letters purporting to show that the below described borrowers received “gift funds” for their downpayments or other debts from relatives and permissible sources. In reality, in each of the instances described below, ABC Homes, a prohibited source, financed the downpayment or debt.

14. On these occasions, **HEALEY**, along with other ABC Homes employees, known and unknown to the United States Attorney, arranged for a relative of the borrower or an ABC Homes employee to serve as a donor on the gift letter. Meanwhile, **HEALEY**, along with other ABC Homes employees, known and unknown to the United States Attorney, requested the downpayment funds from **CASTELLAW**, who withdrew the funds from an ABC Homes Account ending in 7543 or 7632.

15. On each of these occasions, **SCHONES** advised **HEALEY** on how to structure the paperwork so underwriters at XYZ Financial would qualify the borrower for an FHA insured loan. **SCHONES** advised **HEALEY** to make sure that he had a proper gift trail, meaning that he needed to make sure the donor of the funds deposited the ABC Homes gift money into the donor’s bank account to conceal the true source of the funds. The donor then had to provide a copy of the bank transaction to attach with the gift funds.

16. When **SCHONES**, **HEALEY**, and **CASTELLAW** created these false and fraudulent gift transactions, they knew that they were submitting false statements to XYZ Financial, the FHA

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lender.

17. At a time unknown, but on or before July 2008, **SCHONES** sent **HEALEY** a template example of a gift letter to use with FHA borrowers who needed assistance with a downpayment. The template for the gift letter clearly stated donor funds could not be from the seller or interested party. The gift letter further required the signatures of the borrower and the gift donor. The letter required the donor to describe his/her relationship with the borrower.

18. On or around September 16, 2008, **HEALEY** emailed **SCHONES** with questions about how to structure the "gift trail." The "gift trail" consisted of bank documents and checks showing that the gift funds belonged to the donor and were not from a prohibited source. Prior to the email, **HEALEY** and **SCHONES** spoke with **CASTELLAW** about the gift transaction. After the call, **SCHONES** suggested that **HEALEY** use an ABC Homes employee, ABC Homes Employee 1, as a donor on the gift letter. **SCHONES** asked: "Isn't [ABC Homes Employee 1] her nephew?" **HEALEY** responded, "Better than that, his sister will be here in 5 and we will get it done that way. Better not to incorporate ABC Homes employees. P." **SCHONES** responded, "Point taken, just get it to me as fast as you can." Despite the acknowledgement that ABC Homes employees should not be used on the gift letters, **HEALEY** and **SCHONES** continued to use ABC Homes employees as donors on the gift letters and **CASTELLAW** continued to withdraw funds from the ABC Homes Accounts to fund the gift transactions.

Borrowers EP and JP

19. On or about October 24, 2008, **HEALEY** and an individual unknown to the United States Attorney created a gift letter for Borrowers EP and JP showing a gift from AC for \$3,550. AC signed the gift letter as the donor and the borrower's sister. The gift letter stated that the gift money

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could not be from an interested party such as the seller, ABC Homes.

20. On or about November 14, 2008, **CASTELLAW** wrote a check to cash from the ABC Homes Account ending in 7543 for \$3,558. Three days later, AC deposited the check into her account and purchased a cashier's check payable to Title Company A for \$3,555. The false gift letter and AC's bank statement became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrowers EP and JP.

21. While preparing to close the FHA insured loan for Borrowers EP and JP, on or about November 14, 2008, **HEALEY** emailed **SCHONES** for advice: "Just so I don't screw anything up here, I need to have her sister deposit the cashier[']s check from us, print a balance statement that does not show transactions and then I need to get the cashier[']s check cut to [Title Company A] for \$3550.00. Am I missing anything? Do you need a copy of the cashier[']s check sent over or will presenting it at closing be enough to get it done? P." **SCHONES** responded: "All is correct but just make sure that the teller[] signs and or stamps the print out. . . . Go ahead and send over a copy of the cashier[']s check with everything so we have it and it doesn't get forgotten in the closing package. V."

22. On or about November 20, 2008, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrower BH

23. On or about September 9, 2008, **HEALEY** and **SCHONES** discussed that they were having difficulty qualifying Borrower BH for an FHA insured loan because he did not have a bank



account. **SCHONES** stated “I need a bank account to show \$2,500. That’s the only [way] the system will approve him.” **HEALEY** responded “Isn’t he screwed by the 60 day[] bank statement[] issue anyway even if he opens on[e] tomorrow?” **SCHONES** responded, “I can work around the 60 days with the funds needed coming from a gift.” A few hours later, **HEALEY** forwarded the email to **CASTELLAW**, who responded, “Lock it up lock it in – let’s do it.”

24. On or about November 25, 2008, **HEALEY** and an individual unknown to the United States Attorney created two gift letters for Borrower BH that Borrower BH’s aunt signed as donor of the gifts. The gifts were purportedly from Borrower BH’s aunt, in the amounts of \$2,669 and \$4,100. The gift letters stated that the gift money could not be from an interested party such as the seller, ABC Homes.

25. On or about November 19, 2008, **CASTELLAW** wrote a check to cash from the ABC Homes Account ending in 7632 for \$6,779. The next day Borrower BH’s aunt deposited the check into her account and purchased two cashier’s checks: one to Title Company A for \$4,100, and one to Borrower BH for \$2,669. The false gift letters and Borrower BH’s aunt’s bank statements became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrower BH.

26. On or about December 5, 2008, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrowers TW and CW

27. On or about November 26, 2008, **HEALEY** and an individual unknown to the United States Attorney created two gift letters for Borrowers TW and CW showing that a donor, JW, was



gifting them \$4,000 and \$2,775. JW represented she was the donor and the borrower's mother. The gift letters stated that the gift money could not be from an interested party such as the seller, ABC Homes.

28. On or around December 10, 2008, CASTELLAW, knowing that the gift funds could not be from ABC Homes, wrote a check to cash for \$6,785 from the ABC Homes Account ending in 7632 to be used as gift funds. The same day, JW deposited the \$6,785 check into her bank account and wrote two checks from her personal account to purchase cashier's checks: one for \$4,000 to Title Company A, and one for \$2,775 to Borrower CW. The checks were used as "gift funds" to apply toward Borrowers TW and CW's downpayment. The false gift letters and JW's bank statements became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrowers TW and CW.

29. On or about December 30, 2008, CASTELLAW signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as CASTELLAW well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrower LJ

30. On or about December 9, 2008, HEALEY and an individual unknown to the United States Attorney created a gift letter where ABC Homes Employee 2 signed as a cousin of Borrower LJ. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes. The gift letter signed by ABC Homes Employee 2 was created to paydown debts Borrower LJ owed to the IRS.

31. On or around December 11, 2008, CASTELLAW, knowing that the gift funds could not be from ABC Homes, executed a wire transfer from the ABC Homes Account ending in 7543 for

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approximately \$24,191 and sent it to Employee 2 for the purpose of “gifting” the money to Borrower LJ.

32. Employee 2 then purchased a cashier’s check for \$24,191 made out to Title Company A from the proceeds in his account. The cashier’s check was used as “gift funds” to apply toward Borrower LJ’s debts.

33. The false gift letter and Employee 2’s bank statements became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrower LJ.

34. On or about November 21, 2008, HEALEY and an individual unknown to the United States Attorney created a gift letter for Borrower LJ showing a gift from DS for \$5,100. DS signed the gift letter as the donor and the borrower’s cousin. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes.

35. On or about December 10, 2008, CASTELLAW wrote a check to cash from the ABC Homes Account ending in 7543 for \$5,100. The same day, DS deposited the check into his account and purchased a cashier’s check payable to Title Company A for \$5,100. The false gift letter and DS’s bank statement became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA loan to Borrower LJ.

36. On or about December 17, 2008, CASTELLAW signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as CASTELLAW well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrowers SJ and DF

37. On or about December 12, 2008, HEALEY and an individual unknown to the United States Attorney created a gift letter for Borrower SJ and Borrower DF. Borrower DF’s daughter

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signed as the donor of the gift. The gift funds were purportedly from Borrower DF's daughter for \$4,100. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes.

38. On or about December 11, 2008, CASTELLAW wrote a check to cash from ABC Homes' Account ending in 7543 for of \$4,105. Borrower DF's daughter deposited the check into her account and obtained cashier's check for \$4,100, payable to Title Company A. The false gift letter and Borrower DF's daughter's bank statement became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrowers SJ and DF.

39. On or about December 30, 2008, CASTELLAW signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as CASTELLAW well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrowers GS and QJ

40. On or about October 30, 2008 and December 16, 2008, HEALEY and an individual unknown to the United States Attorney created three gift letters for Borrowers GS and QJ that Borrower GS's mother signed as donor of the gifts. The gifts were purportedly from Borrower GS's mother for \$750, \$3,100 and \$1,750. The gift letters stated that the gift money could not be from an interested party such as the seller, ABC Homes.

41. On or about December 9 and 16, 2008, CASTELLAW wrote two checks to cash from the ABC Homes Account ending in 7543 the amounts of \$4,860 and \$725. Borrower GS's mother deposited these checks into her account. She then obtained cashier's checks for \$725 and \$3,100, payable to Title Company A, and one for \$1,750 payable to QJ. The false gift letters and Borrower GS's mom's bank statements became part of the FHA file that underwriters from XYZ Financial

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approved to disburse the FHA insured loan to Borrowers GS and QJ.

42. On or about December 19, 2008, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

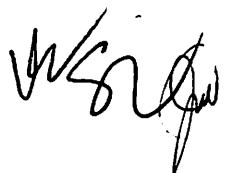
Borrower RW

43. In or around January 28, 2009, **HEALEY** and an individual unknown to the United States Attorney created a gift letter where **HEALEY** falsely signed as a “cousin” of Borrower RW. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes.

44. On or around January 28, 2009, **CASTELLAW**, knowing that the gift funds could not be from ABC Homes, wrote a check to “cash” from the ABC Homes account ending in 7543 for approximately \$3,755 for the purpose of “gifting” the downpayment money to Borrower RW. **HEALEY** then deposited the check into his own account so it appeared as if the “gift” funds came from **HEALEY**’s account. **HEALEY** then purchased a cashier’s check for \$3,750 made out to Title Company A from the proceeds in his account. The cashier’s check was used as “gift funds” to apply toward RW’s downpayment. The false gift letter and **HEALEY**’s bank statements became part of the FHA file that was approved for the FHA insured loan.

45. On or about February 2, 2009, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrower BR

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46. In or around January 6, 2009, **HEALEY** and an individual unknown to the United States Attorney created a gift letter where **RR**, a friend of Borrower **BR**, signed a gift letter as “Friend.” On or around February 6, 2009, ABC Homes Employee 1 emailed **SCHONES** gift letters signed by **RR**. On the same date, **SCHONES** emailed ABC Employee 1 and **HEALEY** instructing: “On the gift letter I need the relationship to state family member, or if it is a friend we have to state for how many years. Like family friend for 15 years. . . .” A few hours later, ABC Homes Employee 1 emailed **HEALEY** and **SCHONES** a revised version of the gift where **RR** was described as the “cousin” of Borrower **BR**. The word “Friend” had been removed from the letter. **SCHONES** then instructed ABC Homes Employee 1 and **HEALEY** to remove the “old version” of the gift letter describing **RR** as Borrower **BR**’s friend. **SCHONES** stated “I need the gift letter removed from this scan because I can not send to [the underwriter] like this with the old one attached.”

47. On or around February 9 and 25, 2009, for reasons unknown, ABC Homes Employee 3 falsely signed three gift letters as a “cousin” of Borrower **BR**, replacing the former donor, **RR**. The gifts were for \$1,700, \$4,700, and \$2,572.

48. On February 6, 9, and 25, 2009, **CASTELLAW**, knowing that the gift funds could not be from ABC Homes, wrote checks to “cash” from the ABC Homes Account ending in 7543 for approximately \$1,710, \$4,710, and \$2,582 for the purpose of “gifting” the downpayment money to Borrower **BR**, and satisfying other debts Borrower **BR** had.

49. ABC Homes Employee 3 deposited \$6,400 and \$2,572 into her account on February 9, and February 25, 2009. On or about February 25, 2009, ABC Homes Employee 3 wrote two checks to Title Company A from the proceeds in her account in the amounts of \$4,700 and \$1,700. On or about February 25, 2009, ABC Homes Employee 3 wrote one check for \$2,572 to a private company. The false gift letters and ABC Homes Employee 3’s bank statement became part of the



FHA file that was approved for the FHA insured loan.

50. On or about February 27, 2009, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrower DR

51. On or about February 25, 2009, **HEALEY** and an individual unknown to the United States Attorney created a gift letter for Borrower DR where Borrower DR's cousin signed as donor of the gift. The gift was purportedly from Borrower DR's cousin, in the amount of \$3,400. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes.

52. On or about February 25, 2009, **CASTELLAW** wrote a check to cash from ABC Homes Account for \$3,410. Borrower DR's cousin deposited the check into her account and obtained a cashier's check for \$3,400, payable to Title Company A. The false gift letter and Borrower DR's cousin's bank statements became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrower DR.

53. On or about February 27, 2009, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrower DD

54. On or around March 25, 2009, **HEALEY** and **SCHONES** were working together to qualify Borrower DD for an FHA insured loan through XYZ Financial. **SCHONES** asked **HEALEY**,



“How about Employee 1’s girlfriend for the gift.” **HEALEY** and **SCHONES** decided not to use Employee 1. Five days later, **HEALEY** asks **SCHONES**, “[Is it] [s]afe to call [Borrower QD] cousin?” **SCHONES** responded, “Just call [QD] and let her know, for some reason [my underwriter] is suspicious of this[.]”

55. On or about March 24, 2009, **CASTELLAW** withdrew \$6,030 from the ABC Homes Account ending in 7632 and wrote a check to cash for the gift funds.

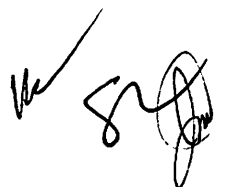
56. The next day, at the direction of **HEALEY**, QD signed a gift letter falsely stating that she was the “cousin” of Borrower DD and purporting to gift him \$5,500 toward his downpayment.

57. The same day, QD deposited \$6,000 into her bank account and wrote two personal checks: one to Title Company A for \$5,500, and another for \$500 to Borrower DD. QD signed the gift letter as a cousin of Borrower DD, purporting to gift Borrower DD \$5,500. **HEALEY**, **CASTELLAW**, and **SCHONES** knew that QD was not related to Borrower DD, and the funds came from ABC Homes, not Borrower DD. Borrower DD was later qualified by XYZ Financial for an FHA insured loan.

58. On or about April 2, 2009, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrower WW

59. On or about February 27, 2009, in an effort to qualify Borrower WW for an FHA insured loan, **HEALEY** emailed **SCHONES** with concerns that Borrower WW did not have sufficient cash to make a downpayment. **HEALEY** stated “I need to source the cash to get the gift trail done.” **SCHONES** replied “Sounds great [.]” **HEALEY** then forwarded the email to

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CASTELLAW stating “J, Doing gift trail next Saturday for [Borrower WW]. I will need \$4860 to cover the down payment, reserves will be in place. This will wrap the deal on our end. P.”

60. On or about March 6, 2009, **HEALEY** and an individual unknown to the United States Attorney created a gift letter for Borrower WW that that Borrower WW’s son signed as donor of the gift. The gift was purportedly from Borrower WW’s son for \$4,880. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes.

61. On or about March 6, 2009, **CASTELLAW** wrote a check to cash from ABC Homes Account ending in 7543 for \$4,885. Borrower WW’s son deposited the check into his account and wrote a personal check in the amount of \$4,880, payable to Title Company A.

62. The false gift letter and Borrower WW’s son’s bank statements became part of the FHA file that underwriters from XYZ Financial approved to disburse the FHA insured loan to Borrower WW.

63. On or about March 27, 2009, **CASTELLAW** signed an Addendum to HUD-1 Settlement Statement certifying, under penalty of perjury, that the seller did not pay any part of the cash downpayment. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source of the downpayment.

Borrowers VP and AP

64. In or around March of 2009, **HEALEY** and Employee 1 created a gift letter where Employee 1 falsely signed as a “cousin” of Borrowers VP and AP. The gift letter stated that the gift money could not be from an interested party such as the seller, ABC Homes.

65. On or around March 6, 2009, **CASTELLAW**, knowing that the gift funds could not be from ABC Homes, wrote a check to “cash” from the ABC Homes Account ending in 7543 for approximately \$4,120 for the purpose of “gifting” money to Borrowers VP and AP to fulfill an



outstanding debt.

66. **HEALEY** then asked Employee 1 to deposit the check into Employee 1's account so it appeared as if the "gift" funds came from his account. Employee 1 then wrote a check from his account to purchase a cashier's check payable to VP to satisfy the debt.

67. The false gift letter and Employee 1's bank statement became part of the FHA file that was approved for the FHA insured loan.

68. Several months later, on or around June 9, 2009, **HEALEY** emailed **SCHONES** and another XYZ Financial employee stating "To be honest, I don't know that he has anything. The payments are up to date, but the checks don't come from him, any ideas? We had to deal with this before with [Borrowers VP and AP] in some fashion I think. P." **SCHONES** replies, copying the XYZ Financial employee, "We had to give [Borrowers VP and AP] the money and have the payment come from them[.]"

69. On or about March 24, 2009, **CASTELLAW** signed an Acknowledgement of Receipt of Settlement Statement certifying, under penalty of perjury, that the HUD-1 statement was true and correct. This representation was false because, as **CASTELLAW** well-knew, it did not disclose that ABC Homes was the source that paid the outstanding debt.

Loss to the FHA and HUD


70. Due to the false statements submitted to XYZ Financial and the FHA by the defendants **SCHONES**, **HEALEY**, and **CASTELLAW**, as well as other facts both known and unknown to the Government, many of the above borrowers defaulted on their FHA insured loans, causing the FHA and HUD to suffer an actual loss in the amount of \$ 852,415.16 based on a total of \$1,108,273.54 in claims made by banks that extended the FHA insured mortgages.



Acknowledgment

71. VALERIE SCHONES acknowledges and agrees that the above facts are true and correct and that she knowingly and intentionally committed the acts described above. Further, the defendant agrees that the total amount of restitution owed to HUD is \$852,415.16, which is owed jointly and severally with other coconspirators known and unknown to the United States.


READ AND APPROVED:



JASON WILLIAMS
NICOLE BURDETT
Counsel for the Defendant

4/3/19

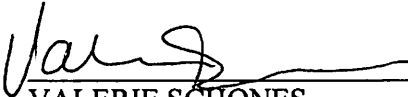
DATE



SHARAN E. LIEBERMAN
EDWARD J. RIVERA
Assistant United States Attorneys

4/3/19

DATE



VALERIE SCHONES
Defendant

4-3-19

DATE