



## U.S. Department of Justice

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### **Twelve Freeport-area Residents Charged with Defrauding Federal Government out of More than \$1 Million in Connection with FHA Mortgage Insurance**

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:

Yesterday, a federal grand jury in Rockford returned a 61-count indictment charging twelve Freeport-area residents with conspiring to defraud the United States, making material false statements in a matter within the jurisdiction of HUD, and making false statements to cause HUD to insure home mortgage loans. The indictment alleges that by causing unqualified loan applicants to receive FHA insured loans, the defendants have placed the federal government at risk of losing more than \$1 million.

The indictment alleges the defendants conspired to defraud the United States in connection with the FHA insured loan program. The FHA insured loan program is designed to assist low and moderate income families in obtaining housing by providing mortgage insurance to lenders who make home loans to these individuals. If the individuals default on their loans, HUD reimburses the lenders for any losses sustained on the loans.

It was part of the conspiracy, the indictment alleges, that defendant Douglas L. Hastings, his wife, and other defendants purchased inexpensive houses in Freeport. Defendants Philip R. Miskimon and Edward J. Martins, through their company, “R & J Renovations,” then performed minor repairs on the properties. According to the indictment, Miskimon and Martins then recruited buyers to purchase the houses and paid \$500 to anyone who would refer a buyer to them. After the buyers were recruited, Miskimon and Martins arranged for the buyers to receive FHA insured loans.

To be eligible to receive an FHA insured loan, a home buyer must: (1) have sufficient income to meet the mortgage payments; (2) have satisfactory credit standing; and (3) invest 3% equity into the house. The home buyer may satisfy the 3% equity requirement with funds received from a third party, such as a gift from a relative. The home buyer can not, however, satisfy the 3% equity requirement with funds received from a party interested in the sale, such as the seller of the house or the builder.

The indictment alleges that Miskimon and Martins falsified numerous documents in order to get the home buyers qualified to receive FHA insured loans. These documents were falsified because the home buyers that were located to purchase the properties were unemployed, did not earn enough money to make the proposed mortgage payments, did not have satisfactory credit standing, or did not have the funds necessary to invest 3% into the properties.

According to the indictment, Miskimon and Martins prepared fraudulent “Verifications of Employment” forms falsely stating that the home buyers were employed at various Freeport-area businesses. Miskimon, Martins, and Hastings solicited owners and operators of these businesses to sign the false “Verifications of Employment” forms. The indictment alleges Martins, Miskimon, and Hastings paid the employers \$500 for each false form they signed.

The indictment alleges Miskimon and Martins solicited owners of Freeport-area businesses to prepare credit letters falsely stating that the buyers had made regular payments to the owners’ businesses. According to the indictment, Miskimon, Martins, and Hastings often paid the business owners \$100 for each letter they signed or provided them with business.

Hastings, Miskimon, and Martins are charged with arranging for fraudulent “gifts” to be provided to the home buyers. The indictment alleges that the funds for these fraudulent gifts were usually provided by Hastings. Martins and Miskimon recruited individuals to falsely pose as “relatives” of the home buyers. After depositing Hastings’ funds into the bank accounts of the phony “relatives,” Martins and Miskimon then purchased cashiers’ checks payable to the home buyers from the accounts. Copies of the checks were placed in the loan files provided to HUD. The original checks were cashed and the funds returned to Hastings.

The individuals charged in the indictment are:

DOUGLAS L. HASTINGS, 39 (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, 49 (DOB: 11/21/55), 424 Hubbard, Winslow, 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.

EDWARD J. MARTINS, 40 (DOB: 09/14/64), 4995 Stagecoach Trail, Lena, 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, 50 (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 fraudulent credit letters that falsely stated that certain home buyers had purchased insurance through Meyer Insurance Agency.

JULIE A. SMITH, 47 (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 fraudulent credit letters that falsely stated that certain home buyers had purchased insurance through Marvin Uecker Agency.

DALE L. NELSON, 49 (DOB: 03/20/56), 1439 Stephenson Street, Freeport. Nelson owns and operates AMD Sales & Services, a computer sales and service business in Freeport. Nelson 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 Nelson signed "Verification of Employment" forms falsely stating that certain home buyers were employed by AMD Sales & Services and prepared credit letters falsely stating that certain home buyers had purchased computer items from his business.

TODD P. ERNST, 44 (DOB: 07/20/60), 3595 Scioto Mills Road, Freeport. Ernst owns and operates Ernst Roofing in Freeport. The indictment charges Ernst 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 Ernst signed "Verification of Employment" forms falsely stating that certain home buyers were employed by Ernst Roofing and assisted in providing a fraudulent gift to one of the home buyers.

PRICE V. BROOKS, 50 (DOB: 01/31/55), 621 East Iroquois, Freeport. Brooks was formerly employed at Brooks Detail Shop in Freeport. The indictment charges Brooks 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 Brooks signed "Verification of Employment" forms falsely stating that certain home buyers were employed by Brooks Detail Shop.

CHAD J. NICKS, 30 (DOB: 01/26/75), 1719 S. West Avenue, Freeport. Nicks owns and operates Planet Wireless, a cellular telephone business in Freeport. Nicks 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 Nicks prepared credit letters falsely stating that certain home buyers had purchased cellular telephone service through Planet Wireless.

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, 23 (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.

Most of the defendants will be arraigned by United States Magistrate Judge P. Michael Mahoney tomorrow, at 2:30 p.m., at the federal courthouse in Rockford. Defendants Meyer and Thompson will be arraigned on Tuesday, June 14th.

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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