

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA**

**INDICTMENT FOR CONSPIRACY TO DEFRAUD THE UNITED STATES,
CONSPIRACY TO COMMIT MONEY LAUNDERING AND MONEY LAUNDERING**

UNITED STATES OF AMERICA	*	CRIMINAL DOCKET NO.	
v.	*	SECTION:	
MICHAEL O’KEEFE, JR.	*	VIOLATIONS:	18 U.S.C. § 371
			18 U.S.C. § 1956(g)
	*		18 U.S.C. § 1957
			18 U.S.C. § 2
	*		
	*		
	*		

The Grand Jury Charges:

GENERAL ALLEGATIONS

At all times relevant to this indictment:

A. THE DEFENDANT

1. **DEFENDANT MICHAEL O’KEEFE, JR.** was the President and owner of Citywide Mortgage Company (hereinafter “CWM”).

B. CWM AND THE HUD INSURANCE PROGRAM

2. In order to encourage home ownership by low income home buyers who could not afford the required down payment ordinarily required by lending institutions for a conventional mortgage, the federal government enacted a Department of Housing and Urban Development (“HUD”) loan program, which guarantees home loans for qualified buyers. Under this HUD loan program, HUD insures 97% of the loan and is responsible for paying the outstanding loan amount to the institution holding the mortgage loan if the mortgagee defaults on the loan.

3. CWM was founded in 1991 and was located at 3625 Canal, New Orleans, Louisiana from its inception until Hurricane Katrina in August 2005. It is a Louisiana Corporation and its primary purpose is to make mortgage loans. Between 1991 and 2003, CWM provided conventional loans as well as federally insured mortgage financing (hereinafter “HUD loans”) for low income home buyers who could not afford the standard down payment ordinarily required by lending institutions for conventional mortgages. CWM was approved by the Department of Housing and Urban Development (HUD) as a Direct Endorser (DE) entitling CWM to submit home purchasing applications for HUD mortgage insurance to the Federal Housing Administration (FHA). If a homeowner defaulted on a HUD-insured mortgage loan, HUD was responsible for paying the outstanding loan amount to the institution holding the mortgage.

4. HUD based their decision to insure mortgage loans submitted by CWM on the approval of a CWM underwriter and the financial information contained in the mortgage file,

which included, among other things, the mortgage application known as a HUD Form 1003-Uniform Residential Loan Application (the Mortgage Application).

5. The business of CWM was conducted by loan officers, loan processors and loan underwriters. Loan officers originated loans by recruiting mortgage applicants and securing the necessary asset, income, and employment information. CWM paid its loan officers commissions on the loans they generated, provided that the loans closed. Loan processors verified the accuracy of the information contained in the Mortgage Application and the supporting documentation (collectively, the "Mortgage File"). The loan processors then submitted the Mortgage File to the loan underwriter for review. Loan underwriters were responsible for independently verifying the accuracy of the information contained in the Mortgage File, including, but not limited to, information regarding property values, credit history, assets, employment and income of the buyer. Loan underwriters were also responsible for determining whether to approve the loan for funding by CWM and submission to FHA for insurance by HUD. The loan underwriters were required to certify to HUD that the loan was qualified for insurance by signing a certification affirming the truth of the information contained in the Mortgage File.

6. HUD regulations prohibited an individual who was acting as an underwriter from receiving commissions for originating loans. The purpose of these regulations was to ensure that all Mortgage Files were subject to an independent review.

COUNT ONE

A. GENERAL ALLEGATIONS

7. The allegations contained in paragraphs 1 through 6 of this Indictment are realleged and incorporated as if fully set forth in this paragraph.

B. THE CONSPIRACY

8. Between on or about February 1, 2001 and January, 2003, both dates being approximate, in the Eastern District of Louisiana and elsewhere, the **DEFENDANT MICHAEL O'KEEFE, JR.**, did knowingly and intentionally combine, conspire, confederate and agree with others, both known and unknown to the Grand Jury, to defraud the United States of and concerning its governmental functions and rights by impairing, obstructing, and impeding the right and ability of the Department of Housing and Urban Development ("HUD") to transact its business unhindered, unhampered, unobstructed and free from fraud in the issuance of mortgage insurance for qualified persons, all in violation of Title 18, United States Code, Section 371.

C. MANNERS AND MEANS

The following manners and means were used to accomplish the unlawful conspiracy:

9. It was part of the conspiracy that the defendants would by deceit, craft, trick, and dishonest means, defraud the United States by interfering with and obstructing the lawful governmental functions of HUD, in that the defendant and his coconspirators caused material and false information to be submitted to HUD to induce HUD to issue mortgage insurance to unqualified persons. This, in turn, caused HUD to assume financial responsibilities and liabilities which it would not have otherwise undertaken.

10. Unindicted co-conspirator C.D. (hereinafter "C.D.") purchased houses and real property in New Orleans, Louisiana. C.D. then obtained fraudulent appraisals, which inflated the value of the property.

11. C.D. recruited mortgage applicants to purchase these properties at the inflated price and to submit mortgage applications to CWM for HUD-insured mortgages, when as this defendant and his co-conspirators then and there knew and believed, the mortgage applicants did not qualify for HUD-insured mortgages. C.D. paid "strawbuyers" varying amounts to apply for the HUD-insured mortgages even though they did not have sufficient income or an intention of residing at the property they had nominally purchased.

12. Unindicted co-conspirator M.C. (hereinafter "M.C.") functioned as both a loan officer and underwriter for numerous applications, and received commissions on loans she reviewed as an underwriter in violation of HUD regulations, thus preventing an independent review of the fraudulent financial information that was included in the Mortgage Files.

13. In order to qualify the applicants for HUD-insured mortgages, **DEFENDANT MICHAEL O'KEEFE, JR.** and his co-conspirators, then prepared materially false and fraudulent mortgage applications and directly endorsed these strawbuyer applications as though they met the criteria for HUD mortgage insurance. These Mortgage Applications were materially false in that they contained, among other things, fraudulent employment verifications and employment histories, falsified financial information overstatements of the applicants' true income; false employment information; false credit histories and credit references, fraudulent income tax returns, and false information regarding the sources of funds to be used for down

payments and closing costs including fraudulent gift letters, to create the appearance that the mortgage applicants had sufficient income and assets to qualify for HUD-insured loans. C.D. paid M.C. to process “strawbuyers” loans containing falsified financial information.

14. **DEFENDANT MICHAEL O’KEEFE, JR.** and his co-conspirators, falsified mortgage loan documents in order to conceal the fact that M.C. was functioning as both a loan officer and underwriter and receiving commissions as a loan originator. More specifically, the **DEFENDANT MICHAEL O’KEEFE, JR.** and his co-conspirators designated a “ghost employee” (hereinafter referred to as “B.C.”) as a loan officer, on mortgage loans originated and underwritten by M.C. so that CWM could pay her commissions through the ghost employee B.C. M.C. listed and signed the name of B.C., as the loan officer on numerous Mortgage Files approved by M.C. as loan underwriter, when, as M.C. and **DEFENDANT MICHAEL O’KEEFE, JR.** then and there knew and believed, B.C. never functioned as a loan officer for CWM. CWM issued commission checks made payable to B.C., which checks were then endorsed in the name B.C., and deposited into a bank account held by M.C.

15. The fraudulent Mortgage Files were sent by commercial interstate carrier to FHA in Denver, Colorado for the purpose of obtaining HUD insurance. After the fraudulent Mortgage Files were submitted to FHA and the loans were approved for HUD insurance, CWM sold the HUD-insured loans to other financial institutions, which purchased the loans unaware that they were based on false documentation, and that the mortgage applicants were not qualified for HUD-insured loans. Subsequently, HUD became responsible for the HUD-insured mortgages that had been sold by CWM to other financial institutions when these mortgages went into

default or foreclosure status because the home purchasers were unable to meet their monthly mortgage obligations.

D. OVERT ACTS

In furtherance of the conspiracy and to effectuate the unlawful objects thereof, and elsewhere, the **DEFENDANT MICHAEL O'KEEFE, JR.** and his co-conspirators, committed, among others, the following overt acts, among others:

16. On or about October 1, 2001, the **DEFENDANT MICHAEL O'KEEFE, JR.** told M.C to tell C.D to make several loans current.

17. On or about January 15, 2002 , M.C. executed a Uniform Residential Loan Application for 5442 Dauphine in the name of B.C.

18. On or about February 8, 2002, M.C. executed a Direct Endorsement Approval Form for borrower J.A.

19. On or about May 10, 2002, M.C. executed a Uniform Residential Loan Application for 5120-22 Dauphine in the name of B.C.

20. On or about May 2002, M.C. caused the mortgage file of Q.P. to be sent by interstate commercial carrier to the HUD Denver Home Ownership Center in Denver, Colorado.

21. On or about May 10, 2002, C.D. signed a HUD settlement statement.

22. On or about May 16, 2002, **DEFENDANT MICHAEL O'KEEFE, JR.** purchased several cashiers checks from Bank One with funds he had obtained from C.D.

23. On or about May 20, 2002, **DEFENDANT MICHAEL O'KEEFE, JR.** purchased several cashiers checks from Bank One with funds he had obtained from C.D.

24. On or about July 8, 2002, **DEFENDANT MICHAEL O'KEEFE, JR.** contacted Bank One to arrange the purchase of money orders.

25. On or near September 1, 2002, **DEFENDANT MICHAEL O'KEEFE, JR.** told M.C. to remain away from the offices of CWM during the pendency of an on-site HUD Audit.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO

26. From on or about September 1, 2001, and continuing through to July 31, 2002, said dates being approximate, in the Eastern District of Louisiana and elsewhere, the **DEFENDANT MICHAEL O'KEEFE, JR.** did unlawfully, willfully, and knowingly combine, conspire, confederate and agree with others, both known and unknown to the grand jury, to knowingly engage and attempt to engage, in monetary transactions in criminally derived property that was of a value greater than \$10,000, contrary to the provisions of Title 18, United States Code, Section 1957.

A. MANNER AND MEANS

27. It was part of said unlawful conspiracy that the **DEFENDANT MICHAEL O'KEEFE, JR.** would and did order his co-conspirators to use money derived from a specific unlawful activity, that is Mail Fraud, to pay off delinquent mortgages that had been originated by CWM.

28. It was further part of said unlawful conspiracy that the **DEFENDANT MICHAEL O'KEEFE, JR.** would and did arrange for the purchase of cashier's checks from

Bank One with money in amounts greater than \$10,000.00 derived from a specified unlawful activity.

B. OVERT ACTS

In furtherance of the conspiracy and to effectuate the unlawful objects thereof, the **DEFENDANT MICHAEL O'KEEFE, JR.** and his co-conspirators, committed the following overt acts, among others:

29. On or about October 1, 2001, the **DEFENDANT MICHAEL O'KEEFE, JR.** told M.C. to tell C.D. to make several loans current.

30. In or about November 2001, unindicted conspirator C.D. provided funds in excess of \$10,000.00 to an employee to purchase money orders to make several delinquent loans current.

31. On or about May 16, 2002, the **DEFENDANT MICHAEL O'KEEFE, JR.** told MC, an employee of CWM to tell C.D. to make several loans current.

32. On or about May 16, 2002, the **DEFENDANT, MICHAEL O'KEEFE, JR.** contacted Bank One and arranged for the purchase of cashiers checks.

33. On or about May 20, 2002, the **DEFENDANT MICHAEL O'KEEFE, JR.** contacted Bank One and arranged for the purchase of cashiers checks.

34. On or about July 8, 2002, the **DEFENDANT MICHAEL O'KEEFE, JR.** contacted Bank One and arranged for the purchase of cashiers checks.

35. On or about July 8, 2002, the **DEFENDANT MICHAEL O'KEEFE, JR.** told M.C. to tell C.D. to make several loans current.

All in violation of Title 18, United States Code, Section 1956(g).

COUNT THREE

On or about May 16, 2002, in the Eastern District of Louisiana, the **DEFENDANT MICHAEL O'KEEFE, JR.**, aiding and abetting others, did knowingly engage and attempt to engage in a monetary transaction by, through or to a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, such property having been derived from a specified unlawful activity, that is Title 18, United States Code, Section 1341; all in violation of Title 18, United States Code, Sections 1957 and 2.

COUNT FOUR

On or about May 20, 2002, in the Eastern District of Louisiana, the **DEFENDANT MICHAEL O'KEEFE, JR.**, aiding and abetting others, did knowingly engage and attempt to engage in a monetary transaction by, through or to a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, such property having been derived from a specified unlawful activity, that is Title 18, United States Code, Section 1341; all in violation of Title 18, United States Codes, Sections 1957 and 2.

COUNT FIVE

On or about July 8, 2002, in the Eastern District of Louisiana, the **DEFENDANT MICHAEL O'KEEFE, JR.**, aiding and abetting others, did knowingly engage and attempt to engage in a monetary transaction by through or to a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is the exchange of U.S. currency, in the amount of approximately \$50,000, such property having been

derived from a specified unlawful activity, that is Title 18, United States Code, Section 1341; all in violation of Title 18, United States Codes, Sections 1957 and 2.

NOTICE OF MONEY LAUNDERING FORFEITURE

1. The allegations of Counts 2 through 6 of this indictment are realleged and incorporated by reference as though set forth fully herein for the purpose of alleging forfeiture to the United States of America pursuant to the provisions of Title 18, United States Code, Section 982.

2. As a result of the offenses, alleged in Counts 2 through 6, defendant, **MICHAEL O'KEEFE, JR.**, shall forfeit to the United States all property real or personal, involved in the aforesaid offenses and all property traceable to such property, in violation of Title 18, United States Code, Section 1957.

3. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- 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 subdivided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1) to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Section 982.

A TRUE BILL:

FOREPERSON

JIM LETTEN
United States Attorney
Louisiana Bar Roll No. 8517

JAN MASELLI MANN
First Assistant United States Attorney
Louisiana Bar Roll No. 9020

MARK A. MILLER
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May 16, 2007
New Orleans, Louisiana