

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
) No.
) v.)
) Violations: Title 18, United States
MICHAEL FORT,) Code, Sections 1344 and 2
JEFFREY OLSON,)
and PAUL DEMOS) **UNDER SEAL**

COUNT ONE

The SPECIAL FEBRUARY 2011-1 GRAND JURY charges:

1. At times material to this indictment:

a. The Federal Bureau of Investigation, the Department of Housing and Urban Development-Office of Inspector General, and the Internal Revenue Service conducted an undercover operation in which a cooperating individual (“CI”) posed as an individual who could assist in structuring fraudulent loan transactions. The CI claimed to have a contact at Bank A who would approve fraudulent loan applications on behalf of nominee buyers.

b. Defendant MICHAEL FORT was a real estate investor who owned multiple properties in Chicago, Illinois.

c. Defendant JEFFREY OLSON was the President of 1st Funding Source, LLC, a Colorado corporation engaged in the business of real estate investment financing.

d. Defendant PAUL DEMOS was a licensed appraiser in the State of Illinois.

e. Bank A was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation (“FDIC”), that made mortgage loans to finance the purchase of residential properties. Bank A cooperated in the undercover operation.

f. Bank A required loan applicants to provide truthful information, including information about the borrower’s employment, assets, income, contribution to the purchase price, and intention to occupy the property purchased; the distribution of the loan proceeds; and the sales price, value and condition of the property, all of which was material to the approval, terms, and funding of a loan.

2. Beginning in or around June 2010 and continuing through in or around September 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL FORT,
JEFFREY OLSON,
and PAUL DEMOS,

defendants herein, together with others known and unknown to the Grand Jury, knowingly executed and attempted to execute a scheme to defraud and to obtain money and funds owned by, and under the custody and control of a financial

institution, by means of materially false and fraudulent pretenses, representations, and promises, and material omissions, as further described below.

3. It was part of the scheme that defendants MICHAEL FORT, JEFFREY OLSON and PAUL DEMOS, together with other co-schemers, fraudulently attempted to obtain loan proceeds by preparing and causing to be submitted to Bank A loan application packages in the names of nominee buyers that contained materially false statements regarding the borrower's employment, income, assets, contribution to the purchase price, intention to occupy the property that was the subject of the loan, and the value of the property.

4. It was further part of the scheme that defendant FORT, defendant OLSON, defendant DEMOS and the CI agreed to facilitate a "double closing" on a residence located at 5517 S. Paulina Street, Chicago, Illinois ("the Paulina property"), whereby defendant FORT intended to "short sell" the property to a nominee intermediate party, who would immediately resell the property to a nominee buyer, with the second sale financed by a fraudulently-obtained \$295,850 loan.

5. It was further part of the scheme that, to facilitate the "double closing" on the Paulina property, defendant FORT knowingly hid material

information from the short sale lender including that the “buyer” of the Paulina property was a nominee intermediate party under his control, that he had arranged an immediate resale to a nominee buyer at a price significantly higher than the short sale price and based on an inflated appraisal, and that he would profit from the resale.

6. It was further part of the scheme that defendant FORT, defendant OLSON, defendant DEMOS and the CI agreed to facilitate the sale of a residence located at 6845 S. Morgan Street, Chicago, Illinois (“the Morgan property”) from Seller A to a nominee buyer financed by a fraudulently-obtained \$300,600 loan.

7. It was further part of the scheme that defendant FORT and the CI agreed to facilitate the sale of a residence located at 1241 N. Monitor Avenue, Chicago, Illinois (“the Monitor property”) from defendant FORT to a nominee buyer financed by a fraudulently-obtained \$203,700 loan.

8. It was further part of the scheme that defendant FORT and the CI agreed that defendant FORT would pay a fee to the nominee buyers of the Paulina and Monitor properties. In exchange, the nominee buyers would obtain the loans and sign the loan and title documents at the closings, but would not reside at the properties or make payments on the loans.

9. It was further part of the scheme that defendant FORT and the CI

agreed that defendant FORT would pay a fee to the intermediate nominee party for the “double closing” on the Paulina property in exchange for his agreement to sign the title documents at closing.

10. It was further part of the scheme that defendant FORT intended to keep the proceeds of the fraudulently-obtained mortgage loans which funded the sale of the Paulina and Monitor properties to nominee buyers.

11. It was further part of the scheme that, in or around July 2010, defendant FORT knowingly prepared and provided the CI with fraudulent real estate purchase contracts for the sale of the Paulina and Monitor properties to nominee purchasers, knowing that the contracts would be used to support the fraudulent loan applications.

12. It was further part of the scheme that, in or around July and August 2010, defendant FORT knowingly prepared and provided the CI with false IRS W-2 Forms and false earnings statements for the nominee purchasers of the Paulina and Morgan properties, and false bank statements for the nominee purchasers of the Morgan and Monitor properties. Defendant FORT knew that the false documents would be used in support of the fraudulent loan applications.

13. It was further part of the scheme that, in or around August and September 2010, defendant FORT solicited, and defendant DEMOS knowingly

prepared and submitted to Bank A, appraisals that fraudulently inflated the values of the Paulina and Morgan properties, both defendants knowing the appraisals would be used to support the fraudulent loan applications.

14. It was further part of the scheme that, in or around September 2010, defendant OLSON agreed with the CI that OLSON would provide the funds for the nominee intermediate party's short sale purchase of the Paulina property, and the down payment funds for the nominee purchaser of the Paulina property, knowing that the funds would be used to facilitate the fraudulent "double closing."

15. It was further part of the scheme that, in or around September 2010, defendant OLSON knowingly provided the CI with the down payment funds for the nominee purchaser of the Morgan property, knowing that the down payment would be used to facilitate the fraudulent loan transaction.

16. It was further part of the scheme that defendants FORT, OLSON, and DEMOS, and others, caused to be submitted to Bank A a fraudulent loan application package for the Paulina property in the name of a nominee buyer which included materially false statements about the nominee buyer's employment, income, assets, intention to occupy the property, contribution to the purchase price, and materially false statements about the value of the property.

17. It was further part of the scheme that defendants FORT, OLSON

and DEMOS, and others, caused to be submitted to Bank A a fraudulent loan application package for the Morgan property in the name of a nominee buyer which included materially false statements about the nominee buyer's employment, income, assets, intention to occupy the property, contribution to the purchase price, and materially false statements about the value of the property.

18. It was further part of the scheme that defendant FORT, and others, caused to be submitted to Bank A a fraudulent loan application package for the Monitor property in the name of a nominee buyer which included materially false statements about the nominee buyer's income, assets, intention to occupy the property, and contribution to the purchase price.

19. It was further part of the scheme that, in or around September 2010, defendant FORT, and others, appeared at the closings for the sale of the Paulina property to a nominee buyer and the sale of the Morgan property to a nominee buyer, for the purpose of receiving from Bank A approximately \$596,450 in fraudulently-obtained loan proceeds.

20. It was further part of the scheme that defendants FORT, OLSON and DEMOS misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden, the purposes and acts done in furtherance of the scheme.

21. On or about August 13, 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL FORT,
JEFFREY OLSON,
and PAUL DEMOS,

defendants herein, knowingly executed and attempted to execute the above-described scheme, by causing to be submitted a loan application package containing materially false statements to Bank A for a \$295,850 loan to finance the purported purchase of the Paulina property by a nominee buyer;

In violation of Title 18, United States Code, Sections 1344 and 2.

COUNT TWO

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 20 of Count One of this Indictment are re-alleged and incorporated as though fully set forth here.

2. On or about August 13, 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL FORT,
JEFFREY OLSON,
and PAUL DEMOS,

defendants herein, knowingly executed and attempted to execute the above-described scheme, by causing to be submitted a loan application package containing materially false statements to Bank A for a \$300,600 loan to finance the purported purchase of the Morgan property by a nominee buyer;

In violation of Title 18, United States Code, Sections 1344 and 2.

COUNT THREE

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 20 of Count One of this Indictment are re-alleged and incorporated as though fully set forth here.

2. On or about August 17, 2010, in the Northern District of Illinois, Eastern Division, and elsewhere,

MICHAEL FORT,

defendant herein, knowingly executed and attempted to execute the above-described scheme, by causing to be submitted a loan application package containing materially false statements to Bank A for a \$203,700 loan to finance the purported purchase of the Monitor property by a nominee buyer;

In violation of Title 18, United States Code, Sections 1344 and 2.

FORFEITURE ALLEGATION

The SPECIAL FEBRUARY 2011-2 GRAND JURY further charges:

1. The allegations of Count Two of this Indictment are realleged and incorporated herein by reference for the purpose of alleging forfeiture to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of his violation of Title 18, United States Code, Section 1344, as alleged in Count Two of this Indictment,

JEFFREY OLSON,

defendant herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title, and interest defendant may have in any property, real or personal, used or intended to be used to commit, to facilitate, or to promote the commission of the bank fraud alleged in Count Two of this Indictment.

3. The interests of defendant subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), include, but are not limited to, approximately \$31,432.60.

4. If any of the forfeitable property described above, 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 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,

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY