

EXHIBIT A

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

PENOBSCOT INDIAN NATION, et al.)

Plaintiffs,)

v.)

UNITED STATES DEPARTMENT OF)
HOUSING AND URBAN)
DEVELOPMENT, et al.,)

Defendants.)

Case No.: 07-1282 (PLF)

STIPULATION TO RESOLVE REMAINING CLAIMS AND DISMISS ACTION

WHEREAS, the Amended Complaint filed in this action on October 9, 2007 (dkt. no. 15) contains both claims directed toward the final rule entitled Standards for Mortgagor's Investment in Mortgaged Property, 72 Fed.Reg.56,002 (Oct. 1, 2007) ("Final Rule"), and claims relating to other alleged conduct by employees of the United States Department of Housing and Urban Development ("HUD") pre-dating and independent of the Final Rule;

WHEREAS, the Court by Order and Opinion of March 5, 2008 (dkt. nos. 39, 41) granted plaintiffs' motion for summary judgment on their claims directed toward the Final Rule, and vacated and remanded the Final Rule to HUD;

WHEREAS, by separate Order of March 5, 2008 (dkt. no. 40), the Court directed the parties to meet and confer and discuss settlement of plaintiffs' remaining claims;

WHEREAS, plaintiffs' remaining claims relate to allegations that HUD employees have told third-party lenders that plaintiffs' Grant America Program ("GAP") was not acceptable and/or did not comply with HUD's policies governing the use of

down payment assistance ("DPA") for Federal Housing Administration ("FHA") insured home purchase loans; and

WHEREAS, the parties believe that plaintiffs' remaining claims can be most efficiently resolved consensually without the need for judicial intervention;

NOW, THEREFORE, the parties hereby stipulate and agree as follows:

1. The United States Department of Housing and Urban Development's ("HUD's") current policy governing permissible sources of down payment assistance for FHA-insured home purchase loans is contained in ¶ 2-10.C of HUD Handbook 4155.1, Rev. 5, "Mortgage Credit Analysis of Mortgage Insurance, One to Four Family Properties, "which states in pertinent part:

Gift Funds. An outright gift of the cash investment is acceptable if the donor is the borrower's relative, the borrower's employer or labor union, a charitable organization, a governmental agency or public entity that has a program to provide homeownership assistance to low- and moderate-income families or first-time homebuyers, or a close friend with a clearly defined and documented interest in the borrower. The gift donor may not be a person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, or any entity associated with them.

2. Based upon the Penobscot Indian Nation's ("PIN's") continued status as a Federally Recognized Indian Tribe with inherent sovereign powers, acknowledged by the Secretary for the Department of Interior and indicated by the Bureau of Indian Affairs in the Notice published in the Federal Register at 72 Fed. Reg. 13,648, 13,650 (March 22, 2007), HUD finds that PIN's Grant America Program™ ("GAP") meets HUD's current policies pertaining to the source of gift funds for the borrowers' required cash investment for obtaining FHA insured mortgage financing. Accordingly, HUD will insure

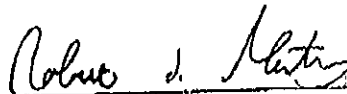
mortgages that meet FHA requirements in which home buyers obtain downpayment assistance provided by PIN for the borrower's required cash investments.

3. In light of the foregoing representations, plaintiffs agree to dismiss with prejudice all claims that were not adjudicated by the Court's March 5, 2008 Order and Opinion (dkt. nos. 39, 41). Therefore, the parties hereby stipulate to the dismissal of plaintiffs' remaining claims with prejudice.

Dated: April 3, 2008

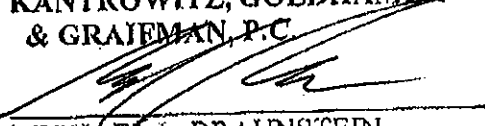
Respectfully submitted,

JEFFREY S. BUCHOLTZ
Acting Assistant Attorney General



MICHAEL SITCOV
TAMARA ULRICH
CHRISTOPHER HALL
ROBERT J. KATERBERG (D.C. Bar 466325)
SCOTT RISNER
Attorneys for Defendants
United States Department of Justice
20 Massachusetts Avenue, N.W.
Washington, D.C. 20530
Telephone: (202) 616-8298
Fax: (202) 616-8460
Robert.Katerberg@usdoj.gov

KANTROWITZ, GOLDHAMER
& GRAJEMAN, P.C.



MICHAEL L. BRAUNSTEIN
Attorneys for Plaintiffs
747 Chestnut Ridge Road
Chestnut Ridge, NY 10977
(845) 356-2570
MBraunstein@kaglaw.com

EXHIBIT B

July 8, 2008

Loan Pains Turned Site Into a Hit

By LOUISE STORY

The misery in the housing market is registering on the Implode-O-Meter.

As millions of homeowners fall behind on their mortgages, a fledgling Web site called the Mortgage Lender Implode-O-Meter is gleefully tallying the number of lenders that run into trouble too. On Monday, the count was 265 — and rising.

With its tongue-in-cheek tone and running lists of the “imploded” and the merely “ailing,” the Implode-O-Meter has become a sort of Gawker of the subprime world. At a recent Mortgage Bankers Association conference, a speaker addressed what has become a hot topic among lenders: how to keep your company’s name off the site.

“No one wants to be number 266,” said Jim Reichbach, a vice chairman and leader of Deloitte’s banking and securities team. “This is a death toll that is equivalent to the casualty ticker of the Vietnam War.”

The Implode-O-Meter is the brainchild of Aaron Krowne, a former researcher at Emory University in Atlanta. A computer scientist and mathematician, Mr. Krowne, 28, started the site in 2007, believing that the troubles in the housing market, and by extension the mortgage industry, would worsen.

He was right — and the Implode-O-Meter took off. Traffic on the site soared, reaching as many as 100,000 regular visitors, and advertising dollars rolled in. Mr. Krowne quit his day job and hired 10 people for his company, Implode-Explode Heavy Industries.

“The crisis has come in waves,” Mr. Krowne said. “It just keeps coming.”

With the economy struggling, more financial companies, even well-known ones, are finding themselves on the fated list. When parts of Bear Stearns’s residential mortgage unit were sold to private equity investors, for instance, the Implode-O-Meter recorded the sale. And E*Trade Financial could not remove the link on its site to its mortgage division or change the recording on its mortgage division’s 1-800 number without the site chiming in.

The tips usually come anonymously from employees at the troubled mortgage companies. Critics of the site say some of the tips have been more gossip than reality. But the Implode-O-Meter often posts the phone recordings and company e-mail to back up the bad news coming out of places like Merrill Lynch, which in March fired nearly everyone at First Franklin Financial, a business it purchased in 2006.

The Implode-O-Meter is just the latest iteration of online death-watch lists. When the dot-com bubble burst, a slew of similar sites popped up, most notably one with an obscene name playing off the title of Fast Company, the magazine. That site and others like it faded when the technology company blowups were no longer front-page news.

Mr. Krowne is hoping to keep his franchise around longer by looking for trouble in areas like hedge funds, banks, home builders — the list goes on. It has been an adventurous 18 months for the site, including a nasty lawsuit, a run-in with a celebrity and attention from financial commentators like CNBC's Jim Cramer.

As more mortgage companies go broke, Mr. Krowne hopes to turn a tidy profit by selling his site, possibly to a media company. He takes advertising from "nonimploded lenders," which, he says, his company has scrutinized. On occasion, he says, he has had to remove a lender's name from the safe list as their fortunes turn, though he declined to name which ones.

The Implode-O-Meter, Mr. Krowne likes to say, has beat out the mainstream media time and again. Case in point, he says, was last October when it broke the news that Michael Jackson faced foreclosure on his Neverland property. Mr. Jackson's representatives quickly denied the Implode-O-Meter's story, which Mr. Krowne chalks up to his start-up status. His response? He posted the notice of Mr. Jackson's defaults.

In December, proof of trouble at one mortgage company came in the form of a 42-second audio track. Family First Mortgage, a lender in Palm Coast, Fla., now out of business, laid people off by phone recording. The call began, "Thank you for calling Family First Mortgage Corp. If you have been directed to this voicemail box, your employment with Family First Mortgage Corp. has been officially terminated, effective immediately."

Glenn Hill, the vice president of the company, wrote by e-mail in late June that the recording as played on the Implode site had been altered, but he did not provide evidence backing up the claim. Implode-O-Meter denies it altered the recording. The Family First call, which is still available on the Implode-O-Meter site, explains that the company was trying to focus attention on brokers who were still generating profits. It ends with: "Thank you to everyone, and have a great day."

Mr. Krowne can hardly suppress a laugh when describing the recording. What surprises him is that failing companies seem to put on "Herculean efforts" to convince the rest of the world, and their own employees, that they are sound.

"Every company thinks it is different," Mr. Krowne says. He points to April last year as an example. Employees of SouthStar Funding, a mortgage company in Atlanta, bombarded him with phone calls at his day job, trying to persuade him that the company was fine after he placed it on his Ailing Lender list, he said. After all, the employees told him, they were being sent on a team-building trip to the Bahamas. Soon, Mr. Krowne said, he started getting threats from the company.

When SouthStar folded, Mr. Krowne wrote: "I have to say that it is with genuine satisfaction that I post this report of SouthStar's closure."

Not every company goes down without a fight, though. Loan Center of California, of Suisun City, Calif., sued Mr. Krowne's company over a posting, saying it published false information, including that the company was out of business when it says it was still making loans. The parties settled in December, and Mr. Krowne insists he was unfairly pursued as a small Web entrepreneur.

But while Mr. Krowne records the pain of the mortgage industry, he said he does not relish it. "I really wish that our esteemed policy makers would pay attention and not repeat the same mistake," Mr. Krowne said. "It's so depressing."

Copyright 2008 The New York Times Company

[Privacy Policy](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)

EXHIBIT C

From: Lorena Leggett [mailto:lorena@ml-implode.com]

Sent: Tuesday, August 05, 2008 2:06 PM

To: nash@fhadpa.com

Subject: Following up -Advertising

Hello Scott,

Just following up to determine your interest in advertising on ml-implode.com. Could you simply respond regardless of the answer.

In today's world there is nothing more important than our communication....it's the one thing we have complete control over. I hope you will take the time to respond and hopefully we will be granted the opportunity to advertise Grant America on ml-implode.

Thank you,

Lorena Leggett
Senior Account Executive
The Mortgage Lender Implodé-O-Meter
Direct line: 949-459-0608
Fax: 949-766-5736
Email: lorena@ml-implode.com

 Image removed by sender.

<http://ml-implode.com>

Total Control Panel

Login

To: mbraunstein@kgglaw.com

Message Score: 90

High (60): Fail

From: nash@fhadpa.com

My Spam Blocking Level: Custom

Medium (75): Fail

9/26/2008

EXHIBIT D

From: Scott Nash [mailto:nash@fhadpa.com]
Sent: Tuesday, August 05, 2008 2:53 PM
To: 'Lorena Leggett'
Subject: RE: Following up -Advertising

I don't know if you have been following the recent legislation but the housing bill that was just past eliminates down payment assistance.

From: Lorena Leggett [mailto:lorena@ml-implode.com]
Sent: Tuesday, August 05, 2008 2:06 PM
To: nash@fhadpa.com
Subject: Following up -Advertising

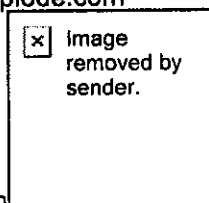
Hello Scott,

Just following up to determine your interest in advertising on ml-implode.com. Could you simply respond regardless of the answer.

In today's world there is nothing more important than our communication....it's the one thing we have complete control over. I hope you will take the time to respond and hopefully we will be granted the opportunity to advertise Grant America on ml-implode.

Thank you,

Lorena Leggett
Senior Account Executive
The Mortgage Lender Implode-O-Meter
Direct line: 949-459-0608
Fax: 949-766-5736
Email: lorena@ml-implode.com



<http://ml-implode.com>

Total Control Panel

Login

To: mbraunstein@kgglaw.com
From: nash@fhadpa.com

Message Score: 90
My Spam Blocking Level: Custom

High (60): Fail
Medium (75): Fail

9/26/2008

EXHIBIT E

The Penobscot Indian Tribe Down Payment Grants

September 9, 2008 – 9:07 pm

The latest fashion in seller-funded down payment grant (SFDPA) scams are Sovereign Nation grants, particularly the Penobscot Indian Tribe's Grant America Program (PIN-FHA). This program is the brain child of none other than Ameridream founders Christopher Russell and Ryan Hill... the guys who put the "profit" into non-profit

First, a bit of background on Russell & Hill:

You may recall the 2004 scandal involving Russell and Hill's purported misallocation of Ameridream assets as revealed by the testimony of Mr. House during the June 22, 2004 Congressional hearing on Charity Oversight and Reform. Click [here](#) to refresh your memory.

Among other things, Mr. House provided testimony that the founders of Ameridream, referred to as Mr. Red and Mr. White, used their position and control over the charity to divert millions to their private business interests. According to Mr. House, Mr.'s Red and White (Russell and Hill), participated with a third party (Mr. Blue) to create Synergistic Marketing, LLC which funneled millions from the charity.

Mr. House's statements are easily confirmed via a review of Ameridream's 990 returns from 2000 to 2004 which shows \$26,483,916 in payments from Ameridream to Synergistic Marketing, LLC. The 990's also contain disclosures that two officers in Ameridream were members of Synergistic Marketing, LLC. After Russell and Hill left the company, the disclosure was changed to state that two *former* officers were members of Synergistic Marketing. Hence, this portion of Mr. House's testimony is clearly documented. Payments to Synergistic Marketing from 2000 to 2003 ranged between 36% to 40% of Ameridream's gross income less actual 'laundered' grants.

The testimony also accused the founders of Ameridream of creating an investment company, Valao Mortgage, and funding the company with a \$4,000,000 loan from Ameridream. Mr. House stated that Avalor Properties, another LLC of Russell's, borrowed \$1,000,000 through Valao. This, too, was easily verified on Ameridream's 2002 990 which shows a \$4,000,000 loan to Valao Mortgage. Additionally, the Maryland Secretary of State filing for Valao shows the same business address as that of Ameridream. The Maryland Secretary of State filing confirms Christopher Russell as the Agent for Service for Avalor Properties, and the address listed for Avalor Properties is the same address shown for Valao in various business listings.

Mr. House's testimony also included an allegation that Russell and Hill (aka Mr.'s Red and White) purchased a jet using Ameridream as loan guarantor. The jet was purportedly used for Russell and Hill's personal enjoyment including golf trips to Mexico. While it is difficult to trace the liability on the Ameridream 990s, the 2002 return notes a loan guaranty in exchange for a 10% interest in Rycho, LLC which was organized by Ryan Hill. Both Russell and Hill are showing current affiliation with Rycho Funding, LLC. Rycho Aviation is also an LLC involving

the two. There is also a settled lawsuit involving Ameridream, Russell, Hill, and Rycho Aviation LLC as defendants against plaintiff American Flight Group.

In addition to the misallocation of Ameridream funds, inappropriate loans and guaranties, Mr. House also speaks of Mr. Red's (Russell's) sheltering of approximately \$3,000,000 in income by establishing residency in the US Virgin Islands and becoming a shareholder in a U.S. Virgin Islands company. According to Mr. House, the company acquired an economic development certificate from the U.S. Virgin Island government which provided a tax credit of over 95% of the taxable income. Russell readily admits his investments in St. Croix and prior partnership with International Asset Management.

Aside from minor lawsuits, there has been no recourse against Russell and Hill except for a Federal Tax Lien of \$1,104,575 against Hill in 2006 for the 2001 tax year.

It is interesting to note that in 2006, Ameridream won an arbitration decision against Christopher Russell regarding Russell's registration of the domain name: ameridreamprogram.com. According to the National Arbitration Decision, Russell registered the domain name one day prior to the expiration of a binding non-compete agreement. In addition to the copy cat web site, Russell registered additional web sites utilizing the "F" word along with the name Ameridream as a "protest" site which ironically accused Ameridream of fiscally irresponsible policies and squandering of public benefit funds. This is especially counterintuitive coming from Russell and Hill, who treated Ameridream like their own personal piggy bank. In addition to acting in bad faith by registering copycat and defamatory domain names, Russell attempted to extort \$5,000 per domain from Ameridream by requesting that Ameridream purchase the domains rather than incur thousands in legal expenses. Needless to say, the actions of Russell were found to be made in bad faith, and the decision rendered was in favor of Ameridream.

Following this fiasco, Russell and Hill created a new venture known as the Dp Funder Program and the Owner's Alliance. The Dp Funder is another type of seller-funded down payment scam which involves payment of "earned" commission to the buyer instead of "gift" or "grant". The program is simple. The buyer signs with Global Direct Sales, LLC and becomes a dealer. As a dealer, the borrower's job is to convince the seller to purchase a membership in the Owner's Alliance which offers various discounts and costs between 3% to 22% of the sales price plus processing fee. Once the seller "enrolls" in the Owner's Alliance program, Global Direct Sales, LLC transfer the "commission" to a savings account which Global opens in the borrower's name at Sandy Springs Bank of Maryland. Of course, Global is the primary account signor, and maintains absolute control of the account. In the event that the transaction does not close, funds revert back to Global unless the seller pays a \$295 fee to extend the contract. Click here to see documents.

At closing, funds for the "membership fee" is remitted to Rycho Funding, LLC and is shown as a payoff on the HUD-1. Global Direct Sales' Dp Funder web site gives explicit instructions to show the source of buyers down payment as "cash" on the loan application, and to show Global Direct Sales, LLC as secondary employment on the application using the position title of Independent Dealer. Revenue for Global Direct Sales, LLC ranges between 1% to 2% of the

sales price plus \$300 processing fee. According to the Dp Funder website, the program is being discontinued and all transactions must close by December 1, 2008.

The latest version by Russell & Hill:

Now that you have an idea on the history and business dealings of Russell and Hill, it's time to explore their best scam to date: the Sovereign Nation grants. According to Russell in a 2008-09-08 phone interview, he came up with the idea in 2006 when the IRS began cracking down on the non-profit seller-funded grant providers. It apparently occurred to Russell that the Sovereign Nation status of tribes gave them the perfect loophole to circumvent the IRS ruling revoking the non-profit status of agencies that participated in seller-funded down payment grants (my words, not Russell's). Shortly thereafter, according to Russell he and Hill approached the Penobscot Indian Tribe and launched the Grant America Program which he states is run exclusively by Global Direct Sales, LLC. Russell said the Penobscot Indian Tribe declined the option of processing grants for a \$100 transaction fee, and instead receives 20% of the proceeds.

In 2007, after HUD published their Final Rule in the Federal Register eliminating seller funded grants, Global Direct Sales and the Penobscot Indian Tribe filed suit in Federal Court for an injunction against HUD in implementing the rule. The Penobscot suit was in addition to suits filed by Nehemiah and Ameridream costing the Federal Government and taxpayers hundreds of thousands of dollars in time, effort, and legal expenses.

Finally in March 2008, HUD's Final Rule was vacated and the matter was remanded back to HUD to address the deficiencies in the rule-making process in accordance with the Administrative Procedures Act. On April 3, 2008, HUD and the Penobscot Indian Tribe executed a Stipulation to Resolve Remaining Claims and Dismiss Action which the Grant America Program website *erroneously* asserts as a "HUD approval" letter. This assertion is a prime example of how SFDPA providers skew facts to confuse the public and the mortgage industry. Click [here](#) to view the Stipulation of Dismissal.

Not only is the Stipulation and Dismissal *not* an approval letter, it doesn't provide specific approval of seller-funded grants as the Sovereign Grant provider claims. The Stipulation and Dismissal is merely a temporary settlement which gave HUD the opportunity to publish a revised proposed rule and re-open the comment period. (Click [here](#) to view the proposed revised rule that HUD published in the Federal Register on June 16th, 2008)

What the stipulation provides is confirmation that the Penobscot Indian Tribe's Sovereign Nation "government entity" status qualifies the tribe to participate in the FHA program as an acceptable downpayment assistance provider as per Chapter 2, Section 2-10(C) of the 4155.1 REV 5. As such, loans involving PIN grants are insurable under *standing* HUD rules at the time.

Regardless of the Stipulation and Dismissal, the seller contribution to the Grant America Program is clearly a concession that is confirmed by [IRS ruling 2006-27](#), which only allows sellers to deduct the SFDPA contribution as a sale expense and not as a charitable deduction. The PIN program Seller Enrollment form itself solidifies the fact that it is a sales concession by stating that the service fee (which includes down payment contribution) may be deductible as a

sale expense and is not a charitable contribution. See final paragraph of Seller Enrollment Form: Click [here](#) to view the form.

Excerpt:

Seller understands that the G.A.P service fee may be tax deductible as a selling expense, depending upon Seller's personal circumstances. Seller should consult a tax advisor. Seller further acknowledges that the G.A.P. service fee is a fee for service, and is not a charitable contribution. No changes may be made to the pre-printed text of this Agreement, without the prior written consent from PIN Fair Housing Administration.

The PIN-FHA gift letter also confirms that it is a concession: [Click here to view gift letter](#).

Excerpt:

The IRS issued Revenue Ruling 2006-27, on May 22, 2006. This ruling implies that for TAX PURPOSES ONLY, **similarly structured transactions are not to be treated as a gift for income tax purposes. Similar down payment funds are to be treated as a rebate against the purchase price of the property, lowering the purchaser's basis in the property.** Please seek competent legal and tax advice before entering into this agreement. This information is not to be construed as tax advice. Each individual's situation may be different and advice should be provided by a competent tax advisor.

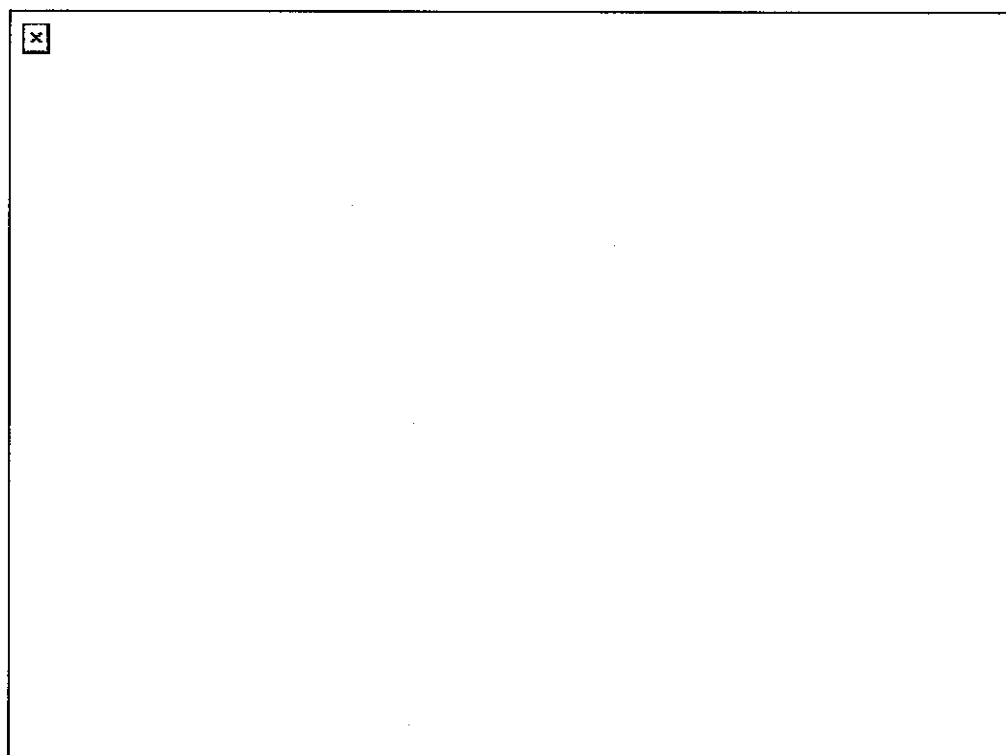
By their own admission, the seller contribution is a *sales concession* and not a charitable donation. Hence, the Penobscot Indian Tribe isn't really providing "assistance" and is merely laundering the down payment for a fee, no different than the other SFDPA's.

Most notably, the Stipulation and Dismissal predates H.R. 3221, and **seller-funded** down payment grants will not be allowed for loans approved after October 1, 2008 for FHA loans regardless of provider as per Federal Law. In speaking with Christopher Russell, he confirms that the changes to the National Housing Act which prohibit seller-funded down payments also apply to Sovereign Nation grants. Fortunately, Russell states that the impact to the tribe will be minimal and will not result in job losses due to the program being entirely administered by Global Direct Sales. At most, the Tribe stands to lose approximately \$250,000 a year in revenues. Also, the Penobscot's manned Fair Housing Department will still be able to provide Portable Housing and Indian Block grant opportunities for their Tribal members and other types of legitimate, non seller funded assistance, for non Tribe members.

However, not to be dissuaded when a quick buck is involved, Russell and Hill are already working on an alternative scheme through the Down Payment Grant Alliance which is a URL Russell created in 2001. Their idea is to create a network of non profit companies and grant providers and have one party provide the grant while another party receives the donation. According to Russell, the seller contribution would not be tax deductible as a charitable contribution and would be considered a sale expense. In other words, they intend to replace one scam with another even more complicated scam. Kind of like a convoluted down payment shell game.

When asked about the adverse effects of seller-funded down payment grants and what could be done to mitigate risks to borrowers and the FHA fund, Russell stated that some steps that can be taken to mitigate risk include requiring the seller to sign a certification that the sales price was not increased for the grant, implementing strict appraisal controls, and limiting borrower credit scores to a minimum of 580. *When asked whether limiting credit scores might displace low income and ethic groups who traditionally have lower scores as well as multiple borrowers, Russell stated it required some thought.* Russell did assert that seller-funded down payment assistance loans had a 92-94% success rate, although he did not provide the source of this information.

It is no secret that FHA's delinquency and default rate are rising dramatically as I addressed in my previous story on the FHA delinquency crisis. Currently, 1 in 6 borrowers are delinquent or in default on their FHA loan and that number is rising. Furthermore, there is a clear correlation between the increased FHA delinquency rate and the rise in seller funded down payment grants.



While many who argue the merits of seller funded down payment grants cite the negative impact on sales prices and values that eliminating the programs will have on the market, the reality is that the economy needs inflation relief. Lower sales prices actually benefit homebuyers who have been displaced by astronomical home prices and rents. Considering that incomes did not rise with the price increases brought on in recent years by irresponsible lending, a little inflation relief is exactly what Americans need to improve their quality of life. The last thing that Americans and the economy need is anything that sustains continued housing inflation. While adding 3-5% to the sales price may not sound like much, the increases gradually add up in areas where these types of grants are prevalent resulting in higher overall prices. The taxpayers and

FHA should not be forced to sponsor continued lending abuse via seller funded down payment grant schemes.

Whether seller funded down payment grants are administered by non profit companies, for profit companies, or Sovereign Nations, they are still a scam and this is your wake up call.

EXHIBIT F

Who We Are

We are a small team of dedicated individuals who care about the housing industry and the economy:

Aaron Krowne : Founder, Publisher, general management, editor-in-chief (owner)

Justin Owings : General management, financials, forum moderation, graphic design, marketing (owner)

Randall Marquis : Senior Editor, Research lead, writing, industry liaison, business development

Bonnie Rabichow : Treasurer, books & office management

Robin Medecke : Research, writing, forum admin/moderation

ML-Implode is owned and operated by a small "virtual corporation" called Implode-Explode Heavy Industries, Inc. ("IEHI"). IEHI is a company we have set up to run the site and similar sites (see "History" below).

Our Standards

In general we editorially include any factual report or editorial which we feel is credible and/or insightful, with little regard to name recognition or organizational reputation. **We care primarily about content, not reputations or resources.** Any repeat coverage from a particular writer or outlet is more a testament to our appreciation of the content and other incidental factors of our screening than any sort of deference to reputation. As an independent source, we have this luxury.

For company coverage (in "implosion" or "ailing/watch" lists), we like at least 2 out of three of the following to be met:

at least \$20M/month in origination volume (any stage of origination)

at least 3 states of operation

at least 50 employees

These are not hard-and-fast standards; we've been known to lower the bar a bit to include "smaller" failing divisions at major companies.

Ultimately what matters is whether the implosion is particularly "noteworthy" for some reason. If it appears the public is "interested" in coverage of a particular company, we will likely cover it.

The "ailing/watch" list tends to stay smaller for a number of reasons. One is that the prevailing opinion on a company (or division) tends to be that it is going to survive... until the day it closes down. This is just natural wishful thinking that is exhibited at all levels. Another reason is that *most* companies in the industry are in general distress right now, so we must

- What the SFDPA Administrators Don't Want You To Know: Part 1, The Penobscot Indian Tribe Down Payment Grant Program

• Archives

- September 2008
- August 2008
- July 2008
- June 2008
- April 2008
- March 2008

• Categories

- Uncategorized

• Agencies

- Department of Housing and Urban Development
- FHA - Federal Housing Administration
- The Federal Trade Commission
- VA Loan Guaranty - Department of Veterans Affairs

• Blogroll

- Mr. Mortgage
- The Market Ticker
- WordPress Planet

• Forums

- Implode-O-Meter FHA Forum
- Mortgage Lender Implode-O-Meter Forum

• Meta

- Log in
- Entries RSS
- Comments RSS
- WordPress.org

The Mortgage Whistleblower is proudly powered by WordPress Entries (RSS) and Comments (RSS).
Theme by Bob as modded by Justin. ☺

the blog images my sites out&about furl books contact

the JUSTIN OWINGS.

Who?



This is the site of Justin Neal Owings a.k.a. J.N. Owings, (J.) Neal Owings, Justin N. Owings of Atlanta, Georgia, husband of Sonal Amin, alum of **University of Georgia** (and **Lakeside High School**).

Labels used to describe me include: artist (pen/ink, cartooning, graphic design, **t-shirts**), accountant, analyst, guitar player (I sing bass, too), activist, instigator, **anarcho-**

capitalist, agnostic/atheist, economist (**Austrian** leanings) and back-of-the-envelope philosopher.

This is the third installment of *The Justin Owings Page* (Archived: **Original**, **Revised**).

If you want to reach me, please email me [here](#).

Latest from the blog



» **Seasteading Institute T-shirts** 09/24/2008 04:26 PM

» **Gauging Insulin Sensitivity** 09/16/2008 03:00 PM

» **Standing can improve sleep?** 09/11/2008 11:24 PM

» **Chicago (or Austin)** 09/10/2008 03:30 PM

» **On Cortisol** 09/10/2008 02:49 PM

» **"Insulin Control" - what it's all about!** 09/09/2008 06:09 PM

» **Foreign governments own America.** 09/08/2008 10:44 AM

» **Napoleon Hill's The Law of Success in Sixteen Lessons** 09/05/2008 12:27 PM

Getting around the site:

- Check out my **blog**. Don't forget to **subscribe** (If you're new to subscribing to feeds, I suggest **Google Reader**)
- My **furl** is an assortment of things on the interwebs that I found interesting, humorous, enlightening, whatever.
- I'm tracking some other stuff here — like **books** I have read.
- See **select photos** from my flickr account.
- Connect the curious to the varying **sites** on which I am working.
- Here is a **log** of changes to this site.

EXHIBIT G

This site was founded on January 1, 2007, by Aaron Krowne, a blogger with a computer science and math background and an avid interest in economics and finance. By early to mid 2006, Krowne had come to the conclusion that housing was the "linchpin" of the US economy, but disconcertingly, it appeared to be in a historically unprecedented bubble. When a number of subprime lending companies (including Ownit!) began imploding in fall of 2006, Krowne deemed it the start of a larger wave and deflation of the housing bubble, with likely wider economic impact (including recession).

When the media failed to catch on to the story within a few months, Krowne resolved to do it himself the "blogger" way, and started ml-implode.com as a single web page with six companies listed.

Soon there were dozens of companies, and the site received increasing links from bloggers and newsletter writers. In March, 2006, the site was covered on-air on Bloomberg and CNBC, and traffic exploded to almost 100,000 visitors a day.

Soon after this, the site became a de facto mortgage industry site, as a core following of industry professionals developed to check out the latest of the turmoil on the daily basis. This audience began regularly sending tips and leads, which allowed ml-implode to begin rivalling mainstream and even mortgage industry media in the timeliness and breadth of its coverage.

As 2007 proceeded, the crisis deepened, spreading throughout the US and global banking system. Homeowner distress also continued, with delinquencies and foreclosure skyrocketing. The housing market was clearly in a freefall. By late year, recession was an openly-discussed possibility.

The skeptical, if bearish case ml-implode had been making with its coverage, as well as the implicit warnings therein, had been vindicated. This continues to be the case to the present day.

As 2007 closes, ml-implode now has a core daily audience of about 100,000 visitors, as it continues its ongoing up-to-the-minute coverage and track record of making the right case and having a nose for *tomorrow's* economic story.

In late 2007, ml-implode passed from ownership by Krowne Concepts, Inc, to Implode-Explode Heavy Industries (IEHI). The new company (with principals Aaron Krowne and Justin Owings) focuses on not only housing finance but other issues and sectors throughout the political economy. Some other IEHI sites are:

EXHIBIT H

The Hedge Fund Implode-o-Meter
Bank Implode!
Bernanke-Panky
The Home Builder Implode-o-Meter
The Federal Reserve Gallery Of Shame
Hugo Chavez-Watch

With many more to come. The suite of IEHI sites allows the inquisitive and concerned to focus on trouble areas and areas of rapid change in the US economy and beyond.

Supporting

If you like and support what we're doing with this page, a donation would be much appreciated (Credit or transfer via PayPal). No amount is too small or too large. Donations will help support this site and expand its coverage, quality, and information service offerings.

The Mortgage Lender Implode-O-Meter is a property of:

Implode-Explode Heavy Industries, Inc., #450
5348 Vegas Drive
Las Vegas NV 89108

(link to this site as: ml-implode.com, lenderimplode.com, or mortgageimplode.com)

Legal disclosure: While we do strive to confirm all information presented here and qualify all doubtful items, the information on this site is neither definitive nor should it be construed as professional advice. It is a community site that depends on community feedback. Factual or alleged factual information presented here does not originate from ml-implode, and all commentary is purely the opinion of the author(s) of this site, unless otherwise quoted from other sources. You should consult a finance professional before making any decisions based on information found at this site.

Financial Disclosure (good faith): The contributors to this site may, from time to time, hold short (or long) positions in mentioned and related companies.

EXHIBIT I

FHA Territory Expansions

FHA/HUD and Mortgage Broker/Banker Licensing Nationwide (800) 948-0970 www.lenderlicense.cc

Ads

THE MORTGAGE LENDER Implode--Meter

Tracking the housing finance breakdown: a saga of corruption, hypocrisy, and government complicity.

[Home](#) - [Lists](#) - [News](#) - [Forum](#) - [NON-Imploded](#) - [I have a Tip](#) - [Search](#) - [About](#) - [Advertise](#)

About the Mortgage Lender Implode-O-Meter

What We Do

The mission of ml-implode.com is *transparency, education, and accountability*. We focus on the housing finance sector, which we believe has become the focal point of extreme distortions in the US economy. These distortions have now obviously (within a year of our founding) transitioned to outright collapse. To use a metaphor that deposed Citigroup CEO Chuck Prince might appreciate, "the music has stopped".

We seek the root causes of this distortion and resulting turmoil (who and what policies were responsible); we seek to document the ripple effects and study broader economic and societal implications; and we seek to determine how to heal the housing sector, the economy, and the country. We also seek to provide a historical record, preserving indefinitely our lists, discussions, and linked articles, so that it might be impossible and inexcusable to forget the debacle that is now unfolding.

This site is a forum. We may have our own ideas regarding the above (though our own team does not even agree on everything), but we are here to learn as much as to teach, and wish to foster discussion regarding the issues. All of the primary information on the site is *received*, either from the mainstream media, independent media and bloggers, or (most importantly) people working in the housing finance sector. We add a bit of editorial work to keep the site coherent, but it is a relatively small amount. In other words, we don't make this stuff up. The site belongs to the community of all those who have a burning interest in this area of concern... a group which is beginning to look more and more like "the general public."

EXHIBIT J

Who We Are

We are a small team of dedicated individuals who care about the housing industry and the economy:

Aaron Krowne : Founder, Publisher, general management, editor-in-chief (owner)

Justin Owings : General management, financials, forum moderation, graphic design, marketing (owner)

Randall Marquis : Senior Editor, Research lead, writing, industry liaison, business development

Bonnie Rabichow : Treasurer, books & office management

Robin Medecke : Research, writing, forum admin/moderation

ML-Implode is owned and operated by a small "virtual corporation" called Implode-Explode Heavy Industries, Inc. ("IEHI"). IEHI is a company we have set up to run the site and similar sites (see "History" below).

Our Standards

In general we editorially include any factual report or editorial which we feel is credible and/or insightful, with little regard to name recognition or organizational reputation. **We care primarily about content, not reputations or resources.** Any repeat coverage from a particular writer or outlet is more a testament to our appreciation of the content and other incidental factors of our screening than any sort of deference to reputation. As an independent source, we have this luxury.

For company coverage (in "implosion" or "ailing/watch" lists), we like at least 2 out of three of the following to be met:

at least \$20M/month in origination volume (any stage of origination)

at least 3 states of operation

at least 50 employees

These are not hard-and-fast standards; we've been known to lower the bar a bit to include "smaller" failing divisions at major companies.

Ultimately what matters is whether the implosion is particularly "noteworthy" for some reason. If it appears the public is "interested" in coverage of a particular company, we will likely cover it.

The "ailing/watch" list tends to stay smaller for a number of reasons. One is that the prevailing opinion on a company (or division) tends to be that it is going to survive... until the day it closes down. This is just natural wishful thinking that is exhibited at all levels. Another reason is that *most* companies in the industry are in general distress right now, so we must

EXHIBIT K

wait until we receive *specific* information that sets a company apart (on a potential path towards implosion) before listing it. Finally, still-operating companies and units will closely guard any such information, making it difficult to get much more than rumors and hearsay. Plus, even more compelling information might be difficult to post without being sued by a still-operating company (even if not much of it is left).

All leads on companies must be supported by multiple independent sources. We prefer in the following order:

1. communication from the company itself
2. mainstream or industry press coverage (or blog coverage with clear supporting evidence)
3. multiple independent tips from individuals

This is not to say that we don't want reports from individuals; however these are more likely to go into our files and inform our research, as opposed to resulting in an immediate publication *per se*.

Complaints

If you have a complaint about any information carried on the site, we recommend as a first course of action posting to the item or our forum with your concerns, in a level-headed manner. This is the appropriate course of action for any material we have included from elsewhere, whether there is a factual error or argument that you find contentious. If it is wrong, say why it is wrong. As a forum, we do not have the authority to say that someone else's contribution is wrong.

If you have an objection to a lending operation we are (or are not) including in one of our lists, please email us with evidence supporting your case (see "Standards"). We are always looking to improve our coverage and our categorization of covered companies. Keep in mind it is impossible to have 100% perfect coverage at any point in time, and your feedback helps us achieve greater accuracy over time.

If you are principal management at one of these companies, please email us at the above address with an official statement of your company's condition that addresses the alleged inaccuracies. We almost always defer to an official statement in the absence of reliable public documentation. **We cannot do anything without further (publishable) information**; and a legal threat or naked assertion does not constitute sufficient information we can use.

History

EXHIBIT L

This site was founded on January 1, 2007, by Aaron Krowne, a blogger with a computer science and math background and an avid interest in economics and finance. By early to mid 2006, Krowne had come to the conclusion that housing was the "linchpin" of the US economy, but disconcertingly, it appeared to be in a historically unprecedented bubble. When a number of subprime lending companies (including Ownit!) began imploding in fall of 2006, Krowne deemed it the start of a larger wave and deflation of the housing bubble, with likely wider economic impact (including recession).

When the media failed to catch on to the story within a few months, Krowne resolved to do it himself the "blogger" way, and started ml-implode.com as a single web page with six companies listed.

Soon there were dozens of companies, and the site received increasing links from bloggers and newsletter writers. In March, 2006, the site was covered on-air on Bloomberg and CNBC, and traffic exploded to almost 100,000 visitors a day.

Soon after this, the site became a de facto mortgage industry site, as a core following of industry professionals developed to check out the latest of the turmoil on the daily basis. This audience began regularly sending tips and leads, which allowed ml-implode to begin rivalling mainstream and even mortgage industry media in the timeliness and breadth of its coverage.

As 2007 proceeded, the crisis deepened, spreading throughout the US and global banking system. Homeowner distress also continued, with delinquencies and foreclosure skyrocketing. The housing market was clearly in a freefall. By late year, recession was an openly-discussed possibility.

The skeptical, if bearish case ml-implode had been making with its coverage, as well as the implicit warnings therein, had been vindicated. This continues to be the case to the present day.

As 2007 closes, ml-implode now has a core daily audience of about 100,000 visitors, as it continues its ongoing up-to-the-minute coverage and track record of making the right case and having a nose for *tomorrow's* economic story.

In late 2007, ml-implode passed from ownership by Krowne Concepts, Inc, to Implode-Explode Heavy Industries (IEHI). The new company (with principals Aaron Krowne and Justin Owings) focuses on not only housing finance but other issues and sectors throughout the political economy. Some other IEHI sites are:

EXHIBIT M

FHA Territory Expansions - FHA/HUD and Mortgage Broker/Banker
Licensing Nationwide (800) 948-0970 www.lenderlicense.com

Ads

THE MORTGAGE LENDER Implode--Meter

Tracking the housing finance breakdown: a saga of corruption, hypocrisy, and government complicity.

Home - Lists - News - Forum - NON-Imploded - I have a Tip - Search - About - Advertise

About the Mortgage Lender Implode-O-Meter

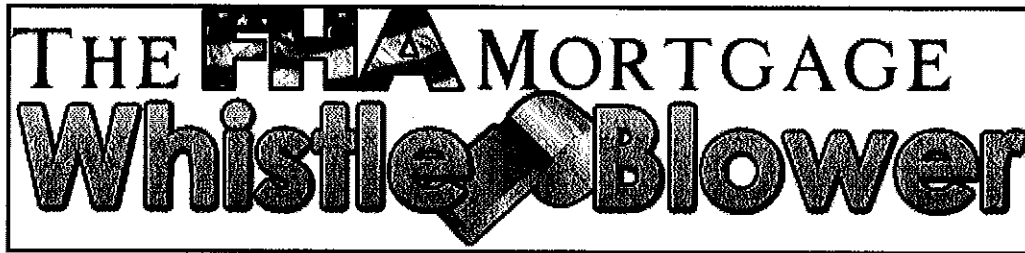
What We Do

The mission of ml-implode.com is *transparency, education, and accountability*. We focus on the housing finance sector, which we believe has become the focal point of extreme distortions in the US economy. These distortions have now obviously (within a year of our founding) transitioned to outright collapse. To use a metaphor that deposed Citigroup CEO Chuck Prince might appreciate, "the music has stopped".

We seek the root causes of this distortion and resulting turmoil (who and what policies were responsible); we seek to document the ripple effects and study broader economic and societal implications; and we seek to determine how to heal the housing sector, the economy, and the country. We also seek to provide a historical record, preserving indefinitely our lists, discussions, and linked articles, so that it might be impossible and inexcusable to forget the debacle that is now unfolding.

This site is a forum. We may have our own ideas regarding the above (though our own team does not even agree on everything), but we are here to learn as much as to teach, and wish to foster discussion regarding the issues. All of the primary information on the site is *received*, either from the mainstream media, independent media and bloggers, or (most importantly) people working in the housing finance sector. We add a bit of editorial work to keep the site coherent, but it is a relatively small amount. In other words, we don't make this stuff up. The site belongs to the community of all those who have a burning interest in this area of concern... a group which is beginning to look more and more like "the general public."

EXHIBIT N



Implode Proof Your Future
Hiring Branch Managers. Top Pay.
not Promises. FHA, VA, RV

The wake up call for the mortgage industry

- [Home](#)
- [About Do the Math](#)
- [The Truth About DPAs](#)
- [ML's FHA Forum](#)
-
- [ML Implode Home](#)

What the SFDPA Administrators Don't Want You To Know: **Part 1, The Penobscot Indian Tribe Down Payment Grant** **Program**

September 15, 2008 – 11:28 pm

In researching sovereign nation down payment payment grants, I was expecting nothing more than a bunch of boring stuff on down payment grants. Surprisingly, what I found was a trail of intrigue which had nothing to do with the Penobscot Indian Tribe, and everything thing to do with the business history of the program administrators, and nature of the down payment grant business itself.

The content of the article is so explosive as to yield a scathing comment from Penobscot Indian Nation Grant America Program administrator, Christopher Russell which included this statement: ([Click here to read entire comment](#))

“So, you need to remove your libelous article here. For your information, I will seek damages, as I have now collected nearly a quarter million from Mr. Brandon so far. (We allow him to make monthly payments. I won't be so generous with your "scam" blog.)”

After seriously considering Mr. Russell's statement, I decided to comply with one request, and that is to remove the word “scam”. I will not, however, back down from publishing this article or the content therein which is all a matter of public record. I have, however, added more links and additional information.

This article is crucial for the public and the media because it involves the history of the individuals who created the sovereign grant program, administer the program, and who have sued the Department of Housing and Urban Development to prevent the program from being terminated.

So pull up a chair, sit down, and prepare for enlightenment.

First, a bit of background the Penobscot's Grant America Program founders Russell & Hill:

The Penobscot Indian Nation Grant America program is the brain child of Ameridream founders, Christopher Russell and Ryan Hill who according to an [article in Forbes](#) netted a combined \$14,000,000 from their business interests involving Ameridream.

You may recall the 2004 scandal involving Russell and Hill's purported misallocation of Ameridream assets as revealed by the [testimony of Mr. House](#) during the June 22, 2004 Congressional Hearing on Charity Oversight and Reform. Click [here](#) to view the entire transcript of the Congressional Hearing that is posted on the Senate Finance Committee website and is a matter of public record.

Among other things, Mr. House provided testimony that the founders of Ameridream, referred to as Mr. Red and Mr. White, used their position and control over the charity to divert millions to their private business interests. According to Mr. House, Mr.'s Red and White (Russell and Hill), participated with a third party (Mr. Blue) to create Synergistic Marketing, LLC which funneled millions from the charity.

Mr. House's statements appear to correlate with information shown on Ameridream's IRS Return of Organization Exempt from Income Tax (form 990) for years 2000 to 2004. The returns for this period show \$26,483,916 in payments from Ameridream to Synergistic Marketing, LLC. The returns also contain disclosures that two officers in Ameridream were members of Synergistic Marketing, LLC. After Russell and Hill left the company, the disclosure was changed to state that two *former* officers were members of Synergistic Marketing. Additionally, Ameridream's 990 returns for 2002 and 2003 include the following disclosure:

In 2003, AmeriDream's current Board of Directors and Management became aware of certain transactions and arrangement from prior years that present potential for "excess benefit" within the meaning of section 4958 of the Internal Revenue Code. At that time, AmeriDream voluntarily sought guidance from the IRS. As of this filing, the specific nature and scope of those transactions is under review. Once the review is completed and if any excess benefit transactions are identified, AmeriDream will make the required disclosure on either an amended return for 2003 or a return for a subsequent year as appropriate.

Hence, this portion of Mr. House's testimony appears to be substantiated, at least in regard to Russell and Hill's participation in Synergistic Marketing, LLC. Please note that payments to Synergistic Marketing from 2000 to 2003 ranged between 36% to 40% of Ameridream's gross income less actual funded grants. Click [here](#) for a link to Ameridream's IRS returns (990's) from 1999 to 2006.

The testimony also accused the founders of Ameridream of creating an investment company, Valao Mortgage, and funding the company with a \$4,000,000 loan from Ameridream. Mr. House stated that Avalar Properties, another LLC of Russell's, borrowed \$1,000,000 through Valao. This, too, was supported by information on Ameridream's 2002 IRS return (990) which shows a \$4,000,000 loan to Valao Mortgage. While an affiliation between Russell and Hill and Valao was not confirmed, the Maryland Secretary of State filing for [Valao](#) shows the same business address at the time of filing as Ameridream. The Maryland Secretary of State filings, however, confirm Christopher Russell as the [Agent for Service for Avalar Properties](#), and the address listed for Avalar Properties is the same address shown for Valao in [various business listings](#).

Mr. House's testimony also included an allegation that Russell and Hill (aka Mr.'s Red and White) purchased a jet using Ameridream as loan guarantor. The jet was purportedly used for Russell and Hill's

personal enjoyment including golf trips to Mexico. While it is difficult to trace the liability on the Ameridream returns (form 990), the 2002 return notes a loan guaranty in exchange for a 10% interest in Rycho, LLC which was organized by Russell and Hill. Both Russell and Hill are showing current affiliation with Rycho Funding and Rycho Aviation which are one in the same. There is also a settled lawsuit involving Ameridream, Russell, Hill, and Rycho Aviation LLC as defendants against plaintiff American Flight Group.

In addition to the purported misallocation of Ameridream funds and inappropriate loans and guaranties, Mr. House also speaks of Mr. Red's (Russell's) sheltering of approximately \$3,000,000 in income by establishing residency in the US Virgin Islands and becoming a shareholder in a U.S. Virgin Islands company. According to Mr. House, the company acquired an economic development certificate from the U.S. Virgin Island government which provided a tax credit of over 95% of the taxable income. While this statement is unconfirmed, Russell is open regarding his investments in St. Croix and prior partnership with International Asset Management.

Aside from minor lawsuits, there has been no verifiable recourse against Russell and Hill except for a Federal Tax Lien of \$1,104,575 against Hill in 2006 for the 2001 tax year.

It is interesting to note that in 2006, Ameridream won an arbitration decision against Christopher Russell regarding Russell's registration of the domain name: ameridreamprogram.com. According to the National Arbitration Decision, Russell registered the domain name one day prior to the expiration of a binding non-compete agreement. In addition to the copy cat web site, the decision states Russell registered additional web sites utilizing the "F" word along with the name Ameridream as a "protest" site which accused Ameridream of fiscally irresponsible policies and squandering of public benefit funds. This is especially ironic coming from Russell who has been accused of the exact same thing with Ameridream. In addition to allegations that Russell acted in bad faith by registering copycat and defamatory domain names, Ameridream claimed Russell attempted to extort \$5,000 per domain from Ameridream by requesting that Ameridream purchase the domains rather than incur thousands in legal expenses. The actions of Russell were ultimately found to be made in bad faith, and the decision rendered was in favor of Ameridream.

Following this fiasco, Russell and Hill created a new venture known as the Dp Funder Program and the Owner's Alliance. The Dp Funder is another type of seller-funded down payment program which involves payment of "earned" commission to the buyer instead of "gift" or "grant". The program is simple. The buyer signs with Global Direct Sales, LLC and becomes a dealer. As a dealer, the buyer's job is to convince the seller to purchase a membership in the Owner's Alliance which offers various discounts and costs between 3% to 22% of the sales price plus processing fee. Once the seller "enrolls" in the Owner's Alliance program, Global Direct Sales, LLC transfers the "commission" to a savings account which Global opens in the borrower's name at Sandy Springs Bank of Maryland. Of course, Global is the primary account signor, and maintains absolute control of the account. In the event that the transaction does not close, funds revert back to Global unless the seller pays a \$295 fee to extend the contract. Click here to see documents.

At closing, funds for the "membership fee" is remitted to Rycho Funding, LLC and is shown as a payoff on the HUD-1. Global Direct Sales' Dp Funder web site gives explicit instructions to show the source of buyers down payment as "cash" on the loan application, and to show Global Direct Sales, LLC as secondary employment on the application using the position title of Independent Dealer. Revenue for Global Direct Sales, LLC ranges between 1% to 2% of the sales price plus \$300 processing fee.

The latest version by Russell & Hill:

Russell and Hill's current venture involves the administration of Sovereign Nation grants. According to Russell in a 2008-09-08 phone conversation, he came up with the idea in 2006 when the IRS began cracking down on the non-profit seller-funded grant providers. It occurred to Russell that the Sovereign Nation status of tribes exempted the Tribes from the recent IRS ruling revoking the non-profit status of agencies that participated in seller-funded down payment grants. Shortly thereafter, according to Russell "he and Hill approached the Penobscot Indian Tribe and launched the Grant America Program" which he states "is ran exclusively by Global Direct Sales, LLC." Russell also stated "the Penobscot Indian Tribe declined the option of processing grants for a \$100 transaction fee, and instead only receives 20% of the proceeds."

In 2007, after HUD published their Final Rule in the Federal Register eliminating seller funded grants, Global Direct Sales and the Penobscot Indian Tribe filed suit in Federal Court for an injunction against HUD in implementing the rule. The Penobscot suit was in addition to suits filed by Nehemiah and Ameridream costing the Federal Government and taxpayers time and money.

Finally in March 2008, HUD's Final Rule was vacated and the matter was remanded back to HUD to address the deficiencies in the rule-making process in accordance with the Administrative Procedures Act. On April 3, 2008, HUD and the Penobscot Indian Tribe executed a Stipulation to Resolve Remaining Claims and Dismiss Action which the Grant America Program website posts as a HUD approval letter. Click [here](#) to view the Stipulation of Dismissal.

Not only is the Stipulation and Dismissal *not* an approval letter, it doesn't provide specific approval of seller-funded grants as Sovereign Grant providers claim. The Stipulation and Dismissal is merely a temporary settlement which gave HUD the opportunity to publish a revised proposed rule and re-open the comment period. Click [here](#) to view the proposed revised rule that HUD published in the Federal Register on June 16th, 2008.

What the stipulation provides is confirmation that the Penobscot Indian Tribe's Sovereign Nation "government entity" status qualifies the tribe to participate in the FHA program as an acceptable downpayment assistance provider as per Chapter 2, Section 2-10(C) of the 4155.1 REV 5. As such, loans involving PIN grants are insurable under *standing* HUD rules at the time.

Regardless of the Stipulation and Dismissal, the seller contribution to the Grant America Program is clearly a concession that is confirmed by IRS ruling 2006-27, which only allows sellers to deduct the SFDPA contribution as a sale expense and not as a charitable deduction. The PIN program Seller Enrollment form itself solidifies the fact that it is a sales concession by stating that the service fee (which includes down payment contribution) may be deductible as a sale expense and is not a charitable contribution. See final paragraph of Seller Enrollment Form: Click [here](#) to view the form.

Excerpt:

"Seller understands that the G.A.P service fee may be tax deductible as a selling expense, depending upon Seller's personal circumstances. Seller should consult a tax advisor. Seller further acknowledges that the G.A.P. service fee is a fee for service, and is not a charitable contribution. No changes may be made to the pre-printed text of this Agreement, without the prior written consent from PIN Fair Housing Administration."

The PIN-FHA gift letter also confirms that it is a concession: [Click here to view gift letter](#).

Excerpt:

The IRS issued Revenue Ruling 2006-27, on May 22, 2006. This ruling implies that for **TAX PURPOSES ONLY, similarly structured transactions are not to be treated as a gift for income tax purposes. Similar down payment funds are to be treated as a rebate against the purchase price of the property, lowering the purchaser's basis in the property.** Please seek competent legal and tax advice before entering into this agreement. This information is not to be construed as tax advice. Each individual's situation may be different and advice should be provided by a competent tax advisor.

By their own admission, the seller contribution is a *sales concession* and not a charitable donation. Hence, the Penobscot Indian Tribe isn't really providing "assistance" and is merely laundering the down payment for a fee, no different than the other seller-funded down payment assistance (SFDPA) providers.

Nonetheless, the Stipulation and Dismissal predates H.R. 3221, and **seller-funded** down payment grants will not be allowed for loans approved after October 1, 2008 for FHA loans regardless of provider as per Federal Law. In speaking with Christopher Russell, he confirms that the changes to the National Housing Act which prohibit seller-funded down payments also apply to Sovereign Nation grants. Fortunately, Russell states:

"That the impact to the tribe will be minimal and will not result in job losses due to the program being entirely administered by Global Direct Sales. At most, the Tribe stands to lose approximately \$250,000 a year in revenues. Also, the Penobscot's manned Fair Housing Department will still be able to provide Portable Housing and Indian Block grant opportunities for their Tribal members and other types of legitimate, non seller funded assistance, for Tribe members."

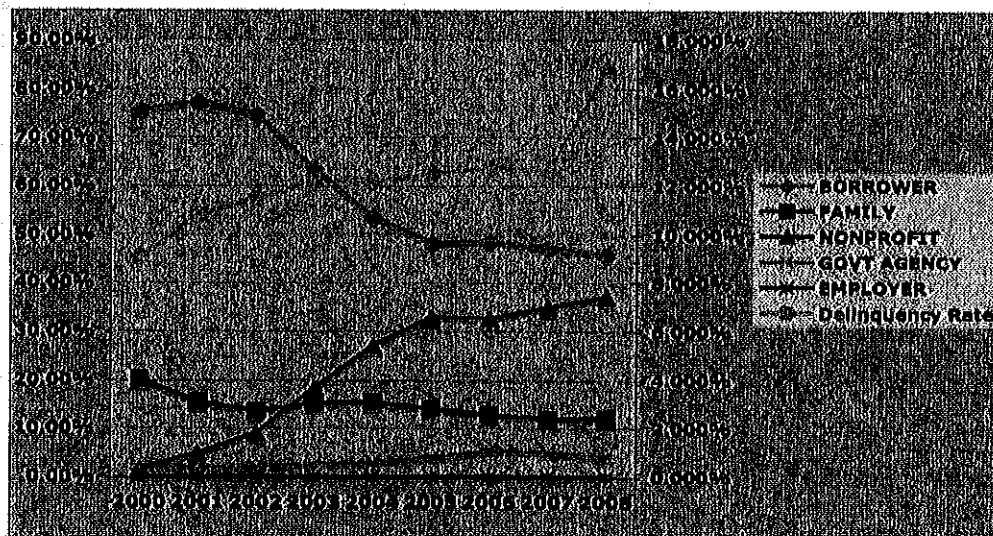
However, not to be dissuaded from the seller-funded down payment assistance business, Russell and Hill are already working on an alternative program through the Down Payment Grant Alliance which is a URL Russell states he founded in 2001. Their idea is to create a network of non profit companies and grant providers and have one party provide the grant while another party receives the donation. According to Russell, the seller contribution would not be tax deductible as a charitable contribution and would be considered a sale expense. This grant alliance sounds more like convoluted down payment shell game than a down payment assistance program due to the stated purpose to circumvent public law.

When asked about the adverse effects of seller-funded down payment grants and what could be done to mitigate risks to borrowers and the FHA fund, Russell stated that "Some steps that can be taken to mitigate risk include requiring the seller to sign a certification that the sales price was not increased for the grant, implementing strict appraisal controls, and limiting borrower credit scores to a minimum of 580." *When asked whether limiting credit scores might displace low income and ethic groups who traditionally have lower scores as well as multiple borrowers, Russell stated "it required some thought."* Russell did assert that seller-funded down payment assistance loans had a 92-94% success rate, however, I cannot confirm this information.

It is no secret that FHA's delinquency and default rate are rising dramatically. As I have outlined in a prior entry, currently, 1 in 6 borrowers are delinquent or in default on their FHA loan and that number is increasing. Furthermore, there is a clear correlation between the expanding FHA delinquency rate and the rise in seller funded down payment grants. As you can see from this chart, the FHA delinquency rate rose in tandem with the increase use of non profit down payment grants as the source of down

payment.

FHA Purchase Endorsements by Downpayment Source 2000-2008 and FHA Historical Delinquency



While many who argue the merits of seller funded down payment grants cite the negative impact on sales prices and values that eliminating the programs will have on the market, the reality is that the economy needs inflation relief. ***Lower sales prices actually benefit homebuyers who have been displaced by astronomical home prices and rents.*** Considering that incomes did not rise in tandem with price increases caused in recent years by irresponsible lending, a little inflation relief is exactly what Americans need to improve their quality of life. The last thing that Americans and the economy need is anything that sustains continued housing inflation. While adding 3-5% to the sales price may not sound like much, the increases gradually add up in areas where these types of grants are prevalent resulting in higher overall prices.

Furthermore, the current proposal, H.R. 6694, which is sponsored by the Representatives Al Green, Gary Miller, Christopher Shays, Maxine Waters along with Ameridream and Nehemiah Corporation, proposes increases in mortgage premiums to offset the risk of SFDPA's to the FHA insurance fund. H.R. 3221 included a provision which placed a moratorium on risk based premiums that are based on borrower credit decision scores. However, credit score based premiums or eligibility create a barrier for racial minorities and socioeconomically disadvantaged borrowers who typically have lower scores. The proposal of risk based credit scores along with higher prices caused by seller funded down payment grants could displace the very borrowers that seller funded down payment grant providers claim to help. The taxpayers and FHA should not be forced to sponsor continued lending abuse via seller funded down payment grant schemes.

Posted in [Uncategorized](#) |

FHA Licensing Exemptions

FHA/HUD and Mortgage Broker/Banker Licensing Nationwide (800) 948-0970

www.lenderlicense.com

Ads by Google

1. **8 Responses to “What the SFDPA Administrators Don’t Want You To Know: Part 1, The Penobscot Indian Tribe Down Payment Grant Program”**

2. As an underwriter I had my dealings with this “sovereign nation” grant. I did not allow them as I believe that this is not a municipality of the US Government which is what they were trying to deal under.
Since they are SOVEREIGN and have their own government this was my “semi-legal” conclusion.

By **Elizabeth** on Sep 16, 2008

3. This came as a surprise to you? You are just now seeing this smoke and mirror scam? Anyone with two weeks in the industry figured that out long ago.

By **Ron Scribner** on Sep 16, 2008

4. Ameridream and these SCAMMERS are a couple of sue-happy criminals. Where the f**k is the FBI when you need them??

By **BlowmeChrisRussell** on Sep 16, 2008

5. Chris is an embarrassment to the human race.

By **SteveP** on Sep 18, 2008

6. good sleuthing.

insiders may say what they like, the idea is this info belongs to the public @ large.

don't rest with a smug comment, spread some knowledge to the ignorant.

explain it to a layman!

By **chuck beef, coo** on Sep 18, 2008

7. Bravo! I thought I was the only one that compiled the facts about this never-ending fraud.

Since you are such an astute observer of this debacle, I offer a tidbit entitled “Motion to Seal Motion - Denied”

I wonder why Syphax and Harris wanted to seal this? Maybe this is the offending language:

“Plaintiff contends that defendant has not complied with a prior court order to produce documents sufficient to identify what happened to the \$7 million Don Harris received from Invision from 1998 through 2002.”

<http://www.autoaccident.com/filings/06/may24d53.05>

Rollin' in the dirt fightin' over the loot. Enjoy!

By **Winston Smith** on Sep 18, 2008

8. It never ceases to amaze me the lengths to which people will go in order to attempt to siphon off some of the transaction cashflow from home sales to unsuspecting and unsophisticated buyers.

Call it what you will - whether it fits the legal definition of fraud isn't really the point.

The point is that the unsophisticated thinks he's getting a "deal" when in fact nothing of the sort of is happening. When you look at the various "DPA" web sites and "information" from the seller's point of view (how they pitch them to the sellers) you will hear how they will encourage full-price offers and in fact may encourage people with "fewer resources" (that's shorthand for "can't afford the house") to buy anyway.

How does this promote SUSTAINABLE housing? It doesn't, but it sure as hell makes the folks in the middle rich!

HUD was right to try to ban this crap and I hope on the second go-around they are successful. Every one of these firms needs to take a dirtnap.

By **Karl** on Sep 18, 2008

9. Elizabeth, we need more underwriters like you. Lenders could shut don't this insanity in an instant by simply refusing to accept SFDPA's. By the way, carefully check the non profit status of participating companies if you receive one of these, and when I say check the status, I mean call the IRS and have the organizations verified name and Tax ID in hand (even if it is a religious organization).

Ron, everyone knows SFDPA's are a "scheme" (IRS' words), but not everyone knows what is going on behind the SFDPA's and what is going on behind the scenes with the companies. This is the purpose of this series on SFDPA providers.

Chuck Beef, need bloggers and You Tuber's to pick up this stuff and feed it to the layman. This is a more of a research report than anything. Most of the bold lettering is links to articles, reports, filings, and websites and is not there for effect. This blog is as much as a resource for other bloggers and journalists as it is for commentary. Spread the word!!

Winston Smith, again. Thank you for the link. I still need about 10 cases from Sacramento. I appreciate your comments and I appreciate you taking the time to visit the site and read the information.

Karl, its an honor to have you visit the blog. I reposted your comment from the first entry that was deleted. Also signed the new petition you have up:

<http://financialpetition.org/petition-nobail.shtml>

As always, I appreciate the comments. I also appreciate information tips and links. Please feel free to share You Tube videos!!!

By **Do the math** on Sep 18, 2008

Post a Comment

Name (required)

E-mail (will not be published) (required)

Website



First Time Home Buyer?

Special Low Rates For You Free
Quote, No Obligations
myFHAhomeloan.com

First Time Home Loans

100+ Different Loan Programs 24 Hour
Approval. Apply Online Now!
www.BestRateLoans.com



Ads by Google

• Pages

- [About Do the Math](#)
- [The FHA Seller-Funded Down Payment Grants Information Page](#)
 - [FHA Seller Funded Down Payment Grants: Reference Page](#)
 - [H.R. 6694: A proposal to "save" Seller-Funded DPA's](#)
 - [House Financial Services Committee Approves Markup of H.R. 6694](#)
 - [Talking Points on H.R. 6694: Who's Line Is it, Anyway?](#)
 - [The Seller-Funded DPA Organizations](#)
 - [The Penobscot Indian Tribe Down Payment Grant Program](#)

• Recent Comments

- [Graham Reinders on FHA Says No to Buy-and-Bail!](#)
- [dick on FHA Says No to Buy-and-Bail!](#)
- [Do the math on FHA Says No to Buy-and-Bail!](#)
- [harry on FHA Says No to Buy-and-Bail!](#)
- [Mortgage Loan Blog » Blog Archive » Is this really the right direction to go.... on The FHA Delinquency Crisis: 1 in 6 Borrowers in Default](#)

• Recent Posts

- [FHA Says No to Buy-and-Bail!](#)
- [Talking Points on H.R. 6694: Who's Line Is it, Anyway?](#)
- [FHA Terminates Non-FHA Approved Brokers for HECM Program](#)
- [House Financial Services Committee Approves Markup of H.R. 6694](#)
- [What the SFDPA Administrators Don't Want You To Know: Part 1, The Penobscot Indian Tribe Down Payment Grant Program](#)

• Archives

- [September 2008](#)
- [August 2008](#)
- [July 2008](#)
- [June 2008](#)
- [April 2008](#)
- [March 2008](#)

• Categories

- [Uncategorized](#)

• Agencies

- [Department of Housing and Urban Development](#)
- [FHA - Federal Housing Administration](#)
- [The Federal Trade Commission](#)
- [VA Loan Guaranty - Department of Veterans Affairs](#)

• Blogroll

- [Mr. Mortgage](#)
- [The Market Ticker](#)
- [WordPress Planet](#)

• Forums

- [Implode-O-Meter FHA Forum](#)
- [Mortgage Lender Implode-O-Meter Forum](#)

• Meta

- [Log in](#)
- [Entries RSS](#)
- [Comments RSS](#)
- [WordPress.org](#)

The Mortgage Whistleblower is proudly powered by [WordPress](#) [Entries \(RSS\)](#) and [Comments \(RSS\)](#).
Theme by [Bob](#) as modded by [Justin](#). »



**Forum
Index**
RSS

Got
info?

**Implode-
O-Meter:**
Mortgage
Lender
Hedge Fund
Home
Builder
Bank

IEHI sites:
Bernanke
Panky
Fed Gallery of
Shame
Chavez Watch
AnarchyWARE

Ads by Google
[Mortgage Calc](#)
[EMC Mortgage](#)
[Arm Mortgage](#)
[Mortgage Leads](#)

[FAQ](#) | [Search](#) | [Memberlist](#) | [Usergroups](#) | [Register](#) | [Profile](#) | [Log in to ch](#)

FHA Licensing Exemptions - FHA/HUD and Mortgage Licensing Nationwide (800) 948-0970 www.lenderlicense.com

What SFDPA Admins don't want you to see

[new topic](#)

[post reply](#)

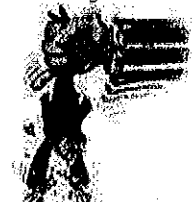
**Implode-Explode Forums Forum Index
Meter**

Author

Message

title_gal

Wrecking crew



Joined: 13 Dec 2007
Posts: 1615
Location: Texas

What SFDPA Admins don't want you to see

☐ Posted: Thu Sep 18, 2008 1:22 am

If you haven't seen this yet it is a GREAT read! Way to

<http://whistleblower.ml-implode.com/?p=142>

(Now, if I could just find the blog from Aaron that I re-read it but now I can't find it!)

In America, through pressure of conformity, 1
to choose from.- Peter Ustinov

[profile](#) [pm](#) [email](#)

Own your local FSBO site

Attn: Real Estate & Mortgage Pro's. Help
Fsbo's in your exclusive city.



Ads by Google

Do_the_math

The WhistleBlower

Re: What SFDPA Admins don't want you to see

☐ Posted: Thu Sep 18, 2008 5:50 pm

Thanks Title Gal. I appreciate the encouragement.

"Now the Fed wants to be the systemic risk n

Ads by Google

**Better than a Net Branch**

225 FHA Lenders.
Licensed 50 states
Branch network. Training
provided
www.alliedmortgagecorp.com/

Own your local FSBO site

Attn: Real Estate &
Mortgage Pro's. Help
Fsbo's in your exclusive
city.
www.HomesByOwner.com

Fastest REO Sales Period.

Great Track Record.
Proven Results. ONLINE
Auctions = Easier Sales!
www.bid4assets.com

Short Sale Foreclosures

Step-by-Step Guide
Getting Banks To
Discount Mortgages up to
40%!
www.ShortSaleMagic.com

Become a Foreclosure Pro

How to Profit from
Foreclosures Even if You
Have no Cash or Credit.
RealEstateForeclosuresInvesting.com



Joined: 14 Mar 2007
Posts: 1531

FIXMYLOAN

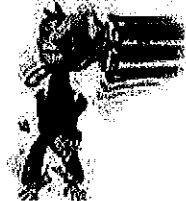
Consigliere



Joined: 27 Dec 2007
Posts: 3442
Location: Jersey

title_gal

Wrecking crew



Joined: 13 Dec 2007
Posts: 1615
Location: Texas

risk. Giving the Fed more power is like giving window playing baseball in the street a bigger problem." -Kentucky Senator Jim Bunning

"I believe everything I say" Henry Paulson

[profile](#) [pm](#)

Re: What SFDPA Admins don't want you to see

☐ Posted: Thu Sep 18, 2008 7:26 pm

Now, how do we get this on the six o'clock news?

2016

"If they'll lie FOR you, they'll lie TO you"

[profile](#) [pm](#)

Re: What SFDPA Admins don't want you to see

☐ Posted: Fri Sep 19, 2008 5:38 am

FIXMYLOAN wrote:

Now, how do we get this on the six o'clock news?

Hmmm.. how many stations do you think we need to c

In America, through pressure of conformity, t
to choose from.- Peter Ustinov

[profile](#) [pm](#) [email](#)

Display posts from previous: [All Posts](#) [Oldest](#)

[new topic](#)
[post reply](#)

Implode-Explode Forums Forum Index

Jump to: [Mortgage Lender Implode-O-Meter](#)

[Go](#)


Powered by phpBB 2.0.22-2 (Deblan) © 2001, 2002 phpBB Group :: FI Theme :: ,

Michael Braunstein

From: Christopher Russell [Russell@IncentOvation.com]
Sent: Friday, September 26, 2008 12:58 PM
To: mbraunstein@kgglaw.com
Subject: You may want to include this one

Do_the_math

Posts: 282

Incept: 2007-08-09



San Diego



Story is up on the Penobscot Sovereign Grant program and the guys that are running the program- Christopher Russell and Ryan Hill. These guys are the ones who founded Ameridream.

Lets see if really costs me \$250k to post the truth.

<http://whistleblower.ml-implode.com/?pag...>

I am doing a series on the DPA providers.

Realistic, here are some links on reports for DPAs:

2002: Down Payment Assistance Program Operated by Non Profit Entities, OIG Report # 2002-SE-0001, dated September 25, 2002

<http://www.hud.gov/offices/oig/reports/i....>

2003: FHA Case File Review: Underwriting Practices and Loan Characteristics Contributing to FHA Loan Performance Report # 2003-SE-0001

<http://www.hud.gov/offices/oig/reports/i....>

2005: An Examination of Downpayment Gift Programs Administered by Non-Profit Organizations: March 1, 2005

<http://www.hud.gov/offices/hsg/comp/rpts...>

2005: GAO Report: Additional Action Needed to Manage Risks of FHA-Insured Loans with Down Payment Assistance GAO-06-24 November 9, 2005.

<http://www.gao.gov/docsearch/abstract.ph...>

HUD Proposed Rule: Standards for Mortgagors Investment in Mortgaged Property June 2008:

<http://portal.hud.gov/fha/investment/508....>

Please also check out some stats on this post:

<http://whistleblower.ml-implode.com/?p=2....>

Credit scores do not mitigate risk. Sound underwriting, prepared borrowers, and

programs that contribute to sustainable ownership mitigate risk. Forcing FHA to accept seller funded down payment schemes is a bureaucratic form of agency date ****.

Understand, however, that the lobbyists, PACs, organizations, and DPA providers are paying a lot of money to keep this game going and are investing heavily in grass roots campaigns which spew propaganda and obfuscation of the truth.

"Now the Fed wants to be the systemic risk regulator. But the Fed is the systemic risk. Giving the Fed more power is like giving the neighborhood kid who broke your window playing baseball in the street a bigger bat and thinking that will fix the problem." -Kentucky Senator Jim Bunning

Last modified: 2008-09-22 20:42:53 by do_the_math

<http://www.tickerforum.org/cgi-ticker/akcs-www?post=60262&page=1>

Total Control Panel

Login

To: mbraunstein@kgglaw.com Remove this sender from my allow list
From: russell@incentovation.com

You received this message because the sender is on your allow list.

9/26/2008