

FILED

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING 2009 JUN 30 PM 2:24

PA DEPT OF BANKING

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING, BUREAU OF
COMPLIANCE, INVESTIGATION AND
LICENSING

Docket No. 09 0123 (ENF-ORD)

v.

AARON MCCARTHY

PA DEPT OF BANKING

2009 JUL 31 PM 3:02

FILED

NOTICE OF RIGHT TO APPEAL AND HEARING

You, Aaron McCarthy, have the right to appeal the attached Order of Prohibition (the "Order") within 10 days of the date of service. See 1 Pa. Code § 35.20. The date of service is the date the Order is deposited in the mail or delivered to you in person, as the case may be, as set forth in 1 Pa. Code § 33.34. If you appeal the Order, you also have a right to a hearing.

To file an appeal and request a hearing on the Order, you must file a petition with the Secretary of Banking within 10 days of the date of service. The petition must be in writing, state clearly and concisely your grounds of interest in the subject matter, the facts you rely upon, the law you rely upon, and the relief you seek. See 1 Pa. Code § 35.17. Please deliver your petition to:

Linnea Freeberg, Docket Clerk
Office of Executive Deputy Secretary
Pennsylvania Department of Banking
17 North Second Street, Suite 1300
Harrisburg, PA 17101

The petition must be received by the Docket Clerk within the aforementioned 10 day deadline. If the Docket Clerk does not receive your petition on time, you will waive your right to an appeal and a hearing and the Order will be deemed final.

If you choose to file a petition challenging the Order, please send an additional copy to:

Begene Ann Bahl, Assistant Counsel
Pennsylvania Department of Banking
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

Once you file your petition appealing the Order and requesting a hearing, you will be notified of the hearing date, time, place, the person who will preside at your hearing, and any other pertinent information.

You have the right to be represented by an attorney. Corporations may be required to be represented by an attorney.

The hearing and all other procedural matters will be governed by the Pennsylvania Administrative Agency Law, 2 Pa. C.S. §§ 501-508, 701-704, and the General Rules of Administrative Practice and Procedure, 1 Pa. Code §§ 31.1.-35.251.

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Docket No. 09 0123 (ENF-ORD)

v.

AARON MCCARTHY

ORDER OF PROHIBITION

WHEREAS, the Department of Banking (the "Department") is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce 7 Pa. C.S. § 6101, et. seq. (the "Mortgage Act"); and

WHEREAS, the Bureau of Compliance, Investigation and Licensing (the "Bureau") is primarily responsible for administering and enforcing the Mortgage Act for the Department; and

WHEREAS, the Mortgage Act is the successor statute to Chapter 3 of the Mortgage Bankers and Brokers and Consumer Equity Protection Act (the "MBBCEPA"), 63 P.S. § 456.301 et. seq., and the Secondary Mortgage Loan Act (the "SMLA"), 7 P.S. § 6601 et. seq. On November 5, 2008, Chapter 3 of the MBBCEPA and the SMLA were repealed by operation of law and replaced by the Mortgage Act; and

WHEREAS, on January 29, 2008 the United States Attorneys' Office, Western District of Pennsylvania, filed an indictment against Aaron McCarthy ("McCarthy"). (See a copy of the Indictment attached as Exhibit A); and

WHEREAS, the Indictment alleges that McCarthy engaged in conspiracy to commit "Wire Fraud" (See Exhibit A, ¶1); and

WHEREAS, it was part of the conspiracy that McCarthy, working with others known as KF and JD, arranged to submit to lenders mortgage applications on behalf of borrowers that contained material misrepresentations as to the borrowers' financial conditions (See Exhibit A, ¶2); and

WHEREAS, KF and JD submitted "fraudulent documents" to lenders in connection with mortgage applications including, but not limited to, "verifications of employment, verifications of deposit, appraisals, paystubs, and W-2s" (See Exhibit A, ¶3); and

WHEREAS, to pay other members of the conspiracy, McCarthy was be paid a portion of the loan proceeds for construction work performed, or to be performed, on the collateral underlying the loan (See Exhibit A, ¶4); and

WHEREAS, McCarthy and the other members of the conspiracy knew that no construction work had been performed and the work was not going to be performed (See Exhibit A, ¶4); and

WHEREAS, after receiving the payments from the loan transactions, on work that he knew was not going to be performed, McCarthy directed the payments to the other members of the conspiracy (See Exhibit A, ¶5); and

WHEREAS, the other members of the conspiracy caused wire transfers from the accounts of the lending institutions, located outside the Commonwealth of Pennsylvania, to the accounts of the closing agents located inside the Commonwealth of Pennsylvania (See Exhibit A, ¶6); and

WHEREAS, McCarthy "knowingly and willfully did conspire, combine, confederate and agree with other persons . . . to commit an offense against the United States, that is, Wire Fraud, in violation of Title 18, United States Code, Section 1343" (See Exhibit A, ¶1); and

WHEREAS, the "Wire Fraud" conspiracy relates to the mortgage industry; and

WHEREAS, Wire Fraud conspiracy is a felony; and

WHEREAS, on April 2, 2008 McCarthy pled guilty to the Indictment (See a copy of the Plea attached as Exhibit B); and

WHEREAS, Section 6138(a)(4) of the Mortgage Act (corresponding to Section 310(a) of the MBBCEPA and Section 16(1) of the SMLA) grants the Department broad authority to issue orders as may be necessary for the enforcement of the Mortgage Act, 7 Pa. C.S. § 6138(a)(4) (corresponding to 63 P.S. § 456.310(a) and 7 P.S. § 6616(1)); and

AND NOW THEREFORE, based upon the foregoing, the Bureau, under the authority cited above, hereby imposes the following Order. Upon the effective date of this Order:

Aaron McCarthy, as a natural person or as a corporation or as any other form of organization of any kind whatsoever, is hereby prohibited from working in the mortgage loan business as regulated by the Mortgage Act as a licensee, employee, independent contractor, agent, representative, or in any other capacity of any kind whatsoever, in any way whatsoever.

IT IS SO ORDERED.

Date: 6/30/09

Lucy Cortez, Enforcement Administrator
Department of Banking,
Bureau of Compliance, Investigation and Licensing
Market Square Plaza
17 N. 2nd Street, Suite 1300
Harrisburg, PA 17101

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA)

v.)

AARON MCCARTHY)

Criminal No. 08-40
(18 U.S.C. § 1349)

INDICTMENT

FILED

COUNT ONE

JAN 29 2008

The Grand Jury charges:

CLERK, U.S. DISTRICT COURT
WEST. DIST. OF PENNSYLVANIA

THE CONSPIRACY AND ITS OBJECTS

1. From in or around March 2004, and continuing thereafter until in or around March 2006, in the Western District of Pennsylvania and elsewhere, the defendant, AARON MCCARTHY, knowingly and willfully did conspire, combine, confederate and agree with other persons known to the Grand Jury, to commit an offense against the United States, that is, Wire Fraud, in violation of Title 18, United States Code, Section 1343.

MANNER AND MEANS OF THE CONSPIRACY

2. It was a part of the conspiracy that individuals known to the grand jury as KF and JD arranged for the submission of fraudulent loan applications of borrowers that contained material misrepresentations as to the borrowers' financial condition.

3. It was further a part of the conspiracy that individuals known to the grand jury as KF and JD submitted fraudulent documents in connection with those loan application to lenders, including but

not limited to, verifications of employment, verifications of deposit, appraisals, paystubs, and W-2s.

4. It was further a part of the conspiracy that as a means of paying members of the conspiracy and with the knowledge of defendant AARON MCCARTHY, other members of the conspiracy represented, in connection with loan transactions, that defendant AARON MCCARTHY or an entity associated with defendant AARON MCCARTHY would be paid a portion of the loan proceeds for construction work performed or to be performed on the collateral underlying the loan, when in truth and fact, and as the other members of the conspiracy and defendant AARON MCCARTHY then well knew, there had been no construction work performed and there was no expectation of construction work to be performed.

5. It was further a part of the conspiracy that the defendant, AARON MCCARTHY, would direct the payments back to other members of the conspiracy made to him in connection with the fraudulent loan transactions.

6. It was further a part of the conspiracy KF, JD, and other members of the conspiracy caused wire transfers from the accounts of the lending institutions, located outside the Commonwealth of Pennsylvania, to the accounts of the closing agents located in the

Commonwealth of Pennsylvania, in furtherance of the Wire Fraud
scheme.

All in violation of Title 18, United States Code, Section
1349.

A True Bill,

FOREPERSON

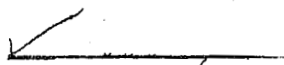
MARY BETH BUCHANAN
United States Attorney
PA ID No. 50254

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA,)	
)	
vs.)	Criminal No. 8-40
)	
AARON MCCARTHY,)	
)	
Defendant.)	

CHANGE OF PLEA

AND NOW, the defendant in the above-captioned case hereby withdraws his plea of not guilty entered February 21, 2008, and now pleads guilty in open court this 2nd day of April 2008.


_____ Defendant _____

ney for l idaru

CERTIFIED FROM THE RECORD
Date FEB - 5 2009
ROBERT V. BARTH, JR., CLERK
By _____ Deputy Clerk

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING

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: Docket No.: 090123 (ENF-ORD)

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PA DEPT OF BANKING

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **Order of Prohibition** upon the parties below, who constitute the only parties of record in this proceeding, in accordance with the requirements of 1 Pa. Code § 33.31:

**VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED
AND FIRST CLASS MAIL**

Aaron McCarthy
334 Elmore Street
Pittsburgh, PA 15219

Dated this 31st day of July, 2009.

Legena...
Commonwealth of Pennsylvania
Department of Banking
17 North Second Street, Suite 1300
Harrisburg, PA 17101
(717) 787-1471