

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, SS.

**SUPERIOR COURT DEPARTMENT
OF THE TRIAL COURT**

COMMONWEALTH OF MASSACHUSETTS,

Plaintiff,

v.

RICHARD E. DOHERTY,

Defendant.

COMPLAINT

Civil Action No. 08-2455B

I. INTRODUCTION

1. This is a civil action for injunctive relief, civil penalties, damages and restitution brought by the Attorney General, Martha Coakley, on behalf of the Commonwealth pursuant to M.G.L. c. 93A, §4, the common law of unjust enrichment, and the common law of public nuisance.

2. The Commonwealth seeks to hold Richard E. Doherty responsible for the unfair and deceptive acts and practices he committed in fraudulently procuring mortgage loans secured by multiple properties in communities in western Massachusetts.

3. The Commonwealth alleges that Mr. Doherty knowingly violated M.G.L. c. 93A, §2 by, without limitation, repeatedly devising a scheme and artifice to defraud by submitting and causing to be submitted materially false qualifying information and documentation to obtain mortgage loans for property purchases and refinancings. Mr. Doherty also knew that he would ultimately fail to pay on the mortgage loans, allowing the houses to fall into foreclosure. These unfair acts resulted in harm to lenders, investors and consumers owning adjacent and nearby

homes. Mr. Doherty also violated the common law of unjust enrichment by retaining the ill-gotten gains acquired from his unfair and deceptive dealings, and his actions constituted unfair competition that created an unlevel playing field and put at a disadvantage any commercial investors or other buyers who would have been unwilling to falsify loan documentation.

4. Finally, the Commonwealth brings a claim to abate the public nuisance caused by the defendant. Mr. Doherty's actions caused the purchased properties to fall into severe disrepair and filth and in most cases foreclosure, incurring significant costs for the relevant cities and towns, and creating a hazard to both the public and to the tenants who had been living in those properties (and who were frequently forced to leave).

II. JURISDICTION AND VENUE

5. The Commonwealth of Massachusetts has an interest in preventing unfair or deceptive acts or practices, and preserving the rule of law, including M.G.L. c. 93A and the common law of unjust enrichment. Moreover, the Commonwealth has an interest in advancing the public interest and preserving public health, safety and convenience.

6. This Court has jurisdiction over the defendant pursuant to M.G.L. c. 223A, sections 1 through 3.

7. This Court has subject matter jurisdiction pursuant to M.G.L. c. 93A, §4. Venue in this Court is proper under M.G.L. c. 93A, §4.

III. THE PARTIES

8. The plaintiff is the Commonwealth of Massachusetts, represented by the Attorney General of the Commonwealth, who brings this action in the public interest pursuant to M.G.L. c. 93A, §4, the common law of unjust enrichment, and the common law of public nuisance.

9. Massachusetts G.L. c. 93A establishes civil liability for any person who engages in unfair methods of competition or unfair or deceptive acts or practices in the conduct of any trade or commerce. Such behavior is punishable by a civil penalty of up to five thousand dollars (\$5,000) for each violation, restitution, disgorgement, and other equitable remedies, and the reasonable costs of investigation and litigating the violations, including reasonable attorneys' fees.

10. Defendant Richard E. Doherty resides at 1 Crandall Street in Adams, Massachusetts 01220 and/or 102 Stonington Road, Apartment B-202, Norwich, Connecticut 06360-4880.

IV. FACTS

Overview Of The Defendant's Mortgage Fraud

11. Beginning in or around January of 2003, Mr. Doherty commenced a series of purchases and sales of multi-family homes and commercial buildings in Adams, North Adams, Pittsfield, and Greenfield, Massachusetts.

12. Mr. Doherty engaged in systematic fraud by, among other things, submitting to lenders numerous material false statements on his loan applications.

13. In each transaction, Mr. Doherty was unjustly enriched by, among other things, receipt of inflated loan proceeds. After obtaining the various loans, Mr. Doherty would then proceed to make few or no loan repayments, defaulting on the majority of the loans and allowing the subject properties to lapse into disrepair, sometimes condemnation, and ultimately foreclosure proceedings.

14. When a home goes into foreclosure, the negative effects extend to surrounding neighborhoods and the wider community. The price and/or sale potential of other nearby properties invariably drops, leaving those homeowners with much less housing wealth than they

otherwise would have. This negative impact is both cumulative and more substantial in lower-income neighborhoods, such as those involved here.

15. For the subject municipalities, foreclosures trigger significant direct expenditures for increased policing and fire suppression, building inspections, legal fees, and expenses associated with managing the foreclosure process (*e.g.*, recordkeeping/updating).

16. Knowing ultimately that he would walk away from his properties, Mr. Doherty refused to maintain his buildings, permitting nearly every one to fall into serious disrepair and filth. In several instances, properties have been condemned by the relevant city or town (all of which are small communities) and left vacant and/or abandoned. Tenants have been left homeless or forced to live in squalor, often without heat or hot water, and with trash accumulating on the premises and/or lots. In nearly every instance, foreclosure has occurred (or is in process). In short, whole neighborhoods have been adversely affected by the defendant's actions.

17. Moreover, properties abandoned before foreclosure (or before foreclosure is completed) – often referred to as “walkaways” – have a deep impact on the surrounding community. “Walkaways” lead to general neighborhood decay and invite various forms of criminal activity, and these consequences must be addressed by the municipality at significant cost. Moreover, a borrower such as Mr. Doherty who has “walked away” from his property will generally fail to pay levied fines (*e.g.*, for code violations), and will stop paying property taxes and/or fees for water, gas and electricity. This reduces municipal revenues and hence the resources municipalities have to mitigate the negative impacts. And because the deteriorating properties are untended, they often require maintenance, which cost is also assumed by the municipality.

18. Examples of Mr. Doherty's unfair acts and scheme to defraud include the following:

60 East Quincy Street, North Adams, Massachusetts

19. On or around September 28, 2004, Mr. Doherty entered into a purchase and sale agreement with Charles Ransford, as trustee of the 60 East Quincy Street Nominee Trust, for the purchase of 60 East Quincy Street, a four-family rental property in North Adams, Massachusetts. The parties agreed to a purchase price of \$145,000, though the property was assessed at that time for a mere \$84,400. The purchase price was therefore 72% greater than the then-current assessed value.

20. The property was conveyed to Mr. Doherty for the aforementioned price of \$145,000, on or around November 4, 2004. **(Exhibit A)**

21. While the assessed value of a home (whether single family or multi-family) in the North Adams community will typically lag behind (or ahead of) its market value, this gap in value does not generally exceed 20%.

22. In connection with this purchase, Mr. Doherty, through mortgage broker New England Merchants Corporation (“NEMC”), applied to Nation One Mortgage Company, Inc. (“NOM”), for two “purchase money” mortgage loans, one for \$116,000 (loan number 144616) and the second for \$29,000 (loan number 144617). The combined loans comprised 100% of the purchase price of the property and were ultimately extended to Mr. Doherty.

23. In his signed Uniform Residential Loan Application (also referred to as a “Form 1003”) dated November 4, 2004 and supplied to NOM for loan 144616, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit B at p. 3)**

24. In this section of the Form 1003, Mr. Doherty neglects to list (or update to reflect) his ownership of 1 Crandall Street in Adams (his residence), which he purchased for \$172,500 on

September 30, 2004. He also fails to list the \$172,500 mortgage loan he obtained from Mortgage Lenders Network USA, Inc. on the same date to facilitate the purchase of 1 Crandall. **(Exhibit C)**

25. Although Mr. Doherty had been living at 1 Crandall Street since September 30, 2004, on the Form 1003, he lists as his address 1 Brook Terrace, North Adams, Massachusetts, which was his residential address prior to his purchase of 1 Crandall Street. **(Exhibit B at p. 1)**

26. Mr. Doherty was well aware that because the 1 Crandall Street property had been purchased so recently, the related deed and mortgage documents were unlikely to appear on the Berkshire North Registry of Deeds by the closing date (November 4, 2004) for Mr. Doherty's purchase of 60 East Quincy Street. As such, Mr. Doherty was able to hide this significant debt from NOM.

27. Further evidence of this intent to hide the 1 Crandall Street purchase from NOM can be gleaned from a real estate transaction that occurred about 25 days after the purchase of 60 East Quincy Street. In Mr. Doherty's Form 1003 *dated November 3, 2004*, and submitted to Merrimack Mortgage Company, Inc. in connection with his November 29, 2004 purchase of 94-96 Hall Street in North Adams, Mr. Doherty notes 1 Crandall Street as his home address and lists 1 Crandall Street and the associated mortgage on the "schedule of real estate owned". **(Exhibit K, below)** This Form 1003, signed by both Mr. Doherty and the mortgage broker (NEMC), is dated one day before the Form 1003 that he submitted to NOM – which hid the 1 Crandall Street purchase. **(Exhibit B)**

28. Mr. Doherty does disclose two properties as "real estate owned" on the 60 East Quincy Street Form 1003: 1-3 Brook Terrace in North Adams, and 35 Pleasant Street in Adams. He lists their "present market value" as \$110,000 and \$132,000, respectively. **(Exhibit B at p. 3)** However, he purchased 1-3 Brook Terrace only sixteen months earlier for \$64,000, and 35

Pleasant Street one year and ten months earlier for \$78,000, thus his “present market value” figures indicate extraordinary (and unsupported) increases in value, of 72% and 69%, respectively. As of November 2004 (the date Mr. Doherty signed the Form 1003), the assessed value of 1-3 Brook Terrace was \$65,300, while the assessed value of 35 Pleasant Street was \$75,500. He thus inflates the value of his assets.

29. The Form 1003 (**Exhibit B at p. 3**) is signed by Mr. Doherty below an “acknowledgment and agreement” section stating, “the information provided in this application is true and correct as of the date set forth opposite my signature ... any intentional or negligent misrepresentation of this information ... may result in civil liability ... to any person who may suffer any loss due to reliance upon any misrepresentation ... and/or in criminal liability ... under the provisions of Title 18, United States Code, Sec. 1001, et seq. ...” This section also requires the signatories to “amend and/or supplement the information provided ... if any of the material facts ... represented herein should change prior to closing of the Loan ...” Form 1003 is a standard Fannie Mae form; this same “acknowledgment and agreement” language is contained in each and every Form 1003 referred to herein.

30. Finally, Mr. Doherty also includes in his NOM loan application several alleged lease agreements with his purported tenants at his listed income properties, 1-3 Brook Terrace (North Adams) and 35 Pleasant Street (Adams), as well as at the subject property, 60 East Quincy (North Adams). For 60 East Quincy Street, Mr. Doherty encloses leases between himself and (i) Ann and Gary Shutters (6/1/04 to 6/1/05, \$550 per month); (ii) Kathleen Crisp (3/1/04 to 3/1/05, \$800 per month); (iii) Debbie Cohen (7/1/04 to 7/1/05, \$650 per month); and (iv) Linda Packard (6/1/04 to 6/1/05, \$600 per month). (**Exhibit D**)

31. However, information provided to Mr. Doherty's attorney in the transaction, Harris Aaronson, from the seller's attorney, James Sisto, indicated that only three of the units at 60 East Quincy Street were occupied just prior to the closing date. The "basement apt" was occupied by Jamie Gallivan, for \$395 per month; the "first floor front" apartment was occupied by Deborah Cohen, for \$650 per month; and the "first floor rear" apartment was occupied by Ann and Gary Shutters for \$550 per month. **(Exhibit E)** The fourth unit is noted as "vacant apt." (*Id.*, see also **Exhibit F**)

32. Mr. Doherty falsified documents to indicate an inflated potential rental income to be generated by 60 East Quincy Street. The actual gross monthly rent at the time Mr. Doherty purchased 60 East Quincy Street was \$1,595, yet he produced fake leases indicating a gross monthly rent of \$2,600 – a difference of \$1,005, or 63%. The lease documents provided by Mr. Doherty also indicated that security deposits were held for each of the four alleged tenants **(Exhibit D)**, but this was not the case. The information provided by Attorney Sisto to Attorney Aaronson shows there were no such deposits. **(Exhibit F)**

33. As noted above (¶22), Mr. Doherty also applied to NOM for a \$29,000 second mortgage loan in connection with his purchase of 60 East Quincy Street, loan number 144617. To secure this second loan, Mr. Doherty submitted another signed Form 1003, also dated November 4, 2004. **(Exhibit G)** This Form 1003 includes the same false statements as outlined above, in connection with the Form 1003 he submitted for loan number 144616.

34. Mr. Doherty was well aware that inflating his assets and hiding certain liabilities would render him a much more attractive loan candidate, placing Mr. Doherty within NOM's lending guidelines and facilitating the issuance of the loans and their subsequent sale. In this transaction, NOM relied upon Mr. Doherty's false statements in its approval process.

35. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

36. On or around December 13, 2006, the City of North Adams placed an \$832.14 lien on 60 East Quincy Street for unpaid water bills. This property was then condemned by the city of North Adams on February 18, 2007. On or around September 20, 2007, the lender (or its ultimate assignee) foreclosed on 60 East Quincy Street, at a steep financial loss. Subsequent to the foreclosure sale, on or around January 22, 2008, the property was sold for a purchase price of \$29,000 – a 400% drop from the price paid by Mr. Doherty in November 2004.

94-96 Hall Street, North Adams, Massachusetts

37. On or around October 2, 2004, Mr. Doherty entered into a purchase and sale agreement with Charles Ransford, as trustee of the 92 Hall Street Nominee Trust, for the purchase of 94-96 Hall Street, a four-family rental property in North Adams, Massachusetts. The parties agreed to a purchase price of \$135,000. The assessed value of the property at that time was \$73,200, thus the purchase price represented an 84% premium above the assessed value.

38. The property was conveyed to Mr. Doherty for the aforementioned price of \$135,000, on or around November 29, 2004. **(Exhibit H)**

39. In connection with this purchase, Mr. Doherty, through mortgage broker NEMC, applied to Merrimack Mortgage Company, Inc. (“Merrimack”), for two “purchase money” mortgage loans, one for \$108,000 (loan number 10016893) and the second for \$27,000 (loan number 10016897). The combined loans comprised 100% of the purchase price of the property and were ultimately extended to Mr. Doherty.

40. In his signed Form 1003 dated November 3, 2004 (also signed by the mortgage broker) and supplied to Merrimack for loan 10016893, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit I at p. 3)**

41. Although Mr. Doherty purchased 60 East Quincy Street at about this same time – and secured two mortgage loans totaling \$145,000 in connection therewith (as detailed above) – he failed to list (or update to reflect) this property or the associated mortgage loans on his 94-96 Hall Street Form 1003. As such, Mr. Doherty falsely minimized his debts.

42. Again, Mr. Doherty was well aware that because the 60 East Quincy Street property had been purchased so recently, the related deed and mortgage documents were unlikely to appear on the Berkshire North Registry of Deeds by the closing date (November 29, 2004) for Mr. Doherty’s purchase of 94-96 Hall Street. Mr. Doherty was thus able to hide this significant debt from Merrimack.

43. Mr. Doherty does disclose three properties as “real estate owned” on the Form 1003: 1-3 Brook Terrace in North Adams, 35 Pleasant Street in Adams, and 1 Crandall Street in Adams. He lists the “present market value” of 1-3 Brook Terrace and 35 Pleasant Street as \$110,000 and \$132,000, respectively. **(Exhibit I at p. 3)** Again, exactly as detailed in paragraph 28, above, Mr. Doherty purposely inflates the value of these two assets.

44. In yet another display of the many fabrications peppered throughout Mr. Doherty’s loan applications, he submitted a second Form 1003 to Merrimack in connection with the \$108,000 loan (loan 10016893). **(Exhibit J)** Both forms comprise part of the internal loan file used by Merrimack to evaluate Mr. Doherty as a loan candidate. This second Form 1003 was signed by Mr. Doherty on a later date, November 29, 2004 (the closing date for the purchase), and stamped

by NEMC. (*Id.* at p. 3) This Form 1003 neglects to mention both 60 East Quincy Street (and its associated mortgage loans) and 1 Crandall Street (and its associated mortgage loan).

45. Concerning the second mortgage loan obtained from Merrimack (loan number 10016897, for \$27,000), Mr. Doherty submitted a Form 1003 dated November 3, 2004 (**Exhibit K**) that contains the same material misstatements as those detailed above, from the Form 1003 used in connection with the \$108,000 mortgage loan. (**Exhibit I**)

46. On or around December 13, 2006, the City of North Adams placed a \$1,508.58 lien on 94-96 Hall Street for unpaid water bills. According to the Berkshire North Registry of Deeds, this lien remains in place.

47. Merrimack relied on the multiple material misrepresentations made by Mr. Doherty in deciding to extend two mortgage loans to him worth \$135,000.

48. Mr. Doherty then conveyed 94-96 Hall Street to Carol Borer in an equally suspicious transaction on April 12, 2007 for \$200,000 – a premium of 67% more than the then-assessed value of \$119,600, and 48% more than the already inflated purchase price Mr. Doherty paid only twenty-nine months prior. On or around April 7, 2008, the mortgage lender in this subsequent transaction (or its ultimate assignee) obtained a foreclosure order from the Commonwealth of Massachusetts Land Court authorizing it to foreclose on this property.

49. Mr. Doherty secured the purchase of this property, generated commercial profits, and profited from its subsequent sale, via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

35-37 Commercial Street, Adams, Massachusetts

50. On or around November 26, 2004, Mr. Doherty entered into a purchase and sale agreement with Peggy Ann Thorn, as trustee of the Bradford Realty Trust, for the purchase of 35-37 Commercial Street, a two-family rental property in Adams, Massachusetts. The parties agreed to a purchase price of \$90,000, though the property was assessed at that time for a mere \$45,200. The purchase price was therefore 99% greater than the then-current assessed value.

51. The property was conveyed to Mr. Doherty for the aforementioned price of \$90,000, on or around January 13, 2005. (**Exhibit L**)

52. In connection with this purchase, Mr. Doherty, through mortgage broker NEMC, applied to Argent Mortgage Company, LLC (“Argent”), for a “purchase money” mortgage loan of \$81,000 (loan number 0069943116-9602). This loan represented 90% of the purchase price of the property and was ultimately extended to Mr. Doherty.

53. In his signed Form 1003 (also endorsed by NEMC) and supplied to Argent in connection with the \$81,000 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. (**Exhibit M at p. 3**)

54. As in prior instances, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as the associated mortgage debts. He omits (i) the purchase of 60 East Quincy Street (closing date November 4, 2004), and the associated mortgages totaling \$145,000, and (ii) the purchase of 94-96 Hall Street (closing date November 29, 2004), and the associated mortgages totaling \$135,000. (**Id.**)

55. Mr. Doherty discloses three properties as “real estate owned” on the Form 1003: 1-3 Brook Terrace in North Adams, 35 Pleasant Street in Adams, and 1 Crandall Street in Adams. He

again lists the “present market value” of 1-3 Brook Terrace and 35 Pleasant Street as \$110,000 and \$132,000, respectively. (*Id.*) Again, exactly as detailed in paragraph 28, above, Mr. Doherty purposely inflates the value of his assets.

56. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within Argent’s lending guidelines and facilitated the issuance of the loan and its subsequent sale and securitization.

57. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

58. While foreclosure has not yet occurred, it is imminent. Mr. Doherty filed for bankruptcy protection in United States Bankruptcy Court (District of Massachusetts) in October 2007 (case number 07-30269), which generated an automatic stay on all foreclosure proceedings. However, in an order dated January 24, 2008, the Bankruptcy Court (Henry Boroff, J.) granted creditor Wells Fargo Bank, N.A. (“Wells Fargo”), as trustee for the ultimate holders of Argent’s mortgage loan, relief from the stay to proceed with foreclosing 35-37 Commercial Street. Moreover, Mr. Doherty’s bankruptcy case was dismissed (May 7, 2008) and thereafter closed (May 23, 2008) by order of the Bankruptcy Court.

319-321 Walnut Street, North Adams, Massachusetts

59. On or around November 10, 2004, Mr. Doherty entered into a purchase and sale agreement with Charles Ransford, as trustee of the 319 Walnut Street Nominee Trust, for the purchase of 319-321 Walnut Street, a three-family rental property in North Adams, Massachusetts.

The parties agreed to a purchase price of \$90,000 (the property was assessed at that time for \$74,400).

60. The property was conveyed to Mr. Doherty for the aforementioned price of \$90,000, on or around January 14, 2005. **(Exhibit N)**

61. In connection with this purchase, Mr. Doherty, through mortgage broker NEMC, applied to First Franklin Financial Corporation, a division of National City Bank of Indiana ("First Franklin"), for a "purchase money" mortgage loan of \$72,000 (loan number 4000225241). This loan represented 80% of the purchase price of the property and was ultimately extended to Mr. Doherty.

62. In his signed Form 1003 (also signed by the mortgage broker) and supplied to First Franklin in connection with the \$72,000 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated "mortgages & liens". **(Exhibit O at p. 3)**

63. Again, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as the associated mortgage debts. He omits (i) the purchase of 60 East Quincy Street (closing date November 4, 2004), and associated mortgages totaling \$145,000, (ii) the purchase of 94-96 Hall Street (closing date November 29, 2004), and associated mortgages totaling \$135,000, and (iii) the purchase of 35-37 Commercial Street (closing date January 13, 2005), and the associated \$81,000 mortgage. **(Id.)**

64. Mr. Doherty discloses three properties as "real estate owned" on the Form 1003: 1-3 Brook Terrace in North Adams, 35 Pleasant Street in Adams, and 1 Crandall Street in Adams. He again lists the "present market value" of 1-3 Brook Terrace and 35 Pleasant Street as \$110,000 and

\$132,000, respectively. (*Id.*) Again, exactly as detailed in paragraph 28, above, Mr. Doherty purposely inflates the value of his assets.

65. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within First Franklin's lending guidelines and facilitated the issuance of the loan and its subsequent sale and securitization.

66. In an equally suspicious transaction, Mr. Doherty then conveyed 319-321 Walnut Street to Carol Borer on February 15, 2007 for \$165,000 – a premium of 84% more than the then–assessed value of \$89,500, and 83% more than the purchase price Mr. Doherty paid only two years prior. On or around November 15, 2007, the mortgage lender in this subsequent transaction (or its ultimate assignee) obtained a foreclosure order from the Commonwealth of Massachusetts Land Court authorizing it to foreclose on this property.

67. Mr. Doherty secured the purchase of this property, generated commercial profits, and profited from its subsequent sale, via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

19 Prospect Street, North Adams, Massachusetts

68. On or around November 10, 2004, Mr. Doherty entered into a purchase and sale agreement with Charles Ransford, as trustee of the 19 Prospect Street Nominee Trust, for the purchase of 19 Prospect Street, a two-family rental property in North Adams, Massachusetts. The parties agreed to a purchase price of \$60,000.

69. The property was conveyed to Mr. Doherty for the aforementioned price of \$60,000, on or around January 26, 2005. (**Exhibit P**)

70. In connection with this purchase, Mr. Doherty, through mortgage broker NEMC, applied to First Franklin for a “purchase money” mortgage loan of \$54,000 (loan number 4000225270). This loan represented 90% of the purchase price of the property and was ultimately extended to Mr. Doherty.

71. In his signed Form 1003 (also signed by the mortgage broker on January 17, 2005) and supplied to First Franklin in connection with the \$54,000 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit Q at p. 3)**

72. Again, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as the associated mortgage debts. He omits (i) the purchase of 60 East Quincy Street (closing date November 4, 2004), and associated mortgages totaling \$145,000, (ii) the purchase of 94-96 Hall Street (closing date November 29, 2004), and associated mortgages totaling \$135,000, (iii) the purchase of 35-37 Commercial Street (closing date January 13, 2005), and the associated \$81,000 mortgage, and (iv) the purchase of 319-321 Walnut Street (closing date January 14, 2005), and the associated \$72,000 mortgage. **(Id.)**

73. Mr. Doherty discloses three properties as “real estate owned” on the Form 1003: 1-3 Brook Terrace in North Adams, 35 Pleasant Street in Adams, and 1 Crandall Street in Adams. He again lists the “present market value” of 1-3 Brook Terrace and 35 Pleasant Street as \$110,000 and \$132,000, respectively. **(Id.)** Again, exactly as detailed in paragraph 28, above, Mr. Doherty purposely inflates the value of his assets.

74. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within

75. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers and brokers who might have honestly pursued the same transaction. This constituted unfair competition.

76. Finally, the lender (or its ultimate assignee) foreclosed on 19 Prospect Street on or around August 31, 2007, at a significant financial loss.

20 Washington Avenue, North Adams, Massachusetts

77. On or around November 10, 2004, Mr. Doherty entered into a purchase and sale agreement with Charles Ransford, as trustee of the 20 Washington Avenue Nominee Trust, for the purchase of 20 Washington Avenue, a two-family rental property in North Adams, Massachusetts. The parties agreed to a purchase price of \$60,000.

78. The property was conveyed to Mr. Doherty for the aforementioned price of \$60,000, on or around February 9, 2005. **(Exhibit R)**

79. In connection with this purchase, Mr. Doherty, through mortgage broker NEMC, applied to First Franklin for a “purchase money” mortgage loan of \$54,000 (loan number 4000225181). This loan represented 90% of the purchase price of the property and was ultimately extended to Mr. Doherty.

80. In his signed Form 1003 (also signed by the mortgage broker on January 27, 2005) and supplied to First Franklin in connection with the \$54,000 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit S at p. 3)**

81. Again, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as the associated mortgage debts. He omits (i) the purchase of 60 East Quincy Street (closing date November 4, 2004), and associated mortgages totaling \$145,000, (ii) the purchase of 94-96 Hall Street (closing date November 29, 2004), and associated mortgages totaling \$135,000, and (iii) the purchase of 35-37 Commercial Street (closing date January 13, 2005), and the associated \$81,000 mortgage. (*Id.*)

82. Mr. Doherty discloses five properties as “real estate owned” on the Form 1003: 1-3 Brook Terrace in North Adams, 35 Pleasant Street in Adams, 1 Crandall Street in Adams, 19 Prospect Street in Adams, and 319-321 Walnut Street in North Adams. He again lists the “present market value” of 1-3 Brook Terrace and 35 Pleasant Street as \$110,000 and \$132,000, respectively. (*Id. at pp. 3-4*) Again, exactly as detailed in paragraph 28, above, Mr. Doherty purposely inflates the value of his assets.

83. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within First Franklin’s lending guidelines and facilitated the issuance of the loan and its subsequent sale and securitization.

84. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

85. On or around December 13, 2006, the City of North Adams placed a \$364.67 lien on 20 Washington Avenue for unpaid water bills.

86. In addition, the lender (or its ultimate assignee) foreclosed on 20 Washington Avenue on or around August 23, 2007, at a significant financial loss. Subsequently, the lender (or its ultimate assignee) sold the property on or around November 16, 2007, for \$20,000 – one third the price paid by Mr. Doherty in February 2005. **(Exhibit T)**

11 Sayles Street, Adams, Massachusetts

87. On or around January 5, 2006, Mr. Doherty purchased 11 Sayles Street, a single family rental property in Adams, Massachusetts, from Peggy Ann Thorn and George B. Thorn for \$135,000. **(Exhibit U)**

88. In connection with this purchase, Mr. Doherty, through mortgage broker Mega Mortgage Services LLC (“Mega”), applied to Option One Mortgage Corporation (“Option One”) for a “purchase money” mortgage loan of \$114,750 (loan number 651015554). This loan represented 85% of the purchase price of the property and was ultimately extended to Mr. Doherty.

89. To support Mr. Doherty’s application for this mortgage loan (as well as the purchase price), on October 24, 2005, Mr. Doherty and Mega obtained an appraisal valuing 11 Sayles Street at \$155,000. **(Exhibit V)** Both this appraisal figure and the purchase price were significantly inflated: most notably, a nearly identical house two doors down, at 17 Sayles Street in Adams, was sold approximately seven months earlier by Peggy Ann Thorn for \$30,000. **(Exhibit W)**

90. In his signed Form 1003, dated November 15, 2005 (also signed by the mortgage broker) and supplied to Option One in connection with the \$114,750 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit X at p. 3)**

91. Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as certain mortgage debts. To wit, he does not list: (i) his ownership of 31-33 ½ Mill Street in

Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, (ii) his ownership of 2A-2D Jordan Street in Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, and (iii) his ownership of 306 Union Street in North Adams (purchased on December 30, 2005 for \$252,000), and associated mortgages totaling 90% of the purchase price. In addition, while Mr. Doherty acknowledges ownership of 27, 27.5, 27-29, and 31 Commercial Street in Adams, he neglects to list \$200,000 of mortgage debt extended to him by the seller of these parcels; and, similarly, while he acknowledges ownership of 55 Union Street in North Adams, he fails to list an associated mortgage totaling \$25,000. **(Exhibit X at pp. 7-9)**

92. In addition, Mr. Doherty neglects to disclose the several other property purchases he made that same day, including (i) 3 and 5 Sayles Street, 17-27 and 29 Friend Street in Adams, for \$320,000 (assuming a mortgage loan extended by the seller for 100% of the purchase price), and (ii) 113-115 East Quincy Street in North Adams, for \$70,000 (assuming a mortgage loan extended by Option One for 85% of the purchase price).

93. Mr. Doherty was well aware that because these various properties had been purchased so recently, the related deed and mortgage documents were unlikely to appear on the Berkshire North Registry of Deeds by the closing date (January 5, 2006) for Mr. Doherty's purchase of 11 Sayles Street. As such, he was able to hide significant debts from Option One.

94. Mr. Doherty discloses several properties as "real estate owned" on the Form 1003, including 1-3 Brook Terrace (North Adams); 19 Prospect Street (North Adams); 1 Crandall Street (Adams); 20 Washington Avenue (North Adams); 25-27 Grove Street (Adams); 27 ½, 27, 27-29, 31 Commercial Street (Adams); 319-321 Walnut Street (North Adams); 35 Pleasant Street (North

Adams); 35-37 Commercial Street (Adams); 55-59 Union Street (North Adams); 60 East Quincy Street (North Adams); and 94-96 Hall Street (North Adams). (*Id.*)

95. Mr. Doherty sets forth an inflated “present market value” for nearly all of his listed properties, as follows:

Property	Purchase Price/Date	Alleged Market Value 11/15/05	Time Elapsed	% Increase, Market Value
1-3 Brook Terrace	\$64,000 – 6/27/03	\$135,000	28.5 mos.	111%
19 Prospect Street	\$60,000 – 1/26/05	\$88,000	9.5 mos.	47%
1 Crandall Street	\$172,500 – 9/30/04	\$225,000	13.5 mos.	30%
20 Washington Ave	\$60,000 – 2/9/05	\$85,000	9 mos.	42%
25-27 Grove Street	\$60,000 – 8/26/05	\$125,000	2.5 mos.	108%
Commercial St., 4 Properties	\$260,000 – 2/28/05	\$390,000	8.5 mos.	50%
319-321 Walnut St.	\$90,000 – 1/14/05	\$150,000	10 mos.	67%
35 Pleasant Street	\$78,000 – 1/22/03	\$165,000	34 mos.	112%
35-37 Commercial	\$90,000 – 1/13/05	\$100,000	10 mos.	11%
55-59 Union St.	\$125,000 – 4/27/05	\$175,000	6 ½ mos.	40%
60 East Quincy St.	\$145,000 – 11/4/04	\$185,000	12 mos.	28%
94-96 Hall St.	\$139,000 – 11/29/04	\$187,000	12 mos.	35%
TOTALS	\$1,343,500	\$2,010,000		50%

96. By any measure of the housing market, these increases in market value, in such short periods of time, are uniformly preposterous (with the exception of 35-37 Commercial Street). Mr. Doherty, by means of this value inflation (and by hiding debts) made himself appear more attractive as a borrower.

97. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within Option One’s lending guidelines and facilitated the issuance of the loan and its subsequent sale and securitization.

98. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other

commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

99. In February 2007, the lender (or its ultimate assignee) obtained a foreclosure order from the Commonwealth of Massachusetts Land Court authorizing it to foreclose on this property.

5 Sayles Street, Adams, Massachusetts

100. On or around January 5, 2006, Mr. Doherty purchased four properties from Peggy Ann Thorn, as trustee of Bradford Realty Trust, for \$320,000. **(Exhibit Y)** Included in this purchase was 5 Sayles Street, a single family rental property in Adams, Massachusetts, which was effectively purchased for one quarter of the total purchase price, or \$80,000.

101. At the time of this four-property purchase, Mr. Doherty secured a \$320,000 mortgage loan (100% of the purchase price), from the seller, Bradford Realty Trust. This mortgage was secured by three of the four properties, but excluded 5 Sayles Street.

102. Approximately one month later, Mr. Doherty, through mortgage broker Mega, applied to Option One for a “refinance” mortgage loan of \$64,000 (loan number 651016622) secured by 5 Sayles Street. This loan represented 80% of the effective purchase price of the property and was ultimately extended, resulting in a cash payment to Mr. Doherty on February 14, 2006 of \$59,306.76. **(Exhibit Z)**

103. In his signed Form 1003, dated January 29, 2006 (also signed by the mortgage broker) and supplied to Option One in connection with the \$64,000 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit A1 at p. 3)**

104. Again, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as certain mortgage debts. To wit: (i) he does not list ownership of 31-33 ½ Mill

105. In addition, Mr. Doherty fails to mention the properties he purchased concurrently with 5 Sayles Street, including (i) 11 Sayles Street (and the associated \$114,750 mortgage loan from Option One), (ii) 3 Sayles Street, 17-27 Friend Street and 29 Friend Street (and the associated \$320,000 mortgage loan from the seller, Bradford Realty Trust), and (iii) 113-115 East Quincy Street in North Adams, purchased for \$70,000 (and the associated \$59,500 mortgage loan from Option One).

106. Mr. Doherty was well aware that because a number of these omitted properties had been purchased so recently, the related deed and mortgage documents were unlikely to appear on the Berkshire North Registry of Deeds by the closing date (February 14, 2006) for Mr. Doherty's \$64,000 refinance loan from Option One, secured by 5 Sayles Street. As such, Mr. Doherty was able to hide significant debts.

107. Mr. Doherty discloses several properties as “real estate owned” on the Form 1003, including 1-3 Brook Terrace (North Adams); 19 Prospect Street (North Adams); 1 Crandall Street (Adams); 20 Washington Avenue (North Adams); 25-27 Grove Street (Adams); 27 ½, 27, 27-29, 31 Commercial Street (Adams); 319-321 Walnut Street (North Adams); 35 Pleasant Street (North Adams); 35-37 Commercial Street (Adams); 5 Sayles Street (the subject property); 55-59 Union Street (North Adams); 60 East Quincy Street (North Adams); and 94-96 Hall Street (North Adams). (*Id.*)

108. Mr. Doherty sets forth an inflated “present market value” for nearly all of his listed properties, precisely as set forth in the table above, ¶95. The one additional property he lists on this Form 1003 (as compared to the 11 Sayles Street Form 1003) is the subject property, 5 Sayles Street.

109. As stated above, by any measure of the housing market, these representations of market value are preposterous (with the exception of 35-37 Commercial Street).

110. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within Option One’s lending guidelines and facilitated the issuance of the loan and its subsequent sale and securitization.

111. Mr. Doherty secured the purchase and refinance of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

112. In addition, the lender (or its ultimate assignee) foreclosed on the property on or around November 15, 2007, at a significant financial loss.

113-115 East Quincy Street, North Adams

113. On or around January 5, 2006, Mr. Doherty purchased 113-115 East Quincy Street, a four-family rental property in North Adams, Massachusetts, from William and Dolores St. Pierre for \$70,000. **(Exhibit B1)**

114. In connection with this purchase, Mr. Doherty, through mortgage broker Mega, applied to Option One for a “purchase money” mortgage loan of \$59,500 (loan number 651015556). This loan represented 85% of the purchase price of the property and was ultimately extended to Mr. Doherty.

115. In his signed Form 1003, dated November 15, 2005 (also signed by the mortgage broker) and supplied to Option One in connection with the \$59,500 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit C1 at p. 3)**

116. Mr. Doherty discloses several properties as “real estate owned” on the Form 1003, including 1-3 Brook Terrace (North Adams); 19 Prospect Street (North Adams); 1 Crandall Street (Adams); 20 Washington Avenue (North Adams); 25-27 Grove Street (Adams); 27 ½, 27, 27-29, 31 Commercial Street (Adams); 319-321 Walnut Street (North Adams); 35 Pleasant Street (North Adams); 35-37 Commercial Street (Adams); 55-59 Union Street (North Adams); 60 East Quincy Street (North Adams); and 94-96 Hall Street (North Adams). **(Id. at pp. 7-9)**

117. Mr. Doherty again sets forth an inflated “present market value” for nearly all of his listed properties, precisely as set forth in the table above, ¶95. Thus the total “present market value” of Mr. Doherty’s listed properties is alleged to be \$2,010,000, whereas the purchase price total for these 15 properties was \$1,343,500, an insupportable difference of \$666,500 (or 50%). Moreover, Mr. Doherty fails to list (i) \$200,000 of mortgage debt extended to him on February 28,

2005 by the seller of the four Commercial Street parcels, and (ii) \$25,000 of mortgage debt extended to him on April 27, 2005 by the seller of 55 Union Street. (*Id.*)

118. Just six months after Mr. Doherty purchased 113-115 East Quincy Street, he applied to Option One for a \$104,000 refinance loan secured by the property (loan number 651019671). In connection with this proposed loan, Mr. Doherty and mortgage broker Mega provided Option One with a signed Form 1003 (dated June 27, 2006). (**Exhibit D1**) The loan was ultimately extended to Mr. Doherty and resulted in a \$33,332.79 cash payment to him on June 27, 2006. (**Exhibit E1**)

119. In his Form 1003, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. (**Exhibit D1 at p. 3**)

120. Yet again, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as numerous mortgage debts. To wit, he does not list ownership of: (i) 31-33 ½ Mill Street in Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, (ii) 2A-2D Jordan Street in Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, (iii) 306 Union Street in North Adams (purchased on December 30, 2005 for \$252,000), and associated mortgages totaling 90% of the purchase price, (iv) 11 Sayles Street in Adams (purchased on January 5, 2006 for \$135,000), and associated mortgages totaling 85% of the purchase price, (v) 3 and 5 Sayles Street and 17-27 and 29 Friend Street in Adams (purchased together on January 5, 2006 for \$320,000), and associated mortgages totaling 120% of the purchase price, (vi) 12-14 East Hoosac Street in Adams (purchased on January 6, 2006 for \$265,000), and associated mortgage totaling 76% of the purchase price, (vii) 22-36 Taft Street in North Adams (purchased on April 14, 2006 for \$268,000), and associated mortgage totaling 75% of the purchase price, and (viii) 2

Grove Street in Adams (purchased on May 8, 2006 for \$92,900), and associated mortgage totaling 90% of the purchase price. (*Id.* at pp. 7-9)

121. In addition, while Mr. Doherty acknowledges ownership of 27, 27.5, 27-29, and 31 Commercial Street in Adams, he neglects to list \$200,000 of mortgage debt extended to him by the seller of these parcels; and similarly, while he acknowledges ownership of 55 Union Street in North Adams, he fails to list two associated mortgages totaling \$100,000. (*Id.*)

122. Mr. Doherty discloses several properties as “real estate owned” on the Form 1003, including 1-3 Brook Terrace (North Adams); 113-115 East Quincy Street (North Adams); 19 Prospect Street (North Adams); 1 Crandall Street (Adams); 20 Washington Avenue (North Adams); 25-27 Grove Street (Adams); 27 ½, 27, 27-29, 31 Commercial Street (Adams); 319-321 Walnut Street (North Adams); 35 Pleasant Street (North Adams); 35-37 Commercial Street (Adams); 55-59 Union Street (North Adams); 60 East Quincy Street (North Adams); and 94-96 Hall Street (North Adams). (*Id.*)

123. Yet again, Mr. Doherty concocts an inflated “present market value” for nearly all of Mr. Doherty’s listed properties, precisely as set forth in the table above, ¶95 (the one exception is that this schedule adds 113-115 East Quincy Street, the subject property, but lists no present market value for it). Thus the total “present market value” of Mr. Doherty’s listed properties is alleged to be \$2,010,000, whereas the purchase price total for these 15 properties was \$1,343,500, an insupportable difference of \$666,500 (or 50%).

124. Mr. Doherty thus inflated the value of his assets and significantly minimized his outstanding debts.

125. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty

within Option One's lending guidelines and facilitated the issuance of the loans and their subsequent sale and securitization.

126. On or around December 12, 2006, the City of North Adams placed a \$446.08 lien on 113-115 East Quincy Street for unpaid water bills. In addition, on or around January 4, 2007, the City of North Adams executed an Instrument of Taking on the property, for \$448.38 in unpaid property taxes.

127. The City of North Adams condemned 113-115 East Quincy Street on or around February 1, 2007 (at which time it was already vacant). Yet fourteen days later (February 15, 2007), in another unlikely transaction, Mr. Doherty conveyed this condemned property to Carol Borer for \$165,000 – a premium of 62% more than the then-assessed value of \$101,900, and 136% more than the purchase price Mr. Doherty paid only thirteen months earlier. On or around November 15, 2007, the mortgage lender in this subsequent transaction (or its ultimate assignee) obtained a foreclosure order from the Commonwealth of Massachusetts Land Court authorizing it to foreclose on this property.

128. Mr. Doherty secured the purchase and refinance of this property, generated commercial profits, and profited from its subsequent sale, via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

22-36 Taft Street, North Adams

129. On or around February 5, 2006, Mr. Doherty entered into a purchase and sale agreement with Michael Hernandez for the purchase of 22-36 Taft Street, an eight-family rental property in North Adams, Massachusetts. The parties agreed to a purchase price of \$268,000,

though the property was assessed at that time for \$167,500. The purchase price was therefore 60% greater than the then-current assessed value.

130. The property was conveyed to Mr. Doherty for the aforementioned price of \$268,000, on or around April 14, 2006. **(Exhibit F1)** In connection with this purchase, Mr. Doherty, through mortgage broker Mega, obtained a \$201,000 mortgage loan on the same day from Popular Financial Services, LLC (“Popular Financial”).

131. To support Mr. Doherty’s application for the \$201,000 mortgage loan (as well as the purchase price), on February 13, 2006, Mr. Doherty and Mega obtained an appraisal valuing 22-36 Taft Street at \$270,000 (a 61% premium over the assessed value). **(Exhibit G1)** Both this appraisal figure and the purchase price were significantly inflated. By point of comparison, just seven months later, on November 29, 2006, Mr. Hernandez sold the identical property across the street (21-35 Taft Street) – a mirror image, eight-family rental property – to Charles and Katherine Swabey for \$100,000. **(Exhibit H1)**

132. The value of 22-36 Taft Street in the years immediately prior is further evidence of its true market value as of April 2006. In April 2003, Mr. Hernandez secured a mortgage loan for \$282,500, secured by three properties, including 22-36 Taft Street, 21-35 Taft Street, and another multi-family home in North Adams, 76-78 Chase Avenue. **(Exhibit I1)** The Chase Avenue property was sold shortly thereafter (December 2003) by Mr. Hernandez for \$80,000. The true market value of 76-78 Chase Avenue in December 2003 was \$80,000, thus one-half of the remaining mortgage amount, or \$101,250, was roughly the true market value of 22-36 Taft Street in April 2003. This figure comports with the November 2006 sale price (\$100,000) for the “mirror image” property across the street (21-35 Taft Street).

133. Barring a complete “high-end” renovation of 22-36 Taft Street, a 168% leap in value in a three-year period is insupportable, particularly when its “twin” sold for a mere \$100,000 seven months after the sale of 22-36 Taft Street. No such renovation of 22-36 Taft Street occurred in that period (nor has it ever occurred). To the contrary, the property was condemned by the City of North Adams on November 7, 2007.

134. In apparent exchange for paying an inflated price for 22-36 Taft Street and obtaining a mortgage loan based on an inflated appraisal, Mr. Hernandez agreed to pay Mr. Doherty a “kick-back” sum of approximately \$67,000 in connection with the sale of 22-36 Taft Street. (*E.g., Exhibit J1*) This sum masqueraded as a payment to Mr. Doherty for repair and renovation work on another property, 20 Franklin Street in North Adams. However, neither Mr. Doherty nor Mr. Hernandez has ever owned 20 Franklin Street, and no such work was done.

135. The material misrepresentations made by Mr. Doherty made the subject property appear far more valuable than it in fact was. These acts placed Mr. Doherty within Popular Financial’s lending guidelines and facilitated the issuance of an inflated loan.

136. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

137. On or around December 13, 2006, the City of North Adams placed a \$735.35 lien on 22-36 Taft Street for unpaid water bills. According to the Berkshire North Registry of Deeds, this lien has yet to be discharged.

138. On or around March 5, 2007, the lender (or its ultimate assignee) obtained a foreclosure order from the Commonwealth of Massachusetts Land Court authorizing it to foreclose

on 22-36 Taft Street. In addition, as noted above, the property has fallen into severe disrepair and was condemned by the City of North Adams on November 7, 2007.

288 First Street/39 Orchard Street, Pittsfield

139. On or around February 9, 2006, Mr. Doherty purchased 288 First Street and 39 Orchard Street, two parcels containing four units in Pittsfield, Massachusetts, from Beverly Adams for \$146,000. **(Exhibit K1)**

140. In connection with this purchase, Mr. Doherty, through mortgage broker Mega, applied to Wells Fargo for a “purchase money” mortgage loan of \$131,400. This loan represented 90% of the purchase price of the property and was ultimately extended to Mr. Doherty.

141. In his signed Form 1003, dated February 9, 2006 (also endorsed by Mega) and supplied to Wells Fargo in connection with the \$131,400 mortgage loan, Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit L1 at p. 3)**

142. Yet again, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as numerous mortgage debts. To wit, he does not list ownership of: (i) 31-33 ½ Mill Street in Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, (ii) 2A-2D Jordan Street in Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, (iii) 306 Union Street in North Adams (purchased on December 30, 2005 for \$252,000), and associated mortgages totaling 90% of the purchase price, (iv) 182-192 Union Street in Pittsfield (purchased on December 30, 2005 for \$80,000), and associated mortgage totaling 94% of the purchase price, (v) 11 Sayles Street in Adams (purchased on January 5, 2006 for \$135,000), and associated mortgage totaling 85% of the purchase price, (vi) 3 and 5 Sayles Street, 17-27 and 29 Friend Street

in Adams (purchased on January 5, 2006 for \$320,000), and associated mortgage totaling 100% of the purchase price, (vii) 113-115 East Quincy Street in North Adams (purchased January 5, 2006 for \$70,000), and associated mortgage totaling 85% of the purchase price, and (viii) 12-14 East Hoosac Street in Adams (purchased on January 6, 2006 for \$265,000), and associated mortgage totaling 76% of the purchase price. (*Id.* at pp. 3-7)

143. Mr. Doherty discloses several properties as “real estate owned” on the Form 1003, but again grossly inflates their values, as follows:

Property	Purchase Price/Date	Alleged Market Value 2/9/06	Time Elapsed	% Increase, Market Value
1 Crandall Street	\$172,500 – 9/30/04	\$225,000	16 mos.	30%
25-27 Grove Street	\$60,000 – 8/26/05	\$125,000	5 mos.	108%
1-3 Brook Terrace	\$64,000 – 6/27/03	\$135,000	31 mos.	111%
Commercial St., 4 Properties	\$260,000 – 2/28/05	\$390,000	12 mos.	50%
319-321 Walnut St.	\$90,000 – 1/14/05	\$150,000	13 mos.	67%
35 Pleasant Street	\$78,000 – 1/22/03	\$165,000	37 mos.	112%
35-37 Commercial	\$90,000 – 1/13/05	\$100,000	13 mos.	11%
55-59 Union St.	\$125,000 – 4/27/05	\$175,000	9 mos.	40%
60 East Quincy St.	\$145,000 – 11/4/04	\$185,000	15 mos.	28%
94-96 Hall St.	\$139,000 – 11/29/04	\$187,000	14 mos.	35%
19 Prospect Street	\$60,000 – 1/26/05	\$88,000	12 mos.	47%
20 Washington Ave	\$60,000 – 2/9/05	\$85,000	12 mos.	42%
TOTALS	\$1,343,500	\$2,010,000		50%

144. Mr. Doherty thus inflated the value of his assets and significantly minimized his outstanding debts.

145. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within Wells Fargo’s lending guidelines and facilitated the issuance of the loan. In this transaction, Wells Fargo relied upon Mr. Doherty’s false statements in its approval process.

146. Mr. Doherty secured the purchase of this property and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

35 Pebble Street, North Adams, 34 Washington Street, Greenfield

147. On or around June 30, 2006, Mr. Doherty purchased 35 Pebble Street, a two-family rental property in North Adams, for \$1. **(Exhibit M1)** He conducted this transaction allegedly in connection with the purchase on or around that same day of 34 Washington Street, also a two-family rental property (though in Greenfield), for \$113,100. **(Exhibit N1)**

148. In connection with these purchases, Mr. Doherty, through mortgage broker Mega, applied to Option One for two mortgage loans. The first was a \$96,135 “purchase money” mortgage loan sought in connection with the purchase of 34 Washington Street, which loan was extended on June 27, 2006. The second was a \$97,600 refinance loan obtained by Mr. Doherty approximately 1 ½ months later, on August 15, 2006, secured by 35 Pebble Street (at the time, the assessed value of 35 Pebble Street was \$76,000). This second loan resulted in a cash payment to Mr. Doherty of \$59,078.88. **(Exhibit O1)** The combined total of the two loans, \$193,735, represented 171% of the purchase price of the two properties.

149. In his signed Form 1003, dated May 11, 2006 (also signed by the mortgage broker) and supplied to Option One in connection with the \$96,135 mortgage loan secured by 34 Washington Street (loan number 651019584), Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit P1 at p. 3)** (While the “subject property” on the first page of this form is listed as 44 Washington Street in Greenfield, this is erroneous. The subject property was indeed 34 Washington Street in

150. Similarly, in his signed Form 1003, dated July 20, 2006 (also signed by the mortgage broker) and supplied to Option One in connection with the \$97,600 refinance mortgage loan secured by 35 Pebble Street (loan number 651020905), Mr. Doherty was asked to list all real estate owned, as well as the present market value thereof and any associated “mortgages & liens”. **(Exhibit Q1 at p. 3)** (This Form 1003 seeks a mortgage loan of \$103,700, Exhibit Q1 at p. 1, but according to the Berkshire North Registry of Deeds, the loan ultimately extended was \$97,600.)

151. In the 35 Pebble Street Form 1003, Mr. Doherty failed to list (or update to reflect) all of his real estate holdings, as well as numerous mortgage debts. To wit, he does not list: (i) 31-33 ½ Mill Street in Adams (purchased on December 14, 2005 for \$157,500), and associated mortgages totaling 100% of the purchase price, (ii) a \$39,375 mortgage secured by 2A-2D Jordan Street in Adams (purchased on December 14, 2005 for \$157,500), (iii) a \$37,000 mortgage secured by 306 Union Street in North Adams (purchased on December 30, 2005 for \$252,000), (iv) 3 Sayles Street, 17-27 and 29 Friend Street in Adams (purchased on January 5, 2006 for \$320,000), and associated mortgage totaling 100% of the purchase price, (vi) 2 Grove Street in Adams (purchased on May 8, 2006 for \$92,900), and associated mortgage totaling 90% of the purchase price, (vii) \$155,000 of a \$250,000 mortgage loan provided by the seller of the four Commercial Street properties in Adams (purchased on February 28, 2005 for \$260,000), and (viii) a \$25,000 mortgage secured by 55 Union Street in North Adams (purchased on April 27, 2005 for \$125,000). **(Id. at pp. 8-11)**

152. Similarly, in the 34 Washington Street Form 1003, Mr. Doherty failed to list (or update to reflect) the same properties and mortgage debts as noted above (¶151). Moreover, this

Form 1003 does not disclose (i) 113-115 East Quincy Street in North Adams (purchased January 5, 2006 for \$70,000), and associated mortgage totaling 85% of the purchase price, and (ii) 22-36 Taft Street in North Adams (purchased April 14, 2006 for \$268,000), and associated mortgage totaling 75% of the purchase price. **(Exhibit P1 at pp. 4-6)**

153. Mr. Doherty discloses numerous properties as “real estate owned” on the 35 Pebble Street Form 1003 **(Exhibit Q1 at pp. 8-11)**, but again grossly inflates their values in many instances, as follows:

Property	Purchase Price/Date	Alleged Market Value 7/20/06	Time Elapsed	% Increase, Market Value
1 Crandall Street	\$172,500 – 9/30/04	\$225,000	22 mos.	30%
25-27 Grove Street	\$60,000 – 8/26/05	\$125,000	23 mos.	108%
1-3 Brook Terrace	\$64,000 – 6/27/03	\$135,000	36 mos.	111%
Commercial St., 4 Properties	\$260,000 – 2/28/05	\$390,000	17 mos.	50%
319-321 Walnut St.	\$90,000 – 1/14/05	\$150,000	18 mos.	67%
35 Pleasant Street	\$78,000 – 1/22/03	\$165,000	42 mos.	112%
35-37 Commercial	\$90,000 – 1/13/05	\$100,000	18 mos.	11%
55-59 Union St.	\$125,000 – 4/27/05	\$175,000	15.5 mos.	40%
60 East Quincy St.	\$145,000 – 11/4/04	\$185,000	21.5 mos.	28%
94-96 Hall St.	\$139,000 – 11/29/04	\$187,000	20.5 mos.	35%
19 Prospect Street	\$60,000 – 1/26/05	\$88,000	18 mos.	47%
20 Washington Ave	\$60,000 – 2/9/05	\$85,000	17 mos.	42%
2A-2D Jordan St.	\$157,500 – 12/14/05	\$200,000	7 mos.	27%
113-115 East Quincy Street	\$70,000 – 1/5/06	\$170,000	6.5 mos.	143%
12-14 East Hoosac	\$265,000 – 1/6/06	\$285,000	6.5 mos.	8%
22-36 Taft Street	\$268,000 – 4/14/06	\$350,000	3 mos.	31%
288 First/39 Orchard Street	\$146,000 – 2/9/06	\$170,000	5 mos.	16%
306 Union Street	\$252,000 – 12/30/05	\$285,000	7.5 mos.	13%

154. The total “present market value” of the real estate that Mr. Doherty lists on his 35 Pebble Street Form 1003 is \$3,797,000, whereas the properties were purchased for a total of \$2,502,000. This represents an alleged average increase in market value of 52%. In addition, Mr.

Doherty understates his debt by 23%, given the various mortgage loans he hides. Mr. Doherty thereby presents a distorted picture, inflating the value of his assets and significantly minimizing his outstanding debts.

155. The 34 Washington Street Form 1003 also grossly inflates the “real estate owned” by Mr. Doherty. It lists the same values as those set forth in the table above (¶153), though as already noted, Mr. Doherty omits mention entirely of 113-115 East Quincy Street and 22-36 Taft Street in North Adams. As further evidence of the exaggeration of Mr. Doherty’s property values, in the 34 Washington Street Form 1003, which is dated more than two months earlier than the 35 Pebble Street Form 1003, he values 288 First Street/39 Orchard Street in Pittsfield at an astonishing \$225,000 – \$55,000 more than he values it two months later and \$79,000 more than he purchased it for just three months prior. **(Exhibit P1 at p. 5)**

156. The multiple material misrepresentations made by Mr. Doherty made him appear to be a more viable and stable lending risk than he in fact was. These acts placed Mr. Doherty within Option One’s lending guidelines and facilitated the issuance of the loans and their subsequent sale and securitization.

157. Mr. Doherty secured the purchase and refinance of these properties and generated commercial profits via deception and falsification of loan documents. Such tactics disadvantaged potential other commercial (or other) purchasers who might have honestly pursued the same transaction. This constituted unfair competition.

158. In addition, the lender (or its ultimate assignee) foreclosed on 35 Pebble Street on or around October 9, 2007, at a significant financial loss. While 34 Washington Street has not yet been foreclosed, on or around July 6, 2007, the lender (or its ultimate assignee) filed a complaint with the Commonwealth of Massachusetts Land Court for authority to foreclose the mortgage.

159. By letter dated April 23, 2008, more than five (5) days before the filing of this Complaint, the Attorney General notified the defendant of her intent to file suit, as required by M.G.L. c. 93A, §4. This notification was sent by certified first-class mail, postage prepaid, to Richard E. Doherty, at 102 Stonington Road, Apartment B-202, Norwich, Connecticut 06360-4880. A true copy of the Attorney General's letter is attached as **Exhibit R1**.

V. FIRST CAUSE OF ACTION
(Unfair Competition and Unfair or Deceptive Acts or Practices in violation of M.G.L. c. 93A, §2)

160. The Commonwealth repeats and realleges paragraphs 11 through 159 of this Complaint.

161. The defendant engaged in unfair competition and unfair or deceptive acts or practices, causing significant economic harm to tenants and neighbors of the subject properties as well as to the municipalities in which the properties are located, and potential commercial purchasers who might have engaged in the transactions in lieu of the defendant, as well as causing financial harm to those who ultimately held the subject mortgage loans. The Attorney General brings this action under M.G.L. c. 93A, §4.

162. Due to the defendant's unlawful acts, the communities in which the subject properties are located have suffered financial and other harm, including distorted property values and multiple buildings that have fallen into severe filth, disrepair and condemnation (leaving many tenants without adequate services and/or homeless). Dealing with the abandoned and/or foreclosed properties has led to numerous direct expenditures by the municipalities involved, as well as lost tax and other revenue. In addition, the ultimate holders of the mortgage loans in the subject transactions suffered financial harm, including the steep losses incurred as a result of foreclosures.

163. Defendant's unfair or deceptive acts or practices include without limitation (i) multiple willful and material misstatements on numerous loan applications, (ii) the utilization of inflated property appraisals, (iii) the use of both to obtain mortgage loans that were for sums beyond the true market value of the subject properties – and which the defendant knew, or should have known, would never be repaid, and (iv) a plan to purchase properties using these inflated loan proceeds with no intention of repaying the mortgages or maintaining the properties.

164. The defendant's misrepresentations were material.

165. The defendant knew or should have known that he was committing actions that were unfair or deceptive or that constituted unfair competition in violation of M.G.L. c. 93A, §2(a).

VI. SECOND CAUSE OF ACTION **(Unjust Enrichment)**

166. The Commonwealth repeats and realleges paragraphs 11 through 165 of this Complaint.

167. By the aforementioned acts, the defendant was unjustly enriched and should be required to disgorge his ill-gotten gains.

VII. THIRD CAUSE OF ACTION **(Public Nuisance)**

168. The Commonwealth repeats and realleges paragraphs 11 through 167 of this Complaint.

169. By the aforementioned acts, defendant caused numerous multi-family properties in small communities to fall into filth and disrepair, creating a public hazard and nuisance, and resulting in significant economic and other harm to those communities, including without limitation, skewing the values of neighboring properties, and forcing municipalities to incur the

cost of (i) unpaid taxes, fees and fines, (ii) pursuing the defendant for health code and other violations, (iii) cleaning and/or maintaining the properties, (iv) conducting foreclosures, (v) increased policing and fire suppression, building inspections, and legal fees, and (vi) assisting displaced tenants.

170. Defendant, by the plan and pattern of purchasing these properties, abandoning them, and allowing them to fall into disrepair, did knowingly, intentionally or negligently create, maintain or contribute to a public nuisance injurious to the Commonwealth and its citizens. Defendant's acts constitute a substantial and unreasonable interference with public rights in the Commonwealth, including, *inter alia*, the right to public comfort, health, safety and convenience, and the right to comfortable enjoyment of property. The defendant is therefore liable under the common law of public nuisance.

171. The defendant should be required to abate this public nuisance by restoring the subject properties to a reasonable level of repair and/or reimbursing the affected communities for the costs associated with the public hazard and nuisance he has created.

VIII. RELIEF REQUESTED

WHEREFORE, the Commonwealth requests that this Court, after a hearing on the merits:

1. Order the defendant to refrain from engaging in any unfair or deceptive acts or practices in connection with any real estate transactions, whether acting as borrower or in any other capacity;
2. Enter judgment in its favor, and against the defendant for damages, restitution, the costs of abating the public nuisance created, and other equitable relief pursuant to M.G.L. c. 93A, §4, the common law of unjust enrichment, and the common law of public nuisance;

3. Order the defendant to pay the Commonwealth civil penalties under M.G.L. c. 93A, §4, and also order defendant to pay the Commonwealth the reasonable costs of the investigation of this matter, including reasonable attorneys' fees and costs, pursuant to M.G.L. c. 93A, §4; and

4. Grant such other and further relief as this Court deems just and proper.

Respectfully submitted,

COMMONWEALTH OF MASSACHUSETTS

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Dated: June 2, 2008