

UNITED STATES OF AMERICA
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Washington, D.C.

In the Matter of:

ISAAC LEE WOODS,

Respondent.

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DOCKET NO. 08-3478-DB

DEBARRING OFFICIAL'S DETERMINATION

INTRODUCTION

By Notice dated June 13, 2007 ("Notice"), the Department of Housing and Urban Development ("HUD") notified Respondent ISAAC LEE WOODS that HUD was proposing his debarment from future participation in procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government for an indefinite period from the date of the final determination of this action. Additionally, the Notice informed Respondent that HUD also was terminating his suspension. The Notice further advised Respondent that the proposal to debar him was in accordance with the procedures set forth in 24 CFR part 24¹. In addition, the Notice informed Respondent that his proposed debarment was based upon his conviction in the United States District Court, Eastern District of North Carolina, for violating 18 USC §371 (Conspiracy to Commit Identity Fraud, Wire Fraud, False Entries, and False Statements); §§1343 and 2 (Wire Fraud and Aiding and Abetting); §§1006 and 2 (False Entries and Aiding and Abetting); §§1001 and 2 (False Statements and Aiding and Abetting); §1956(h) (Conspiracy to Commit Money Laundering); and §§1956(a)(1)(A)(i) and 2 (Money Laundering and Aiding and Abetting). For his conviction on the thirty-two counts in the Indictment, Respondent was sentenced to a term of imprisonment of eighty-four months and ordered to pay restitution of \$1,251,727.00, and placed on supervised release for five years.

A telephonic hearing on Respondent's proposed debarment was held in Washington, D.C. on June 25, 2008, before the Debarring Official's Designee,

¹ HUD published a final rule on December 27, 2007 (72 FR 73484) that relocated and recodified 24 CFR part 24 as 2 CFR part 2424. HUD's December 27, 2007, rule stated that the rule "adopts, by reference, the baseline provisions of 2 CFR 180 "the government-wide rule published by OMB on August 31, 2005 (70 FR 51863) setting forth guidance for agencies with respect to nonprocurement debarment and suspension. However, because this matter arose before publication of HUD's final rule, for the convenience of the reader, references herein will be to the regulations in their former location at 24 CFR part 24.

Mortimer F. Coward. Respondent was present at the hearing by phone, appearing pro se. Todd Maiberger, Esq. appeared on behalf of HUD.

Procedural History

HUD originally issued a Notice of Final Determination in this matter on August 15, 2007. By letter dated August 27, 2007, Respondent indicated that he did not receive notice that HUD was proposing his debarment, thus he was not given the opportunity to appeal the proposed debarment. By letter dated December 20, 2007, the Debarring Official rescinded the August 15, 2007, Notice of Final Determination. Thereafter, the matter was set for hearing on February 20, 2008. Mr. Woods was transferred to another facility and the Order Setting Hearing Date and Submission Deadline was returned undelivered. Subsequently, Respondent received notice in an Order dated February 21, 2008, that a new date of March 18, 2008, was set for the hearing. The matter was called on March 18, 2008, but Respondent's case manager, explaining Respondent's failure to appear, informed the hearing that Respondent declined to appear. The hearing was continued to June 4, 2008, because of the uncertainty with respect to whether Respondent, by failing to appear, was abandoning or withdrawing his appeal. When the matter was called on June 4, 2008, Respondent's caseworker indicated that he (the caseworker) had not received a copy of the latest Order, nor did Respondent. The matter was again continued, and the hearing finally was held on June 25, 2008. The parties filed post-hearing submissions and the record closed on August 11, 2008.

Summary

I have decided, pursuant to 2 CFR part 180, to debar Respondent from future participation in procurement and nonprocurement transactions, as a participant, principal, or contractor with HUD and throughout the Executive Branch of the Federal Government, for an indefinite period from the date of this determination. My decision is based on the administrative record in this matter, which includes the following information:

- (1) The Notice of Proposed Debarment dated June 13, 2007.
- (2) A thirty-two count Indictment filed in the United States District Court, Eastern District of North Carolina, charging Respondent with numerous offenses, including violation of: 18 USC §371 (Conspiracy to Commit Identity Fraud, Wire Fraud, False Entries, and False Statements); §§1343 and 2 (Wire Fraud and Aiding and Abetting); §§1006 and 2 (False Entries and Aiding and Abetting); §§1001 and 2 (False Statements and Aiding and Abetting); §1956(h) (Conspiracy to Commit Money Laundering); and §§1956(a)(1)(A)(i) and 2 (Money Laundering and Aiding and Abetting).
- (3) The Judgment in a Criminal Case filed April 30, 2007, finding Respondent guilty of all thirty-two counts.
- (4) A letter dated February 26, 2008 (with attachments) to the Debarring Official's Designee from Respondent.

- (5) A letter dated March 11, 2008, from Respondent to Government counsel with a copy to the Debarring Official's Designee.
- (6) The Government's Response to Respondent's Filing of Mitigation Arguments, filed April 3, 2008.
- (7) Respondent's Response to Government's Failure to Produce Documents and Proposed Indefinite Debarment (with attachments) filed June 21, 2008.
- (8) Government's Response to Respondent's Filing of Additional Opposition and Mitigation Arguments, filed July 28, 2008.
- (9) The Government's Brief in Support of Indefinite Debarment filed January 30, 2008 (including all attachments and exhibits thereto).

Government Counsel's Arguments

In summary, Government counsel contends that Respondent formed and owned a corporation, Woodbai, Inc., a/k/a Unlimited Financial Resources, which was in the business of making mortgage loans. Respondent also formed and owned UFR, Inc., a/k/a UFR Builders, which was in the construction business. Respondent and his co-conspirators engaged in an extensive scheme to create fake mortgages and used these fake mortgages to defraud HUD and Ginnie Mae and investors out of more than one million dollars. In furtherance of his criminal acts, Respondent applied for approval as a GNMA Mortgage-Backed Securities Issuer. Respondent submitted false and misleading information to GNMA on behalf of one of his companies and used the name and social security number of another person without permission to obtain an FHA case number. Respondent also submitted fraudulently obtained FHA case numbers and other false information to GNMA. Additionally, Respondent provided fake mortgage documents to Centura Bank and misled Centura into certifying fake mortgages. As a result of Respondent's fraudulent conduct, Ventura wired over one million dollars to Respondent's company. Respondent also made false statements in forms submitted to HUD and an agent of Ginnie Mae conspired to commit money laundering. Further, during Respondent's criminal trial, he induced a person to obstruct his trial and to tamper with a Government witness.

Counsel argues that Respondent is a "participant" because of his position as the owner of Woodbai, Inc., which was in the business of making mortgage loans. Additionally, Respondent completed and submitted a HUD application form to GNMA on behalf of his company, Woodbai, Inc. Thus, Respondent has participated in covered transactions, thereby making the debarment regulations applicable to him. *See* 2 CFR part 180.

Government counsel further argues that the basis of Respondent's proposed debarment is his conviction for multiple criminal offenses. Respondent, therefore, is subject to debarment under 2 CFR 180.800(a)(1).² Counsel also adds that Respondent's

² Under 2 CFR 180.800(a)(1) debarment may be imposed for "commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public or private agreement." And under 2 CFR 180.800(a)(4), "Commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects your present responsibility."

fraudulent acts indicate a lack of business integrity or honesty that seriously affects his present responsibility, thereby subjecting him to debarment under 2 CFR 180.800(a)(4). Counsel argues that the Government has met its burden of demonstrating cause in this case because, under 2 CFR 180.800 (a)(1), Respondent's conviction provides cause for debarment.

In urging Respondent's exclusion, counsel notes the seriousness of Respondent's criminal conduct and HUD's dependence on participants' honesty, integrity, and responsibility in their business dealings with HUD. Counsel argues that because of Respondent's fraudulent acts, which indicate his lack of honesty and integrity, his continued participation in HUD's programs would place federal funds at risk. It is, therefore, in the public interest to debar Respondent.

Counsel argues for Respondent's debarment based on his conviction on multiple offenses, and his "carefully planned, organized, and orchestrated scheme to defraud" his victims. Additionally, during Respondent's trial, he conspired to tamper with Government witnesses and obstruct the trial. Respondent's acts, counsel concludes, posed a significant risk to GNMA and HUD and his "conviction demonstrates that he cannot be trusted to conduct himself in accordance with HUD's requirements and federal law. Accordingly, an indefinite debarment is warranted in this case."

Respondent's Arguments

Respondent argues in his submissions that the government has failed to produce a check or evidence of a wire transfer or advance of funds to him to prove the government's claimed loss of \$1,251,727.00. Respondent contends that the government's failure to produce the documents is a violation of due process. Respondent argues that the Debarring Official has a "duty to prevent this continuing manifest injustice and dismiss the proposed indefinite debarment complaint." Respondent also argues that his conviction and sentence are on appeal to the Court of Appeals for the Fourth Circuit, thus the "wrongful judgment is . . . not a final judgment; therefore it should not be considered." Respondent further contends that HUD did not incur a loss and did not file a "loss claim against the Bond posted with HUD and GNMA." (Emphasis in original.) Respondent sums up his argument by stating that the "wrongful conviction was based on several government employees and agents, GNMA employees, United States Attorney office employees and HUD special agents fabrication of documents used at trial and perjured testimony of these employees and agents." Accordingly, Respondent urges that the debarment action be dismissed.

Findings of Fact

1. Respondent owned a mortgage company that was in the business of making mortgage loans.
2. Respondent engaged in a scheme in which, among other things, he submitted false and misleading information to GNMA on behalf of his company and also submitted fraudulently obtained FHA case numbers to GNMA.

3. Respondent, through his scheme, defrauded HUD and GNMA of over one million dollars.
4. Respondent was found guilty on thirty-two counts of an indictment that charged him with several crimes, including identity theft, wire fraud, false entries, false statements, aiding and abetting, and money laundering.
5. For his conviction on the offenses with which he was charged, Respondent was sentenced to eighty-four months in prison, five years' supervised release, and ordered to make restitution of \$1,251,727.00.
6. Respondent has appealed his conviction.

Conclusions

Based on the above Findings of Fact, I have made the following conclusions:

1. Respondent was a participant in a covered transaction as defined in 2 CFR part 180.
2. Respondent's criminal conviction serves as the basis for his debarment.
3. Pursuant to 2 CFR 180.800, a conviction for fraud, *inter alia*, is a cause for debarment.
4. Respondent has not made restitution as ordered by the court.
5. Respondent offered no mitigating factors for consideration by the Debarring Official in determining the appropriate period of debarment to be imposed.
6. The seriousness of Respondent's acts and the financial harm caused HUD thereby are factors considered in imposing the period of debarment on Respondent. *See* 2 CFR 180.865.
7. Respondent cannot collaterally attack his conviction in these debarment proceedings. Nor does the appeal of his conviction preclude the imposition of a debarment. *See In the Matter of Moscato*, HUDBCA No. CA-94-A-127-D6, 1994 WL 397895 (August 1, 1994).
8. Respondent provided no independent evidence that he is presently responsible. *See* 2 CFR 180.855.
9. Respondent has not accepted responsibility nor shown remorse for his misconduct.
10. Respondent's actions that led to his criminal conviction raise grave doubts with respect to his business integrity and personal honesty.
11. HUD has a responsibility to protect the public interest and take appropriate measures against participants whose actions may affect the integrity of its programs.
12. HUD cannot effectively discharge its responsibility and duty to the public if participants in its programs or programs that it funds fail to act with honesty and integrity.

DETERMINATION

Based on the foregoing, including the Findings of Fact, Conclusions, and the administrative record, I have determined, in accordance with 2 CFR 180.870(b)(2)(i) through (b)(2)(iv), to debar Respondent for an indefinite period from the date of this Determination. Respondent's "debarment is effective for covered transactions and contracts that are subject to the Federal Acquisition Regulation (48 CFR chapter 1), throughout the executive branch of the Federal Government unless an agency head or an authorized designee grants an exception."

Dated: _____

9/22/08



Henry S. Czauski
Debarring Official

CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of September 2008, a true copy of the DEBARRING OFFICIAL'S DETERMINATION was served in the manner indicated.

Tammie M. Parshall

Tammie M. Parshall
Debarment Docket Clerk

HAND-CARRIED

Mortimer F. Coward, Esq.
Debarring Official's Designee

Dane Narode, Esq.
Todd Maiberger, Esq.
Government Counsel

FIRST CLASS MAIL

Isaac Lee Woods

