

NEWS

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Thirteen People Indicted, Seven More Plead Guilty, in \$20 Million Home Equity Loan Scheme

Defendants Were Brokers and Clients of American Macro Growth of Palisades Park, N.J.

(More)

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NEWARK – A judge formally unsealed a 35-count Indictment today charging 13 individuals in a scheme to fraudulently obtain more than \$20 million in home equity and business lines of credit between February 2004 and November 2005. Seven more people pleaded guilty today in the scheme, whose victims include at least 16 different lenders in northern New Jersey, U.S. Attorney Christopher J. Christie announced.

The Indictment alleges that four of the defendants – Jacob Kim, 51, of Palisades Park; Jun Hwang, 42, of Cliffside Park; Jeff Kim, 37, of Edgewater; and Justin Kim, 27, of Palisades Park – were loan brokers with American Macro Growth (AMG), in Palisades Park. Jacob Kim was AMG’s president and also acted as a broker, according to the Indictment. The remaining defendants were clients of AMG who allegedly used its services to fraudulently obtain lines of credit. They are: James Park, 41, of Hackensack; Jin Hee Song, 35, of Palisades Park; Tae Woo Lee, 42, of Palisades Park; Sun Hee Lim, 37, of Fort Lee; Hyun M. Kim, 35, of Palisades Park; Dong Jin Kim, 53, of Palisades Park; Hye Sung Park, 37, of Queens, N.Y.; Hyeong Ju Lee, 33, of Edgewater; and Ma Dung Kim, 50, of Maywood.

The Indictment alleges that AMG helped its clients use the same properties as collateral for multiple home equity lines of credit or “HELOCs,” even though the loan amounts far exceeded the value of the properties that were to serve as security. In one instance, the Indictment alleges, an AMG client used less than \$300,000 of equity in a Palisades Park property to obtain approximately \$2,137,000 in credit from nine different banks. According to the Indictment, the scheme effectively stripped the banks of security for the loans.

In a HELOC, a borrower pledges the equity in the borrower’s house or condominium as security for the line of credit. The bank’s security interest in the house or condominium is then publicly recorded so that other lenders will be aware of prior claims on the property. According to the Indictment, AMG and its clients executed the scheme by closing on multiple HELOCs in a short period of time so that the earlier lenders’ security interests would not be publicly recorded at the time that later lenders closed on subsequent loans.

The Indictment also alleges that AMG misrepresented clients’ income and other important information in order to increase the amounts that clients would be eligible to borrow. According to the Indictment, AMG regularly submitted falsified income tax returns on behalf of its clients while applying for lines of credit. The falsified income tax returns grossly inflated the clients’ income to create the illusion that the applicants would be able to repay the loans.

Six of the seven individuals who pleaded guilty in the scheme today were borrowers who each used AMG’s services to procure loans totaling between \$750,000 and \$1.9 million. They are: Chul Chung, 43, of Ridgfield Park; Dea Hee Lee, 44, of Creskill; Ha Rim Park, 42, of Palisades Park; Junho Park, 34, of Little Ferry; Jeffrey Ryu, 42, of Fort Lee; and Sung

Woo Son, 37, of Palisades Park.

Sin Ah Kim, 35, of Lindhurst also pleaded guilty and was an employee of AMG who helped clients fraudulently obtain the lines of credit. Among the indicted individuals, Justin Kim was arrested on Oct. 24 and Sun Hee Lim was arrested Jan. 9. The government expects further arrests and pleas in the case.

Another aspect of the fraud, according to the Indictment, was that AMG helped clients fraudulently obtain business lines of credit or “BLOCs”. Although the BLOCs required that the borrower use the loan proceeds only for business purposes, AMG advised its clients to use BLOCs to purchase residences or pay down mortgages in order to increase the equity in already-existing residences. The clients then would use the residence to obtain multiple HELOCs.

The Indictment further alleges that defendant James Park loaned money to AMG clients which the clients used to pay down existing mortgages and thus increase the amounts they could borrow in HELOCs. James Park allegedly made loans of approximately \$200,000 and \$150,000 to two AMG clients who used the loans to pay down mortgages and obtain multiple HELOCs. The Indictment further alleges that James Park obtained approximately \$1,441,900 in HELOCs from at least 8 different banks using less than \$300,000 of equity as security for the loans.

According to the Indictment, AMG’s clients paid large commissions for AMG’s assistance. One client allegedly paid defendant Jun Hwang approximately \$122,529 in commissions for his help in obtaining approximately \$1,718,300 in lines of credit from at least seven different banks.

The victims of the scheme include Banco Popular, Bank of America, The Bank of New York, Citibank, Commerce Bank, Fleet Bank, JP Morgan Chase Bank, HSBC Bank, Hudson United Bank, North Fork Bank, PNC Bank, Sovereign Bank, Wachovia Bank, Washington Mutual Bank, Wells Fargo Bank and Countrywide Home Loans, Inc.

Christie credited Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun, and Special Agents of the Federal Deposit Insurance Corporation Office of Inspector General, under the direction of Special Agent in Charge Gary Sherrill.

The government is represented by Assistant U.S. Attorney Bradley A. Harsch of the Criminal Division in Newark.

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