

NEWS

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puff0610.rel
FOR IMMEDIATE RELEASE
June 10, 2008

Alleged Mastermind of \$75 Million Mortgage Fraud and Investment Scheme Arrested

(More)

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NEWARK – The former president and founder of NJ Affordable Homes, Corp., a purported New Jersey real estate investment company which bought, renovated and sold properties, was arrested today and charged with masterminding a scheme which defrauded investors and mortgage lenders of approximately \$75 million, U.S. Attorney Christopher J. Christie announced.

Wayne Puff, 60, of Old Bridge, was arrested today by Special Agents of the FBI, and officers with the Manalapan Police Department, after he was pulled over crossing into Englishtown.

A criminal Complaint charges Puff with one count of wire fraud and one count of obstruction of justice. He faces a maximum term of imprisonment of 20 years and a fine of \$250,000 for each count.

Puff is expected to be held overnight and make an initial appearance and bail hearing tomorrow before U.S. Magistrate Judge Michael A. Shipp.

Starting in the late 1990s, Puff, through NJ Affordable Homes (NJAH), which was based at various times in Perth Amboy and Woodbridge, solicited hundreds of investors from New Jersey and throughout the United States who invested more than \$120 million, according to Justin W. Arnold and Robert Kirsch, the Assistant U.S. Attorneys who are handling the prosecution.

To date, the investigation has revealed that Puff caused losses of approximately \$55 million to NJAH investors and approximately \$25 million to financial institutions in connection with fraudulent real estate investments, according to the Complaint.

“This was a classic Ponzi scheme on a large scale,” said Christie. “Investors have to be wary of anyone offering such lofty, guaranteed returns. It is almost always too good to be true.”

Previously, six other people from New Jersey (identified below) have pleaded guilty to conspiring with Puff in the scheme.

The Complaint outlines a broad scheme to defraud, involving two investment programs, both of which claimed to purchase, renovate and then resell properties, almost all of which were in New Jersey.

The Complaint identified the two investment programs as follows: a supposedly safe and secure real estate investment program, guaranteeing annual returns to investors of between 15 percent and 22 percent; and the “Your Credit, Our Money” real estate investment program, which purported to use investors’ names and credit information to

obtain mortgage loans to purchase properties, which were then to be renovated and resold with the profits divided between Puff's NJAH and the investors.

The Initial Investment Program: "Guaranteed and Secure"

The first investment program, which Puff began promoting in approximately 1998, and which continued throughout the scheme, involved obtaining investor monies to finance the purchase and renovation for resale of residential properties in exchange for the high, guaranteed returns. The program claimed that the investment was secured through mortgage liens on the properties.

On numerous occasions, the mortgages, which Puff touted in order to lull the investors into believing their investments were secure, were essentially worthless because the property appraisals grossly inflated the value of the property, the Complaint asserted.

Instead of using the money solely to buy and renovate properties, Puff improperly diverted new investor monies to pay old investors their supposed safe and guaranteed returns, and embezzled more than \$1 million for his own personal benefit, according to the Complaint.

The Second Investment Program: "Your Credit, Our Money"

In about late 2003, Puff began promoting NJAH's second investment program, "Your Credit, Our Money," to investors. Through this program, investors allowed NJAH to purchase properties in their names, using their credit information, in order to obtain mortgages to finance the purchase of the properties. NJAH represented that it would renovate the properties using its own monies, and would then resell the properties, with the profits split between NJAH and the investors.

In obtaining the mortgage loans which financed the purchases of the properties through this program, the Complaint charged that Puff directed others to falsify numerous loan-related documents submitted to the mortgage lenders, including false mortgage loan applications, false sales contracts, false property appraisals, false verification of employment documents of the purchasers, false verification of deposit forms, false investor statements, and false HUD-1s.

After obtaining the inflated proceeds from the mortgage loans, instead of using all of the mortgage money to renovate the purchased properties, Puff instead misappropriated money for his own personal benefit, and directed payments to prior investors who invested in the initial NJAH investment program.

The obstruction count relates to Puff's alleged instructions to subordinates to destroy

fraudulent loan and other documents that were a part of the fraud. The obstruction occurred in September 2005, according to the Complaint, after the Securities and Exchange Commission initiated an emergency enforcement action against Puff and NJAH.

NJAH subsequently was ordered into receivership and then bankruptcy by a federal judge.

Previously, six others have pleaded guilty in U.S. District Court to conspiring with Puff to defraud the investors and/or the mortgage lenders. The other six individuals were:

- Lucesita Santiago, 38, of Woodbridge, an NJAH account manager, among other things, admitted she created fictitious NJAH account statements to falsely show that nominee buyers had sufficient assets to qualify for mortgage loans issued by the mortgage lenders.
- John Kurzel, 57, of New Brunswick, an NJAH mortgage loan processor, among other things, admitted he created fictitious leases in order to falsely show that nominee buyers received rental income in order to inflate their assets to qualify for mortgage loans issued by the mortgage lenders.
- Katrina Arrington, 36, of Hillside, also an NJAH mortgage loan processor, among other things, admitted to her role in falsifying loan applications by inflating the income and assets of nominee buyers, as well as their employment status.
- Michael Meehan, 48, of Belmar, a licensed real estate appraiser, among other things, admitted he materially overstated the value of NJAH properties and falsely claimed the properties had substantial improvements, in order to obtain inflated proceeds from mortgage lenders.
- William Page, 48, of Old Bridge, also a licensed real estate appraiser, among other things, admitted to creating grossly inflated and false property appraisals and construction progress letters, to mislead the investors regarding the underlying security of their investments.
- John Morris, 62, of Fort Lee, NJAH's appraisal coordinator, among other things, admitted to his role in overseeing the fraudulent property appraisals which were submitted to the mortgage lenders in order to obtain mortgage proceeds.

Christie credited Special Agents of the FBI's Franklin Township Resident Agency, under the direction of Special Agent in Charge Weysan Dun, in Newark; Special Agents of the U.S. Department of Housing and Urban Development Office of the Inspector General, under the direction of Special Agent in Charge Rene Febles; U.S. Postal Inspectors, under

the direction of Postal Inspector in Charge David L. Collins, for the successful investigation to date. Christie also thanked the Securities and Exchange Commission, under the direction of Mark Schonfeld, the Regional Director in New York, for its referral of the case and assistance during the investigation.

The government is represented by Assistant U.S. Attorneys Arnold and Kirsch, of the Securities and Healthcare Fraud Unit, in Newark.

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Defense Counsel: Not clarified at this time