

NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
970 Broad Street, Seventh Floor
Newark, New Jersey 07102



Ralph J. Marra, Jr., Acting U.S. Attorney

More Information? Call the Assistant U.S. Attorney or other contact listed below to see if more information is available.

News on the Internet. News Releases and related documents are posted at our website.
Go to: <http://www.usdoj.gov/usao/nj/press/index.html>

Assistant U.S. Attorneys:
ROBERT KIRSCH and
JUSTIN W. ARNOLD
973-645-2846 and 2785, respectively

puff0409.rel
FOR IMMEDIATE RELEASE
April 9, 2009

Ringleader of \$80 Million New Jersey Affordable Homes Ponzi Scheme Pleads Guilty

(More)

Public Affairs Office
Michael Drewniak, PAO

973-645-2888

<http://www.usdoj.gov/usao/nj/press/index.html>

NEWARK – The ringleader of a massive “Ponzi” scheme pleaded guilty today to a fraud he and others operated through his company, NJ Affordable Homes, Corp. (NJAHC), a purported real estate investment business, which defrauded hundreds of investors and mortgage lenders of more than \$80 million, acting U.S. Attorney Ralph J. Marra, Jr. announced..

Wayne Puff, 61, formerly of Old Bridge, NJAHC’s founder and president, is the 11th and highest ranking defendant associated with the investigation of NJAHC to plead guilty to federal criminal charges, according to Robert Kirsch and Justin W. Arnold, the Assistant U.S. Attorneys who are handling the prosecutions.

The criminal Information filed by the government outlined a broad fraud conspiracy spanning from 1998 to September 2005, during which Puff and his co-conspirators obtained more than \$120 million from individual investors by falsely touting the profitability and security of their investment in NJAHC, which were secured, in part, with fraudulent mortgage loans.

Through print advertisements and radio spots, NJAHC solicited individual investors and depicted itself as a private company which purchased and renovated residential properties for resale. Puff, through NJAHC, promised the investors’ that their investments were fully secure, and guaranteed them annual profit returns of between 15 and 22 percent. Puff operated NJAHC from its offices located in Woodbridge, Hopelawn, and Perth Amboy.

At a hearing today in federal court, Puff admitted before U.S. District Judge Jose L. Linares that NJAHC was a massive investment scheme, which defrauded hundreds of investors located across the United States and internationally, as well as multiple mortgage lenders, of more than \$80 million. He pleaded guilty to one count of conspiracy to commit wire fraud, which carries a statutory maximum prison sentence of 20 years and a fine of \$250,000. The advisory U.S. Sentencing Guidelines, which a judge must consider in determining an actual sentence, yield a sentence above the statutory maximum; thus Puff’s sentence would be capped at the 20-year maximum.

Judge Linares set Puff’s sentencing for July 15. Puff remains in custody, where he’s been since his arrest on June 10, 2008.

“Puff was a con man who perfected the art of mortgage and real estate fraud and fashioned it into a classic Ponzi scheme,” Marra said. “He hatched his scheme amid lax controls in the mortgage market to commit a huge fraud, hurting many people and lenders and earning himself a very long prison sentence.”

Instead of investing the investors’ monies in the purported investment program as promised, Puff diverted and misappropriated the money for a variety of illegal purposes, including utilizing the classic Ponzi modus operandi of paying existing investors with new investors’ money, as well as embezzling money for his personal use, and using investors’ money to settle other investors lawsuits and satisfy judgments brought by investors against NJAHC and Puff. Puff also admitted to using investors’ money to pay personal expenses, large and small, for trips to the Cayman Islands, meals at restaurants, purchases at cigar shops, and more.

Beginning in late 2003, in need of substantial cash to maintain and conceal the ongoing fraud, Puff and others created a second investment program referred to as “Our Money, Your Credit.” Under this program, Puff and others solicited investors who would serve as purported purchasers of NJAH properties, and would allow NJAH to use their names and credit histories for purposes of obtaining mortgage loans for multiple lenders, and NJAH would assume all fees and costs associated with the transactions. The buyers, however, did not pay money in connection with the purchases, although the closing documents which were submitted to the mortgage lenders and Department of Housing and Urban Development (HUD) falsely stated they did.

In order to obtain tens of millions of dollars in loans from mortgage lenders, Puff recruited so-called “independent” licensed real estate appraisers to create false and misleading appraisals that grossly inflated the true value of NJAH properties. Puff admitted that many of the mortgage liens were essentially worthless, as they were premised on inflated and fraudulent appraisals. The fraudulent appraisals often substantiated inflated values on dilapidated, uninhabitable properties, as well as non-existent structures on vacant lots.

In addition to the false appraisals, Puff admitted that he and others submitted a variety of fraudulent documents to the lenders, such as false mortgage applications, false sales contracts, false employment verification data, false investor statements, and false HUD-1 Settlement Statements. The false HUD-1s were often ultimately submitted to HUD and the federal Housing Administration (FHA), which, in turn, federally insured the loans, Kirsch and Arnold said.

The fraud was first exposed in September 2005, when the Securities and Exchange Commission (SEC) commenced a civil enforcement action against Puff and NJAH. At the plea hearing today, Puff admitted that after the SEC began its inquiry into the business practices of NJAH, Puff and others at his direction shredded thousands of incriminating documents to conceal the fraud. Puff also obstructed justice by submitting false information to the New Jersey Bureau of Securities, in violation of a Consent Judgment, entered by a New Jersey state court judge.

The fraud required the participation of numerous individuals, both in and out of the company, including high-level NJAH executives and outside licensed real estate appraisers and lawyers. Others who have previously pleaded guilty:

- Kenneth Lagonia, 58, formerly of East Brunswick who now resides in North Carolina, served as President of an NJAH affiliated company, and pleaded guilty to conspiracy for creating false solicitation letters to investors, among other things.
- Mitchell Fishman, 56, of Princeton Junction, a lawyer, pleaded guilty to conspiracy for creating and signing materially false and fraudulent HUD-1s relating to NJAH real estate transactions.
- Anthony Natale, 44, of Neshanic Station, a lawyer, pleaded guilty to conspiracy for also creating and signing materially false and fraudulent HUD-1s relating to NJAH real estate transactions.

- Michael Meehan, 48, of Bellmar, a former licensed real estate appraiser, pleaded guilty to conspiracy for creating and submitting materially false and misleading property appraisals in the names of straw buyers to various mortgage lenders.
- Katrina Arrington, 36, of Hillside, an NJAH mortgage loan processor, pleaded guilty to conspiracy for falsifying the income, assets, and employment status of straw buyers on loan applications submitted to mortgage lenders.
- William Page, 49, of Old Bridge, a former licensed real estate appraiser, pleaded guilty to conspiracy for creating materially false and misleading property appraisals and construction progress letters.
- John Morris, 61, of Fort Lee, NJAH's appraisal coordinator, pleaded guilty to conspiracy for his role in overseeing the creation of fraudulent property appraisals for properties which were sold by NJAH to straw buyers.
- John Kurzel, 57, of New Brunswick, an NJAH mortgage loan processor, pleaded guilty to conspiracy for his role in preparing false and misleading loan applications in the names of straw buyers.
- Lucesita Santiago, 36, of Woodbridge, an NJAH account manager, pleaded guilty to conspiracy for her role in creating fictitious account statements falsely showing that straw buyers had assets invested with NJAH.
- Sydney Raposo, 41, of Rahway, who served as a paralegal for Natale, pleaded guilty to making false statements to HUD relating to a federally insured mortgage loan issued by a mortgage lender.

With the exception of Raposo, who is exposed to two years in federal prison for her offense, the co-conspirators named above face up to five years in prison. Each defendant faces a fine of \$250,000.

Puff has been in federal custody since June 2008, when he was arrested on a federal criminal complaint.

Weysan Dun, Special Agent in Charge of the FBI in Newark, commented: "Not only did Mr. Puff perpetrate a scheme to deliberately steal investors' and taxpayers' money through many false figures and documents, but he took things a step further when he attempted to conceal his guilt by destroying evidence. We owe a debt of gratitude to all the of the law enforcement officers and prosecutors who have worked diligently to bring these individuals to justice in this complicated and very important case."

The 11 convictions to date stem from a criminal referral made by the SEC's Enforcement Division and result from a combined investigation by the FBI, the U.S. Department of Housing

and Urban Development and the U.S. Postal Inspection Service. Marra credited Special Agents of the FBI's Franklin Township Resident Agency, under the direction of Special Agent in Charge Weysan Dun in Newark; and HUD Office of Inspector General, under the direction of Special Agent in Charge Joseph W. Clarke; and Postal Inspectors with the U.S. Postal Inspection Service, under the direction of Inspector in Charge David L. Collins, for the investigation leading to today's guilty plea.

Marra also thanked Charles Forman, Esq., of the law firm Forman, Holt, Eliades, and Ravin, LLC, of Paramus, who serves as the bankruptcy trustee for NJAH in its Chapter 7 bankruptcy liquidation, for his assistance and cooperation.

The case is being prosecuted by Assistant U.S. Attorneys Robert Kirsch and Justin W. Arnold of the U.S. Attorney's Office Securities Fraud Unit in Newark.

-end-

Defense counsel:
Thomas Moran, Esq., Newark