



*United States Attorney
District of New Jersey*



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CONTACT: Rebekah Carmichael

Office of Public Affairs

(973) 645-2888

**TWO NEW JERSEY MEN CHARGED WITH MULTIMILLION-DOLLAR
MORTGAGE FRAUD SCHEME INVOLVING OVER 50 RESIDENTIAL PROPERTIES**

NEWARK, N.J. – A former mortgage broker and his purported co-conspirator in a mortgage fraud scheme were arrested today on a criminal Complaint which alleges they conspired to defraud various mortgage lenders of over \$7 million by conducting at least 50 fraudulent real estate transactions involving residential properties in New Jersey, United States Attorney Paul J. Fishman announced.

Eddie Dukhman, a/k/a “Eddie Dukeman,” 34, of Sewaren, N.J., and Frank Carallo, 37, of Maywood, N.J., were arrested this morning by special agents of the FBI and the United States Secret Service (“USSS”) on a charge of conspiracy to commit wire fraud. Dukhman was arrested this morning at his home. Carallo, who awaits sentencing after pleading guilty to conspiracy to commit wire fraud in an unrelated scheme, was arrested this morning when he reported to pretrial services concerning that case. Both defendants are expected to appear this afternoon before United States Magistrate Judge Michael A. Shipp in Newark federal court.

According to the Complaint unsealed today:

Dukhman, supposedly in the real estate business, and Corallo, a former mortgage broker, engaged in a conspiracy to defraud mortgage lenders from January 2007 to December 2009. Dukhman, with the assistance of two attorneys, arranged to purchase properties owned by financial institutions – commonly referred to as real-estate-owned or REO properties. Corallo recruited other individuals to purchase those same properties at around the same time, referred to in the Complaint as the “borrowers.”

Dukhman, Corallo and other unidentified co-conspirators employed numerous fraudulent techniques to effect their scheme – including falsifying financial documents, HUD-1 settlement statements (HUD-1s) and residential loan applications; causing borrowers to apply and obtain loans on properties that they did not own; and failing to record deeds with the county clerk’s office.

Specifically, Dukhman and Corallo caused fraudulent loan applications and HUD-1s to be submitted to mortgage lenders claiming that the purchaser of the REO property was the borrower (rather than Dukhman); that the borrowers put money down at the closing; that the properties would be the primary residences of the borrowers; that the borrowers had more assets and earned more than they actually did; and that the purchase price was almost twice that actually

paid by Dukhman.

When the loans were approved, the two attorneys identified in the Complaint as “GT” and “EF” furthered Dukhman’s scheme by depositing the proceeds of the loans in one of their respective attorney trust accounts. Either of the two attorneys would then act as closing agents for Dukhman, who would purchase a REO property using the proceeds of the mortgage fraud scheme. After paying the closing costs, the attorneys distributed the proceeds of the mortgage fraud to Dukhman, Corallo, and their co-conspirators.

After the attorneys gave Dukhman the deed to an REO property, he had it altered to reflect a sale between the REO bank and the borrower for the purchase price listed in the fraudulent documents submitted to the lenders. Altered deeds were filed in the county clerk’s office – leaving Dukhman out of the title history.

Additionally, Dukhman set up shell companies to receive the proceeds of the fraud. To that end, proceeds were funneled through financial institutions in the United States and ultimately transferred to various foreign accounts, including an account in the Cook Islands. The government is seeking to forfeit the money in that account.

In all, Dukhman and Corallo conspired to defraud numerous mortgage lenders out of over \$7 million.

The wire fraud conspiracy count with which each of the defendants is charged carries a maximum potential penalty of 30 years in prison and a \$1 million fine.

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, and special agents of the USSS, under the direction of Acting Special Agent in Charge James Mottola, with the investigation leading to the criminal Complaint.

The government is represented by Assistant United States Attorneys Stacey A. Levine of the U.S. Attorney’s Office Heath Care and Government Fraud Unit and Peter Gaeta of the Office’s Asset Forfeiture Unit.

The charge and allegations contained in the Complaint are merely accusations, and each defendant is presumed innocent unless and until proven guilty.

This case was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement

resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

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Defense counsel:

Dukhman: Michael Critchley & John Vazquez, Roseland, N.J.

Corallo: Peter Festa, Hawthorne, N.J.