



*United States Attorney
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FOR IMMEDIATE RELEASE
May 13, 2010
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**FORMER U.S. MORTGAGE SERVICING MANAGER PLEADS GUILTY
TO WIRE FRAUD RELATED TO \$136 MILLION FRAUD SCHEME**

NEWARK, N.J. – An East Stroudsburg, Pennsylvania man pleaded guilty today to a wire fraud charge in connection with the \$136 million fraud scheme that bankrupted Pine Brook, New Jersey-based U.S. Mortgage Corp. and its subsidiary, CU National Mortgage, LLC, United States Attorney Paul J. Fishman announced.

Leroy Hayden, 47, the servicing manager of U.S. Mortgage from 2004 through January 28, 2009, pleaded guilty before U.S. District Judge Katharine S. Hayden to one count of wire fraud conspiracy.

According to documents filed in this and related cases and statements made in federal court:

During the relevant period, Leroy Hayden conspired with Michael J. McGrath, Jr. – then the President and controlling shareholder of closely-held U.S. Mortgage – and several others to fraudulently sell Fannie Mae hundreds of loans belonging to various credit unions. He also provided numerous reports to credit unions falsely stating that loans that had been sold were still in the credit unions' portfolios, and falsified records, at McGrath's direction, to conceal these fraudulent sales. Leroy Hayden also admitted that he modified data in U.S. Mortgage's servicing system to help carry out the scheme.

The pace of the fraudulent sales increased during 2008 and early 2009. On January 27, 2009, dozens of law enforcement agents executed a search warrant at U.S. Mortgage and CU National's Pine Brook headquarters. In the following weeks, U.S. Mortgage and CU National commenced bankruptcy proceedings.

McGrath pleaded guilty on June 12, 2009, to mail fraud, wire fraud and money laundering conspiracy charges, admitting that he hatched his scheme to prop up his company. He further admitted that he fraudulently sold hundred of loans belonging to various credit unions to Fannie Mae and used the proceeds to fund U.S. Mortgage's operations, his personal investments, and investments he made on U.S. Mortgage's behalf. McGrath is scheduled to be sentenced on July 6, 2010, before Judge Hayden.

The charge to which Leroy Hayden pleaded guilty carries a maximum potential penalty of five years in prison and a maximum fine of \$250,000, or twice the amount of pecuniary loss suffered by the victims of the conspiracy. His sentence is also expected to include restitution to

the victims of the conspiracy, presently estimated at \$136 million. His sentencing is scheduled for September 27, 2010.

In determining an actual sentence, Judge Hayden will consult the advisory United States Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining the sentence. Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

U.S. Attorney Fishman stated: "Frauds of this magnitude don't happen without someone to cook the books and push the paper. Leroy Hayden had to decide whether to go along with his boss' fraud or alert law enforcement to the scheme. Unfortunately, he made the criminal choice, and he answered for that choice today."

Fishman credited Postal Inspectors of the U.S. Postal Inspection Service, under the direction of Postal Inspector in Charge David Collins; Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord; Special Agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward; and Special Agents of the U.S. Department of Housing and Urban Development's Office of Inspector General, under the direction of Special Agent in Charge Joseph Clarke, for their investigation leading to this guilty plea. Fishman also thanked the United States Postal Service Office of Inspector General for assisting in the investigation.

The government is represented by Assistant U.S. Attorney Mark E. Coyne of the U.S. Attorney's Office Economic Crimes Unit.

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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