

NEWS

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Christopher J. Christie, U.S. Attorney

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Former Real Estate Investment Company Employee
Admits Role in \$7 Million Mortgage Swindle

(More)

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NEWARK – A former employee of a purported real estate investment company pleaded guilty today to participating in a conspiracy that defrauded various mortgage lenders of at least \$7 million, U.S. Attorney Christopher J. Christie announced.

Katrina Arrington, 34, of Hillside, pleaded guilty today before U.S. District Judge Jose L. Linares to a one-count Information charging her with conspiracy to commit wire fraud in the creation of materially false and misleading loan applications in the names of nominee or “in name only” buyers. Those applications were submitted to various mortgage lenders.

Arrington is the third employee of N.J. Affordable Homes, Inc. (NJAH) to plead guilty in the mortgage fraud scheme. NJAH, of Perth Amboy, purported to be in the real estate financing and investment business. The company first came under scrutiny of the Securities and Exchange Commission, which obtained a restraining order against the company in September 2005. NJAH subsequently was ordered into receivership and then bankruptcy by a federal judge.

In October 2006, Arrington co-conspirators John Kurzel, 55, of New Brunswick, and Lucesita Santiago, 37, of Woodbridge, both pleaded guilty to the same conspiracy charge as Arrington for their participation in the mortgage fraud conspiracy. All three of the defendants have stipulated that the losses to mortgage lenders exceeded \$7 million.

Christie said the investigation is continuing as to the company and other individuals believed to be involved.

At her plea hearing, Arrington admitted that from about August 2003 through September 2005, at the direction of the president of NJAH, she participated in a conspiracy to submit materially false and misleading loan applications to various mortgage lenders. The loan applications falsified the income, assets and employment status of the borrowers who were in fact nominee or “in name only” buyers of properties being sold by NJAH. The applications also contained inflated property appraisals and photographs that were altered to create the false appearance that the properties had improvements such as new siding and windows.

Judge Linares scheduled the sentencing for April 26. Arrington is free on a \$25,000 unsecured bond.

The charges to which Arrington, Santiago and Kurzel pleaded guilty carry a statutory maximum penalty of five years in federal prison and a fine of \$250,000.

The guilty pleas of Arrington, Santiago and Kurzel stem from a criminal referral made by the U.S. Securities and Exchange Commission’s Enforcement Division in New York and

result from a combined investigation conducted by the Federal Bureau of Investigation, the U.S. Department of Housing and Urban Development and the U.S. Postal Inspection Service.

Christie credited Special Agents of the FBI's Franklin Township Resident Agency, under the direction of Special Agent in Charge Leslie G. Wisner, Jr. in Newark; and HUD Office of Inspector General, under the direction of Special Agent in Charge Ruth Ritzema; the Newark Division of the Postal Inspection Service, Inspector in Charge Thomas C. Van De Merlen, for their respective roles in the criminal investigation.

The case is being prosecuted by Assistant U.S. Attorney Donna Gallucio and Special Assistant U.S. Attorney Robert Giallombardo.

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Defense Counsel: Raymond Brown, Esq. Newark