

NEWS

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Christopher J. Christie, U.S. Attorney

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FOR IMMEDIATE RELEASE

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Four Charged in Paterson-Based Mortgage Fraud, Property-Flipping Scheme

(More)

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NEWARK – Four members of a mortgage fraud and property-flipping scheme involving rental properties in Paterson were named in a 25-count Indictment unsealed today following the arrest of one of the suspects and the surrender of another, U.S. Attorney Christopher J. Christie announced.

The Indictment alleges that Gerald Carti, Renford Davis, Amer Mir and Frederick Ugwu conspired with others to obtain millions of dollars of mortgage loans for unqualified borrowers during 2002 through 2005 to purchase two- and three-family homes in Paterson for inflated prices. The Indictment further alleges that when problems arose with the mortgage loans, the conspirators paid them off with new fraudulent mortgage loans.

The Indictment was returned by a grand jury in Newark yesterday and was unsealed following this morning's arrest of Carti, 61, at his home in Oakland. Ugwu, 51, of Saddle River, surrendered to the FBI in Newark this morning. Mir, 39, of Jersey City, and Davis, 37, of Paterson, are subjects of arrest warrants and are being sought. Carti and Ugwu made initial appearances before U.S. Magistrate Judge Patty Shwartz, who set bail at \$1 million for both men.

The Indictment is the latest step in an investigation by the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD-OIG) the FBI, the U.S. Postal Inspection Service and the Internal Revenue Service Criminal Investigations Division into fraudulent Federal Housing Administration-insured and conventional mortgage loans originated by various New Jersey mortgage companies, including Pine Brook-based US Mortgage Corp., where Carti worked and was a shareholder, and Jersey City-based United Home Mortgage Co., where Mir worked.

The investigation has resulted in more than 10 guilty pleas from New Jersey residents, including Maurice Bethea, a developer; David Cobiainchi, a former US Mortgage loan officer; Frank Corallo, a former US Mortgage loan processor; Michael Eliasof, a real estate agent; Melanie Gebbia, a former paralegal for a closing attorney; Claribel Morrobel, who worked with Eliasof; William Ottaviano, an appraiser; and Mara, Maristane and Norma Silva, real estate agents.

According to the Indictment, Ugwu and others obtained Paterson properties cheaply, knowing that Eliasof would find borrowers to purchase the properties at inflated prices. The borrowers were told that the properties would be good investments and that they would: (a) neither pay deposits and closing costs to acquire the properties, nor make monthly mortgage payments after they owned the properties; (b) receive monthly cash payments and a percentage of future sales profits when the conspirators sold the properties; and (c) not have to manage the properties because Eliasof would maintain them, locate tenants, collect rent and make mortgage payments.

According to the Indictment, Ugwu and others caused basic or cosmetic repairs to be made to the properties, so that the homes would appear habitable to appraisers and prospective tenants. Meanwhile, Carti and others allegedly caused US Mortgage to originate, underwrite and fund mortgage loans to the borrowers, knowing that they were not financially qualified and that US Mortgage would sell or attempt to sell the loans on the secondary market to Residential Funding Corporation (RFC) and other investors. Carti received substantial commissions for these mortgage loans.

According to the Indictment, in completing the borrowers' loan applications, Carti and others attributed to them inflated incomes, false bank account balances, fake sales contract deposits and fictitious assets. Carti and Eliasof also allegedly instructed Ottaviano and other appraisers to generate inflated appraisals for the properties. Ottaviano, who was not a licensed appraiser, completed the appraisals by forging the signature of an unwitting licensed New Jersey real estate appraiser to attest as a supervisory appraiser to the accuracy of the reports, according to the Indictment.

According to the Indictment, the borrowers attended closings at a Garfield law office where Gebbia worked. There, at the closing attorney's direction, Gebbia prepared fraudulent HUD-1 Uniform Settlement Statements that were signed by the borrowers, Ugwu and others reflecting deposits that had never been made. The closing attorney then allegedly distributed proceeds of the fraudulently-obtained mortgage loans to the conspirators by checks made payable to companies controlled by Eliasof, who in turn paid kickbacks to Carti, the closing attorney and others.

According to the Indictment, in or about June 2003, RFC began notifying US Mortgage of irregularities concerning some of the fraudulent mortgage loans. Meanwhile, some of fraudulent mortgage loans fell into default. To prevent US Mortgage from losing millions of dollars in connection with these fraudulent loans and to convince RFC not to terminate a line of credit it had extended US Mortgage, a senior US Mortgage officer directed Carti, the closing attorney and Eliasof to pay off the existing loans by refinancing them through new mortgage loans for the existing unqualified borrowers or by reselling the properties secured by those loans to new, similarly unqualified borrowers.

According to the Indictment, to accomplish this, Carti, the closing attorney and Eliasof directed Davis, Mir, Corallo and others to find new borrowers and obtain new mortgage loans through US Mortgage, United Home and another mortgage company. When refinancing the fraudulent loans or reselling the properties, the conspirators used even higher inflated appraisals and prices. In addition, to enhance the creditworthiness of the borrowers seeking new mortgage loans, Davis, Corallo and others generated false verifications of employment, rent and income and other false documents. Carti and Mir

received substantial commissions for these new mortgage loans; they also received kickbacks from Eliasof, who paid other kickbacks, as well.

The Indictment charges Carti, Davis, Mir and Ugwu with one count of conspiracy to commit wire fraud. The Indictment also charges Carti, Davis and Mir with one count of conspiracy to commit money laundering; ten counts, six counts and six counts, respectively, of wire fraud; and three counts, six counts and four counts, respectively, of money laundering involving monetary transactions exceeding \$10,000. Despite the Indictment, however, all four defendants are presumed innocent unless and until proved guilty beyond a reasonable doubt.

Christie credited Special Agents of HUD-OIG, under the direction of Special Agent in Charge Rene Febles, Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun, Postal Inspectors of the U.S. Postal Inspection Service, under the direction of Postal Inspector In Charge David L. Collins, and Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, for their tireless investigation leading to the Indictment.

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

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Defense Counsel:

For Carti: Joseph P. Rem, Jr., Esq., Hackensack

For Ugwu: Henry Klingeman, Esq., Newark