

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
v. : Criminal No.
WAYNE PUFF : 18 U.S.C. § 1349

INFORMATION

The defendant having waived in open court prosecution by Indictment, the Acting United States Attorney for the District of New Jersey charges:

New Jersey Affordable Homes Corp.

1. At all times relevant to this Information:

a. N.J. Affordable Homes Corp. ("NJAHC") was a New Jersey corporation with offices in Woodbridge, Hopelawn, and Perth Amboy, New Jersey. NJAHC also did business in the names of the following entities: Purely Profit Plus LLC; NJ Affordability Homes Corp.; New York Affordable Project Management Corp.; Speedy Realty, Inc.; Discount Homes R Us, Inc.; H&W Properties, Inc.; NJ Homes of New Jersey, Inc.; Quality Homes R Us, LLC ("Quality Homes"); FHP, Inc., and United Capital Funding.

b. NJAHC was in the business of purchasing residential real estate located throughout New Jersey, and renovating those properties for resale at a profit.

Defendant and Coconspirators

c. Defendant Wayne Puff resided in Avenel, New Jersey, and was the president, principal operator, and founder of NJAH. From in or about January 1998 through in or about September 2005, defendant Wayne Puff and conspirators working at his direction solicited hundreds of investors throughout the United States who invested more than \$120 million in NJAH. Defendant Wayne Puff and coconspirators working at his direction caused losses totaling more than \$80 million in connection with the NJAH fraudulent "Ponzi" scheme, as set forth below.

d. Coconspirator Kenneth Lagonia resided in East Brunswick, New Jersey and Manorville, New York, and served as President of Quality Homes R Us, among other positions at NJAH-related entities. Coconspirator Lagonia, among other things, created materially false and misleading solicitation letters to persuade individual investors to make and maintain investments in NJAH.

e. Coconspirator Katrina Arrington resided in Hillside, New Jersey, and was employed by NJAH as a mortgage loan processor. Coconspirator Arrington submitted and caused to be submitted materially false and misleading loan applications to various mortgage lenders in order to induce the issuance of mortgage loans.

f. Coconspirator John Kurzel resided in New Brunswick,

New Jersey, and was employed by NJAH as a mortgage loan processor. Coconspirator Kurzel submitted and caused to be submitted materially false and misleading loan applications to various mortgage lenders in order to induce the issuance of mortgage loans.

g. Coconspirator John Morris resided in Fort Lee, New Jersey and was employed by NJAH as an appraisal coordinator. Coconspirator Morris assisted "outside" real estate appraisers to prepare materially false and misleading property appraisals, which were sold to individuals who posed as purchasers but were, in fact, nominees or straw buyers.

h. Coconspirator Lucesia Santiago resided in Woodbridge, New Jersey, and was employed as an account manager by NJAH. Coconspirator Santiago created false, fraudulent and inflated investor statements which were appended to loan applications provided to various mortgage lenders in order to induce the issuance of mortgage loans.

i. Coconspirator Anthony Natale resided in Neshanic Station, New Jersey, and was an attorney admitted to practice law in the State of New Jersey. Coconspirator Natale, whose law office was located in Cranford, New Jersey, was retained by defendant Wayne Puff to serve as the closing attorney for certain transactions involving straw buyers in connection with a number of fraudulent real estate transactions involving NJAH.

j. Coconspirator Mitchell Fishman resided in Princeton Junction, New Jersey, and was an attorney admitted to practice law in the State of New Jersey. Coconspirator Fishman, whose law office was located in Monroe Township, New Jersey, was retained by defendant Wayne Puff to serve as the closing attorney for certain transactions involving straw buyers in connection with a number of fraudulent real estate transactions involving NJAH.

k. Coconspirator Michael Meehan resided in Belmar, New Jersey, and was a real estate appraiser licensed by the New Jersey Board of Real Estate Appraisers. Coconspirator Meehan created false, fraudulent and inflated property appraisals for properties purchased by NJAH which were sold to investors and other third-parties, among other things.

l. Coconspirator William Page resided in Old Bridge, New Jersey, and was a real estate appraiser licensed by the New Jersey Board of Real Estate Appraisers. Coconspirator Page created false, fraudulent and inflated property appraisals for properties purchased by NJAH which were sold to investors and other third-parties, among other things.

Mortgage Lenders Affected by Fraud

2. Washington Mutual Inc. ("WAMU"), with headquarters in Seattle, Washington, and offices in Fairfield, New Jersey, was in the business of, among other things, making residential mortgage loans to the public and purchasing residential mortgage loans

made by correspondent lenders using specified lending criteria. WAMU was a financial institution the deposits of which were insured by the Federal Deposit Insurance Corporation ("FDIC").

3. Greenpoint Mortgage Funding, Inc. ("Greenpoint"), a subsidiary of North Fork Bancorporation, Inc., with headquarters in Novato, California, and offices in New Jersey, was in the business of, among other things, making residential mortgage loans to the public. Greenpoint was a financial institution the deposits of which were insured by the FDIC.

4. Credit Suisse First Boston Financial Corporation ("CS First Boston"), with offices in Princeton, New Jersey, was in the business of, among other things, making residential mortgage loans to the public and purchasing residential mortgage loans made by correspondent lenders using specific lending criteria. CS First Boston was a financial institution the deposits of which were insured by the FDIC. Washington Mutual, Greenpoint, and CS First Boston are hereinafter referred to collectively as the "Mortgage Lenders".

THE CONSPIRACY

5. From at least as early as in or about January 1998 to in or about September 2005, in the District of New Jersey and elsewhere, defendant

WAYNE PUFF

knowingly and intentionally conspired and agreed with

coconspirators Kenneth Lagonia, Katrina Arrington, John Kurzel, John Morris, Lucesia Santiago, Anthony Natale, Mitchell Fishman Michael Meehan, William Page and others, to commit offenses against the United States, namely, to transmit and cause to be transmitted writings, signs, signals and sounds by means of wire communications in interstate and foreign commerce for the purpose of executing a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations and promises, contrary to Title 18, United States Code, Section 1343.

Object of the Conspiracy

6. The object of the conspiracy was for defendant Wayne Puff and his coconspirators to obtain money from individual investors throughout the United States by making materially false and fraudulent oral and written representations relating to the profitability and security of their investments in NJAH, which were secured, in part, with fraudulent mortgage loans.

Means and Methods of the Conspiracy

The Investment Fraud

7. It was part of the conspiracy that defendant Wayne Puff and his coconspirators solicited investors located throughout the United States to invest money in NJAH, a privately-held business, which purportedly purchased, renovated, and resold residential real estate at substantial profits.

8. It was further part of the conspiracy that in order to induce individuals to invest money in NJAH, defendant Wayne Puff and his coconspirators touted the financial soundness and profitability of NJAH, as well as the low risk and security of the related investments.

9. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators entered into investment contracts with investors, which, among other things, falsely promised that (a) their money would be used to purchase and renovate real property; (b) their investments would always be secured, either in an attorney escrow account or by a mortgage lien on real property; and (c) the investors would receive a guaranteed yearly return on their investment of between 15 percent and 22 percent.

10. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators diverted substantial portions of new investor proceeds to make principal and interest payments to existing investors in NJAH, instead of purchasing, renovating, and selling properties.

11. It was further part of the conspiracy that defendant Wayne Puff misappropriated millions of dollars of investor money that should have been secured in an attorney escrow account either by directing it to the bank accounts of NJAH, or by diverting it for his own personal benefit.

12. It was part of the conspiracy that defendant Wayne Puff and his coconspirators periodically distributed written account statements to investors, which falsely represented the status and profits of their investments.

13. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators used NJAH investor proceeds to settle investor lawsuits and satisfy judgments obtained by existing investors against NJAH and defendant Wayne Puff.

14. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators directed licensed real estate appraisers to create materially false and misleading property appraisals that grossly inflated the value of NJAH properties in order to deceive investors into believing that their mortgage fully secured their investments.

15. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators misled investors into believing their investments were fully secure through mortgage loans which, unbeknownst to them, were obtained using materially false and fraudulent information and grossly inflated appraisals. The appraisals often substantiated inflated values on dilapidated, uninhabitable properties, as well as non-existent structures on vacant lots.

Mortgage Fraud: The "Your Credit, Our Money" Investment Program

16. It was further part of the conspiracy that during 2003, defendant Wayne Puff and his coconspirators, in need of a significant infusion of cash to maintain the "Ponzi" scheme, solicited NJAH investors and others, including NJAH employees, to participate in an investment program, referred to as the "Your Credit, Our Money" program (the "Program").

17. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators, under the guise of the Program, solicited investors to authorize NJAH to use their names and credit information for the purchase of real properties from NJAH, functioning as the purchasers. In exchange for using the investors' names and credit information, defendant Wayne Puff represented that (a) NJAH would undertake the purchases of the real estate and assume all of the associated costs and fees attendant to the purchases; (b) NJAH would renovate the properties at its own expense; and (c) NJAH, after the renovations, would then resell the properties and share the profits with the investors.

18. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators applied for mortgage loans from the Mortgage Lenders in the names of the purchasers, in order to finance the sale of properties from NJAH at grossly inflated prices.

19. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators, in order to obtain mortgage loans from the Mortgage Lenders, submitted false and fraudulent loan applications and supporting documents, including:

- a. false mortgage loan applications;
- b. false sales contracts;
- c. false appraisals;
- d. false verification of employment forms;
- e. false verification of deposit forms;
- f. false investor statements; and
- g. false HUD-1 settlement statements.

20. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators created and caused to be created materially false and misleading documents regarding the purchasers' assets, income, and employment status which were submitted to the Mortgage Lenders in support of the loan applications.

21. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators created and caused to be created fictitious leases, which falsely represented that the properties were generating rental income, or that the purchasers were generating rental income from other properties and thus had sufficient income and assets to meet their prospective loan obligations, and then caused those fictitious leases to be

submitted to the Mortgage Lenders in support of the loan applications.

22. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators caused loan and supporting documents which contained forged signatures of the purchasers to be submitted to the Mortgage Lenders in support of the loan applications.

23. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators created and caused to be created fraudulent appraisals which inflated the values of the properties sold by NJAH to the purchasers, and then caused the fraudulent appraisals to be submitted to the Mortgage Lenders in support of the loan applications.

24. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators created and caused to be created fraudulent HUD-1 Uniform Settlement Statements ("HUD-1s"), which falsely represented that the purchasers had actually made down payments and paid settlement charges in connection with the purchase of properties, when, in fact, they had not, and then caused the fraudulent HUD-1s to be submitted to the Mortgage Lenders in support of the loan applications.

25. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators did not use the proceeds from the mortgage loans to renovate the properties in question, but

instead used the new investors' monies to make principal and interest payments to existing NJAH investors, and to misappropriate funds for his own personal benefit.

Efforts to Obstruct Investigations

26. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators tried to conceal their criminal conduct and obstruct examinations and investigations conducted by various regulatory agencies including the New Jersey Bureau of Securities ("NJBS") and the U.S. Securities and Exchange Commission ("SEC").

27. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators, after the NJBS began its investigation into NJAH and defendant Wayne Puff, submitted false and fraudulent information to the NJBS, and violated a Consent Judgment, entered by a New Jersey state court judge.

28. It was further part of the conspiracy that defendant Wayne Puff and his coconspirators, after the SEC began its investigation into NJAH and defendant Wayne Puff, shredded and destroyed thousands of documents relevant to the ongoing SEC investigation, including, among other things, bank records, investor statements, and property appraisals.

Furthering the Conspiracy

29. In furtherance of the conspiracy and to effect its unlawful object, defendant Wayne Puff, committed, and caused to be committed, numerous acts in the District of New Jersey and elsewhere, including among others:

a. On or about May 24, 2004, defendant Wayne Puff, through NJAH, purchased a property located at 108 Marshall Concourse, Aberdeen, New Jersey, for \$7,500.

b. On or about May 24, 2004, defendant Wayne Puff directed a coconspirator to create a fraudulent property appraisal, falsely stating that the value of the 108 Marshall Concourse property "as is" was \$213,000.

c. On or about May 24, 2004, defendant Wayne Puff caused the fraudulent property appraisal to be submitted to an investor identified as A.L., from Yonkers, New York, for the purpose of duping the investor into believing A.L.'s investment of \$200,000 was fully secure.

d. On or about September 29, 2004, after the NJBS began an investigation into NJAH and defendant Wayne Puff, defendant Wayne Puff caused a coconspirator to sign a false affidavit which was submitted to the NJBS for the purpose of concealing the true source of \$2.7 million which had been transferred to the trust account of an attorney identified as G.O., in violation of a Consent Judgment previously entered by a

New Jersey state court judge.

e. In or about August 2004, in order to induce WAMU to issue a mortgage loan on a property located at 70 22nd Street, Irvington, New Jersey, defendant Wayne Puff directed a coconspirator to create a fraudulent property appraisal, falsely stating that the appraiser personally inspected the property and that the structure had substantial improvements, when in fact the property was dilapidated and uninhabitable.

f. In or about August 2004, defendant Wayne Puff caused WAMU to wire transfer approximately \$200,000 from its bank account in California to a bank account in New Jersey, for a mortgage loan on the property at 70 22nd Street, Irvington, New Jersey.

g. On or about November 11, 2004, defendant Wayne Puff caused a wire transfer in the amount of \$20,000 to be sent from NJAH's bank account held at Hudson United Bank to American Express to pay for numerous personal expenditures, including multiple trips for he and his wife to the Cayman Islands, a trip for another person to travel to the Cayman Islands, and dinners at numerous restaurants.

h. On or about November 18, 2004, for the purpose of inducing WAMU to issue a mortgage loan on a property located at 74 Lincoln Place, Irvington, New Jersey, defendant Wayne Puff forged the signature of a borrower identified as D.M. on a

mortgage application submitted in his name.

i. On or about November 18, 2004, defendant Wayne Puff directed coconspirators to create sham rental lease agreements to inflate the borrower's assets and income in relation to an application to obtain a mortgage loan on the property at 74 Lincoln Place, Irvington, New Jersey.

j. On or about November 18, 2004, defendant Wayne Puff directed coconspirators to create a fraudulent appraisal for the property at 74 Lincoln Place, Irvington, New Jersey, which grossly inflated the property's worth, in order to induce WAMU to wire transfer approximately \$180,000 from its bank account in California to a bank account in New Jersey.

k. In or about March 2005, in order to induce CS First Boston to issue a mortgage loan on a property located at 28 Norwood Avenue, Long Branch, New Jersey, defendant Wayne Puff directed a coconspirator to create a sham investor account statement.

l. In or about March 2005, in connection with a mortgage loan for the property at 28 Norwood Avenue, Long Branch, New Jersey, defendant Wayne Puff caused CS First Boston to wire transfer approximately \$340,000 from its bank account in New York to a bank account in New Jersey.

m. On or about June 28, 2005, after the SEC commenced its investigation into defendant Wayne Puff and NJAH, defendant


Wayne Puff caused Wachovia Bank to execute one of a series of wire transfers totaling \$45,000 from NJAH's account held at Hudson United Bank to defendant Wayne Puff's wife's bank account at Hudson United Bank.

n. In or about July 2005, for the purpose of inducing WAMU to issue a mortgage loan on a property located at 65 Eppirt Street, East Orange, New Jersey, defendant Wayne Puff directed coconspirators to create sham rental lease agreements to inflate the borrower's assets and income.

o. In or about July 2005, in connection with a mortgage loan for the property at 65 Eppirt Street, East Orange, New Jersey, defendant Wayne Puff caused WAMU to wire transfer approximately \$257,115 from its bank account in California to a bank account in New York.

p. On or about August 1, 2005, defendant Wayne Puff directed a bank to wire transfer \$450,000, shortly after receiving the proceeds from Minnesota investor C.N., to settle a lawsuit brought by New Jersey investor R.B. alleging fraud and breach of contract against NJAH and defendant Wayne Puff.

All in violation of Title 18, United States Code, Section 1349.



RALPH J. MARRA, JR.
Acting United States Attorney

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