

mec/2009R00692

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
v. : Criminal No. 10- 339
LEROY HAYDEN : 18 U.S.C. § 371

I N F O R M A T I O N

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

Conspiracy to Commit Wire Fraud
(18 U.S.C. § 371)

Defendant and Coconspirators

1. At various times relevant to this Information:
 - a. Defendant Leroy Hayden resided in East Stroudsburg, Pennsylvania, and was employed as the servicing manager of U.S. Mortgage Corp. ("USM"), which commenced bankruptcy proceedings on or about February 23, 2009.
 - b. Michael J. McGrath, Jr. ("McGrath"), named as a coconspirator but not as a defendant herein, resided in Caldwell and Montclair, New Jersey, and was USM's president and effectively its controlling shareholder.
 - c. G.H., named as a coconspirator but not as a defendant herein, resided in Bloomfield, New Jersey, and was employed as USM's chief financial officer.

d. R.B., named as a coconspirator but not as a defendant herein, resided in North Arlington, New Jersey, and was employed as an accountant at USM, where he reported to G.H.

e. J.C., named as a coconspirator but not as a defendant herein, resided in West Caldwell, New Jersey, and was employed as USM's trade coordinator.

US Mortgage, CU National and Fannie Mae

2. USM was a closely-held corporation headquartered in Pine Brook, New Jersey. In addition to making and brokering residential mortgage loans to the public, USM operated a wholly-owned subsidiary, CU National Mortgage, LLC ("CUN"), which commenced bankruptcy proceedings on or about April 1, 2009. CUN processed, serviced and sometimes sold to Federal National Mortgage Association ("Fannie Mae"), through USM, mortgage loans originated and funded by numerous credit unions ("Credit Union Loans").

3. Fannie Mae was a government-sponsored enterprise chartered by Congress that operated in the secondary mortgage market buying mortgage loans from lenders, which enabled those lenders to make more mortgage loans. Fannie Mae funded its mortgage investments primarily by issuing debt securities in the domestic and international capital markets; those securities typically were backed by the mortgage loans that Fannie Mae purchased.

4. USM was a designated seller of loans to Fannie Mae. Fannie Mae did not conduct an individualized review of the mortgage loans it bought from USM prior to purchasing them.

Instead, Fannie Mae relied upon USM to ensure that those loans satisfied Fannie Mae's criteria for purchase. USM also had to send to Fannie Mae the original note and documentation confirming USM's authority to sell the loans. Once Fannie Mae purchased loans from USM, it relied upon USM to service them, i.e., collect the monthly payments for interest, principal and any escrows for taxes and insurance, and transmit by wire those payments to Fannie Mae.

5. When selling loans to Fannie Mae, USM employees used an electronic interface to provide Fannie Mae with information via internet about the loans being sold. Once Fannie Mae committed to purchase the loans, USM employees submitted the original promissory notes and other documents to a Fannie Mae facility in Herndon, Virginia via private commercial carrier. Meanwhile, in Washington, D.C., Fannie Mae authorized the transmission by wire of funds to USM bank accounts in New Jersey and elsewhere to pay for the loans.

6. Neither USM nor CUN had authority to sell Credit Union Loans without express permission from the credit unions who originated and funded the loans. To indicate whether they agreed to sell a Credit Union Loan or, instead, chose to retain the loan in their respective portfolios, the credit unions provided written instructions to CUN. In most cases, when a credit union directed CUN not to sell a Credit Union Loan, the credit union

relied upon CUN to service the loan through USM in the same manner that USM did for Fannie Mae.

The Conspiracy

7. From in or about January 2004 through on or about January 28, 2009, in Morris County, in the District of New Jersey, and elsewhere, defendant

Leroy Hayden

did knowingly and with the intent to defraud conspire and agree with others to commit an offense against the United States, namely, to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, which scheme and artifice is set forth below in substance and in part, and for the purpose of executing such scheme and artifice, to transmit and cause to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals, pictures, and sounds, contrary to 18 U.S.C. § 1343.

Object of the Conspiracy

8. The object of the conspiracy was to sell Credit Union Loans fraudulently and use the proceeds to finance USM's operations and fund investments that McGrath made personally and on USM's behalf.

Manner and Means

9. As part of the conspiracy, McGrath and others would cause USM to withhold funds due to credit unions for Credit Union

Loans that had been sold to Fannie Mae at the credit unions' direction and would misrepresent to the credit unions that those loans had not yet been sold.

10. As further part of the conspiracy, McGrath would cause USM to sell to Fannie Mae (and sometimes another entity, as well) many other Credit Union Loans, contrary to the credit unions' instructions that CUN was to retain these loans in the credit unions' portfolios.

11. As further part of the conspiracy, in order to conceal the fraudulent sale by USM of Credit Union Loans to Fannie Mae, McGrath would direct defendant Leroy Hayden to provide reports to the credit unions via electronic mail and private commercial carrier falsely stating that the loans were still in their portfolios.

12. As further part of the conspiracy, once USM received payments from Fannie Mae for fraudulently-sold Credit Union Loans -- typically approximating the loans' outstanding balances -- McGrath, G.H. and others would use some of the proceeds to make servicing payments on the loans to conceal that the loan were no longer in the credit unions' portfolios.

13. As further part of the conspiracy, McGrath, G.H., R.B. and others would transfer proceeds of the fraudulent Credit Union Loan sales from USM's bank accounts to bank and brokerage accounts controlled by or benefitting McGrath.

14. As further part of the conspiracy, at McGrath's direction, G.H. and R.B. would create false USM accounting records and bank statements that concealed numerous transfers among USM's bank accounts and bank and brokerage accounts controlled by or benefitting McGrath.

Overt Acts

15. In furtherance of the conspiracy and to effect its unlawful object, defendant Leroy Hayden and his coconspirators committed, and caused to be committed, the following overt acts in the District of New Jersey and elsewhere:

a. On or about January 28, 2008, defendant Leroy Hayden emailed to a credit union a December 2007 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

b. On or about February 1, 2008, defendant Leroy Hayden emailed to a credit union a January 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

c. On or about March 4, 2008, defendant Leroy Hayden emailed to a credit union a February 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

d. On or about March 28, 2008, defendant Leroy Hayden emailed to a credit union a March 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

e. On or about May 19, 2008, defendant Leroy Hayden emailed to a credit union an April 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

f. On or about June 3, 2008, defendant Leroy Hayden emailed to a credit union a May 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

g. On or about July 2, 2008, defendant Leroy Hayden emailed to a credit union a June 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

h. On or about August 20, 2008, defendant Leroy Hayden emailed to a credit union a July 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

i. On or about September 1, 2008, defendant Leroy Hayden emailed to a credit union an August 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

j. On or about September 30, 2008, defendant Leroy Hayden emailed to a credit union a September 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

k. On or about November 6, 2008, defendant Leroy Hayden emailed to a credit union an October 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae;

l. On or about December 1, 2008, defendant Leroy Hayden emailed to a credit union a November 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae; and

m. On or about January 5, 2009, defendant Leroy Hayden emailed to a credit union a December 2008 report that he prepared falsely stating that certain Credit Union Loans remained in the credit union's portfolio when in fact they had been sold to Fannie Mae.

All in violation of Title 18, United States Code, Section
371.

A handwritten signature in black ink, appearing to read "Paul J. Fishman", written in a cursive style.

PAUL J. FISHMAN
UNITED STATES ATTORNEY

CASE NUMBER: _____

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UNITED STATES OF AMERICA

v.

LEROY HAYDEN

INFORMATION FOR

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