



*United States Attorney
District of New Jersey*

FOR IMMEDIATE RELEASE

August 31, 2010

www.justice.gov/usao/nj

CONTACT: Rebekah Carmichael
Office of Public Affairs
(973) 645-2888

**FORMER BCIA CHAIRMAN AND PRINCIPAL IN NEW JERSEY MORTGAGE
BROKERAGE FIRM INDICTED WITH COLLEAGUE
IN MORTGAGE FRAUD SCHEME**

NEWARK, N.J. – Ronald J. O’Malley, the former Chairman and a Commissioner of the Bergen County Improvement Authority (“BCIA”) and a principal in a Ridgewood, N.J. mortgage brokerage firm, was indicted today along with a loan officer and vice president of the firm for perpetrating an alleged mortgage fraud scheme, U.S. Attorney Paul J. Fishman announced.

The grand jury returned a 68-count Indictment this afternoon charging O’Malley, 47, of Upper Saddle River, N.J., and Laura-Jean Arvelo, 51, of River Vale, N.J. with conspiring with each other, Edward Olimpio, Rachell Fischbein, and others to commit wire fraud in connection with fraudulent mortgage and home equity loans brokered by Diversified Financial Group, d/b/a Residential Mortgage Corporation (“Residential Mortgage”) between 2006 and 2009. O’Malley and Arvelo are each also charged with individual wire fraud, bank fraud, and loan application fraud counts in connection with specific loans.

O’Malley and Arvelo are expected to surrender to authorities and make their first appearances in Newark federal court on September 3, 2010, and September 2, 2010, respectively, before United States Magistrate Judge Madeline Cox Arleo in Newark. Olimpio and Fischbein pleaded guilty on July 22, 2010, before United States District Judge Susan D. Wigenton, admitting to conspiring to commit wire fraud in connection with the scheme.

U.S. Attorney Fishman stated: “The defendants’ alleged crimes created an intersection between official corruption and mortgage fraud. They are charged with using false statements and phony documents to trick lenders into making mortgage loans and, in the process, exploiting the credibility of a public agency to enrich themselves.”

According to the Indictment, other documents filed in this case, and statements made in court:

O’Malley, Arvelo, and other participants in the mortgage fraud scheme falsely represented on mortgage loan applications and other documents that certain borrowers received a salary from BCIA who did not actually work there. In support of these false representations, O’Malley and Arvelo arranged for the BCIA staff to respond to telephone calls from banks and other mortgage lenders who called to verify the claimed BCIA employment. O’Malley, Arvelo, and others also created and arranged for the creation of false and fraudulent BCIA pay stubs and IRS Forms W-2, which were also submitted to lenders.

Additionally, O'Malley, Arvelo, and the other co-conspirators made false representations regarding borrowers' employment at places other than the BCIA, and created similar false documentation in support of those claims. The co-conspirators also created false asset information for borrowers, including by pasting a borrower's name and address into O'Malley's own bank and brokerage account statements and by preparing phony "leases" for borrowers purporting to show rental income to the borrowers that did not in fact exist.

When lenders began to detect problems with certain loans, O'Malley and his co-conspirators provided additional false information to the lenders in response to their inquiries. For example, in July 2007, a lender discovered that pages from a savings passbook had been falsified to show the borrower's name and address rather than that of the true owner of the account. The bank issuing the passbook identified the account in question as belonging to O'Malley, and contacted O'Malley to discuss the matter with him. In response, O'Malley claimed that the briefcase containing his passbook had been stolen from him that March and used without his knowledge to obtain a mortgage loan. In fact, the same passbook had been falsified and used by Residential Mortgage to obtain a loan for another borrower prior to the date that the alleged theft took place.

The defendants benefitted through fees received directly and indirectly from lenders that were calculated on the basis of the fraudulently-obtained mortgage and other loans. The total amount the defendants made through these fees, while still being determined, is at least between \$200,000 and \$400,000.

Both defendants are charged with one count of conspiring to commit wire fraud, which carries a maximum potential penalty of 20 years in prison and a \$250,000 fine. O'Malley is also charged with 25 individual wire fraud counts, 21 bank fraud counts, and 21 loan application fraud counts. Arvelo is charged with 14 individual wire fraud counts, 10 bank fraud counts, and 10 loan application fraud counts. The individual wire fraud counts each carry a maximum potential penalty of 20 years in prison and a \$250,000 fine; the bank and loan application fraud counts each carry a maximum potential penalty of 30 years in prison and a \$1 million fine.

U.S. Attorney Fishman credited special agents of the FBI, under the direction of Special Agent in Charge Michael B. Ward, and special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff, for their work in the investigation. He added that the investigation is ongoing.

The case is being prosecuted by Assistant U.S. Attorney Rachael A. Honig, Deputy Chief of the U.S. Attorney's Office Criminal Division.

The charges and allegations made in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

10-245

###

Defense counsel:

Ronald O'Malley: Justin P. Walder, Esq., Roseland, N.J.; Brian Neary, Esq., Hackensack, N.J.
Laura-Jean Arvelo: Joseph Rem, Esq., Hackensack, N.J.