

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Crim. No. 11- ()
 :
 v. :
 : 18 U.S.C. §§ 1343 and 2
 JOHN FABEY :

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:

At all times relevant to this Information:

The Defendant

1. Defendant JOHN FABEY resided and conducted business in the State of New Jersey.

The Mortgage Lending Process

2. Generally, banks, mortgage companies, and other private lending institutions (collectively referred to herein as the "Mortgage Lenders") administered conventional mortgage loan programs which allowed purchasers who could meet income, credit eligibility, and down payment requirements, among other things, to obtain financing in order to acquire real estate properties.

3. After locating an available property of interest, a purchaser typically applied for a mortgage loan from a Mortgage Lender through a mortgage broker or through a mortgage originator. Generally, a mortgage broker acted as an

intermediary between a borrower and a pool of potential lending institutions, one of which was selected based on the buyer's financing needs and ability to repay the loan. A mortgage broker did not distribute its own money to fund the mortgage, but submitted a buyer's information to a mortgage lender which funded the loan. A mortgage originator also assisted a purchaser to complete a mortgage transaction. Unlike a mortgage broker, a mortgage originator distributed its own money to fund the mortgage.

4. Certain Mortgage Lenders, including Countrywide Home Loans, Inc.; First National Bank of Arizona; and JP Morgan Chase Bank, N.A. loaned money to buyers in order to enable them to finance purchase of real estate properties. Prior to making the loan, the Mortgage Lenders evaluated whether the buyers satisfied, among other things, credit eligibility and down payment requirements, to qualify for the requested financing. The Mortgage Lenders performed their evaluations by reviewing the financial representations set forth in Uniform Residential Loan Applications and related documents which loan officers caused to be submitted to the Mortgage Lenders.

5. Following approval of the loan application in the form of the issuance of a loan commitment, the Mortgage Lenders caused electronic wire transfers of funds to be transmitted from lending institutions to settlement agents such as title companies or closing attorneys participating in the closing of title on the

property. The title companies and closing attorneys then distributed a portion of the funds to the sellers.

The Scheme and Artifice to Defraud

6. From in or about at least 2006, through in or about October 2007, defendant JOHN FABEY and other co-schemers did knowingly and intentionally devise a scheme and artifice to defraud mortgage lenders and to obtain money and property from those lenders by means of materially false and fraudulent pretenses, representations, and promises, which scheme and artifice in substance is set forth below.

The Object of the Scheme and Artifice

7. The object of the scheme and artifice to defraud was to obtain mortgage loans from various lenders through the submission of false and fraudulent documents, and ensure that various home purchase transactions closed as a result of the submission of such fraudulent documents, all so that defendant JOHN FABEY could obtain mortgage loans for which he otherwise could not qualify.

8. As part of the scheme and artifice to defraud, defendant JOHN FABEY recruited a "straw buyer" to purchase numerous properties in New Jersey (the "Properties"), including condominiums in coastal areas such as North Wildwood and Wildwood, as well as single family residences throughout other parts of the State of New Jersey and elsewhere. The straw buyer was an unsophisticated individual whom defendant JOHN FABEY knew lacked financial resources to qualify for mortgage loans to

purchase the Properties. In fact, the straw buyer never saw the Properties before purchasing them.

9. As further part of the scheme and artifice to defraud, defendant JOHN FABEY induced the straw buyer to purchase the Properties by claiming that the Properties would be good investments for the straw buyer and by promising that in exchange for purchasing the Properties, the straw buyer:

a. would neither pay deposits or closing costs to acquire the Properties, nor incur any personal expense for monthly mortgage payments after the straw buyer owned the Properties; and

b. would not have to manage the Properties because defendant JOHN FABEY would maintain the Properties, locate tenants, collect rent and make mortgage payments.

10. As further part of the scheme and artifice to defraud, defendant JOHN FABEY agreed with one of his co-schemers to have the straw buyer purchase properties at an inflated price.

11. As further part of the scheme and artifice to defraud, defendant JOHN FABEY caused mortgage loan applications and supporting documents of the straw buyer to be falsified by, among other things, inflating the assets and income of the straw buyer and creating and causing to be created false and fictitious bank statements and leases.

12. As further part of the scheme and artifice to defraud, defendant JOHN FABEY caused additional fraudulent documents to be

prepared concerning the Properties, including HUD-1 Uniform Settlement Statements that were supposed to accurately reflect the amounts of money due from the straw buyer and to be paid to the sellers to close the sales of the Properties.

13. As further part of the scheme and artifice to defraud, defendant JOHN FABEY submitted and caused to be submitted to the mortgage lenders false and fraudulent mortgage loan applications to induce the mortgage lenders to make the loans to the straw buyer for the Properties.

14. After approving the mortgage loans, the mortgage lenders caused electronic wire transfers of funds to be sent to a settlement agent who closed the loans in connection with the Properties.

15. As further part of the scheme and artifice to defraud, defendant JOHN FABEY took proceeds from these fraudulent mortgage loans by having funds wired into various accounts that he controlled.

16. As part of the above fraudulent scheme, defendant JOHN FABEY obtained a number of properties, including for example:

a. 410 East 24th Avenue, Unit 200, North Wildwood,
New Jersey

i. In or about July 2007, defendant JOHN FABEY caused the straw buyer's false mortgage loan application package to be submitted to Countrywide Home Loans, Inc.

ii. On or about July 9, 2007, defendant JOHN FABEY and others caused Countrywide Home Loans, Inc. to transfer

approximately \$407,114.22 by wire from California into a title company's account at a bank located in New Jersey in connection with the straw buyer's purchase of property located at 410 East 24th Avenue, Unit 200, North Wildwood, New Jersey.

b. 403A West Spicer Avenue, Wildwood, New Jersey

i. In or about May 2007, defendant JOHN FABEY caused the straw buyer's false mortgage loan application package to be submitted to First National Bank of Arizona.

ii. On or about July 16, 2007, defendant JOHN FABEY and others caused First National Bank of Arizona to transfer approximately \$304,000 by wire from Arizona into a title company's account at a bank located in New Jersey in connection with the straw buyer's purchase of property located at 403A West Spicer Avenue, Wildwood, New Jersey.

c. 419 East 21st Avenue, Unit 201, North Wildwood, New Jersey

i. In or about September 2007, defendant JOHN FABEY caused the straw buyer's false mortgage loan application package to be submitted to JP Morgan Chase Bank, N.A.

ii. On or about September 28, 2007, defendant JOHN FABEY and others caused JP Morgan Chase Bank, N.A. to transfer approximately \$412,958.68 by wire from Ohio into a title company's account at a bank located in New Jersey in connection with the straw buyer's purchase of property located at 419 East 21st Avenue, Unit 201, North Wildwood, New Jersey.

17. In connection with the above fraudulent scheme, the

straw buyer, directed by defendant JOHN FABEY, defaulted on the mortgage loans made to her by the mortgage lenders in connection with the Properties, causing hundreds of thousands of dollars in losses to the mortgage lenders.

18. On or about September 28, 2007, in furtherance of the above-described scheme and artifice to defraud, in the District of New Jersey, and elsewhere, the defendant,

JOHN FABEY,

knowingly transmitted and caused to be transmitted by means of wire communications in interstate and foreign commerce certain writings, signs, signals, pictures and sounds, namely, a wire transfer of \$412,958.68 from JP Morgan Chase Bank, N.A. in Columbus, Ohio, to a Shore Title settlement bank account in New Jersey.

In violation of Title 18, United States Code, Section 1343 and Section 2.



PAUL J. FISHMAN
UNITED STATES ATTORNEY