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PATTY SHWARTZ
U.S. MAG. JUDGE

: Mag. No. 12-3155 (PS)

: CRIMINAL COMPLAINT

Brett M. Friedman
Special Agent
Federal Bureau of Investigation

Patty Shwan

Signature of Judicial Officer

ATTACHMENT A

Count One – Conspiracy to Commit Bank Fraud

From in or about September 2006 to in or about May 2008, in the District of New Jersey and elsewhere, defendants

LESTER SOTO
ISAAC DEPAULA
RODRIGO COSTA
ADILSON SILVA and
MICHAEL RUMORE

did knowingly and intentionally conspire and agree with each other and with others to devise a scheme and artifice to defraud financial institutions, and to obtain any of the moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, those financial institutions, by means of materially false and fraudulent pretenses, representations, and promises, contrary to Title 18, United States Code, Section 1344.

In violation of Title 18, United States Code, Section 1349.

Counts Two through Five – Money Laundering

On or about the dates set forth below, in the District of New Jersey and elsewhere,
defendants

LESTER SOTO
ISAAC DEPAULA
ADILSON SILVA and
MICHAEL RUMORE

engaged in monetary transactions, namely deposits, withdrawals, transfers and exchanges of U.S. currency and monetary instruments, through financial institutions affecting interstate commerce, in criminally derived property of the values set forth below that were derived from specified unlawful activity, namely bank fraud.

Count	Defendant	Approximate Date	Relevant Financial Institution	Subject Property	Approximate Amount (\$)
2	DEPAULA	January 18, 2008	Financial Institution B	217 West 16 th Street, Linden, NJ	86,329
3	SOTO	October 30, 2007	Financial Institution B	24 Evelyn Place, Nutley, NJ	174,585
4	SILVA	November 13, 2007	Financial Institution C	24 Evelyn Place, Nutley, NJ	12,638
5	RUMORE	January 22, 2012	Financial Institution A	217 West 16 th Street, Linden, NJ	144,807

In violation of Title 18, United States Code, Sections 1957 and 2.

ATTACHMENT B

I, Brett M. Friedman, am a Special Agent with the Federal Bureau of Investigation and have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as upon information obtained from other sources, including: a) statements made or reported by various witnesses with knowledge of relevant facts; b) my review of publicly available information relating to the defendants; and c) my review of business records, bank records and other documents obtained through subpoenas and other sources. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the content of documents and the actions, statements, and conversations of individuals are recounted herein, they are recounted in substance and in part, except where otherwise specifically indicated.

OVERVIEW OF THE FRAUDULENT SCHEME

1. From in or around September 2006 to in or around May 2008, defendants LESTER SOTO, ISAAC DEPAULA, ADILSON SILVA, RODRIGO COSTA and MICHAEL RUMORE (collectively, the “Co-Conspirators”) engaged in a long-running, large-scale mortgage fraud conspiracy. The Co-Conspirators targeted properties in low-income areas of New Jersey (the “Subject Properties”). After recruiting “straw buyers,” the Co-Conspirators used a variety of fraudulent documents to make it appear as though the straw buyers possessed far more assets, and earned far more income, than they actually did. The Co-Conspirators and others then submitted these fraudulent documents as part of mortgage loan applications to financial institutions, including Financial Institution A. Relying on these fraudulent documents, Financial Institution A provided mortgage loans for the Subject Properties. The Co-Conspirators then split the proceeds from the mortgages among themselves and others by using fraudulent settlement statements (“HUD-1s”), which hid the true sources and destinations of the mortgage funds provided by Financial Institution A. Once the money hit accounts they controlled, the Co-Conspirators each shuttled funds among various other accounts, in amounts greater than \$10,000 per transaction. In reality, as opposed to the Co-Conspirators’ false representations and fraudulent documents, the straw buyers had no means of paying the mortgages on the Subject Properties, and many of the Subject Properties entered into foreclosure proceedings. In total, as a result of the scheme, the Co-Conspirators and others defrauded Financial Institution A out of more than approximately \$30 million.

OVERVIEW OF THE MORTGAGE LENDING PROCESS

2. At various times relevant to this Complaint:
 - a. Financial institutions, including Financial Institutions A provided mortgage loans in connection with the purchase of residential properties. To obtain a mortgage loan, a prospective borrower ordinarily had to meet income, asset, and credit

eligibility requirements. Prospective borrowers applied for mortgage loans and submitted various types of documentation to demonstrate their eligibility for mortgage loans, including bank statements and Verifications of Deposit (“VODs”), W-2 forms and other tax documents, Verifications of Rent (“VORs”), and Verifications of Employment (“VOEs”).

- b. Prospective borrowers often applied for mortgage loans through mortgage brokers, who acted as intermediaries between prospective borrowers and financial institutions. Mortgage brokers did not distribute their own money to fund mortgages, but rather gathered together the prospective purchasers’ information and submitted completed loan packages to financial institutions. Mortgage brokers employed loan officers to work with prospective borrowers and shepherd their loan applications through the process. Financial institutions relied upon the information submitted by mortgage brokers in making their lending decisions.
- c. If a prospective borrower met a financial institution’s lending requirements, the financial institution funded the mortgage loan by causing an electronic wire transfer of funds from the financial institution to a settlement agent, such as a title company or a closing attorney. The settlement agent then distributed the mortgage funds pursuant to a “HUD-1.” A HUD-1 is a form prescribed by the United States Department of Housing and Urban Development to set forth the costs and fees associated with a residential real estate transaction.

DEFENDANTS AND OTHERS

- 3. Financial Institution A was a “financial institution” as defined by Title 18, United States Code, Section 20.
- 4. Financial Institutions A, B and C were “financial institutions” as defined by Title 31, United States Code, Section 5312.
- 5. Premier Mortgage Services (“PMS”) was a mortgage broker based in Woodbridge, New Jersey. At various times relevant to this Complaint, PMS maintained approximately two offices and employed as many as 35 people. PMS profited by receiving a fee for each mortgage loan that it closed.
- 6. LESTER SOTO (“SOTO”) was a part-owner of PMS. SOTO also acted as a loan officer on certain PMS mortgage loan applications. SOTO took a percentage of PMS’s profits. SOTO employed document makers to create false and fraudulent documents in furtherance of the scheme and put mortgage brokers at PMS in contact with these document makers to create yet other false and fraudulent documents. SOTO instructed PMS employees to provide him with loan files that PMS employees believed contained suspicious information, and then personally shepherded these loan files through to

funding. SOTO instructed all PMS loan officers to submit loans to Financial Institution A, because Financial Institution A's account executive was a personal friend of SOTO's.

7. ISAAC DEPAULA ("DEPAULA") and ADILSON SILVA ("SILVA") were loan officers at PMS. DEPAULA and SILVA recruited straw buyers, provided false and fraudulent documents to the straw buyers, and incorporated false and fraudulent documents into loan applications to induce financial institutions to fund mortgage loans. DEPAULA and SILVA profited illegally by receiving a commission from PMS for each mortgage loan that they closed, and also profited illegally by diverting portions of the fraudulently-obtained mortgage proceeds for themselves, often via shell corporations or nominee bank accounts.
8. RODRIGO COSTA ("COSTA") participated in the scheme with DEPAULA, SILVA, and SOTO, and pursuant to the scheme, created false and fraudulent documents, including Verifications of Deposit ("VODs") and Verifications of Rent ("VORs"). The Co-Conspirators then submitted COSTA's fraudulent documents to support the fraudulent mortgage loan applications of various straw buyers. For his participation, COSTA received a portion of the illicit proceeds from the mortgages obtained on certain Subject Properties.
9. MICHAEL RUMORE ("RUMORE") was an attorney licensed in the State of New Jersey. RUMORE served as the settlement agent on mortgage loans brokered by DEPAULA, SILVA, and SOTO for various Subject Properties. RUMORE used his status as an attorney to further the fraudulent scheme, including by convening closings, receiving funds from lenders, and preparing HUD-1s that purported to reflect the sources and destinations of funds for mortgages on Subject Properties. RUMORE signed and certified HUD-1s that were neither true nor accurate, because they failed to accurately disclose the monies that flowed through transactions. Rather, the HUD-1s RUMORE signed: (a) indicated that the straw buyers were making substantial down payments even though the straw buyers never paid any monies whatsoever in connection with the transactions; and (b) failed to record "off-the-HUD-1" transactions and disbursements that were neither listed on the HUD-1 nor disclosed to the lender. RUMORE received the proceeds of the fraudulently-obtained mortgage loans into his attorney trust account at Financial Institution A (the "RUMORE ATA"). At or following the closings, RUMORE disbursed mortgage loan proceeds directly to PMS, SOTO, DEPAULA, and SILVA, as well as to other individuals and entities, who then paid additional funds to SOTO, DEPAULA, SILVA, and COSTA pursuant to the scheme. RUMORE received a fee for each fraudulent loan in which he participated.
10. Cooperating Witness 1 ("CW-1") was a tax preparer and document maker who conspired with defendants DEPAULA, SILVA, COSTA, and SOTO, but who is not named herein. CW-1 also operated several fraudulent businesses (the "Shell Companies"), each of which had neither employees nor revenue. Using the Shell Companies, CW-1 created

fraudulent tax documents and VOEs for SOTO and others, falsely certifying that a straw buyer worked for one of the Shell Companies at a given salary to support the straw buyer's fraudulent mortgage application. CW-1 received a fee from DEPAULA or SOTO for each fraudulent document that CW-1 created. Over the course of the conspiracy, CW-1 created approximately 75-150 documents for DEPAULA and SOTO.

11. Cooperating Witness 2 ("CW-2") was a document maker who conspired with defendants DEPAULA, SILVA, COSTA, and SOTO, but who is not named herein. CW-2 created false documents, including bank statements, driver's licenses, permanent resident cards, and social security cards, to support the fraudulent mortgage loan applications of various straw buyers.

ILLUSTRATIVE FRAUDULENT TRANSACTIONS

12. As noted above, the Co-Conspirators caused lenders to fund more than 60 fraudulent mortgages, collectively worth more than approximately \$30 million. None of these loans were repaid and many of the Subject Properties ended up in foreclosure proceedings. Many of these loans ended up in foreclosure. The following summarizes just a few such transactions to illustrate how the scheme operated, and does not reveal each and every Subject Property involved in the fraudulent scheme.

27 Linden Avenue, Belleville, NJ ("27 Linden")

13. SOTO served as the loan officer for the sale and purchase of 27 Linden.
14. On or about June 28, 2007, SOTO submitted or caused to be submitted to Financial Institution A a false and fraudulent Uniform Residential Loan Application (the "27 Linden URLA") on behalf of a straw buyer named F.D. The 27 Linden URLA was submitted in support of an application for a mortgage loan of approximately \$475,000. The 27 Linden URLA was signed by SOTO and dated June 28, 2007.
15. The 27 Linden URLA was fraudulent in several respects:
 - a. The social security number listed on the 27 Linden URLA did not belong to F.D.
 - b. The VOD listed a certain bank account as belonging to F.D., but this account actually belonged to COSTA. COSTA added or caused to be added F.D.'s name to the bank account for approximately one month -- the exact month during which the 27 Linden transaction took place. COSTA then removed or caused to be removed F.D.'s name from the account.
 - c. The home address listed for F.D., 56 Geneva, was actually owned by COSTA, and served as COSTA's primary residence. COSTA signed the VOR, falsely confirming that F.D. had rented 56 Geneva since in or about January 2004.

16. On or about July 18, 2007, based in part on the fraudulent information on the 27 Linden URLA, Financial Institution A wired approximately \$477,121 to the RUMORE ATA to fund a mortgage for F.D.'s purported purchase of 27 Linden.
17. At the closing, which also took place on or about July 18, 2007, F.D. presented a fake New Jersey driver's license, and RUMORE prepared or caused to be prepared a fraudulent HUD-1 (the "27 Linden HUD-1"). Among the misrepresentations on the 27 Linden HUD-1, RUMORE certified that F.D. contributed \$27,947.97 as a down payment. In fact, RUMORE only received a \$27,947.97 payment approximately two weeks after the closing, and the \$27,947.97 was drawn out of DEPAULA's personal bank account at Financial Institution B ("DEPAULA's Personal Account").
18. After obtaining the money for 27 Linden by fraudulent means, the Co-Conspirators then divided up the illicit proceeds from the transaction, with more than \$50,000 going to DEPAULA and more than \$23,000 going to COSTA, and with RUMORE taking fees for his role.
19. The 27 Linden mortgage loan defaulted, and 27 Linden entered foreclosure proceedings.

24 Evelyn Place, Nutley, NJ ("24 Evelyn")

20. In or around September 2007, Two Wise Men LLC ("Two Wise Men"), of which SOTO was a 50% owner, purchased 24 Evelyn in a distressed sale for approximately \$210,000 in cash.
21. On or about October 15, 2007, DEPAULA submitted or caused to be submitted to Financial Institution A a false and fraudulent URLA (the "24 Evelyn URLA") on behalf of a straw buyer named J.P., requesting a mortgage loan of approximately \$522,500 to purchase 24 Evelyn.
22. The 24 Evelyn URLA was fraudulent in several respects:
 - a. The social security number listed on the 24 Evelyn URLA did not belong to J.P.
 - b. Fraudulent bank statements were used to support J.P.'s assets. Just as with 27 Linden, the statements actually belonged to an account owned by COSTA. The balances shown were altered by CW-2 to reflect higher amounts.
 - c. Again just as with 27 Linden, J.P.'s home address was listed as 56 Geneva. The 24 Evelyn URLA included a VOR falsely representing that J.P. had leased 56 Geneva since in or about June 2004 for \$1,450 per month.

23. On or about October 24, 2007, based in part on the fraudulent information on the 24 Evelyn URLA, Financial Institution A wired approximately \$525,739 to the RUMORE ATA to fund a mortgage for J.P.'s purported purchase of 24 Evelyn.
24. At the closing, on or about October 25, 2007, J.P. presented a fake New Jersey driver's license, and RUMORE prepared or caused to be prepared a false and fraudulent HUD-1 (the "24 Evelyn HUD-1"). Among the misrepresentations on the 24 Evelyn HUD-1, RUMORE falsely certified that J.P. contributed \$26,725 as a down payment at or before the closing.
25. After obtaining the money for 24 Evelyn by fraudulent means, the Co-Conspirators then divided up the illicit proceeds from the transaction, with SOTO receiving more than \$174,000 and SILVA receiving more than \$12,000 into his account at Financial Institution C.
26. The 24 Evelyn mortgage loan is in default, and 24 Evelyn is in foreclosure proceedings. No mortgage payments were ever made on the mortgage loan used by J.P. to purchase 24 Evelyn.

217 West 16th Street, Linden, NJ ("217 West 16th")

27. In or around May 2003, DEPAULA purchased 217 West 16th for approximately \$355,000.
28. SILVA subsequently served as the loan officer for the fraudulent sale of 217 West 16th to a straw buyer named M.N.
29. In or around January 2008, SILVA submitted or caused to be submitted to Financial Institution A a false and fraudulent Uniform Residential Loan Application ("the 217 West 16th URLA"), requesting a mortgage loan of approximately \$477,000.
30. The 217 West 16th URLA was fraudulent in several respects:
 - a. The social security number listed on the 217 West 16th URLA did not belong to M.N.
 - b. CW-2 created false and fraudulent bank statements to support M.N.'s mortgage application. The statements actually belonged to an account controlled by W.P., the seller of a property involved in another fraudulent PMS transaction. CW-2, however, altered the account name and address, and changed the balances so that the account appeared to contain significantly higher amounts. SILVA paid CW-2 approximately \$500 for the fraudulent bank statements.

- c. The home address listed for M.N. was actually owned by an individual named V.S., and this address also was fraudulently listed, pursuant to the scheme, as the home address for straw buyers in approximately six other SILVA transactions.
- 31. On or about January 18, 2008, based in part on the fraudulent information on the 217 West 16th URLA, Financial Institution A wired approximately \$474,391 to the RUMORE ATA to fund a mortgage for M.N.'s purported purchase of 217 West 16th.
 - 32. At the closing, on or about January 18, 2008, M.N. presented a fake New Jersey driver's license, and RUMORE prepared or caused to be prepared a false and fraudulent HUD-1 (the "217 West 16th HUD-1"). Among the misrepresentations on the 217 West 16th HUD-1, RUMORE certified that M.N. contributed approximately \$52,693.31 as a down payment. In fact, however, RUMORE did not receive any payments from M.N. at any point before, on, or after the closing date.
 - 33. After obtaining the money for 217 West 16th by fraudulent means, the Co-Conspirators then divided up the proceeds from the transaction, with DEPAULA receiving more than \$85,000 – as just one example. Defendant RUMORE also transferred funds from the proceeds of 217 West 16th Street to his personal bank account at Financial Institution A.
 - 34. The 217 West 16th mortgage loan is in default, and 217 West 16th is in foreclosure proceedings. No payments were ever made to Financial Institution A in respect of the mortgage loan used to purchase 217 West 16th.

208 Whittaker Street, Riverside, NJ ("208 Whittaker")

- 35. In or around July 25, 2007, DEPAULA purchased 208 Whittaker for approximately \$150,000.
- 36. SILVA then served as the loan officer for the fraudulent sale of 208 Whittaker to a straw buyer named M.S.
- 37. In or around August 2007, SILVA submitted or caused to be submitted a false and fraudulent Uniform Residential Loan Application ("the 208 Whittaker URLA") on behalf of M.S., requesting a mortgage loan of approximately \$161,500 for the purchase of 208 Whittaker.
- 38. The 208 Whittaker URLA was fraudulent in several respects:
 - a. The social security number listed on the 208 Whittaker URLA did not belong to M.S.

- b. The VOD for the bank account listed as belonging to M.S. actually belonged to COSTA. The name on the VOD was altered to falsely reflect M.S.'s ownership of COSTA's account.
 - c. The home address listed for M.S. was actually owned by DEPAULA. A fraudulent VOR was created to falsely reflect M.S.'s residence. DEPAULA paid approximately \$200 to the maker of the false VOR.
 - d. CW-1 created a false and fraudulent VOE confirming M.S.'s purported "employment" at Lema Contractor Company. CW-1 received approximately \$150 from DEPAULA for creating the false and fraudulent VOE.
39. On or about August 9, 2007, based in part on the fraudulent information on the 208 Whittaker URLA, Financial Institution A wired approximately \$159,846 to the RUMORE ATA to fund a mortgage for M.S.'s fraudulent purchase of 208 Whittaker.
40. At the closing, on or about August 9, 2007, M.S. presented a fake New Jersey driver's license, and RUMORE prepared or caused to be prepared a false and fraudulent HUD-1 (the "208 Whittaker HUD-1"). Among the misrepresentations on the 208 Whittaker HUD-1, RUMORE certified that M.S. contributed approximately \$16,648.22 as a down payment. In fact, however, RUMORE did not receive any payments from M.S. at any point before, on, or after the closing date.
41. After obtaining the money for 208 Whittaker by fraudulent means, the Co-Conspirators then divided up the proceeds from the transaction. DEPAULA, RUMORE, and COSTA profited illegally from the transaction. As just one example, on or about August 13, 2007, RUMORE disbursed approximately \$152,679.53 from the RUMORE ATA to Financial Institution B to pay off DEPAULA's personal line of credit.
42. The 208 Whittaker mortgage loan is in default, and 208 Whittaker is in foreclosure proceedings. No payments were ever made to Financial Institution A on the mortgage loan used to purchase 208 Whittaker.

43. As noted above, defendants DEPAULA, SOTO, SILVA, and RUMORE engaged in monetary transactions, including deposits, withdrawals, and exchanges, in amounts of more than \$10,000 with the proceeds of the scheme. Just a couple of examples are set forth below.

Count	Defendant	Approximate Date	Relevant Financial Institution	Subject Property	Approximate Amount (\$)
2	DEPAULA	January 18, 2008	Financial Institution B	217 West 16 th Street, Linden, NJ	86,329
3	SOTO	October 30, 2007	Financial Institution B	24 Evelyn Place, Nutley, NJ	174,585
4	SILVA	November 13, 2007	Financial Institution C	24 Evelyn Place, Nutley, NJ	12,638
5	RUMORE	January 22, 2012	Financial Institution A	217 West 16 th Street, Linden, NJ	144,807