

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA : **CRIMINAL NO. 12-_____**
v. : **DATE FILED: February ____, 2012**
GERALD CATHIE : **VIOLATIONS:**
: **18 U.S.C. § 371 (conspiracy - 1 count)**
: **18 U.S.C. § 1344 (bank fraud - 1 count)**
: **18 U.S.C. § 215(a)(1) (bribery of a bank**
: **employee - 1 count)**
: **26 U.S.C. § 7203 (failure to file tax**
: **returns - 1 count)**
: **Notice of forfeiture**

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this information:

1. Defendant GERALD CATHIE was a loan broker. From in or about 2005 through in or about October 2008, defendant GERALD CATHIE owned and operated GRC Consulting, located in Sicklerville, New Jersey, which specialized in obtaining unsecured lines of credit (LOC) for borrowers.
2. John C. Lucidi, Jr., charged elsewhere, worked as a mortgage broker from 2006 through 2008 in West Chester, Pennsylvania and in Newtown Square, Pennsylvania.
3. D.M., a person known to the United States Attorney, was a loan officer at Wachovia Bank, located in Sicklerville, New Jersey, who approved the business LOC loans brought to the bank by defendant GERALD CATHIE.
4. A.A., a person known to the United States Attorney, was the applicant for

a LOC loan who resided in Chester, Pennsylvania.

5. J.O., a person known to the United States Attorney, was the applicant for a LOC loan who resided in Essington, PA.

6. Wachovia Bank, NA, now known as Wells Fargo Bank, was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, Certificate No. 33869.

7. Bank of America was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, Certificate No. 3510.

8. Countrywide Bank was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, Certificate No. 33143.

9. From in or about 2006 to in or about October 2008, in West Chester and Newtown Square, in the Eastern District of Pennsylvania, and in Sicklerville and in North Wildwood, in the District of New Jersey, and elsewhere, defendant

GERALD CATHIE

conspired and agreed with others known to the United States Attorney, to commit an offense against the United States, that is, to knowingly execute bank fraud, in violation of Title 18, United States Code, Section 1344.

MANNER AND MEANS

10. It was part of the conspiracy that the defendant GERALD CATHIE (i) assisted borrowers in securing LOC loans by providing false information on loan applications and by using fabricated documents to support the loan applications; and (ii) assisted buyers in qualifying for mortgages by using false information and fabricating documents to support the mortgage applications. The false information the defendant provided on the applications

included inflated income and asset information, false employment information, and under-reported debt information. The false documents the defendant created or used included Form 1099, Form W-2, and payroll information.

11. Defendant GERALD CATHIE's knowing fabrication of documents and use of fabricated documents resulted in approval for LOC applications for approximately \$980,434.33 and for mortgage applications for approximately \$2,139,160.37, for a total loss of \$3,212,329.79.

It was further a part of the conspiracy that:

12. For the LOC loans, defendant GERALD CATHIE schemed with individuals, including S.A. and D.M., both known to the United States Attorney, to obtain bank approval for various business LOC loans. S.A. recruited borrowers, such as A.A. and J.O., persons known to the United States Attorney, who sought business LOC loans.

13. Defendant GERALD CATHIE, S.A., and D.M. knew that the borrowers did not possess sufficient income or assets necessary to qualify for the business LOC loans. Defendant GERALD CATHIE, S.A. and D.M. knew that all of the LOC loans for these borrowers were obtained under false pretenses, meaning that the supporting documentation, such as tax returns, were fabricated.

14. After the LOC loans were approved, the lender bank mailed monthly statements and loan documents for the LOC loans to the residences of borrowers A.A. and J.O.

15. Defendant GERALD CATHIE made cash payments to D.M. in the amount of approximately \$200 for each LOC loan that was approved.

16. For the mortgage loans, defendant GERALD CATHIE schemed with John C. Lucidi, Jr., charged elsewhere. Lucidi recruited buyers who sought to obtain mortgages for

various shore properties in North Wildwood, New Jersey.

17. Although the individuals that Lucidi recruited had good credit scores, many of them were in low-paying jobs, or were unemployed, and did not possess the income or assets necessary to purchase shore properties. Defendant GERALD CATHIE and John C. Lucidi, Jr. knew that all of the mortgage loans for these individuals were obtained under false pretenses, in that the supporting documentation, such as tax returns, were fabricated.

18. After the mortgage loans were approved, the lender bank mailed loan documents and monthly statements to Lucidi's place of business.

19. In total, defendant GERALD CATHIE facilitated at least nine LOC transactions and six mortgage applications that involved the submission of false representations and omissions to the lender banks, such as inflated borrower income and asset information.

20. For the LOC transactions, defendant GERALD CATHIE charged the borrower a fee, typically between 5% to 7% of the total amount of the loan. With respect to fabricating documents for mortgage applications, in addition to the fee that CATHIE received from the borrower, John Lucidi, Jr. also paid, and promised to pay, CATHIE several hundred dollars in cash payments for each loan.

OVERT ACTS

In furtherance of the conspiracy and to accomplish its objects, defendant GERALD CATHIE committed the following overt acts, among others, in the Eastern District of Pennsylvania and the District of New Jersey, and elsewhere:

Loan for 416 E. 24th Avenue, Unit 100, North Wildwood, New Jersey

1. In or about December 2007, John C. Lucidi, Jr. arranged for E.I, a person known to the United States Attorney, to purchase 416 E. 24th Avenue, Unit 100, North

Wildwood, New Jersey, from S.R.B.D., a business owned by L.D., a person known to the United States Attorney, for the falsely inflated price of \$638,000.

2. In or about December 2007, a false settlement statement was prepared, with John C. Lucidi, Jr.'s knowledge, for the sale of 416 E. 24th Avenue. The settlement statement listed the falsely inflated sales price of \$638,000 and omitted the cash back, or "kickback," payment to E.I. The settlement statement also set forth that E.I. had made a deposit of approximately \$121,000, when E.I. had made no down payment.

3. In support of the purchase of the property, John C. Lucidi, Jr. and defendant GERALD CATHIE caused inflated income information for E.I. to be placed on E.I.'s loan application. Specifically, CATHIE created a false earnings statement and a false Form W-2 in the name of E.I. to support the loan application.

4. On or about December 31, 2007, E.I.'s lender sent interstate wire transfers to the title company that was handling the closing for 416 E. 24th Avenue, totaling approximately \$417,000.

Loan for 408 E. 24th Street, Unit 100, North Wildwood, New Jersey

5. In or about June 2008, John C. Lucidi, Jr. arranged for K.K., a person known to the United States Attorney, to purchase 408 E. 24th Street, Unit 100, Wildwood, New Jersey, from S.R.B.D., a business owned by L.D., a person known to the United States Attorney, for the falsely inflated price of \$505,000.

6. In or about June 2008, a false settlement statement was prepared, with John C. Lucidi, Jr.'s knowledge, for the sale of 408 E. 24th Avenue. The settlement statement listed the falsely inflated sales price of \$505,000 and omitted the cash back, or "kickback," payment to K.K. The settlement statement also set forth that K.K. had made a deposit of

approximately \$17,500, when K.K. had made no down payment.

7. In support of the purchase of the property, John C. Lucidi, Jr. and defendant GERALD CATHIE caused inflated income information for K.K. to be placed on K.K.'s loan application. Specifically, CATHIE created a false Form W-2 in the name of K.K. to support the loan application.

8. On or about June 17, 2008, K.K.'s lender sent interstate wire transfers to the title company that was handling the closing for 408 E. 24th Avenue, totaling approximately \$494,812.

LOC loan for A.A.

9. On or about June 15, 2007, defendant GERALD CATHIE assisted A.A., a person known to the United States Attorney, in securing a commercial LOC in the amount of \$150,000 from Wachovia Bank.

10. On or about June 15, 2007, defendant GERALD CATHIE, A.A. and D.M. prepared and facilitated the submission of a false closing statement to Wachovia Bank. The closing statement falsely stated that A.A.'s salary was \$200,000. Defendant GERALD CATHIE and A.A. provided false Form 1040 in the name of A.A. for years 2005 and 2006, each of which falsely stated that A.A.'s business income as over \$200,000 in support of the loan application.

11. Thereafter, the lender, Wachovia Bank, approved of the loan in the amount of \$150,000 and credited the loan proceeds to A.A.'s checking account.

LOC loan for J.O.

12. On or about August 15, 2007, defendant GERALD CATHIE assisted J.O., a person known to the United States Attorney, in applying for a business LOC in the amount of \$100,000 from Wachovia Bank.

13. On or about August 15, 2007, defendant GERALD CATHIE, J.O. and D.M., prepared and facilitated the submission of a business LOC application to Wachovia Bank. The application was based on false information and included a falsified bank statement in the name of J.O. depicting a balance of over \$100,000, as well as false Form 1040 in the name of J.O. for years 2005 and 2006, each of which falsely stated that J.O.'s business income was over \$200,000.

14. Thereafter, the lender, Wachovia Bank, approved of the loan in the amount of \$100,000 and credited the loan proceeds to J.O.'s checking account.

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

COUNT TWO

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1 through 8 and 10 through 20, and Overt Acts 1 through 14 of Count One are incorporated here.

THE SCHEME

2. From in or about 2006 to in or about October 2008, defendant

GERALD CATHIE

devised and intended to devise a scheme to defraud Wachovia Bank, Bank of America, and, Countrywide Bank, and other mortgage lenders, by means of false and fraudulent pretenses, representations and promises.

MANNER AND MEANS

It was part of the scheme that:

3. Defendant GERALD CATHIE colluded with others during the years of the conspiracy in a scheme to defraud multiple lenders by facilitating LOC business and mortgage loans in which he and others submitted numerous false statements, including asserting inflated income about the borrowers, and fabricated documents, such as bank statements and Form W-2s, to support the applications.

4. In furtherance of the scheme, on or about August 15, 2007, in Essington, Pennsylvania, in the Eastern District of Pennsylvania, and elsewhere, defendant GERALD CATHIE assisted in submitting a LOC loan application on behalf of borrower, J.O, a person known to the United States Attorney. The LOC loan application contained fraudulent information, including inflated income. Wachovia Bank approved the LOC in the amount of \$100,000 and loan proceeds were transferred to J.O.'s account.

All in violation of Title 18, United States Code, Sections 1344 and 2.

COUNT THREE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

From in or about 2006 to in or about October 2008, in West Chester and Newtown Square, in the Eastern District of Pennsylvania, and in Sicklerville and in North Wildwood, in the District of New Jersey, and elsewhere, defendant

GERALD CATHIE

corruptly gave thousands of dollars in cash payments to an employee of Wachovia Bank, with the intent to influence and reward the employee in connection with a transaction and the business of Wachovia Bank, a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, that is, for the approval of numerous mortgage and line of credit loans.

All in violation of Title 18, United States Code, Section 215.

COUNT FOUR

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. From in or about 2006, through in or about 2008, defendant GERALD CATHIE received gross income consisting of cash deposits, fees and other taxable income from his loan broker business in the amounts of \$96,836.81 (2006), \$224,313.12 (2007) and, \$70,533.50 (2008), for a total gross income of \$391,683.43.

2. During the calendar years 2006 through 2008, in the District of New Jersey, and elsewhere, defendant

GERALD CATHIE

a resident of Sicklerville, New Jersey, made and received gross income substantially in excess of the minimum filing requirement, as set forth below, and that by reason of such gross income he was required by law, following the close of each calendar year and on or before April 15 of the following year, to make an income tax return to the appropriate Internal Revenue Service Center, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that knowing this, he willfully failed to make an income tax return to the Internal Revenue Service Center, or to any other proper officer of the United States.

<u>YEAR</u>	<u>GROSS INCOME FILING REQUIREMENT</u>
2006	\$8,450
2007	\$8,750
2008	\$8,950

All in violation of Title 26, United States Code, Section 7203.

NOTICE OF FORFEITURE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Sections 371 and 1344 set forth in this indictment, defendant

GERALD CATHIE

shall forfeit to the United States of America any property, real or personal, that constitutes or is derived from proceeds traceable to the commission of such offense, including, but not limited to, the sum of \$3,212,329.79.

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

All pursuant to Title 28, United States Code, Section 2461(c), and Title 18, United States Code, Section 981(a)(1)(C).


ZANE DAVID MEMEGER
UNITED STATES ATTORNEY