

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon. Esther Salas
: :
v. : :
: : Crim. No. 13-____ (ES)
KLARY ARCENTALES, : :
a/k/a "Patty" : :
: : 18 U.S.C. § 1349
: : 18 U.S.C. § 1344
: : 18 U.S.C. § 2

I N D I C T M E N T

The Grand Jury, in and for the District of New Jersey,
sitting at Newark, charges:

COUNT ONE
(Conspiracy to Commit Bank Fraud)

THE DEFENDANTS AND OTHERS

1. At various times relevant to this Indictment:
 - a. Defendant KLARY ARCENTALES, a/k/a "Patty," resided in Lyndhurst, New Jersey, and was employed as a loan officer at Premier Mortgage Services, LLC ("Premier").
 - b. Premier was a real estate mortgage broker based in Woodbridge, New Jersey.
 - c. L.S., a co-conspirator who is not named as a defendant herein, was a part-owner of Premier.
 - d. L.C., a co-conspirator who is not named as a defendant herein, was employed as a paralegal for attorney S.B. and handled real estate closings for S.B.

- e. A.P., a co-conspirator who is not named as a defendant herein, was the owner of a construction company based in Irvington, New Jersey.
- f. K.J., a co-conspirator who is not named as a defendant herein, was a tax preparer based in Elizabeth, New Jersey.
- g. JPMorgan Chase Bank was a financial institution as defined by Title 18, United States Code, Section 20, having accounts insured by the Federal Deposit Insurance Corporation.

THE MORTGAGE LENDING PROCESS

2. Banks, mortgage companies, and other private lending institutions (collectively, the "Mortgage Lenders") provided mortgages for real estate properties. Mortgages allowed borrowers 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 borrower could apply for a mortgage loan from a Mortgage Lender through a mortgage broker, such as Premier. Generally, a mortgage broker acted as an intermediary between a borrower and a Mortgage Lender. A mortgage broker did not distribute its own money to fund a mortgage, but submitted the borrower's information to the Mortgage Lender which ultimately decided whether to fund the mortgage loan.

4. Prior to making the mortgage loans, the Mortgage Lenders, including JPMorgan Chase Bank, evaluated whether the borrowers satisfied, among other things, income, 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 ("URLAs") and related documents which loan officers, such as defendant ARCENTALES, caused to be submitted to the Mortgage Lenders.

5. Following approval by a Mortgage Lender of a mortgage loan, the closing attorney or closing agent prepared a settlement statement, known as a "HUD-1." The HUD-1 was a form prescribed by the United States Department of Housing and Urban Development that set forth the costs, fees, and disbursements associated with a residential real estate transaction.

6. Mortgage Lenders then approved the HUD-1s, and caused electronic wire transfers of funds to be transmitted to the title company or closing attorney participating in the closing of title on the property. The title company or closing attorney then distributed the funds in accordance with the HUD-1, including by providing a portion of the funds to the seller, and a portion to the mortgage broker, such as Premier. The mortgage broker, in turn, compensated the loan officer who shepherded the loan application through the mortgage lending process.

7. From at least as early as in or about March 2007 to in or about September 2012, in Middlesex and Bergen Counties, in the District of New Jersey and elsewhere, defendant

KLARY ARCENTALES,
a/k/a "Patty"

did knowingly and intentionally conspire and agree with L.S., L.C., A.P., K.J., and others (individually and collectively, the "Co-Conspirators") to devise a scheme and artifice to defraud financial institutions, including JPMorgan Chase Bank, and to obtain moneys, funds, credits, assets, securities, and other property owned by, and under the custody and control of, those financial institutions, including JPMorgan Chase Bank, by means of materially false and fraudulent pretenses, representations, and promises, contrary to Title 18, United States Code, Section 1344.

ROLES OF THE CO-CONSPIRATORS

8. L.S. was a part-owner of Premier, and took a percentage of Premier's profits. L.S. also acted as a loan officer on certain Premier mortgage loan applications. L.S. employed document makers, including Co-Conspirator K.J., to create false and fraudulent documents in furtherance of the conspiracy and connected loan officers at Premier, including defendant ARCENTALES, with these document makers to create yet other false and fraudulent documents.

9. Defendant ARCENTALES was a loan officer at Premier. Defendant ARCENTALES received a commission from Premier for each mortgage loan that she closed, and profited illegally from

closings by diverting portions of the fraudulently-obtained mortgage proceeds for herself. Defendant ARCENTALES incorporated false and fraudulent documents into the loan applications of straw buyers in order to induce Mortgage Lenders, such as JPMorgan Chase Bank, to fund mortgage loans.

10. L.C. was a paralegal who handled real estate closings for S.B., an attorney licensed in the state of New Jersey. In that capacity, L.C. acted as the closing agent for mortgage loans brokered by ARCENTALES and others for the Subject Properties. L.C. directed the proceeds of fraudulently-obtained mortgage loans into S.B.'s attorney trust account (the "S.B. ATA"). L.C. then signed and certified HUD-1s that were neither true nor accurate, as they failed to accurately disclose the monies that flowed through transactions. At or following the closings, L.C. disbursed the fraudulently-obtained mortgage loan proceeds to L.C., Premier, defendant ARCENTALES, and A.P., among others. L.C. received a fee for each loan in which L.C. participated.

11. A.P. owned and managed Kelmar Construction Company ("Kelmar"). Kelmar built properties that were then sold to straw buyers utilizing fraudulent mortgage loans brokered by defendant ARCENTALES.

12. K.J. was a tax preparer who created false and fraudulent documents to assist defendant ARCENTALES, L.C., L.S., and A.P. in using straw buyers to purchase real estate properties. K.J. also operated several fraudulent businesses (the "Shell Companies"), none of which had either employees or

revenue. Using the Shell Companies, K.J. created fraudulent tax documents and VOEs for L.S., defendant ARCENTALES, and others. K.J. received a fee for each fraudulent document that K.J. created.

OBJECT OF THE CONSPIRACY

13. The object of the conspiracy was to profit from the sale and financing of certain properties by obtaining loans from the Mortgage Lenders based on materially false and fraudulent representations.

MANNER AND MEANS OF THE CONSPIRACY

14. It was part of the conspiracy that the Co-Conspirators targeted properties in low-income areas of New Jersey (the "Subject Properties"), several of which were built by A.P.'s construction company.

15. It was further a part of the conspiracy that the Co-Conspirators recruited "straw buyers," individuals who the Co-Conspirators knew had no means of paying the mortgages on the Subject Properties and no intention of residing at the Subject Properties, but who posed as legitimate purchasers to facilitate the fraud.

15. It was further a part of the conspiracy that 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. These fraudulent documents included bank statements, identification documents,

Verifications of Deposit ("VODs"), Verifications of Rent ("VORs"), and Verifications of Employment ("VOEs").

16. It was further a part of the conspiracy that the Co-Conspirators and others submitted these fraudulent documents and representations in connection with mortgage loan applications to Mortgage Lenders, including JPMorgan Chase Bank, with the intention that the Mortgage Lenders would rely upon those fraudulent documents and representations to provide mortgage loans for the Subject Properties.

17. After approving the mortgage loans, the Mortgage Lenders, including JPMorgan Chase Bank, caused electronic wire transfers of funds to be sent to a settlement agent who closed the mortgage loans in connection with the Subject Properties.

18. It was further a part of the conspiracy that the Co-Conspirators then split the proceeds from the fraudulently-obtained mortgage loans among themselves and others by using fraudulent HUD-1s, which hid the true sources and destinations of the mortgage funds provided by the Mortgage Lenders.

19. In reality, as opposed to the Co-Conspirators' false representations and fraudulent documents, the straw buyers had insufficient means of paying the mortgages on the Subject Properties, and many of the Subject Properties entered into foreclosure proceedings.

20. In total, as a result of the conspiracy, the Co-Conspirators and others caused JPMorgan Chase Bank to issue more than \$2 million in fraudulently-obtained mortgage loans.

SUBJECT PROPERTIES

21. As part of the fraudulent scheme, defendant ARCENTALES and her Co-Conspirators brokered the mortgage loans for a number of Subject Properties, including, for example:

I. 97 22nd Street, Irvington, New Jersey ("97 22nd Street")

- a. In or around August 2007, defendant ARCENTALES, L.S., and others submitted or caused to be submitted a false and fraudulent Uniform Residential Loan Application (the "97 22nd Street URLA") to JPMorgan Chase Bank on behalf of a straw buyer with the initials M.D. The 97 22nd Street URLA was submitted in support of an application for a mortgage loan of approximately \$400,500.
- b. The 97 22nd Street URLA contained false and fraudulent information, including fraudulently inflated income for M.D., false employment information for M.D., and false rent payment information.
- c. On or about September 4, 2007, based in part on the fraudulent information contained within the 97 22nd Street URLA, defendant ARCENTALES, L.S., and others caused JPMorgan Chase Bank to transfer approximately \$406,895 to S.B.'s ATA to fund a mortgage for M.D.'s purported purchase of 97 22nd Street.

II. 24 20th Avenue, Irvington, New Jersey ("24 20th Avenue")

- a. In or around October 2007, defendant ARCENTALES, L.S., and others submitted or caused to be submitted a false and fraudulent Uniform Residential Loan Application (the "24 20th Avenue URLA") to JPMorgan Chase Bank on behalf of a straw buyer with the initials D.D. The 24 20th Avenue URLA was submitted in support of an application for a mortgage loan of approximately \$422,500.
- b. The 24 20th Avenue URLA contained false and fraudulent information, including a false social security number for D.D., fraudulently inflated income for D.D., and false employment information for D.D.
- c. At defendant ARCENTALES's request, K.J. created a false and fraudulent VOE that claimed D.D. owned Cargon Royal Restaurant. In fact, D.D. was neither employed by, nor did he own, Cargon Royal Restaurant. K.J. was paid \$150 by a Co-Conspirator to create this false and fraudulent VOE.
- d. On or about October 19, 2007, based in part on the fraudulent information contained in the 24 20th Avenue URLA, defendant ARCENTALES, L.S., K.J., and others caused JPMorgan Chase Bank to transfer approximately \$426,262 to S.B.'s ATA to fund a

mortgage for D.D.'s purported purchase of 24 20th Avenue.

III. 1359 Brookfall Avenue, Union, New Jersey ("1359 Brookfall")

- a. In or around October 2007, defendant ARCENALES, L.S., and others submitted or caused to be submitted a false and fraudulent Uniform Residential Loan Application (the "1359 Brookfall URLA") to JPMorgan Chase Bank on behalf of a straw buyer with the initials O.C. The 1359 Brookfall URLA was submitted in support of an application for a mortgage loan of approximately \$522,000.
- b. The 1359 Brookfall URLA included false and fraudulent information, including fraudulently inflated income for O.C., false employment information for O.C., false rent payment information, and false account balance information for O.C.
- c. On or about October 31, 2007, based in part on the fraudulent information on the 1359 Brookfall URLA, defendant ARCENALES, L.S., K.J., and others caused JPMorgan Chase Bank to transfer approximately \$526,189 to S.B.'s ATA to fund a mortgage for O.C.'s purported purchase of 1359 Brookfall.

IV. 396-398 Union Avenue, Irvington, New Jersey ("396 Union")

- a. In or around November 2007, defendant ARCENTALES, L.S., and others submitted or caused to be submitted a false and fraudulent Uniform Residential Loan Application (the "396 Union URLA") to JPMorgan Chase Bank on behalf of a straw buyer with the initials G.C. The 396 Union URLA was submitted in support of an application for a mortgage loan of approximately \$422,750.
- b. The 396 Union URLA contained false and fraudulent information, including a false social security number for G.C., fraudulently inflated income for G.C., and false employment information for G.C.
- c. At defendant ARCENTALES's request, K.J. created a false and fraudulent VOE that claimed G.C. was employed by Royal Restaurant. In fact, G.C. was not employed by Royal Restaurant. K.J. was paid \$150 by a Co-Conspirator to create this false and fraudulent VOE.
- d. On or about November 30, 2007, based in part on the fraudulent information contained in the 396 Union URLA, defendant ARCENTALES, L.S., K.J., and others caused JPMorgan Chase Bank to transfer approximately \$429,661 from outside New Jersey to S.B.'s ATA in New Jersey to fund a mortgage for G.C.'s purported purchase of 396 Union.

23. As a result of the above fraudulent conspiratorial acts, the Mortgage Lenders, including JPMorgan Chase Bank, were induced to make mortgage loans to unqualified buyers and suffered losses.

All in violation of Title 18, United States Code, Section 1349.

COUNTS TWO THROUGH FIVE
(Bank Fraud)

1. The allegations set forth in Paragraphs 1 through 6 and 8 through 23 of Count One are hereby repeated, realleged and incorporated as if fully set forth herein.

2. From at least as early as in or about March 2007 to in or about September 2012, in Middlesex and Bergen Counties, in the District of New Jersey and elsewhere, defendant

KLARY ARCENTALES,
a/k/a "Patty"

did knowingly and intentionally devise and attempt to devise a scheme and artifice to defraud financial institutions, and to obtain 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, namely, through the manner and means described in paragraphs 8 through 23 of Count One of this Indictment, and for the purpose of executing and attempting to execute this scheme and artifice, defendant ARCENTALES did knowingly submit and cause to be submitted to JPMorgan Chase Bank mortgage loan applications for each property referenced below containing materially false and fraudulent representations:

Count	Approximate Date	Subject Property
2	August 2007	97 22 nd Street, Irvington, NJ
3	October 2007	24 20 th Avenue, Irvington, NJ
4	October 2007	1359 Brookfall, Union, NJ

Count	Approximate Date	Subject Property
5	November 2007	396 Union Avenue, Irvington, NJ

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

FORFEITURE ALLEGATION

1. The allegations contained in this Indictment are incorporated by reference as though set forth in full herein for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

2. The United States hereby gives notice to Defendant ARCENTALES that, upon conviction of the offenses charged in this Indictment, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(c) and Title 28, United States Code, Section 2461(c), which requires any person convicted of such offenses to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offenses.

3. If any of the above-described forfeitable property, as a result of any act or omission of the Defendant ARCENTALES:

(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 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of such defendant up to the value of the forfeitable property described in paragraph 2.

A TRUE BILL



PAUL J. FISHMAN
UNITED STATES ATTORNEY

FOREPERSON