

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon. Esther Salas
: :
v. : :
: : Crim. No. 13-_____ (ES)
KENNETH JONES : :
: :
: : 18 U.S.C. § 1349
: : 26 U.S.C. § 7206

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:

COUNT ONE
(Conspiracy to Commit Bank Fraud)

1. At various times relevant to this Information:
 - a. Defendant KENNETH JONES was a tax preparer based in Elizabeth, New Jersey.
 - b. Premier Mortgage Services, LLC ("Premier") was a real estate mortgage broker based in Woodbridge, New Jersey.
 - c. Klary Arcentales, a/k/a "Patty," a co-conspirator who is not named as a defendant herein, resided in Lyndhurst, New Jersey, and was employed as a loan officer at Premier.
 - d. Linda Cohen, 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 ("Company 1") based in Irvington, New Jersey.
- f. Adilson Silva, a co-conspirator who is not named as a defendant herein, was employed as a loan officer at Premier.
- g. I.D., a co-conspirator who is not named as a defendant herein, was employed as a loan officer at Premier.
- h. M.R., a co-conspirator who is not named as a defendant herein, was an attorney licensed to practice law in the State of New Jersey.
- i. R.C., a co-conspirator who is not named as a defendant herein, resided in Elizabeth, New Jersey.
- j. Lester Soto, a co-conspirator who is not named as a defendant herein, was a part-owner of Premier.
- k. 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 prospective 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 co-conspirator 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. If, after reviewing the HUD-1, the Mortgage Lender approved the HUD-1, the Mortgage Lender caused an electronic wire transfer 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.

THE CONSPIRACY

7. From at least as early as in or around 2007 through in or around 2010, in Middlesex and Bergen Counties, in the District of New Jersey and elsewhere, defendant

KENNETH JONES

did knowingly and intentionally conspire and agree with Klary Arcentales, Linda Cohen, Lester Soto, A.P., 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.

OBJECT OF THE CONSPIRACY

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

ROLES OF THE CO-CONSPIRATORS

9. Defendant KENNETH JONES was a tax preparer who created false and fraudulent documents that were submitted by the Co-Conspirators to the Mortgage Lenders to help the Co-Conspirators fraudulently obtain mortgage loans. Defendant KENNETH JONES also operated several fraudulent businesses (the "Shell Companies"), none of which had either employees or revenue. Using the Shell Companies, defendant KENNETH JONES created fraudulent tax documents and verifications of employment for Soto, Arcentales, and others. Defendant KENNETH JONES received a fee for each fraudulent document that he created.

10. Klary Arcentales was a loan officer at Premier. 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 to herself. To induce Mortgage Lenders, such as JPMorgan Chase Bank, to fund mortgage loans, Arcentales incorporated false and fraudulent documents, including false and fraudulent documents created by defendant KENNETH JONES, into the loan applications of

"straw buyers." These straw buyers were individuals who the Co-Conspirators knew had no means of paying the mortgages on the properties they were purportedly buying, and no intention of residing at these properties, but who posed as legitimate purchasers to facilitate the fraud.

11. Linda Cohen was a paralegal who handled real estate closings for S.B., an attorney licensed in the state of New Jersey. In that capacity, Cohen acted as the closing agent for mortgage loans brokered by Arcentales and others. Cohen directed the proceeds of fraudulently-obtained mortgage loans into S.B.'s attorney trust account (the "S.B. ATA"). Cohen 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, Cohen disbursed the fraudulently-obtained mortgage loan proceeds to Premier, Arcentales, A.P., and herself, among others. Cohen received a fee for each loan which Cohen helped close fraudulently. Cohen also controlled nominee bank accounts, through which she funneled the proceeds of her fraudulent activity.

12. A.P. owned and managed Company 1, which built properties that were then sold to straw buyers utilizing fraudulent mortgage loans brokered by Arcentales.

13. Lester Soto was a part-owner of Premier, and took a percentage of Premier's profits. Soto also acted as a loan officer on certain Premier mortgage loan applications. Soto utilized document makers, including defendant KENNETH JONES, to

create false and fraudulent documents in furtherance of the conspiracy and connected loan officers at Premier, including Klary Arcentales, with these document makers to create yet other false and fraudulent documents.

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 for the Subject Properties.

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 fraudulently 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 no means of paying the mortgages on the Subject Properties, and many of the Subject Properties entered into foreclosure proceedings.

20. As a result of the above fraudulent conspiratorial acts, the Mortgage Lenders, including JPMorgan Chase Bank, were induced to make more than \$2 million in fraudulent mortgage loans to unqualified buyers and suffered losses.

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

COUNT TWO
(Aiding and Abetting A False and Fraudulent Tax Return)

1. The allegations set forth in Paragraphs 1(a) and 9 of Count One of this Information are hereby repeated, realleged and incorporated as if fully set forth herein.

2. Defendant KENNETH JONES prepared tax returns, including U.S. Individual Income Tax Returns (Form 1040s), and supporting schedules and forms, for his clients, and in return received a fee from those clients.

3. U.S. Individual Income Tax returns permit deductions for various items, including charitable expenses and unreimbursed business expenses, but these expenses must actually be incurred by the taxpayer in order to legitimately lessen the taxes due and owing by the taxpayer. These deductions are typically recorded on a supporting schedule to the Form 1040 titled "Schedule A, Itemized Deductions."

4. In or around 2009, defendant KENNETH JONES prepared and caused to be filed with the Internal Revenue Service ("IRS") a false and fraudulent U.S. Individual Income Tax Return and Schedule A for an individual with the initials C.T. that fraudulently inflated C.T.'s charitable contributions by listing those contributions as approximately \$3,599, when in fact C.T.'s charitable contributions amounted to approximately \$1,680; and which fraudulently inflated C.T.'s miscellaneous expenses by listing those expenses as approximately \$8,884, when in fact those expenses amounted to approximately \$0.

5. At the time the U.S. Individual Income Tax Return and Schedule A was prepared, signed, and filed with the IRS, defendant KENNETH JONES knew and believed that the said tax return fraudulently inflated C.T.'s expenses, which resulted in C.T. obtaining a larger tax refund than C.T. was legitimately entitled.

6. On or about February 3, 2009, in Union County, in the District of New Jersey and elsewhere, defendant

KENNETH JONES

did willfully aid and assist in, procure, counsel, and advise the preparation and presentation under, and in connection with matters arising under the internal revenue laws, specifically, of a U.S. Individual Income Tax Return Form 1040 and Schedule A for the tax year 2008 for an individual with the initials C.T., which was fraudulent and false as to material matters.

In violation of Title 26, United States Code, Section 7206(2).

FORFEITURE ALLEGATION

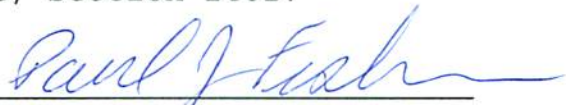
1. As the result of committing an offense in violation of Title 18, United States Code, Section 1349, as alleged in Count 1 of this Information, defendant KENNETH JONES shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense.

2. If any of the above-described forfeitable property, 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 person;
- 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 subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Section 981 and Title 28, United States Code, Section 2461.



PAUL J. FISHMAN
United States Attorney