

NEWS

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Jan 14, 2010

Ringleader of \$100 Million Ponzi Scheme
Sentenced to 18 Years in Prison

(More)

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NEWARK – Wayne Puff, the ringleader of a massive Ponzi scheme which defrauded hundreds of investors and mortgage lenders of more than \$100 million through a purported real estate investment business, was sentenced to 216 months in federal prison today, First Assistant U.S. Attorney Ralph J. Marra, Jr., announced.

U.S. District Judge Jose L. Linares also ordered Puff, 61, Old Bridge, to pay approximately \$101.1 million in restitution and to serve 3 years of supervised release upon the completion of his prison term. Puff has remained in custody since his arrest on June 10, 2008, pursuant to a federal criminal Complaint.

In sentencing Puff, Judge Linares called Puff the architect of “one of the biggest real estate frauds in [New Jersey] history.”

Puff, the founder and president of NJ Affordable Homes, Corp. (NJAH), pleaded guilty before Judge Linares on April 9, 2009, to a one-count Information that charged him with conspiracy to commit wire fraud. The criminal Information filed by the government described a broad fraud conspiracy spanning from 1998 to September 2005, during which Puff and his co-conspirators obtained more than \$120 million from individual investors by falsely touting the profitability and security of their investment in NJAH, which were secured, in part, with fraudulent mortgage loans. Puff admitted that NJAH was a massive investment and mortgage fraud scheme, which defrauded hundreds of investors located across the United States and internationally, as well as multiple mortgage lenders, of more than \$101 million.

Through print and radio advertisements, NJAH solicited individual investors and depicted itself as a private company which purchased and renovated residential properties for resale. Puff, through NJAH, promised investors that their investments were fully secure, and guaranteed them annual profit returns of between 15 and 22 percent.

Instead of investing the investors’ monies as promised, Puff diverted and misappropriated the money for a variety of illegal purposes, including utilizing the classic Ponzi modus operandi of paying existing investors with new investors’ money, as well as embezzling money for his personal use, and using investors’ money to settle other investors’ lawsuits and satisfy judgments brought by investors against NJAH and Puff. Puff also admitted using investors’ money to pay personal expenses, large and small, for trips to the Cayman Islands, meals at restaurants, purchases at cigar shops, and more.

Beginning in late 2003, in need of substantial cash to maintain and conceal the ongoing fraud, Puff and others created a second investment program referred to as “Our Money, Your Credit.” Under this program, Puff and others solicited investors who would serve as purported purchasers of NJAH properties, and would allow NJAH to use their names and credit histories for purposes of obtaining mortgage loans for multiple lenders, and NJAH would assume all fees and costs associated with the transactions. The buyers, however, did

not pay money in connection with the purchases, although the closing documents which were submitted to the mortgage lenders and Department of Housing and Urban Development (HUD) falsely stated they did.

In order to obtain tens of millions of dollars in loans from mortgage lenders, Puff recruited so-called “independent” licensed real estate appraisers to create false and misleading appraisals that grossly inflated the true value of NJAH properties. Many of the mortgage liens were essentially worthless, as they were premised on inflated and fraudulent appraisals. The fraudulent appraisals often substantiated inflated values on dilapidated, uninhabitable properties, as well as nonexistent structures on vacant lots.

According to Assistant United States Attorneys Justin W. Arnold and Robert Kirsch, Puff and others also submitted a variety of fraudulent documents to the lenders, such as false mortgage applications, false sales contracts, false employment verification data, false investor statements, and false HUD-1 Settlement Statements. The false HUD-1s were often ultimately submitted to HUD and the Federal Housing Administration (FHA), which, in turn, federally insured the loans.

The fraud was first exposed in September 2005, when the U.S. Securities and Exchange Commission (SEC) commenced a civil enforcement action against Puff and NJAH. At Puff’s plea hearing, he admitted that after the SEC began its inquiry into the business practices of NJAH, Puff and others shredded thousands of incriminating documents to conceal the fraud. Puff also obstructed justice by submitting false information to the New Jersey Bureau of Securities, in violation of a Consent Judgment, entered by a New Jersey state court judge.

The fraud required the participation of numerous individuals, both in and out of the company, including a high-level NJAH executive and outside licensed real estate appraisers and lawyers. In total, 10 of Puff’s coconspirators have pleaded guilty and admitted their roles in the conspiracy. Other coconspirators who have been sentenced include:

John Kurzel, 58, of New Brunswick, an NJAH mortgage loan processor who pleaded guilty to conspiracy for his role in preparing false and misleading loan applications in the names of straw buyers, was sentenced to 20 months in federal prison.

Michael Meehan, 49, of Belmar, a former licensed real estate appraiser who pleaded guilty for creating and submitting materially false and misleading property appraisals in the names of straw buyers to various mortgage lenders, was sentenced to 30 months in federal prison.

Anthony Natale, 45, of Neshanic Station, a lawyer who pleaded guilty to conspiracy for also creating and signing materially false and fraudulent HUD-1s relating to NJAH real estate transactions, was sentenced to 30 months in federal prison.

Sydney Raposo, 42, of Rahway, a paralegal for Natale who pleaded guilty to making

false statements to HUD relating to a federally insured mortgage loan issued by a mortgage lender, was sentenced to three years probation with six months house arrest.

The remaining defendants, Kenneth Lagonia, 58, John Morris, 63, Katrina Arrington, 37, Mitchell Fishman, 57, William Page, 50, and Lucesita Santiago, 39, await sentencing.

Marra credited Special Agents of the FBI's Franklin Township Resident Agency, under the direction of Acting Special Agent in Charge Kevin B. Cruise in Newark; the HUD Office of Inspector General, under the direction of Special Agent in Charge Joseph W. Clarke; and Postal Inspectors with the U.S. Postal Inspection Service, under the direction of Inspector in Charge David L. Collins, for investigation of the case. Marra also thanked the U.S. Securities and Exchange Commission, under the direction of George S. Canellos, the Regional Director in New York, for its assistance in the investigation.

Marra also acknowledged the assistance of Charles Forman, Esq., of the law firm Forman, Holt, Eliades, and Ravin, LLC, of Paramus, who serves as the bankruptcy trustee for NJAH in its Chapter 7 bankruptcy liquidation.

The case is being prosecuted by Assistant U.S. Attorneys Justin W. Arnold and Robert Kirsch of the U.S. Attorney's Office Criminal Division in Newark.

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Defense counsel: Joshua Markowitz, Esq. - Lawrenceville