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District of New Jersey

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FIVE INDIVIDUALS CHARGED IN PHONY DEBT ELIMINATION SCHEME

NEWARK, N.J. - Five individuals were arrested this morning and charged with using phony money orders, cashier's checks, receipts and other fabricated documents to fraudulently discharge mortgages, student loans, and other financial obligations, U.S. Attorney Craig Carpenito announced.

Melissa Reynolds, 42, of Elizabeth, New Jersey, is charged by complaint with three counts of conspiracy to commit bank and mail fraud, two counts of bank fraud, one count of mail fraud, one count of conspiracy to commit mail fraud, and one count of making false statements to the United States. Germaine King, 40, also of Elizabeth, is charged with one count of conspiracy to commit mail fraud, one count of mail fraud and one count of making false statements to the United States.

Henry Grady James IV, 43, of Hillside, New Jersey, and Arthur N. Martin III of West Orange, New Jersey, are both charged with one count of conspiracy to commit bank and mail fraud. Daniel K. Dxrams, 39, of Maplewood, New Jersey, is charged with one count of conspiracy to commit mail fraud. All five defendants are expected to appear this afternoon before U.S. Magistrate Judge Cathy L. Waldor in Newark federal court.

According to the complaint:

Reynolds, King, James, Martin, Dxrams, and others used fraudulent money orders, cashier's checks, and other fictitious documents to fraudulently discharge their debts or other obligations. In total, Reynolds and other conspirators caused and attempted to cause over $3 million in losses.

For example, in March 2013, Reynolds obtained a $417,276 mortgage from an entity referred to in the complaint as "Financial Institution One," for the purchase of her Elizabeth residence. In May 2014, Reynolds mailed a fraudulent money order in the amount of $432,000 to Financial Institution One as a payoff on the mortgage. The money order falsely claimed to have been issued or processed by the IRS.

Financial Institution One's mortgage business erroneously accepted the fraudulent payment and credited it as a payoff for her mortgage. Financial Institution One also mailed Reynolds an overpayment refund of $9,789. When Financial Institution One's mortgage business filed a suit seeking to reinstate the fraudulently discharged mortgage, Reynolds and King continued to allege in court that the mortgage had been paid and even submitted a phony receipt for the bogus money order.

Reynolds and others unsuccessfully used the same scheme to seek the discharge of other mortgages, including Reynolds' second residence in Newark, the residence of an individual in Bowie, Maryland, James' residence in Hillside, New Jersey, and Martin's residence in West Orange, New Jersey.

Reynolds also sought to fraudulently discharge over $52,000 in student loans with fraudulent money orders and cashier's checks. For example, on March 20, 2017, Reynolds sent a fraudulent cashier's check in the amount $67,000 to the Department of Education's processing company. The payment was rejected.

Reynolds, King, and Dxrams conspired to fraudulently obtain luxury cars in a similar fashion. For instance, Reynolds sent a bogus $101,000 cashier's check to a finance company that enabled Dxrams to obtain a 2012 Bentley. Dxrams sold the car to a third party for approximately $85,000 and then issued a bank check to King for approximately $25,000. The defendants also used this scheme in an effort to fraudulently obtain two Mercedes-Benz cars.

The bank fraud and bank fraud conspiracy charges are punishable by a maximum potential penalty of 30 years in prison and a $1 million fine, or twice the gross gain or loss from the offense. The mail fraud and mail fraud conspiracy charges are punishable by a maximum potential penalty of 20 years in prison and a $250,000 fine, or twice the gross gain or loss from the offense. The false statement charge is punishable by a maximum potential penalty of five years in prison and a $250,000 fine, or twice the gross gain or loss from the offense.

U.S. Attorney Carpenito credited special agents of the FBI and the Joint Terrorism Task Force, under the direction of Acting Special Agent in Charge Bradley W. Cohen in Newark; the N.J. Office of Homeland Security and Preparedness, under the direction of Director Jared Maples; the U.S. Department of Education, Office of Inspector General Eastern Regional Office, under the direction of Assistant Special Agent in Charge Debbi Mayer; and the U.S. Department of Housing and Urban Development, Office of Inspector General, under the direction of Special Agent in Charge Christina Scaringi.

The charges and allegations in the complaint are merely accusations, and the defendants are considered innocent unless and until proven guilty.

The government is represented by Assistant U.S. Attorney Anthony Moscato, Chief of the U.S. Attorney's National Security Unit in Newark.

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