

which were insured by the Federal Deposit Insurance Corporation (“FDIC”), making them “financial institutions” as defined by Title 18, United States Code, Section 20.

THE LENDING PROCESS

2. A Home Equity Line of Credit (“HELOC”) was a revolving line of credit that banks offered to borrowers in which the equity in a borrower’s house served as security or collateral for the loan. Equity was the difference between the fair market value of a property and any outstanding mortgage balance. After obtaining a HELOC, a borrower became eligible to borrow or “draw down” a certain amount of money, which was required to be repaid within a specified time period and at a certain rate of interest.

3. In deciding whether to extend a HELOC to a borrower, lenders, such as the Victim Banks, considered the value of the collateral (i.e., the value of the house owned by the borrower) that a borrower could offer to secure the line of credit, including any other liens on the property. Thus, in connection with the security agreements, a borrower typically was required to disclose to the bank any mortgages or encumbrances on the property, and banks considered whether the house whose equity the borrower offered as collateral was also serving as collateral to any other lenders.

4. Lenders also considered the borrower’s ability to repay, including a borrower’s income, debts, and credit history, and required borrowers to provide documents concerning such information.

5. Upon obtaining a HELOC, a borrower entered into a security agreement with the bank that created a mortgage or lien on the borrower's property in the amount of the line of credit. This gave the bank the right to foreclose on the borrower's property if the borrower failed to repay the money owed to the bank that issued the HELOC.

6. After entering into a security agreement with a borrower, banks typically recorded their mortgages with the clerk of the county in which the mortgaged property was located. The recording of the mortgage served to publicly disclose a bank's right to foreclose on the property under the circumstances set forth in the security agreement.

7. If a property was secured by more than one loan (mortgage, HELOC, or both), then the subsequent bank would be in a subordinate lien position. Thus, if a property had a mortgage in first lien position and a borrower applied for a HELOC, the HELOC would be recorded in a second or subordinate lien position unless the first mortgage was paid off. In other words, a mortgage that was recorded before another mortgage had priority over, and was "senior" to, the subsequently recorded or "junior" mortgage. Thus, in the event of a foreclosure on a mortgaged property used as collateral for a HELOC, the "senior" mortgage would have to be repaid or satisfied before the HELOC could be repaid.

8. A "quitclaim deed" was a deed relinquishing all interest, title, or claim that an owner had on a property.

9. A “straw buyer” was an individual who was often paid to serve as a nominal purchaser of property in a real estate transaction.

THE CONSPIRACY

10. From at least as early as in or around 2012 through in or around July 2014, in the District of New Jersey and elsewhere, defendant

SAOUD RIHAN

did knowingly and intentionally conspire and agree with co-conspirator CURANAJ and others (with defendant RIHAN, collectively, the “Co-Conspirators”) to execute and attempt to execute a scheme and artifice to defraud financial institutions, including the Victim Banks, and others, and to obtain money, 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, contrary to Title 18, United States Code, Section 1344.

OBJECT OF THE CONSPIRACY

11. It was the object of the conspiracy for the Co-Conspirators, including defendant RIHAN, to profit by obtaining multiple HELOCS from financial institutions, including the Victim Banks, on the basis of materially false and fraudulent pretenses, representations, and promises and then disbursing the funds from the HELOCs to and among themselves.

MANNER AND MEANS OF THE CONSPIRACY

12. It was part of the conspiracy that, beginning at least as early as in or around 2012, the Co-Conspirators agreed to obtain multiple HELOCs from

financial institutions on residential properties located in New Jersey and New York on the basis of false and fraudulent pretenses, representations, and promises.

13. It was further part of the conspiracy that, to induce the banks to approve HELOCs they otherwise would not have approved, and in amounts they otherwise would not have offered, the Co-Conspirators: (a) used the name and personal information of an applicant, sometimes with and sometimes without the applicant's knowledge, to apply for HELOCs; (b) made various false representations on loan documents about the applicant to obtain the necessary bank approvals for the HELOCs; and (c) pledged the same residential property over and over again as collateral for the multiple HELOCs within a short span of time to prevent the banks from discovering that the same residential property had been pledged for multiple HELOCs. For instance:

a. The Co-Conspirators recruited straw borrowers with good credit to apply for HELOCs on their behalf by transferring the residential property via quitclaim deed to the straw borrowers for a nominal purchase price.

b. Using the identity of the straw buyers, the Co-Conspirators submitted multiple HELOC applications pledging the same residential property over and over again as collateral. These HELOC applications contained a variety of false statements, including false information about the HELOC applicant's income, occupancy of the home, and the true owner of the home.

The Co-Conspirators often attended the closings for the HELOCs to ensure that

the transactions closed as planned. The Co-Conspirators also often purposefully misled the straw buyers regarding the nature of the applications being submitted in their names to the financial institutions.

c. The short span of time between the HELOC applications and the banks' subsequent funding of the HELOCs prevented the banks from discovering the other HELOCs and properly assessing the HELOC applications.

d. Once the HELOCs were approved and the funds disbursed, the Co-Conspirators shared in the proceeds.

e. As one example of the conspiracy, in or around the summer of 2013, certain Co-Conspirators, including CURANAJ, used a property located in Ridgefield Park, New Jersey to apply to three banks for three HELOCs totaling \$600,000 in a short span of time. All three HELOC applications contained misrepresentations about the HELOC applicant's income. In addition, there was not sufficient equity to serve as collateral for the three HELOCs in the Ridgefield Park, New Jersey property at the time the Co-Conspirators applied for the three HELOCs. Eventually, the three victim banks funded the HELOCs for approximately \$475,000, and the Co-Conspirators shared in the proceeds.

SUBJECT PROPERTY: BRONX PROPERTY-1

14. In or around July 2010, defendant RIHAN wanted to purchase Bronx Property-1. Defendant RIHAN could not buy Bronx Property-1, however, because his credit was not strong enough to qualify for a mortgage. Defendant RIHAN therefore recruited a straw buyer ("Individual 1") with stronger credit to

apply for a mortgage on Bronx Property-1. In exchange for Individual 1's participation, Individual 1 was offered \$10,000 but never received any payment. Once defendant RIHAN had recruited Individual 1 to the scheme, a deed was prepared that facilitated the transfer of ownership of Bronx Property-1 to Individual 1, who did not live in Bronx Property-1.

15. In or around May 2013, defendant RIHAN and CURANAJ wanted to obtain HELOCs on Bronx Property-1. To that end, in coordination with defendant RIHAN, CURANAJ prepared a quitclaim deed that facilitated the transfer of ownership of Bronx Property-1 for a nominal amount to Individual 1 along with a second straw buyer ("Individual 2"). Neither Individual 1 nor Individual 2 ever lived at Bronx Property-1. Again, because defendant RIHAN's credit was not strong enough to support a HELOC loan, defendant RIHAN recruited Individual 2 to the scheme knowing that Individual 2's credit was good. In exchange for Individual 2's participation, defendant RIHAN offered to pay Individual 2 \$10,000.

16. In or around June and July 2013, with Bronx Property-1 now in the names of Individuals 1 and 2, the Co-Conspirators applied for multiple HELOCs in Individual 2's name from multiple banks in a short span of time using Bronx Property-1 as collateral. For example:

a. On or about June 4, 2013, Individual 2 applied for a HELOC for approximately \$250,000 with Victim Bank 2.

b. On or about July 15, 2013, Individual 2 applied for a HELOC for approximately \$250,000 with Victim Bank 3.

c. On or about July 24, 2013, Individual 2 applied for a HELOC for approximately \$250,000 with Victim Bank 1.

d. Bronx Property-1 was pledged as collateral in all three HELOC applications.

e. The applications contained false information concerning Individual 2's income, which was stated to be higher than Individual 2's actual income.

f. At the time the applications were made, the value of Bronx Property-1 was approximately \$481,000, and there was not sufficient equity in Bronx Property-1 to support the \$750,000 in HELOC applications.

17. In or around August 2013, the Victim Banks issued HELOC loans to Individual 2 as follows:

a. On or about August 16, 2013, Victim Bank 2 issued a HELOC to Individual 2 in the amount of \$146,503.

b. On or about August 23, 2013, Victim Bank 3 issued a HELOC to Individual 2 in the amount of \$234,000, although Individual 2 rescinded this HELOC so no funds were disbursed from Victim Bank 3.

c. On or about August 31, 2013, Victim Bank 1 issued a HELOC to Individual 2 in the amount of \$226,500.

18. After Victim Banks 1 and 2 funded the HELOCs and deposited money into Individual 2's bank accounts, Individual 2 disbursed most of the HELOC funds into accounts owned or controlled by the Co-Conspirators, who then disbursed part of the funds to defendant RIHAN.

19. In or around July 2014, Individual 2 defaulted on the HELOC loans causing actual losses of over \$370,000 to Victim Banks 1 and 2.

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

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 982(a)(2).

2. The United States hereby gives notice to defendant RIHAN that, upon conviction of the offense charged in this Indictment, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(2), which requires any person convicted of such offense to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offense.

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

(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

~~FOR PERSON,~~



CRAIG CARPENITO
UNITED STATES ATTORNEY

CASE NUMBER: 18-ca-537(JMV)

**United States District Court
District of New Jersey**

UNITED STATES OF AMERICA

v.

**SAOUD RIHAN
a/k/a "Sam Rihan"**

INDICTMENT FOR

18 U.S.C. § 1349

A True Bill,

Foreperson

CRAIG CARPENITO

U.S. ATTORNEY

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