

United States District Court
District of New Jersey

UNITED STATES OF AMERICA	:	Hon. Patty Shwartz
	:	
v.	:	Magistrate No. 12-3154 (PS)
	:	
KLARY ARCENTALES,	:	
a/k/a "Patty"	:	CRIMINAL COMPLAINT
LINDA COHEN	:	
LESTER SOTO and	:	
ANTONIO PIMENTA	:	

I, Brett M. Friedman, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the Federal Bureau of Investigation, and that this complaint is based on the following facts:

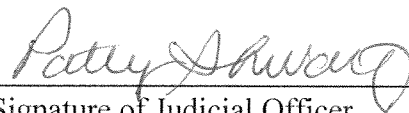
SEE ATTACHMENT B



Brett M. Friedman
Special Agent
Federal Bureau of Investigation

Sworn to before me and subscribed in my presence,
on September 12, 2012 at Newark, New Jersey

HONORABLE PATTY SHWARTZ
UNITED STATES MAGISTRATE JUDGE



Signature of Judicial Officer

ATTACHMENT A

Count One – Conspiracy to Commit Bank Fraud
(All Defendants)

From in or about September 2006 to in or about January 2008, in the District of New Jersey and elsewhere, defendants

KLARY ARCENTALES, a/k/a “Patty”
 LINDA COHEN
 LESTER SOTO and
 ANTONIO PIMENTA

did knowingly and intentionally conspire and agree with each other and others 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, contrary to Title 18, United States Code, Section 1344.

In violation of Title 18, United States Code, Section 1349.

Counts Two and Three – Money Laundering
(Defendants Cohen and Pimenta)

On or about the dates set forth below, in the District of New Jersey and elsewhere, defendants

LINDA COHEN and
 ANTONIO PIMENTA

engaged in monetary transactions, namely deposits, withdrawals, transfers and exchanges of U.S. currency and monetary instruments, through financial institutions affecting interstate commerce, in criminally derived property of the values set forth below that were derived from specified unlawful activity, namely bank fraud.

Count	Defendant	Approximate Date	Relevant Financial Institution	Subject Property	Amount (\$)
2	Cohen	October 19, 2007	Financial Institution B	24 20 th Avenue, Irvington, NJ	403,522.84
3	Pimenta	October 24, 2007	Financial Institution D	24 20 th Avenue, Irvington, NJ	30,000.00

In violation of Title 18, United States Code, Sections 1957 and 2.

ATTACHMENT B

I, Brett M. Friedman, am a Special Agent with the Federal Bureau of Investigation and have been personally involved in the investigation of this matter. The information contained in this Complaint is based upon my personal knowledge, as well as information obtained from other sources, including: a) statements made or reported by various witnesses with knowledge of relevant facts; b) my review of publicly available information relating to the defendants; and c) my review of business records, bank records and other documents obtained through subpoenas and other sources. Because this Complaint is being submitted for the limited purpose of establishing probable cause, it does not include every fact that I have learned during the course of the investigation. Where the content of documents and the actions, statements, and conversations of individuals are recounted herein, they are recounted in substance and in part, except where otherwise specifically indicated.

OVERVIEW OF THE FRAUDULENT SCHEME

1. From in or around September 2006 to in or around January 2008 defendants KLARY ARCENTALES, a/k/a "Patty," LINDA COHEN, LESTER SOTO and ANTONIO PIMENTA (collectively, the "Co-Conspirators") engaged in a large-scale mortgage fraud conspiracy. The Co-Conspirators targeted properties in low-income areas of New Jersey (the "Subject Properties"), several of which were built by PIMENTA's construction company. After recruiting "straw buyers," 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. The Co-Conspirators and others then submitted these fraudulent documents as part of mortgage loan applications to financial institutions, including Financial Institution A. Relying on these fraudulent documents, the financial institutions provided mortgage loans for the Subject Properties. The Co-Conspirators then split the proceeds from the mortgages among themselves and others by using fraudulent settlement statements ("HUD-1s"), which hid the true sources and destinations of the mortgage funds provided by the financial institutions. Once the money hit accounts they controlled, the Co-Conspirators each shuttled funds among various other accounts, in amounts greater than \$10,000 per transaction. 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. In total, as a result of the scheme, the Co-Conspirators and others defrauded Financial Institution A out of more than \$2 million.

OVERVIEW OF THE MORTGAGE LENDING PROCESS

2. At various times relevant to this Complaint:
 - a. Financial institutions, including Financial Institution A, provided mortgage loans in connection with the purchase of residential properties. To obtain a mortgage loan, a prospective borrower ordinarily had to meet income, asset, and credit

eligibility requirements. Prospective borrowers applied for mortgage loans and submitted various types of documentation to demonstrate their eligibility for mortgage loans, including bank statements and Verifications of Deposit (“VODs”), W-2 forms and other tax documents, Verifications of Rent (“VORs”), and Verifications of Employment (“VOEs”).

- b. Prospective borrowers often applied for mortgage loans through mortgage brokers, who acted as intermediaries between prospective borrowers and financial institutions. Mortgage brokers did not distribute their own money to fund mortgages, but rather gathered together the prospective purchasers’ information and submitted completed loan packages to financial institutions. Mortgage brokers employed loan officers to work with prospective borrowers and shepherd their loan applications through the process. Financial institutions relied upon the information submitted by mortgage brokers in making their lending decisions.
- c. If a prospective borrower met a financial institution’s lending requirements, the financial institution funded the mortgage loan by causing an electronic wire transfer of funds from the financial institution to a settlement agent, such as a title company or a closing attorney. The settlement agent then distributed the mortgage funds pursuant to a “HUD-1.” A HUD-1 is a form prescribed by the United States Department of Housing and Urban Development to set forth the costs and fees associated with a residential real estate transaction.

DEFENDANTS AND OTHERS

3. Financial Institution A was a “financial institution” as defined by Title 18, United States Code, Section 20.
4. Financial Institutions A, B, and D were “financial institutions” as defined by Title 31, United States Code, Section 5312.
5. Premier Mortgage Services (“PMS”) was a mortgage broker based in Woodbridge, New Jersey. At various times relevant to this Complaint, PMS maintained approximately two offices and employed as many as 35 people. PMS profited by receiving a fee for each mortgage loan that it closed.
6. LESTER SOTO (“SOTO”) was a part-owner of PMS. SOTO also acted as a loan officer on certain PMS mortgage loan applications. SOTO took a percentage of PMS’s profits. SOTO employed document makers to create false and fraudulent documents in furtherance of the scheme and put mortgage brokers at PMS in contact with these document makers to create yet other false and fraudulent documents. SOTO instructed PMS employees to provide him with loan files that PMS employees believed contained suspicious information, and then personally shepherded these loan files through to

- funding. SOTO instructed all PMS loan officers to submit loans to Financial Institution A, because Financial Institution A's account executive was a personal friend of SOTO's.
7. KLARY ARCENALES, a/k/a "Patty," ("ARCENALES") was a loan officer at PMS. ARCENALES received a commission from PMS for each mortgage loan that she closed, and she also profited illegally from closings by diverting portions of the fraudulently-obtained mortgage proceeds for herself, often via shell corporations or nominee bank accounts. ARCENALES recruited straw buyers, provided fraudulent documents to the straw buyers, and incorporated false and fraudulent documents into loan applications to induce financial institutions to fund mortgage loans.
 8. ANTONIO PIMENTA ("PIMENTA") owned and managed Kelmar Construction Company ("Kelmar"). Kelmar built properties that were then sold to straw buyers utilizing fraudulent mortgage loans brokered by ARCENALES. Kelmar received deposits and issued checks from an account at Financial Institution D.
 9. LINDA COHEN ("COHEN") was a paralegal who handled real estate closings for an attorney located in New Jersey ("Attorney A"). In that capacity, COHEN acted as the closing agent for mortgage loans brokered by ARCENALES and others for various Subject Properties. COHEN convened closings, received funds from lenders and prepared HUD-1s that purported to reflect the sources and destinations of funds for mortgages on Subject Properties. COHEN signed and certified HUD-1s that were neither true nor accurate, as they failed to disclose the true path of the monies that flowed through transactions. Rather, the HUD-1s COHEN signed: (a) indicated that the straw buyers were making substantial down payments even though the straw buyers never paid any money in connection with the transactions; and (b) failed to record "off-the-HUD-1" transactions and disbursements that were neither listed on the HUD-1 nor disclosed to the lender. COHEN received the proceeds of the fraudulently-obtained mortgage loans into Attorney A's attorney trust account at Financial Institution B (the "Attorney A ATA"). At or following the closings, COHEN disbursed mortgage loan proceeds to PMS, ARCENALES, and Kelmar, among others. In turn, ARCENALES, Kelmar, and others frequently then paid additional funds to SOTO, ARCENALES, and PIMENTA. Additionally, COHEN received a fee for each loan in which she participated.
 10. Cooperating Witness 1 ("CW-1") was a tax preparer and document creator who conspired with defendants ARCENALES, COHEN, SOTO, and PIMENTA, but who is not named herein. CW-1 also operated several fraudulent businesses (the "Shell Companies"), each of which had neither employees nor revenue. Using the Shell Companies, CW-1 created fraudulent tax documents and VOEs for SOTO and others, falsely certifying that a straw buyer worked for one of his shell companies at a given salary to support the straw buyer's fraudulent mortgage application. CW-1 received a fee from SOTO for each fraudulent document that CW-1 created. Over the course of the conspiracy, CW-1 created between approximately 75-150 documents for SOTO.

ILLUSTRATIVE FRAUDULENT TRANSACTIONS

11. As noted above, the Co-Conspirators caused lenders to fund numerous fraudulent mortgages, collectively worth more than approximately \$2 million. None of the loans were repaid, and many of the Subject Properties ended up in foreclosure proceedings. The following summarizes just two such transactions to illustrate how the scheme operated, and does not reveal each and every Subject Property involved in the fraudulent scheme.

24 20th Avenue, Irvington, New Jersey (“24 20th Avenue”)

12. ARCENALES served as the loan officer for the sale and purchase of 24 20th Avenue.
13. In or around October 2007, ARCENALES submitted or caused to be submitted to Financial Institution A a false and fraudulent Uniform Residential Loan Application (the “24 20th Avenue URLA”) on behalf of a straw buyer named D.D. The 24 20th Avenue URLA was submitted in support of an application for a mortgage loan of approximately \$422,500.
14. The 24 20th Avenue URLA was fraudulent in several respects:
 - a. The social security number listed on the 24 20th Avenue URLA did not belong to D.D.
 - b. Upon request from ARCENALES, CW-1 created a false and fraudulent VOE confirming that D.D. owned Calgon Royal Restaurant. In fact, D.D. had neither been employed by, nor owned, Calgon Royal Restaurant. The back of the request from ARCENALES to CW-1 said “Lester [SOTO]’s Paying 10/17/07.” In fact, in or about October 2007, SOTO paid CW-1 approximately \$150 for creating the fraudulent VOE.
15. On or about October 19, 2007, prior to the closing of the loan, ARCENALES informed COHEN that the building located at 24 20th Avenue had exploded. ARCENALES told COHEN to turn on the television because the explosion was on the news. According to news accounts, a group of individuals had entered the house to steal scrap metal and had severed a natural gas line, resulting in an explosion that leveled the property. Attorney A advised COHEN that she could not close on the loan knowing that the Subject Property had blown up.
16. Also on or about October 19, 2007, based in part on the fraudulent information on the 24 20th Avenue URLA, and without knowing the property had been destroyed earlier in the day, Financial Institution A wired approximately \$426,262.18 to the Attorney A ATA to fund a mortgage for D.D.’s purported purchase of 24 20th Avenue.

17. Later that day, ARCENALES told COHEN that the seller, PIMENTA, wanted to close on the loan and that PIMENTA was willing to pay COHEN to get it closed. COHEN agreed to close on the loan even though she knew that the house had exploded. PIMENTA agreed to pay COHEN approximately \$50,000 in cash for her role in closing the transaction.
18. Because Attorney A had instructed her not to close on the loan, COHEN arranged for the closing to take place at her home, instead of at Attorney A's office, where COHEN worked. At the closing, which took place on or about October 19, 2007, ARCENALES, COHEN, and D.D. met at COHEN's home. D.D. presented a fake Maryland driver's license, and COHEN prepared or caused to be prepared a false and fraudulent HUD-1 (the "24 20th Avenue HUD-1"). Among the misrepresentations on the 24 20th Avenue HUD-1, COHEN certified that D.D. contributed approximately \$39,967.25 as a down payment. In fact, however, COHEN did not receive any payment in any amount from D.D. at any point before, on, or after the closing date.
19. After obtaining the money for 24 20th Avenue by fraudulent means, the Co-Conspirators then divided up the proceeds from the transaction, with more than \$400,000 going to PIMENTA's entities and more than \$14,000 going to ARCENALES.
20. The 24 20th Avenue mortgage loan is in default, and 24 20th Avenue is in foreclosure proceedings. No payments were ever made to Financial Institution A in respect of the mortgage loan used to purchase 24 20th Avenue.
21. As noted above, defendants COHEN and PIMENTA engaged in monetary transactions, including deposits, withdrawals, and exchanges, in amounts of more than \$10,000 with the proceeds of the scheme. COHEN's transactions originated from the Attorney A ATA at Financial Institution B. PIMENTA's transactions originated from his account at Financial Institution D. Just a couple of examples are set forth below.

Defendant	Approximate Date	Relevant Financial Institution	Subject Property	Amount (\$)
Cohen	October 19, 2007	Financial Institution B	24 20 th Avenue, Irvington, NJ	403,522.84
Pimenta	October 24, 2007	Financial Institution D	24 20 th Avenue, Irvington, NJ	30,000.00

396-398 Union Avenue, Irvington, New Jersey (“396 Union”)

22. ARCENALES served as the loan officer for the sale and purchase of 396 Union.
23. In or about November 2007, ARCENALES submitted or caused to be submitted to Financial Institution A a false Uniform Residential Loan Application (the “396 Union URLA”) on behalf of a straw buyer named G.C. The 396 Union URLA was submitted in support of an application for a mortgage loan of approximately \$422,750.
24. The 396 Union URLA was fraudulent in several respects:
 - a. The social security number listed on the 396 Union URLA did not belong to G.C.
 - b. A fraudulent VOE, requested by ARCENALES and created by CW-1, falsely confirmed that G.C. was employed by “Royal Restaurant” when, in fact, G.C. did not work there and the owner of Royal Restaurant had never even heard of G.C.
25. At the closing, on or about November 30, 2007, G.C. presented a fake New Jersey driver’s license, and COHEN prepared or caused to be prepared a false and fraudulent HUD-1 (“396 Union HUD-1”). Among the misrepresentations on the 396 Union HUD-1, COHEN certified that G.C. contributed approximately \$21,743.77 as a down payment. In fact, COHEN did not receive any deposit in any amount from G.C. at any point before, on, or after the closing date.
26. On or about November 30, 2007, based in part on the fraudulent information on the 396 Union URLA, Chase wired approximately \$429,661 to the Attorney A ATA to fund a mortgage for G.C.’s purported purchase of 396 Union.
27. After obtaining the money for 396 Union by fraudulent means, the Co-Conspirators then divided up the proceeds from the transaction, with more than \$250,000 going to PIMENTA’s entities, more than \$14,000 going to PMS, and more than \$9,000 going to ARCENALES.
28. The 396 Union mortgage loan is in default, and 396 Union is in foreclosure proceedings.