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District of New Jersey

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Monday, December 13, 2021

Loan Officer Admits Participation in Large-Scale Mortgage Fraud Scheme

NEWARK, N.J. – A loan officer for a mortgage company today admitted his role in a long-running, large-scale mortgage fraud scheme, Acting U.S. Attorney Rachael A. Honig announced.

Isaac DePaula, 41, pleaded guilty before U.S. District Judge Esther Salas in Newark federal court to Count 1 of an indictment charging him with conspiracy to commit bank fraud. DePaula was a long-time fugitive who was charged by criminal complaint in 2012 and by indictment in 2016. He returned to the United States in March 2020 to face the charges in the indictment.

According to the documents filed in this and other cases and statements made in court:

From September 2006 to September 2010, DePaula and his conspirators engaged in a long-running, large-scale mortgage fraud conspiracy through a mortgage company called Premier Mortgage Services (PMS). The conspirators targeted properties in low-income areas of New Jersey. After recruiting straw buyers, the defendants 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 defendants then submitted these fraudulent documents as part of mortgage loan applications to financial institutions. Relying on these fraudulent documents, financial institutions provided mortgage loans for the subject properties.

The defendants 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 financial institutions. The defendants made false representations and provided fraudulent documents when, in fact, the straw buyers had no means of paying the mortgages on the subject properties, many of which entered into foreclosure proceedings.

The defendants played different roles in the scheme, and others charged and convicted included a part owner of PMS, an attorney who aided the fraud by performing closings on many of the

subject properties, an accountant who created false documents, the owner of a real estate development company, several loan officers, and a paralegal for another attorney who also closed fraudulent transactions.

DePaula was a loan officer at PMS and recruited straw buyers, provided false and fraudulent documents to the straw buyers, and incorporated false and fraudulent documents into loan applications to induce financial institutions to fund mortgage loans. The loan officers profited illegally by receiving a commission from PMS for each mortgage loan that they closed, and also profited illegally by diverting portions of the fraudulently obtained mortgage proceeds for themselves, often via shell corporations or nominee bank accounts.

The offense to which DePaula pleaded guilty carries a maximum potential penalty of 30 years in prison and a maximum fine of \$1 million. Sentencing is scheduled for April 19, 2022.

Acting U.S. Attorney Honig credited special agents of the FBI, under the direction of Special Agent in Charge George M. Crouch Jr. in Newark; special agents of IRS-Criminal Investigation, under the direction of Special Agent in Charge Michael Montanez in Newark; and special agents of the Federal Housing Finance Agency - Office of the Inspector General, under the direction of Special Agent in Charge Robert W. Manchak, with the investigation leading to today's guilty plea.

The government is represented by Acting Principal Assistant U.S. Attorney Rahul Agarwal.

Attachment(s):

[Download DePaula.Indictment.pdf](#)

Topic(s):

Financial Fraud

Component(s):

[USAO - New Jersey](#)

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