

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon.
v. : Criminal No. 09-
MICHAEL J. McGRATH, Jr. : 18 U.S.C. § 1349
18 U.S.C. § 1956(h)

I N F O R M A T I O N

The defendant having waived in open court prosecution by Indictment, the Acting United States Attorney for the District of New Jersey charges:

Count One - Conspiracy to Commit Mail and Wire Fraud
(18 U.S.C. § 1349)

Defendant and Coconspirators

1. At various times relevant to this Information:
 - a. Defendant Michael J. McGrath, Jr. ("McGrath") resided in Caldwell and Montclair, New Jersey, and was the president and effectively the controlling shareholder of U.S. Mortgage Corp. ("USM"), which commenced bankruptcy proceedings on or about February 23, 2009.
 - b. G.H., named as a coconspirator but not as a defendant herein, resided in Bloomfield, New Jersey, and was employed as USM's chief financial officer.
 - c. R.B., named as a coconspirator but not as a defendant herein, resided in North Arlington, New Jersey, and was employed as an accountant at USM, where he reported to G.H.

d. L.H., named as a coconspirator but not as a defendant herein, resided in East Stroudsburg, Pennsylvania, and was employed as USM's servicing manager.

e. J.C., named as a coconspirator but not as a defendant herein, resided in West Caldwell, New Jersey, and was employed as USM's trade coordinator.

US Mortgage, CU National and Fannie Mae

2. USM is a closely-held corporation headquartered in Pine Brook, New Jersey. In addition to making and brokering residential mortgage loans to the public, USM operated a wholly-owned subsidiary, CU National Mortgage, LLC ("CUN"), which commenced bankruptcy proceedings on or about April 1, 2009. CUN processed, serviced and sometimes sold to Federal National Mortgage Association ("Fannie Mae"), through USM, mortgage loans originated and funded by numerous credit unions ("Credit Union Loans").

3. Fannie Mae is a government-sponsored enterprise chartered by Congress that operates in the secondary mortgage market buying mortgage loans from lenders, which enables those lenders to make more mortgage loans. Fannie Mae funds its mortgage investments primarily by issuing debt securities in the domestic and international capital markets; those securities typically are backed by the mortgage loans that Fannie Mae purchases.

4. USM was a designated seller and servicer of loans for Fannie Mae. Fannie Mae did not conduct an individualized review of the mortgage loans it bought from USM prior to purchasing

them. Instead, Fannie Mae relied upon USM to ensure that those loans satisfied Fannie Mae's criteria for purchase and to send to Fannie Mae the original note and documentation confirming USM's authority to sell the loans. Once Fannie Mae purchased loans from USM, it relied upon USM to service them, i.e., collect the monthly payments for interest, principal and any escrows for taxes and insurance, and transmit by wire those payments to Fannie Mae.

5. When selling loans to Fannie Mae, USM employees used an electronic interface to provide Fannie Mae with information via internet about the loans being sold. Once Fannie Mae committed to purchase the loans, USM employees submitted the original promissory notes and other documents to a Fannie Mae facility in Herndon, Virginia via private commercial carrier. Meanwhile, Fannie Mae transmitted by wire the funds for purchasing the loans to USM bank accounts in New Jersey and elsewhere; the wire transfers were authorized in Washington, D.C.

6. Neither USM nor CUN had authority to sell Credit Union Loans without express permission from the credit unions who originated and funded the loans. To indicate whether they wished to sell a Credit Union Loan or, instead, retain the loan in their respective portfolios, the credit unions provided written instructions to CUN. In most cases, when a credit union directed CUN not to sell a Credit Union Loan, the credit union relied upon

CUN to service the loan through USM in the same manner that USM did for Fannie Mae.

The Conspiracy

7. From in or about January 2004 through on or about January 28, 2009, in Essex and Morris Counties, in the District of New Jersey, and elsewhere, defendant

Michael J. McGrath, Jr.

did knowingly and intentionally conspire and agree with others to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, which scheme and artifice is set forth below in substance and in part, and for the purpose of executing such scheme and artifice:

a. caused to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, contrary to 18 U.S.C. § 1341; and

b. caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals, pictures, and sounds, contrary to 18 U.S.C. § 1343.

Object of the Conspiracy

8. The object of the conspiracy, which caused more than \$100 million in losses, was to fraudulently sell Credit Union Loans and to use the proceeds to finance USM's operations and fund defendant McGrath's personal investments and investments he made on USM's behalf.

Manner and Means

9. It was a part of the conspiracy that defendant McGrath and others would misrepresent the status of certain Credit Union Loans, which permitted USM to withhold funds due to credit unions for loans they had told CUN to sell to Fannie Mae.

10. It was a further part of the conspiracy that defendant McGrath would cause USM to sell to Fannie Mae (and sometimes another entity, as well) Credit Union Loans that the credit unions had told CUN to retain in their respective loan portfolios, not sell.

11. It was a further part of the conspiracy that in order to sell Credit Union Loans without the credit unions' knowledge and consent, defendant McGrath would execute documents assigning the loans to USM, in which he misrepresented that he was an officer of the credit unions whose loans were assigned, and cause his subordinates at USM to execute documents assigning the Credit Union Loans from USM to Fannie Mae.

12. It was a further part of the conspiracy that in order to conceal the fraudulent sale by USM of Credit Union Loans to Fannie Mae that USM serviced, defendant McGrath would direct L.H. to provide reports to the credit unions via electronic mail and private commercial carrier falsely stating that the loans were still in their portfolios.

13. It was a further part of the conspiracy that once USM received from Fannie Mae the payment for a fraudulently-sold

Credit Union Loan that USM serviced -- usually a sum close to the outstanding balance of the loan -- defendant McGrath, G.H. and others would use some of the proceeds to make servicing payments on the loan.

14. It was a further part of the conspiracy that in order to conceal the fraudulent sale by USM of Credit Union Loans to Fannie Mae that USM did not service, defendant McGrath would direct L.H. to modify USM's loan servicing system so that Fannie Mae would receive the servicing payments it expected for those loans.

15. It was a further part of the conspiracy that defendant McGrath, G.H., R.B. and others would transfer proceeds of the fraudulent Credit Union Loan sales from USM's bank accounts to bank and brokerage accounts controlled by defendant McGrath individually, with his wife jointly, through his corporate alter egos or for USM.

16. It was a further part of the conspiracy that defendant McGrath would direct G.H. and R.B. to create false USM accounting records and bank statements that concealed more than \$100 million in transfers back and forth between USM's bank accounts and bank and brokerage accounts controlled by or benefitting defendant McGrath.

17. It was a further part of the conspiracy that defendant McGrath would continue his fraudulent sales of Credit Union Loans to Fannie Mae despite meeting with law enforcement on or about

October 29, 2008 regarding other USM-related matters. During the following three months, USM received more than \$35 million from Fannie Mae for such sales.

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

Count Two - Conspiracy to Commit Money Laundering
(18 U.S.C. § 1956(h))

1. The allegations set forth in paragraphs 1 through 6 and 8 through 17 of Count One are realleged and incorporated herein.

2. From in or about January 2004 through on or about January 28, 2009, in Essex and Morris Counties, in the District of New Jersey, and elsewhere, defendant

Michael J. McGrath, Jr.

did knowingly conspire with others to engage in monetary transactions affecting interstate commerce, namely, the transfer of funds by wire and other means, in criminally derived property of a value greater than \$10,000 that was derived from specified unlawful activity, namely, mail fraud and wire fraud, contrary to Title 18, United States Code, Section 1957.

3. As part of the conspiracy, defendant McGrath and his coconspirators caused more than \$100 million in Credit Union Loans to be sold without authorization from the credit unions who owned the loans. Once the proceeds from these fraudulent sales were deposited into USM bank accounts, defendant McGrath -- with help from G.H. and others -- caused wire transfers of proceeds of the fraud from the USM bank accounts to bank and brokerage accounts controlled by or benefitting defendant McGrath or USM, including those transfers summarized by approximate date and amount below:

Date	Amount	Date	Amount
02/26/2008	\$81,126.50	11/13/2008	\$1,577,301.54
02/27/2008	\$100,000.00	11/13/2008	\$1,000,000.00
07/02/2008	\$1,500,000.00	11/14/2008	\$2,100,000.00
07/03/2008	\$299,838.30	11/14/2008	\$50,000.00
07/07/2008	\$1,262,300.00	11/25/2008	\$2,500,000.00
07/14/2008	\$100,000.00	11/25/2008	\$900,000.00
09/02/2008	\$146,000.00	11/26/2008	\$1,050,000.00
09/03/2008	\$1,500,000.00	11/28/2008	\$320,000.00
09/08/2008	\$500,000.00	11/28/2008	\$30,000.00
09/09/2008	\$710,940.29	12/02/2008	\$350,000.00
09/11/2008	\$1,175,000.00	12/05/2008	\$2,500,000.00
09/11/2008	\$1,040,000.00	12/08/2008	\$730,000.00
09/12/2008	\$3,691,582.00	12/08/2008	\$67,500.00
09/12/2008	\$1,000,000.00	12/09/2008	\$340,000.00
09/15/2008	\$2,000,000.00	12/10/2008	\$400,000.00
09/17/2008	\$1,000,000.00	12/18/2008	\$1,500,000.00
09/17/2008	\$238,000.00	12/19/2008	\$641,000.00
09/29/2008	\$200,000.00	12/19/2008	\$371,000.00
10/08/2008	\$2,700,000.00	12/22/2008	\$370,000.00
10/09/2008	\$330,000.00	12/26/2008	\$1,000,000.00
10/28/2008	\$1,000,000.00	12/26/2008	\$1,200,000.00
10/28/2008	\$400,000.00	12/29/2008	\$45,000.00
10/30/2008	\$750,000.00	12/30/2008	\$2,050,000.00
10/31/2008	\$200,000.00	12/31/2008	\$350,000.00
11/06/2008	\$400,000.00	01/26/2009	\$1,250,000.00

All in violation of Title 18, United States Code, Section 1956(h).

Forfeiture Allegations
(18 U.S.C. §§ 981 & 982 and 28 U.S.C. § 2461)

1. The allegations contained in paragraphs of 1 through 6 and 8 through 17 of Count One are realleged and incorporated herein for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 981 and Title 28, United States Code, Section 2461.

2. The allegations contained in paragraph 3 of Count Two are realleged and incorporated herein for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 982.

3. Pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), upon conviction of the mail and wire fraud conspiracy offense set forth in Count One, defendant McGrath shall forfeit to the United States all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense, including a sum of money equal to approximately \$139,648,807.70 in United States currency, representing the amount of proceeds obtained as a result of the offense.

4. Pursuant to Title 18, United States Code, Section 982(a), upon conviction of the money laundering offense set forth in Count Two, defendant McGrath shall forfeit to the United States all property, real and personal, that was involved in the offense or is traceable to such property, including:

a. the contents of TD Bank account number xxxxx0376, in the names of defendant McGrath and his wife (the "McGraths");

b. the contents of TD Bank account number xxxxxx1244, in the name of EvenFlow Funding, LLC ("EvenFlow");

c. the contents of TD Ameritrade, Inc. account number xxx-xx9118, in the McGraths' names;

d. the contents of Newbridge Securities Corporation account number xxxx-3204, in the McGraths' names;

e. the contents of J.P. Turner & Co. account number xxxx7813, in EvenFlow's name;

f. the contents of J.P. Turner & Co. account number xxxxx2890, in the McGraths' names;

g. the contents of J.P. Turner & Co. account number xxxxx7644, in defendant McGrath's name;

h. the contents of Texas Capital Bank account number xxxxxx0569, in EvenFlow's name;

i. the contents of Capital One Bank account number xxxxxx2830, in USM's name; and

j. the property known as 307-313 Newark Street, Hoboken, New Jersey.

5. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b) and Title 28, United States Code, Section 2461(c), defendant McGrath shall forfeit substitute property, up to the value of the property described in paragraphs 3 and 4, if, by any act and omission of him, that property or any portion thereof:

a. cannot be located upon the exercise of due diligence,

b. has been transferred to, 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 subdivided without difficulty.

RALPH J. MARRA, JR.
ACTING UNITED STATES ATTORNEY

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3. As part of the conspiracy, defendant McGrath and his coconspirators caused more than \$100 million in Credit Union Loans to be sold without authorization from the credit unions who owned the loans. Once the proceeds from these fraudulent sales were deposited into USM bank accounts, defendant McGrath -- with help from G.H. and others -- caused wire transfers of proceeds of the fraud from the USM bank accounts to bank and brokerage accounts controlled by or benefitting defendant McGrath or USM, including those transfers summarized by approximate date and amount below:

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3. Fannie Mae is a government-sponsored enterprise chartered by Congress that operates in the secondary mortgage market buying mortgage loans from lenders, which enables those lenders to make more mortgage loans. Fannie Mae funds its mortgage investments primarily by issuing debt securities in the domestic and international capital markets; those securities typically are backed by the mortgage loans that Fannie Mae purchases.

4. USM was a designated seller and servicer of loans for Fannie Mae. Fannie Mae did not conduct an individualized review of the mortgage loans it bought from USM prior to purchasing

them. Instead, Fannie Mae relied upon USM to ensure that those loans satisfied Fannie Mae's criteria for purchase and to send to Fannie Mae the original note and documentation confirming USM's authority to sell the loans. Once Fannie Mae purchased loans from USM, it relied upon USM to service them, i.e., collect the monthly payments for interest, principal and any escrows for taxes and insurance, and transmit by wire those payments to Fannie Mae.

5. When selling loans to Fannie Mae, USM employees used an electronic interface to provide Fannie Mae with information via internet about the loans being sold. Once Fannie Mae committed to purchase the loans, USM employees submitted the original promissory notes and other documents to a Fannie Mae facility in Herndon, Virginia via private commercial carrier. Meanwhile, Fannie Mae transmitted by wire the funds for purchasing the loans to USM bank accounts in New Jersey and elsewhere; the wire transfers were authorized in Washington, D.C.

6. Neither USM nor CUN had authority to sell Credit Union Loans without express permission from the credit unions who originated and funded the loans. To indicate whether they wished to sell a Credit Union Loan or, instead, retain the loan in their respective portfolios, the credit unions provided written instructions to CUN. In most cases, when a credit union directed CUN not to sell a Credit Union Loan, the credit union relied upon

CUN to service the loan through USM in the same manner that USM did for Fannie Mae.

The Conspiracy

7. From in or about January 2004 through on or about January 28, 2009, in Essex and Morris Counties, in the District of New Jersey, and elsewhere, defendant

Michael J. McGrath, Jr.

did knowingly and intentionally conspire and agree with others to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, which scheme and artifice is set forth below in substance and in part, and for the purpose of executing such scheme and artifice:

a. caused to be deposited matters and things to be sent and delivered by private and commercial interstate carriers, contrary to 18 U.S.C. § 1341; and

b. caused to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals, pictures, and sounds, contrary to 18 U.S.C. § 1343.

Object of the Conspiracy

8. The object of the conspiracy, which caused more than \$100 million in losses, was to fraudulently sell Credit Union Loans and to use the proceeds to finance USM's operations and fund defendant McGrath's personal investments and investments he made on USM's behalf.

Manner and Means

9. It was a part of the conspiracy that defendant McGrath and others would misrepresent the status of certain Credit Union Loans, which permitted USM to withhold funds due to credit unions for loans they had told CUN to sell to Fannie Mae.

10. It was a further part of the conspiracy that defendant McGrath would cause USM to sell to Fannie Mae (and sometimes another entity, as well) Credit Union Loans that the credit unions had told CUN to retain in their respective loan portfolios, not sell.

11. It was a further part of the conspiracy that in order to sell Credit Union Loans without the credit unions' knowledge and consent, defendant McGrath would execute documents assigning the loans to USM, in which he misrepresented that he was an officer of the credit unions whose loans were assigned, and cause his subordinates at USM to execute documents assigning the Credit Union Loans from USM to Fannie Mae.

12. It was a further part of the conspiracy that in order to conceal the fraudulent sale by USM of Credit Union Loans to Fannie Mae that USM serviced, defendant McGrath would direct L.H. to provide reports to the credit unions via electronic mail and private commercial carrier falsely stating that the loans were still in their portfolios.

13. It was a further part of the conspiracy that once USM received from Fannie Mae the payment for a fraudulently-sold

Credit Union Loan that USM serviced -- usually a sum close to the outstanding balance of the loan -- defendant McGrath, G.H. and others would use some of the proceeds to make servicing payments on the loan.

14. It was a further part of the conspiracy that in order to conceal the fraudulent sale by USM of Credit Union Loans to Fannie Mae that USM did not service, defendant McGrath would direct L.H. to modify USM's loan servicing system so that Fannie Mae would receive the servicing payments it expected for those loans.

15. It was a further part of the conspiracy that defendant McGrath, G.H., R.B. and others would transfer proceeds of the fraudulent Credit Union Loan sales from USM's bank accounts to bank and brokerage accounts controlled by defendant McGrath individually, with his wife jointly, through his corporate alter egos or for USM.

16. It was a further part of the conspiracy that defendant McGrath would direct G.H. and R.B. to create false USM accounting records and bank statements that concealed more than \$100 million in transfers back and forth between USM's bank accounts and bank and brokerage accounts controlled by or benefitting defendant McGrath.

17. It was a further part of the conspiracy that defendant McGrath would continue his fraudulent sales of Credit Union Loans to Fannie Mae despite meeting with law enforcement on or about

October 29, 2008 regarding other USM-related matters. During the following three months, USM received more than \$35 million from Fannie Mae for such sales.

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

Count Two - Conspiracy to Commit Money Laundering
(18 U.S.C. § 1956(h))

1. The allegations set forth in paragraphs 1 through 6 and 8 through 17 of Count One are realleged and incorporated herein.

2. From in or about January 2004 through on or about January 28, 2009, in Essex and Morris Counties, in the District of New Jersey, and elsewhere, defendant

Michael J. McGrath, Jr.

did knowingly conspire with others to engage in monetary transactions affecting interstate commerce, namely, the transfer of funds by wire and other means, in criminally derived property of a value greater than \$10,000 that was derived from specified unlawful activity, namely, mail fraud and wire fraud, contrary to Title 18, United States Code, Section 1957.

3. As part of the conspiracy, defendant McGrath and his coconspirators caused more than \$100 million in Credit Union Loans to be sold without authorization from the credit unions who owned the loans. Once the proceeds from these fraudulent sales were deposited into USM bank accounts, defendant McGrath -- with help from G.H. and others -- caused wire transfers of proceeds of the fraud from the USM bank accounts to bank and brokerage accounts controlled by or benefitting defendant McGrath or USM, including those transfers summarized by approximate date and amount below:

Date	Amount	Date	Amount
02/26/2008	\$81,126.50	11/13/2008	\$1,577,301.54
02/27/2008	\$100,000.00	11/13/2008	\$1,000,000.00
07/02/2008	\$1,500,000.00	11/14/2008	\$2,100,000.00
07/03/2008	\$299,838.30	11/14/2008	\$50,000.00
07/07/2008	\$1,262,300.00	11/25/2008	\$2,500,000.00
07/14/2008	\$100,000.00	11/25/2008	\$900,000.00
09/02/2008	\$146,000.00	11/26/2008	\$1,050,000.00
09/03/2008	\$1,500,000.00	11/28/2008	\$320,000.00
09/08/2008	\$500,000.00	11/28/2008	\$30,000.00
09/09/2008	\$710,940.29	12/02/2008	\$350,000.00
09/11/2008	\$1,175,000.00	12/05/2008	\$2,500,000.00
09/11/2008	\$1,040,000.00	12/08/2008	\$730,000.00
09/12/2008	\$3,691,582.00	12/08/2008	\$67,500.00
09/12/2008	\$1,000,000.00	12/09/2008	\$340,000.00
09/15/2008	\$2,000,000.00	12/10/2008	\$400,000.00
09/17/2008	\$1,000,000.00	12/18/2008	\$1,500,000.00
09/17/2008	\$238,000.00	12/19/2008	\$641,000.00
09/29/2008	\$200,000.00	12/19/2008	\$371,000.00
10/08/2008	\$2,700,000.00	12/22/2008	\$370,000.00
10/09/2008	\$330,000.00	12/26/2008	\$1,000,000.00
10/28/2008	\$1,000,000.00	12/26/2008	\$1,200,000.00
10/28/2008	\$400,000.00	12/29/2008	\$45,000.00
10/30/2008	\$750,000.00	12/30/2008	\$2,050,000.00
10/31/2008	\$200,000.00	12/31/2008	\$350,000.00
11/06/2008	\$400,000.00	01/26/2009	\$1,250,000.00

All in violation of Title 18, United States Code, Section 1956(h).

Forfeiture Allegations
(18 U.S.C. §§ 981 & 982 and 28 U.S.C. § 2461)

1. The allegations contained in paragraphs of 1 through 6 and 8 through 17 of Count One are realleged and incorporated herein for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 981 and Title 28, United States Code, Section 2461.

2. The allegations contained in paragraph 3 of Count Two are realleged and incorporated herein for the purpose of noticing forfeiture pursuant to Title 18, United States Code, Section 982.

3. Pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), upon conviction of the mail and wire fraud conspiracy offense set forth in Count One, defendant McGrath shall forfeit to the United States all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offense, including a sum of money equal to approximately \$139,648,807.70 in United States currency, representing the amount of proceeds obtained as a result of the offense.

4. Pursuant to Title 18, United States Code, Section 982(a), upon conviction of the money laundering offense set forth in Count Two, defendant McGrath shall forfeit to the United States all property, real and personal, that was involved in the offense or is traceable to such property, including:

a. the contents of TD Bank account number xxxxx0376, in the names of defendant McGrath and his wife (the "McGraths");

b. the contents of TD Bank account number xxxxxx1244, in the name of EvenFlow Funding, LLC ("EvenFlow");

c. the contents of TD Ameritrade, Inc. account number xxx-xx9118, in the McGraths' names;

d. the contents of Newbridge Securities Corporation account number xxxx-3204, in the McGraths' names;

e. the contents of J.P. Turner & Co. account number xxxx7813, in EvenFlow's name;

f. the contents of J.P. Turner & Co. account number xxxxx2890, in the McGraths' names;

g. the contents of J.P. Turner & Co. account number xxxxx7644, in defendant McGrath's name;

h. the contents of Texas Capital Bank account number xxxxxx0569, in EvenFlow's name;

i. the contents of Capital One Bank account number xxxxxx2830, in USM's name; and

j. the property known as 307-313 Newark Street, Hoboken, New Jersey.

5. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b) and Title 28, United States Code, Section 2461(c), defendant McGrath shall forfeit substitute property, up to the value of the property described in paragraphs 3 and 4, if, by any act and omission of him, that property or any portion thereof:

a. cannot be located upon the exercise of due diligence,

b. has been transferred to, 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 subdivided without difficulty.

RALPH J. MARRA, JR.
ACTING UNITED STATES ATTORNEY