

2011R00413/AM-CAR

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Hon. *SDW*  
 :  
 v. : Crim. No. 12- *601*  
 :  
 AMEDEO A. GAGLIOTI, :  
 a/k/a "MATT GAGLIOTI" : 18 U.S.C. §§ 1343, 1957, and 2

I N F O R M A T I O N

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

COUNT ONE  
(Wire Fraud)

1. At all times relevant to this Information:
  - a. Defendant AMEDEO A. GAGLIOTI, also known as (a/k/a) MATT GAGLIOTI ("GAGLIOTI"), was a resident of Westfield, New Jersey, and was an attorney admitted to practice law in New Jersey.
  - b. Defendant GAGLIOTI was the closing attorney for numerous fraudulent real estate transactions relating to properties primarily located in northern New Jersey.
  - c. Defendant GAGLIOTI operated offices in Westfield, Morristown, and Elizabeth, New Jersey.

Mortgage Lending Generally

2. Mortgage loans are loans funded by banks, mortgage companies, and other financial institutions ("lenders"), to enable borrowers to finance the purchase of real estate property, giving

the lenders a secured interest in the property. In deciding whether borrowers meet the lenders' income, credit eligibility, and down payment requirements, the lenders are supposed to evaluate the financial representations made in the loan applications and other documents submitted by the borrowers, and to assess the value of the property securing the loan.

3. A common type of mortgage loan is issued in connection with an insurance program administered by the Federal Housing Administration ("FHA"), which is a division of the United States Department of Housing and Development. The FHA encourages lenders to make mortgage loans to qualified borrowers by protecting against loan defaults through a government-backed payment guarantee if the borrower defaults on a mortgage loan.

4. Another common type of mortgage loan is called a "conventional" mortgage loan. Lenders underwrite and fund conventional mortgage loans using their own funds and credit lines. After funding the conventional mortgage loans, the lenders can either service the loans during the mortgage loan period or sell the loans to other institutional investors in the secondary market.

5. At times relevant to this Information, the mortgage companies referred to herein were "financial institutions," as defined in 18 U.S.C. § 20, because they were "mortgage lending businesses," as defined in 18 U.S.C. § 27. The mortgage companies

were organizations which financed or refinanced debts secured by interests in real estate property, and their activities affected interstate commerce.

#### Short Sales Generally

6. A short sale is a type of real estate transaction in which property is sold for less than the amount owed by the seller on the underlying mortgage on the property. A short sale involves an agreement between the seller ("mortgagor") and the lender ("mortgagee") who holds a mortgage on the property, whereby the mortgagee agrees to release its mortgage in exchange for payment of less than the total amount owed on the mortgage. Following the closing of a short sale transaction, the closing attorney is required to record the deed in the official records of the relevant county agency in order to properly reflect the occurrence of the short sale on the date of the transaction, the parties involved, and the amount paid by the buyer.

#### Role of a Real Estate Closing Attorney Generally

7. A closing attorney is responsible for the administration and coordination of the closing of a real estate transaction. In this capacity, the responsibilities of the closing attorney include, but are not limited to, (1) collecting all closing funds related to the transaction, including down payment funds and mortgage proceeds; (2) maintaining an attorney trust account to safeguard the funds

related to the transaction; (3) disbursing funds related to the transaction, including the pay-off of existing mortgages on the property to be transferred and the payment to individuals legally entitled to the funds; (4) preparing HUD-1 Settlement Statements accounting for all funds received and disbursed related to the transaction; (5) ensuring the clear transfer of title, preparing deeds related to the transaction, and recording the deeds with the appropriate entity; and (6) collecting and submitting documents to the mortgagee and others.

**THE SCHEME TO DEFRAUD**

8. From in or about December 2007 through in or about August 2010, in Union County, in the District of New Jersey, and elsewhere, defendant

AMEDEO A. GAGLIOTI,  
a/k/a MATT GAGLIOTI,

did knowingly and intentionally devise a scheme and artifice to defraud, which scheme affected financial institutions, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of executing and attempting to execute such scheme and artifice, did transmit and cause to be transmitted by means of wire, radio, and television communication in interstate and foreign commerce, certain writings, signs, signals, pictures, and sounds, as set forth below.

**Object of the Scheme to Defraud**

9. The object of the scheme to defraud was for Defendant GAGLIOTI and his co-schemers to obtain money and property from mortgage lenders by making materially false and fraudulent representations to those lenders.

**Methods and Means of the Scheme to Defraud**

10. Defendant GAGLIOTI served as the closing attorney for numerous fraudulent real estate transactions involving residential properties primarily located in northern New Jersey. Many of these transactions involved a type of real estate fraud commonly known as a "short sale flip," or "A to B, A to C short sale." Specifically, Defendant GAGLIOTI would administer and coordinate two separate closings for the same property and seller, but for different buyers and sales prices, often on or about the same day.

11. These fraudulent "short sale flip" transactions operated as follows. First, Defendant GAGLIOTI would coordinate the closing of a sham transaction between a purported seller, Party A, and a purported buyer, Party B, at a price far lower than the amount Party A currently owed on the mortgage secured by the property. The purpose of this sham transaction was to fraudulently persuade the holder of Party A's mortgage, Lender A, to accept the proceeds of this purported sale in full satisfaction of Party A's mortgage and to discharge its lien on the property. Party B, however, had no

intention of actually completing the purchase of the property and would not pay any money toward the transaction, despite having been identified and represented to Lender A by Defendant GAGLIOTI and his co-schemers as a bona fide buyer.

12. Unbeknownst to Lender A, however, Defendant GAGLIOTI would complete a second closing related to the sale of the same property from Party A to a different buyer, Party C, at a purchase price considerably larger than the amount of the short sale price between Party A and Party B. The sale of the property from Party A to Party C would often occur on or about the same date as the sale from Party A to Party B. In addition, the second sale would be funded through a new mortgage loan obtained in the name of Party C through a different mortgage lender, Lender B. Many of these loans were FHA-insured loans. Lender B would approve and fund the new loan based on misrepresentations and omissions made by Defendant GAGLIOTI and his co-schemers.

13. Had Lender A been aware of the second transaction selling the same property from the same seller to a different buyer at a higher price, Lender A would not have approved the short sale. Furthermore, if Lender B had been aware that a short sale had earlier been completed for the same property from the same seller to a different buyer at a lower amount, Lender B would not have approved the new mortgage loan to Party C.

14. Because the amount of the new mortgage would be considerably larger than the amount of the short sale, there would be a profit on the sale of the property from Party A to Party C that would not otherwise have been possible. This profit subsequently would be fraudulently paid out by Defendant GAGLIOTI to himself and to his co-schemers.

15. In furtherance of the scheme, Defendant GAGLIOTI would prepare and sign two sets of materially false and misleading closing documents, including but not limited to, fraudulent HUD-1s related to both transactions. The fraudulent HUD-1s prepared and submitted by Defendant GAGLIOTI showed the same property being sold by the same seller but to two different buyers at two different amounts. In addition, the HUD-1s contained other material misrepresentations related to the source and amount of down-payment funds and the destination and amount of disbursements related to the transactions, including fraudulent payments made directly to Defendant GAGLIOTI and his co-schemers.

16. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI would cause mortgage loan proceeds to be transmitted to attorney trust accounts he held at financial institutions in New Jersey. Defendant GAGLIOTI would then disburse the mortgage loan proceeds contrary to the amounts and recipients identified on the HUD-1s that he prepared and submitted to the

mortgage lenders. Defendant GAGLIOTI would do so in order to conceal the identities of the true recipients of the mortgage proceeds, including himself and his co-schemers.

17. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI would submit and cause to be submitted these fraudulent HUD-1s to mortgage lenders, HUD, and FHA.

18. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI would not record the deeds associated with the short sale transactions in the official records of the relevant county agency in order to conceal the occurrence of the short sale transaction from the new mortgage lender and others.

19. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI committed and caused to be committed the following acts:

**523 Fulton Street, Elizabeth, New Jersey - Closing # 1**

20. On or about March 16, 2009, Defendant GAGLIOTI was the closing attorney for the short sale of 523 Fulton Street, Elizabeth, New Jersey ("Fulton Street Property"), by seller E.A. to buyer NJRE Solutions ("NJRE"), for a purported purchase price of \$70,000. Included in the purchase price was a short sale pay-off amount of approximately \$54,500, which had been agreed to by E.A. and Litton Loan Servicing ("Litton"), a mortgage servicer located in Houston, Texas. Litton serviced the underlying conventional mortgage on the



Fulton Street Property and, at the time of the short sale, E.A. owed approximately \$312,000 to Litton on the loan. In agreeing to the short sale, Litton agreed to release its lien on the Fulton Street Property at a loss of over \$256,000.

21. It was part of the scheme and artifice to defraud that, on or about March 16, 2009, in support of NJRE's purported purchase, a short sale pay-off in the amount of approximately \$54,500 was paid to Litton in Houston, Texas via a check drawn on an Attorney Trust Account held by Defendant GAGLIOTI at Bank of America in New Jersey.

22. It was further part of the scheme and artifice to defraud that prior to and during the closing, Defendant GAGLIOTI caused fraudulent documents to be prepared concerning the purported short sale of the Fulton Street Property from E.A. to NJRE, including a fraudulent HUD-1 and other documents.

23. It was further part of the scheme and artifice to defraud that prior to and during the closing, Defendant GAGLIOTI submitted the fraudulent documents he prepared concerning the short sale of the Fulton Street Property from E.A. to NJRE, including the HUD-1 and other documents, to Litton in Houston, Texas.

24. It was further part of the scheme and artifice to defraud that the HUD-1 prepared and submitted to Litton by Defendant GAGLIOTI misrepresented the true identity of the buyer of the Fulton Street Property and the source of the funds related to the purchase of that

property, including:

a. Defendant GAGLIOTI falsely stated on the HUD-1 that the buyer, NJRE, made a deposit of approximately \$30,000 when, in fact, no deposit was made by NJRE;

b. Defendant GAGLIOTI falsely stated on the HUD-1 that the buyer, NJRE, paid approximately \$57,777 at the closing, when in fact, NJRE did not pay anything at the closing; and

c. Defendant GAGLIOTI did not state on the HUD-1 or in any other document or representation to Litton, that a company named New Jersey Property Management provided Defendant GAGLIOTI with approximately \$110,000, which Defendant GAGLIOTI deposited into his Attorney Trust Account at Bank of America, for the sole purpose of paying off the short sale for the Fulton Street Property.

25. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI made disbursements to, or on behalf of, E.A. and NJRE that were not disclosed on the HUD-1 or in any other document or representation to Litton, including an approximately \$20,000 payment to NJRE, and an approximately \$21,750 payment to A.A., a relative of E.A. If Litton had known about these payments, it would not have approved the short sale.

**523 Fulton Street, Elizabeth, New Jersey - Closing # 2**

26. On or about June 23, 2009, approximately three months after Defendant GAGLIOTI served as the closing attorney for the purported

short sale of the Fulton Street Property from E.A. to NJRE for approximately \$70,000, Defendant GAGLIOTI again served as the closing attorney for a second closing, whereby E.A. sold the same Fulton Street Property to a different buyer, R.G., for a purchase price of approximately \$330,000. To complete the purchase, R.G. obtained an FHA-insured mortgage loan in the amount of approximately \$295,500 from Gateway Funding Diversified Mortgage Services, L.P. ("Gateway"), a mortgage lender headquartered in Horsham, Pennsylvania.

27. It was part of the scheme and artifice to defraud that Defendant GAGLIOTI failed to disclose to Gateway and FHA that he had closed a purported short sale for the Fulton Street Property from E.A. to NJRE in or about March 2009.

28. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI did not record the deed associated with the purported short sale of the Fulton Street Property from E.A. to NJRE, in order to conceal the sale from Gateway, FHA, and others.

29. It was further part of the scheme and artifice to defraud that, on or about June 23, 2009, Defendant GAGLIOTI caused Gateway to release mortgage loan proceeds in the amount of approximately \$295,500. Defendant GAGLIOTI caused approximately \$290,400 of the mortgage loan proceeds to be sent via wire transfer from a Gateway account located in Pennsylvania to an Attorney Trust Account held

by Defendant GAGLIOTI at Capital One Bank in New Jersey. Subsequently, Defendant GAGLIOTI executed a wire transfer of approximately \$290,400 from his Attorney Trust Account at Capital One Bank to another Attorney Trust Account held by Defendant GAGLIOTI at Bank of America in New Jersey.

30. It was further part of the scheme and artifice to defraud that, prior to and during the closing, Defendant GAGLIOTI caused fraudulent documents to be prepared concerning the sale of the Fulton Street Property from E.A. to R.G., including a fraudulent HUD-1 and other documents.

31. It was further part of the scheme and artifice to defraud that, prior to and during the closing, Defendant GAGLIOTI caused the fraudulent documents he prepared concerning the sale of the Fulton Street Property from E.A. to R.G. to be submitted to Gateway, FHA, and others.

32. It was further part of the scheme and artifice to defraud that the HUD-1 prepared and submitted by Defendant GAGLIOTI to Gateway, FHA, and others misrepresented the amount paid at the closing by the buyer, R.G. Defendant GAGLIOTI falsely stated on the HUD-1 that R.G. paid approximately \$47,060 at the closing when, in fact, R.G. did not pay anything at the closing.

33. It was further part of the scheme and artifice to defraud that the HUD-1 prepared and submitted by Defendant GAGLIOTI to

Gateway, FHA, and others misrepresented the amount paid to the seller, E.A., at the closing. Defendant GAGLIOTI falsely stated on the HUD-1 that E.A. received approximately \$309,400 at the closing, when, in fact, E.A. did not receive any money at the closing.

34. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI instead distributed at least approximately \$278,680 in mortgage loan proceeds to his co-schemers, including:

a. Defendant GAGLIOTI disbursed approximately \$12,000 to S.G., the mother of R.G, via checks drawn on an Attorney Trust Account held by Defendant GAGLIOTI at Bank of America;

b. Defendant GAGLIOTI disbursed approximately \$6,000 to D.C., a mortgage loan officer with a Northern New Jersey mortgage lender who had arranged for Gateway to fund the mortgage loan to R.G., via a check drawn on an Attorney Trust Account held by Defendant GAGLIOTI at Bank of America.

c. Defendant GAGLIOTI disbursed approximately \$201,511 to M.B., an individual with no legal interest in the transaction, via checks drawn on an Attorney Trust Account held by Defendant GAGLIOTI at Bank of America.

35. It was further part of the scheme and artifice to defraud that Defendant GAGLIOTI did not disclose these disbursements on the HUD-1 prepared and submitted by Defendant GAGLIOTI to Gateway, FHA, and others.

36. It was further part of the scheme and artifice to defraud that, on or about November 17, 2009, Defendant GAGLIOTI caused a deed to be recorded in the official records of the relevant county agency related to the sale of the Fulton Street Property from E.A. to R.G. in the amount of approximately \$330,000.

37. In all, Defendant GAGLIOTI personally obtained more than \$1 million in illegitimate proceeds of mortgage loans as a result of his scheme and artifice to defraud.

In violation of Title 18, United States Code, Section 1343 and Section 2.

Count Two  
(Transacting in Criminal Property)

1. Paragraphs 1 through 7 and 10 through 37 of Count One of this Information are realleged as if set forth in full herein.

2. On or about the dates set fourth below, in the District of New Jersey and elsewhere, defendant

AMEDEO A. GAGLIOTI,  
a/k/a MATT GAGLIOTI,

knowingly engaged and attempted to engage in a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, such property having been derived from specified unlawful activity, that is wire fraud, in violation of Title 18, United States Code, Section 1343, to wit, on about June 24, 2009, Defendant GAGLIOTI deposited or caused to be deposited a check in the amount of \$11,723 made payable to Defendant GAGLIOTI into a personal account held by Defendant GAGLIOTI at Capital One Bank in New Jersey drawn on an Attorney Trust Account held by Defendant GAGLIOTI, which was funded by fraudulent mortgage loan proceeds.

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

FORFEITURE ALLEGATION

1. As the result of committing the charged offenses in violation of Title 18, United States Code, Sections 1343 and 1957, alleged in this Information, Defendant GAGLIOTI shall forfeit to the United States, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of the offenses, including but not limited to a sum of money equal to approximately \$1,000,000 in United States currency, representing the amount of proceeds that Defendant GAGLIOTI obtained as a result of the offenses.

2. If any of the above-described forfeitable property, as a result of any act or omission of Defendant GAGLIOTI:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- 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; it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.



All in violation of Title 18, United States Code, Section 981  
and Title 28, United States Code, Section 2461.

Paul J. Fishman/rah  
PAUL J. FISHMAN  
United States Attorney

CASE NUMBER:

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

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UNITED STATES OF AMERICA

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**INFORMATION FOR**

18 U.S.C. § 1343  
18 U.S.C. § 1957  
18 U.S.C. § 2

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**PAUL J. FISHMAN**

*UNITED STATES ATTORNEY, NEWARK, NEW JERSEY*

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