



Department of Justice



FOR IMMEDIATE RELEASE
TUESDAY, MARCH 27, 2012
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NEW YORK FINANCIAL INVESTOR PLEADS GUILTY TO BID RIGGING AT MUNICIPAL TAX LIEN AUCTIONS IN NEW JERSEY

WASHINGTON – A financial investor who purchased municipal tax liens at auctions in New Jersey pleaded guilty today for his role in a conspiracy to rig bids for the sale of tax liens auctioned by municipalities throughout the state, the Department of Justice announced.

A felony charge was filed today in the U.S. District Court for the District of New Jersey in Newark, N.J., against Robert E. Rothman of New York. Under the plea agreement, which is subject to court approval, Rothman has agreed to cooperate with the department's ongoing investigation.

According to the felony charge, from in or about the spring of 2000 until approximately February 2009, Rothman participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey by agreeing to allocate among certain bidders on which liens to bid. The department said that Rothman proceeded to submit bids in accordance with his agreement and purchased tax liens at collusive and non-competitive interest rates.

“The Antitrust Division’s investigation into municipal tax lien auctions is ongoing and active,” said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice’s Antitrust Division. “The division will not tolerate this kind of illegal conduct that harms distressed homeowners.”

The department said that the primary purpose of the conspiracy was to suppress and restrain competition to obtain selected municipal tax liens offered at public auctions at non-competitive interest rates. When the owner of real property fails to pay taxes on that property, the municipality in which the property is located may attach a lien for the amount of the unpaid taxes. If the taxes remain unpaid after a waiting period, the lien may be sold at auction. State law requires that investors bid on the interest rate delinquent homeowners will pay upon redemption. By law, the bid opens at 18 percent interest and, through a competitive bidding process, can be driven down to zero percent. If a lien remains unpaid after a certain period of time, the investor who purchased the lien may begin foreclosure proceedings against the property to which the lien is attached.

According to the court documents, Rothman conspired with others not to bid against one another at municipal tax lien auctions in New Jersey. Since the conspiracy permitted the

conspirators to purchase tax liens with limited competition, each conspirator was able to obtain liens which earned a higher interest rate. Property owners were therefore made to pay higher interest on their tax debts than they would have paid had their liens been purchased in open and honest competition.

A violation of the Sherman Act carries a maximum penalty of 10 years in prison and a \$1 million fine for individuals. The maximum fine for a Sherman Act violation may be increased to twice the gain derived from the crime or twice the loss suffered by the victim if either amount is greater than the statutory maximum.

Rothman is the sixth individual to plead guilty as a result of the ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. On Aug. 24, 2011, Isadore H. May, Richard J. Pisciotto Jr. and William A. Collins each pleaded guilty to one count of bid rigging in connection with their participation in a conspiracy to allocate liens at New Jersey auctions. On Feb. 23, 2012, Robert W. Stein and David M. Farber each pleaded guilty to one count of bid rigging in connection with their participation in this conspiracy.

Today's charge is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force (FFETF). President Obama established the interagency FFETF to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information on the task force, visit www.StopFraud.gov.

The ongoing investigation is being conducted by the Antitrust Division's New York Field Office and the FBI's Atlantic City, N.J., office. Anyone with information concerning bid rigging or fraud related to municipal tax lien auctions should contact the Antitrust Division's New York Field Office at 212-335-8000, visit www.justice.gov/atr/contact/newcase.htm or contact the FBI's Atlantic City Resident Agency at 609-677-6400.

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