



Department of Justice



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PENNSYLVANIA CORPORATION PLEADS GUILTY TO BID RIGGING AT MUNICIPAL TAX LIEN AUCTIONS IN NEW JERSEY

WASHINGTON – A Pennsylvania corporation pleaded guilty today to participating in a conspiracy to rig bids for the sale of tax liens auctioned by municipalities throughout New Jersey, 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, against Crusader Servicing Corp., of Jenkintown, Pa. According to the felony charge, from at least as early as 1998 until September 2006, Crusader 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 which liens each would bid on. The department said that Crusader submitted bids in accordance with their agreements and purchased tax liens at collusive and non-competitive interest rates.

“The conspirators agreed to not compete with one another at these tax lien auctions, depriving struggling homeowners of a competitive interest rate,” said Scott D. Hammond, Deputy Assistant Attorney General for the Antitrust Division’s criminal enforcement program. “Today’s guilty plea demonstrates the Antitrust Division’s continuing efforts to prosecute those who manipulate the competitive process in order to harm home and property owners.”

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, Crusader 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 \$100 million criminal fine for corporations. 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 victims if either amount is greater than the statutory maximum.

Today's plea is the 10th guilty plea resulting from an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. Eight individuals — Isadore H. May, Richard J. Pisciotta Jr., William A. Collins, Robert W. Stein, David M. Farber, Robert E. Rothman, Stephen E. Hruby and David Butler — and one company, DSBD LLC, have previously pleaded guilty as part of this investigation.

Today's charge is part of efforts underway by President Obama's Financial Fraud Enforcement Task Force (FFETF) which was created in November 2009 to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed more than 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,700 mortgage fraud defendants. 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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