



Department of Justice



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**NORTH CAROLINA REAL ESTATE INVESTOR PLEADS GUILTY TO MAIL FRAUD
SCHEME FOR THE PURCHASE OF REAL ESTATE AT PUBLIC FORECLOSURE
AUCTIONS**

WASHINGTON – A real estate investor pleaded guilty today to conspiring to commit mail fraud at public real estate foreclosure auctions held in Raleigh, N.C., and surrounding areas, the Department of Justice announced. This is the second charge in the department’s ongoing investigation into real estate foreclosure auctions in eastern North Carolina.

According to the one-count felony charge filed on Oct. 4, 2012, in the U.S. District Court for the Eastern District of North Carolina, in Greenville, real estate investor, Darren K. Phillips, conspired with a group of real estate speculators to participate in a scheme to defraud financial institutions, homeowners and others with a legal interest in select properties, and to obtain money and property from financial institutions, homeowners and others with a legal interest in rigged properties through false and fraudulent pretenses or representations. According to the plea agreement, Phillips has agreed to cooperate with the department’s ongoing investigation.

The primary purpose of the conspiracy was to fraudulently acquire title to rigged foreclosure properties offered through public auctions at artificially suppressed prices, to make and receive payoffs from co-conspirators and to divert money away from financial institutions, homeowners and others with a legal interest in the rigged foreclosure properties, the department said in court papers. The conspiracy resulted in mortgage holders, some of which were financial institutions, receiving a lower price for the foreclosure property. Phillips is charged with participating in the conspiracy beginning at least as early as February 2001 and continuing until at least May 2004.

“By artificially suppressing auction prices through payoffs and other illegal actions, the conspirators profited at the expense of homeowners and financial institutions,” said Scott D. Hammond, Deputy Assistant Attorney General in charge of the Antitrust Division’s criminal enforcement program. “The division will continue to work with our law enforcement partners to investigate anticompetitive practices in real estate foreclosure auctions in North Carolina and elsewhere.”

Phillips is charged with conspiracy to commit mail fraud affecting a financial institution, which carries a maximum sentence of 30 years in prison and a \$1 million fine.

Phillips is the second person to be charged in this investigation. In September 2010, Christopher Deans, a real estate speculator from Raleigh, pleaded guilty in the U.S. District Court in Greenville in connection with the investigation.

Today's plea arose from an ongoing federal antitrust investigation of fraud and bidding irregularities in certain real estate foreclosure auctions in the Eastern District of North Carolina. The investigation is being conducted by the Antitrust Division's Atlanta Field Office and the FBI's Atlanta Field Office, with assistance from the U.S. Attorney's Office for the Eastern District of North Carolina. Anyone with information concerning bid rigging or fraud related to real estate foreclosure auctions should contact the Antitrust Division's Atlanta Field Office at 404-331-7100, or visit www.justice.gov/atr/contact/newcase.htm.

Today's plea is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force 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. One component of the task force is the national Mortgage Fraud Working Group, co-chaired by Benjamin B. Wagner, U.S. Attorney for the Eastern District of California. For more information on the task force, visit www.StopFraud.gov.

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