



Department of Justice



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AT
(202) 514-2007
TTY (866) 544-5309

NORTHERN CALIFORNIA REAL ESTATE INVESTOR AGREES TO PLEAD GUILTY TO BID RIGGING AT PUBLIC FORECLOSURE AUCTIONS

Investigation Has Yielded 27 Plea Agreements to Date

WASHINGTON – A Northern California real estate investor has agreed to plead guilty for his role in conspiracies to rig bids and commit mail fraud at public real estate foreclosure auctions in Northern California, the Department of Justice announced.

Felony charges were filed today in the U.S. District Court for the Northern District of California in San Francisco against Gilbert Chung of Burlingame, Calif. Chung is the 27th individual to plead guilty or agree to plead guilty as a result of the department's ongoing antitrust investigations into bid rigging and fraud at public real estate foreclosure auctions in Northern California.

According to court documents, Chung conspired with others not to bid against one another, but instead to designate a winning bidder to obtain selected properties at public real estate foreclosure auctions in San Francisco and San Mateo counties, Calif. Chung was also charged with conspiring to use the mail to carry out schemes to fraudulently acquire title to selected properties sold at public auctions, to make and receive payoffs and to divert to co-conspirators money that would have otherwise gone to mortgage holders and others.

The department said Chung conspired with others to rig bids and commit mail fraud at public real estate foreclosure auctions in San Francisco and San Mateo counties beginning as early as January 2010 and continuing until about December 2010.

“The conspirators went to great lengths to suppress competition and prices at these foreclosure auctions,” said Bill Baer, Assistant Attorney General in charge of the Department of Justice’s Antitrust Division. “The division will continue to vigorously enforce the antitrust laws and to prosecute those who violate them at the expense of distressed homeowners.”

The department said that the primary purpose of the conspiracies was to suppress and restrain competition and to conceal payoffs in order to obtain selected real estate offered at San Francisco and San Mateo County public foreclosure auctions at non-competitive prices. When real estate properties are sold at these auctions, the proceeds are used to pay off the mortgage and other debt attached to the property, with remaining proceeds, if any, paid to the homeowner.

“Today’s charges are another example of our resolve to bring to justice those who engaged in fraudulent bid rigging and anticompetitive practices at foreclosure auctions,” said FBI Special Agent in Charge David J. Johnson of the San Francisco Field Office. “We continue our partnership with the Antitrust Division in aggressively pursuing individuals who participate in these criminal acts.”

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 the Sherman Act charges 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 \$1 million. A count of conspiracy to commit mail fraud carries a maximum sentence of 30 years in prison and a \$1 million fine. The government can also seek to forfeit the proceeds earned from participating in the conspiracy to commit mail fraud.

The charges today are the latest filed by the department in its ongoing investigation into bid rigging and fraud at public real estate foreclosure auctions in San Francisco, San Mateo, Contra Costa and Alameda counties, Calif. These investigations are being conducted by the Antitrust Division’s San Francisco Office and the FBI’s San Francisco office. Anyone with information concerning bid rigging or fraud related to public real estate foreclosure auctions should contact the Antitrust Division’s San Francisco Field Office at 415-436-6660, visit www.justice.gov/atr/contact/newcase.htm or call the FBI tip line at 415-553-7400.

Today’s charges are 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.

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