Department of Justice

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BROOKLYN MAN PLEADS GUILTY TO BID RIGGING AT REAL ESTATE FORECLOSURE AUCTIONS AT BROOKLYN COUNTY COURTHOUSE

WASHINGTON, D.C. -- A Brooklyn, New York real estate broker and speculator pleaded guilty to participating in a conspiracy to rig bids at real estate auctions at the Brooklyn County Courthouse, the Justice Department announced today.

Joel I. Klein, Assistant Attorney General in charge of the Department's Antitrust Division, and Loretta E. Lynch, United States Attorney for the Eastern District of New York, said that the one-count felony charge was filed on October 15, 1999, in U.S. District Court in Brooklyn, against Maurice Wolf.

This is the 14th individual charged in the Brooklyn County Courthouse bid rigging conspiracy. Thirteen other members of the conspiracy pleaded guilty in June 1999.

According to the charges, Wolf participated in a conspiracy to rig bids by secretly agreeing not to bid against other members of the conspiracy at public real estate foreclosure auctions at the Brooklyn County Courthouse at various times between September 1992 and August 1996.

These individuals carried out the conspiracy by designating one member of the group to bid the lowest price possible to obtain the property. After the public auction, the conspirators would hold a second auction among themselves where they bid against each other on the foreclosed property at prices higher than the price paid by the designated winning bidder at the public auction. The highest bidder at the private auction would win the property and then make commission payoffs to the other conspirators to compensate them for not bidding at the public auction. The winning bidder at the public auction would then assign his right to purchase the property to the winning bidder at the private auction. The sum of the commission payoffs was the difference between the prices paid at the public and private auctions, and represented money lost to mortgage holders, lienholders, and homeowners.

The conspiracy allowed the individuals to buy auctioned properties at artificially low prices and deprived mortgage holders, lienholders, and homeowners of the full value of the auctioned properties. More than 200 properties, with a combined market value of at least $20 million, were affected by this conspiracy.

Last year, 35 individuals were prosecuted and convicted in a similar bid-rigging conspiracy at the Queens County Courthouse. Both the Queens and Brooklyn conspiracies victimized many lower middle-class individuals and families who had lost their homes. These combined prosecutions have resulted in substantial changes to the auction process in Queens and Brooklyn and have restored competition to the auctions. Mortgage holders and homeowners are now receiving competitive, fair value for their properties.

The ongoing investigation into bid rigging in the real estate industry is a joint effort by the Antitrust Division's New York field office and the U.S. Attorney's Office in Brooklyn, along with the assistance of the Federal Bureau of Investigation.

Wolf is charged with violating Section One of the Sherman Act, which carries a maximum penalty of three years imprisonment and a $350,000 fine for individuals. The fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

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