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United States Attorney Andrew T. Baxter
Northern District of New York

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CONTACT: Andrew T. Baxter or
Joshua S. Vinciguerra
(518) 431-0247

FORMER REAL ESTATE INVESTMENT COMPANY OWNER PLEADS GUILTY TO LAUNDERING PROCEEDS OF MORTGAGE FRAUD

ALBANY, NY – Andrew T. Baxter, United States Attorney, Patricia J. Haynes, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division (New York Field Office), John F. Pikus, Special Agent in Charge, Albany Division of the Federal Bureau of Investigation, and Robert Bethel, Inspector in Charge, United States Postal Inspection Service, announce that **KEVIN M. O'CONNELL**, age 35, of Albany, pled guilty in United States District Court in Albany before the Honorable Norman A. Mordue yesterday, to a one-count information charging him with the felony offense of laundering of monetary instruments in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i), in connection with his role in an extensive mortgage fraud scheme that defrauded financial institutions and other mortgage lenders of over $5.3 million in loans.

In court yesterday, **O'CONNELL** admitted his participation in a mortgage fraud scheme that occurred from at least July 2003 through December 2007, in connection with his former businesses PB Enterprises, Inc., and Greater Atlantic Associates, Inc., located on Central Avenue in Albany, New York. **O'CONNELL** admitted that, together with others, he knowingly and willfully executed a scheme to defraud banks and other mortgage lenders by arranging to secure excessive mortgages for numerous residential properties in the Capital District through the use of fraudulent loan applications and settlement statements, and by diverting mortgage funds for his personal use, and to others. **O'CONNELL** admitted that the scheme operated in the following manner:

O'CONNELL and others identified below-market real estate properties for sale by owner, which were in need of substantial rehabilitation. The properties were located in Albany, Rensselaer, and Schenectady Counties. **O'CONNELL** and others located buyers for the properties with the promises of ownership of income-producing property and money back at or after closing, for necessary repairs. In order to obtain funding for the purchases, **O'CONNELL** and others caused buyers to submit fraudulent loan applications to lenders which concealed the source of the buyers' funds necessary for down payments and other associated closing costs. In some instances, **O'CONNELL** and others loaned buyers "gift" money to make the purchases and to pay closing costs. The "gift" loans, in reality, were buyer liabilities that were not disclosed in loan applications. In other instances, they merely placed money into the bank accounts of buyers to increase the likelihood that lenders would approve the loan applications, and then withdrew the funds after the loans were approved. As part of the scheme, sales contracts and other documents submitted to mortgage lenders contained forged signatures and other false statements.

O'CONNELL and others created and used "Assignment of Contract of Sale" agreements to disguise the purchase and resale of properties by PB Enterprises and Greater Atlantic. The agreements permitted PB Enterprises and Greater Atlantic to "assign" their contracts to buy the distressed properties to other purchasers. Frequently, the original sellers were unaware that **O'CONNELL** and others had executed such contractual assignments on their properties. **O'CONNELL** and others then assigned their contracts to the buyers they had recruited, at new and significantly higher prices.

O'CONNELL and others used "double HUD closings", by which they arranged for the closings for the original sellers and those for the newly-assigned buyers to be held at different times. At the original seller's closing, the HUD-1 itemized all of the fees associated with the sale of the property. The sales price reflected the lower sales amount that PB Enterprises or Greater Atlantic and the seller had agreed upon. The seller was paid the asking price, and all valid fees that were disclosed on the HUD-1 were paid. At the newly-assigned buyer's closing, the HUD-1 reflected the higher sale price. However, the forms used to record the sales of the properties, which were filed in the various county clerks' offices, did not reflect the fact that in each instance, PB Enterprises or Greater Atlantic purchased the property from a seller at a given price, and then resold that property to another buyer at a higher amount. The forms that were filed with the corresponding county clerk's offices reflected only the lower sale price, and falsely showed that the original seller sold the property to the end buyer who was assigned the contract from PB Enterprises or Greater Atlantic. No records exist at the county clerk's offices that PB Enterprises or Greater Atlantic purchased and resold the properties.

O'CONNELL and others also typically arranged for multiple purchases, by the same buyer, to take place close in time – often on the same day – so that subsequent lenders did not learn of the buyer's recent loans and liabilities. These additional mortgage loans held by buyers were not disclosed to the lenders at the time of the subsequent closings, and the subject loan applications were not amended to include the buyers' additional liabilities. In contrast to what was reported to lenders on the HUD-1 Settlement Statements and sales contracts associated with the loans, sellers received only the actual asking prices for properties, minus the amount used to pay off existing mortgages. After paying sellers actual asking prices and the valid fees disclosed on HUD-1s, **O'CONNELL** and others fraudulently directed the settlement agent to disburse the remaining mortgage proceeds to themselves, to buyers, and to other third parties, in manners and in amounts not disclosed on the HUD-1 documents, in the sales contracts, or in any other manner to the lenders.

Through their mortgage fraud scheme, **O'CONNELL** and others obtained excessive mortgages totaling at least $5,324,225.00, in at least 73 real estate transactions, and diverted a total of approximately $4,628,886.48 of mortgage proceeds to themselves and others. All 73 of these mortgages were subsequently placed in foreclosure, resulting in substantial losses to various financial institutions and other lenders. **O'CONNELL** admitted he laundered the fraudulent mortgage proceeds in a variety of ways, with the intent to promote the continuation of the scheme.

O'CONNELL agreed to forfeit criminal proceeds totaling over $4.6 million, and to pay full restitution. Chief Judge Mordue scheduled **O'CONNELL**'s sentencing for March 1, 2010, at 10:30 a.m. in U.S. District Court in Albany. **O'CONNELL** faces a maximum possible sentence of twenty years of imprisonment, a fine of up to $500,000, a period of up to five years of supervised release and the legal disabilities flowing from conviction of a felony.

The case is being investigated by the Internal Revenue Service, Criminal Investigation Division, the Albany Division of the Federal Bureau of Investigation, and the United States Postal Inspection Service. It is being prosecuted by Assistant United States Attorney Joshua S. Vinciguerra.

LOCAL CONTACT:
Joshua S. Vinciguerra
Assistant U.S. Attorney
Tel: (518) 431-0247