



*United States Attorney
Southern District of New York*



FOR IMMEDIATE RELEASE
AUGUST 4, 2011

CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS,
JERIKA RICHARDSON,
CARLY SULLIVAN
PUBLIC INFORMATION OFFICE
(212) 637-2600

FBI
TIM FLANNELLY, JAMES MARGOLIN
PUBLIC INFORMATION OFFICE
(212) 384- 2100

**MANHATTAN U.S. ATTORNEY ANNOUNCES CHARGES AGAINST
FOURTEEN DEFENDANTS IN \$58 MILLION MORTGAGE FRAUD
SCHEME INVOLVING LONG ISLAND MORTGAGE BROKER
FIRST CLASS EQUITIES**

*Defendants Took Part In Fraudulent Deals Involving Over 100
Mortgages; Five Loan Officers and Five Attorneys
Among Those Charged*

PREET BHARARA, the United States Attorney for the Southern District of New York, and JANICE K. FEDARCYK, the Assistant Director-In-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the filing of a five-count Indictment charging GERARD CANINO, IAN KATZ, OMAR GUZMAN, JAMES VIGNOLA, HENRY RICHARDS, ROBERT THORNTON, NEAL SULTZER, MICHAEL RAPHAN, MICHAEL SCHLUSSEL, JACQUELYN TODARO, KEVIN HYMOWITZ, MICHAEL CHARLES, RALPH DELGIORNO, and PANDORA BACON in connection with their roles in a mortgage fraud scheme involving over 100 home mortgages loans valued at more than \$58 million on residential properties in the New York City area, Westchester County, Dutchess County, and Long Island. These loans were made through the mortgage brokerage firm First Class Equities ("FCE"), of Long Island. Among those charged are CANINO, the President and owner of FCE, five loan officers (KATZ, GUZMAN, VIGNOLA, RICHARDS and THORNTON), and four attorneys and one disbarred lawyer (SULTZER, RAPHAN, TODARO, HYMOWITZ, and SCHLUSSEL). Many of the properties involved in these transactions are now in default or foreclosure.

Manhattan U.S. Attorney BHARARA said: "As alleged, this brazen and wide-ranging scheme defrauded banks and lenders of millions and enriched its participants, including real estate

professionals who took advantage of their inside knowledge of the system to fleece it. Mortgage fraud undermines the banking system and hurts hardworking homeowners, and we will continue to work with the FBI to make sure that those who commit such crimes are caught and prosecuted."

FBI Assistant Director-in-Charge JANICE K. FEDARCYK said: "Mortgage lenders provide capital so people can purchase homes. These defendants exploited the system to enrich t to assist home buyers; it was a thinly-veiled multimillion-dollar bank fraud scheme."

According to the Indictment filed in Manhattan federal court:

From 2004 to 2009, First Class Equities ("FCE"), headed by CANINO, engaged in a massive mortgage fraud scheme at the direction of CANINO and others from its offices in Oceanside and Old Westbury, New York. CANINO's co-conspirators in the scheme included, among others, the FCE loan officers IAN KATZ, OMAR GUZMAN, JAMES VIGNOLA, HENRY RICHARDS, and ROBERT THORNTON, the real estate attorneys NEAL SULTZER, MICHAEL RAPHAN, MICHAEL SCHLUSSEL, JACQUELYN TODARO, and KEVIN HYMOWITZ, the real estate title closer MICHAEL CHARLES, and other individuals, including RALPH DELGIORNO, and PANDORA BACON. As part of the scheme, the co-conspirators arranged home sales between "straw buyers" -- persons who posed as home buyers, but who had no intention of living in, or paying for, the mortgaged properties -- and homeowners, often people in financial distress, who were willing to sell their homes. CANINO, KATZ, GUZMAN, VIGNOLA, RICHARDS, TODARO, HYMOWITZ and others recruited straw buyers, many of whom were paid by the defendants. In particular, DELGIORNO was paid approximately \$300,000 by certain members of the conspiracy to act as a straw buyer to obtain at least ten mortgages within a short period of time in 2006.

The FCE loan officers obtained mortgage loans for the sham deals by submitting fraudulent applications to banks and lenders, and using fraudulent representations about the straw buyers' net worth, employment, income, and plans to live in the properties. In support of the loan applications, THORNTON created false documents, including fake W-2s and pay stubs. In addition, GUZMAN and BACON provided false verifications of employment to various lenders, falsely claiming to employ some of the straw buyers.

After approving the loans, the lenders sent the mortgage proceeds to their attorneys, including NEAL SULTZER, MICHAEL RAPHAN, JACQUELYN TODARO, KEVIN HYMOWITZ, and another attorney, on whose behalf MICHAEL SCHLUSSEL appeared at real

estate closings and distributed loan proceeds. SCHLUSSEL held himself out as an attorney, but in fact had previously been disbarred and was not licensed to practice law. He and the other attorney defendants submitted false statements to the lenders about how they were distributing the loan proceeds, and made huge illicit payments, typically totaling tens of thousands of dollars or more per transaction, from the loan proceeds to members of the conspiracy, including each other.

In addition, TODARO and SCHLUSSEL caused false documents to be provided to lenders in order to obtain home equity lines of credit, or second mortgages, on properties purchased through straw buyers the same day, the proceeds of which TODARO distributed among certain members of the conspiracy. At closings, CHARLES authorized the transfer of title in many of the fraudulent deals, omitted certain documents that were otherwise required to be provided by him, and improperly notarized documents to further the fraud.

Some members of the conspiracy funneled fraud proceeds through shell corporations, which they owned and controlled, and periodically also used these shells to quickly resell, or "flip," properties to other straw purchasers at higher prices in order to obtain new mortgages on the same property, restarting the fraudulent scheme. As a result of the fraud, scores of mortgages went into default and many of the properties went into foreclosure.

* * *

In addition to being charged for their roles in the scheme, BACON and GUZMAN are charged with making false statements to FBI agents in the course of the investigation.

The following defendants are charged in the Indictment:

Defendant	Residence	Age
GERARD CANINO	Merrick, NY	50
IAN KATZ	Keller, TX	32
OMAR GUZMAN	East Quogue	38
JAMES VIGNOLA	Freeport, NY	31
HENRY RICHARDS	Jamaica, NY	48
ROBERT THORNTON	Merrick, NY	64
NEAL SULTZER	Plainview, NY	61

MICHAEL RAPHAN	Oceanside, NY	63
MICHAEL SCHLUSSEL	Merrick, NY	50
JACQUELYN TODARO	Westbury, NY	41
KEVIN HYMOWITZ	Armonk, NY	38
MICHAEL CHARLES	Valley Stream, NY	61
RALPH DELGIORNO	Merrick, NY	38
PANDORA BACON	Newark, NJ	54

The defendants are charged with each of the following counts and face the following potential maximum penalties, per count:

Ct	Charge	Defendants	Maximum Penalties
1	Conspiracy to commit bank and wire fraud	All	30 years in prison; fine of \$1,000,000 or twice the gross gain or loss; and restitution
2	Bank fraud	GERARD CANINO IAN KATZ NEAL SULTZER MICHAEL CHARLES	30 years in prison; fine of \$1,000,000 or twice the gross gain or loss; and restitution
3	Bank fraud	GERARD CANINO JAMES VIGNOLA	30 years in prison; fine of \$1,000,000 or twice the gross gain or loss; and restitution
4	Making false statements	OMAR GUZMAN	5 years in prison; fine of \$250,000 or twice the gross gain or loss; and restitution
5	Making false statements	PANDORA BACON	5 years in prison; fine of \$250,000 or twice the gross gain or loss; and restitution

GERARD CANINO, IAN KATZ, OMAR GUZMAN, HENRY RICHARDS, ROBERT THORNTON, NEAL SULTZER, MICHAEL RAPHAN, MICHAEL SCHLUSSEL, JACQUELYN TODARO, KEVIN HYMOWITZ, MICHAEL CHARLES, RALPH DELGIORNO, and PANDORA BACON were arrested this morning. The defendants will be presented later today in Manhattan federal court before United States District Judge ROBERT P. PATTERSON, to . JAMES VIGNOLA remains at large.

Mr. BHARARA praised the FBI for its outstanding work in the investigation.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. 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.

This case is being handled by the Office's Complex Frauds Unit. Assistant United States Attorneys NICOLE FRIEDLANDER and NIKETH VELAMOOD are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

11-229

###