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SIX CHARGED IN MULTIMILLION DOLLAR "FORECLOSURE RESCUE" SCHEME

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, ANDREW CUOMO, the Attorney General of the State of New York, and MARK J. MERSHON, Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of an Indictment charging MAURICE McDOWALL, ANDREA MOORE, ALEKSANDER LIPKIN, a/k/a "Alex," MARINA DUBIN, KERRI CLARKE, and MICHAEL IRVING with participating in a wide-ranging "home foreclosure rescue" scheme, in which they defrauded homeowners of the titles to their homes and caused lenders to hold millions of dollars of bad loans. MOORE, LIPKIN, DUBIN, and IRVING were arrested earlier today, and McDOWALL was arrested on the charges earlier in Puerto Rico. CLARKE remains at large. According to the Indictment filed in Manhattan federal court:

From November 2003 through April 2005, the defendants engaged in a fraud scheme targeting homeowners whose homes, primarily in Brooklyn and Bronx, were in foreclosure or facing foreclosure, by offering them a plan to "save" their homes. The proposed plan included the refinancing of the homeowners' debt with new, larger mortgages. Because the distressed homeowners typically had poor credit and were not otherwise eligible to refinance their debt at favorable terms, the defendants induced them to "sell" their homes to third parties, or "straw buyers," who would apply for loans to be used to "save" the home. The defendants promised that once the straw buyer obtained the mortgage, the proceeds would be used to pay off the homeowners’ old debt and make one year’s worth of payments on the new loans. The homeowners were told that, during that year, they could continue to live in their homes and work on improving their finances and credit. Finally, the defendants explained to the homeowners that, at the end of the year, the title to their homes would be returned to them by the straw buyers, with their credit repaired and their homes saved. There were also cases in which the defendants did not explain to homeowners that the plan to "save" their home required them to deed their house to a third party and did not obtain permission to deed the homes to others. In such cases, the defendants effectively stole the property of the homeowners by forging the homeowners' signatures on various documents that transferred the homes to straw buyers without the homeowners' knowledge.

The straw buyers, individuals with good credit scores whom the defendants recruited to buy the homes facing foreclosure, were typically told that they were helping someone to "save" their home, and were paid a fee of up to ten thousand dollars per property for taking out debt in their names. Once a potential straw buyer agreed to participate in the scheme, the defendants submitted loan applications to lenders on the straw buyer's behalf. In submitting these applications, the defendants regularly used documents containing false or misleading information, including information concerning the straw buyer's income, assets, and existing debt, to improve the straw buyer's credit worthiness. In addition to false statements concerning the straw buyers' financial profile, the defendants misrepresented to lenders that the straw buyers intended to reside in the property that would secure each mortgage or loan, when, in fact, the properties were already occupied by the distressed homeowners.

The defendants facilitated the funding, by various banks and lending institutions, of over eighty home mortgages and/or equity loans valued at over twenty million dollars. These home equity loans and mortgages were often in amounts greater than the homeowners' pre-existing debt and, in some cases, in excess of the properties' actual values. The difference between the amount of the new and old loans represented the defendants’ profit from the scheme. Furthermore, the defendants deceived straw buyers by refinancing multiple properties in the names of individual straw buyers, without fully disclosing this to them. Thus, loans were taken out in the name of the same straw buyers for up to four different properties. To minimize the risk of detection by any of the lenders, such loans were closed within a short period of time.

At loan closing, after the homeowners' previous debt was retired, the remainder of the loan proceeds were deposited into bank accounts that the defendants controlled, rather than used to make the monthly payments on the new loan as promised. In some instances, the defendants failed to make even one payment on the new loan, causing the loan to default immediately; in nearly every other case, they eventually failed to make the payments and defaulted on the loans, thereby "cashing out" on the properties.

As a result, the homeowners lost the titles to their homes and faced eviction, the straw buyers owed the lenders hundreds of thousands of dollars that they were unable to repay, and the lenders suffered losses from the defaulted loans.

Each defendant is charged with one count of conspiracy to commit bank and wire fraud, and six counts of wire fraud. If convicted, each defendant faces a maximum sentence of thirty years in prison, on each count of the Indictment, and a fine of the greatest of $1,000,000, or twice the gross gain or loss resulting from the crime.

MAURICE McDOWALL was arrested on December 1, 2007 in Puerto Rico and presented on the charges in federal court. The defendants arrested earlier today are expected to be arraigned in Manhattan federal court tomorrow at 10 a.m. before United States District Judge ROBERT P. PATTERSON.

Mr. GARCIA praised the investigative work of the FBI. He also thanked the Attorney General's Office for their outstanding work in the investigation.

"The defendants charged today perpetrated a multimillion dollar fraud in which they profited by preying on the most vulnerable of homeowners," said United States Attorney MICHAEL J. GARCIA. "While promising rescue from foreclosure, they instead stole their victims' homes and millions of dollars in loans secured by their victims' properties."

"This case is yet another example of the pervasive fraud we have found in the mortgage industry," said Attorney General ANDREW CUOMO. "My office investigated the scheme charged in this case in response to complaints from individuals who had been victimized and lost their homes. I applaud U.S. Attorney GARCIA and his prosecution team for their excellent work and look forward to more productive partnerships with the Southern District of New York."

"The rise in mortgage defaults associated with sub-prime mortgage lending has created a target-rich environment for so-called foreclosure rescue schemes," said FBI Assistant Director-in-Charge MARK J. MERSHON. "We will continue to root out the predatory practices of those who would victimize distressed homeowners and unwitting lenders for a fast and easy (and illegal) buck."

Assistant United States Attorney KATHERINE GOLDSTEIN is 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.

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