



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York



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**MANHATTAN U.S. ATTORNEY RECOVERS \$1.2 MILLION FROM
LENDER IN CIVIL MORTGAGE FRAUD CASE**

Lender Admits to Submitting Inaccurate Information and Certifications to HUD and to Paying Borrowers' Personal Debts

Preet Bharara, the United States Attorney for the Southern District of New York, announced today that the United States has settled civil mortgage fraud claims against New York mortgage lender CAMBRIDGE HOME CAPITAL, LLC ("CAMBRIDGE"); SETH KRAMER and CRAIG HYMAN, two principals of the lender; SETH LAPIDUS and JACQUELINE DERRELL, two former managers at the company; and CAMBRIDGE FUNDING GROUP, LTD., an affiliated business. In December 2010, the Government filed a civil fraud lawsuit alleging that these six defendants ("the Cambridge defendants"), and others, participated in a mortgage fraud conspiracy involving 17 properties whose buyers obtained HUD-backed loans upon which they subsequently defaulted. As part of the settlement, the Cambridge defendants agreed to pay \$1.2 million in damages and civil penalties, which is three times the profit the Government alleges the Cambridge defendants earned from the bad loans. In addition, the Cambridge defendants admitted that, for certain of the bad loans, they (i) submitted records to the U.S. Department of Housing and Urban Development ("HUD") that overstated the borrowers' incomes and/or understated their liabilities; (ii) submitted certifications to HUD stating that CAMBRIDGE had satisfied its duties as a direct endorsement lender, when in fact it had not; and (iii) made payments to creditors of borrowers to pay off their personal debts. In addition, KRAMER and HYMAN agreed to be barred permanently from all HUD programs. The settlement was approved late yesterday in Manhattan federal court by U.S. District Judge P. Kevin Castel.

Manhattan U.S. Attorney Preet Bharara said: "Today's agreement is the latest step forward in righting the fraud allegedly perpetrated by these defendants, who admitted the lender's wrongful conduct as part of the agreement. Their actions exploited home buyers as well as the HUD program, and we are committed to holding those responsible to account."

According to the Complaint and other filings by the United States in this action:

The Cambridge defendants participated in a mortgage fraud conspiracy in 2007 with eight other defendants, including Mitchell Cohen – a flip seller – several businesses controlled by Cohen; and three appraisers. Cohen, the alleged instigator of the scheme, acquired 17 residential properties, made superficial improvements, and then resold these properties at inflated

prices to inexperienced home-buyers who obtained mortgages from CAMBRIDGE, which participated in HUD's loan insurance program as a HUD-approved direct endorsement lender. Within months of the closings, the mortgage loans for all 17 properties defaulted, causing substantial losses to HUD and significant hardship to the home-buyers. The Cambridge defendants enabled Cohen to orchestrate his fraudulent flip sales by originating HUD-insured loans based on false records and certifications. As a result, the Cambridge defendants collectively earned approximately \$400,000 from the 17 transactions.

As a HUD-approved lender, CAMBRIDGE was required to verify the information it submitted to HUD, such as a borrowers' incomes and liabilities. Further, CAMBRIDGE was not permitted to make payments to a borrower's creditors to pay off the borrower's personal debts. Additionally, CAMBRIDGE was required to certify to HUD that it had exercised reasonable due diligence in underwriting mortgage loans subject to HUD insurance. CAMBRIDGE did not comply with these obligations.

CAMBRIDGE surrendered its mortgage banking license in late 2010 and no longer originates HUD-insured loans.

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With yesterday's settlement, the United States has now settled its claims against eight of the original 14 defendants named in the Government's Complaint. Earlier this year, the United States settled with two of the appraiser defendants, who paid a combined \$100,000 in damages and civil penalties and agreed to be banned from HUD programs for several years. The United States continues to pursue its mortgage fraud claims against the remaining defendants, including Cohen, his affiliated companies, and William Buckley, an appraiser and contractor who allegedly conspired with Cohen.

Mr. Bharara thanked the HUD Office of Inspector General and U.S. Department of Justice's Civil Division for their assistance with the case.

The Civil Frauds Unit works 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.

The case is being handled by the Office's Civil Frauds Unit. Assistant U.S. Attorneys Li Yu and Cristine Irvin Phillips are in charge of the case.