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U.S. CHARGES BROOKLYN ATTORNEY IN MULTIMILLION-DOLLAR
SUB-PRIME MORTGAGE FRAUD SCHEME

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, MARK J. MERSHON, Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), PETER J. SMITH, the Special Agent-in-Charge of the New York Office of the Department of Homeland Security's U.S. Immigration and Customs Enforcement ("ICE"), and RAYMOND W. KELLY, Police Commissioner of the City of New York, announced the arrest of Brooklyn attorney ALEXANDER KAPLAN on charges of participating in a multimillion-dollar sub-prime mortgage fraud scheme.

The arrest was made based on a Complaint filed in Manhattan federal court. The allegations against KAPLAN relate to charges contained in a superseding Indictment, unsealed yesterday in Manhattan federal court, charging 26 other individuals with participating in a wide-ranging scheme to commit mortgage fraud by submitting to sub-prime lenders loan applications and supporting documents that contained false information and material omissions. The applications and documents included false information about the prospective borrower's employment, income, and intent to reside in the property in question, as well as the fair market value of the property, and were intended to induce the sub-prime lenders to make loans that otherwise would not have been funded. According to the Complaint against KAPLAN:

KAPLAN participated in a scheme to commit mortgage fraud in the purchase of a block of ten rent-regulated condominium apartments at 243 West 98th Street ("the Apartments") in the Upper West Side of Manhattan. On two separate days in January 2006, KAPLAN served as the attorney for the buyers and the lenders in the closings of the Apartments. KAPLAN conspired with others to obtain mortgages, based on false statements and material omissions, to finance the purchase of the Apartments.

Specifically, with respect to seven of the ten Apartments, certain sub-prime lenders were falsely told, in mortgage applications and supporting documents, that the buyers intended to live in the Apartments as a "primary residence." With respect to the remaining three Apartments, certain sub-prime lenders were falsely told that the Apartments were to be used as "investment properties" that earned approximately \$6500 a month in rent from tenants. None of the documents submitted to the sub-prime lenders disclosed that: (1) certain buyers were seeking loans to purchase more than one Apartment as a "primary residence;" (2) each of the Apartments was already occupied by a tenant and, therefore, not suitable for a primary residence; or (3) the Apartments were subject to rent regulation laws that precluded the buyer from charging \$6500 in rent. In addition, the sellers and the buyers were all related in some respect -- either by blood or by marriage -- to each other. None of the sub-prime lenders were informed of the fact that the sale was not an "arms-length" transaction.

As attorney for the buyers and the lenders, KAPLAN attended the closings, and submitted to the lenders signed and completed documents, including loan application documents, on which the buyers indicated whether the property was to be a "primary residence" or an "investment property," as well as other documents that reflected whether the buyer intended to occupy the property.

If convicted, KAPLAN faces a maximum sentence of thirty years in jail and the greater of a \$250,000 fine or twice the gross gain or loss resulting from the crime.

The investigation of these charges was conducted by a joint FBI and New York City Police Department task force and ICE. Mr. GARCIA thanked each agency for their efforts in the investigation.

Assistant United States Attorneys JONATHAN B. NEW, KATHERINE R. GOLDSTEIN, and CHRISTINE MEDING are in charge of the prosecution.

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

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