



***United States Attorney
Southern District of New York***

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**LEADER OF FORECLOSURE RESCUE SCHEME AND MORTGAGE
BROKER PLEAD GUILTY TO MULTIMILLION
DOLLAR MORTGAGE FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MAURICE McDOWALL and ALEKSANDER LIPKIN, a/k/a "Alex," pleaded guilty today in Manhattan federal court to participating in a wide-ranging home foreclosure rescue scheme, which defrauded homeowners who were facing foreclosure and banks and other lenders who made mortgage and home equity loans. LIPKIN also pleaded guilty to participating in another scheme to defraud numerous subprime mortgage lenders. McDOWALL pleaded guilty before United States District Judge ROBERT P. PATTERSON, and LIPKIN pleaded guilty before United States District Judge RICHARD J. HOLWELL. According to the Indictment to which both McDOWALL and LIPKIN pleaded guilty (United States v. Maurice McDowall, et al., 07 Cr. 1054), and the superseding Indictment to which LIPKIN also pleaded guilty (United States v. Aleksander Lipkin, et al., S2 06 Cr. 1179), other documents filed in the cases, and statements made during the guilty plea proceedings:

The Foreclosure Rescue Scheme

From November 2003 through April 2005, McDOWALL and LIPKIN 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 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.

In furtherance of the scheme, McDOWALL and LIPKIN submitted loan applications to various banks and lending institutions 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.

McDOWALL, who directed the daily operations of the scheme, and LIPKIN, a mortgage broker who coordinated the submission of fraudulent information to lenders on behalf of straw buyers, obtained more than eighty home mortgages and/or equity loans valued at over \$20 million. In some instances, the defendants failed to make even one payment on the loans, causing the loans 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 distressed 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.

The defendants' profit consisted of the difference between the value of the new and old loans; they also earned at least \$1.4 million in fees.

The Subprime Scheme

From 2004 through January 2007, LIPKIN participated in a scheme to defraud various subprime banks and lending institutions. LIPKIN conspired with other mortgage brokers and processors who worked at the mortgage brokerages AGA Capital NY, Inc. ("AGA Capital") and Northside Capital NY, Inc. ("Northside

Capital"), in Brooklyn, as well as with real estate appraisers, loan account executives, a paralegal, a lawyer, straw buyers, and others. LIPKIN and his co-defendants submitted loan applications and supporting documents with false information and material omissions, as well as other false documentation such as bank statements, to subprime lenders in order to induce the lenders to make loans that otherwise would not have been funded. In some instances, the conspirators obtained mortgages in the names of persons whose identities had been stolen. During the course of this scheme, AGA Capital, its successor, Lending Universe Corporation, and Northside Capital brokered over one thousand home mortgages and home equity loans with a total face value of at least \$200 million dollars. AGA Capital, Lending Universe and Northside Capital earned a total of at least \$4 million in commission fees on the loans. The subprime lenders that issued the mortgages and loans brokered by Northside Capital, AGA Capital and Lending Universe have suffered actual losses of at least \$4.5 million as a result of the fraud scheme.

McDOWALL, 49, pleaded guilty to one count of conspiracy to commit bank and wire fraud. He faces a maximum prison term of thirty years and a maximum fine of the greater of \$1 million or twice the gross pecuniary gain or loss resulting from the crime, and he must pay restitution to the victims of his crime. In addition, McDOWALL also agreed to forfeit a total of \$2.5 million. He is scheduled to be sentenced by Judge PATTERSON on September 9, 2008.

LIPKIN, 29, pleaded guilty to one count of conspiracy to commit mail, wire and bank fraud. He faces a maximum prison term of thirty years and a maximum fine of the greater of \$1 million or twice the gross pecuniary gain or loss resulting from the crime, and he must pay restitution to the victims of his crime. LIPKIN also agreed to forfeit a total of \$7 million. He is scheduled to be sentenced by Judge HOLWELL on October 10, 2008.

Of the four other defendants charged in United States v. Maurice McDowall, et al., one has pleaded guilty and the rest await trial, which is scheduled for June 23, 2008. As to the defendants awaiting trial, the charges are merely accusations, and the defendants are presumed innocent unless and until proven guilty. Of the 26 other defendants charged in United States v. Aleksander Lipkin, et al., four have pleaded guilty and the rest await trial, which is scheduled for November 17, 2008. As to the latter group, the charges are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation, New York City Police Department, and U.S.

Immigration and Customs Enforcement. He also thanked the New York State Attorney General's Office for its outstanding work in the investigation.

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

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