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**MORTGAGE BROKER PLEADS GUILTY IN MULTIMILLION
DOLLAR MORTGAGE FRAUD SCHEME**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that JOSEPH PAPERNY pleaded guilty today before United States District Judge RICHARD J. HOLWELL in Manhattan federal court to participating in a multimillion-dollar subprime mortgage fraud scheme. According to the Indictment, other documents filed in the case, and statements made during the guilty plea proceedings:

From 2004 through January 2007, PAPERNY participated in a scheme to defraud various subprime banks and lending institutions. PAPERNY worked as a mortgage broker at Northside Capital NY, Inc. ("Northside Capital"), in Brooklyn. PAPERNY conspired with other mortgage brokers and processors who worked at the mortgage brokerages Northside Capital and AGA Capital NY, Inc. ("AGA Capital"), in Brooklyn, as well as with real estate appraisers, loan account executives, a paralegal, a lawyer, straw buyers, and others. During the course of the fraudulent scheme,

Northside Capital, earned several million dollars in commission loans with a total face value of at least \$200 million dollars. The scheme involved submitting to subprime lenders loan applications and supporting documents, which contained false information and material omissions, in order to induce the lenders to make loans that otherwise would not have been funded.

As part of the scheme, PAPERNY and his co-defendants purchased a block of ten rent-regulated condominium apartments at 243 West 98th Street, on the Upper West Side of Manhattan ("the Apartments"). With seven of the ten Apartments, subprime lenders were falsely told in mortgage applications and supporting documents that the buyers intended to live in the Apartments as a "primary residence." With the remaining three Apartments, subprime 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 subprime 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.

Twenty Six other individuals were charged in connection with this scheme. Eleven have pleaded guilty. Five are scheduled to go to trial on November 17, 2008, and the remaining nine defendants are scheduled to go to trial on January 26, 2009. As to the defendants awaiting trial, the charges are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

JOSEPH PAPERNY pleaded guilty to one count of conspiracy to commit mail, wire and bank fraud. He faces a maximum sentence of thirty years in prison and a fine of the greater of \$1,000,000 or twice the gross pecuniary gain or loss resulting from the crime. He is also subject to pay restitution to the victims of his crime. PAPERNY also agreed to forfeit a total of \$1,000,000.

Sentencing is scheduled for February 6, 2009.

Mr. GARCIA praised the investigative work of the Federal Bureau of Investigation, the New York City Police Department, and United States Department of Homeland Security's Immigration and Customs Enforcement.

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

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