Operation Bad Deeds

Prepared Remarks for U.S. Attorney Preet Bharara

October 15, 2009

Introduction

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we announce federal criminal charges against 41 defendants alleging their involvement in mortgage fraud scams throughout New York State. These charges are part of a coordinated enforcement action with our federal, state and local partners known as "Operation Bad Deeds." Operation Bad Deeds is the largest law enforcement operation involving mortgage fraud in the Southern District's history.

The 41 defendants charged today include 6 lawyers, 3 mortgage brokers, 7 loan officers, and other licensed professionals who corrupted the mortgage market to enrich themselves.

The defendants charged and arrested today are implicated in eight different criminal cases filed in the Southern District of New York. In total, the defendants allegedly obtained - through blatant fraud - more than $64 million in home mortgage loans for some 107 residential properties across New York State. That's $64 million in credit that was not available to legitimate aspiring home buyers.

I am joined today by a number of law enforcement partners who worked together - seamlessly and tirelessly - to make today's operation a success: leaders of the FBI; the New York State Banking Department; the Office of the Inspector General of the Department of Housing and Urban Development; the United States Secret Service; the United States Postal Inspection Service; and the Office of the Inspector General of the Federal Deposit Insurance Corporation, all of whom participated in today's coordinated takedown.

I am also joined by Jon Kolodner, Co-Chief of our Office's newly-created Complex Frauds Unit, who is supervising the excellent team of prosecutors assigned to the eight cases we announce today.

The Fraud Schemes

The fraud schemes alleged in the cases unsealed today reflect a veritable smorgasbord of scams. They run the gamut from equity stripping to bogus foreclosure rescues, phony loan applications to fake property flips. Whether the economy was going up or going down, these alleged fraudsters were feverishly working to game the system.

The defendants include corrupt industry insiders who are alleged to have employed various forms of deceit to fleece banks and mortgage lenders out of more than $64 million in loans.

Some of the defendants charged today specifically targeted struggling homeowners on the verge of foreclosure. One of today's cases involved a foreclosure rescue scheme that preyed on desperate people facing the loss of their homes.

At the same time that the federal government has been spending billions in taxpayer funds to bring foreclosure relief, a number of these alleged fraudsters have been undermining that effort by targeting the most vulnerable. What's worse, some have been using their professional licenses to do so. The alleged complex criminal schemes we've unraveled today also had a more pervasive, corrupting effect on the overall mortgage lending system that hard-working and honest people need to rely on to make home ownership possible.

<u>Chart 1</u>
[Lists Details of 8 Cases]

Let me take a minute to highlight for you some of the details of the various cases we've charged today.

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<u>Chart 2</u>

[Diagram of <u>U.S. v. Peggy Persaud, et al.</u> Fraud]

I'd like to highlight just one of the fraudulent schemes we've exposed today. <u>U.S. v. Peggy Persaud, et al.</u> charges eight individuals, including one loan officer and two attorneys. The defendants are accused of recruiting straw purchasers - in many cases, unwitting purchasers. Certain defendants allegedly piggybacked on the straw purchasers' good credit to obtain loans while the loan officers then lied to banks about the true financial profiles of the straw purchasers. After obtaining a loan, illicit fees were paid out of loan proceeds, which effectively stripped the equity out of the property. Properties were sometimes flipped a second time to another straw purchaser at an even higher price, permitting additional equity to be stripped from the property.

In this case licensed lawyers were critical to the scheme by acting as the closing attorneys, who controlled the cash after the alleged crimes were committed.

<u>Conclusion</u>

Let me close by saying this:

As the U.S. economy struggles, we will continue to have a zero tolerance policy for those who defraud financial institutions and prey on homeowners on the brink of foreclosure. The type of criminal conduct charged today constricts the credit markets and makes it harder for honest people to realize the American dream of home ownership.

It is especially alarming when lawyers, loan officers, and mortgage brokers treat their professional licenses as license to loot banks and profit from other people's pain. Particularly in this down economy, the message to those professionals and their alleged criminal cohorts is simple: we will find you; we will arrest you; and we will send you to jail.