



*United States Attorney
Southern District of New York*



FOR IMMEDIATE RELEASE
OCTOBER 20, 2010

CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS,
EDELI RIVERA,
JESSIE ERWIN
PUBLIC INFORMATION OFFICE
(212) 637-2600

**LEADER OF \$10 MILLION SUBPRIME MORTGAGE FRAUD SCHEME
SENTENCED IN MANHATTAN FEDERAL COURT TO 10 YEARS
IN PRISON**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that SHARMON HOWELL, a/k/a "Sharmon Wade," was sentenced yesterday to 10 years in prison by U.S. District Judge GEORGE B. DANIELS for his role as the leader of a "subprime" mortgage fraud scheme involving more than two dozen fraudulent loans valued at over \$10 million. HOWELL pled guilty to his role in the mortgage fraud scheme in June 2010.

U.S. Attorney PREET BHARARA said: "Mortgage fraud schemes threaten the stability of financial institutions and markets, which are already suffering in the current difficult economic climate. Yesterday's sentence sends the clear message that perpetrators of these schemes will be prosecuted and will face severe punishment for their crimes. This Office, working with our law enforcement partners, will tirelessly pursue those who seek to profit through fraud at the expense of financial institutions and the mortgage markets."

According to the Indictment to which HOWELL pled guilty, other court documents, and statements made in court:

From 2006 through 2007, HOWELL was the leader of a scheme to fraudulently obtain dozens of home mortgage loans from various banks and mortgage lenders. HOWELL and his co-conspirators obtained over \$10 million in sub-prime mortgages for individuals on terms that the lender would not have approved had they known the truth.

More specifically, HOWELL and his co-conspirators recruited individuals, or "straw buyers," to purchase properties in and around New York City. The straw buyers were recruited from, among other places, a halfway house in New York City that served individuals recently released from prison, and a public housing complex in Brooklyn. HOWELL and his co-conspirators

falsely told the straw buyers that, by purchasing the homes, they would be assisting sellers who were trying to save their homes from foreclosure and/or that purchasing the homes would be a good investment opportunity.

Several of the straw buyers were also told that they would not have to worry about paying the mortgage because HOWELL would make payments for several months, and thereafter would repurchase and/or sell the properties from the straw buyers. HOWELL and his co-conspirators typically obtained mortgages on behalf of the straw buyers for amounts greater than the actual sale price of the homes. To do so, HOWELL and his co-conspirators obtained fraudulent appraisals for the homes, and misrepresented to the lenders various facts about the straw buyers' income, assets, debts, and intent to live in the properties they were purchasing.

After fraudulently obtaining these mortgages, HOWELL and his co-conspirators distributed among themselves the difference or "spread" between the price of the house and the inflated value of the mortgage. Thereafter, in some instances, HOWELL and his co-conspirators rented the property out and made mortgage payments for a time before allowing the mortgage to go into default; in other instances, they simply failed to make mortgage payments, resulting in the straw buyers of certain of the properties going into default on the mortgage. Currently, the vast majority of the mortgages obtained by HOWELL and his co-conspirators are in default and/or foreclosure proceedings.

HOWELL, 37, of Queens, previously pled guilty to one count of conspiring to commit bank and wire fraud. In addition to the prison term, Judge DANIELS also sentenced HOWELL to a term of four years of supervised release, and imposed an order of forfeiture in the amount of \$400,000.

* * *

This case was brought 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.

This case is being prosecuted by the Office's Complex Frauds Unit. Assistant U.S. Attorneys AMANDA KRAMER and MARK LANPHER are in charge of the prosecution.

10-332

###