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**FORMER CHURCH YOUTH PASTOR CONVICTED IN MORTGAGE FRAUD
SCHEME CARRIED OUT IN WESTCHESTER AND NEW YORK CITY**

MICHAEL. J. GARCIA, United States Attorney for the Southern District of New York, announced today that ISRAEL PENA, a former church youth pastor, was found guilty late yesterday by a federal jury sitting in White Plains, New York, of three counts of conspiracy, bank fraud and mail fraud, relating to his involvement in a mortgage fraud scheme in which he recruited the participation of, among others, a number of the members of his church.

The evidence at trial showed that PENA, working with various others, purchased properties in Westchester and New York City and shortly thereafter, often on the same day, "flipped" the properties to others at a substantial profit. The purchasers, however, did not have the means to obtain the mortgage loans they needed to close on the purchases. Instead, PENA and others arranged for false loan applications to be submitted for them. They submitted different kinds of false information and documents to the banks, including fake W2 forms and fake payroll stubs, reflecting inflated income amounts for borrowers. In some cases, PENA arranged for deposits to be made into borrower's accounts, or into accounts of people who would pretend to be giving gifts to the borrower, so that the lending bank would believe that the borrower had enough funds for a down payment. In fact, no down payment was ever made, and the deposited funds would be returned after the closing.

On one occasion, the evidence at trial showed, PENA and his co-conspirators bought and sold a property in Yonkers on the same day. To secure an inflated mortgage, PENA and his co-conspirators submitted to the lending bank a fake gift letter falsely indicating that the buyer had received a \$50,000 gift, and a \$50,000 certified check that purportedly was used toward

the purchase, but in fact was returned as soon as the closing was complete. The property later went into foreclosure, and the lender, IndyMac Bank, suffered a significant loss. In another instance, Pena and his co-conspirators sold a property in Manhattan that they never actually purchased, leaving the buyer with a mortgage, but no property.

The evidence at trial showed that PENA played a primary role in recruiting potential buyers, a number of whom he knew from his church, where he served as a youth pastor. Many of the buyers were first-time home buyers who were not well-informed about real estate and had limited financial means. Many of the deals ultimately ended in the foreclosure of the property and/or personal bankruptcy of the borrower.

PENA faces a maximum of sentence of 65 years' imprisonment and \$2.25 million in fines when he is sentenced on December 5, 2006, before United States District Judge COLLEEN MCMAHON, who presided over the trial.

Mr. GARCIA extended his thanks and appreciation to the Office of Inspector General of the United States Department of Housing and Urban Development, the Postal Inspection Service, and the Federal Bureau of Investigation, whose agents jointly investigated this case.

Assistant United States Attorneys JASON P.W. HALPERIN and EUGENE INGOGLIA are in charge of this prosecution.

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