



Department of Justice



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AT
(202) 514-2007
TTY (866) 544-5309

TWO FINANCIAL INVESTORS PLEAD GUILTY TO BID RIGGING AT MUNICIPAL TAX LIEN AUCTIONS IN NEW JERSEY

WASHINGTON – Two financial investors who purchased municipal tax liens at auctions in New Jersey pleaded guilty today for conspiring to rig bids for the sale of tax liens auctioned by municipalities throughout the state, the Department of Justice announced.

A felony charge was filed today in U.S. District Court for the District of New Jersey in Newark, N.J., against Robert W. Stein of Huntington Valley, Pa., and David M. Farber of Cherry Hill, N.J. Under the plea agreements, which are subject to court approval, Stein and Farber have both agreed to cooperate with the department's ongoing investigation.

According to the felony charge against Stein, from as early as 1998 until approximately spring 2009, Stein participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey by agreeing to allocate among certain bidders on which liens to bid. According to the felony charge against Farber, from as early as the beginning of 2005 through approximately February 2009, Farber also participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens in New Jersey. The department said that both Stein and Farber proceeded to submit bids in accordance with their agreements and purchased tax liens at collusive and non-competitive interest rates.

"Today's guilty pleas demonstrate that the Antitrust Division will not tolerate those who manipulate the competitive process in order to harm home and property owners," said Sharis A. Pozen, Acting Assistant Attorney General in charge of the Department of Justice's Antitrust Division.

The department said that the primary purpose of the conspiracies was to suppress and restrain competition to obtain selected municipal tax liens offered at public auctions at non-competitive interest rates. When the owner of real property fails to pay taxes on that property, the municipality in which the property is located may attach a lien for the amount of the unpaid taxes. If the taxes remain unpaid after a waiting period, the lien may be sold at auction. State law requires that investors bid on the interest rate delinquent homeowners will pay upon redemption. By law, the bid opens at 18 percent interest and, through a competitive bidding process, can be driven down to zero percent. If a lien remains unpaid after a certain period of time, the investor who purchased the lien may begin foreclosure proceedings against the property to which the lien is attached.

According to the court documents, Stein conspired with others not to bid against one another at municipal tax lien auctions in New Jersey. Farber also agreed not bid against certain bidders at tax lien auctions. Because the conspiracies permitted the conspirators to purchase tax liens with limited competition, each conspirator was able to obtain liens which earned a higher interest rate. Property owners were therefore made to pay higher interest on their tax debts than they would have paid had their liens been purchased in open and honest competition.

Each violation of the Sherman Act carries a maximum penalty of 10 years in prison and a \$1 million fine for individuals. The maximum fine for a Sherman Act violation may be increased to twice the gain derived from the crime or twice the loss suffered by the victim if either amount is greater than the \$1 million statutory maximum.

Today's pleas are the result of an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. On Aug. 24, 2011, Isadore H. May, Richard J. Pisciotta Jr. and William A. Collins each pleaded guilty to one count of bid rigging in connection with their participation in a conspiracy to allocate liens at New Jersey municipal tax lien auctions.

Today's charges are part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force (FFETF). President Obama established the interagency FFETF 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. For more information on the task force, visit www.StopFraud.gov.

The ongoing investigation is being conducted by the Antitrust Division's New York Field Office and the FBI's Atlantic City, N.J., office. Anyone with information concerning bid rigging or fraud related to municipal tax lien auctions should contact the Antitrust Division's New York Field Office at 212-335-8000, visit www.justice.gov/atr/contact/newcase.htm or contact the Atlantic City Resident Agency of the FBI at 609-677-6400.

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