



Department of Justice



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TWO NEW JERSEY INVESTORS PLEAD GUILTY FOR THEIR ROLES IN BID-RIGGING SCHEMES AT MUNICIPAL TAX LIEN AUCTIONS

Investigation Has Yielded 14 Guilty Pleas

WASHINGTON – Two financial investors who purchased municipal tax liens pleaded guilty today for their roles in a conspiracy to rig bids at auctions conducted by New Jersey municipalities for the sale of those tax liens, the Department of Justice announced.

A felony charge was filed today in U.S. District Court for the District of New Jersey in Newark, against Robert U. Del Vecchio Sr., of Hawthorne, N.J. According to the charge, from in or about 2000 until approximately December 2008, Del Vecchio Sr. 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 which liens each would bid on. Additionally, a felony charge was filed today in the U.S. District Court for the District of New Jersey in Newark, against Michael Mastellone, of Cedar Knolls, N.J. for participating in a similar conspiracy from in or about 2000 until approximately February 2009. The department said that Del Vecchio Sr. and Mastellone proceeded to submit bids in accordance with the agreements and purchased tax liens at collusive and non-competitive interest rates.

“By conspiring to rig the bids of municipal tax liens, the conspirators profited at the expense of those already struggling financially,” said Scott D. Hammond, Deputy Assistant Attorney General for the Antitrust Division’s criminal enforcement program. “Protecting Americans from these types of bid-rigging schemes remains a high priority for the division.”

The department said the primary purpose of the conspiracy was to suppress and restrain competition in order 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 property owners 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, Del Vecchio Sr. and Mastellone were involved in the conspiracy with others not to bid against one another at municipal tax lien auctions in New Jersey. Since the conspiracy 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, the department said.

A 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 victims if either amount is greater than the \$1 million statutory maximum.

Today's pleas are the 13th and 14th guilty pleas resulting from an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. Nine individuals – Isadore H. May, Richard J. Pisciotta Jr., William A. Collins, Robert W. Stein, David M. Farber, Robert E. Rothman, Stephen E. Hruby, David Butler and Norman T. Remick – and three companies – DSBD LLC, Crusader Servicing Corp. and Mercer S.M.E. Inc. – have previously pleaded guilty as part of this investigation.

Today's charges were brought in connection with the President's Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices and state and local partners, it's the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets and conducting outreach to the public, victims, financial institutions and other organizations. Over the past three fiscal years, the Justice Department has filed nearly 10,000 financial fraud cases against nearly 15,000 defendants including more than 2,900 mortgage fraud defendants. For more information on the task force, please visit www.StopFraud.gov.

This ongoing investigation is being conducted by the Antitrust Division's New York 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 Office at 212-335-8000, visit www.justice.gov/atr/contact/newcase.html or contact the Atlantic City Resident Agency of the FBI at 609-677-6400.

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