

U.S. v. Rubin et al. Press Conference
Prepared Remarks for U.S. Attorney Preet Bharara
November 13, 2014

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

The indictment that we unseal today describes a sweeping and cynical fraud. It charges 14 people with an almost decade-long scheme that ripped off banks, welfare programs, and taxpayers, and a 15th person who committed welfare fraud. The scheme ranged from 2004 to 2014, as alleged, from Brooklyn to Harlem to Orange County.

These individuals alternately played the part of prince or pauper, depending on which scam was being perpetrated.

First, as alleged, many of the defendants claimed poverty to defraud federal, state, and local government, including Medicaid, the food stamp program, and other welfare programs. They paid little or no income taxes, all to divert money to their own pockets, money for Government assistance that should have gone to those who are truly in need, and who are actually deserving of welfare.

At the very same time, many defendants claimed considerable wealth to qualify for high dollar mortgages. This enabled them to defraud banks both on their way into loans as well as on their way out of paying them back, resulting in millions of dollars of losses to those banks. So, this was fraud really coming and going.

All told, according to the Indictment, the defendants' scheme involved 25 high-dollar value loans, from which they fraudulently obtained more than \$20 million. But, as alleged, regardless of whether they were posing as rich men or poor men, they always were con men – claiming wealth when it suited them, and then claiming poverty when that suited them better.

Also as described in the Indictment, these individuals then used the money from the loans to enrich themselves and their families – paying personal credit card bills, personal mortgages, and pursuing other real estate development projects.

As further alleged, these defendants lied about their income, their assets, and their employment status. They lied about being homeless, lied about their identities, and lied about who owned which properties and companies in Orange County, Harlem, Brooklyn, and elsewhere – all based on what would benefit them most financially. They allegedly lied about financial troubles they had incurred in order to escape their mortgage obligations. They lied and lied again in order to personally enrich themselves and their families with a blatant disregard for who would be left holding the bag. In fact, it's hard to find any examples of when they told the truth, as the Indictment makes clear.

Now, let me provide a little more detail on the elaborate mortgage fraud scheme described in the Indictment:

One of the co-conspirators would obtain ownership of a property, or at least a claim to ownership of a property. The properties were residential, including single apartments, single homes, and apartment complexes.

Sometimes the claim of ownership would arise from a real sale of the property to one of the defendants. In other instances, though, the claim arose from a transfer of the property from one co-conspirator to another, at little or no reported cost.

In making the request for forgiveness, unbelievably, they would essentially claim poverty again, having done that in connection with the other schemes. When the request included a proposed short sale, the borrower would claim that he had -luckily- found a potential buyer of the property willing to purchase it at a substantial discount, which in fact was itself a sham transaction.

The scope of the scheme described in the Indictment is breathtaking in its brazenness. People claimed to be millionaires when it suited them and they claimed to be homeless when that suited them better. The defendants pretended to have multiple properties and assets and then they otherwise pretended to be destitute. Now, as we stand here today, their alleged double-dealing will be stopped, and they will have to submit to the truth-seeking process of the criminal justice system.

I want to thank our partners on this investigation: Here from the FBI are George Venizelos, the Assistant Director-in-Charge of the FBI in New York, Special Agent-in-Charge Richard Frankel, and Assistant Special Agent-in-Charge George Khouzami. From the Orange County Sheriff's Office is Sheriff Carl DuBois.

I would like to thank the Orange County Sheriff's Office, the Orange County Department of Social Services Special Investigation Unit, the New York City Human Resources Administration, and the IRS, whose efforts made this case possible, and especially Sergeant Meredith McGovern, Investigator Marchello Laudato, FBI Special Agents Eugene Hagan and John Farrell, and Supervisory Special Agent Jermicha Fomby.

Finally, I want to recognize and thank the dedicated career prosecutors in my office for their outstanding work in doggedly prosecuting these cases. They are: Assistant U.S. Attorneys Ben Allee, Kathryn Martin, and Michael Maimin, supervised by their Chiefs of our office here in White Plains, Assistant U.S. Attorneys Mimi Rocah, Todd Blanche, and Perry Carbone.