

**THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY**

UNITED STATES OF AMERICA	:	
	:	
v.	:	CRIMINAL NO. ___-__-__
	:	
MEHDI KASSAI,	:	18 U.S.C. § 1344
a/k/a,	:	18 U.S.C. § 1343
“MIKE KASSAI”	:	18 U.S.C. § 1957
Defendant	:	18 U.S.C. § 2
	:	

INFORMATION

The United States Attorney for the District of New Jersey charges:

At all times relevant to this Information:

The Defendant

1. Defendant MEHDI KASSAI (“KASSAI”), also known as “Mike Kassai,” bought multiple properties located in the State of New Jersey through short sales in his own name and in the name of straw buyers, and then sold them shortly thereafter at a substantial profit (the “Short Sale Properties”).

Relevant Individuals and Entities

2. Victim Banks 1 and 2 were federally regulated national banking associations, the accounts of which were insured by the Federal Deposit Insurance Corporation, making each of them a “financial institution” as that term is defined in Title 18, United States Code, Section 20. They also held liens on various Short Sale Properties.

3. Bank 3 was a federally regulated national banking association, the

accounts of which were insured by the Federal Deposit Insurance Corporation, making it a “financial institution” as that term is defined in Title 18, United States Code, Section 20.

The Short Sale Process

4. At all times relevant to this Information, “short sales” of residential properties typically referred to situations in which a house owner obtained a mortgage loan from a lender to buy or refinance a house, could not make the loan payments owed, sought to end those payments by selling the house for less than the outstanding mortgage loan amount, and asked the lender to accept the reduced sales price of the house in full satisfaction of the mortgage loan. Such transactions were called “short sales” because the actual market value of the house (and, therefore, the price at which the house owner could sell it on the open market) was less than the amount owed by the house owner to the lender. By cancelling the loan for less than the loan amount still owed, the lender accepted a “short” payment amount from the house owner.

5. Since lenders have the legal right to collect the full loan amount, a short sale (and resulting cancellation of the mortgage loan) required the lender’s approval.

6. As part of the short sale approval process, lenders typically required house owners and their agents to document the house owner’s financial hardship and inability to continue making loan payments, as well as the actual fair market value at which the house could then be sold. To accomplish this, house owners were required to document their finances, and

affirm that the proposed short sale was an “arm’s-length” transaction; that is, one in which there was no undisclosed relationship between the house owner selling the home and the person or entity buying it from the house owner (other than the short sale itself). Lenders also often required house owners to affirm that there were no side agreements with other parties that were unknown to the lender.

7. Before approving a short sale, lenders also typically required the house owner to engage a realtor to market the property through a multiple listing service (“MLS”) to ensure that the residence was sold for actual market value so that the lender’s losses on the short sale were minimized.

8. In addition, when selling their houses, house owners were required to sign HUD-1 Settlement Statements. A HUD-1 Settlement Statement is a standardized form used for residential real estate transactions that itemized the receipt and disbursement of funds to a buyer and seller. At closing, the buyer, house owner seller, and settlement agent certified, that the information contained in the HUD-1 Settlement Statement was true and correct. Lenders and their servicers relied on the HUD-1 Settlement Statement when approving a short sale.

9. The documentation, affirmations, and information described in paragraphs 6, 7, and 8, above, were material to lenders’ short sale approval decisions.

The Fraudulent Scheme

10. Between in or about June 2013 and in or about December 2016

the defendant, KASSAI, and others known and unknown illegally obtained more than approximately \$6,000,000 by fraudulently inducing multiple lenders, including Victim Banks 1 and 2, to approve sales of Short Sale Properties for amounts substantially below what those properties were then worth, in the manner and using the means detailed below.

Goal of the Fraudulent Scheme

11. The goal of the fraudulent scheme was for KASSAI and others acting in concert with him (the “Co-Schemers”) to enrich themselves by fraudulently deceiving lenders in connection with Short Sale Properties.

Manner and Means of the Fraudulent Scheme

12. It was a part of the scheme that KASSAI and one or more Co-Schemers identified multiple residential properties in New Jersey to be used as Short Sale Properties.

13. It was a further part of the scheme that KASSAI purchased in his own name, and caused others to purchase, the Short Sale Properties.

14. It was a further part of the scheme that, without the knowledge or authorization of multiple lenders (including Victim Banks 1 and 2), KASSAI caused:

- (a) materially false hardship letters and hardship affidavits, purportedly signed by short sale sellers, to be submitted to Victim Banks in connection with the Short Sale Properties for the purpose of misleading them about the ability of house owners to repay their loans;

- (b) “straw buyers” to purchase Short Sale Properties from house owners, through which KASSAI could secretly maintain control of those properties. These “straw buyers” were persons or entities in whose name Kassai purchased Short Sale Properties knowing that those straw buyers would not, in fact, own or control those Short Sale Properties;
- (c) Victim Banks to be misled about the actual value of Short Sale Properties, by
 - (i) artificially lowering their apparent value by (among other things) purposefully damaging drywall, removing appliances, and otherwise negatively impacting the cosmetic appearance of Short Sale Properties;
 - (ii) preventing legitimate, higher offers, to be made for Short Sale Properties or, when made, communicated to Victim Banks. This was accomplished by, among other things, artificially limiting the time Short Sale Properties were listed on an MLS and misrepresenting to potential third-party buyers not controlled by or acting in concert with KASSAI that these properties were unavailable;
 - (iii) obtaining quit claim deeds from various house owners, which hindered the purchase of those properties by third-parties not controlled by or acting in concert with

KASSAI;

- (iv) concealing KASSAI's resales of Short Sale Properties for amounts substantially higher than a Victim Bank had been defrauded into believing the Short Sale Properties were actually worth. On multiple occasions, these higher resale prices had been agreed to by KASSAI and a third-party buyer before the Victim Bank had relinquished control over a Short Sale Property;
- (d) Victim Banks to be misled about various side deals and other secret disbursements made in connection with the sale of Short Sale Properties through the submission of purposefully false HUD-1 Settlement Statements;
- (e) a portion of the profits fraudulently obtained through Short Sale Property resales to be disbursed to one or more bank accounts; and
- (f) a portion of the profits from various Short Sale Property resales to be split with one or more Co-Schemers, including house sellers, realtors, and others. At times, this involved the delivery of thousands of dollars in cash.

15. It was a further part of the fraudulent scheme that KASSAI would send and receive emails from various Co-schemers pertaining to their illegal activities, and also maintain handwritten and computer-generated records

detailing specific aspects of the fraud concerning particular Short Sale Properties.

COUNTS ONE AND TWO
BANK FRAUD

16. Paragraphs 1 through 15 of this Information are realleged and incorporated herein.

17. On or about the dates indicated in the table below, in Bergen County, in the District of New Jersey and elsewhere, defendant

MEHDI KASSAI
a/k/a
“MIKE KASSAI”

did knowingly and willfully execute and attempt to execute a scheme and artifice to defraud Victim Bank 1, and to obtain monies, funds, credits, assets, or other property owned by, or under the custody or control of, Victim Bank 1, by means of materially false or fraudulent pretenses, representations and promises, specifically the short sale transactions identified in the table below, each constituting a separate count of this Information:

COUNT	SHORT SALE TRANSACTION	CLOSING DATE	EXAMPLES OF MATERIALLY FALSE PRETENSES USED TO DEFRAUD VICTIM BANKS
1	114 Pershing Road, Englewood Cliffs, New Jersey	July 19, 2013	Purposefully misrepresenting the actual resale value of this Short Sale Property to Victim Bank 1, which was a substantially higher dollar value than Victim Bank 1 had been defrauded into believing that property was worth.
2	77 Lakeview Street, River Edge, New Jersey (the "Lakeview Property")	July 17, 2014	Purposefully misrepresenting the actual resale value of this Short Sale Property to Victim Bank 1, which was a substantially higher dollar value than Victim Bank 1 had been defrauded into believing that property was worth.

All in violation of Title 18, United States Code, Sections 1344 (1) and (2) and Section 2.

COUNT THREE
(Wire Fraud Affecting a Financial Institution)

18. Paragraphs 1 through 15 of this Information are realleged and incorporated herein.

19. On or about February 22, 2015, in Bergen County, in the District of New Jersey and elsewhere, defendant,

MEHDI KASSAI
a/k/a
"MIKE KASSAI"

for the purpose of executing and attempting to execute a scheme or artifice to defraud Victim Bank 2, and for obtaining money or property from Victim Bank 2 by means of false or fraudulent pretenses, representations, or promises, knowingly caused the transmission of a wire communication in interstate and foreign commerce, that is, an e-mail from "Mike Kassai mikekassai@optonline.net" to "*****.***@gmail.com [redacted]," "Subject 66 Woodland Rd, Demarest, NJ 07627," which stated, in substance and in part, that Kassai, the buyer, had agreed to make an illegal \$30,000 payment to the short seller of a property located at 66 Woodland Road, which payment was concealed from Victim Bank 2.

All in violation of Title 18, United States Code, Section 1343 and Section 2.

COUNT FOUR
(Money Laundering)

20. Paragraphs 1 through 15 of this Information are realleged and incorporated herein.

21. On or about July 25, 2014, in Bergen County, in the District of New Jersey and elsewhere, defendant,

MEHDI KASSAI
a/k/a
"MIKE KASSAI"

did knowingly engage and attempt to engage in a monetary transaction in criminally derived property of a value greater than \$10,000, that is, by causing a realtor to withdraw \$22,001.62 generated in connection with the Lakeview Property, while then knowing that these funds were derived from specified unlawful activity, that is, bank fraud, in violation of Title 18 United States Code, Section 1344.

All in violation of Title 18, United States Code, Section 1957 and Section 2.

FORFEITURE ALLEGATION AS TO COUNTS ONE THROUGH THREE

1. As a result of committing the wire fraud and bank fraud offenses charged in Counts One through Three of this Information, defendant,

MEHDI KASSAI
a/k/a
“MIKE KASSAI”

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(2), any property constituting or derived from proceeds obtained directly or indirectly as a result of the violations of Title 18, United States Code, Sections 1343 and 1344 alleged in Counts One through Three of this Indictment.

FORFEITURE ALLEGATION AS TO COUNT FOUR

2. As a result of committing the money laundering offense charged in Count Four of this Indictment, defendant

MEHDI KASSAI
a/k/a
“MIKE KASSAI”

shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), all property, real or personal, involved in such money laundering offense, and all property traceable to such property.

Substitute Assets Provision
(Applicable to All Forfeiture Allegations)

3. If any of the property described above, as a result of any act or omission of the defendant:

a. cannot be located upon the exercise of due diligence;

- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of such defendant up to the value of the forfeitable property described in paragraphs 1 and 2.


Craig Carpenito
United States Attorney

CASE NUMBER: _____

United States District Court
District of New Jersey

UNITED STATES OF AMERICA

v.

Mehdi Kassai

INFORMATION

18 U.S.C. §§ 1344, 1343, 1957 and 2

CRAIG CARPENITO

UNITED STATES ATTORNEY NEWARK, NEW JERSEY

ANDREW LEVEN

ASSISTANT U.S. ATTORNEY

CHARLIE DIVINE AND KEVIN DIGREGORY

SPECIAL ASSISTANT UNITED STATES ATTORNEYS

NEWARK, NEW JERSEY

973.645.2700
