

DEPARTMENT OF JUSTICE

U.S. Attorney's Office
District of New Jersey

FOR IMMEDIATE RELEASE

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Passaic County, New Jersey, Man Admits Role In \$6 Million Fraud Scheme

NEWARK, N.J. – A Hawthorne, New Jersey, man today admitted his role in a scheme to defraud financial institutions and others of more than \$6 million, U.S. Attorney Craig Carpenito announced.

Mehdi Kassai, also known as “Mike Kassai,” 36, pleaded guilty before U.S. District Judge William J. Martini in Newark federal court to an information charging him with two counts of bank fraud, one count of wire fraud, and one count of money laundering.

According to documents filed in this case and statements made in court:

From June 2013 to March 2017, Kassai and others fraudulently induced mortgage lenders to participate in “short sale” transactions. In the typical short sale transaction, a financial institution agrees to allow a house owner in financial distress to sell for less than they owe on the mortgage. Such transactions are called short sales because the market value of the house is less than the amount owed by the owner and the lender agrees to accept a payment “short” of the amount owed by the house owner.

Kassai admitted that he used false documents and straw buyers, caused cosmetic damage to properties to lower their apparent value, and restricted the ability of others to bid and buy those properties. This allowed Kassai to gain control of properties through the short sale process for substantially less than the properties were actually worth. Kassai then sold many of those properties to third parties at a substantial profit.

The bank fraud and wire fraud counts are punishable by up to 30 years in prison and a fine of \$1 million, or twice the gross gain to the defendant or loss to the victim. The count of money laundering is punishable by up to 10 years in prison and a fine of \$250,000, or twice the gross gain or loss. Kassai also agreed to forfeit the proceeds of the scheme. Sentencing is scheduled for April 18, 2019.

U.S. Attorney Carpenito credited officers of the Bergen County Prosecutor's Office, under the direction of Acting Prosecutor Dennis Calo, and special agents of the Federal Housing Finance

Agency, Office of Inspector General, under the direction of Acting Special Agent in Charge Robert Manchak, with the investigation leading to today's guilty plea.

The government is represented by Senior Trial Counsel Andrew Leven of the Healthcare & Government Fraud Unit of the U.S. Attorney's Office, District of New Jersey, and Special Assistant U.S. Attorneys Charlie Divine and Kevin DiGregory of the Federal Housing Finance Agency, Office of Inspector General.

Defense counsel: James M. Doyle Esq., Hackensack, New Jersey