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United States Attorney's Office
Central District of California

Thom Mrozek, Public Affairs Officer
thom.mrozek@usdoj.gov
(213) 894-6947
www.justice.gov/usao-cdca
@CDCANews

Two Orange County Men Sentenced to Federal Prison in $21 Million 'Builder Bailout' Fraud Scheme Operated during 2008 Financial Crisis

SANTA ANA, California – Two men from Orange County have been sentenced to federal prison for participating in a "builder bailout" mortgage fraud scheme that resulted in the fraudulent purchase of more than 100 condominium units around the country, causing more than $10 million in losses when the properties went into foreclosure.

Maher Obagi, 32, of Huntington Beach, was sentenced to 78 months in prison and ordered to pay just over $10 million in restitution. A second defendant – Mohamed Salah, 43, of Mission Viejo – was sentenced to 57 months in prison and was ordered to pay just over $7 million in restitution. Both defendants were sentenced on Tuesday by United States District Judge Andrew Guilford.

Obagi and Salah, along with several co-conspirators, operated the scheme through Excel Investments and related companies that were based in Santa Ana and then Irvine. The scheme involved kickbacks from condominium builders during the 2008 financial crisis, kickbacks that were hidden from lenders to convince them to fund loans in excess of actual purchase price.

During the course of the scheme, co-conspirators identified condominium developments around the country in which the builders were struggling to sell units and then arranged with the builders to purchase multiple units at a discount. The builders benefitted by making it appear that their condos were selling and maintaining their value, while members of the conspiracy obtained the kickbacks.

The co-conspirators negotiated with condominium builders in California, Florida and Arizona for discount units. The defendants bought units for themselves, their relatives, and on behalf of "straw buyers" whom they brought into the scheme. They identified straw buyers by looking for individuals with good credit scores and then recruited them into the scheme by giving them an upfront payment for their participation and by presenting the scheme as an investment opportunity that required no down payment and would generate income through rental payments.

To obtain mortgages for the properties, Obagi and other co-conspirators prepared loan applications with false information about the straw buyers – including fake employment, income and assets, as well as fabricated W2s, pay stubs and bank statements. The mortgage applications also included false information about the terms of the transactions, such as concealing the large kickbacks from lenders through false and misleading HUD-1 forms. As a result of the false statements in the fraudulent loan applications, mortgage lenders provided over $21 million in financing to purchase more than 100 properties.

Many of these loans went into default, and mortgage lenders lost more than $10 million after foreclosing on the properties. The Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae) purchased dozens of these loans on the secondary mortgage market and suffered losses of at least $1.3 million as a result of defaults and foreclosures on the properties.

Following a trial in 2015, Obagi was found guilty of one count of conspiracy and three counts of wire fraud. Salah was found guilty by the same federal jury of one count of conspiracy.

Several other defendants were charged in connection with the same scheme. They are:

- Ali Khatib, 53, of Newport Coast, who pleaded guilty in a related case and is scheduled to be sentenced on July 16;
- Momoud Aref Abaji, 37, of Huntington Beach, who was convicted at trial and is scheduled to be sentenced on June 14;
- Jacqueline Burchell, 57, of Orange, who pleaded guilty and is scheduled to be sentenced on July 16;
- Wajieh Tbakhi, 53, who is a fugitive; and
- Mohamed El Tahir, who is now deceased.

This matter was investigated by the Federal Bureau of Investigation; the Federal Housing Finance Agency, Office of the Inspector General; and IRS Criminal Investigation.

The case is being prosecuted by Assistant United States Attorney Kerry L. Quinn of the Major Frauds Section.

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