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Orange County Man Sentenced to 108 Months in Federal Prison in \$21 Million 'Builder Bailout' Fraud Scheme

SANTA ANA, California – An Orange County man was sentenced to federal prison for his leadership role in a “builder bailout” mortgage fraud scheme.

Momoud Aref Abaji, 37, of Huntington Beach, was sentenced to 108 months in prison by United States District Judge Andrew Guilford and ordered to pay more than \$10 million in restitution to the financial institutions that were victims of the fraud. The scheme Abaji operated 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.

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

During the course of the scheme, co-conspirators identified condominium developments around the country where the builders were struggling to sell units and arranged 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, Abaji 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 builders 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.

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

- Abaji's brother, Maher Obagi, 32, of Huntington Beach, who was sentenced in June 2018 to 78 months in prison and ordered to pay just over \$10 million in restitution.
- Mohamed Salah, 43, of Mission Viejo, who was sentenced in June 2018 to 57 months in prison and ordered to pay just over \$7 million in restitution.
- Ali Khatib, 53, of Newport Coast, pleaded guilty in a related case and is scheduled to be sentenced on September 10th;
- Jacqueline Burchell, 57, of Orange, pleaded guilty in June 2013 and is scheduled to be sentenced on October 1st;
- Wajieh Tbakhi, 53, who is currently a fugitive; and
- Mohamed El Tahir, 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.