



Department of Justice



United States Attorney Loretta E. Lynch
Eastern District of New York

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FOUR ARRESTED FOR DEFRAUDING MORTGAGE LENDING INSTITUTIONS

Mortgage Broker, Title Agent, Real Estate Appraiser, Attorney, Property Managers, and Others Conspired to Steal Funds in a Multi-Million Dollar Scheme

BROOKLYN, NY – A six-count indictment was unsealed this morning in federal court in Brooklyn charging mortgage broker Alex Barrett, property manager Barthelemy Adjavehoude, title agent Michelle Baker, property manager and self-described foreclosure specialist James Bayfield, and property managers Samuel Terrell Bell and Dirk Hall with engaging in a bank and wire fraud conspiracy to steal millions of dollars from financial lending institutions.¹ Defendants Adjavehoude, Baker, Bayfield, and Bell were arrested and will be arraigned this afternoon before United States Magistrate Judge Lois Bloom at the United States Courthouse in Brooklyn, New York. The defendants face penalties of up to 30 years' imprisonment if convicted.

The charges were announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; George Venizelos, Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI); Michael Stephens, Acting Inspector General, Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG); Christina Scaringi, Special Agent-in-Charge, Northeast Region, U.S. Department of Housing and Urban Development, Office of Inspector General (HUD-OIG); and Derek Evans, Special Agent-in-Charge, Federal Deposit Insurance Corporation-Office of Inspector General, New York Region.

According to the indictments unsealed this morning, the defendants and other participants in the scheme (“the conspirators”) caused mortgage loan applications with false information to be submitted to lending institutions in connection with the purchase of residential properties located within the Eastern District of New York. These applications contained fraudulently inflated purchase prices and appraisals for the properties, as well as false information about the assets and income of the purchasers of the properties, many of whom were being compensated as part of the

¹ The charges announced today are merely allegations, and the defendants are presumed innocent unless and until proven guilty. Previously, co-conspirators George Alderdice, an attorney, and Sharif Rashed, an appraiser, pled guilty to conspiring to commit bank and wire fraud for their respective participation in the scheme.

scheme to act as straw purchasers. The conspirators also falsified HUD forms and provided false down payment checks to make it appear as if the straw purchasers and the other borrowers had made down payments in connection with the purchase of the properties, which was a condition of the lending institutions for issuing the mortgage loans.

To carry out their scheme, the conspirators allegedly often conducted simultaneous purchases and sales of the properties, sometimes called “flips,” in an effort to conceal their criminal involvement and to inflate the value of the properties. For example, a conspirator would purchase a property from a homeowner. That same day, the conspirator would sell the property to a straw purchaser at an inflated value. The conspirators, through the use of backdated and falsified documents, concealed from the lending institutions the fact that the purchase and sale had occurred on the same day and made it appear as if the transaction between the homeowner and the conspirator had occurred over 60 days prior to the sale from the conspirator to the straw purchaser.

As a result of the false applications and appraisals, the lending institutions were fraudulently induced to issue millions of dollars of mortgage loans secured by properties that had inflated appraisal values to individuals who had insufficient income and assets to qualify for the mortgage loan. In many instances, the straw purchasers and the other borrowers failed to make required mortgage payments to the lending institutions, which caused the mortgage loans to be placed into default status.

At approximately the time of the closings of the properties, the conspirators diverted for their own use the portion of the loan proceeds that exceeded the actual value of the properties. The conspirators collectively caused the financial lending institutions to loan out over \$5.5 million, of which over \$2.7 million was the conspirators’ profit from the scheme. The investigation identified at least 17 properties in the scheme, including locations in Cambria Heights, Far Rockaway, Brooklyn, Laurelton, Jackson Heights, Jamaica, Hempstead, Rosedale, and Hollis, New York.

“Through a web of lies and false documentation, these real estate professionals allegedly stole millions from banks, which they used to line their own pockets,” stated United States Attorney Lynch. “The size and scope of the conspiracy were noteworthy, but the charges announced today are the result of an even more impressive collaboration between all the agencies that worked tirelessly to bring the defendants to account for these crimes. This is a clear message to anyone who contemplates engaging in mortgage fraud: do not even attempt it because you will be caught.”

FBI Assistant Director-in-Charge Venizelos stated, “In an elaborate scheme between brokers, appraisers, straw buyers, and others, it is alleged that these defendants conspired to shake down and defraud banks. The scheme not only victimized those institutions, but millions of consumers who either paid higher rates or could not get a loan.”

HUD-OIG Special Agent-in-Charge Christina Scaringi stated, “The arrests and charges announced today serve to remind the public that we will continue the important work of investigating mortgage industry professionals who deceive and defraud homeowners, the Federal Housing Administration, and mortgage lending institutions to satisfy their own personal enrichment. As alleged, the conduct of these defendants is particularly troubling as it is yet another reminder of the fraud and difficulties many endured in the aftermath of the recent housing crisis. We wish to thank our law enforcement partners at the FBI, FHFA-OIG, FDIC-OIG, and the U.S.

Attorney's Office for their perseverance and steadfast efforts in ensuring these defendants are brought to justice.”

FDIC-OIG Special Agent-in-Charge Derek Evans stated, “The Federal Deposit Insurance Corporation Office of Inspector General is committed to its partnerships with others in the law enforcement community as we address mortgage fraud cases throughout the country. Today’s arrests illustrate that the government is working to ensure integrity in the financial services and housing industries and that those involved in criminal activities that undermine that integrity will be held accountable if ultimately found guilty.”

FHFA Acting Inspector General Michael Stephens stated, “As alleged, the individuals charged in this scheme operated with impunity under the flawed belief that as industry insiders they could better cover their tracks to avoid detection. However, as evidenced by today’s charges, no fraudulent plan is foolproof. We are proud to have worked with our law enforcement partners and will continue our collaborative efforts to bring those who cheat our financial institutions, and ultimately American taxpayers, to justice.”

The government’s case is being prosecuted by Assistant United States Attorney Walter M. Norkin.

This case was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force. President Obama established the interagency task force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The Defendants:

ALEX BARRETT

Age: 47

Residence: Farmingville, New York

BARTHELEMY ADJAVEHOUE

Age: 54

Residence: Baldwin, New York

GEORGE ALDERDICE

Age: 42

Residence: Manhasset, New York

MICHELLE BAKER

Age: 47

Residence: Jamaica, New York

JAMES BAYFIELD

Age: 42

Residence: Jamaica, New York

SAMUEL TERRELL BELL

Age: 33

Residence: North Babylon, New York

DIRK HALL

Age: 39

Residence: Jamaica, New York

SHARIF RASHED

Age: 32

Residence: Jamaica, New York