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Department of Justice

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District of New Jersey

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Thursday, March 31, 2022

Bergen County Man Sentenced To 97 Months In Prison For Decade-Long \$60 Million Fraud Scheme

NEWARK, N.J. – A Bergen County, New Jersey, man was sentenced to 97 months in prison on March 30, 2022 for orchestrating a long-running bank and securities fraud scheme, which led to large-scale losses for financial institutions and investors, U.S. Attorney Philip R. Sellinger announced.

Seth Levine, 53, of Teaneck, New Jersey, previously pleaded guilty by videoconference before U.S. District Judge Madeline Cox Arleo to an information charging him with one count of conspiracy to commit bank fraud and one count of securities fraud. U.S. District Judge Susan D. Wigenton imposed the sentence today in Newark federal court.

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

Levine was the founding partner, owner, and managing member of Norse Holdings, which was the parent company to more than 70 subsidiary companies. Each of the subsidiary companies owned one or more multifamily buildings, located primarily in New Jersey. From 2009 through August 2019, Levine directed a scheme to fraudulently refinance the multifamily properties by providing materially false information to financial institutions about the rents collected, the number of apartments leased, the expenses, and the true owners of the properties. Levine and others provided lenders fake documents, including falsified leases that created the appearance that vacant spaces were occupied and that overstated the rent paid by tenants; fake personal financial statements; fake expense documents; and fake operating agreements that misrepresented ownership interests in the multifamily properties. Levine also forged signatures on some of the fraudulent documents submitted to lenders. As a result of the fraudulent refinances, Levine received cash payouts from the lenders, which Levine and others used for their own enrichment and to continue the fraud scheme.

Many of the lenders who approved mortgages based on the false statements of Levine and others in turn sold those mortgages to the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). Because the refinances were obtained with fraudulent data regarding the properties' income and expenses, the multifamily properties were overvalued and rents and other income from the properties did not cover the mortgage payments and other expenses associated with the properties. To cover the shortfalls, Levine obtained additional cash-out refinances, thereby increasing his total debt incurred. In total, Levine controlled at least 70 multifamily properties, comprising approximately 2,500 apartments. At the time the fraud was discovered, the outstanding balance of the fraudulently obtained mortgages on the multifamily properties was more than \$150 million, including 40 mortgages held by Freddie Mac with an outstanding loan balance of approximately \$103 million. At the time of sentencing, the bank fraud conspiracy resulted in losses to victim lenders of at least \$47 million.

While defrauding the lending financial institutions, Levine also carried out a securities fraud scheme to defraud investors in the multifamily properties. He solicited investors to invest in the multifamily properties based on materially false statements and promises about the condition of the properties and the use of investor funds. Levine represented to investors that his conduct would be limited by an operating agreement. However, after Levine acquired the multifamily properties, he violated representations made to the investors, including by selling off portions of Levine's ownership interest in the properties without investor consent, bringing on additional investors without consent, and refinancing the multifamily properties without investor consent. Levine provided fraudulent documents to investors, such as operating agreements that overstated Levine's personal investment in the multifamily properties and documents bearing signatures forged by Levine. He also co-mingled investor funds and used the funds in violation of representations to investors, by using investor money to support other multifamily properties, make payments to other investors, and further the fraud. At the time of sentencing, the securities fraud victims lost more than \$13 million.

In addition to the prison term, Judge Wigenton sentenced Levine to five years of supervised release.

Individuals who believe they may have information about this case may contact the FBI at 1-800-CALL-FBI (225-5324).

U.S. Attorney Sellinger credited special agents of the FBI, under the direction of Special Agent in Charge George M. Crouch Jr. in Newark, and special agents of the Federal Housing Finance Agency, Office of Inspector General, under the direction of Special Agent in Charge, Robert Manchak, with the investigation leading to the sentencing. The U.S. Securities and Exchange Commission has filed a civil complaint against Levine based on allegations underlying the securities fraud charge.

The government is represented by Assistant U.S. Attorney Heather Suchorsky of the Economic Crimes Unit and Special Assistant U.S. Attorney Charlie L. Divine of the Federal Housing Finance Agency, Office of Inspector General.

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Defense counsel: Benjamin Brafman Esq. and Jacob Kaplan Esq., New York

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