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**MANHATTAN U.S. ATTORNEY ANNOUNCES CHARGES AGAINST
OWNER AND SALES MANAGER OF BUY-A-HOME REAL ESTATE
BROKERAGE FOR PARTICIPATING IN \$7.5 MILLION MORTGAGE
FRAUD SCHEME**

Criminal Charges Follow December 2010 Civil Fraud Lawsuit

Preet Bharara, the United States Attorney for the Southern District of New York, Cary Rubenstein, the Special Agent-in-Charge of the New York/New Jersey Regional Office of the U.S. Department of Housing and Urban Development, Office of Inspector General ("HUD-OIG"), and Steve A. Linick, Inspector General of the Federal Housing Finance Agency ("FHFA"), announced today the unsealing of an Indictment charging MITCHELL COHEN and ERIN DAVIS, the owner and a sales manager, respectively, of Buy-A-Home, a real estate brokerage business, with participating in a \$7.5 million mortgage fraud scheme. COHEN and DAVIS were arrested earlier this morning and arraigned before U.S. District Judge Denise Cote this afternoon.

Manhattan U.S. Attorney Preet Bharara said: "As the indictment alleges, Mitchell Cohen and Erin Davis were engaged in 360 degrees of fraud – they lied to and exploited borrowers to induce them to buy homes beyond their means, they lied to banks about the borrowers' financial condition, and they lied to HUD so that the loans would be FHA-insured. While Mr. Cohen and Ms. Davis enriched themselves, everyone else lost out as the homeowners went into foreclosure, the Banks were stuck with bad loans, and HUD had to pay out insurance, as is detailed in the Indictment. It is a microcosm of the kind of conduct that brought the housing industry to the brink of collapse. And to make matters worse, Mr. Cohen is charged with even more deception – perjuring himself before a federal judge. When we first brought civil charges against Mr. Cohen, we said this investigation was ongoing and with today's arrests, we are making good on that promise."

HUD-OIG Special Agent-in-Charge Cary Rubenstein said: "Over the years, the FHA has helped Americans gain the financial independence that comes with owning a home. By creating jobs and reasonable mortgage rates for the middle class, financing military housing, and

producing housing for the low income and the elderly, FHA has helped Americans become some of the best housed people in the world. When we come across individuals whose alleged fraudulent conduct can place a financial strain on the FHA Insurance Fund we go to great lengths to make sure that the individuals are brought to justice and that the FHA Insurance fund is reimbursed as a result of the fraudulent conduct. The indictment and arrests of Mitchell Cohen and Erin Davis came as the result of the hard work of the Special Agents of the United States Department of Housing and Urban Development Office of the Inspector General with our investigative partners at FHFA-OIG and the United States Attorney's Office for the Southern District of New York."

FHFA Inspector General Steve A. Linick said: "These defendants allegedly engaged in a fraudulent loan scheme that ultimately duped the American people. My office is committed to supporting the investigation and prosecution of mortgage fraud cases."

The following allegations are based on the Indictment unsealed today in Manhattan federal court:

During the period charged in the Indictment, 2007-2010, the U.S. Department of Housing and Urban Development's Federal Housing Administration ("HUD-FHA"), provided mortgage insurance to borrowers seeking residential mortgages. Unlike conventional loans, FHA-insured loans required little cash investment from borrowers and were more flexible in income and payment ratio requirements. To qualify for FHA mortgage insurance, a potential borrower had to meet HUD requirements regarding the borrower's creditworthiness and ability to make mortgage payments. No undisclosed payments could be made or promised in connection with a residential mortgage transaction. At all relevant times, certain private lenders were authorized to make commitments on behalf of HUD that would provide FHA mortgage insurance. They did so through the execution and ultimate submission to HUD of various mortgage documents, forms, and supporting documentation. Because FHA-backed mortgages were valuable commodities, lenders typically sold them to banks that pooled them and then resold them to institutional investors.

From April 2007 through October 2010, MITCHELL COHEN operated a real estate brokerage business in Queens, New York known, at various times, as Buy-a-Home, LLC and First Home Brokerage, LLC ("Buy-a-Home"). Buy-a-Home employed several sales managers, including ERIN DAVIS, as well as a number of sales agents who recruited clients to buy homes who were usually first-time home buyers. COHEN, DAVIS, and Buy-a-Home employees facilitated the sales of the homes by preparing documentation to secure FHA-insured loans to fund the borrowers' purchases.

During that time period, COHEN and DAVIS engaged in a widespread conspiracy to defraud HUD into issuing FHA mortgage insurance and to defraud banks into purchasing the FHA-backed mortgages issued to Buy-a-Home's clients. They did so to help COHEN and Buy-a-Home earn substantial profits and to help DAVIS earn sales commissions. Through entities he controlled, COHEN bought, or promised sellers he would buy, homes at one price, and then he, DAVIS and others at Buy-a-Home recruited unsophisticated buyers of modest means and induced them into purchasing the same homes at inflated prices, which were typically \$100,000 higher than the original sale price. To insure that the deals for these properties would go through, COHEN, DAVIS, and others schemed to make the Buy-a-Home clients – who did not

and could not qualify to receive FHA mortgage insurance – seem more creditworthy. In furtherance of this scheme:

- COHEN and DAVIS directed Buy-a-Home employees to pay off borrowers' debts, often with cash funneled through bank accounts of borrowers' relatives, in order to make the borrowers appear more creditworthy and to make it seem that their debts had been paid by an appropriate source;
- COHEN and DAVIS directed Buy-a-Home employees to provide cash to borrowers so that they could obtain certified checks falsely showing that the borrowers had sufficient funds to close;
- COHEN and DAVIS directed borrowers' relatives to sign false gift affidavits to make it seem that the borrowers' debts had lawfully been paid off, or the borrowers' funds for closing had been appropriately provided by relatives, when in fact they had unlawfully paid off the debts themselves or through Buy-a-Home; and
- COHEN and DAVIS advised borrowers to make other false statements on loan applications submitted to HUD.

In so doing, COHEN and DAVIS concealed the borrowers' true financial condition from HUD and the banks that subsequently bought the FHA-backed mortgages, all in an effort to insure that they and Buy-a-Home could profit from the deals. COHEN also made mortgage payments on behalf of certain borrowers to further conceal their financial condition and to prevent banks from enforcing their right to sell loans back to the lenders that first provided the borrowers with mortgages.

Through this scheme, COHEN and DAVIS allegedly defrauded HUD into issuing, and banks into purchasing, at least \$7.5 million in fraudulent loans. Furthermore, because the FHA insurance was based upon false statements made to HUD, and the borrowers could not really afford their mortgages, many of the homes went into foreclosure proceedings forcing HUD to pay out nearly \$1 million in insurance payments.

In December 2010, the U.S. Attorney's Office for the Southern District of New York filed a civil complaint against COHEN and others alleging fraud at Buy-a-Home. On December 29, 2010, the District Judge presiding over the civil action entered a preliminary injunction barring COHEN from participating in real estate sales involving HUD-insured mortgages and any advertising, marketing, or solicitation of business involving the same. Subsequently, in October 2011, the Government moved for a finding of civil contempt against COHEN, alleging that he willfully violated the preliminary injunction by re-establishing Buy-a-Home under a new name – Y-Rent New York, LLC ("Y Rent") – which was nominally owned by COHEN's wife and another individual, but was in fact operated by COHEN. In connection with his opposition to the contempt motion, COHEN filed a declaration on November 11, 2011 in which he stated, under penalty of perjury, that he was not involved with Y Rent, did not train Y Rent's salespeople, did not take certain types of business calls, and did not speak to prospective borrowers. Those statements were false.

COHEN, 54, Old Westbury, New York and DAVIS, 43, Yonkers, New York, are charged with one count of conspiracy to commit wire, bank, and mail fraud, which carries a maximum penalty of 30 years in prison, and two counts of conspiracy to make false statements, each of which carries a maximum penalty of five years in prison. Additionally, COHEN is charged with one count of perjury, which carries a maximum penalty of five years in prison.

Mr. Bharara praised HUD-OIG and FHFA-OIG for their outstanding work in the investigation.

This case was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, on which Mr. Bharara serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President Obama established the interagency Financial Fraud Enforcement 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.

This matter is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorneys Janis Echenberg and Nicole Friedlander are in charge of the criminal case.

The charges contained in the Indictment are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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