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PRESIDENT OF QUEENS MORTGAGE BROKERAGE FIRM PLEADS GUILTY IN MANHATTAN FEDERAL COURT TO PARTICIPATING IN $23 MILLION FRAUD SCHEME

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that DAVID RAMNAUTH, the former President of GuyAmerican Funding Corp., a mortgage brokerage firm in Queens, New York, pled guilty today in Manhattan federal court to conspiracy to commit bank and wire fraud. RAMNAUTH was charged in a Superseding Indictment along with eight other defendants for their participation in a scheme that defrauded banks out of more than $23 million in home mortgage loans.

According to the Superseding Indictment and statements made during the proceedings in this case before U.S. District Judge SHIRA A. SCHEINDLIN :

RAMNAUTH, the President of GuyAmerican Funding Corp., facilitated a massive mortgage fraud scheme that was being conducted through a GuyAmerican branch office located on Liberty Avenue, in Jamaica, New York. Three of the defendants charged in the scheme, PEGGY PERSAUD, ORETTE KILLIKELLY, and GEORGE ESSO, were loan officers at GuyAmerican, and received thousands of dollars in commissions based on fraudulent loan applications submitted to lenders.

Three other defendants charged in the scheme, ELTON LORD, RAFICK BAKSH, and MAHAMOOD HUSSAIN, worked with GuyAmerican loan officers to recruit homeowners in financial distress who were willing to sell their homes. They used "straw buyers" -- persons who posed as home buyers in exchange for a fee, but who had no intention of living in the mortgaged properties -- to perpetrate the scheme. The defendants arranged home sales between these distressed sellers and these straw buyers, and obtained mortgage loans using fraudulent representations, including about the supposed purchasers' net worth, employment, and income. The defendants re-sold, or flipped, properties multiple times between different straw buyers, stripping the equity from those properties as they were resold with inflated

market values. For example, a property purchased by a straw buyer in December 2006 in Queens, New York, for $355,000 was resold to another straw buyer in April 2007 -- only four months later -- for $680,000, with the profit going to the defendants and their co-conspirators. In addition, the defendants often arranged for a single straw buyer to purchase multiple properties within days or weeks of each other, without disclosing the prior purchases on the subsequent loan applications.

The loan applications submitted to the lenders contained numerous false statements about the straw buyers, who often had little or no assets and modest or no incomes. The loan applications therefore contained false statements about the supposed borrowers' employment, income, assets, and existing debt. In addition, the loan applications falsely represented that the straw buyers intended to reside in the properties, when in fact they did not. Two others acted as the closing attorneys for most of the transactions and facilitated the fraud by disbursing illicit payments to co-conspirators.

After becoming aware that fraudulent loans were being submitted under the GuyAmerican license, RAMNAUTH directed through a loan officer at GuyAmerican to have the closing attorneys set aside six months' worth of mortgage payments from the closing proceeds, so that the lenders would not discover the scheme. RAMNAUTH was also aware that LORD, BAKSH, and HUSSAIN were engaging in equity stripping in the sham real estate transactions, but permitted them to originate additional fraudulent loans under the GuyAmerican license, and continued to make commission payments to loan officers in connection with the fraudulent loans.

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RAMNAUTH, 54, of Levittown, New York, faces a maximum penalty of 30 years in prison. He will also be required to forfeit the proceeds of his offenses.

PEGGY PERSAUD, ORETTE KILLIKELLY, and ELTON LORD previously pled guilty. Defendants RAFICK BAKSH and MAHAMOOD HUSSAIN remain at large.

Manhattan U.S. Attorney PREET BHARARA praised the investigative work of the Federal Bureau of Investigation and the New York State Banking Department and thanked them for their assistance in this case.

This case was part of the coordinated takedown of "Operation Bad Deeds," a joint federal, state, and local law enforcement operation targeting mortgage fraud crimes, announced on October 15, 2009, in which 41 defendants were charged in various mortgage fraud scams in New York, Pennsylvania, Ohio, and North Carolina.

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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.

The prosecution of the cases arising from "Operation Bad Deeds" is being overseen by the Office's Complex Frauds Unit. The prosecution of this case is being handled by Assistant United States Attorneys ANTONIA M. APPS and REBECCA ROHR.

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