

## UPDATE 1-NY's Spitzer indicts 8 on mortgage fraud

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(New throughout; Adds detail from indictments)

By Joseph A. Giannone

NEW YORK, April 25 (Reuters) - The New York Attorney General and the state's banking department on Tuesday announced the indictments of eight individuals who allegedly participated in a scheme that defrauded residential mortgage lenders of "tens of tens of millions of dollars" over the past five years.

Attorney General Eliot Spitzer also announced the filing of a civil forfeiture action that will seek the recovery of about \$8.3 million in assets from the defendants. These assets stem from about 20 transactions.

The scam "not only harmed targeted individuals and lending institutions but had the potential to undermine the housing markets in the neighborhoods where they practiced their schemes," Spitzer said.

In an 83-count criminal indictment, Spitzer alleged that two New York men, brothers Louis and Michael Sandella, led a group that submitted "hundreds" of falsified residential mortgage applications from 2001 until recently.

With the help of real estate attorneys, appraisers and individuals who posed as buyers, the Sandellas would seek a loan far more than needed to purchase a property. They'd purchase the property under the name of a "straw buyer" and then pocket the difference -- sometimes \$100,000 or more per transaction.

Dozens of straw buyers were paid to participate -- usually a few thousand dollars -- by lending their names to the real estate transaction with the promise the Sandellas would keep up payments on the loan. But ultimately, Spitzer charged, the Sandella group would stop paying off the loans, leaving the straw buyers accountable for the default and the banks stuck with bad loans.

Spitzer and New York Banking Superintendent Diana Taylor declined to identify those victimized by the fraud and said it was difficult to detail the values stolen or the actual difference pocketed by the group. Spitzer only offered that the group probably stole "tens of tens of millions."

The properties were in the Brooklyn and Queens sections of New York city and nearby Suffolk County. The indictments were unsealed in Brooklyn State Court on Tuesday.

In addition to the Sandellas, prosecutors secured indictments of Danielle Moss, Kim Moss Fontanez, Geraldine Moss, Gary Shaw and Ida D'Angelo. The seven were in custody early Tuesday afternoon and were awaiting arraignment, Spitzer said at a news conference.

One defendant, Andreas Perdikos of New Jersey, remained at large, Spitzer said. In addition, there were eight lesser individuals involved in the scheme, largely the straw buyers.

If convicted of "criminal enterprise, a class B felony, the defendants could face up to 25 years in prison.

Spitzer noted there were other mortgage fraud rings operating in the state and that the banking department, the FBI and other law enforcement agencies were continuing to investigate.

"There is no question there are more individuals out there doing this," he said

He declined to elaborate on how the Sandella fraud was busted, though he noted the Attorney General's organized crime task force played a key role in the investigation.

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