



# SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL  
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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## TWO PLEAD GUILTY IN \$18.5 MILLION MORTGAGE MODIFICATION SCHEME

*More than 8,000 Homeowners Victimized Across the Country*

WASHINGTON, DC – Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program, and Preet Bharara, U.S. Attorney for the Southern District of New York announced Wednesday that Ped Abghari, also known as “Ted Allen”, and Justin Romano pleaded guilty for their roles in orchestrating a massive mortgage modification scheme that collectively defrauded over 8,000 homeowners out of over \$18.5 million. Abghari and Romano each pleaded guilty to wire fraud and conspiracy to commit wire fraud, and Abghari also pleaded guilty to misprision of a felony. Romano pleaded on September 14, 2015 and Abghari pleaded on September 15, 2015 before U.S. District Judge John F. Keenan. SIGTARP was the sole law enforcement agency responsible for bringing this case to justice.

“Ped Abghari aka Ted Allen and Justin Romano admitted to fraud and a criminal conspiracy to defraud more than 8,000 desperate homeowners into paying for lawyers to save their homes by getting them into TARP’s foreclosure prevention program HAMP, when in reality their non-lawyer, inexperienced processors either did nothing at all, or did no more than complete the free HAMP application that is on [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov),” said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP). “They admitted to pocketing more than \$18.5 million, including money that homeowners thought were being paid to their lender on their mortgage. After realizing that there were complaints on the internet by homeowners claiming they had been ripped off, Abghari changed the name of the companies and emailed some employees telling them that he changed the company name every 9 months “to keep things cool and have all agencies off our backs.” Despite this name-change ruse, SIGTARP and U.S. Attorney Bharara worked to uncover the crime and bring justice to this elaborate and deplorable crime. “

“As they have now admitted, Ped Abghari and Justin Romano took advantage of thousands of homeowners under water with debt and in need of assistance from the Home Affordable Modification Program and similar mortgage modification programs,” said Manhattan U.S. Attorney, Preet Bharara. “Instead of helping to lift desperate homeowners out of debt, Abghari and Romano pushed them deeper in through exorbitant fees for mortgage modification services they never intended to provide. More than 8,000 homeowners were victimized by the defendants’ greed, but thanks to the extraordinary efforts of the Office of the Special Inspector General for the Troubled Asset Relief Program, those victims now can find some comfort in knowing that those who preyed on their suffering have been forced to admit to their crimes.”

According to the Indictment, and statements made at the plea proceedings:

### **The Home Affordable Modification Program**

As a result of the financial crisis and collapse of the housing bubble in 2008, Congress enacted the Home Affordable Modification Program (“HAMP”), which was to be funded through the Troubled Asset Relief Program (“TARP”). HAMP permits qualified home owners to obtain mortgage relief. Specifically, HAMP seeks to prevent foreclosure by modifying troubled loans to achieve monthly payments the homeowner can afford.

Pursuant to HAMP, any homeowner may apply to his or her mortgage provider by completing a short form and submitting it, along with supporting paperwork, to the homeowner’s mortgage provider. HAMP further sets guidelines for lenders to follow in determining eligibility, such as guidelines based on the homeowner’s income and the principal balance remaining on the mortgage. Pursuant to HAMP, only a homeowner’s lender may determine the homeowner’s eligibility for a modification and, if appropriate, the modified rate and monthly payment for which the homeowner is eligible.

HAMP applications are readily available online as well as in many local banks. Submitting an application is, by law, free of charge to the homeowner. Virtually all mortgage providers are required to participate in the HAMP program and accept HAMP applications.

If a HAMP applicant is approved, he or she receives a reduced monthly mortgage payment set by the lender. If the HAMP applicant is not eligible for a modification, the application may be rejected. Common reasons for rejection of a HAMP application include that the homeowner earns too much income to qualify or has not demonstrated sufficient financial hardship or need for a modification.

### **Mortgage Modification Fraud**

Ped Abghari, a/k/a “Ted Allen,” was a president and owner of an Irvine, California, company that offered purported mortgage modification services (the “Telemarketing Firm”). Justin Romano held himself out as the president of two purported law firms (the “Purported Law Firms”), based in Holbrook, New York, and Sayville, New York, which offered purported mortgage modification services in conjunction with the Telemarketing Firm.

From at least January 2011 through May 2014, through the Telemarketing Firm and the Purported Law Firms, Abghari and Romano, among others, perpetrated a scheme to defraud homeowners in dire financial straits who were seeking relief through HAMP and other mortgage relief programs. Through a series of false and fraudulent representations, the defendants duped thousands of homeowners into paying thousands of dollars each in up-front fees in exchange for little or no service from the defendants or their companies. In total, through their scheme, the defendants obtained over \$18.5 million from more than 8,000 victim-homeowners throughout the United States.

Through the Telemarketing Firm, Abghari and others purchased thousands of “leads,” consisting of the name, address, and other contact information of homeowners who had fallen behind in making mortgage payments on their homes. Abghari and others then caused the Telemarketing Firm to send, by e-mail, false and fraudulent solicitation letters to the homeowners they identified through the “leads,” misleading these homeowners into believing that their mortgages were already under review and that new, modified rates had already been contemplated and approved by the homeowners’ lenders.

At the direction of Abghari and Romano, among others, the Telemarketing Firm’s telemarketer and sales people (the “Sales Staff”) called homeowners and/or answered telephone calls from homeowners who received the Telemarketing Firm’s fraudulent solicitations. During these calls, in an effort to convince

the homeowners to pay up-front fees, the defendants, through the Sales Staff, regularly caused various false and fraudulent representations to be made to homeowners, including that (a) the homeowners were retaining a “law firm” and an “attorney” who would complete the HAMP application and negotiate aggressively on the homeowners’ behalf with banks to modify the terms of the homeowners’ mortgages; (b) the defendants would “pre-approve” the homeowners for a guaranteed modification through HAMP; (c) the defendants employed underwriters who would calculate and guarantee the homeowners a new, modified rate and monthly mortgage payment; and (d) the defendants’ mortgage modification services were free, and the up-front fees paid by the homeowners would be paid directly to the homeowners’ lenders. In truth and in fact, and as Abghari and Romano well knew, all of these representations were false and fraudulent.

Abhari, 38, of Irvine, California, and Romano, 41, of Blue Point, New York, each pleaded guilty to one count of conspiracy to commit wire fraud and one count of wire fraud, each of which carries a maximum sentence of twenty years in prison. Abghari also pleaded guilty to one count of misprision of a felony, which carries a maximum sentence of three years in prison. Sentencings for Abghari and Romano have been set for January 14, 2016.

The maximum sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencings of the defendants will be determined by the judge.

The remaining defendant charged for his role in the scheme, Dionysius Fiumano, a/k/a “D,” is scheduled to begin trial on December 9, 2015, before Judge Keenan. The charges pending against Fiumano are merely allegations, and he is presumed innocent unless and until proven guilty.

The case is being prosecuted by the U.S. Attorney’s Office for the Southern District’s Complex Frauds and Cybercrime Unit. Assistant U.S. Attorneys Edward B. Diskant and Joshua A. Naftalis are in charge of the prosecution.

This prosecution was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force and co-chairs the Rescue Fraud Working Group. To learn more about the President’s Financial Fraud Enforcement Task Force, please visit [www.StopFraud.gov](http://www.StopFraud.gov).

#### **About SIGTARP**

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP. To date, SIGTARP investigations have yielded more than 200 convictions and resulted in the recovery of over \$1.5 billion to the Government.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

To receive alerts about quarterly reports, new audits, and media releases issued by SIGTARP, sign up at [www.SIGTARP.gov/pages/press.aspx](http://www.SIGTARP.gov/pages/press.aspx). Follow SIGTARP on Twitter @SIGTARP.

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