



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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NEW YORK BUSINESSMAN CHARGED IN \$146 MILLION FRAUD SCHEME

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Preet Bharara, the United States Attorney for the Southern District of New York; Shantelle P. Kitchen, the Acting Internal Revenue Service – Criminal Investigation Special Agent in Charge of the New York Office (“IRS”); and George Venizelos, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation (“FBI”); today announced that Westchester, N.Y., businessman Selim Zherka, 46, of Somers, N.Y., was indicted by a federal grand jury in White Plains, N.Y., for submitting multiple false loan applications to banks, tax fraud, wire fraud, and witness tampering.

Zherka was arrested Thursday by federal agents and was expected to be arraigned in federal court in White Plains.

“Following an extensive criminal investigation by SIGTARP and our law enforcement partners, federal agents apprehended Selim Zherka on Thursday without incident in Westchester County, New York,” said SIGTARP Romero. “Zherka is charged with falsifying information on commercial loan applications submitted to North Fork Bank - later purchased by TARP recipient Capital One - to fraudulently obtain more than \$36.5 million in loans from the bank.”

According to the Indictment, from November 2005 through 2008, Zherka obtained loans totaling more than \$146 million in loans from three banks – North Fork Bank (now Capital One), Sovereign Bank (now Santander), and Signature Bank – for the purchase and/or refinancing of apartment house complexes in New England, Tennessee, New Jersey, and New York by lying about the purchase prices of the real estate he was acquiring, the amount of the down payments he was making toward the purchases in question, his assets, his income, his tax returns, and the nature and circumstances of a 2000 court judgment against him for assault and breach of contract (which, to date, he has not paid).

Additionally, the Indictment charges Zherka with engaging in a decade-long tax fraud scheme. The Indictment alleges that Zherka repeatedly submitted fraudulent tax returns to the IRS that overstated depreciation expenses and understated his capital gains on tax returns for the real estate holding companies in which he was a partner and which, in turn, owned the above apartment house complexes, thereby reducing their tax liabilities. The Indictment also charges that Zherka obstructed the IRS by, among other means, failing to file personal tax returns for over a decade.

The Indictment also charges that Zherka schemed to defraud the judgment creditor in connection with the above-referenced 2000 case of that individual’s right to receive payment of the judgment. Zherka had been found liable by a New York State Supreme Court jury in Manhattan for assaulting that individual and for breaching a contract with him.

Finally, the Indictment charges Zherka with tampering with witnesses in this investigation.

U.S. Attorney Bharara stated: “Selim Zherka, while running his various businesses, allegedly engaged in a string of crimes. Zherka, the owner of commercial real estate and other businesses, stands accused of filing multiple false bank loan applications, engaging in tax fraud, and witness tampering. He is also charged with defrauding a businessman of his right to collect a court judgment against Zherka for assault and breach of contract.”

This case is being prosecuted by the U.S. Attorney’s Office for the Southern District of New York, White Plains Division. Assistant United States Attorneys Elliott B. Jacobson and Perry A. Carbone are in charge of the prosecution. The case is being investigated by SIGTARP, the FBI, and the IRS.

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

If convicted on the charges in the Indictment, Zherka faces the following maximum penalties: for each of the 11 counts of submitting a false loan application with which he is charged, 30 years in prison and a \$1 million fine or twice the gross gain or loss resulting from the crime; for the count of wire fraud and the count of witness tampering, 20 years in prison and a \$250,000 fine or twice the gross gain or loss resulting from the crime on each count; for the count of conspiracy to obstruct the IRS and violate tax laws, five years in prison and a \$250,000 fine or twice the gain or loss resulting from the crime; and for each of the 10 counts of making/subscribing to false returns, the 10 counts of aiding/assisting in the preparation of false tax returns, and the count of attempting to interfere with the administration Internal Revenue laws, three years in prison and a \$250,000 fine or twice the gross gain or loss resulting from the crime. Additionally, he faces potential criminal forfeitures totaling \$146 million, restitution, and the costs of prosecution. The statutory maximum sentences are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant and any forfeiture would be determined by the Court.

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. To learn more about the President’s Financial Fraud Enforcement Task Force, please visit 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.

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