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NEW YORK MAN SENTENCED TO NINE YEARS IN FEDERAL PRISON FOR OPERATING MORTGAGE MODIFICATION SCAM

Hundreds of Struggling Homeowners Were Defrauded

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Preet Bharara, United States Attorney for the Southern District of New York, today announced that on Wednesday, Isaak Khafizov, a former owner of American Home Recovery (“AHR”), a mortgage loan modification business that operated in New York, was sentenced in Manhattan federal court to nine years in federal prison in connection with a scheme to defraud hundreds of struggling homeowners and their lenders. Khafizov was convicted in May 2012 of one count of conspiracy to commit mail and wire fraud, one count of mail fraud, and two counts of wire fraud after a 10-day jury trial presided over by U.S. District Judge George B. Daniels, who also imposed the sentence.

“Khafizov thought he had found his meal ticket scamming struggling homeowners during the height of the housing crisis, and he now has the next nine years in federal prison to think about how he destroyed so many peoples’ lives,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “At trial, victims described receiving late-night phone calls from Khafizov who claimed that mortgage lenders were demanding that fees be paid to him right away to ensure the immediate approval of the homeowners’ applications to lower their mortgage payments under TARP’s housing programs. Khafizov’s lies swindled homeowners out of their hard-earned savings, savings Khafizov used to purchase luxury cars and to pay personal expenses. I want to thank U.S. Attorney Preet Bharara and the fine Assistant U.S. Attorneys on the case for aggressively working to bring justice for the victim homeowners. SIGTARP and our law enforcement partners will continue to bring to justice all those exploiting the federal government’s response to the financial crisis through TARP.”

“Isaak Khafizov victimized desperate homeowners who were struggling to make their mortgage payments,” said Manhattan U.S. Attorney Preet Bharara. “He preyed on their fears of losing their homes by lying about miracle cures for their financial problems. Khafizov pretended it was all made possible by government programs that did not exist, by special, powerful relationships with banks that he did not have, and by expertise and experience that he never possessed.”

According to the Superseding Indictment filed in Manhattan federal court, other court documents, and statements made during court proceedings:

In the spring of 2008, Khafizov, Jaime Cassuto, and David Cassuto founded AHR. From the spring of 2008 through the summer of 2009, Khafizov used AHR to commit a systematic fraud that preyed on distressed homeowners. Khafizov and AHR’s salespeople fraudulently induced distressed homeowners all over the

United States to pay AHR thousands of dollars in up-front fees by falsely promising the homeowners that: (1) AHR could get them better interest rates and lower monthly fees, all within a short timeframe; (2) AHR would return the up-front fees if it did not succeed in getting the homeowners the mortgage modifications they desired; (3) the homeowners had been “pre-approved” for mortgage modifications by their lenders; (4) AHR was affiliated with government agencies and programs established following the 2008 financial crisis; (5) AHR possessed special expertise in mortgage modifications, and (6) AHR had special relationships with lenders. After receiving up-front fees from the distressed homeowners, Khafizov and AHR did little or no work to try to renegotiate the homeowners’ mortgages. On the rare occasion when Khafizov succeeded in getting a homeowner a mortgage modification, he typically did so by coaching the homeowner to lie about his or her income and assets on forms submitted to the mortgage lender.

All told, Khafizov and AHR defrauded hundreds of financially struggling customers across the country out of over half a million dollars in fees. Furthermore, because Khafizov and AHR did not do the work they had promised and because Khafizov specifically directed the distressed homeowners to stop paying their mortgages and to pay AHR its fees instead, many of AHR’s customers wound up in foreclosure as a result of the scheme.

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In addition to his prison term, Khafizov, 27, of Queens, New York, was sentenced to three years of supervised release.

In sentencing Khafizov, Judge Daniels remarked that victims who feared “being thrown out of their homes” were “desperately seeking help” from Khafizov because he “promised to solve what, for most of these people, was the most serious problem that they had ever encountered in their lives.” But Khafizov “took advantage of every one” of them and “...showed a callous disregard for the consequences of his criminal conduct on the victims he swindled.”

Jaime Cassuto and David Cassuto each pleaded guilty to multiple counts of fraud in April 2012. They await sentencing.

The case was investigated by SIGTARP and the Federal Bureau of Investigation. This case is being prosecuted by the U.S. Attorney’s Office Complex Frauds Unit. Assistant U.S. Attorneys Niketh Velamoor and Nicole Friedlander are prosecuting the case.

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

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