



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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MASSACHUSETTS EXECUTIVES CONVICTED IN MORTGAGE FRAUD CONSPIRACY

TARP-Recipients and Other Banks Taken for Millions in Short Sale Scheme

WASHINGTON, DC –Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and United States Attorney Carmen M. Ortiz announced yesterday that Dahianara Moran, 40, of Methuen, Mass. pleaded guilty to one count of conspiracy to commit bank fraud. This announcement follows the November 2015 plea to the same charge by Moran’s co-conspirator, Hayacinth Bellerose, 50 of Dunstable, Mass. Both are scheduled to be sentenced in U.S. District Court in February 2016.

“During the height of the financial crisis, Dahianara Moran and other co-conspirators engaged in fraudulent short sales to defraud several TARP banks including Bank of America, J.P. Morgan Chase, and First Horizon National Corporation, as well as other financial institutions,” said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP). “Moran and others falsified documents making the sales appear to be arms-length transactions between unrelated parties, when in fact they were not. The banks agreed to these sales at less than the value of the mortgage under the belief that the transactions were legitimately being sold to new, unrelated purchasers. Instead, the seller retained control of the property and frequently continued to live there after the sale. Instead of brokering legal and legitimate real estate transactions, Moran profited from lying to banks in order to shed real estate debt.”

Moran and Bellerose conspired with others – including a Methuen loan officer and a Haverhill real estate agent who were not identified in the charging document – to defraud various banks via bogus short sales of homes in Haverhill, Lawrence and Methuen, Mass. A short sale is a sale of real estate for less than the value of any mortgage debt on the property. Short sales are an alternative to foreclosure that typically occur only with the consent of the mortgage lender, and that generally result in the lender absorbing a loss on the loan and releasing the borrower from the unpaid balance. By their very nature, short sales are intended to be arms-length transactions in which the buyers and sellers are unrelated, and in which the sellers cede their control of the subject properties in exchange for the short-selling bank’s agreement to release them from their unpaid debt.

The conspiracy began in approximately August 2007 and continued through June 2010, a period that included the height of the financial crisis and its aftermath. Home values in Massachusetts and across the nation declined precipitously, and many homeowners found themselves suddenly “underwater,” with their homes worth less than the mortgage debt they owed. As part of the scheme, Moran and her co-conspirators submitted materially false and misleading documents to numerous banks in an effort to induce them to permit the short-sales – and thereby to release the purported sellers from their unpaid

mortgage debts – while simultaneously inducing the purported buyers’ banks to provide financing for the deals. In fact, the purported sellers simply stayed in the homes, with their debt substantially reduced. In some cases, the conspirators then re-sold the properties in genuine arms-length transactions for a profit. Meanwhile, the short-selling banks lost millions of dollars. 2

As part of the conspiracy:

- The conspirators falsely led banks to believe that the sales were arms-length transactions between unrelated parties, when in fact, the transactions were not arms-length, and the sellers retained control of (and frequently continued to live in) the properties after the sale. For example, Moran purported to sell two properties she owned to third parties who were, in fact, her close relatives, while actually maintaining control of both properties.
- The conspirators submitted phony earnings statements that Moran prepared in support of loan applications that they submitted to banks in order to obtain financing for the purported sales.
- The conspirators submitted phony HUD-1 Settlement Statements to banks, as well as to the Federal Housing Administration, that did not accurately reflect the disbursement of funds in the transactions. (A HUD-1 Settlement Statement is a standard form, developed by the U.S. Department of Housing and Urban Development, which is used to document the flow of funds in real estate transactions. HUD-1 Settlement Statements are required for all transactions involving federally related mortgage loans, including all mortgages insured by the Federal Housing Administration.)

The charge of conspiracy to commit bank fraud provides for a sentence of no greater than 30 years in prison, three years of supervised release and a fine of \$1 million. Actual sentences for federal crimes are typically less than the maximum penalties. Sentences are imposed by a federal district court judge based upon the U.S. Sentencing Guidelines and other statutory factors.

The case is being prosecuted by Assistant U.S. Attorney Stephen E. Frank, Deputy Chief of the Massachusetts U.S. Attorney’s Economic Crimes Unit. The case is being investigated by SIGTARP and the U.S. Department of Housing and Urban Development Office of the Inspector General (HUD-OIG).

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 \$2.4 billion to the Government.

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