



SIGTARP

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

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

FOR IMMEDIATE RELEASE

Thursday, August 7, 2014

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THREE CHARGED IN CONNECTION WITH \$18.5 MILLION MORTGAGE MODIFICATION SCHEME

*More Than 8,000 Financially Distraught Homeowners from all 50 States Victimized in
Alleged Massive, Nationwide Scam*

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 the unsealing of charges against Ped Abghari, a/k/a "Ted Allen," Dionysius Fiumano, a/k/a "D," and Justin Romano for engaging in a mortgage modification scheme that defrauded over 8,000 homeowners in all 50 states out of over \$18.5 million, in what is believed to be the largest mortgage modification scheme ever charged.

Each defendant is charged with wire fraud and conspiracy to commit wire fraud. Abghari and Fiumano were arrested this morning in Irvine, Calif., and are expected to be presented later today in California federal court before United States Magistrate Judge Margaret Nagle. Romano was arrested this morning in Blue Point, N.Y., and is expected to be presented later today in Manhattan federal court before United States Magistrate Judge Sarah Netburn.

Christy Romero, Special Inspector General for TARP (SIGTARP), said, "Earlier today, SIGTARP special agents arrested Abghari, Fiumano, and Romano after our investigation with the U.S. Attorney's Office uncovered an alleged massive, nationwide mortgage modification fraud scheme that purportedly targeted homeowners behind on their mortgage payments who simply wanted help from TARP's housing program, HAMP. The defendants are alleged to have stolen more than \$18.5 million from more than 8,000 struggling homeowners by making empty promises that the homeowners would be preapproved for lower mortgage payments through HAMP. This was all a purported ruse used to trick vulnerable homeowners into paying the defendants thousands of dollars in up-front fees for which zero meaningful work was ever actually done. SIGTARP has aggressively pursued these allegations, working closely with Preet Bharara's office, to protect homeowners in New York and across our nation from becoming victims of this crime and to bring perpetrators to justice."

Manhattan U.S. Attorney Preet Bharara said: "As alleged, these defendants preyed on thousands of homeowners struggling to make their mortgage payments and meet their financial obligations. This Office has zero tolerance for those who target and exploit financially vulnerable people, and we will continue to work to hold these and like-minded defendants accountable."

According to the allegations contained in the Indictment:

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 in part through the Troubled Asset Relief Program (“TARP”). HAMP permits qualified homeowners 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.

The Defendant’s Mortgage Modification Scheme

Ped Abghari was a co-president and owner of an Irvine, Calif., company that offered purported mortgage modification services (the “Telemarketing Firm”). Dionysius Fiumano was a senior manager of the Telemarketing Firm, and was directly responsible for training and overseeing the Firm’s telemarketers and salespeople (the “Sales Staff”). Justin Romano held himself out as the president of two purported law firms (the “Purported Law Firms”), based in in Holbrook, New York, and Sayville, N.Y., respectively, 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, Fiumano, and Romano 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.

As alleged, to perpetrate the scheme, through the Telemarketing Firm, Abghari and Fiumano 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. Thereafter, Abghari and Fiumano 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 for a HAMP modification and that new, modified rates had already been contemplated and approved by the homeowners’ lenders.

At the direction of Abghari, Fiumano, and Romano, 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, Fiumano, and Romano well knew, all of these representations were false and fraudulent. As the defendants knew, neither they nor any of their employees could pre-approve the homeowners or guarantee any of the homeowners a mortgage modification or new monthly payment. Furthermore, not only were the defendants’ “services” not free, the defendants kept all of the fees paid by the homeowners and paid none of it to the homeowners’ lenders. In addition, as the defendants knew, neither the Telemarketing Firm nor the Purported Law Firms provided the homeowners with an attorney or any sort of legal assistance, and they frequently did little more than complete the government-sponsored HAMP application which, as noted above, the homeowners could have obtained and completed on their own, free of charge. In some cases, as the volume of homeowners paying thousands of dollars to “retain” the defendants’ services swelled, the defendants and their employees did nothing at all in exchange for the money they received from homeowners.

As customer complaints about the Telemarketing Firm and Purported Law Firms mounted, Abghari, Fiumano, and Romano sought to cover up their fraudulent scheme by changing the names of the Telemarketing Firm and Purported Law Firms. For example, as Abghari emailed employees of one of the Purported Law Firms, “[t]he main reason we’re being slammed . . . is because we waited too long to change names. I normally change names every 9 months to keep things cool and have all agencies off our backs. Within the next month or so you’ll see a major slow down on complaints because we no longer do business under the name of [the Purported Law Firm] or [the name of the Telemarketing Firm].”

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Abghari, 37, of Irvine, Calif.; Fiumano, 43, of Irvine, Calif.; and Romano, 40, of Blue Point, N.Y., are each charged with one count of conspiring to commit wire fraud and one count of wire fraud, each of which carries a maximum term of 20 years in prison.

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

The maximum potential sentence in this case is prescribed by Congress and is provided here for informational purposes only, as any sentencing of the defendant will be determined by the judge.

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

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.

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

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