

BSA Records Show Money Received through Mortgage-Related Ponzi Scheme Supported Million-Dollar Gambling Habit

A federal investigator characterized BSA data as extremely important in determining how the defendant in a multi-million dollar fraud case spent the proceeds. FinCEN researchers recovered almost 400 Casino CTRs related to the defendant dating back more than 10 years. Although some of the casino transactions pre-date the period of the fraud, investigators used the records to identify accounts and subpoena casino records.

According to the prosecutor, the defendant personally met with dozens of victims of the fraud, telling each that he would use their money to underwrite legitimate mortgages. Rather, their funds were put to use in keeping a massive Ponzi scheme afloat. The defendant collected more than \$29 million in fraudulent investment in just 2 years, a significant portion of which was diverted to his gambling activities.

Evidence presented to the court chronicled how, as president of his own mortgage company, the defendant engaged in a scheme wherein he and others acting on his behalf solicited individuals, including business associates, personal friends and members of his church, to invest with him. The defendant informed his investors that he would use their money to underwrite safe and secure "bridge loans" for wealthy individuals who were selling a house and needed funds to use as a down payment on newly acquired real property or to assist real estate developers with their short-term capital needs. The defendant entered into short-term promissory notes with his lenders, the terms of which he dictated, to document their investments.

The defendant falsely represented that his investors' money would be secured by his borrowers' equity and would be repaid, with substantial interest, in a short period of time. Instead, he used his investors' funds to repay his principal and interest obligations to earlier investors and laundered more than \$7 million of their assets to fund his gambling activities at casinos in Nevada, Mississippi, and New Jersey.

BSA records revealed the vast amount of money associated with the fraud, with transaction amounts reported by the casinos ranging from approximately \$12,000 up to \$150,000. A federal jury found the defendant guilty on charges of wire fraud and money laundering related to an investment scheme.

[Published in The SAR Activity Review - Trends, Tips & Issues, Issue 14, October 2008]