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DISTRICT ATTORNEY

DISTRICT ATTORNEY – NEW YORK COUNTY

FOR IMMEDIATE RELEASE
May 31, 2012

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**DA VANCE: ABACUS BANK AND 19 INDIVIDUALS CHARGED IN
LARGE-SCALE MORTGAGE FRAUD CONSPIRACY**

Employees and Managers Charged With Routinely Submitting False Documents to Fannie Mae

Prosecution Marks the First Time a Bank Has Been Indicted in Manhattan Since 1991

Manhattan District Attorney Cyrus R. Vance, Jr., today announced the indictment of ABACUS FEDERAL SAVINGS BANK (“ABACUS” or the “Bank”) and eleven of its former employees in a false document mortgage fraud scheme resulting in the sale of hundreds of millions of dollars worth of fraudulent loans to the Federal National Mortgage Association, commonly known as “Fannie Mae.” The District Attorney also announced that an additional eight former employees have already waived indictment and admitted their guilt in connection with this conspiracy.

The 184-count indictment charges eleven individuals and ABACUS itself with residential mortgage fraud, securities fraud, grand larceny, conspiracy, and falsifying business records, among other related charges.¹ The defendants include former senior managers, as well as former employees who worked in various capacities for the Bank’s lending business. Each defendant faces charges related to his or her involvement in the criminal conspiracy, which the indictment charges occurred between May 2005 and February 2010.

“The lessons of the financial crisis are still being learned,” said District Attorney Vance. “The public must have confidence that when a bank issues a loan that it later re-sells to Fannie Mae, and by extension the nation’s investors, it will engage in honest and ethical practices and follow the rules set by regulators,” said District Attorney Vance. “Loan schemes based on fraud inevitably will unravel, as this one did. Today’s indictment re-affirms our commitment to transparency and straight dealing in the financial markets. We cannot settle for less.”

¹The charges contained in the indictment are merely allegations, and the defendants are presumed innocent unless and until proven guilty.

Steve A. Linick, Inspector General of the Federal Housing Finance Agency, said: “We are proud to have contributed to this effort, which to date has produced multiple indictments of individuals who allegedly engaged in this significant fraud scheme. My office is committed to ferreting out fraud throughout the housing system, and partnering with law enforcement agencies making a similar commitment.”

Charles R. Pine, Director of Field Operations for IRS-Criminal Investigation, said: “The public has the right to expect security and integrity from the banks they entrust their money to, regardless of their size. The protection of the nation’s financial system remains a top priority for IRS-Criminal Investigation.”

The indictment, representing the culmination of a two-and-a-half-year investigation, charges that ABACUS, its employees, and its managers engaged in a conspiracy involving the regular and systematic falsification of residential mortgage application documents. The defendants falsified these documents so that they could earn commissions and fees by ensuring that otherwise unqualified borrowers would receive loans, which ABACUS then sold to Fannie Mae pursuant to an ongoing agreement. After purchasing these fraudulent mortgages, Fannie Mae repackaged them into mortgage-backed securities and sold them to outside investors. As a result of the hundreds of millions of dollars in charged fraudulent loans, ABACUS earned many millions of dollars in loan origination, purchasing, and servicing fees over the five-year period covered by the indictment.

ABACUS is a federally-chartered deposit and lending institution headquartered at 6 Bowery Street in Chinatown. The Bank operates seven branches across New York City, New Jersey, and Pennsylvania, and primarily serves the Chinese-American community. The loan department at ABACUS consisted of three separate units: loan origination, processing, and underwriting. All of these units and several of the branches were implicated in the conspiracy.

Charged in the indictment is YIU WAH WONG, who served as the Bank’s Chief Credit Officer, Vice President, and Underwriting Supervisor. WONG was the most senior Loan Department manager and reported directly to the Bank’s CEO. Also charged in the indictment is WAI HUNG “RAYMOND” TAM, the Loan Origination Supervisor. According to the indictment, these ABACUS managers trained lower level employees that the accuracy of loan application information was immaterial; what mattered was making sure that borrowers were able to obtain Fannie Mae-backed mortgages. Managers also encouraged loan officers and processors to be discreet by making sure that the falsified information would be believable in the eyes of the Bank’s regulator, the Office of the Comptroller of the Currency, as well as Fannie Mae.

ABACUS loan originators, also called loan officers, are accused of regularly instructing prospective borrowers to make misrepresentations in their loan applications and often authored falsified documents themselves. According to the indictment, originators coached borrowers to inflate their income, assets, and job titles, and to falsify Verification of Employment forms. Loan officers are charged with creating false gift letters to obscure the source of the borrowers’ down payments and disguise borrowers’ liabilities as assets. The loan originators charged in the indictment were: WEN FANG “FANNY” WANG, YING CHUAN “SHELLEY” WANG, JIE QIONG “MICHELLE” NAN, CHI FUNG

“DANNY” LAU, and PHOEBE LEE. Loan officers QIBIN “KEN” YU, RUO LAN “JULIE” CHEN, LIEN “LILY” QUACH, XIAOMIN “JANE” HUANG, and YIM “KATY” CHENG all previously pleaded guilty to felonies for their participation in this scheme. Loan officer JIN HUA “JENNY” ZHANG has been charged by felony complaint with Falsifying Business Records in the First Degree and related charges.

Loan processors, including defendants WAI CHING “ALICE” WONG and YUK YIN “LORETTA” LAM CHENG, are accused of helping originators concoct inflated incomes for borrowers. Specifically, processors manipulated loan origination software in order to calculate how much income borrowers needed to show in order to qualify for loans. According to the indictment, processors also facilitated the falsification of borrowers’ employment information by providing blank Verification of Employment forms to originators and loan applicants instead of mailing the forms directly to employers. Processor MICHELLE WONG LI previously pleaded guilty to Falsifying Business Records in the First Degree in connection with her conduct.

According to today’s indictment, loan underwriters approved loans they knew contained falsehoods, and knowingly failed to conduct adequate scrutiny of obviously false documents. Former underwriters VICTORIA TSUI and YI YI ZHAO were charged in the indictment. ANDY CHEN, who served as an underwriter, previously pleaded guilty to Falsifying Business Records in the First Degree.

Between 2005 and 2010, ABACUS is charged with selling hundreds of millions of dollars worth of fraudulent loans to Fannie Mae. Notwithstanding the fact that these loans were replete with misrepresentations and falsified information, ABACUS represented to Fannie Mae that the loan documents were accurate and truthful, a prerequisite for purchases made by Fannie Mae. ABACUS knew that once the loans were in Fannie Mae’s portfolio, the mortgages would be bundled together with other loans and sold by Fannie Mae as securities in the secondary loan market. Over the course of the fraud, ABACUS and its employees earned many millions of dollars in commissions, origination and servicing fees.

The District Attorney’s investigation into this misconduct continues. Anyone with information should call the District Attorney’s Office at (212) 335-3600.

Assistant District Attorneys Edward Starishevsky, Senior Investigative Counsel, and Julieta V. Lozano led the investigation under the supervision of Polly Greenberg, Chief of the Major Economic Crimes Bureau, and Adam Kaufmann, Chief of the Investigation Division. Investigative Analyst Steven Koch and Trial Preparation Assistants Marisa Calleja, Elisabeth Daniels, Melissa Brown, and Kathleen Dougherty assisted in the investigation. In addition, Investigator Jason Malone of the District Attorney’s Investigations Bureau participated in the investigation under the supervision of Supervising Investigator Santiago Batista.

District Attorney Vance thanked the Office of Comptroller of the Currency, Fannie Mae, IRS Criminal Investigations, the Federal Deposit Insurance Corporation, Federal Housing Finance Agency, and the Federal Housing Finance Agency Office of the Inspector General, whose work on this matter was part of the Residential Mortgage-Backed Securities Working Group formed by President Obama and Attorney General Holder, for their respective contributions to this investigation.

Indicted Defendants:

ABACUS FEDERAL SAVINGS BANK
New York, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Scheme to Defraud in the First Degree, a class E felony, 1 count
- Violation of G.B. L. §352-C(5), a class E felony, 1 count
- Violation of G.B. L. §352-C(6), a class E felony, 27 counts
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 27 counts
- Falsifying Business Records in the First Degree, a class E felony, 100 counts
- Attempted Grand Larceny in the Second Degree, a class D felony, 1 count
- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 14 counts
- Attempted Residential Mortgage Fraud in the Second Degree, a class D felony, 1 counts

YIU WAH WONG, D.O.B. 11/6/1950
Flushing, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Scheme to Defraud in the First Degree, a class E felony, 1 count
- Violation of G.B. L. §352-C(5), a class E felony, 1 count
- Violation of G.B. L. §352-C(6), a class E felony, 27 counts
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 27 counts
- Falsifying Business Records in the First Degree, a class E felony, 100 counts
- Attempted Grand Larceny in the Second Degree, a class D felony, 1 count
- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 14 counts
- Attempted Residential Mortgage Fraud in the Second Degree, a class D felony, 1 counts

WAI HUNG "RAYMOND" TAM, D.O.B. 5/22/1955
Brooklyn, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 27 counts

- Falsifying Business Records in the First Degree, a class E felony, 100 counts
- Attempted Grand Larceny in the Second Degree, a class D felony, 1 count
- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 14 counts
- Attempted Residential Mortgage Fraud in the Second Degree, a class D felony, 1 counts

WEN FANG “FANNY” WANG, D.O.B. 6/18/1972
Little Neck, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 9 counts
- Falsifying Business Records in the First Degree, a class E felony, 36 counts
- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 5 counts

YUK YIN “LORETTA” LAM CHENG, D.O.B. 5/21/1948
Fresh Meadows, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 5 counts
- Falsifying Business Records in the First Degree, a class E felony, 12 counts

CHI FUNG “DANNY” LAU, D.O.B. 10/13/1983
Flushing, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count

PHOEBE LEE, D.O.B. 6/13/1966
Flushing, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count

JIE QUIONG “MICHELLE” NAN, D.O.B. 11/14/1980
Flushing, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 1 counts

- Falsifying Business Records in the First Degree, a class E felony, 3 counts

VICTORIA TSUI, D.O.B. 8/16/1975

Brooklyn, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 7 counts
- Falsifying Business Records in the First Degree, a class E felony, 30 counts
- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 6 counts

YING CHUAN "SHELLY" WANG, D.O.B. 6/11/1968

College Point, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 2 counts
- Falsifying Business Records in the First Degree, a class E felony, 6 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 2 counts

WAI CHING "ALICE" WONG, D.O.B. 5/24/1958

Brooklyn, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 10 counts
- Falsifying Business Records in the First Degree, a class E felony, 44 counts
- Attempted Grand Larceny in the Second Degree, a class D felony, 1 count
- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 3 counts
- Attempted Residential Mortgage Fraud in the Second Degree, a class D felony, 1 counts

YI YI ZHAO, D.O.B. 9/6/1964

Brooklyn, NY

Charges:

- Conspiracy in the Fourth Degree, a class E felony, 1 count
- Grand Larceny in the First Degree, a class B felony, 1 count
- Grand Larceny in the Second Degree, a class C felony, 6 counts
- Falsifying Business Records in the First Degree, a class E felony, 19 counts

- Residential Mortgage Fraud in the First Degree, a class B felony, 1 counts
- Residential Mortgage Fraud in the Second Degree, a class C felony, 3 counts

JIN HUA “JENNY” ZHANG

- Charged by felony complaint with Falsifying Business Records in the First Degree and related charges.

Previously charged defendants who have pled guilty:

ANDY DIANSI CHEN

- Pled guilty to one count of Falsifying Business Records in the First Degree, a class E felony.

RUO LAN “JULIE” CHEN

- Pled guilty to one count of Falsifying Business Records in the First Degree and one count of Scheme to Defraud in the First Degree, both class E felonies.

YIM “KATY” CHENG

- Pled guilty to one count of Falsifying Business Records in the First Degree and one count of Scheme to Defraud in the First Degree, both class E felonies.

XIAOMIN “JANE” HUANG

- Pled guilty to one count of Falsifying Business Records in the First Degree, a class E felony.

MICHELLE WONG LI

- Pled guilty to one count of Falsifying Business Records in the First Degree a class E felony.

LIEN “LILY” QUACH

- Pled guilty to one count of Falsifying Business Records in the First Degree a class E felony.

QIBIN “KEN” YU

- Pled guilty to: one count of Grand Larceny in the Third Degree, a class D felony, one count of Falsifying Business Records in the First Degree, a class E felony and one count of Scheme to Defraud in the First Degree a class E felony.

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