

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA	:	CRIMINAL NO. <u>10-</u>
v.	:	DATE FILED: _____
GENNARO RAUSO	:	VIOLATIONS:
	:	18 U.S.C. §§ 1341 (mail fraud - 1 count)
	:	18 U.S.C. § 157 (bankruptcy fraud - 1 count)
	:	18 U.S.C. § 1029(a)(5) (access device fraud - five counts)
	:	12 U.S.C. § 1709-2 (equity skimming - 4 counts)
	:	18 U.S.C. § 1344 (bank fraud - 1 count)
	:	26 U.S.C. § 7203 (failure to file federal income tax returns - 4 counts)
	:	26 U.S.C. § 7206(1) (filing a materially false federal income tax return - 1 count)
	:	18 U.S.C. § 2 (aiding and abetting)
	:	Notice of forfeiture

INFORMATION

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material to this information:

BACKGROUND

1. Defendant GENNARO RAUSO owned and operated several property management businesses, including D&B Property Investors (“D&B”), which he incorporated on June 17, 2005.
2. Defendant GENNARO RAUSO falsely claimed that D&B helped homeowners with foreclosure problems. In fact, defendant RAUSO operated D&B as part of a scheme to defraud mortgage companies by convincing distressed homeowners to transfer their

properties to D&B for a nominal sum, and then renting the properties back to the homeowners. Defendant RAUSO then used the federal bankruptcy process to, among other things, substantially delay and obstruct efforts by mortgage companies to foreclose upon these properties, thereby providing the opportunity for defendant RAUSO to collect rental payments fraudulently from the distressed homeowners during the period of delay, without making any required payments to the mortgage companies.

THE SCHEME

3. From at least in or about January 2005 through at least in or about December 2008, defendant

GENNARO RAUSO

devised and intended to devise a scheme to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises.

MANNER AND MEANS

It was part of the scheme that:

4. Defendant GENNARO RAUSO purchased lists containing the names and addresses of homeowners facing immediate foreclosure and sheriff's sale of their properties. Defendant RAUSO used these lists to identify potential victims of his scheme to defraud.

5. Using the United States mails, defendant GENNARO RAUSO sent to homeowners a flyer that claimed, among other things, that defendant RAUSO could help the homeowner with foreclosure problems. Defendant RAUSO used an alias when he sent out the flyers, including but not limited to, "Lorraine Foster." When homeowners called the telephone number on the flyer, however, they spoke to defendant RAUSO.

6. Since at least in or about January 2005, defendant GENNARO RAUSO mailed various versions of the flyer. For example, in a version sent in or about December 2008, purportedly from “Lorraine Foster,” defendant RAUSO claimed that:

a. he was interested in purchasing their property, “subject to all liens and encumbrances,” even if the home “does not have any equity;”

b. he would “take all the headache of fighting the bank or mortgage company off your hands,” and “possibly even allow you to stay in the property for less than what you were paying each month;”

c. for some of his past clients, he was able to “assist them in getting their credit re-established; and as a result, they were able to re-purchase the property thereafter;”

d. even if “things don’t work out” and the property were to be sold at Sheriff’s sale, defendant RAUSO could help the homeowner “stay in the property for about another 12-18 months even after the sheriff sale;” and

e. “an associate” would tell the homeowner how defendant RAUSO “stalled his personal foreclosure for Sixteen years without paying a dime to either the mortgage company or the tax bureau; purchased the property back for approximately Twenty Cents on the dollar free and clear of all the previous liens and judgments that had been on the property, and then flipped it for a Twenty Thousand Dollar Profit.”

7. Defendant GENNARO RAUSO timed the mailing of the flyers so they would arrive only a few days before the scheduled sheriff’s sale of the property. Defendant RAUSO believed that this was the time period when homeowners would be most desperate and most likely to call for his purported services.

8. After the homeowners contacted defendant GENNARO RAUSO, either defendant RAUSO or an employee of D&B visited the homeowner to have the homeowner sign a series of documents, which:

a. transferred the property either to defendant RAUSO or to an entity controlled by defendant RAUSO, for a nominal purchase price;

b. gave defendant RAUSO power of attorney rights with respect to the property, including the power to negotiate on the homeowner's behalf with the mortgage companies, to file federal bankruptcy petitions, and to otherwise dispose of the property; and

c. made the homeowner a tenant, who would make rent payments to defendant RAUSO instead of payments to the mortgage company.

9. After the homeowner signed these documents, defendant GENNARO RAUSO obstructed the foreclosure proceedings against the property by, among other things, filing federal bankruptcy petitions.

10. Defendant GENNARO RAUSO collected rent payments from the homeowner during the period the foreclosure was obstructed and delayed, but did not make payments to the mortgage companies holding the mortgage. Defendant RAUSO was, therefore, able to use the federal bankruptcy process, among other means, to defraud mortgage companies out of payments from homeowners, when those payments should have been made to the mortgage companies to pay down the mortgage balances.

11. As part of this scheme to defraud, defendant GENNARO RAUSO used at least 200 homeowners and their properties, almost entirely all of which were located in the Eastern District of Pennsylvania. Overall, defendant RAUSO defrauded mortgage companies

out of more than \$400,000 in diverted and lost mortgage payments.

THE MAILING

12. In or about March 2008, in the Eastern District of Pennsylvania, and elsewhere, defendant

GENNARO RAUSO,

for the purpose of executing the scheme described above, and aiding and abetting the execution of the scheme, knowingly caused to be delivered by United States mail according to the directions thereon, a flyer to W.C., a person known to the United States Attorney, claiming to be able to help homeowners stay in their homes.

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT TWO

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. Paragraphs 1 through 11 of Count One of this information are incorporated here.
2. Between on or about February 6, 2006, and on or about March 25, 2008, defendant GENNARO RAUSO devised and intended to devise a scheme to defraud.
3. It was part of the scheme that defendant GENNARO RAUSO filed fraudulent bankruptcy petitions for at least eight individuals for the purpose of fraudulently obstructing and delaying foreclosure proceedings relating to properties, the titles to which defendant RAUSO had obtained pursuant to the fraudulent scheme described in Count One of this information.
4. On or about March 25, 2008, in Philadelphia, in the Eastern District of Pennsylvania, defendant

GENNARO RAUSO

filed, and aided and abetted the filing of, a petition for bankruptcy under Title 11, United States Code, in the United States Bankruptcy Court for the Eastern District of Pennsylvania, that is, a bankruptcy petition for W.C., a person known to the United States Attorney, docketed at No. 08-12016, for the purpose of executing and concealing this scheme and attempting to do so.

In violation of Title 18, United States Code, Sections 157(1) and 2.

COUNTS THREE THROUGH SEVEN

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

On or about the dates listed below, in the Eastern District of Pennsylvania, and elsewhere, defendant

GENNARO RAUSO

knowingly and with the intent to defraud, effected transactions, and aided and abetted the effecting of transactions, with an access device issued to another person, listed below, to receive payments and obtain things of value aggregating \$1,000 or more during a one-year period, that is, each of the amounts listed below, thereby affecting interstate and foreign commerce, each transaction constituting a separate count:

<u>COUNT</u>	<u>DATES</u>	<u>VICTIM</u>	<u>ACCOUNTS AND AMOUNT</u>
3	8/19/05 to 10/31/05	T.D.	9679 (Columbus Bank and Trust Visa) in the amount of \$1,750.
4	10/10/05 to 10/10/06	E.A.	0088 (Chase Bank Visa), 9533 (Chase Bank Visa), and 3821 (Barclays Bank Credit Card) in the amount of \$1,029.42.
5	4/25/05 to 2/21/06	J.C.	6768 (Citibank Home Depot Credit Card) and 9071 (Discover Credit Card) in the amount of \$4,044.22.
6	9/20/06 to 9/19/07	D.G.	3518 (Citibank Home Depot Credit Card) in the amount of \$2,086.67.
7	8/8/05 to 8/8/06	J.F.	4145 (Chase Bank Visa), 1003 (American Express), and 2381 (Juniper Bank Credit Card) in the amount of \$8,559.79.

All in violation of Title 18, United States Code, Sections 1029(a)(5) and 2.

COUNTS EIGHT THROUGH ELEVEN

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

At all relevant times to this information:

1. Paragraphs 1 through 11 of Count One of this information are incorporated here.
2. The Department of Housing and Urban Development (“HUD”) was an agency of the United States which operated a residential mortgage loan insurance program. The Federal Housing Administration (“FHA”), an organization within HUD, insured home mortgages of individuals who qualified for participation in the program.
3. From on or about December 1, 2005 to on or about October 19, 2009, defendant GENNARO RAUSO, individually, and through D&B, devised and intended to devise a scheme to defraud, and for obtaining money and property from the United States of America, mortgage companies, private financial institutions, and residential homeowners and renters, by means of false and fraudulent pretenses, representations, and promises, knowing at the time that the pretenses, representations, and promises would be and were false when made.
4. The object of defendant GENNARO RAUSO’s scheme to defraud was to acquire residential properties by inducing desperate homeowners facing immediate foreclosure proceedings to sign over the title to their properties to defendant RAUSO and D&B.
5. Thereafter, defendant GENNARO RAUSO rented these properties back to the property owners and converted payments paid by the homeowners to his own benefit and use, while permitting the mortgages insured by the FHA to go into or remain in default and eventual foreclosure because the mortgage payments were not made.

6. In furtherance of the scheme, as set forth below, defendant GENNARO RAUSO acquired the title to four properties and permitted them to go into or remain in default, while defendant RAUSO collected rental income, which he failed to apply to loan payments and diverted and used for his own benefit. As a result of these diversions, and as a direct consequence of defendant RAUSO's scheme, the United States of America and private lenders sustained losses.

7. In furtherance of the scheme, and to delay the foreclosure of these properties, and thereby collect more rent, defendant GENNARO RAUSO transferred title to the properties to various entities, and filed voluntary bankruptcy petitions in the names of these entities in the United States Bankruptcy Court for the Eastern District of Pennsylvania. As a result of these transfers and bankruptcies, the mortgage companies' efforts to complete foreclosure proceedings against these properties were delayed or stayed so that defendant RAUSO could continue to collect rent from these properties.

8. Because of the failure of defendant GENNARO RAUSO to make the mortgage payments, the lending institutions initiated foreclosure proceedings against these properties.

9. The FHA, as insurer or guarantor of loans to the mortgage lenders for these properties, paid claims constituting unpaid principal, taxes and other charges.

10. From on or about December 1, 2005, to on or about October 19, 2009, in the Eastern District of Pennsylvania, defendant

GENNARO RAUSO,

with intent to defraud, willfully engaged in a pattern and practice of purchasing the four single-

family dwellings, listed below, which were subject either to a loan in default at the time of the purchase of a loan, or in default within one year following the purchase of the dwelling. Each of the loans were secured by a mortgage or deed of trust insured or held by the United States Secretary of Housing and Urban Development, by and through the FHA. Moreover, defendant RAUSO failed to make payments under the mortgages as the payments became due, and defendant RAUSO applied the payment of rents from the properties to his own use, either directly or through business entities controlled by defendant RAUSO:

<u>COUNT</u>	<u>LOCATION</u>	<u>HOMEOWNER</u>
8	Darby, PA	F.J.
9	Philadelphia	S.L.
10	Philadelphia	O.G.
11	Philadelphia	R.T.

All in violation of Title 12, United States Code, Section 1709-2.

COUNT TWELVE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

At all times material to this information:

1. Citizens Bank was a financial institution, the deposits of which were insured by the Federal Deposit Insurance Corporation, certificate no. 57282.
2. Between on or about July 11, 2008, and on or about August 11, 2008, in the Eastern District of Pennsylvania, and elsewhere, defendant

GENNARO RAUSO

knowingly executed, and aided and abetted the execution of, a scheme to defraud Citizens Bank, and to obtain monies owned by and under the care, custody, and control of that bank by means of false and fraudulent pretenses, representations, and promises.

THE SCHEME

It was part of the scheme that:

3. Defendant GENNARO RAUSO purchased cashiers checks from Citizens Bank made payable to other individuals and delivered the cashiers checks to the payee.
4. After defendant GENNARO RAUSO caused the payee to negotiate the cashiers check, defendant RAUSO then falsely reported, or caused to be reported, to Citizens Bank that the check had been lost or stolen, even though the check was not lost or stolen and knowing that the payee would negotiate the cashiers check.
5. After having the check falsely reported as lost or stolen, defendant GENNARO RAUSO caused Citizens Bank to reissue the cashiers check to defendant RAUSO and then cashed the check.

6. As a result of this fraudulent scheme, defendant GENNARO RAUSO caused the following cashiers checks to be fraudulently issued and negotiated:

<u>CHECK NO.</u>	<u>AMOUNT</u>	<u>PAYEE</u>
176448890-2	\$9,875	J.T.
176493723-9	\$9,800	The Riviera Hotel & Casino
236197344-5	\$9,850	G.M.
236198502-7	\$9,900	G.S.

7. As a result of defendant GENNARO RAUSO's fraudulent scheme, Citizens Bank lost nearly \$40,000.

In violation of Title 18, United States Code, Sections 1344 and 2.

COUNTS THIRTEEN THROUGH SIXTEEN

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. From in or about January 2005, through in or about December 2008, D&B received gross income from the scheme described in Count One of this information. During this period, defendant GENNARO RAUSO was responsible for filing federal tax returns on behalf of D&B.

2. During the calendar years set forth below, in the Eastern District of Pennsylvania, and elsewhere, defendant

GENNARO RAUSO,

knowing that D&B had and received gross income substantially in excess of the minimum filing requirement, and that by reason of such gross income he was required by law, following the close of each calendar year and on or before March 15 of the following year, to make an income tax return to the Director of the Internal Revenue Service Center, at Philadelphia, Pennsylvania, or other proper officer of the United States, stating specifically the items of his gross income and any deductions and credits to which he was entitled; that knowing this, he willfully failed to make an income tax return for D&B to the Director of the Internal Revenue Service Center, or to any other proper officer of the United States:

<u>COUNT</u>	<u>TAX YEAR</u>	<u>GROSS INCOME</u>
13	2005	\$52,959.76
14	2006	\$217,764.38
15	2007	\$677,917.63
16	2008	\$714,522.72

All in violation of Title 26, United States Code, Section 7203.

COUNT SEVENTEEN

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

On or about April 15, 2006, in Philadelphia, in the Eastern District of Pennsylvania, and elsewhere, defendant

GENNARO RAUSO

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2005, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service Center, at Philadelphia, Pennsylvania, which defendant RAUSO did not believe to be true and correct as to every material matter, in that the return reported a total taxable income of \$0, when, as defendant RAUSO knew, he had received total taxable income of \$9,512.90 from D&B, and in that the return reported no self-employment tax owed, when, as defendant RAUSO knew, he owed self-employment tax of \$2,693.01.

In violation of Title 26, United States Code, Section 7206(1).

NOTICE OF FORFEITURE

THE UNITED STATES ATTORNEY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Sections 1341 and 1344, as set forth in this information, defendant

GENNARO RAUSO

shall forfeit to the United States of America any property that constitutes or is derived from proceeds traceable to the commission of such offenses.

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b) and Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the property subject to forfeiture.

All pursuant to Title 28, United States Code, Section 2461(c) and Title 18, United States Code, Sections 981(a)(1)(C) and 982 (a)(7).

ZANE DAVID MEMEGER
United States Attorney