

Investors Plead Guilty to Rig Bids at New Jersey Municipal Tax Auctions

by Frank L. Brunetti on October 3, 2013

Two financial investors who purchased municipal tax liens pleaded guilty today for their roles in a conspiracy to rig bids at auctions conducted by New Jersey municipalities for the sale of those tax liens, the Department of Justice announced.

A felony charge was filed today in U.S. District Court against Robert U. Del Vecchio Sr., of Hawthorne, N.J. who according to the charge, from 2000 until December 2008, participated in a conspiracy to rig bids at auctions for the sale of municipal tax liens by agreeing to allocate among certain bidders which liens each would bid on. Additionally, a felony charge was filed against Michael Mastellone, of Cedar Knolls, N.J. for participating in a similar conspiracy from 2000 until February 2009. The department said that Del Vecchio Sr. and Mastellone proceeded to submit bids in accordance with the agreements and purchased tax liens at collusive and non-competitive interest rates.

"By conspiring to rig the bids of municipal tax liens, the conspirators profited at the expense of those already struggling financially," said Scott D. Hammond, Deputy Assistant Attorney General for the Antitrust Division's criminal enforcement program. "Protecting Americans from these types of bid-rigging schemes remains a high priority for the division."

The department said the primary purpose of the conspiracy was to suppress and restrain competition in order to obtain selected municipal tax liens offered at public auctions at non-competitive interest rates. When the owner of real property fails to pay taxes on that property, the municipality in which the property is located may attach a lien for the amount of the unpaid taxes. If the taxes remain unpaid after a waiting period, the lien may be sold at auction. State tax law requires that investors bid on the interest rate delinquent property owners will pay upon redemption. By law, the bid opens at 18 percent interest and, through a competitive bidding process, can be driven down to zero percent. If a lien remains unpaid after a certain period of time, the investor who purchased the lien may begin foreclosure proceedings against the property to which the lien is attached.

According to the court documents, Del Vecchio Sr. and Mastellone were involved in the conspiracy with others not to bid against one another at municipal tax lien auctions in New Jersey. Since the conspiracy permitted the conspirators to purchase tax liens with limited competition, each conspirator was able to obtain liens which earned a higher interest rate. Property owners were therefore made to pay higher interest on their tax debts than they would have paid had their liens been purchased in open and honest competition.

A violation of the Sherman Act carries a maximum penalty of 10 years in prison and a \$1 million fine for individuals. The maximum fine for a Sherman Act violation may be increased to twice

the gain derived from the crime or twice the loss suffered by the victims if either amount is greater than the \$1 million statutory maximum.

Today's pleas are the 13th and 14th guilty pleas resulting from an ongoing investigation into bid rigging or fraud related to municipal tax lien auctions. Nine individuals -- Isadore H. May, Richard J. Pisciotta Jr., William A. Collins, Robert W. Stein, David M. Farber, Robert E. Rothman, Stephen E. Hruby, David Butler and Norman T. Remick -- and three companies -- DSBD LLC, Crusader Servicing Corp. and Mercer S.M.E. Inc. -- have previously pleaded guilty as part of this investigation.