Manhattan U.S. Attorney Charges Debt Settlement Company And Six Individuals For Multi-Million Dollar Scheme That Targeted Debt-Ridden Consumers

FOR IMMEDIATE RELEASE Tuesday, May 7, 2013

Two Former Employees of the Debt Settlement Company Have Already Pled Guilty

First-Ever Criminal Charges Based on Consumer Financial Protection Bureau Referral

Preet Bharara, the United States Attorney for the Southern District of New York, and Philip R. Bartlett, the Inspector-in-Charge of the New York Office of the U.S. Postal Inspection Service ("USPIS"), announced today the unsealing of an Indictment charging MISSION SETTLEMENT AGENCY ("MISSION"), its owner MICHAEL LEVITIS, and three of its employees – DENIS KURLYAND, BORIS SHULMAN, and MANUEL CRUZ – with mail and wire fraud charges in connection with a multi-million dollar scheme that victimized more than 1,200 debt-ridden individuals across the country. As alleged, the defendants fraudulently tricked people into paying MISSION for debt settlement services by lying to prospective customers about its fees, and its purported affiliation with the federal government and one of the three leading credit bureaus in the U.S., as well as the results it supposedly achieved for its customers. In connection with the scheme, MISSION received over $6.6 million in fees. For over 1200 of its customers, MISSION took fees totaling nearly $2.2 million and has never paid a penny to the customers' creditors. Each of the individual defendants was arrested this morning. They are expected to be arraigned in Manhattan federal court later today before U.S. District Judge Paul G. Gardephe.

Also unsealed today were the guilty pleas of two former MISSION employees, FELIX LEMBERSKIY and ZAKHIR SHIRINOV, for their participation in the fraudulent scheme. SHIRINOV pled guilty pursuant to an Information before U.S. District Judge Denise Cote on April 26, 2013, and LEMBERSKIY pled guilty pursuant to an Information before U.S. District Judge Ronnie Abrams on April 29, 2013.

In a separate action, the Consumer Financial Protection Bureau ("CFPB") announced civil charges against MISSION and LEVITIS, among others.

Manhattan U.S. Attorney Preet Bharara said: "As alleged, Mission preyed upon the financial desperation of people around the country who – like so many ordinary Americans – were simply struggling to pay down their debts after the financial downturn. But the true mission of Mission turned out to be fraud and deceit, and for more than 1,200 consumers, the dream of debt relief turned into a nightmare of deeper debt trouble. Today's case is a harbinger of an especially potent partnership between this Office and the CFPB that will benefit hardworking Americans everywhere."

USPIS Inspector-in-Charge Philip Bartlett said: "Postal Inspectors are ever vigilant in bringing to justice individuals who use the U.S. Mail to defraud and otherwise take advantage of the financial circumstances of innocent consumers."

According to the allegations in the Indictment unsealed today and the Forfeiture Complaint filed today in Manhattan federal court:

Background

Since its inception in 2009, MISSION has offered "debt settlement" services to financially disadvantaged individuals who were struggling or unable to pay their credit card debts. Like other purported debt settlement providers, MISSION held itself out as a company that could successfully negotiate to lower the overall debt its customers owed to credit card companies and banks. LEVITIS operated and controlled MISSION which, at varying times, had offices in Brooklyn and/or Manhattan.

The defendants targeted financially disadvantaged individuals known to be struggling to pay credit card debt and reached out to them through telemarketing and mail solicitations. Thereafter, MISSION's sales

representatives typically spoke to the prospective customers on the phone, describing MISSION's work and its ability to renegotiate debt. Where an individual ultimately expressed an interest in engaging MISSION, MISSION then had the individual enter into a contract.

Overview of the Fraud

From 2009 through May 2013, the defendants systematically exploited and defrauded over 1,200 financially disadvantaged individuals across the country who were struggling to pay their credit card debts. The individual defendants falsely and fraudulently tricked them into becoming MISSION's customers by making materially false and misleading statements about MISSION's ability to help settle their debts and about the fees MISSION would charge in exchange for that help.

Specifically, the defendants commonly lied about and/or concealed MISSION's fees, falsely stating both verbally and in their written solicitations, that MISSION would charge a mere $49 per month and/or that there would be no up-front fees. In fact, MISSION took thousands of dollars in up-front fees from funds that its customers had set aside because they had been told the funds would be held in escrow and used to pay creditors. The defendants also deceived prospective customers by fraudulently promising that MISSION could help slash their debts – typically by 45% – when, for the majority of customers, MISSION actually did little or no work, and failed to achieve any reduction in debt whatsoever. And the defendants deceptively created an air of legitimacy for MISSION's business by falsely suggesting that it had affiliations with the federal government and with one of the three leading credit bureaus in the U.S.

Overall, MISSION had approximately 2,200 customers who paid a total of nearly $14 million in connection with its purported debt settlement services. Of these funds, MISSION took over $6.6 million in fees, while paying only approximately $4.4 million to customers' creditors. For over 1,200 of its customers, MISSION took fees totaling nearly $2.2 million, but never paid a single penny to the customers' creditors as payment for any negotiated debt. LEVITIS used the money that MISSION took from its customers to pay for things including the operating expenses of a restaurant/nightclub he controlled, lease payments for two different luxury Mercedes cars, and credit card bills for his mother.

Lies About Mission's Fees

In conversations with prospective customers, the defendants represented that customers would be asked to make affordable monthly payments for a set period of time, that these payments would be held in escrow by a third-party payment processor until MISSION had negotiated down the customers' debt obligations, and that the money held in escrow would then be used to pay the creditors. The defendants further promised that MISSION would only charge a nominal monthly fee of $49 in exchange for its efforts, and they often explained that MISSION would charge an additional fee only if it succeeded at obtaining a greater reduction in debt than what had been promised. They also claimed in both their written solicitations and in scripted phone calls that there were no up-front fees.

In reality, in addition to the $49 monthly fee, MISSION also charged an up-front fee equal to as much as 18% of the debt the customer owed. MISSION deducted these fees from the monies that customers paid to the third party payment processor, in accordance with a monthly payment plan it established, and that customers understood would be held in their escrow accounts and used to pay their creditors. Instead, MISSION regularly took as fees for itself all of the funds that its customers paid to the payment processor during the first three months of their contracts with MISSION. This was done in order to insure that the company would receive up-front fees before any of the customers' debt was even paid down.

Lies About Mission's Results

The defendants typically promised prospective customers that MISSION would negotiate a substantial reduction in their debt, promising prospective customers that they would have to pay only 55% of the amount owed to creditors. When potential customers questioned that assertion because it sounded too good to be true, a written script directed sales representatives to tell them: "The creditors today are content to get the settled amount in light of all the bankruptcies, charge offs, and bad debt out there today."

This assertion and the underlying promise were false. In reality, MISSION did little or no meaningful work to negotiate reductions in debt for many of its customers, and the sort of result MISSION was promising prospective customers was substantially more favorable than the results MISSION typically achieved for prior customers.

The written script also instructed sales representatives to promise potential customers that if they worked with MISSION, their credit scores would ultimately go up. The script said, "Your credit score will go down in the short term while the accounts are put into position for settlement. Then your score will go up as the payments are made and ultimately your score will be significantly higher." This was also untrue.

Lies About Mission's Affiliations

The defendants also made material misrepresentations to prospective customers about MISSION's relationships and affiliations in a deceptive effort to make MISSION seem more credible and trustworthy. For example, in an effort to attract business, MISSION sent a solicitation letter to prospective customers that falsely suggested that it was acting on behalf of or in connection with a federal governmental program. The letter included an image of the Great Seal of the United States and indicated that it was coming from the "Reduction Plan Administrator" of the purported "Office of Disbursement." However, the only phone number and address provided in the letter belonged to MISSION, and MISSION did not have any relationship with any federal agency, nor was it operating in connection with any federal program.

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Mr. Bharara also announced today the filing of a civil forfeiture complaint seeking to forfeit the proceeds of the alleged fraud and the assets involved in money laundering related to the scheme. Those assets and proceeds include: the Rasputin nightclub, the title for which is in the name of LEVITIS' mother, whom the government alleges is the real owner of the club; two pieces of real property; and 40 bank accounts.

* * *

LEVITIS, 36, of Brooklyn, New York, KURLYAND, 30, of Brooklyn, New York, SHULMAN, 27, of Brooklyn, New York, and CRUZ, 30, of Brooklyn, New York, are each charged with one count of conspiracy to commit mail and wire fraud, one count of wire fraud, and one count of mail fraud. Each defendant faces a maximum sentence of 20 years in prison on each count.

LEMBERSKIY, 29, of Staten Island, New York, and SHIRINOV, 29, of Brooklyn, New York, each pled guilty to one count of conspiracy to commit mail and wire fraud, one count of mail fraud, and one count of wire fraud. They each face a statutory maximum sentence of 60 years in prison.

Mr. Bharara praised the outstanding investigative work of the USPIS. He also thanked the CFPB for referring this case to this Office and acknowledged with appreciation, this extraordinary partnership.

If you believe you were a victim of this crime, including a victim entitled to restitution, and you wish to provide information to law enforcement and/or receive notice of future developments in the case or additional information, please contact Wendy Olsen-Clancy, the Victim Witness Coordinator at the United States Attorney's Office for the Southern District of New York, at (866) 874-8900, or Wendy.Olsen@usdoj.gov. For additional information, go to: http://www.usdoj.gov/usao/nys/victimwitness.html.

For guidance on coping with debt or credit issues, and information about dealing with debt settlement companies in particular, consider the following links to publications issued by the Federal Trade Commission and the Council of Better Business Bureaus: http://www.consumer.ftc.gov/articles/0150-coping-debt; and http://www.bbb.org/credit-management/overwhelming-obligations/advice-about-quick-easy-solutions/index.html.

The prosecution of this case is being handled by the Office's Complex Frauds Unit. Assistant United States Attorneys Nicole Friedlander and Edward Imperatore are in charge of the prosecution. Assistant United States Attorney Carolina Fornos of the Office's Asset Forfeiture Unit is responsible for the forfeiture aspects of the case.

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

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U.S. v. Mission Settlement Agency, et al. Indictment

U.S. v. Felix Lemberskiy Information

U.S. v. Zakhir Shirinov Information

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