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## Schneiderman announces guilty plea of New York City landlord Steven Croman

*Croman To Serve One Year In Rikers, Pay \$5 Million Tax Settlement – Marking Significant Precedent In Effort To Combat Landlords Who Base Their Business Model On Displacement Of Rent-Stabilized Tenants*

*Criminal Case Revolves Around Croman's Efforts To Obtain Loans Based On False Accountings Of Rent-Stabilized Tenants In His Buildings*

*Schneiderman: Now Croman Will Serve A Year In Rikers – And Unscrupulous Landlords Are On Notice*

Attorney General Eric T. Schneiderman today announced the guilty plea of Steven Croman, a major New York City landlord with more than 140 apartment buildings across Manhattan, for fraudulently refinancing loans and committing tax fraud. Under the terms of his plea, Croman would serve one year of jail time on Rikers Island and pay a \$5 million tax settlement – marking a significant precedent in the effort to combat landlords who base their business model on the displacement of rent-stabilized tenants.

Rarely, if ever, has a landlord been sentenced to serve time in jail for engaging in these practices. The jail time and multi-million settlement announced today send a strong message to landlords that the Attorney General will pursue anyone who engages in these types of practices to the fullest extent of the law.

“Steven Croman is a fraudster and a criminal who engaged in a deliberate and illegal scheme to fraudulently obtain bank loans,” Attorney General Schneiderman said. “He went to outrageous lengths to boost his bottom line – including falsely listing rent-stabilized units at market rates when his efforts to displace those renters had failed. Now Mr. Croman faces a year in Rikers and a \$5 million settlement – and unscrupulous landlords are on notice that we’ll pursue them to the fullest extent of the law.”

Croman entered into the guilty plea before State Supreme Court Justice Jill Konviser, to Grand Larceny in the Third Degree (a class D felony), and Falsifying Business Records in the First Degree and Criminal Tax Fraud in the Fourth Degree (both class E felonies). Croman fraudulently obtained several multi-million-dollar refinancing loans between 2012 and 2014, and committed tax fraud in 2011 by failing to withhold appropriate NY State payroll tax from certain Croman Real Estate employee paychecks. In addition to serving jail time, Croman also must pay a \$5 million tax settlement to the State Department of Taxation and Finance. Croman will be sentenced on September 19, 2017.

A year-long investigation by the Attorney General's office found that Croman purchased buildings with rent-stabilized units and, immediately after purchase, began the process of displacing rent-stabilized tenants while simultaneously attempting to refinance the initial mortgage.

The criminal referral in the Croman investigation was provided to the Attorney General's office by the New York State Department of Housing and Community Renewal's Tenant Protection Unit (TPU).

Governor Andrew M. Cuomo said, “We have zero tolerance for those who seek to use harassment and intimidation to chase tenants out of their homes. The Tenant Protection Unit was created to crack down on these unscrupulous practices and this prosecution sends a clear message that New York stands united and the full force of the law will be used to ensure the rights of renters are respected and protected.”

New York State Homes and Community Renewal Commissioner RuthAnne Visnauskas said, “Under Governor Cuomo and Attorney General Schneiderman, we will continue to bring more resources to bear to protect more than two million rent-regulated New Yorkers. The Governor's Tenant Protection Unit and our partners in law enforcement will vigorously investigate an owner's questionable business practices that put profits over the safety and security of their tenants. When this happens, tenants suffer; they lose their homes and they lose their communities. I congratulate the AG and the Governor's Tenant Protection Unit for another job well done in holding an owner liable for his criminal actions.”

“Attempting to displace families from their homes is criminal and deplorable, and should be punished to the full extent of the law. Seeing one of the city's most notorious landlords receive jail time as a direct result of his actions sends a powerful message to those who would prey on vulnerable tenants,” said New York City Department of Housing Preservation and Development (HPD) Commissioner Maria Torres-Springer. “We applaud the Attorney General's hard work and dedication to not only bring corrupt landlords and building owners to justice, but also continuously lay the groundwork for tougher penalties for unacceptable behavior.”



Buildings Commissioner Rick D. Chandler, PE said, “Blatant disregard of the law that puts profits ahead of people’s lives will never be tolerated in our city. DOB was proud to work with the Attorney General to support the successful criminal case against Mr. Croman. With our city and state partner agencies, we look forward to furthering our mission to crack down on crooked building owners.”

Pursuant to the plea agreement and the defendant’s allocution, Croman submitted false documents to banks, including rent rolls that falsely reflected market rate rents for units that were actually occupied by rent-stabilized tenants. Croman also inflated the amount of rent charged for certain commercial spaces in his buildings in an effort to show greater rental income. Croman falsified these rent rolls in order to inflate the annual rental income of his buildings, upon which his refinancing terms are partially based.

All told, over a three-year period, Croman received more than \$45 million in loans under these false pretenses.

Croman also intentionally failed to withhold New York State payroll taxes from bonus payments made to a former Croman Real Estate property manager, who was paid bonuses to get rent stabilized and rent controlled tenants out of Croman apartment buildings.

The Attorney General also has a separate civil lawsuit against Croman for allegedly engaging in harassment of rent-regulated tenants and other illegal, fraudulent, and deceptive conduct in connection with his real-estate business. That case remains ongoing.

Last week, Attorney General Schneiderman formally introduced [new legislation](#) aimed at holding the city’s most unscrupulous landlords criminally accountable for Harassment of a Rent Regulated Tenant. Current state law demands prosecutors reach an inexplicably high bar in order to criminally charge landlords with that crime—which is why in the past twenty years, not a single landlord has ever been convicted of the crime of Harassment of a Rent Regulated Tenant. Instead, prosecutors have only been able to bring criminal charges against landlords for other crimes – such as fraudulently refinancing loans and committing tax fraud, as Croman pled guilty to today.

The Attorney General’s legislation would set a more reasonable standard that removes the need to prove physical injury to a tenant, and opens the door to Harassment of a Rent Regulated Tenant prosecutions arising out of more commonplace and insidious tactics, such as turning off heat and hot water, exposing young children to lead dust, and making rent-stabilized buildings deliberately uninhabitable for current tenants and their families. The Attorney General’s legislation is sponsored by State Senator Liz Krueger and Assemblymember Joe Lentol.

The Attorney General has taken a number of other steps to combat tenant harassment and illegal practices by landlords across New York City, including:

- [Launching a new team](#) to enhance and streamline the office’s resources to combat tenant harassment, deceptive lending practices, deed theft, bank fraud, and other housing issues facing constituents.
- Filing [additional felony charges against a landlord](#) for committing mortgage fraud.
- Formed the [Tenant Harassment Prevention Task Force](#) with city and state officials.

Prosecuting the case are the Attorney General’s Real Estate Enforcement Unit Chief John Spagna and Special Counsel Travis Hill, under the supervision of Public Integrity Bureau Chief Daniel Cort and Deputy Chief Stacy Aronowitz. Chief Deputy Attorney General Jason Brown leads the Criminal Justice Division. The Attorney General’s investigation was handled by Investigators Luis Carter, Angel Laporte, Brian Metz, Edward Ortiz, Anna Ospanova, and Elsa Rojas under the supervision of Deputy Chief Investigator John McManus and Chief Investigator Dominick Zarrella. Legal Support Analyst Mollie Krent of the Public Integrity Bureau also assisted in the investigation.

TPU staff who worked on this case includes TPU Senior Attorneys Jordan Fried and Karis Rasmussen, TPU Legal Director Vernitta N. Chambers, Director of Forensic Analysis Harvey Akerman, Bureau Chief Gregory C. Fewer, and Deputy Commissioner Richard R. White.

The Office of the Attorney General thanks our partners at the Department of Buildings, the Department of Housing Preservation and Development, and the Department of Taxation and Finance for their assistance in the investigation and prosecution of this matter.

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