

## A.G. Schneiderman Announces 20 Felony Charges And Civil Suit Against Major New York City Landlord Steven Croman

*Croman, Owner Of 140 Apartment Buildings Throughout Manhattan, Faces 20 Felony Counts, Including Grand Larceny, Criminal Tax Fraud, And Falsifying Business Records; Mortgage Broker Barry Swartz Also Charged*

*Cases Allege Croman Pushed Rent-Stabilized Tenants From Their Apartments And Obtained Loans Based On False Accountings Of Rent-Stabilized Tenants In His Buildings*

### A.G. Schneiderman Announces Felony Charge...



NEW YORK – Attorney General Eric T. Schneiderman today announced that Steven Croman, a major New York City landlord with more than 140 apartment buildings across Manhattan, surrendered on multiple felony charges for his role in an alleged scheme to fraudulently obtain several multi-million dollar refinancing loans between 2012 and 2014.

Croman was also named, along with private investigator Anthony Falconite, in a civil suit filed today by the Attorney General's office for allegedly engaging in illegal, fraudulent, and deceptive conduct in connection with Croman's real-estate business. The lawsuit alleges that Croman directs an illegal operation that wields harassment, coercion, and fraud to force rent-regulated tenants out of their apartments and convert their apartments into highly profitable market-rate units.

The lawsuit further alleges that Croman deployed Falconite, a former New York City police officer, to frighten and intimidate rent-regulated tenants into surrendering their apartments.

"My message to unscrupulous landlords is simple: if you put your own profits over your tenants' legal protections, we will investigate you and prosecute you to the fullest extent of the law," **Attorney General Schneiderman** said. "My office will not tolerate anyone who attempts to line their own pockets by gaming the system. No one is above the law – no matter how rich or powerful."

Governor Andrew M. Cuomo said, "There was a time when tenant harassment by landlords and their agents was only tackled in housing court. For justice to be served and for tenants to be righteously protected, criminal and civil wrongdoing

that harasses rent regulated tenants demands the weight of a prosecutorial solution. When allegations surface that landlords are stalking tenants to compel fraudulent buyouts, we need stronger remedies; this is it and I thank the Attorney General and his office for continuing to work closely with the Tenant Protection Unit to help safeguard the rights of more than one million rent regulated tenants.”

New York State Homes and Community Renewal Commissioner James S. Rubin said, “I thank the Attorney General for his commitment to keeping New York’s rent regulated tenants safe from harassment. The Attorney General’s office and the Governor’s Tenant Protection Unit are here to protect you from extreme harassment and intimidation. We want New York’s over 1 million rent regulated tenants to sleep peacefully at night, knowing the state at every level is protecting them from unsafe construction, fraud, and harassment.

The criminal and civil cases are the result of independent, parallel investigations during the past two years.

The Attorney General’s office thanks New York State Homes and Community Renewal and Governor Cuomo’s Tenant Protection Unit (TPU) for their close cooperation and assistance in the investigation.

### **Details on Criminal Charges**

Based on an extensive investigation by the Attorney General’s office, Croman allegedly submitted false mortgage documents to New York Community Bank and Capital One Bank, including rent rolls that falsely reflected market rate rents for units that were actually occupied by rent-stabilized tenants. Croman also allegedly inflated the amount of rent charged for certain commercial spaces in his buildings in an effort to show greater rental income. Croman allegedly 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 allegedly received more than \$45 million in loans under these false pretenses.

A grand jury indicted Croman on 20 felony counts, including seven counts of grand larceny in the 1st degree, seven counts of falsifying business records in the 1st degree, one count of scheme to defraud in the 1st degree, four counts of offering a false instrument for filing in the 1st degree, and one count of criminal tax fraud in the 4th degree.

Croman’s mortgage broker, Barry Swartz, also faces 15 felony counts, including seven counts of grand larceny in the 1st degree, seven counts of falsifying business records in the 1st degree, and one count of scheme to defraud in the 1st degree.

If convicted of all counts, Croman and Swartz could face as much as 25 years in prison. The charges against Croman and Swartz are allegations and they are presumed innocent unless and until proven guilty in a court of law.

The Tenant Protection Unit of New York State Homes and Community Renewal provided the Attorney General’s office with a criminal referral that was pivotal to the process.

### **Details of Civil Lawsuit**

The civil lawsuit, filed in New York Supreme Court in Manhattan and the product of an independent investigation, alleges that Croman used the following illegal tactics to push working-class and low-income tenants out of their homes:

- Harassing tenants into surrendering their apartments—and their rights under the rent-stabilization laws—in exchange for “buyouts,” which are often no more than a few thousand dollars or a few months of free rent.
- Incentivizing his employees and agents to obtain buyouts, at the expense of their other responsibilities. Employees allegedly refer to rent-regulated tenants as “targets” and compete with each other to obtain the most buyouts. In one characteristic exchange, Falconite allegedly wrote to a property manager that obtaining buyouts was a “team sport,” to which the property manager responded, “I know that!! Who’s our next target? We have to start lining them up!!!”

- Pressuring tenants into surrendering their apartments by repeatedly filing baseless lawsuits against them. In internal emails, company employees allegedly acknowledged that such lawsuits would “aggravate” tenants or pressure them to accept buyouts. In some cases, Croman’s employees allegedly created a false record for litigation by refusing to acknowledge receipt of tenants’ rent checks and then suing them for unpaid rent—a deliberate fraud upon the court.

The lawsuit also alleges that Falconite, whom Croman allegedly refers to as his “secret weapon,” used deceptive and frightening tactics to intimidate rent-regulated tenants. The lawsuit alleges that Falconite’s text messages with property managers show that he regularly uses false pretenses to gain access to tenants’ apartments, often posing as a repairman or building manager. For example, in text messages to a property manager, Falconite allegedly agreed to use “false pretenses” and pretended he was with the construction department.

The lawsuit alleges that Falconite routinely threatened tenants and improperly accused them of violating their lease. He also allegedly abused his position as a former NYPD officer to threaten and intimidate tenants.

In addition, the lawsuit alleges that Croman, in his rush to flip vacant rent-regulated apartments into high-rent units, presided over a disturbing pattern of illegal and hazardous construction. The lawsuit alleges numerous examples of illegal construction, including the following:

- On at least 175 occasions, Croman’s companies allegedly performed construction without obtaining permits.
- Croman allegedly regularly directed his employees to flout stop-work orders and conceal unlawful construction from Department of Building inspectors.
- Croman allegedly filed false documents with the Department of Buildings on dozens of occasions in an attempt to avoid stricter oversight of his construction projects and elude tenant protection measures.
- Croman and his companies allegedly violated lead-safety laws repeatedly, exposing numerous tenants to lead-contaminated dust. On more than 20 occasions, the Department of Health (DOH) found impermissibly high levels of lead dust in Croman’s buildings, including levels up to **65 times** the legal threshold.
- Croman allegedly defied DOH orders to address the lead hazards. On one occasion, after DOH order Croman to stop all work and begin lead-abatement measures, Croman directed his property manager to postpone the lead abatement so that the construction could continue.

Croman’s alleged illegal construction had devastating consequences for tenants. As alleged in the lawsuit, DOH identified lead-dust hazards in the apartment of a tenant who cared for her young grandsons, ages three and nine, both of whom were disabled. The tenant had to move her grandsons out of the apartment because of the dangers posed by the construction and lead dust and was forced to sue Croman to obtain repairs.

In addition, Croman allegedly repeatedly defied court orders to make repairs and address intolerable living conditions. The lawsuit alleges that throughout his portfolio, Croman has been issued hundreds of “hazardous” and “immediately hazardous” violations, which he has failed to correct. The suit further alleges that, on six occasions, the city has sued Croman’s companies for falsely certifying that they corrected violations on his properties.

Since 2012, The Tenant Protection Unit’s enforcement activities have led to the re-registration of over 50,000 improperly deregulated apartments, and the recovery of over \$2.5 million dollars in overcharged rent for unsuspecting tenants through settlement agreements and administrative proceedings.

The Office of the Attorney General worked cooperatively with several city agencies, including DOH, DOB and the Department of Housing Preservation and Development during the civil investigation.

The criminal case is being prosecuted by Special Counsel to the Criminal Justice Division John Spagna and Assistant Attorney General Travis Hill under the supervision of Bureau Chief Dan Cort and Executive Deputy Attorney General Kelly

Donovan. Legal Support Analyst Mollie Krent contributed to the case

The civil case is being handled by Special Counsel Jessica Attie, Civil Enforcement Section Chief Mayur Saxena, Assistant Attorneys General Anjana Samant and Ajay Saini, and Volunteer Assistant Attorney General Joseph Abboud under the supervision of the Civil Rights Bureau Chief Lourdes Rosado and Executive Deputy Attorney General for Social Justice Alvin Bragg. Special Counsel Nicholas Suplina, Special Assistant to the Attorney General Dina Levy, and researchers Lacey Keller and Meredith McCarron contributed to the case. The case was investigated 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.

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