



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

U.S. ATTORNEY PREET BHARARA

FOR IMMEDIATE RELEASE
Thursday, January 12, 2012
<http://www.justice.gov/usao/nys>

CONTACT: U.S. ATTORNEY'S OFFICE
Ellen Davis, Jerika Richardson,
Carly Sullivan
(212) 637-2600

ICE HSI
Luis Martinez
(646) 313-2716

NY ATTORNEY GENERAL
Danny Kanner
(212) 416-8037

**MANHATTAN U.S. ATTORNEY ANNOUNCES ARRESTS OF SEVEN
DEFENDANTS FOR PARTICIPATING IN IDENTITY THEFT SCHEME
THAT TARGETED OVER 180 CUSTOMER ACCOUNTS AT LARGE NYC
RETAIL STORES**

More Than \$1 Million in Merchandise, Gift Cards, and Store Credits Fraudulently Obtained

Preet Bharara, the United States Attorney for the Southern District of New York, Eric T. Schneiderman, the New York State Attorney General, and James T. Hayes, Jr., the Special Agent-in-Charge of the New York Office of Immigration and Customs Enforcement's ("ICE") Homeland Security Investigations ("HSI"), announced charges today against seven members of an identity theft ring that allegedly used stolen identities of over 180 people with active store credit accounts at Home Depot, Sears, Kmart, Kohl's, and other retail stores to charge merchandise and gift cards to their accounts and to obtain store credits. They then resold the merchandise and gift cards for a profit. As part of the scheme, members of the ring allegedly manufactured driver's licenses using the stolen identity information to facilitate their impersonations of the legitimate cardholders at the stores.

The seven defendants arrested today include PHILLIP SMITH, the ring's leader; MELISSA MORTON, who allegedly impersonated female identity theft victims; MAHMOUD ABDUL HUSSEIN, ALI ABDUL HUSSEIN, and FADAL ABDUL HUSSEIN – three brothers who allegedly manufactured fake driver's licenses out of their storefront smoke shops in Greenwich Village; and FRANCIS HIDALGO and RANDY WHITE, who are alleged to have resold the illegally obtained store credits or used them to buy materials for home improvement projects for their businesses. The defendants will be presented before U.S. Magistrate Judge Kevin Nathaniel Fox in Manhattan federal court later today.

Manhattan U.S. Attorney Preet Bharara stated: "Identity theft is an insidious crime – its victims are often unaware they've been robbed until days or weeks later when they are hit with credit card bills for mysterious purchases made by criminal impersonators. Identity theft results in hundreds of millions of dollars in losses to unsuspecting victims and businesses, and victims may have to spend countless hours just to get their lives back in order. As today's arrests

demonstrate, we hold no quarter for the alleged perpetrators of these crimes and will work with our state and federal law enforcement partners to bring them to justice.”

New York State Attorney General Eric Schneiderman stated: “These individuals systematically victimized over 180 New Yorkers in an elaborate scheme to line their own pockets. Today’s arrests send a strong message to identity thieves in this state: they will be caught and prosecuted.”

ICE HSI Special Agent-in-Charge James T. Hayes, Jr. said: “The multistate identity theft ring that we dismantled today jeopardized the financial livelihood of vulnerable Americans already struggling in these economic times. Homeland Security Investigations will continue to work with our law enforcement partners to identify any and all vulnerabilities utilized by criminal organizations to exploit the creation and use of fraudulent identification documents for monetary gain.”

According to the Complaint unsealed today:

Since the ring’s inception in 2008 or earlier, SMITH allegedly obtained stolen identities, including the names and social security numbers of legitimate account holders at large retail chains, including Home Depot, Sears, Kmart, and Kohl’s. After obtaining the stolen identities, SMITH called the customer service numbers at the retail stores to confirm that the victims had credit accounts and to determine the available credit limit. Once that information was obtained from the stores, SMITH procured fake driver’s licenses in the names of the account holders but with photos of the individuals who would then impersonate them at the retail outlets.

SMITH allegedly obtained the licenses from the HUSSEIN brothers, who operated out of two storefronts in the Greenwich Village area of Manhattan.

As alleged, SMITH drove one of his co-defendants, MORTON, to retail stores throughout New York, Connecticut, New Jersey, and Pennsylvania, where she charged expensive merchandise and gift cards to victims’ accounts. MORTON would tell the checkout clerks that she had forgotten her store credit card and would instead use the fake driver’s license and the victim’s social security number as proof of identity.

SMITH then allegedly drove MORTON to branches of the retailers in other locations where she returned the fraudulently acquired merchandise for store credits. The credits were then sold to other members of the ring – including HIDALGO and WHITE – for approximately 60 percent of their face value. HIDALGO and WHITE, in turn, resold some of the store credits and gift cards to others, usually for 70 percent of their face value.

During the investigation, court-authorized wiretaps were used to intercept telephone calls between the defendants. In some of the calls, SMITH and MORTON speak in code about the fake driver’s licenses and the victims whose store accounts they planned to target. In a separate call, SMITH warned WHITE that the fraudulently obtained Sears store credits had to be used “right away,” because otherwise “they [would] go bad.” In other calls, SMITH arranged to sell Home Depot store credit to HIDALGO for approximately 60% of the face value, and HIDALGO in turn allegedly found contracting businesses to buy the fraudulently-obtained store credits in return for cash. In still other calls, the HUSSEIN brothers discussed the fake driver’s licenses they manufactured.

* * *

SMITH, 54, MORTON, 24, and WHITE, 56, are residents of the Bronx, New York. HIDALGO, 44, is a resident of Pomona, New York. MAHMOUD ABDUL HUSSEIN, 27, ALI ABDUL HUSSEIN, 33, and FADAL ABDUL HUSSEIN, 22, are residents of Seaford, New York.

The Complaint charges SMITH, MORTON, HIDALGO and WHITE with conspiracy to commit access device fraud, which carries a maximum term of five years in prison. The Complaint also charges SMITH, MORTON, MAHMOUD HUSSEIN, ALI HUSSEIN, and FADAL HUSSEIN with a separate conspiracy to produce fake driver's licenses, which carries a maximum term of 15 years in prison. SMITH and MORTON are additionally charged with aggravated identity theft, which carries a mandatory two-year sentence if convicted.

Mr. Bharara praised ICE HSI and the New Jersey Department of Human Services Police for their excellent assistance in the investigation of this matter. He also thanked Home Depot and Kohl's for their continuing vigilance and cooperation in the investigation, which he noted is ongoing.

Mr. Schneiderman thanked the New York State Department of Financial Services, the NYPD, U.S. Customs and Border Protection, and MAGLOCLLEN for their valuable cooperation and support in the investigation.

The case is being handled by Assistant United States Attorney Joseph P. Facciponti of the Office's Complex Frauds Unit, Assistant Attorney General Meryl Lutsky, who has been designated a Special Assistant U.S. Attorney, and Assistant Attorney General Tyler Reynolds.

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

12-011

###