

UDF Offices Raided by the FBI, Stock Crashes (again)

The FBI raided the Grapevine, Texas office of United Development Funding on Thursday, during which they seized multiple boxes. UDF is the sponsor of several non-traded real estate investment trusts, as well as a traded REIT, United Development Funding IV (NASDAQ: UDF).

Neither the FBI nor UDF responded to inquiries or provided any details regarding the raid, although UDF did acknowledge in December that they were the subjects of an ongoing investigation by federal authorities.

The raid occurred less than two weeks after Kyle Bass, hedge fund manager and founder of Hayman Capital Management, [publicly accused](#) the real estate investment trust of operating a “Ponzi-like real estate scheme,” by using new investor money to pay existing investors.

As previously reported by The DI Wire, the allegations first made the rounds via [anonymous online reports](#) posted in December to investor networking website Harvest Exchange.

Earlier this month, Bass and his firm launched the website, UDFexposed.com, that detailed the allegations against the company and revealed its short position, stating, “Hayman will profit if the market price for common shares of UDF decline and, conversely, Hayman will lose money if the market price increases for the common shares of UDF.”

Following news of the raid, UDF stock plunged 54.6 percent to \$3.20 per share, the latest in a series of price shocks since before the allegations came to light in December, when UDF IV’s stock was trading at \$17.20 per share.

UDF IV previously released a statement acknowledging Hayman’s

short position and claimed that the website contains “multiple false and misleading statements about our company and management team.”

United Development Funding is a full service residential real estate finance company formed in 2003 that invests in the development and construction of single-family homes. Its offerings have raised approximately \$1.2 billion in investor equity.

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