SIGTARP | OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM
ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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MORE THAN 100 BANKERS INVESTIGATED BY SIGTARP HAVE BEEN CHARGED WITH COMMITTING CRIME OR CIVIL FRAUD

35 bankers have already been sentenced to prison, others await trial

WASHINGTON –Investigations by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) have led to 102 bankers being charged by the Department of Justice, state and local prosecutors, and the Securities and Exchange Commission for their conduct leading up to and during the financial crisis.*

"SIGTARP's unrelenting pursuit of justice has already resulted in charges against more than 100 bankers, and we expect more bankers to be indicted" said Special Inspector General Christy Goldsmith Romero. "Many masked their banks' financial condition by hiding and lying about past-due loans, hoping that their criminal activity would avoid charge offs. Instead, bad money went after good, creating vicious cycles that eviscerated capital. Employees, businesses, and shareholders have suffered, sending shockwaves through not just local communities but regional economies and even the national economy. We will pursue justice for bankers who break the law and we will investigate to the highest levels of a bank. Full and sustained recovery of our banking system and the American people's confidence in our banking and justice system depends on accountability and justice at all levels"

"I am extremely proud of SIGTARP agents and investigators who consistently find the evidence needed to prosecute bank officials. Finding crime committed by bank insiders that was purposely hidden in complex transactions is challenging. SIGTARP special agents and investigators have honed an analytical, experienced-based approach to see through concealed fraud. I also commend our prosecutorial, civil, and investigative partners who stand with us to stop and catch bankers committing crime and civil fraud."

80 of the 102 bankers have been criminally charged. To date, 58 of these bankers have already been convicted, including 35 already sentenced to prison. Others await trial or sentencing. SIGTARP develops evidence that prosecutors believe are sufficient to bring criminal charges. The lack of evidence for criminal charges will not stop SIGTARP from seeking civil enforcement. An additional 22 bankers have been civilly charged with fraud. 22 bankers served as Chief Executive Officer or President.

Key convictions of bankers include:

- **Bank of the Commonwealth** (*CEO and Chairman Edward Woodard, sentenced to 23 years in prison; Executive Vice President Stephen Fields sentenced to 17 years in prison; Vice President Troy Brandon Woodard sentenced to eight years federal prison).* SIGTARP's investigation with our law enforcement partners uncovered that Woodward orchestrated a massive fraud with the help of other bank officers and co-conspirators that drove the bank into the ground. Greedy for aggressive growth, he made risky loans. When the loans resulted in losses, bank officers cooked the books to hide $800 million in past due loans, overdrew checking accounts by $100,000 to make loan payments, and made loans to straw borrowers knowing that the money would pay down delinquent borrowers' loans. This bank failure, the largest in Virginia history, was also at the time the seventh largest bank failure. Then-U.S. Attorney Neil MacBride, who prosecuted the case, said that the fraud "intensified the impact of the 2008 financial crisis."

- **Colonial Bank** (*Senior Vice President Catherine Kissick sentenced to eight years in prison; Operations Supervisor Teresa Kelly sentenced to three months in federal prison*) SIGTARP's investigation with our law enforcement partners uncovered that Kissick played a critical role in a $2.9 billion fraud scheme. This 10-year fraud went undetected until Colonial Bank applied to TARP and SIGTARP discovered the fraud. Then-U.S. Attorney Neil MacBride, who prosecuted the case, called it one of the longest and largest bank fraud schemes in the country. The fraud contributed to the failure of Colonial Bank, one of the 25 largest banks in the nation with $25 billion in assets, the third largest bank failure since the crisis, and the sixth largest bank failure in U.S. history, as well as the failure of Taylor, Bean & Whitaker which was one of the largest mortgage lenders in the nation. SIGTARP saved $553 million in TARP funds that Treasury had already approved to invest in the bank.

- **TierOne Bank** *(CEO Gil Lundstrom, sentenced to 11 years in prison; President and Chief Operating Office James A. Laphen sentenced to two years and 10 months in federal prison; Senior Vice President and Chief Credit Officer Don A. Langford sentenced to one year and 11 months in federal prison)*. SIGTARP's investigation with our law enforcement partners uncovered a massive fraud scheme by the bank's top officers to hide what they called the "death spiral." Lundstrom was the architect of the bank's aggressive and risky growth plan. This bank CEO took and directed intricate steps to conceal the bank's true financial picture including at least $60 million in losses in what bank officers called "smoke and mirrors" and "hiding the ball." Despite the value of collateral dropping, these bank officers conspired to delay ordering new appraisals to delay taking losses because the bank was "infinitesimally close" to blowing its regulator-required capital ratio. Lundstrom applied for $86 million in TARP funds to fill the fraudulent holes in the bank's books, writing that the bank would be "dead without TARP." Nebraska's second-largest bank with $3.7 billion in assets, TierOne was the largest bank failure in Nebraska history and the 27th largest bank failure since the crisis.

- **United Commercial Bank** (*Chief Credit Officer Ebrahim Shabudin, sentenced to eight years in prison*). SIGTARP's investigation with our law enforcement partners uncovered that Shabudin engaged in a complex securities fraud scheme designed to hide the bank's true condition in late 2008. UCB pursued aggressive, risky growth strategies prior to the financial crisis. When the crisis hit, the bank faced mounting defaulting loans and shrinking collateral. As CCO, Shabudin intentionally concealed the bank's losses in an attempt to have the bank appear to "break even." UCB had more than $10 billion in assets, with branches in the U.S., China, and Taiwan, was the 9th largest bank to fail since 2008 and cost taxpayers more than $300 million in TARP losses. Two other bank officers were also convicted and are awaiting sentencing. Then-U.S. Attorney Melinda Haag, the prosecutor on the case, said, "UCB is one of the largest criminal prosecutions brought by the Department of Justice of wrongdoing by bank officers arising out of the 2008 financial crisis."

- **Tifton Banking Company** (*President and Chief Executive Officer Gary Patton "Pat" Hall, sentenced to seven years in prison*). SIGTARP's investigation with our law enforcement partners uncovered a long-running scheme that had been ongoing since 2005. Hall made risky bank loans pre-crisis, and later criminally concealed the fact that the loans were past due and that the collateral had dropped in value. He overdrafted accounts by $900,000 to make loan payments, made false representations to an appraiser for bank collateral, and circumvented the loan committee to issue a new loan to cover a bad loan. On behalf of the bank, in 2009, Hall obtained $3.8 million in TARP bailout funds to fill holes in the bank's books caused by his fraud, all of which was lost when the bank failed.

Civil fraud cases include:

- **Bank of America** (*Chairman and Chief Executive Officer Kenneth D. Lewis agreed to pay $10 million; Lewis banned from serving as an officer or director of a public company for three years. Chief Financial Officer Joe L. Price agreed to pay $7.5 million; Price banned from serving as an officer or director of a public company for one year and six months.)* SIGTARP's investigation with the New York Attorney General's office revealed that Bank of America duped shareholders by not disclosing massive losses at Merrill Lynch and snookered the federal government into investing $20 billion into the company through the TARP bailout by falsely claiming that the bank would back out of the Merrill merger if the government didn't make the investment.

*Criminal charges are not evidence of guilt. A defendant is presumed innocent unless proven guilty.

<u>About SIGTARP</u>
The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets financial institution crime and is an independent watchdog protecting taxpayer dollars.

SIGTARP's cross-cutting authority enables us to investigate and conduct oversight over all organizations and individuals involved in TARP programs. Our analytical, experienced-based approach identifies hidden complex crime and we work with the U.S. Department of Justice to hold accountable individuals and institutions that break the law. SIGTARP's oversight prevents fraud and drives improvements in ongoing TARP programs. To date, SIGTARP investigations have resulted in the recovery of $10.24 billion to the Government and 147 defendants sentenced to prison.

To report a suspected crime related to TARP, call **SIGTARP's Crime Tip Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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