



# 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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## LOAN OFFICER AT DEFUNCT BANK OF THE COMMONWEALTH PLEADS GUILTY TO BANK FRAUD CONSPIRACY

WASHINGTON, DC – Jeremy C. Churchill, 35, of Norfolk, Va., pled guilty today in Norfolk federal court to conspiring with others to cause the Bank of the Commonwealth (the Bank) to suffer millions of dollars in losses from loans meant to conceal financial problems at the Bank and with one of its customers.

Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Neil H. MacBride, United States Attorney for the Eastern District of Virginia; John Boles, Special Agent in Charge of the FBI's Norfolk Field Office; Eric C. Hylton, Acting Special Agent in Charge of the Internal Revenue Service Criminal Investigation's Washington, D.C., Field Office; and Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation (FDIC-OIG), made the announcement after the plea was accepted by United States District Judge Arenda L. Wright Allen.

Today, Churchill pled guilty to conspiracy to commit bank fraud. He faces a maximum penalty of five years in prison when he is sentenced on Aug. 24, 2012.

“In today’s plea, Churchill admitted that he and another bank insider brokered sweetheart deals for a customer to cover-up the bank's losses on bad loans,” said Special Inspector General Christy Romero. “SIGTARP, along with its law enforcement partners, will aggressively investigate and support the prosecution of those responsible for fraud at banks that applied for or received TARP.”

Court records indicate that in November 2008, Bank of the Commonwealth sent to the Federal Reserve an application requesting approximately \$28 million from the Troubled Asset Relief Program (TARP). Based on its regulator's concerns about the health of the Bank, the Federal Reserve later requested that the Bank withdraw its TARP application, which the Bank did. A September 2009 examination of the Bank concluded that the overall financial condition of the Bank had deteriorated to an unsafe and unsound condition and raised concerns regarding numerous practices that management used to mask the past due status of loans, including extending new loans so that borrowers could pay on existing loans. The Bank failed on Sept. 23, 2011.

According to the statement of facts filed with his plea agreement, in January 2010, Churchill was employed by the Bank as a Vice President and Commercial Loan Officer when a Bank customer - the President of Tivest Development & Construction, LLC, and Genesis Staffing - was having difficulty keeping current on more than \$8 million in loans at the Bank.

Churchill admitted that, under the direction of another conspirator at the Bank, Churchill submitted multiple requests to provide more than \$1 million to Tivest and Genesis Staffing, which were approved by the Bank based on false information about how the funds would be used and the total financial exposure of the Bank customer. Despite claims that the funds were intended for pre-development costs for an office tower project in Norfolk and operational costs at the staffing company, the Bank customer used the proceeds to make interest payments on Bank loans.

In addition, Churchill submitted a request to provide a \$4.1 million loan to Tivest, which would be used to purchase an incomplete condominium project located at 310 24th Street in Virginia Beach, Va., that Churchill and the Bank conspirator feared would cause the Bank to suffer a significant financial loss if it foreclosed.

Churchill admitted that he and the Bank conspirator used half the loan proceeds to pay down the underlying loan. From March 2010 through October 2010, Churchill and the Bank conspirator funded eight construction draw requests from Tivest for the 24th Street condominium project, despite knowing the requests inflated the amounts owed contractors and included costs for work that was not completed. Instead, the Bank customer used the funds to make interest payments on Bank loans. By October 2010, the \$4.1 million loan was fully funded, yet the construction work was only about 50 percent complete.

By June 2011, the Bank charged off a \$250,000 loan to Genesis Staffing and a \$730,000 line of credit to Tivest as a loss, along with \$1,321,455 of the loan for the 24th Street condominium project as a loss. The 2011 city assessed value of that property is \$650,600.

This ongoing investigation is being conducted by SIGTARP, the FBI's Norfolk Field Office, IRS-CI, and the FDIC-OIG. Assistant United States Attorneys Melissa E. O'Boyle, Katherine Lee Martin, and Uzo Asonye are prosecuting the case on behalf of the United States.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President's Financial Fraud Enforcement Task Force, please visit [www.stopfraud.gov](http://www.stopfraud.gov).

#### **About SIGTARP**

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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