



SIGTARP

Office of the Special Inspector General
For The Troubled Asset Relief Program

FOR IMMEDIATE RELEASE

Wednesday, January 17, 2018

Media Inquiries: 202-927-8940

sigtar.gov

@SIGTARP

THIRD DEFENDANT IN EXCEL BANK CASE CONVICTED

Bankers Shaun Hayes and Tim Murphy Also Convicted; TARP's \$4 Million Investment in Excel Bank was Lost When Bank Failed

Michael Litz, 63, of Ladue, Missouri, pled guilty yesterday to assisting in an unlawful insider loan scheme at Excel Bank. He appeared before United States District Judge Audrey G. Fleissig. Sentencing is scheduled for April 25, 2018.

Litz is the third person to plead guilty in a criminal investigation following the failure of Excel Bank in 2012. Litz and Shaun Hayes were indicted on bank fraud and related charges involving a series of insider loans and straw party loans at Excel Bank. Hayes was the controlling shareholder in that bank which had main offices in Sedalia, Missouri and a loan production office in Clayton. Litz was a principal in Bellington Realty and Eighteen Investments which managed over 1,000 residential and commercial rental properties in the area and bought and sold hundreds of residential properties each year.

"These convictions are an important step in the fight against fraud that hurt a TARP bank which lost \$4 million in TARP funds," said Christy Goldsmith Romero, Special Inspector General for TARP. "Banker Shaun Hayes, as the majority shareholder of Excel Bank, controlled the bank's lending. He directed former executive vice president Tim Murphy to increase dramatically the bank's commercial and real estate lending. So called "friends of Shaun" loans were approved absent Excel Bank's normal underwriting safeguards such as appraisals—putting the bank at risk. Hayes also made the bank issue millions of dollars in loans to straw borrowers, concealing that the loans personally benefited himself and his business partner, Michael Litz. I commend the Office of the U.S. Attorney for the Eastern District of Missouri for its commitment to bringing justice to bankers who break the law."

In 2009, Eighteen Investments was delinquent on over \$100,000,000.00 in loans at banks throughout the area. Litz and Hayes were also partners in a number of real estate development projects. One of those was McKnight Man I which involved the development of the property at the intersection of Manchester and McKnight Roads in Rock Hill. Litz and Hayes were guarantors on a McKnight Man loan at Centru Bank in the amount of \$900,000.00. That loan was delinquent in July, 2009. At the same time Eighteen Investments was delinquent on \$3,600,000.00 in loans at Centru Bank.

Litz admitted that he recruited a close friend, identified in the court papers as LS, to sign on to a \$3,300,000.00 loan at Excel Bank to assist Litz in his business. LS was assured that he would not be held liable on the note and that the loan would be taken care of. The LS loan was secured on paper by a list of Eighteen Investments loans which were not performing and were substandard. Litz provided no details

to LS on the specifics of the loan. According to court papers, LS was simply assisting Litz as a friend. The loan proceeds were used to pay off Litz's and Hayes's McKnight Man debt at Centru Bank as well as the Eighteen Investments debt at that bank. Since Hayes was a principal at Excel Bank, the use of the LS loan funds to pay off the Hayes-Litz liability at Centru Bank constituted unlawful self-dealing. Litz admitted that he participated in that transaction and directly benefitted from it.

According to court papers, Litz and Hayes set up other straw party loans at Excel Bank to cover millions of dollars in other delinquent loans of Eighteen Investments.

"Michael Litz used his connections to banker Shaun Hayes to commit fraud. The two men worked together to enrich themselves at the expense of Excel Bank," said Special Agent in Charge Richard Quinn of the FBI St. Louis Division. "This type of self-dealing and fraud violates the integrity of our banking system and undermines consumer confidence."

Bank regulators closed Excel Bank in October, 2012, and Simmons Bank succeeded it.

Hayes pled guilty on January 3 to one count of bank fraud and one count of misapplication of Excel Bank funds and is scheduled for sentencing on April 13.

Murphy, former Executive Vice President at Excel Bank, pled guilty on January 11 to bank fraud and sentencing is scheduled for April 24.

This case has been investigated by SIGTARP, the Federal Bureau of Investigation, the Federal Finance Agency Office of Inspector General, the Federal Deposit Insurance Corporation Office of Inspector General. Criminal Chief James E. Crowe, Jr. and Assistant United States Attorney Gilbert Sison are handling the case for the U.S. Attorney's Office.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets crime at financial institutions or in TARP housing programs and is an independent watchdog protecting the interests of the America people. SIGTARP investigations have resulted in the recovery of \$10 billion and 237 defendants sentenced to prison.

To report a suspected crime related to TARP, call SIGTARP's Crime Tip Hotline: 1-877-744-2009. To receive alerts about reports, audits, media releases, and other SIGTARP news, sign up at www.SIGTARP.gov. Follow SIGTARP on Twitter @SIGTARP.

###