



# 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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## **BANKER SHAUN HAYES & REAL ESTATE DEVELOPER MICHAEL LITZ INDICTED ON BANK FRAUD CHARGES**

### *Excel Bank Failed to Repay Nearly \$5 Million in TARP Funds*

St. Louis, MO – Shaun Hayes and Michael Litz were indicted on bank fraud charges relating to Excel Bank which was closed by regulators in 2012. The indictment was returned Wednesday by a federal grand jury in St. Louis. Hayes, 56 from Frontenac, was arrested late Thursday, and Litz, 61 from Ladue, is expected to turn himself in early next week. Hayes had ownership in and other associations with a number of banks in the St. Louis area. Litz was an owner of major real estate businesses in the area, Eighteen Investments and Bellington Realty.

“Excel Bank lost millions of dollars from Hayes’ alleged crimes, did not repay the taxpayers’ \$4 million TARP investment in the bank and did not make 11 dividend payments to Treasury which lost nearly \$5 million when the bank failed,” said Special Inspector General Christy Goldsmith Romero of the Troubled Asset Relief Program (SIGTARP). “SIGTARP stands united with our law enforcement partners to bring justice to bank officials and their associates who commit bank fraud.”

According to the indictment, Eighteen Investments was facing serious financial difficulties in 2009. At that time Hayes was the majority shareholder of the holding company through which Excel Bank operated. Through his efforts, Excel Bank opened up a loan production office in Clayton which Hayes controlled. (Excel Bank had its main office in Sedalia, Missouri, and principally served the western Missouri area.) Hayes and Litz were also co-owners of McKnight Man I LLC through which they were attempting to develop property at the intersection of Manchester and McKnight Roads in St. Louis County.

Both Eighteen Investments and the McKnight Man entity were delinquent on loans at Centru Bank which, in June, 2009, sued Eighteen Investments and Litz. Centru Bank also threatened to sue Hayes and Litz as guarantors on a delinquent McKnight Man loan. These loans totaled over \$4 million. The indictment charges a scheme in which Hayes used his status as an insider at Excel Bank to cause Excel Bank to buy the pool of delinquent Eighteen Investments loans at a discount but hid that purchase from the bank’s board of directors. According to the indictment, Hayes and Litz then caused Excel Bank to issue a loan of approximately \$3.3 million to a straw party only identified as LS. According to the indictment some \$2.4 million of the loan proceeds were used to pay Centru Bank for the pool of Eighteen Investments loans purchased by Excel Bank and \$906,000 of the loan proceeds were used to pay off the McKnight Man loan at Centru Bank, thereby relieving Hayes and Litz of that liability. According to the indictment, the purpose of the loan to LS was to benefit Eighteen Investments, Hayes and Litz but the loan was set up in the name of a straw party to conceal that from bank officials as well as federal and state bank regulators.

The indictment charges that federal bank regulators later adversely classified the loans to LS and other straw parties as substandard. The indictment refers to these as “friends of Shaun” loans which were pushed through the bank due to Hayes’s influence and without adequate underwriting safeguards for the bank. These loans were, in effect, additional loans to Eighteen Investments which was already delinquent on loan payments and real estate taxes on many properties securing the loans. According to the indictment, these loans far exceeded the lending limit allowable by regulators for loans by Excel Bank to Eighteen Investments and the use of straw parties was designed to conceal that fact.

According to the indictment the use of \$906,000 of the LS loan proceeds to pay the McKnight Man loan at Centrue Bank constituted a misapplication of Excel Bank funds and unlawful self- dealing by Hayes, an insider who exercised substantial control over the loan transactions at Excel Bank’s loan production office in Clayton. The Excel Bank records relating to the payment on behalf of McKnight Man made no reference to McKnight Man or any liability of McKnight Man to Excel Bank. As a result, here was no loan to McKnight Man shown on the Excel Bank books and, accordingly, Hayes and Litz made no payments to Excel Bank for McKnight Man.

"The abuse of public funds by trusted banking officials is a serious crime which the FBI will diligently investigate with our law enforcement partners to bring justice for American taxpayers," said Steve D’Antuono, Acting Special Agent in Charge of the FBI St. Louis Division.

“Insider deals regarding pools of mortgage loans place risk on the housing/mortgage industry and the economy. This indictment is proof that matters involving insider deals and fraud concerning mortgage loans are being dealt with seriously,” stated Barry McLaughlin, Special Agent in Charge, Office of Inspector General, Federal Housing Finance Agency Mid-Western Region.

Hayes and Litz were indicted on one count of bank fraud and one count of misapplication of Excel Bank funds. Hayes was also indicted on the charge of causing false entries to be made in the Excel Bank records relating to the LS loan. Each count carries a maximum penalty of up to 30 years in prison and fines up to \$1 million. In determining an actual sentence a judge is required to consider the U.S. Sentencing Guidelines which provide recommended sentencing ranges.

This case is being investigated by the Office of the Special Inspector General for the Troubled Asset Relief Program, Special Agents from the Federal Bureau of Investigation, the Federal Finance Agency Office of Inspector General and the Federal Deposit Insurance Corporation Office of Inspector General. Assistant United States Attorneys James E. Crowe, Jr., Reginald L. Harris and Gilbert C. Sison are handling the case for the U.S. Attorney’s Office.

As is always the case, charges set forth in an indictment are merely accusations and do not constitute proof of guilt. Every defendant is presumed to be innocent unless and until proven guilty.

#### About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program was created as an independent law enforcement agency to investigate fraud, waste, and abuse related to the TARP bailout. To date, SIGTARP investigations have resulted in the recovery of over \$5.17 billion to the Government and 146 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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