



# SIGTARP

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

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Media Inquiries: 202-927-8940

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## **FORMER PRESIDENT OF CECIL BANK FACING FEDERAL INDICTMENT FOR A BANK FRAUD CONSPIRACY, RECEIVING A BRIBE, AND MAKING FALSE STATEMENTS IN BANK RECORDS AND TO BANK EXAMINERS**

*Cecil Bank Received a \$11.56 Million TARP Bailout*

A federal grand jury has indicted the former President and Chief Executive Officer of Cecil Bank, Mary Beyer Halsey, age 59, of Rising Sun, Maryland, on the federal charges of conspiracy to commit bank fraud, bank fraud, receipt of a bribe by a bank official, false statement in bank records, and false statement to a bank examiner, in connection with an alleged straw purchase of a home in Elkton, Maryland, upon which Cecil Bank had foreclosed. The indictment was returned on February 13, 2020, and was unsealed at her initial appearance today.

The indictment was announced by Special Inspector General Christy Goldsmith Romero, U.S. Attorney for the District of Maryland Robert K. Hur; Special Agent in Charge Mark P. Higgins of Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG), Mid-Atlantic Region; Inspector General Jay N. Lerner of Federal Deposit Insurance Corporation, Office of Inspector General (FDIC/OIG); and Inspector General Hannibal "Mike" Ware of the Small Business Administration, Office of Inspector General (SBA/OIG).

"TARP bailed out banks to stabilize financial institutions, and SIGTARP is charged with investigating fraud in banks while the bank was in TARP," said Special Inspector General Christy Goldsmith Romero. "Bankers that break the law to personally enrich themselves will be investigated, caught, and prosecuted. I thank U.S. Attorney Robert K. Hur and his team for standing with SIGTARP in the fight against TARP-related crime."

Cecil Bank, located in Elkton, Maryland, had received \$11,560,000 in federal taxpayer funds in 2008, under the Capital Purchase Program, as part of the Troubled Asset Relief Program. On April 20, 2011, Cecil Bank initiated the foreclosure of a single-family house located at 127 Ebenezer Church Road in Elkton. Later that year, Cecil Bank ordered an exterior-only appraisal of the property that showed a market value of \$263,000. On September 10, 2012, Cecil Bank ordered a full appraisal of the property that showed a market value of \$295,000.

According to the six-count indictment, from 2012 to 2013, Halsey conspired with Daniel Whitehurst, an employee of a real estate development company that did business in Maryland, to defraud Cecil Bank and another bank to purchase a home through false pretenses, representations and promises. Specifically, the indictment alleges that Halsey agreed to help Whitehurst to obtain a \$650,000 line of

credit from Cecil Bank, in exchange for Whitehurst agreeing to serve as the straw purchaser of 127 Ebenezer on behalf of Halsey.

The indictment alleges: that Halsey provided Whitehurst with her personal e-mail address, so that they could communicate about the plans to purchase 127 Ebenezer; Halsey and Whitehurst understated the physical condition of the property; and that they used inappropriate residential properties as comparables to justify the sale price of \$150,000 for the property, which was less than its fair market value. Halsey sought authorization from Cecil Bank's Board of Directors to sell 127 Ebenezer to Whitehurst, but allegedly did not disclose her personal interest in the property, nor Whitehurst's role as her nominee to acquire the property on her behalf.

Specifically, the indictment alleges that on March 28, 2012, Halsey and Whitehurst met at a restaurant in Cecil County and Halsey agreed to review Whitehurst's request for a \$650,000 personal line of credit from Cecil Bank in return for Whitehurst agreeing to secretly buy 127 Ebenezer on Halsey's behalf. On May 9, 2012, the indictment alleges that Halsey participated in a loan committee meeting at Cecil Bank that considered and approved a \$650,000 line for credit for Whitehurst.

As detailed in the indictment, on May 23, 2012, Whitehurst e-mailed Cecil Bank his offer to purchase 127 Ebenezer for \$145,000, which has previously been approved by Halsey. On the same day, during a meeting of the Cecil Bank Board of Directors, Halsey advised the Board that Whitehurst had made a purchase offer of \$140,000 for 127 Ebenezer, \$5,000 less the actual offer, and further noted that the property had "structural deficiencies and will require significant repairs." The Board authorized Halsey to "negotiate the best price." Thereafter, Whitehurst submitted a contract for him to purchase 127 Ebenezer from Cecil Bank for \$150,000, which Halsey signed on August 17, 2012 on behalf of Cecil Bank.

According to the indictment, in October 2012, Whitehurst applied for and obtained a \$100,000 loan from another bank to purchase 127 Ebenezer, fraudulently claiming that he was purchasing the property for himself. The indictment alleges that Halsey subsequently wired \$75,000 to Whitehurst's bank account prior to the settlement of 127 Ebenezer to cover the cost of the down payment as well as closing costs and upgrades to the property that Halsey directed Whitehurst to arrange. On November 21, 2012, the settlement of 127 Ebenezer was held with Halsey representing Cecil Bank as the seller, and Whitehurst as the purported purchaser, selling the property to Whitehurst for \$150,000. In December 2012, in response to a question from a bank examiner for the Federal Reserve Bank of Richmond inquiring about the sale of the property to Whitehurst, Halsey falsely stated that she was "not totally familiar with [that] property" and that the bank had difficulty marketing the property and had not listed it with a realtor because of "issues with the county over the bonds outstanding."

Finally, the indictment alleges that Halsey and Whitehurst exchanged e-mails concerning money Halsey owed Whitehurst for improving and maintaining 127 Ebenezer, including the monthly mortgage payment and loan fees on the \$100,000 loan he had secured from Rosedale Federal to purchase the property for Halsey. Halsey allegedly issued three checks to Whitehurst totaling \$60,000 in response to Whitehurst's request.

If convicted, Halsey faces a maximum sentence of 30 years in federal prison for each offense (all 6 counts have maximum sentence of 30 years): 1 Count of Conspiracy to commit bank fraud; 2 Counts of Bank Fraud; 1 Count of Receipt of Bribe by Bank Official; 1 Count of False Statement in Records; and 1 Count of False Statement to a Bank Examiner. Actual sentences for federal crimes are typically less than the maximum penalties. A federal district court judge will determine any sentence after taking into

account the U.S. Sentencing Guidelines and other statutory factors. At today's initial appearance in U.S. District Court in Baltimore, U.S. Magistrate Judge Thomas DiGirolamo ordered that Halsey be released pending trial under the supervision of U.S. Pretrial Services.

An indictment is not a finding of guilt. An individual charged by indictment is presumed innocent unless and until proven guilty at some later criminal proceedings.

Daniel Whitehurst, age 35, of Bel Air, Maryland, pleaded guilty under seal to mail fraud on April 6, 2018. His guilty plea was also unsealed today. Whitehurst faces a maximum sentence of 30 years in federal prison for conspiracy to commit bank fraud. U.S. District Judge Deborah K. Chasanow has not scheduled a date for sentencing.

U.S. Attorney Robert K. Hur commended the FHFA-OIG, Mid-Atlantic Region; FDIC/OIG; SIGTARP; and SBA/OIG for their work in the investigation. Mr. Hur thanked Assistant U.S. Attorneys Martin J. Clarke and Harry M. Gruber, who are prosecuting the case.

#### **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 \$11 billion and 300 defendants sentenced to prison.

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