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Office of the Special Inspector General for the Troubled Asset Relief Program

Press Statement

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Jury Convicts Gil Lundstrom, CEO of failed TierOne Bank

*TARP Applicant TierOne Bank was Nebraska's Largest Bank Failure and
27th Largest Bank Failure Arising Out of Financial Crisis*

I am Christy Goldsmith Romero, Special Inspector General at SIGTARP, a federal law enforcement agency that investigates crime related to the taxpayer-funded bailout known as TARP. Today a federal jury convicted Gilbert Lundstrom, CEO of the now-failed TierOne Bank, of crimes to hide what he referred to as the bank's 'death spiral' due to bad loans, in a conspiracy which included applying for \$86 million in TARP with false bank books because as Lundstrom wrote, the bank would be 'dead without TARP.' CEO Lundstrom is the third TierOne bank officer to be convicted for this fraud scheme, and he is the only one who signed the TARP application that relied on false books and records. Testimony at trial revealed that Lundstrom presented one picture of the bank's health to regulators and for the TARP application, when the reality was that executives tallied \$60 million to \$70 million in hidden loan losses that was written on a napkin. The trial also revealed that Lundstrom lied to shareholders saying that the bank decided against applying for TARP, when the reality was that the bank's regulator did not support the TARP application.

The TARP bailout was limited to healthy banks. TierOne Bank had aggressively expanded pre-crisis by making loans outside the Midwest to construction projects in Las Vegas and Florida. However, despite knowing that the bank was not healthy due to growing numbers of defaulting loans and collateral declining in value, CEO Lundstrom chose to lie, cover-up, mislead, and seek TARP funds to cover the shortfall, rather than tell the truth. While other bank CEOs around the nation told the truth about rising numbers of past-due loans and suffered the consequence, CEO Lundstrom chose to commit crime to mask the bank's failing health. Lundstrom directed employees to use old appraisals to hide losses, rejected viable appraisals to avoid accounting for losses, and extended due dates of loan payments without obtaining updated financial information from the borrowers to disguise that the loans were past due. Lundstrom and his co-conspirators even went so far as to advance additional money to delinquent borrowers to make loans appear current. Lundstrom's fraud snowballed when he blatantly misrepresented bank losses to regulators and conspired with others to make false statements and representations through earnings reports, public statements, regulatory examinations, and a TARP application based on the bank's false records.

This is a critically important conviction. Fraud by bank CEOs are not victimless crimes. TierOne Bank was the largest bank failure in Nebraska's history. It was the 27th largest bank failure arising out of the financial crisis. One shareholder, who lost over \$200,000, testified at trial they would have sold

everything if they knew the real story with TARP. TierOne shareholders, many of whom were also bank employees and relatives, were deceived and lost not only their employment, but their life savings when TierOne failed. A community lost an important source of lending. SIGTARP is steadfast in bringing accountability for TARP-related crime. We stand united with the Department of Justice to bring justice to these crimes. I especially want to commend SIGTARP's partner Assistant Attorney General Leslie Caldwell and the remarkable trial attorneys in this case, Henry Van Dyke and Rush Atkinson, for their leadership in enforcing the law for TARP-related crime.