

Remarks by Christy Goldsmith Romero, Special Inspector General for TARP (SIGTARP)

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

Press Statement

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Former Chief Credit Officer of United Commercial Bank Sentenced to Over Eight Years in Federal Prison for Securities Fraud Scheme at First TARP Bank to Fail

Taxpayers Lost More Than \$300 Million on TARP Investment in Bank

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.

This case is one of the most significant prosecutions for crimes arising out of the financial crisis, and it is the most significant prosecution for crimes arising out of the TARP bailout. SIGTARP special agents and investigators worked for more than five years with our law enforcement partners to unravel the crimes at United Commercial Bank (UCB). When UCB became the first TARP bank to fail, taxpayers lost more than \$300 million in the TARP investment and unpaid dividends.

Yesterday, Ebrahim Shabudin, a senior UCB officer was sentenced to eight years in federal prison for his role in a complex securities fraud scheme designed to hide the bank's true condition in the third and fourth quarters of 2008. UCB pursued an aggressive, risky growth strategy prior to the financial crisis. Consequently, during the crisis, the bank faced mounting defaulting loans and shrinking collateral. Shabudin was the senior person in charge of determining the risk rating of bank loans, downgrading those loans, and reserving for or charging off losses. He intentionally concealed the truth of these loans in the bank's books. At trial, Shabudin attempted to dodge his responsibility, but the jury held him responsible.

Ebrahim Shabudin had every opportunity to do the right thing, but he was motivated instead to preserve the bank's reputation at all costs, even if it meant committing a crime. His goal was to make the bank break even on the books. He chose to commit a crime by masking loans that should have been downgraded because the downgrade meant that the bank would have to reserve for losses or charge off loans, and the bank would show a loss. The next quarter, he continued with the criminal scheme, always working backwards from how he wanted the bank's financials to look to the world, rather than telling the truth in the bank's books. Even after he knew that no collateral inventory existed for one risky loan, and was made aware that the borrower's warehouse was full of empty boxes that according to trial testimony looked like a "staged movie set," he directed that the bank not charge off the loan. Over and over, he directed that the bank's books be falsified, with overstated loans and understated losses, hoping that things would get better.

This massive criminal scheme defrauded investors, including Treasury who became an investor through TARP. He was essentially gambling with taxpayers' bailout dollars, and it was taxpayers who ultimately lost more than \$300 million when the bank failed one year after receiving TARP funds.

This is exactly the type of case that SIGTARP was created to bring. SIGTARP was created to enforce the law for TARP-related crime. I commend U.S. Attorney Melinda Haag for standing united with SIGTARP in our relentless pursuit to bring justice for bailout-related crime, and our law enforcement partners at the Federal Deposit Insurance Corporation Office of the Inspector General, the Office of the Inspector General for the Board of Governors of the Federal Reserve System, as well as the Federal Bureau of Investigation for their contributions to this case.

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