

***Remarks by Special Inspector General Christy Romero
Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP)***

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I would like to thank the Exchequer Club for asking me to speak with you today about SIGTARP.

When Congress authorized TARP, they created SIGTARP. Senator Max Baucus, who proposed the creation of SIGTARP, said, “My concern here is, with such massive amounts of dollars dedicated so quickly, there is bound to be considerable fraud and misuse of funds.” That same concern led me to join SIGTARP in 2009.

SIGTARP is an investigative agency and our investigations are staffed with special agents, investigative counsel, and analysts. Without question, we credit Congress’ foresight to know, that to be effective, SIGTARP needed the criminal authority to search, seize, and arrest.

Looking at this year alone, SIGTARP has seen meaningful results from a number of our investigations. We saw a jury verdict against Bank of America for reckless mortgage practices, called the “Hustle,” before and during the time they were a TARP recipient, a separate \$25 million settlement with Bank of America and its former CEO that included banning the CEO Kenneth Lewis from becoming an officer or director of a public company for three years for failing to disclose mounting losses at merger partner Merrill Lynch and snookering the Government into giving the bank an additional TARP bailout based on those losses. We saw the conviction of four bank officers and six co-conspirators at the Bank of the Commonwealth and a 23-year prison sentence for Bank of Commonwealth CEO Edward Woodard and a 17-year prison sentence for Vice President Stephen Fields. This was the largest bank failure in Virginia since the crisis and was the seventh largest bank failure in the nation in 2011 when it failed.

This year we saw a jury verdict convicting Jefferies LLC trader Jesse Litvak for fraudulently overcharging clients – including TARP clients – for mortgage backed securities and a non-prosecution agreement with Jeffries that resulted in significant corporate changes and a \$25 million penalty. We saw the sentencing to prison of three Florida men for fraudulently selling “software” to unsuspecting homeowners that guaranteed a lower mortgage through TARP – software that was essentially the free TARP housing program application on Treasury’s website. They called their company “HOPE,” but what they did was strip the last vestiges of hope of homeowners desperate to keep their homes.

Our investigations this year have also resulted in prosecutors filing criminal charges against senior officers of failed TARP banks including Premier Bank, Sonoma [Valley] Bank, and United Commercial Bank, as well as officers at TARP bank Wilmington Trust, which ended up being acquired by another bank.

This is where I say that criminal charges are not evidence of guilt. That is only part of what the committed men and women that I work with were able to accomplish this year, but it gives you a sense of who we are and what we stand for.

I mention these cases because I have been thinking lately a lot about why Treasury asked Congress to approve the TARP bailout and what SIGTARP, as one small agency, can do to prevent a future bailout and promote our nation’s continued recovery. I believe that the answer to both of these questions is to restore confidence.

One of the best examples of restoring confidence comes from President Franklin Delano Roosevelt, who took office in 1933 at the height of the Great Depression after a tumultuous run on the banks. He closed all the banks, checked to see if each bank was healthy, and then opened up only the healthy banks and closed the rest. He didn’t act in the dark. He spoke directly to the public in radio broadcasts called, “fireside chats.” The result from his action and never-before-seen level of

transparency was that he restored the confidence of the American people in its government and in the banking system and prevented harmful runs on the banks.

Fast forward to 2008, I can remember very vividly, probably like many of you, then-Treasury Secretary Paulson testifying before Congress asking for a \$700 billion TARP bailout saying that it was necessary to restore confidence in the banking system. Just like President Roosevelt, Secretary Paulson's biggest threat was a run on the banks.

In addition to our law enforcement efforts, from the beginning, SIGTARP pushed for a never-before-seen level of transparency to the American people who funded the bailout. We made banks tell us what they did with the TARP funds; we pushed to have all TARP contracts made available online; we put out reports every three months tracking every bailout dollar and telling the American people in plain English what is happening with TARP; and we conducted deep dive audits through interviews and reviews of e-mails and other documents, coming to our own conclusions why certain bailout decisions were made – conclusions that we made public.

And just like Roosevelt, from the actions Treasury took in the bailout and the transparency that came with the bailout, for which SIGTARP played a part, there was not a classic run on the banks, and some confidence was restored in the banking system. But there was an unanticipated loss of confidence that came from the American public demanding accountability from those bailed out. Our nation had seen a failure of so much that was assumed, that the fact that the entire system did not crash was not enough on its own to restore full confidence.

We at SIGTARP know that the way to gain confidence is to earn that confidence by demanding accountability. We understand that full recovery from the crisis requires not only restoring confidence of the American people in our banking system, but also in our justice system, because compliance with the law fosters confidence in our banking system. An important part of SIGTARP's work is investigating bankers who commit crime, arresting those bankers, supporting their prosecution, and getting them

banned from the banking system before they can do further harm to their banks. We will do all we can to avoid another epidemic of bank failures. That includes bringing justice and accountability, and providing deterrence.

Perhaps the challenge to all of us in law enforcement related to the crisis is a public outcry for arrests based on the culture of risk-taking and greed that contributed to the financial crisis. Part of maintaining confidence in the justice system is to ensure that we dispense justice in a fair and rational manner based only on the facts and the law. Public outcry cannot form the basis for our investigations, because no matter how immoral the culture of risk-taking and greed, the law dictates what actions constitute a crime and requires us to prove criminal intent – knowledge that a person or group of people engaged in conduct that was criminal.

As a small 165 person agency whose role is focused only on matters related to the TARP bailout, we continue to ask ourselves, “Where else should we look for hidden criminal schemes? What more can we do?” By keeping nimble, we are constantly improving, and as a result, we continue to uncover crime related to the bailout.

To quote the words of Edward Everett Hale, “I am only one, but I am one. I cannot do everything, but I can do something. And because I cannot do everything, I will not refuse to do the something that I can do.”

What we can do is be aggressive in our pursuit of justice and accountability for crimes related to TARP. What we can do is reject the argument that it is not a crime if the act was prevalent in the industry. What we can do is refuse to slowdown rooting out crime at TARP banks despite that fact that most of the TARP banks are now out of TARP. What we can do is remain skeptical when a large institution claims that prosecution will have devastating consequences, consequences the institution should have considered before breaking the law and for which should not, on their face, serve as immunity from criminal investigation.

We must hold bankers accountable for their crimes, without regard for whether they are at the largest banks or the smallest banks. SIGTARP investigations have led to the arrest of senior officers at banks and their co-conspirators for multimillion and multibillion dollar fraud schemes. These prosecutions matter. They matter to the victims. They matter to the communities these banks serve. They matter to the taxpayers who shouldered the burden of TARP only to see some TARP banks fail and our bailout dollars lost. They matter to instill confidence.

At a community and regional bank level, SIGTARP has found that some bankers lied, plain and simple, crossing a line – the line between legally disclosing losses when risky gambling went south, and illegally hiding bad loans and declining bank health through criminal accounting tricks. Some bankers had been fraudulently masking their bank’s true condition even before the financial crisis, but during the crisis, shrinking capital and increasing delinquent loans left fraudulent bankers nowhere to hide. In essence, the “tide went out.” They sought TARP money to fill the fraudulent holes on their books. Others began their criminal accounting tricks to hide that the bank was near failure only after taxpayers invested TARP funds. We seek individual accountability in the form of serious jail time particularly for senior bank officers that put the safety of the bank and taxpayers’ TARP investment at risk. There must be real consequences for breaking the law.

As a result of SIGTARP investigations, more than 40 bankers and more than 40 of their co-conspirators have been charged with crimes. Although it takes time for trial, conviction, and sentencing, 16 bankers and 19 of their co-conspirators have already been sentenced to prison. In nearly every one of these cases, senior officials at the bank that we investigated were charged.

It is much more difficult to prove criminal intent of senior officials at larger TARP institutions, where often the hierarchy is designed so that CEOs and other top officers are shielded from knowledge of detailed operations. This is where someone inside the company sharing what they know with law

enforcement can make such a huge difference. The difficulty in proving criminal intent at higher levels will not deter us from investigating, and if we can prove it, we will refer it for criminal prosecution every time. Even where we cannot prove criminal intent, we do not give up, and we will seek every available remedy. Working with our prosecutorial partners, we have aggressively pursued civil actions against large TARP institutions.

While we will always pursue individual accountability, I am a firm believer that corporations must be accountable when they break the law. To bring accountability and deterrence, penalties have to be substantial or we risk it becoming a cost of doing business.

Corporations must also make a significant overhaul to ensure that they do not break the law again. This could mean firings, restructurings, and a complete revamp of internal controls.

There is more that SIGTARP must do to combat bailout-related crime, and I remain convinced that these cases are necessary for our system to recover into a stronger banking system and for the American people to have confidence in the banking system and justice system. Our expertise in uncovering fraud schemes that were purposely designed to be concealed is getting deeper with each case.

These are not easy crimes to discover and investigate. We use classic law enforcement techniques, such as analyzing thousands of documents, interview witnesses, using cooperative witnesses, and surveillance, and we combine that with significant forensic analysis to detect and unravel sophisticated complex financial crimes that were intentionally designed to not be found out. But we cannot know everything, and this is where we need the help of those who know something and have the courage to report it. You may stand as the gatekeeper, the whistleblower, the person who stands up and says, "This isn't right."

We are seeing in more and more cases lawyers who were approached for a legal opinion by those wanting to break the law, accountants and auditors with serious concerns who refused to sign off

on a bank's financial statements but in their public letter never reported finding serious infractions, and banking regulators with deep seeded concerns who might even go so far as to issue a cease and desist order but never refer it to law enforcement.

It is our collective responsibility to restore confidence. Seize an opportunity to stop a fraud scheme. Risk losing a client by warning them not to conduct fraud. Speak up when you don't feel right about something. There are avenues, such as SIGTARP's Hotline [1-877-SIG-2009 or at www.SIGTARP.gov], to report what you suspect even, if you think you are not in a position to judge whether something is illegal. The mentality that someone else will catch something and stop it or report it facilitated the ability of some fraud schemes to continue for years undetected. Those fraud schemes had real consequences and real victims.

Our nation is still recovering from a time of crisis, and together we must do all that we can to protect against the possibility of another crisis. Promoting confidence in the American public is no easy task. It takes tremendous courage. But it is necessary to heal our nation.

President Roosevelt ended that fireside chat on the banks by saying, "there is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faith; you must not be stampeded by rumors or guesses. Let us unite in banishing fear. We have provided the machinery to restore our financial system; it is up to you to support and make it work. It is your problem no less than it is mine. Together we cannot fail."

Our work at SIGTARP is far from being over. We will not be deterred from our mission, and if we work together, we can help restore public confidence. Together, we cannot fail.