



SIGTARP

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

FOR IMMEDIATE RELEASE

Wednesday, October 17, 2018

Media Inquiries: 202-927-8940

www.sigtar.gov

@SIGTARP

SIGTARP RECOGNIZED FOR EXCELLENCE IN INVESTIGATIONS AND AUDITS

Council of Inspector Generals Recognize SIGTARP With Four Awards of Excellence for Criminal Investigations into TARP Bank CEO and HAMP-Related Fraud and Audits Finding Waste and Mismanagement in TARP's Hardest Hit Fund Program

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) today announced that the Council of the Inspectors General on Integrity and Efficiency (CIGIE) has recognized SIGTARP with Awards of Excellence for two of SIGTARP's criminal investigations and two audits.

"As expected, fraud, waste, and abuse was, and still is, present in TARP bailout programs, but SIGTARP is catching it and protecting American taxpayers," said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP). "I am honored to work with the SIGTARP investigators and auditors that have been recognized by CIGIE. Their work resulted in significant prison sentences for 15 defendants, the public exposure of millions of TARP dollars wasted on parties, gifts, and more, and mismanagement that left Georgia homeowners at a disadvantage for TARP housing programs. SIGTARP will continue to hold accountable anyone in TARP engaged in crime or waste."

The awards are:

Investigation Award for Excellence – Sonoma Valley Bank

Leading up to and during the time Sonoma Valley Bank was in TARP, the bank's CEO Sean Cutting and chief loan officer Brian Melland conspired to commit fraud that would contribute to the failure of the bank and a complete loss to TARP of \$8.6 million. They made millions in illegal bank loans to "straw" borrowers, knowing the proceeds would go to a single real estate developer. They then tried to cover up the scheme by falsifying the bank's books and lying to the bank's regulators. During the fraud, the bank applied for TARP, with the CEO describing TARP as a cookie jar and saying it only made sense for the bank to take some. The court sentenced both bank officers to eight years and four months in prison, and the attorney of the developer borrower to six years and three months in prison. The real estate developer was indicted but died prior to the trial when his car drove over a cliff on Highway 1. The court ordered \$19 million in restitution and forfeiture of a condominium complex involved in the fraud.

Investigation Award for Excellence – Equity Restoration Group

With the arrest, prosecution and sentencing of 12 defendants to federal prison, SIGTARP and its investigative partners dismantled one of the largest-ever mortgage modification schemes that preyed on and defrauded over 3,000 homeowners in 45 states out of more than \$11 million. For Sammy Araya, Michael Henderson, Jen Seko, and the other defendants, the financial struggles of homeowners were an

opportunity for theft. The scheme involved mass mailing to hundreds of thousands of at-risk homeowners deceptive and misleading letters that promised help, including through TARP's foreclosure prevention program known as HAMP. Their promises of admission into HAMP, a free program, were empty. After the victims sent their mortgage payments to the defendants rather than to their lenders, the defendants used the money to fuel their lifestyle and to further the fraud scheme. Many homeowner victims lost their homes to foreclosure. Courts sentenced the defendants to prison sentences ranging from five to twenty years.

Audit Award for Excellence – Unnecessary Expenses in the Hardest Hit Fund

SIGTARP's audit exposed \$3 million squandered and wasted by state agencies participating in TARP's Hardest Hit Fund, a foreclosure prevention program. State agencies treated these TARP dollars as a windfall to be used for almost anything—including holiday parties, a party to celebrate an employee's wedding, a Valentine's Day party; steak & seafood dinners; employee gym memberships; employee gifts, large catered barbeque dinners of 50, 60 and 90 people including Treasury employees; a counselor 'Thank You' celebratory dinner that included \$400 in virgin cocktails, \$200 in mini-cupcakes, and a \$770 gratuity, discrimination lawsuits, payments for non-TARP related expenses, and cash bonuses. SIGTARP auditors applied forensic techniques to analyze millions of dollars of spending data. In addition to Treasury' ability to recover this waste, SIGTARP made 30 recommendations to deter future waste. The report prompting several state agency internal reviews with additional Treasury recoveries.

Audit Award for Excellence – Mismanagement in the Hardest Hit Fund Georgia

SIGTARP's report found mismanagement of the Hardest Hit Fund by the Georgia Department of Community Affairs, estimated to have cost taxpayers \$18.6 million in waste, and put Georgia homeowners at a disadvantage for the program compared to homeowners in other states. Despite repeated warnings that the homeowner eligibility criteria for its HHF unemployment program were overly-strict and did not reflect most Georgians' local conditions, the state agency continued to use unnecessary red tape and an overly-burdensome and confusing online application system. SIGTARP found that Treasury was aware of many of the problems, but failed to hold the Georgia agency accountable for meeting performance targets. SIGTARP auditors analyzed data to identify neighborhoods in Clayton, Fulton, and DeKalb counties that were disadvantaged. After the audit, Georgia reopened its unemployment assistance program and began taking steps to implement SIGTARP's recommendations.

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 \$10 billion and 262 defendants sentenced to prison.

To report a suspected crime related to TARP, call SIGTARP's Crime Tip Hotline: 1-877-744-2009. To receive alerts about reports, audits, media releases, and other SIGTARP news, sign up at www.SIGTARP.gov. Follow SIGTARP on Twitter @SIGTARP.

###