



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

FOR IMMEDIATE RELEASE

Monday, September 16, 2013

Media Inquiries: 202-927-8940

Twitter: @SIGTARP

Web: www.SIGTARP.gov

FORMER EXECUTIVE OF TARP APPLICANT BANK SENTENCED TO 17 YEARS IN FEDERAL PRISON FOR MASSIVE FRAUD

WASHINGTON, DC - Stephen G. Fields, 49, of Chesapeake, Virginia, was sentenced today to 17 years in federal prison, followed by 5 years of supervised release, for conspiracy to commit bank fraud, false entries in bank records, misapplication of bank funds, and false statement to a financial institution. The Court further ordered Fields to pay \$331,860,955.43 in restitution to the Federal Deposit Insurance Corporation and to forfeit \$61,625,789.79 in proceeds from the offense.

Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Kathleen M. Kahoe, Acting United States Attorney for the Eastern District of Virginia; Royce E. Curtin, Special Agent in Charge of the FBI's Norfolk Field Office; Thomas J. Kelly, Special Agent in Charge of the Internal Revenue Service Criminal Investigation's Washington, D.C., Field Office (IRS-CI); Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation (FDIC-OIG); and Mark Bialek, Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau (FRB-CFPB OIG) made the announcement today after sentencing by United States District Judge Raymond A. Jackson.

"The culture among senior executives at TARP applicant Bank of the Commonwealth was rotten at its core, and Fields, as executive vice president and senior commercial loan officer, was a principal contributor to the stench of corruption and entitlement at the bank," said Christy Romero, Special Inspector General for TARP (SIGTARP). "As a former bank examiner, Fields should have stopped and blown the whistle, but instead, he engaged in an extend and pretend scheme to mask past-due loans, rigged auctions to get foreclosed property off of the bank's books, and lied to bank examiners. For his fraud and role in running the bank into the ground, Fields will spend the next 17 years in federal prison and will have ample time to think about how he ended up at the center of one of the largest bank frauds in Virginia's history that devastated customers of the bank, employees, investors, and the greater Tidewater region. Let today's sentencing serve as a warning to anyone engaged in fraud involving TARP – SIGTARP and its law enforcement partners will bring justice and hold you accountable for your crimes."

"Defendant Fields' criminal acts were not only felonious violations of the law, but also contributed to the collapse of the Bank of the Commonwealth during the economic crisis," said Acting United States Attorney Kathleen M. Kahoe. "We are committed to investigating and ferretting out these white collar crimes, which have devastating and far reaching consequences. These frauds will not be tolerated and I wish to commend the steadfast determination of our prosecutors and law enforcement partners who dedicated countless hours in seeing that justice was achieved in this case."

Fields was found guilty after a lengthy, ten week, jury trial on May 24, 2013. Evidence presented at trial demonstrated that Fields, a former Executive Vice President and Senior Commercial Loan Officer for the former Bank of the Commonwealth (“Bank”), engaged in an illegal reciprocal relationship with certain troubled borrowers to mask the Bank’s deteriorating financial condition. Conspirators Thomas E. Arney, Eric H. Menden, and George P. Hranowskyj all testified at trial that, at the request of Fields, they performed favors such as buying Bank of the Currituck stock, bailing out the Bank President’s son on bad investments, and purchasing bank-owned property with fully-funded Bank of the Commonwealth loans. In return, Arney, Menden, and Hranowskyj all received preferential treatment such as affording large overdrafts, sometimes for hundreds of thousands of dollars, below-market interest rates, loans to make interest payments on other loans, and easy access to credit. Fields continued to lend millions of dollars to Arney, Menden, and Hranowskyj despite knowledge of their serious financial problems, and even after Hranowskyj had accused Menden of embezzling money from one of the Bank’s largest construction loans.

As a further part of the scheme, Fields assisted in the removal of hundreds of past-due loans from past due loan reports prepared for the Bank’s Board of Directors. For example, Fields took draws from a construction loan for the 345 Granby Street property to make payments on wholly unrelated loans. Fields was well aware that such loans should appear on the Bank’s past due loan report but took steps to conceal their past due status to mask the Bank’s diminishing financial condition. On more than one occasion, the Federal Reserve Bank of Richmond criticized Fields for failing to comply with the Bank’s internal controls, and for jeopardizing the safety and soundness of the financial institution. This is so even though Fields used to work at the Federal Reserve Bank of Richmond as a safety and soundness examiner.

Finally, Fields also facilitated self-dealing and preferential treatment at the Bank’s expense for co-defendants Edward Woodard, Troy Brandon Woodard, and his own loan assistant. For example, Fields arranged for Arney to purchase Edward Woodard’s personal condominium at an inflated price using 100% financing from the Bank. Fields himself substantially benefited throughout this conspiracy by receiving substantial benefits from the Bank in the form of a large salary, a company car, and other employment benefits. Moreover, one of the Bank’s largest borrowers, Mr. Menden and Mr. Hranowskyj, paid over \$6,000 to install granite countertops and other amenities in Mr. Fields’s kitchen.

In addition to having a substantial impact on property values in the Hampton Roads area, Fields’s crimes were a significant factor in the failure of the Bank of the Commonwealth on September 23, 2011. As a result of this failure, the Federal Deposit Insurance Corporation has sustained at least \$333 million in losses.

The Investigation was conducted by SIGTARP, the FBI’s Norfolk Office, Field Office, IRS-CI, FDIC-OIG, and FRB-CFPB OIG. Assistant United States Attorneys Katherine Lee Martin, Uzo Asonye, and Melissa E. O’Boyle prosecuted the case on behalf of the United States.

This prosecution was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President’s Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

To receive alerts about quarterly reports, new audits, and media releases issued by SIGTARP, sign up at www.SIGTARP.gov/pages/press.aspx. Follow SIGTARP on Twitter @SIGTARP.

###