



SIGTARP

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

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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FORMER LOUISIANA BANK PRESIDENT AND CONSPIRATOR CHARGED WITH BANK FRAUD

WASHINGTON, DC – The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the United States Attorney for the Eastern District of Louisiana Jim Letten today announced that Reginald R. Harper, age 58, a resident of Hammond, Louisiana, and the former president and chief executive officer of First Community Bank of Hammond, Louisiana, and Troy A. Fouquet, age 43, a resident of Covington, Louisiana, and an area real estate developer, were charged yesterday in a one count bill of information for conspiracy to commit bank fraud.

“Rather than recognize losses on bad loans, Harper and Fouquet concocted a scheme to create and use sham loans to hide delinquent, non-performing loans,” said Christy Romero, Deputy Special Inspector General for SIGTARP. “Instead of living up to his fiduciary duties as the president and CEO of the bank, Harper concealed the true status of the loans from the bank, regulators, and the United States Department of the Treasury in the bank’s TARP application. During the financial crisis, many bank executives faced losses on non-performing loans but did not choose to commit bank fraud.”

According to court documents, in approximately 2004, Harper loaned in excess of \$2 million to Fouquet or one of a number of companies Fouquet owned. The purpose of the loans was to purchase parcels of real estate, develop them into subdivisions, and build houses on them, eventually to be bought by prospective home buyers who would obtain permanent mortgages to finance the purchase. The permanent mortgages would also include monies to pay back Fouquet who, in turn, would pay back the original loans made by Harper on behalf of First Community Bank.

According to the bill of information, however, beginning in 2005, it became difficult for Harper and Fouquet to identify qualified home buyers to obtain permanent mortgages. As a result, Harper and Fouquet developed various methods to avoid reporting the delinquency on the loans made by Harper, on behalf of First Community Bank, to Fouquet and/or his companies.

One method used by the defendants, according to the bill of information, included Harper making “loans” to the prospective home buyers to make it appear to the permanent mortgage lender that the prospective home buyer had more funds on hand than they actually did. Another method employed by the defendants, according to court documents, was to use “nominee” loans or “straw” borrowers to sign up for new First Community Bank loans, authorized by Harper, the proceeds of which were then utilized to pay off the original loans made to Fouquet and/or his companies. Finally, another method used by the defendants to avoid reporting the delinquency of these loans, according to the Bill of Information, included Fouquet presenting Harper with insufficient checks (e.g. a check not backed up with sufficient

funds) and Harper accepting them, crediting the loan payment in First Community Bank's books and records, despite knowing the checks were insufficient.

The fraudulent methods employed by the defendants, as set forth in court documents, led to a false call report (a report of First Community Bank's financial health), which impacted an application undertaken by the bank to receive funds from the Troubled Asset Relief Program (TARP), a program administered by the United States Department of the Treasury to provide support to the financial industry. First Community Bank was approved to receive \$3.3 million in TARP funds, but the bank withdrew its application after Treasury approval.

Ultimately, according to the bill of information, when the wrongdoing employed by the defendants was uncovered, First Community Bank suffered severe financial losses.

If Harper and Fouquet are convicted of the one count charged against each of them, the maximum penalty they face is up to five years' imprisonment, a \$250,000 fine, and a \$100 special assessment, respectively.

United States Attorney Letten reiterated that a bill of information is merely a charge and that the guilt of the defendants must be proven beyond a reasonable doubt.

The case is being investigated by agents from SIGTARP and agents from the Federal Bureau of Investigation.

The case is being prosecuted by Assistant United States Attorney Matt Chester.

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).

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