



FOR IMMEDIATE RELEASE

Wednesday, December 18, 2013

Media Inquiries: 202-927-8940

Twitter: @SIGTARP

Web: www.SIGTARP.gov

FORMER DELAWARE BANK PRESIDENT PLEADS GUILTY TO BANK FRAUD AND MONEY LAUNDERING

WASHINGTON, DC - Christy Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and Charles M. Oberly, III, United States Attorney for the District of Delaware, today announced that James A. Ladio, a founder and former president and chief executive officer of MidCoast Community Bank (MidCoast) of Wilmington, Del., pleaded guilty on Tuesday to a four-count felony Information charging him with bank fraud, in violation of Title 18, United States Code, Section 1344 (Counts 1 and 3); and money laundering, in violation of Title 18, United States Code, Section 1957 (Counts 2 and 4). The plea was entered before The Honorable Richard G. Andrews, United State District Judge.

The four-count Information describes two occasions in which Ladio convinced existing MidCoast customers to apply for commercial loans, ostensibly for valid business purposes. The true purpose of the loans, however, was to allow those MidCoast customers to loan money to Ladio.

The first bank customer (Bank Customer A) applied in October 2010 to transform an existing commercial mortgage at MidCoast into a \$700,000 line of credit. Although the loan package indicated that the purpose of the line of credit was to make capital improvements on a particular building project, the actual purpose of the request was for Bank Customer A to obtain funds which could be used to make a short-term loan to Ladio. After MidCoast's loan committee approved the request, Bank Customer A drew \$650,000 from the line, which was deposited into Bank Customer A's account on or about October 28, 2010. That same day, approximately \$629,240 was wired from the account controlled by Bank Customer A to Ladio's personal checking account.

Similarly, the second bank customer (Bank Customer B) applied to MidCoast in July 2011 for a working capital line of credit in the amount of \$700,000. Although the loan package indicated that the purpose of the loan was for "working capital for Bank Customer B's various business interests," the actual purpose of the request was for Bank Customer B to obtain funds which could be used to make a short-term loan to Ladio. After MidCoast's loan committee approved the request, MidCoast wired \$650,000 into a bank account held by Bank Customer B at another financial institution. That same day, \$639,000 was wired from Bank Customer B's account to Ladio's personal bank account.

Because on each occasion the proceeds of the loan fraud activity resulted in more than \$10,000 being deposited into Ladio's personal bank account, Ladio also faces two counts of money laundering.

Ladio, age 57, is a resident of Wilmington, Del. For the bank fraud charges (Counts 1 and 3), Ladio faces a maximum penalty of 30 years imprisonment; a fine of \$1,000,000; a term of supervised release of five

years; a \$100 special assessment; and mandatory restitution. For the money laundering charges (Counts 2 and 4), Ladio faces a term of imprisonment of ten years; a fine of \$250,000; a term of supervised release of three years; and a \$100 special assessment. Sentencing has been scheduled for April 17, 2014, at 9:00 a.m.

“Ladio’s fraud was uncovered after it was discovered that he had failed to notify his lender, a TARP bank, that he had sold an investment property for which he had taken out a mortgage loan at the bank,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “Ladio’s failure to comply with his loan requirements was an initial step in a continued course of misconduct culminating in bank fraud against MidCoast Community Bank, where he was president and CEO. SIGTARP and our law enforcement partners will hold accountable and bring to justice those responsible for fraud related to TARP.”

United States Attorney Oberly said, “Mr. Ladio’s serious fraudulent conduct betrayed the trust of MidCoast’s shareholders, its employees, and its customers. Our office will continue to vigorously investigate and enforce criminal conduct relating to bank fraud, particularly with respect to Delaware-based financial institutions.”

The case was investigated by SIGTARP, the Federal Bureau of Investigation, and the Internal Revenue Service Criminal Investigation Division and is being prosecuted by Assistant United States Attorneys Robert F. Kravetz, Lesley F. Wolf, and Ilana H. Eisenstein.

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.

###