



SIGTARP

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

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BANK LOAN OFFICER WHO DEMANDED KICKBACKS AS PART OF MULTI-MILLION MORTGAGE FRAUD SCHEME SENTENCED TO FEDERAL PRISON

LOS ANGELES – A former loan officer at Broadway Federal Bank who took more than \$350,000 in kickbacks in exchange for considering mortgage applications submitted by churches in relation to a fraud scheme that resulted in losses of at least \$4.2 million was sentenced today to 18 months in federal prison.

Paul Ryan, 49, of Torrance, was sentenced this morning by United States District Judge S. James Otero. In addition to the prison term, Judge Otero ordered Ryan to pay \$353,925 in restitution to Broadway Federal Bank.

Ryan pleaded guilty in 2014 to one count of receiving bribes and rewards as a bank employee. During the time Ryan worked at the bank, from early 2007 until March 2010, the bank paid rebates to brokers who brought loans applications to the bank. Ryan “demanded from the brokers that all or part of that rebate amount be paid to him...intending to be rewarded and influenced in his processing and approval of these church loans,” according to the sentencing memorandum filed with the court.

Ryan worked with brokers and provided a template for presenting financial information for the churches that ensured the loan applications would be approved. Based on the false information concerning the financial status of the churches, Broadway Federal Bank issued loans to the churches.

“Banker Paul Ryan abused his position of trust and caused losses at TARP recipient Broadway Federal Bank by knowingly allowing borrowers to use inflated financial information in loan applications,” said Christy Goldsmith Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP). “In this mortgage scheme aimed at predominately African-American churches, he demanded more than \$350,000 in bribes from brokers. When investigators closed in Ryan tried to cover up his crimes by telling a conspirator to lie on his behalf. Broadway Federal, which received and has not yet paid back \$15 million in TARP funds, suffered more than \$5 million in losses as a result of this scheme. SIGTARP stands united with our law enforcement partners to bring justice to bank officials and their conspirators who commit crime.”

“This bank insider accepted hundreds of thousands of dollars in a scheme that led his employer to suffer millions of dollars in losses,” said United States Attorney Eileen M. Decker. “After investigators began looking into the scheme, Ryan encouraged another bank employee to lie about the fraudulent loan applications, which further complicated but did not deter this investigation.”

One of the brokers who paid kickbacks – Chester Peggese, 59, of Los Angeles – was sentenced in February to one year and one day in federal prison and was ordered to pay \$4.2 million in restitution to Broadway Federal Bank.

According to court documents, Peggese acted as a “consultant” who targeted Los Angeles-area churches with promises of new mortgages to purchase property or refinanced mortgages from Broadway Federal Bank. Between 2007 and 2009, Peggese met with representatives of churches and obtained financial information required for the loan applications. Others involved in the scheme altered the financial information to make it appear the churches were more financially sound than they actually were, and Peggese caused these false loan applications to be submitted to Broadway Federal Bank.

The investigation into Ryan and Peggese was conducted by the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Federal Bureau of Investigation, IRS Criminal Investigation, and the Federal Deposit Insurance Corporation’s Office of Inspector General.

The cases were prosecuted by Assistant United States Attorney Jill Feeny of the Major Frauds Section.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency that targets financial institution crime and is an independent watchdog protecting taxpayer dollars.

SIGTARP's cross-cutting authority enables us to investigate and conduct oversight over all organizations and individuals involved in TARP programs. Our analytical, experienced-based approach identifies hidden complex crime and we work with the U.S. Department of Justice to hold accountable individuals and institutions that break the law. SIGTARP's oversight prevents fraud and drives improvements in ongoing TARP programs. As of October 20, 2016, SIGTARP investigations have resulted in the recovery of \$10.29 billion to the government and 163 defendants sentenced to prison.

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