



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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RECRUITER IN MULTI-MILLION DOLLAR MORTGAGE FRAUD SCHEME SENTENCED TO PRISON TARP-Recipient Bank Used in Scheme

WASHINGTON, DC – A Los Angeles man who recruited churches into a \$4.2 million mortgage scheme that defrauded TARP-recipient Broadway Federal Bank has been sentenced to serve one year and one day in federal prison.

Chester Peggese, 59, received the prison sentence Monday from United States District Judge Manuel L. Real, who also ordered the defendant to pay \$4.2 million to Broadway Federal Bank and \$38,609 to the Internal Revenue Service. Peggese pleaded guilty in 2015 to one count of bank fraud and one count of subscribing to a false tax return.

According to the plea agreement filed in the case, 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.

A bank insider, Paul Ryan, 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. Peggese received his payment from the escrow accounts and paid kickbacks to Ryan.

Ryan, 48, also of Los Angeles, pleaded guilty in 2014 to one count of receiving bribes and rewards as a bank employee. Ryan is scheduled to be sentenced by United States District Judge S. James Otero on May 9, at which time he will face a statutory maximum sentence of 30 years in federal prison. Ryan has agreed to pay restitution of \$353,925 to Broadway Federal Bank.

When Peggese pleaded guilty, he admitted submitting false financial information for an unidentified church to Broadway Federal Bank in 2007. As a result of this false information, Broadway Federal Bank issued a \$1.33 million loan. When the church defaulted on the loan, Broadway Federal Bank suffered a \$403,010 loss.

In relation to the tax count, Peggese admitted he failed to report \$106,325 of business income that he received in 2008, at least a portion of which was derived from the scheme to defraud Broadway Federal Bank. In addition, for calendar years 2007 and 2009, Peggese had additional gross business receipts not reported on his tax returns of \$39,900 and \$13,536, respectively. As a result of this unreported income, the total taxes owed by Peggese for the years 2007 through 2009 is \$38,609.

The investigation and prosecution of Peggese and Ryan was conducted by the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), Internal Revenue Service Criminal Investigation Division, the Federal Bureau of Investigation, and the Federal Deposit Insurance Corporation Office of Inspector General (FDIC-OIG), in conjunction with the United States Attorney's Office for the Central District of California.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program was created as an independent law enforcement agency to investigate fraud, waste, and abuse related to the TARP bailout. To date, SIGTARP investigations have resulted in the recovery of over \$2.57 billion to the Government and over 140 defendants sentenced to prison.

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