



BSA Coalition Anti-Money Laundering Conference

www.bsacoalition.org

Bank Investigations and SARs

Scott F. Rebein

Deputy Special Inspector General
Investigations Division

SIGTARP

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

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT



What is SIGTARP?

- October 3, 2008 - Emergency Economic Stabilization Act (“EESA”) created in Section 121 the Office of the SIGTARP to “conduct, supervise, and coordinate audits and investigations of the purchase, management and sale of assets by the Secretary of the Treasury. . . .”
 - Investigations Division
 - Audit Division

(only TARP oversight body with criminal investigative authority)



SIGTARP Investigations



- Criminal and Civil Authority
- Work with Federal, State and Local Prosecutors, FINCEN, HIFCA NY
- Experienced Special Agents & Investigative Counsel in Complex Financial Fraud Investigating and Prosecuting
 - FBI, USPIS, IRS-CI, Secret Service, IG Community, SEC, DOJ, USAOs
 - Regional Offices in DC, NYC, SF, LA, ATL
- Criminal convictions of 22 defendants
- Charged 64 defendants in criminal or civil actions
- Civil cases naming 18 corporate entities as defendants
- Asset recoveries of \$151 million, with a savings of more than \$553 million (Colonial) through fraud prevention

COLONIAL: Discovering the Fraud



SIGTARP & FBI Proactively Scrutinizing Events

- Colonial Issues TARP Approval Press Release
 - Results in 50% spike in stock price
- Colonial Issues “corrected” TARP Conditional Approval Press Release
 - Results in nearly 50% drop in stock price
- Colonial Announces Capital Raise to be headed by TBW
- Colonial Delays SEC Filing due to Pending Capital Transactions

COLONIAL: Discovering the Fraud



- Colonial Announces (and Files 8K) Fulfillment of Capital Raise
 - Contingency letter
 - Schedule of Investors “attached”
 - Unsigned filing
 - TBW 50% investor
- Discussions with Regulators
 - OCC
 - State
 - FDIC
 - OFS

COLONIAL: Discovering the Fraud



- Other Troubling Issues
 - Most Originators/Servicers Operate on Razor Thin Margins (subprime & declining markets)
 - TBW was Largest Customer/Beholden to Colonial (if Colonial fails.....)
 - OCC Discovered questionable transaction
 - Abrupt switch of regulators
- Sources
 - possible fraud, “pin” blasts, order to delete messages (SIGTARP Subpoena)

COLONIAL: Discovering the Fraud



- We Need DOJ!
 - Immunity issues
 - Search warrants
 - Consensual monitoring
- Source Interviews = We Need More Agencies!
 - SIGTARP
 - FDIC-OIG
 - DOJ (Fraud)
 - IRS-CI
 - FBI
 - HUD-OIG
 - USAO (EDVA)
 - FHFA-OIG

COLONIAL: The Fraud



- FRAUD SCHEMES:
 - ✓ Sweeping (2002-2003) – Movement of \$\$ (\$150M)
 - Lee Farkas (TBW)
 - Cathie Kissick (Colonial)
 - Theresa Kelly (Colonial)
 - Ray Bowman (TBW)
 - ✓ Plan B on COLB (2003-2005) – Fake loan transactions (\$230M)
 - Farkas, Kissick, Kelly, Bowman
 - Desiree Brown (TBW)
 - ✓ Plan B on AOT (2005-2009) – Fake securitization/reset of trades (\$500M)
 - Farkas, Kissick, Kelly, Brown
 - ✓ Ocala Funding (2005-2009) – Double/triple pledging (\$1.7B)
 - Farkas, Brown
 - Paul Allen (TBW)
 - Sean Ragland (TBW)
 - ✓ TARP (2009) – Fraudulent capital raise (\$553M)
 - Farkas, Brown, Allen

COLONIAL: The Results (so far.....)



- Lee Bently Farkas
 - ✓ Convicted on 14 counts – Sentence:
- Cathie Kissick
 - ✓ Pled guilty – Sentence:
- Theresa Kelly
 - ✓ Pled guilty – Sentence:
- Ray Bowman
 - ✓ Pled guilty – Sentence: 30 months
- Desiree Brown
 - ✓ Pled guilty – Sentence: 72 months
- Paul Allen
 - ✓ Pled guilty – Sentence:
- Sean Ragland
 - ✓ Pled guilty – Sentence:

Park Avenue Bank



- CEO/President Charles Antonucci
 - First convicted of attempting to stealing from TARP
 - Unsuccessful application for \$11 Million in TARP Funds
 - Application supported by false claim of \$6.5 million capital raise, actually round trip transaction
 - Pled to securities fraud related to TARP, lying to FDIC, bank bribery, embezzlement, and \$37.5 million scheme to lie about an insurance company sold in Oklahoma.
 - Pled guilty October 8, 2010, \$44 million forfeiture, \$11 million cash forfeiture, up to 135 years' imprisonment
 - SDNY, ICE, FBI, NY State Banking, FDIC-OIG

CPP Investigations: Types of Fraud

- TARP, Securities, and Bank Frauds
- Hallmarks of scheme
 - Gaping holes on bank's balance sheet caused by bad acts, bad banking (financial crisis)
 - Scheme to fill hole with TARP \$
 - 2 sets of books
 - Roundtrip transactions
 - Insider self-dealing
 - Bad banking becomes fraud when hidden
 - Resetting trade dates/Restructuring pools



Mortgage Modification Rescue Scam



- Nations Housing Modification Center (SDCA)
 - Cofounders and owners Glenn Rosofsky and Michael Trap convicted of fraud & money laundering
 - Roger Jones convicted of conspiracy to commit wire fraud and making false statements to SIGTARP agents
 - \$1 million scheme selling fake mortgages by holding themselves out as part of the federal program
 - Mimic official federal correspondence
 - Sentenced: Rosofsky=63 months, Jones=33 months, Trap=
 - IRS, FTC, San Diego DA, S.D.C.A

Other Case Examples



Gordon Grigg

SEC, SIGTARP, FBI, US-PIS, USAO-MDTN, AGTN

MakingHomeAffordable.gov

FTC, SIGTARP

Bank of America (x2)

SIGTARP, NYAG, SEC, FBI, USAO-SDNY, USAO-NDNC

Mount Vernon Money Center

SIGTARP, SDNY, FBI

American Home Recovery

SIGTARP, SDNY, FBI

Galleria USA

SIGTARP, CAC, USSS, FBI

More Information?



- **www.sigtaip.gov**
- Reports –“TARP 101” - Part of transparency mission



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