

# SIGTARP

SEMIANNUAL REPORT TO CONGRESS  
OCTOBER 1, 2019 – MARCH 31, 2020



# LETTER FROM THE SPECIAL INSPECTOR GENERAL



SIGTARP protects the interests of Americans by combatting fraud related to the \$442 billion TARP. Here I relay our three top lessons learned, along with our mid-year FY2020 results:

1. SIGTARP's focus on accountability of TARP recipients promotes confidence of the American people and markets that TARP dollars go where intended.
2. Crisis-related crimes are crimes of opportunity, and SIGTARP law enforcement/auditors with expertise in TARP and bailed-out industries reduced and caught crime.
3. Speed in distributing federal emergency assistance when it is most needed is critical, and SIGTARP facilitated that speed.

## **SIGTARP's Focus on Accountability of TARP Recipients Promotes Confidence**

Restoring confidence was the goal of TARP, as normal life was upended, financial markets crashed, and uncertainty about what was next ruled the day. SIGTARP promotes confidence of Americans and markets that TARP dollars go where intended, by focusing on accountability of TARP recipients. Our investigations have resulted in 384 convicted (including 94 bankers and 79 of their co-conspirators). We have a 97% DOJ conviction rate. Courts have sentenced to prison 302 defendants (including 77 bankers). Regulators banned 81 bankers. DOJ, the SEC and others brought enforcement actions against 24 banks/entities. Our auditors identified more than \$11 million wasted by state agencies on parties, lavish dinners, catered BBQs, gifts, boondoggle conferences, a Mercedes Benz, and more. We focus on recovering dollars lost to fraud and waste. More than \$11 billion has been recovered – a 31 times return on investment.

## **SIGTARP's Dedicated Law Enforcement/Auditors Reduced and Caught Crisis-Related Crime**

Crisis-related crimes are crimes of opportunity. Expertise in TARP and bailed-out industries means we can see the same opportunities that criminals see. Our auditors identify fraud risk and vulnerabilities. Our investigators use an innovative intelligence-based strategy to find crime. SIGTARP caught 120 scammers prosecuted for defrauding nearly 30,000 homeowners nationwide seeking TARP foreclosure relief. Courts sentenced 96 scammers to prison, including HOPE Services, later known as HAMP Services, who victimized more than 500 homeowners out of \$2.5 million. TARP-funded demolitions became an opportunity for corruption and fraud, including a corrupt Detroit city official. According to an indictment, Saigon National Bank became an opportunity for a drug cartel to launder narcotics trafficking proceeds while the bank was in TARP.

SIGTARP uncovered and caught a new type of crisis-related crime in banks – bankers who cooked the books and lied to regulators and investors to hide bad loans and the bank's declining condition. Our investigation into the largest financial crime in Delaware resulted in several Wilmington Trust bankers going to prison and recovered \$270.8 million. We also caught bankers who personally profited from fraudulent loans and used TARP to hide their fraud.

SIGTARP caught all of this crime because we know where and how to look.

## **SIGTARP Facilitated Speed in Distributing TARP Housing Assistance When Most Needed**

TARP housing programs spent \$1.8 billion last year, including Treasury paying \$290 million to Ocwen, \$132 million to Wells Fargo, \$129 million to Nationstar, \$101 million to JP Morgan Chase, and \$59 million to Bank of America. The sole reason why TARP programs still exist is that lenders and state agencies did not use speed in distributing TARP foreclosure relief funds during the housing crisis. They took years to distribute TARP, in sharp contrast to days or weeks that banks experienced. SIGTARP's key priority was to help that money reach intended recipients as soon as was possible to stem foreclosures that hurt homeowners, communities, and lenders. We identified roadblocks like overly strict criteria, unnecessary red tape, and mismanagement. We reported in 2015 that lenders (including banks that got TARP in days) denied 70-80% of HAMP applicants, a total of four million people. Our investigation uncovered that the floor at SunTrust buckled under the weight of unopened HAMP applications that SunTrust denied en masse and lied about to Treasury. DOJ entered into a \$320 million action, getting much of those dollars back to victim homeowners.

This month, we recommended that all available TARP (\$579 million in the Hardest Hit Fund and any HAMP funds estimated not to be spent) be put to better use – mortgage assistance for unemployed homeowners given the recent significant increase in unemployment. The infrastructure already exists in 19 states as this is the primary HHF assistance. Congress took similar action in 2016.

I would welcome an opportunity to speak with you further about SIGTARP's work.

Respectfully,

**CHRISTY GOLDSMITH ROMERO**  
Special Inspector General



# SIGTARP

## SIGTARP CONDUCTS OVERSIGHT OF TARP HOUSING PROGRAMS AT RISK OF FRAUD, WASTE, AND ABUSE *MORE THAN \$1.8 BILLION WAS SPENT IN FY2019*

**The Making Home Affordable (MHA) program** pays lenders to lower mortgage payments for homeowners at risk of foreclosure.

\$21.1 billion has been spent, including \$1.12 billion in FY2019. Up to \$2.4 billion is available to be spent into FY2024.

As of March 17, 2020

– Recipients include –



**The Hardest Hit Fund (HHF)** helps unemployed Americans pay their mortgages. It also pays to demolish blighted homes and for homebuyer down payments.

\$9.45 billion has been spent, including \$716 million in FY2019. \$579 million is available to be spent into FY2022.

As of December 31, 2019

– Recipients have included –



19 state agencies



378 cities or counties and 503 local partners



More than 1,700 demolition contractors



Homeowners & homebuyers



# SIGTARP



**443**

Criminally Charged



**384**

Convicted



**302**

Sentenced to Prison

Including



**\$11 Billion =**

Recovered from Investigations

**31x**

Return on Investment



# SIGTARP

SIGTARP investigations have led to enforcement actions against

# TWENTY FOUR

institutions



JPMORGAN  
CHASE & CO.

Morgan Stanley



ally



Deloitte.

MARTIN

NOMURA





# SIGTARP

FISCAL YEAR 2020 | BY THE NUMBERS

<b>Dollars Recovered</b>	<b>\$81.6 Million</b>
<b>Criminal Charges</b>	<b>9</b>
<b>Arrests</b>	<b>5</b>
<b>Convictions</b>	<b>4</b>
<b>Sentenced to Prison</b>	<b>8</b>
<b>Debarments</b>	<b>3</b>
<b>Prosecutorial Referrals</b>	<b>11</b>
• Justice Department Referrals	<b>9</b>
• State and Local Referrals	<b>2</b>
• Prosecutor Declinations	<b>1</b>
<b>Hotline Complaints</b>	<b>334</b>
<b>Audit Products</b>	<b>3</b>

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SIGTARP'S OVERSIGHT OF MAKING HOME  
AFFORDABLE AND HOME AFFORDABLE  
MODIFICATION PROGRAMS

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Our top law enforcement priority is unlawful conduct by any of the more than 150 banks and other financial institutions who Treasury has already paid billions or millions of TARP dollars in HAMP. HAMP is a program to modify mortgages for homeowners to make them more affordable and sustainable.

SIGTARP's critical law enforcement is necessary to bring justice, and to safeguard the approximately \$2.4 billion Treasury is committed or obligated to pay in the future.

-Special Inspector General Goldsmith Romero

**TARP SPENDING IN HAMP (AS OF MARCH 2020)**

**SIGTARP  
Investigations  
and Audits**

**Future  
SIGTARP  
Investigations  
and Audits**

<b>\$5.4 Billion</b> <i>TARP dollars paid</i>		<b>\$579 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$3.3 Billion</b> <i>TARP dollars paid</i>		<b>\$310 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$3.2 Billion</b> <i>TARP dollars paid</i>		<b>\$193 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$2.3 Billion</b> <i>TARP dollars paid</i>		<b>\$130 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$1.6 Billion</b> <i>TARP dollars paid</i>		<b>\$285 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$1.6 Billion</b> <i>TARP dollars paid</i>		<b>\$280 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$765 Million</b> <i>TARP dollars paid</i>		<b>\$61 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$439 Million</b> <i>TARP dollars paid</i>		<b>\$20 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$364 Million</b> <i>TARP dollars paid</i>		<b>\$64 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$370 Million</b> <i>TARP dollars paid</i>		<b>\$83 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$1.7 Billion</b> <i>TARP dollars paid</i>	<b>Other Servicers (146 Institutions)*</b>	<b>\$400 Million</b> <i>TARP Obligated or Committed to be paid</i>
<b>\$21.1 Billion</b> <i>TARP dollars paid</i>	<b>TOTAL</b>	<b>\$2.4 Billion</b> <i>TARP Obligated or Committed to be paid</i>

Source: SIGTARP's March 24, 2020 analysis of Treasury's most recent MHA data; Treasury, Aggregate Cap Monitoring Report - March 2020; SIGTARP analysis of Treasury MHA data. A total of 156 institutions have been paid or Treasury is committed or obligated to pay future TARP funds through MHA, of which 122 will still receive TARP disbursements subsequent to 3/25/2020.

## FY2020 HAMP SPENDING: \$399 MILLION IN TARP TO 66 FINANCIAL INSTITUTIONS (AS OF MARCH 2020)

1	Ocwen Loan Servicing, LLC	\$95,140,631
2	Select Portfolio Servicing, Inc.	\$57,792,205
3	Nationstar Mortgage, LLC	\$50,709,912
4	Wells Fargo Bank, N.A.	\$47,931,819
5	JPMorgan Chase Bank, N.A.	\$24,731,881
6	Specialized Loan Servicing, LLC	\$24,630,396
7	Bank of America, N.A.	\$21,252,142
8	MidFirst Bank	\$15,775,717
9	Carrington Mortgage Services, LLC	\$12,000,469
10	CitiMortgage, Inc.	\$8,127,581
11	Rushmore Loan Management Services, LLC	\$5,643,350
12	NewRez LLC D/B/A Shellpoint Mortgage Servicing	\$4,679,999
13	Fay Servicing, LLC	\$4,640,529
14	MorEquity, Inc.	\$4,628,165
15	Bayview Loan Servicing, LLC	\$4,317,272
16	U.S. Bank, N.A.	\$4,194,374
17	M&T Bank	\$2,247,381
18	National City Bank	\$1,991,953
19	CIT Bank, N.A.	\$1,633,763
20	PennyMac Loan Services, LLC	\$1,213,317
21	Ditech Financial, LLC	\$1,135,591
22	Selene Finance, LP	\$719,989
23	Gregory Funding, LLC	\$654,680
24	Banco Popular de Puerto Rico	\$552,282
25	Planet Home Lending, LLC	\$424,555
26	21st Mortgage Corporation	\$357,030
27	Navy Federal Credit Union	\$274,424
28	Citizens Bank, N.A.	\$230,677
29	Flagstar Capital Markets Corporation	\$196,163
30	Servis One, Inc. dba BSI Financial Services	\$145,714
31	SN Servicing Corporation	\$144,048
32	Caliber Home Loans, Inc.	\$93,769
33	Apex Bank	\$56,352
34	Maryland Community Development Administration	\$47,356
35	The Golden 1 Credit Union	\$47,028
36	FNF Servicing, Inc.	\$44,444
37	RoundPoint Mortgage Servicing Corporation	\$40,343

Source: SIGTARP's March 24, 2020 analysis of Treasury's most recent MHA data; Treasury, Aggregate Cap Monitoring Report - March 2020.

**SPECIAL INSPECTOR GENERAL FOR THE TROUBLED ASSET RELIEF PROGRAM  
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38	PNC Bank, N.A.	\$38,530
39	Mortgage Center, LLC	\$36,315
40	Guardian Mortgage Company, Inc.	\$25,007
41	Umpqua Bank	\$25,000
42	Kondaur Capital Corporation	\$22,260
43	Matrix Financial Services Corporation	\$22,187
44	James B.Nutter and Company	\$18,120
45	First Bank, N.A.	\$17,847
46	Mission Federal Credit Union	\$17,336
47	Idaho Housing and Finance Association	\$15,000
48	Urban Partnership Bank	\$14,673
49	OwnersChoice Funding, Inc.	\$14,444
50	Santander Bank, N.A.	\$13,746
51	Addition Financial Credit Union	\$12,736
52	Fidelity Bank	\$11,706
53	Kentucky Housing Corporation	\$11,288
54	Statebridge Company, LLC	\$9,844
55	FCI Lender Services, Inc.	\$6,254
56	OFG Bancorp	\$5,917
57	Credit Union Mortgage Association, Inc.	\$5,000
58	New Jersey Housing and Mortgage Finance Agency	\$5,000
59	ORNL Federal Credit Union	\$5,000
60	United Bank Mortgage Corporation	\$5,000
61	Eagle Home Mortgage, LLC	\$3,090
62	Great Lakes Credit Union	\$2,731
63	Greater Nevada LLC, dba Greater Nevada Mortgage	\$2,367
64	Investors Bank	\$1,750
65	California Housing Finance Agency	\$1,051
66	Pathfinder Bank	\$508
<b>TARP \$ Spent in FY2020</b>		<b>\$ 398,817,006</b>

Source: SIGTARP's March 24, 2020 analysis of Treasury's most recent MHA data; Treasury, Aggregate Cap Monitoring Report - March 2020

## 90 FINANCIAL INSTITUTIONS THAT PREVIOUSLY RECEIVED TARP DOLLARS IN HAMP

Allstate Mortgage Loans & Investments, Inc.	First Merchants Bank	Lake National Bank	Saxon Mortgage Services, Inc.
Ameriana Bank	First Mortgage Corporation	Land/Home Financial Services, Inc.	Schools Financial Credit Union
Aurora Financial Group, Inc.	First National Bank of Pennsylvania	LegacyTexas Bank	Scotiabank de Puerto Rico
Axiom Bank	First State Bank	LenderLive Network, Inc.	Seneca Mortgage Servicing, LLC
BankUnited, N.A.	Florida Community Bank, N.A.	Los Alamos National Bank	ShoreBank
Banner Bank	Franklin Credit Management Corporation	Marix Servicing, LLC	Silver State Schools Credit Union
BB&T	Franklin Savings	Marsh Associates, Inc.	Sortis Financial, Inc.
BMO Harris Bank, N.A.	Freedom Mortgage Corporation	Midwest Community Bank	Sterling Savings Bank
Bridgeloock Capital dba Peak Loan Servicing	Georgia Housing & Finance Authority DBA State Home Mortgage	Mortgage Investors Group	Stockman Bank of Montana
Cenlar, F.S.B.	Glass City Federal Credit Union	Nationwide Advantage Mortgage Company	SunTrust Bank
Central Pacific Bank	Guaranty Bank	New York Community Bank	Technology Credit Union
Cheviot Savings Bank	Heartland Bank & Trust Company	Noble Federal Credit Union	The Bryn Mawr Trust Company
Citizens First National Bank	Hillsdale County National Bank	North American Savings Bank	TIAA, F.S.B.
Colorado Federal Savings Bank	Home Servicing, LLC	Oakland Municipal Credit Union	Unify Financial Federal Credit Union
Columbia Bank	HomeStar Bank and Financial Services	Park View Federal Savings Bank	United Bank
Community Credit Union of Florida	Horicon Bank	Plaza Home Mortgage, Inc.	Wallick and Volk
Desjardins Bank	Iberiabank	Purdue Federal Credit Union	Webster Bank, N.A.
DuPage Credit Union	IC Federal Credit Union	Quantum Servicing Corporation	Webster First Federal Credit Union
Eastern Bank	iServe Residential Lending, LLC	Quicken Loans, Inc.	Wesbanco Bank Inc.
Fifth Third Bank	IThink Financial Credit Union	Residential Credit Solutions, Inc.	Wescom Central Credit Union
First Citizens Bank & Trust Company	KeyBank National Association	Resurgent Capital Services L.P.	Yadkin Valley Bank
First Financial Bank, N.A.	Lake City Bank	RG Mortgage	ZB, N.A.
First Keystone Bank		Rockland Trust Company	

Source: Source: SIGTARP's March 24, 2020 analysis of Treasury's most recent MHA data; Treasury, Aggregate Cap Monitoring Report - March 2020.

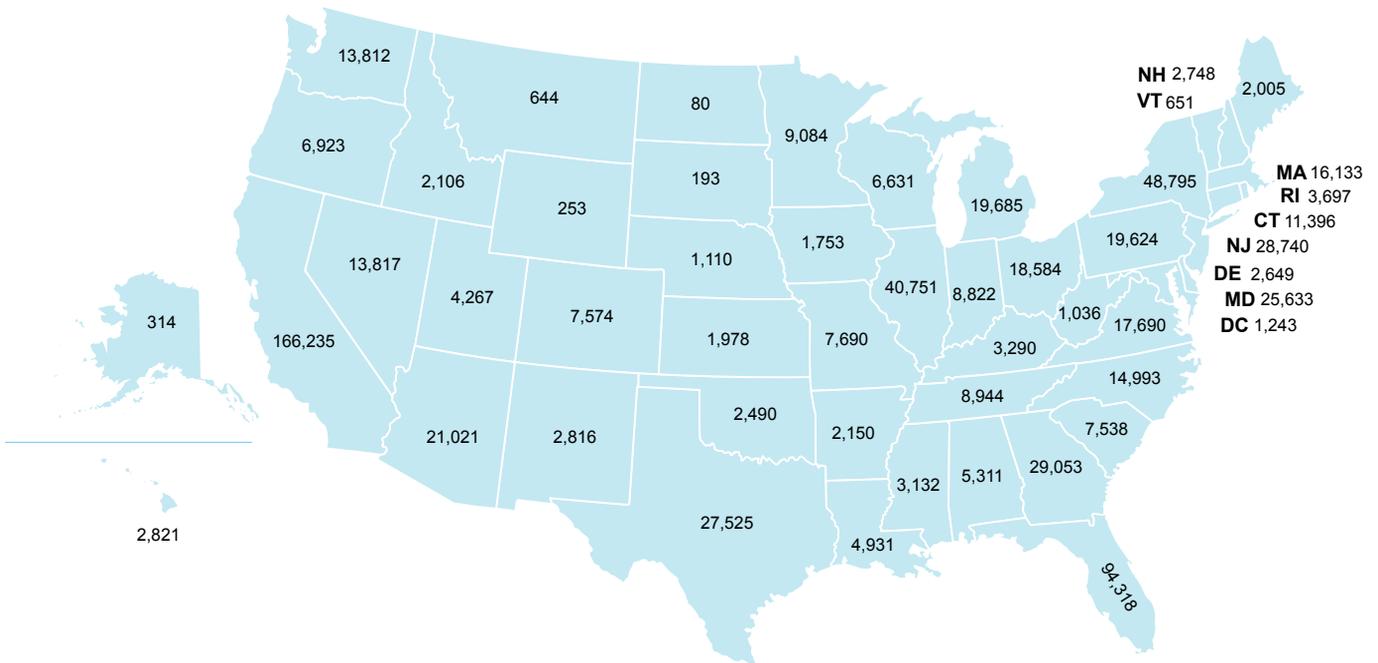
## ONGOING EVALUATION OF \$23 BILLION MAKING HOME AFFORDABLE PROGRAM

SIGTARP has an ongoing evaluation of the Making Home Affordable (MHA) program. SIGTARP is evaluating Treasury's and other government public reporting on the program. SIGTARP is also reviewing public reporting by certain participating financial institutions.

SIGTARP audits and evaluates TARP programs to ensure transparency and accountability, and to prevent and identify the risk of fraud, waste, abuse, ineffectiveness, and inefficiency, among other risks that could jeopardize TARP programs. SIGTARP's continued oversight of Treasury's TARP housing initiatives, including the over \$23 billion MHA program, and its signature program, the Home Affordable Modification Program (HAMP), remains one of our highest priorities.

Treasury launched these housing programs to provide mortgage relief to homeowners and prevent avoidable foreclosures. With nearly 750,000 homeowners in HAMP, it is the largest open TARP program. Treasury paid over \$1.12 billion last year plus \$399 million to 66 financial institutions in FY2020 and has approximately \$2.4 billion available as of March 17, 2020 to pay until Fiscal Year 2024.

### NEARLY 750,000 HOMEOWNERS CURRENTLY IN HAMP



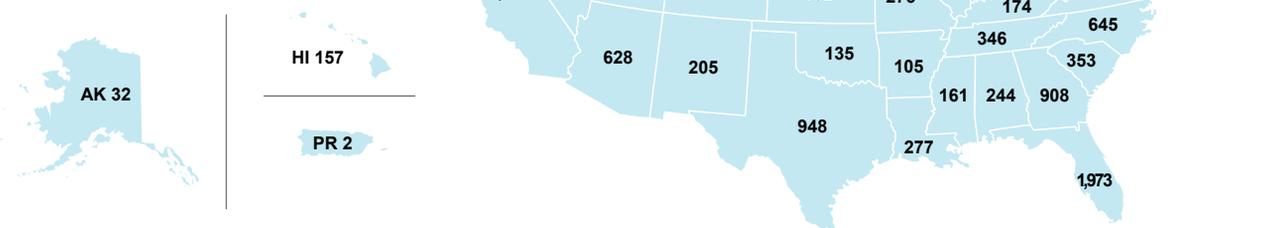
## 96 DEFENDANTS WHO DEFRAUDED HOMEOWNERS SENTENCED TO PRISON

SIGTARP's investigations into the HAMP program have protected consumers seeking access to that program that became the victims of fraud. SIGTARP brought justice to 120 convicted scammers.

<b>Ped Abghari</b> 2 years and 6 months	<b>Nicholas Estlow</b> 6 years and 8 months	<b>Jonathan L. Herbert</b> 11 years and 8 months	<b>Rajish Maddiwar</b> 5 years	<b>Andrea Ramirez</b> 18 years	<b>Roscoe Ortega Umali</b> 18 years and 4 months
<b>Thomas J. Adams</b> 364 days (suspended)	<b>Mark Farhood</b> 11 years	<b>Mindy Holt</b> 1 year and 6 months	<b>Christine Maharaj</b> 3 months	<b>Kevin Rasher</b> 8 years and 1 month	<b>John Vescera</b> 1 year
<b>Sammy Araya</b> 20 years	<b>Dennis Fischer</b> 7 years	<b>Robert Jacobsen</b> 6 years and 6 months	<b>Aria Maleki</b> 9 years and 4 months	<b>James Reese</b> 364 days (suspended) 3 years probation	<b>Glen Alan Ward</b> 11 years
<b>Ziad Nabil Mohammed Al Saffar</b> 1 year and 9 months	<b>Dionysius Fiumano</b> 16 years	<b>Najia Jalan</b> 5 years and 10 months	<b>Jefferson Maniscan</b> 10 years	<b>Robyn Reese</b> 364 days (suspended) 3 years probation	<b>Pathaya Wattanachinda</b> 4 months
<b>Kristen Ayala</b> 11 years and 3 months	<b>Gregory Flahive</b> 1 year	<b>Joshua David Johnson</b> 10 years and 1 month	<b>John McCall</b> 1 year	<b>Owen Reid</b> 1 year	<b>Kowit Yuktanon</b> 1 year and 6 months
<b>Michael Bates</b> 1 year	<b>Christopher George</b> 20 years	<b>Roger Jones</b> 2 years and 9 months	<b>Herzel Meiri</b> 10 Years	<b>Justin Romano</b> 2 years	<b>HOME CONFINEMENT</b>
<b>Anthony Blackwell</b> 1 year	<b>Chad Gettel</b> 7 years	<b>Brian M. Kelly</b> 1 year	<b>Amir Meiri</b> 5 Years	<b>Glenn Steven Rosofsky</b> 5 years and 3 months	<b>Danny Al-Saffar</b> Home Confinement
<b>Crystal Buck</b> 5 years	<b>Serj Geutssoyan</b> 4 years and 4 months	<b>Darrell Keys</b> Time served, 3 years supervised release	<b>Mehdi Moarefian</b> 4 years and 4 months	<b>Joshua Sanchez</b> 12 years and 7 months	<b>Samanth Boubert</b> Home Confinement
<b>Vernell Burris, Jr.</b> 1 year	<b>Frederic Gladle</b> 5 years and 1 month	<b>Isaak Khafzov</b> 9 years	<b>Christopher William Nelson</b> 10 years (suspended) 5 years probation	<b>Jason Sant</b> 6 years	<b>Matt Goldreich</b> Home Confinement
<b>Chad Calderonello</b> 3 years and 5 months	<b>Christopher S. Godfrey</b> 7 years	<b>Cuong Huy King</b> 1 year and 6 months	<b>Duy K. Nguyen</b> 1 year	<b>Scott Schreiber</b> Time served, 3 years supervised release	<b>Dennis Lake</b> Home Confinement
<b>David Cassuto</b> Time served, 2 years supervised release	<b>Angel Gonzalez</b> Time served, 3 years supervised release	<b>Justin D. Koelle</b> 9 months	<b>Dominic A. Nolan</b> 6 months	<b>Jen Seko</b> 7 years	<b>Mahyar Mohases</b> Home Confinement
<b>Jaime Cassuto</b> Time served, 2 years supervised release	<b>David Gotterup</b> 15 years	<b>Ray Kornfeld</b> 5 years	<b>Lynn Nunes</b> 1 year	<b>Hamid Reza Shalviri</b> 3 months	<b>Sarah Rosengrant</b> Home Confinement
<b>Alan Chance</b> 1 year	<b>David Green</b> Time served, 3 years supervised release	<b>Niket Narayan Kulkarni</b> 5 years (suspended) 3 years probation	<b>Yadira Paddilla</b> 4 years	<b>Daniel Shiau</b> 4 years and 10 months	
<b>Jacob J. Cunningham</b> 8 months	<b>Jason Green</b> Time served, 5 years supervised release and 6 months home confinement	<b>Damian Kutzner</b> 5 years and 10 months	<b>Michael Paquette</b> 1 year and 3 months	<b>Howard Shmuckler</b> 13 Years and 9 months	
<b>Raymund Oquendo Dacanay</b> 5 years	<b>Philip Haas</b> Time served, 3 years supervised release	<b>Harold E. Larson</b> 2 years and 6 months	<b>Michael Lewis Parker</b> 6 years and 8 months	<b>John D. Silva</b> 8 months	
<b>Catalina Deleon</b> 2 years and 6 months	<b>Walter Bruce Harrell</b> 1 year and 6 months	<b>Michelle Lefaoseau</b> 1 year	<b>Iris Pelayo</b> 4 years	<b>Alan Tikal</b> 24 years	
<b>Alberto DiRoberto</b> 5 years	<b>Michael Henderson</b> 12 years	<b>John Linderman</b> 2 years	<b>Isaac Joshua Perez</b> 10 years and 10 months	<b>Tamara Teresa Tikal</b> 3 years and 9 months	
<b>Ruby Theresa Encina</b> 1 year		<b>Jonathan Lyons</b> 1 year	<b>Andrew M. Phalen</b> 1 year	<b>Michael Trap</b> 2 years and 6 months	
		<b>Lori Macakanja</b> 6 years	<b>Sabrina Rafo</b> 5 years		

### Nearly 30,000 Homeowners across all 50 States were Victims of Scammers

Total Victim Households **29,734**  
Victims with no State listed - 3,232



## SIGTARP'S FY2020 MIDYEAR HAMP INVESTIGATIVE RESULTS

### **California Men Sentenced In Nationwide \$2.5 Million Fraud Scheme that Victimized More than 500 Homeowners Related to HAMP Program**

In late 2019 and early 2020, multiple defendants were sentenced for their roles in a massive, nationwide scheme to defraud homeowners. Alan Jessie Chance was sentenced to twelve months in prison and three years supervised release. Chad Caldaranello was sentenced to three years and five months in prison. Michael P. Paquette was sentenced to one year and three months in prison. Dennis Lake was sentenced to three years of probation and six months home confinement.

The scheme, which took place in 2014 and 2015, started with sending mailers that appeared to be coming from an entity affiliated with the government to homeowners facing foreclosure urging them to call to obtain a loan modification. Chance and his co-conspirators operated under aliases and told homeowners they worked for HOPE Services, later changed to HAMP Services, which sounded similar to TARP's Home Affordable Modification Program. They falsely told victims they were part of a non-profit, government-affiliated agency, and that the homeowners were eligible for a loan modification without contacting any government agency or their lender. They told homeowners they were approved for a loan modification, and had to pay three trial payments that would be held in a trust account or escrow, but not to inform their lender about the trial payments. They obtained at least \$2.5 million in trial payments from more than 500 victims nationwide spanning from their base of operation in California to points as far as Egg Harbor City, New Jersey and Mt. Airy, Maryland.

SIGTARP was joined in the investigation by the Federal Bureau of Investigation. The U.S. Attorney's Office for the Central District of California is prosecuting the case.

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# SIGTARP'S OVERSIGHT OF THE HARDEST HIT FUND

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## TARP'S HARDEST HIT FUND, WHICH, SINCE 2010 HAS PRIMARILY PROVIDED MORTGAGE ASSISTANCE FOR UNEMPLOYED HOMEOWNERS, HAS \$579 MILLION AVAILABLE FOR SPENDING

Treasury allocated \$7.6 billion in TARP for Hardest Hit Fund mortgage assistance to 18 states and the District of Columbia chosen for significant home price declines and high unemployment (AL, AZ, CA, FL, GA, IL, IN, KY, MI, MS, NV, NJ, NC, OH, OR, RI, SC, TN, DC). HHF is ongoing after 10 years because: (1) from 2010-2016, some states had significant delays and ineffectiveness in distributing the assistance at the height of the housing crisis and unemployment;<sup>1</sup> and (2) in 2016, Congress expanded the program by \$2 billion to \$9.6 billion, and Treasury extended the program (now through March 2022).

Throughout the program, SIGTARP has worked to facilitate speed in getting the assistance out to unemployed homeowners. SIGTARP identified roadblocks that Treasury should remove, such as overly strict eligibility criteria, unnecessary red tape, confusing and lengthy application processes, and mismanagement.<sup>2</sup> With significant unspent dollars and as unemployment levels dropped in 2014 and 2015, Treasury began allowing state agencies to shift the HHF dollars from unemployment mortgage assistance to blight demolition and down payment assistance to homebuyers.

Our top law enforcement priority is unlawful conduct, including fraud and corruption, in the Hardest Hit Fund blight program. We have already obtained convictions and arrests in these areas.

-Special Inspector General Goldsmith Romero

1. In April 2012, only 3% (\$217 million of \$7.6 billion) had been spent to provide mortgage assistance to 30,640 homeowners. See SIGTARP, "Factors Affecting Implementation of the Hardest Hit Fund," April 2012, [https://www.sig tarp.gov/Audit%20Reports/SIGTARP\\_HHF\\_Audit.pdf](https://www.sig tarp.gov/Audit%20Reports/SIGTARP_HHF_Audit.pdf). As of June 30, 2013, after 3 ½ years, only 22% (\$1.7 billion) had been spent on direct mortgage assistance to 126,858 homeowners (86.9% for unemployment mortgage assistance). See SIGTARP, "Treasury Approved Large Decreases in the Estimated Number of Homeowners to be Helped by States Through TARP's HHF Program," October 2013, [https://www.sig tarp.gov/Audit%20Reports/HHF\\_Status\\_Report.pdf](https://www.sig tarp.gov/Audit%20Reports/HHF_Status_Report.pdf).

2. See SIGTARP quarterly reports to Congress, see also SIGTARP, "Factors Affecting Implementation of the Hardest Hit Fund," April 2012, [https://www.sig tarp.gov/Audit%20Reports/SIGTARP\\_HHF\\_Audit.pdf](https://www.sig tarp.gov/Audit%20Reports/SIGTARP_HHF_Audit.pdf); SIGTARP, "Homeowners Have Struggled with Low Admission Rates and Lengthy Delays in Getting Help From TARP's Second Largest Housing Program – The Hardest Hit Fund," October 2015, [https://www.sig tarp.gov/Audit%20Reports/Homeowners\\_Have\\_Struggled\\_With\\_Low\\_Admission\\_Rates.pdf](https://www.sig tarp.gov/Audit%20Reports/Homeowners_Have_Struggled_With_Low_Admission_Rates.pdf); SIGTARP, "Factors Impacting the Effectiveness of Hardest Hit Fund Florida," October 2015, [https://www.sig tarp.gov/Audit%20Reports/SIGTARP\\_HHF\\_Florida\\_Report.pdf](https://www.sig tarp.gov/Audit%20Reports/SIGTARP_HHF_Florida_Report.pdf); SIGTARP, "Improving TARP's Investment in American Workers," January 2017, [https://www.sig tarp.gov/Audit%20Reports/2017\\_01\\_11\\_Improving\\_TARPs\\_Investment\\_in\\_American\\_Workers\\_Report.pdf](https://www.sig tarp.gov/Audit%20Reports/2017_01_11_Improving_TARPs_Investment_in_American_Workers_Report.pdf); SIGTARP, "Mismanagement of the Hardest Hit Fund in Georgia," October 2017, [https://www.sig tarp.gov/Audit%20Reports/Audit\\_Report\\_Mismanagement\\_HHF\\_GA\\_10\\_13\\_2007.pdf](https://www.sig tarp.gov/Audit%20Reports/Audit_Report_Mismanagement_HHF_GA_10_13_2007.pdf)

## SIGTARP RECOMMENDS TREASURY PUT TO BETTER USE AVAILABLE FUNDS IN TARP TO ENHANCE EXISTING UNEMPLOYMENT MORTGAGE ASSISTANCE THROUGH HARDEST HIT FUND IN LIGHT OF RECENT SIGNIFICANT UNEMPLOYMENT

The Hardest Hit Fund is a TARP program that is still open today – a program that has traditionally provided mortgage assistance for unemployed homeowners. As unemployment improved, Treasury allowed participating state housing finance agencies to shift some of these funds to blight demolition and homebuyer down payments. TARP's Hardest Hit Fund program could be a strong tool to help with the recent significant rise in unemployment, as there are already existing infrastructures in 19 states that could be quickly employed.

In light of the recent increase in unemployment, on April 8, 2020, SIGTARP recommended that Treasury put to better use available TARP funds in HHF to enhance existing mortgage assistance to unemployed homeowners. This would include remaining funds in HHF earmarked for administrative costs, blight demolition and down payment assistance, funds that recycle back into the program from lien recoveries, as well as funds that may not be likely to be spent in certain states. For example, in January 2020, the state housing finance agency in Florida returned \$6.5 million in available funds to Treasury.

In the last few weeks, four state agencies (IN, KY, MS and NV) have reopened HHF unemployment mortgage assistance programs that were closed to new applicants. These changes are estimated to provide unemployment mortgage assistance to 1,875 Indiana homeowners, 1,327 Kentucky homeowners, 500 Mississippi homeowners, and 713 Nevada homeowners. In response, Treasury extended the time for state agencies to reopen programs that had closed to new applicants until June 30, 2021. Treasury also extended to June 30, 2021 state agencies' underwriting deadline for new assistance.

SIGTARP also recommended putting to better use TARP funds that are estimated to be unspent in the Making Home Affordable program (including the HAMP program), similar to the action taken by Congress in Fiscal Year 2016, when it moved \$2 billion that would have been unspent in MHA to HHF. Treasury responded that this would require Congressional action. In Fiscal Years 2018 and 2019, Treasury deobligated \$4.3 billion from HAMP and related programs in the Making Home Affordable program. Treasury may deobligate additional funds in the future. Rather than deobligate those funds, those funds could be put to better use in HHF. Additionally, SIGTARP recommended that Treasury keep administrative costs below 8%, a reasonable percentage based on past spending and the urgent situation.

## STATUS OF THE \$10 BILLION HARDEST HIT FUND PROGRAM CONTINUING INTO MARCH 2022

In addition to the \$9.6 billion funding, state agencies have recycled back into the program \$434 million from liens on HHF properties that are sold prior to the end of the lien-forgiveness period, and there will be future lien recoveries which recycle back into the program for spending. SIGTARP conducts law enforcement investigations and audits over spent funds. Another \$579 million along with future lien recoveries is available for future spending.

State	Total Spent	Total Available
Alabama	\$97,995,230	\$66,212,029
Arizona	\$295,481,066	\$11,520,554
California	\$2,449,431,445	\$67,560,328
District of Columbia	\$23,462,444	\$6,683,920
*Florida	\$1,169,061,569	\$0
Georgia	\$346,503,343	\$35,843,222
Illinois	\$725,452,502	\$28,829,817
Indiana	\$257,343,883	\$37,107,083
Kentucky	\$192,175,620	\$23,355,763
Michigan	\$713,382,173	\$63,717,981
Mississippi	\$112,917,167	\$32,867,997
North Carolina	\$701,194,953	\$54,704,372
New Jersey	\$395,529,550	\$33,354,483
Nevada	\$178,778,549	\$19,986,567
Ohio	\$741,033,256	\$30,115,435
Oregon	\$340,397,646	\$26,243,232
Rhode Island	\$113,796,562	\$4,819,626
South Carolina	\$306,107,895	\$17,933,279
Tennessee	\$294,437,254	\$17,739,083
<b>Total</b>	<b>\$9,454,482,108</b>	<b>\$578,594,772</b>

Note 1: The Florida agency terminated HHF in Florida and returned \$6.5 million to Treasury in January 2020.

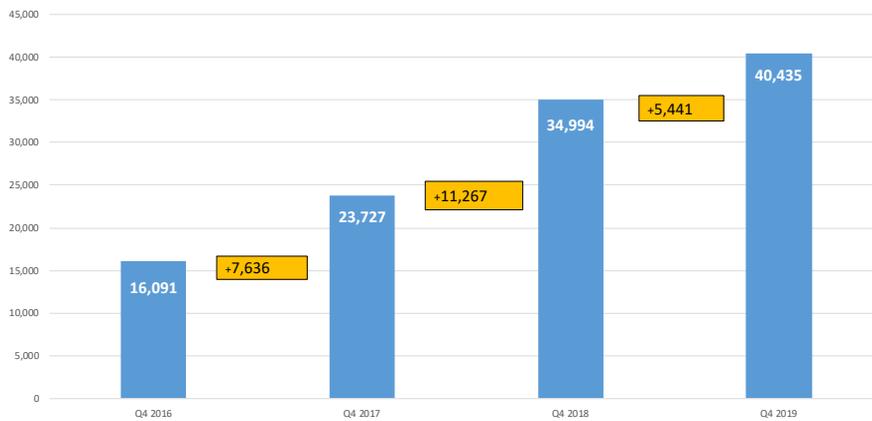
Source: Treasury data as of December 31, 2019, in response to SIGTARP data call, 4/10/20; SIGTARP analysis of HHF Quarterly Financial Reports.

## RECENT ACTIVITY IN HARDEST HIT FUND BLIGHT DEMOLITION AND DOWN PAYMENT ASSISTANCE

Hardest Hit Fund blight demolition expanded to 378 cities or counties in eight states, using more than 2,000 contractors and partners (cities, land banks, non-profit and for-profit organizations).

### Surge in HHF Blight Demolitions

*The last 2 years of demolitions account for nearly half (41%) of all Treasury-reported demolitions.*



Sources: Treasury publication of HFA performance data Q4 2016-2018, SIGTARP analysis of 2019 data from participating state agencies.

HHF homebuyer down payment assistance expanded to 146 cities or counties in 12 states.

### 41 Percent of all Treasury Reported New Homebuyers Receiving Down Payment Assistance Occurred in the Last Two Years



Sources: Treasury publication of HFA performance data Q4 2016-2018, SIGTARP analysis of 2019 data from participating state agencies.

## SIGTARP'S FY2020 MIDYEAR HARDEST HIT FUND INVESTIGATIVE RESULTS

### **Detroit-Based Demolition Contractor and its Executive in Hardest Hit Fund Blight Elimination Program Debarred for 20 Years After Executive Who Ran the Company Paid Nearly \$400,000 in Bribes, Including for Contracts Related to HHF**

On March 9, 2020, the Detroit Office of the Inspector General issued a 20-year debarment of Environmental Specialty Services (ESS) and its vice president, Richard Berg, predicated on an investigation by SIGTARP that resulted in the sentencing to prison of Detroit city official Aradondo Haskins and contractor Anthony Daguanno for bribery related to demolition contracts, including in the Hardest Hit Fund. The Detroit OIG stated, "special thanks to SIGTARP whose investigation and prosecution provided the basis for this debarment."

The Detroit OIG found that court records and other information indicated that Berg, while serving as vice president of ESS, engaged in improper, unethical, and illegal conduct by bribing Haskins and Daguanno. Berg is the son of the owner of ESS and took over the day-to-day operations of the company approximately six years ago. Berg, through his attorney, admitted to participating in paying bribes. Berg paid Haskins at least eight times totaling \$14,000 while Haskins worked for Adamo, a large demolition contractor in the HHF program in Detroit, and later paid \$4,000 in bribes after Haskins went to work for the City of Detroit, where he was responsible for bids in the HHF program. Berg also paid bribe money to Daguanno, a senior estimator at Adamo, on at least 71 occasions over eight years totaling \$372,750 related to demolition subcontracts, including in the HHF program.

The Detroit OIG found that ESS did not take any meaningful action against Berg for bribing two individuals, including a city employee. According to the Detroit OIG's report, despite knowing since 2017 that the U. S. Attorney's Office was investigating payments by Berg to Haskins and Daguanno, that Berg was involved in illegal conduct, and had "told the truth" regarding the payments, ESS did not change Berg's role at ESS until March 2018. At that point, ESS merely limited his job duties and hours to 20 hours per week but did not reduce his compensation. Only after the Detroit OIG issued an interim suspension on September 20, 2019, did ESS suspend Berg as vice president and remove him as a board member.

ESS and Berg chose not to appeal the debarment. In 2015, the City of Detroit directly awarded ESS \$545,000 in federally funded HHF work for asbestos abatement remediation involving 55 properties. In addition, ESS was the asbestos abatement sub-contractor on numerous HHF demolition contracts between 2014 and 2018, and was paid over \$6.2 million for its work on these contracts.

SIGTARP investigated the case. The Detroit Office of Inspector General brought the debarment actions.

## **Illinois-Based Demolition Contractor Charged with Fraud on Hardest Hit Fund Blight Elimination Program in Hammond, Indiana**

On February 20, 2020, SIGTARP special agents arrested Mahmoud AISHuaibi, owner of Illinois-based IESCO Construction, on federal charges of wire fraud, theft from a local government receiving federal funds, and making a false and fraudulent statement. AISHuaibi allegedly submitted false and fraudulent documents to support his claim for payment from the City of Hammond, Indiana, for demolition work through the Hardest Hit Fund's Blight Elimination Program (BEP).

When AISHuaibi signed the demolition agreement with the City of Hammond, he agreed to specific rules with respect to the demolition of these properties, including the proper disposal of demolition debris at a licensed landfill. According to the indictment, between June 2016 and March 2017, AISHuaibi allegedly failed to properly dispose of demolition debris through a registered facility as required under the BEP guidelines. Instead, he allegedly disposed of the demolition debris in unknown locations enabling him to avoid the registered facility fee. According to the indictment, AISHuaibi allegedly submitted false disposal, dumping, and clean fill dirt documentation to the City of Hammond and was paid over \$100,000 under the BEP.

The City of Hammond has spent more than half a million dollars of TARP funds on demolitions under the BEP.

SIGTARP investigated the case. The U.S. Attorney's Office for the Northern District of Indiana is prosecuting the case.

## **Demolition Contractor in Indiana Charged with Fraud on Hardest Hit Fund Blight Elimination Program**

On February 20, 2020, SIGTARP special agents arrested Gary Hayden, owner of B&G Construction, who was indicted in federal court for theft from a local government receiving federal funds. Hayden allegedly submitted false and fraudulent documents to the City of Logansport, Indiana, in support of his claims for payment for demolition work through the Hardest Hit Fund's Blight Elimination Program (BEP).

When Hayden signed the demolition agreement with the City of Logansport, he agreed to specific rules with respect to the demolition of these properties; including the proper disposal of demolition debris at a licensed landfill as required under the BEP. According to the indictment, between December 2015 and February 2017, Hayden submitted invoices confirming he complied with the demolition rules and was paid out of the program. However, the indictment alleges that he disposed of demolition debris on-site.

The City of Logansport has spent more than \$600,000 from TARP on the BEP.

SIGTARP investigated the case. The U.S. Attorney's Office for the Northern District of Indiana is prosecuting the case.

## **Federal Court Sentences California Recipient Who Defrauded Hardest Hit Fund**

In October 2019, Eliseo Delgado Jr. was sentenced to three years of probation and repaid \$52,373 after being convicted of making a false or fictitious claim in the Hardest Hit Fund program.

In November 2014, Delgado knowingly submitted a false application to the HHF unemployment assistance program in California, known as Keep Your Home California Unemployment Mortgage Assistance. The program was designed to help homeowners by providing temporary mortgage assistance to eligible low - to moderate - income homeowners who became unemployed. Delgado's application for homeowner relief benefits fraudulently stated that his income had been reduced because of unemployment. In a "hardship letter" in support of his application, Delgado wrote, "I have lost my job...I fell behind on my mortgage payments in 01/01/2014, earlier this year due to lack of income." In fact, from 2009 to 2016, Delgado was self-employed at various businesses he had founded, and in 2015 and 2016 he earned approximately \$300,000 annually. At no point was he unemployed. From January 2015 to June 2016, he received benefits for 18 months, the maximum length of time permissible under the program, for a total of \$52,373.

SIGTARP investigated the case. The U.S. Attorney's Office for the Central District of California, Riverside Branch Office, prosecuted the case.

## **Indiana Woman Charged with Defrauding Hardest Hit Fund Program**

In November 2019, Natasha Banister was charged with defrauding the Hardest Hit Fund by providing false documents and false certifications that the owner of the home, her boyfriend, lived there as required by the program. In reality, he was incarcerated. As a result of the scheme, Banister and her boyfriend received nearly \$30,000 in fraudulently obtained mortgage assistance.

SIGTARP investigated the case. The Madison County Prosecutor is prosecuting the case.

## **Hardest Hit Fund Recipient Convicted of Embezzling Housing Assistance**

In November 2019, Raymond Cawthorne was convicted of embezzlement of public funds. Between May 2015 and October 2016, Cawthorne embezzled more than \$14,000 from Keep Your Home California, the state's Hardest Hit Fund.

SIGTARP investigated the case. The U.S. Attorney Office for the Eastern District of California prosecuted the case.

## **Georgia Woman Arrested for Defrauding Hardest Hit Fund Program**

In October 2019, Angelica Reid was arrested and charged with providing false statements to the Hardest Hit Fund in Georgia. According to the indictment, Reid provided false information about her household income and/or homeowner association fees to the state agency administering HHF and received \$3,625 in improper mortgage assistance.

SIGTARP investigated the case. The District Attorney for DeKalb County, Georgia is prosecuting the case and has accepted Ms. Reid into the voluntary Pre-Trial Diversion Program. Ms. Reid must pay restitution to the Georgia Department of Community Affairs, complete a counseling course, perform 80 hours of community service, and pay a \$750 fine.

## SIGTARP'S FY2020 MIDYEAR HARDEST HIT FUND AUDITS AND EVALUATIONS

### **Demolition-Related Risks in TARP-Funded Blight Program Mitigated Through Michigan State Agency's Implementation of SIGTARP Recommendations**

**March 19, 2020**

SIGTARP released an evaluation based on its follow up review of its 2017 report of Hardest Hit Fund-paid demolitions in Michigan that showed the Michigan Homeowner Assistance Nonprofit Corporation and the Michigan State Housing Development Agency (collectively "Michigan agency") have made significant progress in adopting most of SIGTARP's 2017 recommendations, although not all. Some level of risk remains based on contractor violations and the findings of the Army Corps of Engineers recent soil samples, requiring continued vigilance by the Michigan agency and for Treasury to implement SIGTARP's recommendations program-wide for future demolitions.

In November 2017, SIGTARP issued an evaluation based on a report by the Army Corps of Engineers that found demolitions paid for by the Hardest Hit Fund's \$806 million Blight Elimination Program could expose residents to three areas of risk: 1) proper removal and storage of asbestos and other hazardous material; 2) proper dumping of all debris and waste in appropriate landfills or recycling facilities; and 3) filling in the demolition hole with only clean soil. SIGTARP made six recommendations to Treasury that assist state agencies in fulfilling their contractual obligations to establish internal controls to ensure compliance with all laws and regulations, and to require best practices to increase program effectiveness and efficiency, while preventing costly fraud, waste, and abuse.

The Army Corps of Engineers, on behalf of SIGTARP, was not the only one that found risk related to asbestos exposure. In December 2018, there was a \$100,000 court order against the City of Detroit and the Detroit Land Bank related to asbestos. The Michigan Department of Environment, Great Lakes and Energy ("EGLE") found violations at 12 HHF and 29 non-HHF demolition sites of federal and state air quality regulations relating to asbestos from February 2016 to May 2017. The judgment requires the city to retain asbestos inspectors with no financial relationship or stake in the outcome of the inspections, better training and accreditation, and the city to direct stopping demolitions after observing asbestos.

Nearly half (44%) of all Treasury-reported demolitions (16,543 of 37,950) in HHF occurred in the last two years, at a cost of nearly \$600 million in TARP funds.<sup>1</sup> Detroit was one of the first cities with TARP-funded demolitions, has received the most TARP dollars of any city, already spending \$300 million. As of Treasury's last reporting there remains \$74 million to be spent on blight demolition program-wide. SIGTARP initiated the evaluation in response to a request by U.S. Representatives Brenda Lawrence and Rashida Tlaib.

Treasury did not issue new program requirements to implement SIGTARP's recommendations program-wide. Treasury had the Environmental Protection Agency advise the state agencies on best practices, and Treasury met regularly with the state agencies to discuss best practices but issued no new requirements. SIGTARP found that the Michigan agency made significant progress implementing many of SIGTARP's 2017 recommendations.

1. From the third quarter 2017 to the third quarter 2019 (the latest Treasury data as of the drafting of this report).

Steps taken by the Michigan agency include withholding payment of TARP dollars until it receives documents that help verify that demolitions were completed appropriately and legally, including inspection reports of open-holes to confirm all debris has been removed, waste manifests to protect against illegal dumping, and proof that clean dirt filled the hole. During this review, the Michigan agency also agreed to implement other recommendations, including weekly monitoring of contractors charged or fined for violations of environmental or safety requirements. These internal controls, along with improvements by the City of Detroit to monitor dirt, go far to mitigate the risks previously raised by SIGTARP.

However, there is some ongoing risk:

- The Michigan agency did not implement SIGTARP's recommendation to ban contractors with violations: require truck weight tickets proving that the weight of debris that left the demolition site matched the weight received at the landfill (to protect against illegal dumping); or to conduct periodic soil testing.
- From June 2017 to 2019, city records show at least 10 violations, including by some large contractors, such as knocking down houses prior to verification that all asbestos had been removed, failure to store asbestos in leak-tight properly labeled containers, knocking down the wrong house, illegal dumping, and failing to wet demolition debris.
- In 2019, EGLE found asbestos-containing material at three sites related to one contractor.
- In 2020, a contractor was held in violation for improper storage and stockpiling of demolition debris and soil, instead of taking it to the landfill.
- Between January and February 2019, the city's backfill platform denied 71 backfill transactions from one contractor for failure to comply with requirements, resulting in stop work orders and corrective action plans to excavate the backfill and conduct soil testing.
- Soil tests by the Army Corps of Engineers on behalf of SIGTARP in 2019 found that all four properties had elevated levels of arsenic at levels consistent with expectations for an urban area, but did not find asbestos. The Army Corps of Engineers found: (1) backfill did not meet contract specifications at two sites; (2) brick pieces and other debris in fill material at three sites even though brick and concrete is not allowed; (3) three properties did not meet fill depth below grade requirements; and (4) density of backfill did not appear to be compacted appropriately at all four sites. The Army Corps of Engineers' visual inspection of one demolition in process found that the city and its contractors appeared to follow best practices for earth moving, environmental control, and waste management.

Given that several of the contractors in Detroit, including larger contractors, have already been held in violation of laws and rules, along with soil test results, Treasury will need to ensure that the Michigan agency is vigilant in overseeing demolitions to ensure its recently implemented controls are effective, and in areas where the Michigan agency did not implement SIGTARP's recommendations, including banning contractors. The Michigan agency's actions should also spur Treasury to require the same set of internal controls across all state agencies that continue to conduct demolitions.

## Update on SIGTARP Recommendations to Prevent Fraud and Recover Waste

### Travel and Conference Charges to the Hardest Hit Fund that Violated Federal Regulations

Treasury has recovered \$124,838 in state agency travel and conference costs out of \$411,658 identified by SIGTARP as violating federal cost regulations and/or constituting waste in the Hardest Hit Fund. SIGTARP found many instances where state agencies did not have the documentation required under the federal regulations, including that the travel is necessary for HHF, reasonable, and consistent with state agency policies. Some states inappropriately shifted 100% of costs to HHF, rather than splitting them between programs as required by federal regulations. Examples of TARP dollars recovered include:

- \$2,500 for motivational speaker who spoke on “Motivation by Chocolate” (NC).
- \$5,589 for a catered dinner for a 2013 annual housing counselor conference that largely included non-HHF matters (NC).
- \$26,760 state agency fired employee alleging employee charged TARP \$543 for an extended stay at a Las Vegas casino over the weekend, then charged TARP for legal fees and travel for termination and to defend wrongful termination lawsuit (NV).
- \$1,122 in excess nightly rates at high-rate luxury hotels, including the W Hotel and Stoneleigh Hotel & Spa to meet with Treasury when other state agencies stayed in GSA-rate hotels (DC, OH), (i.e. two senior Ohio officials stayed at the W Hotel paying \$423 and \$315 per night, violating the agency’s policy to use the U.S. per diem rate (\$224), while a junior official on the same trip paid \$170 at other hotel).
- \$10,934 in travel and conference costs for multiple days of a trade association annual conference where Treasury held a 1.5-hour meeting on the first day, when other state agencies did not charge TARP because they were going to be there anyway.
- \$3,128 for top official to travel to non-HHF related events in New York and at beaches – SIGTARP identified mismanagement by the Georgia agency in HHF (GA).
- \$25,785 for 100% of annual housing counselor conference costs when HHF was only a part of the conference (NC).
- Conferences, events, training not necessary for HHF (\$4,747 GA, \$2,526 SC, \$1,122 IL, \$232 NV).
- \$5,589 for a Thank You Dinner for 160 people plus \$600 for ground transportation to the restaurant (NC).
- \$14,777 for job search boot camp when Treasury did not allow for job search costs, including motivational speaker, the speaker’s books and other costs (NC).
- \$4,317 for toys, balloons, awards, flowers, and custom shirts (NC).

Additionally, Treasury implemented SIGTARP cost-saving recommendations to no longer hold in-person summits in Washington, D.C. or attend the annual trade association conference. These are areas where SIGTARP found significant violations and waste.

### **Preventing Fraud and Waste by Requiring Homeowners to Periodically Certify Under Penalty of Perjury as to their Eligibility to Continue to Receive Monthly Hardest Hit Fund Mortgage Assistance**

Because HHF mortgage assistance can pay for up to two years, SIGTARP recommended that Treasury require state agencies to require all program participants to certify under penalty of perjury at least quarterly of their continued eligibility for the program, which some state agencies require but not others. SIGTARP's investigations have found homeowners who, during that period, became ineligible for the program but continued to receive funds. Some examples of prosecutions resulting from SIGTARP's investigations are included earlier in this section. Additionally, SIGTARP identified \$437,631 in HHF payments in California to homeowners who subsequently became ineligible for the program. Some states require the homeowners to certify monthly, quarterly or annually as to their continued eligibility, while other states have not.

Treasury implemented this recommendation, requiring biannual recertification. While this will prevent some fraud and waste, it misses an opportunity to prevent more fraud and waste. SIGTARP has seen in its investigations that by requiring periodic certifications under penalty of perjury, some program participants are not willing to lie, and have told the truth saving taxpayer dollars. Certifications also promote ease in fraud prosecutions of those willing to lie.

### **Special Inspector General Announces Evaluation of Hardest Hit Fund Status and Wind Down Planning**

On March 4, 2020, SIGTARP announced that it will evaluate the status of the Hardest Hit Fund program and Treasury's planning for the program's wind down. Currently, HHF is scheduled to close in March 2022 (with final payments December 31, 2021). Treasury extended the end date by more than four years. SIGTARP's evaluation will include, for example, TARP dollars remaining to be spent by state agencies, as well as recent changes and estimated future program activity. SIGTARP will also review Treasury's directions and guidance to state agencies for wind down planning, and the state agencies' responses.

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# SIGTARP'S OVERSIGHT OF BANK AND TARP INVESTMENT PROGRAMS

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## RESULTS OF SIGTARP'S BANK INVESTIGATIONS



### **BANKERS**

106 INDICTED  
94 CONVICTED\*  
77 SENTENCED  
TO PRISON  
81 INDUSTRY BANS

### **BANKER CO-CONSPIRATORS**

98 INDICTED  
79 CONVICTED  
64 SENTENCED  
TO PRISON

### **BORROWERS DEFRAUDING BANKS**

58 INDICTED  
51 CONVICTED  
41 SENTENCED  
TO PRISON

As of March 31, 2020

\*Includes two convictions vacated due to death or subsequent cooperation with the Government.

## 77 BANKERS SENTENCED TO PRISON OUT OF 94 CONVICTED



**Edward Woodard**  
23 Years in Prison  
5 Years Supervised Release  
CEO, President, Chairman  
Bank of the Commonwealth

**Stephen Fields**  
17 Years in Prison  
5 Years Supervised Release  
Executive Vice President, Senior  
Commercial Loan Officer  
Bank of the Commonwealth

**Mark A. Conner**  
12 Years in Prison  
5 Years Supervised Release  
Acting CEO, President, COO, Chairman,  
Vice Chairman  
FirstCity Bank

**Gilbert Lundstrom**  
11 Years in Prison  
2 Years Supervised Release  
CEO, Chairman  
TierOne Bank

**Shawn Leo Portmann**  
10 Years in Prison  
5 Years Supervised Release  
Senior Vice President, Loan Officer  
Pierce Commercial Bank (Subsidiary)

**Sean Cutting**  
8 Years and 4 Months in Prison  
3 Years Supervised Release  
CEO, President, Director, Chief Lending  
Officer, Chief Administrative Officer  
Sonoma Valley Bank



**Brian Melland**  
8 Years and 4 Months in Prison  
3 Years Supervised Release  
Chief Loan Officer, Senior Vice President  
Sonoma Valley Bank

**Ebrahim Shabudin**  
8 Years and 1 Month in Prison  
3 Years Supervised Release  
Executive Vice President, COO, Chief  
Credit Officer  
United Commercial Bank (UCBH)

**Troy Brandon Woodard**  
8 Years in Prison  
5 Years Supervised Release  
Vice President  
Bank of the Commonwealth (Subsidiary)

**Catherine Kissick**  
8 Years in Prison  
3 Years Supervised Release  
Senior Vice President, Assistant Treasurer  
Colonial Bank

**Clayton A. Coe**  
7 Years and 3 Months in Prison  
5 Years Supervised Release  
Vice President, Senior Commercial Loan  
Officer  
FirstCity Bank

**Gary Patton Hall Jr.**  
7 Years in Prison  
3 Years Supervised Release  
CEO, President  
Tifton Banking Company



**Kirk Marsh**  
6 Years and 6 Months in Prison  
3 Years Supervised Release  
Vice President for Government Contract  
Lending; Vice President  
Virginia Commerce Bank; Fulton Bank

**David Gibson**  
6 Years in Prison  
3 Years Supervised Release  
Chief Financial Officer, Executive Vice  
President  
Wilmington Trust Company

**Robert Harra**  
6 Years in Prison  
3 Years Supervised Release  
President, Chief Operating Officer, Head of  
Regional Banking  
Wilmington Trust Company

**Jerry J. Williams**  
6 Years in Prison  
3 Years Supervised Release  
CEO, President, Chairman  
Orion Bank and Orion Bancorp, Inc.

**Ataollah Aminpour**  
5 Years and 10 Months in Prison  
5 Years Supervised Release  
Chief Marketing Officer  
Mirae Bank

**Adam Teague**  
5 Years and 10 Months in Prison  
5 Years Supervised Release  
Senior Vice President  
Appalachian Community Bank



**Shaun Hayes**  
5 Years and 8 Months in Prison  
5 Years Supervised Release  
Director, Vice Chairman Majority  
Shareholder; Consultant,  
Investors Financial Corporation of Pettis  
County, Inc.; Excel Bank

**Anthony Atkins**  
5 Years and 3 Months in Prison  
5 Years Supervised Release  
CEO, President  
GulfSouth Private Bank

**Jeffrey Levine**  
5 Years in Prison  
5 Years Supervised Release  
Executive Vice President  
Omni National Bank

**Dana Frye**  
5 years in Prison  
2 Years Supervised Release  
Chief Lending Officer, Executive Vice  
President  
Country Bank

**Zulfkar Esmal**  
5 Years in Prison  
CEO, Chairman; President, Chairman  
Premier Bank; Premier Bancorp

**William North**  
4 Years and 6 Months in Prison  
3 Years Supervised Release  
Chief Credit Officer  
Wilmington Trust Company



**William R. Beamon, Jr.**  
3 Years and 6 Months in Prison  
5 Years Supervised Release  
Vice President  
Appalachian Community Bank

**Richard Colbert**  
3 Years and 4 Months in Prison  
3 Years Supervised Release  
Attorney  
Beach Community Bank, GulfSouth Private  
Bank Case

**Robert E. Maloney, Jr.**  
3 Years and 3 Months in Prison  
3 Years Supervised Release  
In-house Attorney  
FirstCity Bank

**Michael H. Ashley**  
3 Years in Prison  
5 Years Supervised Release  
Vice President, Chief Business Strategist  
Gateway Bank, F.S.B.

**Christopher Tumbaga**  
3 Years in Prison  
4 Years Supervised Release  
Commercial Loan Officer  
Colorado East Bank & Trust

**Keyvn Rakowski**  
3 Years in Prison  
3 Years Supervised Release  
Controller  
Wilmington Trust Company\*

## 77 BANKERS SENTENCED TO PRISON (continued)



**James A. Laphen**  
 2 Years and 10 Months in Prison  
 2 Years Supervised Release  
 Acting CEO, President, COO  
 TierOne Bank



**Melvin Rohs**  
 2 years and 9 months in Prison  
 5 years Supervised Release  
 Senior Vice President, Senior  
 Loan Officer  
 Citizens Bank of Northern  
 California



**Jeff H. Bell**  
 2 Years and 6 Months in Prison  
 3 Years Supervised Release  
 President; Head Factoring Division,  
 Transportation Alliance Bank;  
 Stearns Bank



**Brian D. Bailey**  
 2 Years and 6 Months in Prison  
 3 Years Supervised Release  
 Vice President/Delaware Market  
 Manager, Loan Officer  
 Wilmington Trust Company



**Thomas Hebble**  
 2 Years and 6 Months in Prison  
 2 Years Supervised Release  
 Executive Vice President  
 Orion Bank



**Charles Antonucci**  
 2 Years and 6 Months in Prison  
 2 Years Supervised Release  
 CEO, President  
 Park Avenue Bank



**Joseph Tobin**  
 2 Years in Prison  
 5 Year Supervised Release  
 Vice President, Loan Officer  
 FBI Bank



**Reginald Harper**  
 2 Years in Prison  
 3 Years Supervised Release  
 CEO, President  
 First Community Bank



**James Ladio**  
 2 Years in Prison  
 3 Years Supervised Release  
 CEO, President, Chief Lending  
 Officer  
 MidCoast Community Bank;  
 Artisan's Bank



**Michael Erickson**  
 2 Years in Prison  
 3 Years Supervised Release  
 Loan Officer  
 Southern Bancorp



**Angel Guerzon**  
 2 Years in Prison  
 2 Years Supervised Release  
 Senior Vice President  
 Orion Bank



**Vivian Tat**  
 2 Years in Prison  
 2 Years supervised release  
 Branch Manager, Vice President  
 East West Bank



**Karim Lawrence**  
 1 Year and 9 Months in Prison  
 5 Years Supervised Release  
 Vice President, Loan Officer  
 Omni National Bank



**Joseph Terranova**  
 1 Year and 9 Months in Prison  
 3 Years Supervised Release  
 Vice President, Loan Officer  
 Wilmington Trust Company



**Don Langford**  
 1 Year and 9 Months in Prison  
 2 Years Supervised Release  
 Chief Credit Officer, Senior Vice  
 President  
 TierOne Bank



**Allen Reichman**  
 1 Year and 8 Months in Prison  
 2 Years Supervised Release  
 Executive Director of Investments  
 Oppenheimer



**Ricky Hajdik**  
 1 Year and 8 Months in Prison  
 3 Years Supervised Release  
 Loan Officer  
 Lone Star Bank



**Tae Kim**  
 1 Year and 6 Months in Prison  
 3 Years Supervised Release  
 Relationship Manager  
 Citibank; Wilmington Savings Fund  
 Society, FSB



**Poppi Metaxas**  
 1 Year and 6 Months in Prison  
 3 Years Supervised Release  
 CEO, President, Board Member  
 Gateway Bank, F.S.B.



**Paul Ryan**  
 1 Year and 6 Months in Prison  
 3 Years Supervised Release  
 Loan Officer  
 Broadway Federal Bank



**Michael "Sean" Davis**  
 1 Year 3 Months in Prison  
 3 Years Supervised Release  
 President  
 Premier Community Bank of the  
 Emerald Coast; Bank of America,  
 Beach Community Bank



**Peter W. Hayes**  
 1 Year and 3 Months in Prison  
 3 Years Supervised Release  
 Loan Officer  
 Wilmington Trust Company



**Brian Hartline**  
 1 Year and 2 Months in Prison  
 3 Years Supervised Release  
 CEO, President,  
 NOVA Financial Holdings, Inc.;  
 NOVA Bank



**Jose Martins**  
 1 Year in Prison  
 3 Years Supervised Release  
 Loan Officer  
 Wells Fargo Bank



**Matthew L. Morris**  
 1 Year in Prison  
 2 Years Supervised Release  
 Senior Vice President  
 The Park Avenue Bank



**Justin T. Brough**  
 11 Months in Prison  
 5 Years Supervised Release  
 Senior Vice President  
 Bank of America



**Barry Bekkedam**  
 11 Months in Prison  
 3 Years Supervised Release  
 Former Chairman,  
 NOVA Financial Holdings, Inc.; NOVA  
 Bank



**Jeanette Salsi**  
 7 Months in Prison  
 3 Years Supervised Release  
 Loan Underwriter  
 Pierce Commercial Bank  
 (Subsidiary)



**Brian W. Harrison**  
 6 Months in Prison  
 6 Months Supervised Release  
 Vice President, Loan Officer  
 Farmer's Bank



**Phillip Alan Owen**  
 6 Months in Prison  
 5 Years Supervised Release  
 Branch Manager  
 Superior Bank (Subsidiary)



**Sandra Torrence aka/  
 Sandra Scales**  
 6 Months in Prison  
 2 Years supervised release  
 CEO, President  
 First Legacy Community Credit  
 Union



**Samuel Cobb**  
 3 Months in Prison  
 5 Years Supervised Release  
 Vice President  
 GulfSouth Private Bank



**Candice White**  
 3 Months in Prison  
 5 Years Supervised Release  
 Senior Vice President  
 Front Range Bank



**Teresa Kelly**  
 3 Months in Prison  
 3 Years Supervised Release  
 Operations Supervisor  
 Colonial Bank



**Alice Lorraine Barney**  
 2 Months in Prison  
 3 Years Supervised Release  
 Assistant to Shawn Portmann  
 Pierce Commercial Bank  
 (Subsidiary)

## 77 BANKERS SENTENCED TO PRISON (continued)



**Rodney Dunn**  
2 Months in Prison  
1 Year Supervised Release  
Vice President  
Harbor Bank of Maryland



**Sonja Lightfoot**  
1 Month in Prison  
3 Years Supervised Release  
Senior Vice President of Residential Lending  
Pierce Commercial Bank



**Timothy Murphy**  
Time Served  
5 Years Supervised Release  
Executive Vice President  
Excel Bank



**Sam Tuttle**  
Time Served  
6 Months Home Confinement  
3 Years supervised release  
Vice President, Loan Officer  
Pierce Commercial Bank (Subsidiary)



**Robert Pennington**  
Time Served  
5 Years Supervised Release  
8 Months Home Confinement  
Vice President  
Citizens First National Bank



**Helene DeCillis**  
Time Served  
3 Years Supervised Release  
Chief Operating Officer  
Lend America, Gateway Bank F.S.B.



**Michael Primeau**  
Time Served  
3 Years Supervised Release  
President  
Lend America, Gateway Bank F.S.B.



**Michael W. Yancey**  
Time Served  
3 years supervised release  
Senior Vice President  
Farmers Bank & Trust, N.A.



**Benjamin Leske**  
Time Served  
1 Month Home Confinement  
2 Years Supervised Release  
Loan Officer  
Pierce Commercial Bank (Subsidiary)



**Ed Rounds**  
Time Served  
2 Years Supervised Release  
Loan Officer  
Pierce Commercial Bank (Subsidiary)



**Angela Crozier**  
Time Served  
1 Year Supervised Release  
Loan Processor  
Pierce Commercial Bank (Subsidiary)



**Craig Meyer**  
Time Served  
1 Year Supervised Release  
Vice President, Principal, Loan Officer,  
Pierce Commercial Bank  
(Subsidiary)

## 4 BANKERS SENTENCED TO HOME CONFINEMENT

**Adam Voelker**  
2 Months Home Confinement  
Loan Processor  
Pierce Commercial Bank (Subsidiary)

**Darryl Woods**  
1 Year Home Confinement  
CEO, CFO, Chairman, President,  
Chairman, MainStreet Bank;  
Calvert Financial Corporation

**Jeremy Churchill**  
1 Year Home Confinement  
Vice President, Commercial Loan  
Officer  
Bank of the Commonwealth

**Matthew Daniel Sweet**  
6 Months Home Confinement  
Vice President, Controller  
One Bank and Trust, N.A.

## 64 BANKER CO-CONSPIRATORS SENTENCED TO PRISON OUT OF 79 CONVICTED



**Lee Bently Farkas**  
30 Years in Prison  
3 Years Supervised Release  
CEO, Chairman  
Taylor, Bean & Whitaker  
(Colonial Bank Case)



**Mark Anthony McBride**  
14 Years and 2 Months in Prison  
5 Years Supervised Release  
Owner  
(Omni National Bank Case)



**Delroy Davy**  
14 Years in Prison  
5 Years Supervised Release  
Owner  
Quantum Builders LLC, Jansen  
Properties LLC, Realty Group LLC,  
DNK Investment Group LLC  
(Omni National Bank Case)



**George Hranowsky**  
14 Years in Prison  
3 Years Supervised Release  
Owner/Operator  
345 Granby, LLC, Norfolk Property  
Development LLC  
(Bank of the Commonwealth Case)



**Wilbur Anthony Huff**  
12 Years in Prison  
4 Years Supervised Release  
Owner  
O2HR, LLC; Oxygen Unlimited,  
LLC; General Employment  
Enterprises  
(Park Avenue Bank Case)



**Eric Menden**  
11 Years and 6 Months in Prison  
3 Years Supervised Release  
Owner/Operator  
345 Granby, LLC; Norfolk Property  
Development LLC  
(Bank of the Commonwealth Case)



**Jerome Arthur Whittington**  
10 Years in Prison  
7 Years Supervised Release  
Bank of America



**Daniel Sexton**  
9 Years and 1 Month in Prison  
5 Years Supervised Release  
Operator  
DS Realty, DES Equipment Waste  
Mgmt. Solutions, Georgetown  
Mobile Home Sales of Central  
Kentucky  
(PBI Bank Case)



**David Lonich**  
6 Years and 8 Months in Prison  
3 Years Supervised Release  
(Sonoma Valley Bank Case)



**Lawrence Wright**  
6 Years and 3 Months in Prison  
3 Years Supervised Release  
Bluewater Real Estate  
Investments, LLC  
(GulfSouth Private Bank Case)



**Desiree Brown**  
6 Years in Prison  
3 Years Supervised Release  
Vice President, Treasurer  
Taylor, Bean & Whitaker  
(Colonial Bank Case)



**Francesco Mileto**  
5 Years and 5 Months in Prison  
5 Years Supervised Release  
Owner  
Florida Metro One, LLC, Southeast  
Retail Portfolio, LLC, Trust Member,  
LLC, TMLS Heritage, LLC,  
(Orion Bank Case)



**Richard Pinto [deceased]**  
5 Years in Prison  
5 Years Supervised Release  
Chairman, co-founder  
Oxford Collection Agency  
(Ally Financial, CitiGroup,  
JP Morgan, U.S. Bank, Webster  
Bank, Wells Fargo Case)



**Jonathan Williams**  
5 years in Prison  
5 Years Supervised Release  
Accountant, Operator  
DS Realty, DES Equipment Waste  
Mgmt. Solutions, Georgetown  
Mobile Home Sales of Central  
Kentucky  
(PBI Bank Case)



**Paul Chemidlin**  
5 Years in Prison  
3 Years Supervised Release  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Delton DeArmas**  
4 Years in Prison  
3 Years Supervised Release  
CFO  
Taylor, Bean & Whitaker  
(Colonial Bank Case)



**Mohsen Hass**  
4 Years and 9 Months in Prison  
3 Years Supervised Release  
Owner, Melody Gas Station  
(Wilshire State Bank Case)



**Dwight Etheridge**  
4 Years and 2 Months in Prison  
5 Years Supervised Release  
Owner/Operator  
Tivest Development and  
Construction LLC  
(Bank of the Commonwealth Case)



**Brenda Wood**  
4 Years and 2 Months in Prison  
5 Years Supervised Release  
Owner  
Professional Cleaning and  
Innovative Building Services Inc.  
(Farmers Bank & Trust, N.A. Case)



**Peter Pinto**  
4 Years in Prison  
3 Years Supervised Release  
CEO, President  
Oxford Collection Agency  
(Ally Financial, CitiGroup,  
JP Morgan, U.S. Bank, Webster  
Bank, Wells Fargo Case)



**Leonard Potillo**  
3 Years and 10 Months in Prison  
3 Years Supervised Release  
Owner  
United Credit Recovery LLC  
(Ally Financial, CitiGroup,  
JP Morgan, U.S. Bank, Webster  
Bank, Wells Fargo Case)



**Paul Allen**  
3 Years and 4 Months in Prison  
2 Years Supervised Release  
CEO  
Taylor, Bean & Whitaker  
(Colonial Bank Case)



**Brent Merriell**  
3 Years and 3 Months in Prison  
3 Years Supervised Release  
(Omni National Bank Case)



**Michael Litz**  
3 Years in Prison  
3 Years Supervised Release  
Co-owner, McKnight Man I LLC and  
Eighteen Investments  
Excel Bank (Investors Financial  
Corp of Pettis County)



**Brian Headle**  
4 Years in Prison  
4 Years Supervised Release  
Owner  
Investment One LLC  
(ColoEast Bank and Trust Case)



**Delio Coutinho Sr.**  
3 Years in Prison  
3 Years Supervised Release  
Loan Officer  
Ameridream  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Raymond Tan**  
2 Years in Prison  
2 Years Supervised Release  
(Saigon National Bank Case)



**Jimmy Sheng Lee**  
3 Years in Prison  
2 Years Supervised Release  
(Saigon National Bank Case)



**Zahid Aslam**  
2 Years and 6 Months in Prison  
3 Years Supervised Release  
Owner  
Alpha Medical Center  
(Citibank; Wilmington Savings Fund  
Society Case)



**David Odum**  
2 Years and 6 Months in Prison  
3 Years Supervised Release  
President  
Clysclope Productions, LLC  
(Harbor Bank of Maryland)



**Ray Bowman**  
2 Years and 6 Months in Prison  
2 Years Supervised Release  
President  
Taylor, Bean & Whitaker  
(Colonial Bank Case)



**Thomas Arney**  
2 Years and 3 Months in Prison  
3 Years Supervised Release  
Owner/Operator  
Body Shop Go-Go club,  
Boottleggers, Maxwell's Tavern  
(Bank of the Commonwealth Case)



**Carmine Fusco**  
2 Years and 3 Months in Prison  
2 Years Supervised Release  
Appraiser  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Hugo Lafunte**  
2 Years and 1 Month in Prison  
36 Months Supervised Release  
Owner  
Wells Solutions  
(Lone Star Bank Case)



**Sheila Flynn**  
2 years in Prison  
5 years Supervised Release  
Operator  
DS Realty, DES Equipment Waste  
Mgmt. Solutions, Georgetown  
Mobile Home Sales of Central  
Kentucky  
(PBI Bank Case)

## 64 BANKER CO-CONSPIRATORS SENTENCED TO PRISON (continued)



**Kenneth Sweetman**  
2 Years in Prison  
3 Years Supervised Release  
Title Agent  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Luis Fernando Krueger**  
2 Years in Prison  
3 Years Supervised Release  
Director of Business Development  
Blackstone Development Group  
(Saigon National Bank Case)



**Wang Gao Wag**  
2 Years in Prison  
2 Years Supervised Release  
(Saigon National Bank Case)



**Matthew Amento**  
1 Year and 6 Months in Prison  
3 Years Supervised Release  
Owner/Operator  
Residential Real Estate and  
Construction, LLC  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Darryl Wesley Clements**  
1 Year and 6 Months in Prison  
3 Years Supervised Release  
Owner  
Link Resources Partner, LLC  
(The Harbor Bank of Maryland  
Case)



**William Cody**  
1 Year and 6 Months in Prison  
3 Years Supervised Release  
Owner/Operator  
C&C Holdings LLC  
(GulfSouth Private Bank Case)



**Joseph DiValli**  
1 Year and 6 Months in Prison  
3 Years Supervised Release  
Loan Officer  
Wells Fargo



**Troy A. Fouquet**  
1 Year and 6 Months in Prison  
3 Years Supervised Release  
Owner  
Team Mgmt LLC, TRISA  
(First Community Bank Case)



**Hua Leung**  
1 Year and 6 Months in Prison  
2 Years Supervised Release  
(Saigon National Bank Case)



**Christopher Woods**  
1 Year and 6 Months in Prison  
3 Years Supervised Release  
Owner/Operator  
Champ Construction LLC  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Richard Cheung**  
1 Year and 4 Months in Prison  
2 Years Supervised Release  
(Saigon National Bank Case)



**Chester Peggese**  
1 Year in Prison  
5 Years Supervised Release  
Loan Consultant  
(Broadway Federal Bank Case)



**Amadeo Gaglioti**  
1 Year in Prison  
3 Years Supervised Release  
(Bank of America; Citigroup Inc.;  
PNC Bank; U.S. Bank; Wells Fargo  
Bank Case)



**Carlos Peralta**  
1 Year in Prison  
3 Years Supervised Release  
(Park Avenue Bank Case)



**Salvatore Leone**  
1 Year in Prison  
3 Years Supervised Release  
Project Manager/Partner  
TBC Enterprises, LLC, North  
Dover Holdings, LLC, Shoppes at  
FieldStone Village, LLC  
(Wilmington Trust Case)



**Derrick Cheung**  
1 Year in Prison  
2 Years Supervised Release  
(Saigon National Bank Case)



**Alberto Solaroli**  
1 Year in Prison  
2 Years Supervised Release  
Owner  
CET Racing  
(OneFinancial Corporation Case)



**Christopher Ju**  
10 Months in Prison  
2 Years Probation  
Title Agent  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Jose Luis Salguero Bedoya**  
10 Months in Prison  
3 Years Supervised Release  
Owner  
New Jersey Real Estate Holding,  
New Jersey Property Management  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank, Wells  
Fargo Case)



**Jason Maurice Robinson**  
6 Months in Prison  
5 years supervised release  
Used car salesman  
(Superior Bancorp Case)  
(Subsidiary)



**Miguel LaRosa**  
6 Months in Prison  
3 Years Supervised Release  
(Bank of America; Citigroup Inc.;  
PNC Bank; U.S. Bank; Wells Fargo  
Bank Case)



**Ruimin Zhao**  
4 Months in Prison  
1 Year Supervised Release  
(Saigon National Bank Case)



**Sean Ragland**  
3 Months in Prison  
3 Years Supervised Release  
Senior Financial Analyst  
Taylor, Bean & Whitaker  
(Colonial Bank Case)



**Bruce Houle**  
1 Day in Prison  
5 Years Supervised Release  
6 Months Home Confinement  
Owner  
Bah Dev, LLC  
(GulfSouth Private Bank Case)



**Mark W. Shoemaker**  
5 Years Supervised Release  
Burnt Pine Properties, LLC  
(GulfSouth Private Bank Case)



**Michael Bradley Bowen**  
1 Day in Prison  
5 Years Supervised Release  
CNote Development Company LLC  
(GulfSouth Private Bank Case)



**Yazmin Soto-Cruz**  
Time Served  
8 Months Home Confinement  
3 Years Supervised Release  
(Bank of America, CitiGroup,  
PNC Bank, U.S. Bank,  
Wells Fargo Case)



**James House**  
Time Served  
3 Years Supervised Release  
(Sonoma Valley Bank Case)



**Arthur Anthony**  
Time Served  
3 Years Supervised Release  
(Bank of America; Citigroup Inc.;  
PNC Bank; U.S. Bank; Wells Fargo  
Bank Case)

## 4 BANKER CO-CONSPIRATORS SENTENCED TO HOME CONFINEMENT

**Randall Silver**  
1 Year Home Confinement  
CFO  
Oxford Collection Agency Inc.  
(Oxford Collection Case)

**Recardo Lewis**  
6 Months Home Confinement  
Project Manager  
Tivest Development & Construction,  
LLC  
(Bank of the Commonwealth Case)

**Patrick Pinto**  
6 Months Home Confinement  
Co-owner  
Oxford Collection Agency Inc.  
(Oxford Collection Case)

**Charles Harris**  
6 Months Home Confinement  
Co-owner  
Oxford Collection Agency Inc.  
(Oxford Collection Case)

## 43 DEFENDANTS WHO FRAUDULENTLY DECEIVED TARP BANKS SENTENCED TO PRISON



**David McMaster**  
15 Years and 8 Months in Prison  
5 Years Supervised Release  
Vice President of Lending Operations  
AMS  
(Victim: BNC National Bank)

**Robert Egan**  
11 Years in Prison  
3 Years Supervised Release  
President  
Mount Vernon Money Center  
(Victim: U.S. Bank, Webster Bank, Bank of America, NY Community Bank Corp)

**Scott Powers**  
8 Years in Prison  
5 Years Supervised Release  
CEO  
AMS  
(Victim: BNC National Bank)

**Edward Shannon Polen**  
5 Years and 11 Months in Prison  
5 Years Supervised Release  
Owner  
Polen's Lawn Care  
(Victim: F&M Bank, U.S. Bank, Fifth Third Bank, Sunner Bank & Trust, Bank of Nashville, First Bank)

**Chung Yu Yeung**  
5 Years and 3 Months in Prison  
5 Years Supervised Release  
Vice President  
ETQ, Eastern Tools and Equipment  
(Victim: United Commercial Bank)

**Bernard McGarry**  
5 Years in Prison  
3 Years Supervised Release  
COO  
Mount Vernon Money Center  
(Victim: U.S. Bank, Webster Bank, Bank of America, NY Community Bank Corp)

**Leigh Farrington Fiske**  
4 Years and 9 Months in Prison  
5 Years Supervised Release  
(Victim: Wells Fargo Bank, U.S. Bank)



**Steven Pitchersky**  
4 Years and 3 Months in Prison  
5 Years Supervised Release  
Owner/Operator  
Nationwide Mortgage Concepts  
(Victim: Ally Bank)



**Michael Edward Filmore**  
4 Years in Prison  
5 Years Supervised Release  
Operator  
Healthcare Parnters Group, LLC  
(Victim: Pulaski Bank)



**Winston Shillingford**  
4 Years in Prison  
5 Years Supervised Release  
Co-owner  
Waikale Properties Corp  
(Victim: Goldman Sachs, Wells Fargo, JP Morgan, Deutsche Bank)



**Selim Zherka**  
3 Years and 1 Month in Prison  
3 Years Supervised Release  
Owner; Publisher  
Cheetah's Gentleman's Club; V.I.P Club, The Westchester Guardian  
(Victim: Capital One, Signature Bank, Sovereign Bank)



**Cheri Fu**  
3 Years in Prison  
5 Years Supervised Release  
President, owner  
Galleria USA  
(Victim: Bank of America, United Commercial Bank (UCBH), Cathay Bank, City National Bank, East National Bank, DBS Bank, United Overseas Bank)



**Greisy Jimenez**  
3 Years in Prison  
4 Years Supervised Release  
Real Estate Agent  
Foreclosure 911  
(Victim: Bank of America N.A.; JPMorgan Chase Bank, N.A.)



**Marleen Shillingford**  
3 Years in Prison  
5 Years Supervised Release  
Co-owner  
Waikale Properties Corp  
(Victim: Goldman Sachs, Wells Fargo, JP Morgan, Deutsche Bank)



**Clint Dukes**  
2 Years in Prison  
5 Years Supervised Release  
Owner  
Dukes Auto Repair  
(Victim: First Community Bank, U.S. Bank)



**Joseph D. Wheliss, Jr.**  
2 Years in Prison  
5 Years Supervised Release  
Owner  
National Embroidery Works, Inc.  
(Victim: Pinnacle National Bank)



**Margaret Connolly**  
2 Years in Prison  
3 Years Supervised Release  
Attorney  
(Victim: JP Morgan)



**Thomas Fu**  
1 Year and 9 Months in Prison  
5 Years Supervised Release  
CFO, Secretary, Treasurer  
Galleria USA  
(Victim: Bank of America, United Commercial Bank (UCBH), Cathay Bank, City National Bank, East National Bank, DBS Bank, United Overseas Bank)



**Steven Moorhouse**  
1 Year and 9 Months in Prison  
5 Years Supervised Release  
President  
Jefscoc Manufacturing Co., Inc. (aka Fanplastic Molding Company)  
(Victim: Old Second National Bank)



**Joseph L. Capano**  
1 Year and 9 Months in Prison  
5 Years Supervised Release  
Managing Member  
Riverbend Community LLC  
(Victim: Cecil Bank)



**Robert Ilunga**  
1 Year and 6 Months in Prison  
5 Years Supervised Release  
Operator  
Waikale Properties Corp  
(Victim: Goldman Sachs, Wells Fargo, JP Morgan, Deutsche Bank)



**Mahendra Prasad**  
1 Year and 3 Months in Prison  
5 Year Supervised Release  
(Victim: JPMorgan Chase, Bank of America)



**Jasmin Polanco**  
1 Year and 3 Months in Prison  
3 Years Supervised Release  
Attorney  
JPMorgan, Bank of America, Capital One



**Gregory Yates**  
1 Year in Prison  
3 years Supervised Release  
CEO, President Quality Concepts LLC; Owner Champion Development, LLC; Owner QC Manufacturing, LLC  
(Victim: Country Bank of Aledo, IL)



**Harpreet Singh**  
6 Months in Prison  
5 Years Probation  
Real Estate Agent  
(Victim: Bank of America, Wells Fargo)



**John Cheng**  
6 Months in Prison  
4 Years Supervised Release  
Loan Broker, Owner SinoWest Financial Services, Inc.  
(Victim: BNB Financial Services Corp.)



**Shaima Hadayat**  
6 Months in Prison  
3 Years Probation  
Real Estate Broker  
(Victim: Wells Fargo, Bank of America)



**Vanessa Ricci**  
6 Months in Prison  
3 Years Supervised Release  
Mortgage Broker  
Financial Services, Inc.  
(Victim: JPMorgan, Bank of America, Capital One)



**Ronald Onorato**  
6 Months in Prison  
2 Year Supervised Release  
CEO  
Northpoint Group, Inc.  
(Victim: Integra Bank)



**Raj Maruvada**  
6 Months in Prison  
1 Year Supervised Release  
CPA, Raj Maruvada & Associates P.C.  
(Victim: TARP Bank)



**Tariq Khan**  
1 Day in Prison  
1 Year Home Confinement  
5 Years Supervised Release  
Owner  
Urban Motors Corporation  
(Victim: Old Second National Bank)



**Terrance Yates**  
1 Day in Prison  
1 Year Home Confinement  
3 Years Supervised Release  
CFO Quality Concepts, LLC; CFO & VP of Operations Champion Development, LLC  
(Victim: Country Bank of Aledo, IL)



**Nani Isaac**  
Time Served  
2 Years Supervised Release  
(Victim: JPMorgan, Bank of America)



**Martin Bahrami**  
1 Day in Prison  
2 Years Supervised Release  
(Victim: JPMorgan, Bank of America)



**Hyacinth Bellerose**  
Time Served  
1 Year Home Confinement  
1 Year Supervised Release  
Attorney  
(Victim: JPMorgan, Bank of America, First Horizon Corp.)

## 43 DEFENDANTS WHO DEFRAUDED TARP BANKS SENTENCED TO PRISON (continued)



**Dahianara Moran**  
Time Served  
1 Year Home Confinement  
1 Year Supervised Release  
Former Director of Human Resources of The Psychological Center Inc.  
(Victim: JPMorgan, Bank of America, First Horizon Corp.)

**James Crews**  
Time Served  
5 Years Supervised Release  
(Victim: Excel Bank)

**Michael Hilbert**  
Time Served  
5 Years Supervised Release  
(Victim: Excel Bank)

**Pasquale Scarpa**  
Time Served  
5 Years Supervised Release  
(Victim: Capital One, Signature Bank, Sovereign Bank)

**Mark A Pagani**  
Time Served  
5 Year Supervised Release  
Attorney  
(Victim: Capital One, Signature Bank, Sovereign Bank)

**Falgun Dharja**  
Time Served  
3 Years Supervised Release  
Owner  
Mantiff Management Corp.  
(Victim: PNC Bank)



**Timothy Fitzgerald**  
Time Served  
2 Years Supervised Release  
Chief Financial Officer  
KC United LLC  
(Victim: Bank of Blue Valley)

**Genaro Morales**  
Time Served  
2 Years Supervised Release  
(Victim: Capital One, Signature Bank, Sovereign Bank)

## DEFENDANTS WHO DEFRAUDED TARP BANKS SENTENCED TO HOME CONFINEMENT

**Thomas Comer**  
8 Months Home Confinement  
Owner  
CFC Transportation  
(Victim: The Bank of Vernon)

## 3 CONTRACTORS, PROGRAM OFFICIALS AND HOMEOWNERS WHO DEFRAUDED THE TARP HARDEST HIT FUND SENTENCED TO PRISON

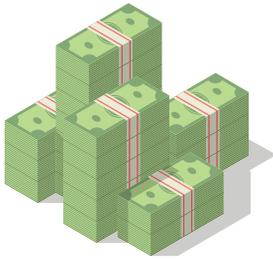


**Arodon Haskins**  
1 year  
Field Operations Manager  
Detroit Building Authority

**Anthony Daguanno**  
1 year  
Sr. Estimator, Adamo Group  
(Detroit Building Authority  
Contractor)

**Todd Taylor**  
1 day  
Florida Housing Finance Corp., HHF  
Applicant

## DEFENDANTS WHO SCAMMED TARP OR USED TARP TO SCAM INVESTORS SENTENCED TO PRISON



### SCAMS USING TARP

# 14

**Julius Blackwelder**  
3 years and 10 months

**John Farahi**  
10 years

**Gordon Grigg**  
10 years

**Xue Heu**  
5 years and 3 months

**Abraham Kirschenbaum**  
1 year and 6 months

**Carla Lee Miller**  
8 months

**Jesus Fernando Montes**  
1 year and 6 months

**Thomas Dickey Price**  
1 year and 6 months

**Michael Ramdat**  
1 year and 9 months

**Eduardo Garcia Sabag**  
3 months

**Marvin Solis**  
2 years and 3 months

**David Tamman**  
7 years

**Mark Steven Thompson**  
1 year and 6 months

**Robert Wertheim**  
1 year and 6 months

## SIGTARP'S FY2020 MIDYEAR BANK AND OTHER TARP INVESTMENT PROGRAM INVESTIGATIVE RESULTS

### **Federal Court Sentences Defendants to Prison for Money Laundering Schemes and Additional Defendant Pleads Guilty**

In October 2019, a federal court sentenced two defendants as part of a wide-ranging investigation into a series of schemes that involved narcotics trafficking and international money laundering. At the center of the broad conspiracy is the lead defendant, Tu Chau “Bill” Lu, who was president and chief executive officer of TARP recipient, Saigon National Bank, from 2009 through January 2015. The Department of Justice charges that Lu and five other defendants were members of a criminal organization involved in narcotics trafficking and international money laundering in countries that included the United States, China, Cambodia, Liechtenstein, Mexico, and Switzerland. The indictment alleges that Lu used “his insider knowledge, position as an official at Saigon National Bank, and network of connections to promote and facilitate money laundering transactions involving members and associates of the enterprise.” In total, 25 defendants have been charged across six indictments.

Raymond Tan, who was convicted on money laundering charges, was sentenced to three years in prison. Tan, along with his wife, Ruimin Zhao, and former East West Bank manager, Vivian Tat, laundered cash through the bank. According to court documents and the evidence presented at trial, Tan and the other defendants led an informant into the bank’s conference room where the informant provided \$25,500 in cash that was then laundered into three “clean” cashier’s checks issued through the account of a bank client. The informant was wearing a secret recording device and throughout the transaction the conspirators made statements demonstrating they knew money laundering was illegal.

Richard Cheung, who was convicted on a money laundering charge, was sentenced to one year and four months in prison. He conspired to provide cashier’s checks in exchange for cash he believed was proceeds from drug trafficking. In a meeting with a confidential informant, Cheung requested assistance in moving cash out of mainland China because he was not satisfied with the speed and tax consequences of laundering money through casinos in Macau.

In February 2020, Mina Chau pleaded guilty to conspiracy to commit money laundering.

SIGTARP was joined in the investigation by the Federal Bureau of Investigation and the Criminal Division of the Internal Revenue Service. The U.S. Attorney’s Office for the Central District of California is prosecuting the case.

### **Federal Court Sentences Former United Commercial Bank Chief Financial Officer Craig On**

In October 2019, former United Commercial Bank (UCB) chief financial officer, Craig On, was sentenced by a federal court to two years probation and ordered to pay a \$15,000 fine. On testified at the trial of UCB chief operating officer and chief credit officer, Ebrahim Shabudin, who was convicted at trial and sentenced to eight years and one month in prison.

After aggressive and risky loan-fueled growth, management of TARP recipient, UCB, fraudulently inflated the bank's financial performance by hundreds of millions of dollars. The bank later failed - one of the largest failures since the Great Depression - and \$300 million in TARP funds was lost.

During the crisis, in an attempt to have the bank appear to “break even,” Shabudin and co-conspirators manipulated the bank's books and records, and issued false press releases, filings with examiners, and false financial statements. Then U.S. Attorney Melinda Haag said, “UCB is one of the largest criminal prosecutions brought by the U.S. Department of Justice of wrongdoing by bank officers arising out of the 2008 financial crisis.”

As UCB's chief financial officer, On attested to the accuracy and completeness of financial information the bank provided to its accountants. While he knew that standard accounting practices required \$67 million in potential losses to be disclosed, he purposely failed to have that information included in financial statements and lied when asked by the accountants if UCB had made full disclosures. On knew what he did was wrong but did it anyway because he thought disclosing the potential losses would cause the bank to collapse.

On was convicted of making a materially false and misleading statement to an accountant. He was also ordered by the Federal Deposit Insurance Corporation (FDIC) to pay a civil penalty of \$150,000 and was banned from participating in the affairs of financial institutions.

Shabudin was convicted of securities fraud and sentenced to eight years and one month in prison. He was also ordered by the FDIC to pay a civil penalty of \$175,000 and was banned from participating in the affairs of financial institutions. At his sentencing, Special Inspector General Goldsmith Romero said that Shabudin “had every opportunity to do the right thing, but he was motivated instead to preserve the bank's reputation at all costs, even if it meant committing a crime.”

Former senior vice president Thomas Yu, who also testified at Shabudin's trial, was convicted and sentenced to probation. The Justice Department deferred prosecution against Chris Chiem Lee, a manager at the bank. Lauren Tran, a vice president at the bank, had her guilty plea vacated due to cooperation.

SIGTARP was joined in the investigation the FDIC Office of the Inspector General, the Inspector General for the Board of Governors of the Federal Reserve System, and the Federal Bureau of Investigation. The U.S. Attorney's Office for the Northern District of California prosecuted the case.

## **Former Bank Executive and Former Loan Officer Sentenced to Prison for Fraud at Failed TARP Bank**

On February 28, 2020, a federal court sentenced Dana Frye, the former executive vice president and chief lending officer of Country Bank of Aledo, Illinois to prison for five years. Frye was convicted of making false statements to the bank in October 2019. Andrew Frye, a loan officer at the bank who worked closely with his dad, Dana Frye, cooperated with prosecutors. Andrew Frye was convicted of loan fraud and sentenced to probation. As a condition

of their sentences, both defendants are prohibited from ever working in the banking or financial industry again. The Fryes were arrested by SIGTARP special agents in October 2019.

While Dana Frye was working for Country Bank, he used his position to assist others in securing loans for various commercial real estate development projects without disclosing in bank records and loan applications that he stood to personally profit from the issuance of the loans. One such project was the development of a golf course in Sherrard, Illinois, known as “Fyre Lake” that benefited from more than \$20 million in loans from Country Bank.

Frye also helped secure loans to a number of real estate developments that retained Webgem, a management and account services company owned by Frye and his son. Frye did not disclose his interest in Webgem in bank records and loan documents submitted to Country Bank prior to the approval of these loans. Frye concealed his interest in these real estate developments and Webgem because he knew that Country Bank’s policies prohibited loans to projects in which he had a financial interest.

In May 2009, Country Bank received a \$4.1 million TARP bailout. In October 2011, Country Bank failed, leaving the Federal Deposit Insurance Corporation with losses of more than \$70 million. Other victims included Greenwoods State Bank, Burlington, Wisconsin; Blackhawk Bank & Trust, Milan, Illinois; and Citizens Bank of Mukwonago, Wisconsin. SIGTARP was joined in the investigation by the Federal Deposit Insurance Corporation Office of the Inspector General. The U.S. Attorney’s Office for the Central District of Illinois is prosecuting the case.

## **TARP Bank Chief Executive Officer Charged with Fraud**

On February 20, 2020, SIGTARP special agents arrested Mary Halsey, the former president and chief executive officer of Cecil Bank of Elkton, Maryland, on federal charges of conspiracy to commit bank fraud, bank fraud, receipt of a bribe by a bank official, false statements in bank records, and false statements to a bank examiner. Treasury wrote off approximately \$11 million from its TARP investment of Cecil Bank after the financial institution filed for bankruptcy in 2017.

According to the indictment, Halsey conspired with Daniel Whitehurst, who previously pleaded guilty to mail fraud, to defraud Cecil Bank related to a house in Elkton, Maryland, that had been foreclosed on and was owned by Cecil Bank. Halsey allegedly had the bank sell the house to Whitehurst for well below market value, not disclosing to the bank that Whitehurst was acquiring the house on her behalf and was only acting as a straw buyer. She allegedly wired \$75,000 to Whitehurst for the down payment, closing costs, and upgrades to the property that she requested. Later on, Halsey allegedly issued three checks to Whitehurst totaling \$60,000 for improvements and monthly mortgage payments. The indictment alleges that, in return for Whitehurst acting as a straw buyer, Halsey assisted in the bank providing him a \$650,000 bank line of credit.

Halsey allegedly also concealed the straw purchase of the property from a bank examiner. When asked about the sale of the home by a bank examiner for the Federal Reserve Bank of Richmond, Halsey allegedly falsely stated that she was “not totally familiar with [that] property” and that the bank had difficulty marketing the property and had not listed it with a realtor because of “issues with the county over the bonds outstanding.”

SIGTARP was joined in the investigation by the Federal Housing Finance Agency Office of the Inspector General, the Federal Deposit Insurance Corporation Office of the Inspector General, and the Small Business Administration Office of the Inspector General. The U.S. Attorney for the District of Maryland is prosecuting the case.

*SIGTARP has multiple investigations related to Cecil Bank. In April 2019, Mehul Khatiwala pleaded guilty to conspiracy to commit bank fraud and to three counts of bank fraud, in connection with a scheme to fraudulently obtain loans from Cecil Bank to purchase hotels and a multifamily residential property, resulting in losses of more than \$3.5 million. In June 2019, Zahid Aslam was sentenced to two and a half years in prison for making false statements to financial institutions, including Cecil Bank.*

### **Borrower Defrauding TARP Banks in Short Sale Property Scheme Sentenced by Federal Court**

In November 2019, Nani Isaac was sentenced to time served by a federal court for her role in a short sale scheme. Isaac and two other defendants, Jyoteshna Karan and Praveen Singh, were convicted in July 2019 of conspiracy, bank fraud and mail fraud. Two additional defendants in the case, Martin Bahrami and Mahendra Prasad, pleaded guilty to false statements to a lending institution and mail fraud in 2015 and 2017, respectively.

In June 2015, SIGTARP special agents and our law enforcement partners arrested or served summons on the defendants for defrauding financial institutions out of millions of dollars through a short sale scheme, including multiple banks that were bailed out by TARP. Karan and Singh are scheduled to be sentenced in federal court later this year; and Bahrami and Prasad were sentenced earlier in 2019 and 2017, respectively.

SIGTARP was joined in the investigation by the Federal Bureau of Investigation, the Federal Housing Finance Agency Office of the Inspector General, the Federal Deposit Insurance Corporation Office of Inspector General, and the Stanislaus County District Attorney's Office. The U.S. Attorney's Office for the Eastern District of California is prosecuting the case.

## TREASURY HOLDINGS IN TARP SECURITIES IN CPP AND CDCI BANKS, AS OF FEBRUARY 29, 2020

Program	Bank	Outstanding Principal Investment	Missed Dividends
Capital Purchase Program (CPP)	One United Bank	\$93,823	\$8,986,935
	Harbor Bankshares Corporation	\$3,555,361	
	<b>CPP Total</b>	<b>\$3,649,185</b>	<b>\$8,986,935</b>
Community Development Capital Initiative (CDCI)	Carver Bancorp, Inc	\$18,980,000	
	Cooperative Center Federal Credit Union	\$559,000	
	D.C. Federal Credit Union	\$500,000	
	Buffalo Cooperative Federal Credit Union	\$145,000	
	<b>CDCI Total</b>	<b>\$20,184,000</b>	<b>\$0</b>
	<b>Grand Total</b>	<b>\$23,833,185</b>	<b>\$8,986,935</b>

Sources: Treasury, Transactions Report, February 19, 2020; Treasury, Dividends and Interest Report, February 29, 2020; Treasury, response to SIGTARP data call March 2020.

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PEER REVIEWS

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## SIGTARP PEER REVIEWS

### **Investigations**

In early 2019, the EPA Office of Inspector General (EPA OIG) conducted a Quality Assessment Review of the Investigative Operations of SIGTARP for the period of October 1, 2015 through September 30, 2018.

The EPA OIG issued its letter which stated that “the system of internal safeguards and management procedures for the investigative function of SIGTARP in effect for the period October 1, 2015 through September 30, 2018, is in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the applicable Attorney General guidelines. These safeguards and procedures provide reasonable assurance of conforming to professional standards in the planning, execution and reporting of its investigations and in the use of law enforcement powers.”

### **Audits**

In 2018, the Railroad Retirement Board Office of Inspector General (RRB OIG) conducted a Quality Assessment Review of the SIGTARP Audits. The RRB OIG issued its letter which stated that “the system of quality control for SIGTARP in effect for the year ended March 31, 2018 has been suitably designed and complied with to provide SIGTARP with reasonable assurances of performing and reporting in conformity with applicable professional standards in all material respects.” Generally accepted government auditing standards (GAGAS) requires external peer reviews at least once every 3 years.

Both letters are available on SIGTARP’s website at [www.SIGTARP.gov](http://www.SIGTARP.gov), under “Peer Review Report.”

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# IG EMPOWERMENT ACT REPORTING

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## TREASURY BUDGET PROPOSAL INTERFERES WITH THE INDEPENDENCE OF SIGTARP

The President's budget request sent to Congress proposed cutting SIGTARP's budget to \$17.5 million – 20 percent below SIGTARP's Fiscal Year 2020 appropriations of \$22 million. The Special Inspector General issued a statement in the President's Budget request, sent to Congress as authorized by Section 6(f)(3)(e) of the Inspector General Act, stating that the President's Budget substantially inhibits SIGTARP from performing our mission.

SIGTARP is also reporting this under the IG Empowerment Act as an attempt by the Treasury Department to interfere with the independence of SIGTARP through budget constraints designed to limit the capabilities of this office. This interference has, in fact, limited this office's capabilities because we no longer have the resources to fund, with regularity, audits that previously found more than \$11 million in waste and squandered TARP dollars by state agencies, as well as all investigations in financial institutions in HAMP that may have engaged in fraudulent activity.

These budget constraints hurt taxpayers. In FY2019, recoveries from SIGTARP's work were \$900 million compared to its \$23 million agency budget, a return on investment of 39, which is common for SIGTARP.

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The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) is a federal law enforcement agency and an independent audit watchdog that targets financial institution crime and other fraud, waste, and abuse related to TARP

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