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Description of document: The first two pages of each Department of the Treasury Office of Inspector General (OIG) report of investigations into fraudulent acts that contributed to bank failures, 2010-2012

Requested date: 23-July-2012

Released date: 07-August-2012

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Source of document: Freedom of Information Act Request
Office of the Inspector General
Department of the Treasury
1500 Pennsylvania Avenue
Washington, DC 20220
[Online FOIA Request Form](#)

Note: Request was for the first two pages of each report only.

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From: Delmar, Richard K.
Sent: Tuesday, August 07, 2012 7:01 AM
Subject: Your FOIA request for Treasury OIG investigative reports;
Treasury # 2012-07-159
Attachments: Bank FOIA_Redacted.pdf

This responds to your FOIA request for copies of “the first two pages of each OIG investigation reported related to investigations into fraudulent acts that contributed to bank failures for the last 5 years.”

I had our investigative database searched using those terms, and a total of 9 cases are responsive to your request. The responsive records are attached.

In all cases, names of OIG agents are redacted, consistent with FOIA Exemption 7. In cases BANK-10-2042 and BANK-10-2967, material relating to the investigative techniques of other agencies has been redacted, also consistent with Exemption 7. And in case BANK-11-0896, the name of the bank has been redacted, consistent with Exemption 8.

The redactions constitute a partial denial of your request. You have the right to appeal under 5 U.S.C. § 552(a)(6)(A)(i) for full disclosure of the requested files. Pursuant to the Department’s FOIA appeal process set forth in 31 C.F.R. § 1.5(i), an appeal must be submitted within 35 days from the date of this response to your request, signed by you and addressed to:

Freedom of Information Act Appeal,
DO, Disclosure Services,
Department of the Treasury,
Washington, D.C. 20020.

The appeal should reasonably describe the records to which access has been denied and should specify the date of the initial request and the date of this determination. Please enclose copies of your initial request and this email.

Rich Delmar
Counsel to the Inspector General
Department of the Treasury

REPORT OF INVESTIGATION
BANK-10-0906-I



Office of Inspector General

United States Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: First Bank of Idaho
111 Main Street
Ketchum, ID 83340

Case #: Bank-10-0906-I

Case Type: Criminal X
Administrative
Civil

Investigation Initiated: March 29, 2010

Conducted by: [REDACTED]
Special Agent

Investigation Completed: NOV 01 2011

[REDACTED]
Special Agent

Origin: Treasury Office of Inspector General
(TOIG)/ Office of Audit (OA) Material Loss
Review (MLR)

Approved by: [REDACTED]
Special Agent in Charge

Summary

During a March 2009 examination of First Bank of Idaho (FBI), the Office of Thrift Supervision (OTS) had discovered that beginning in mid-2007, the bank had engaged in the practice of granting distressed borrowers a loan extension and then granted new or separate lines of credit to meet monthly debt service on land and construction loans. This practice of establishing or replenishing interest reserves had the impact of masking the true portfolio delinquency of the bank's loans and made those loans serviced by interest reserves to not appear as being delinquent. OTS found that the thrift had made \$39.1 million of real estate project loans that had been classified as nonperforming and whose terms were restructured by extending the loans' maturity dates and providing interest reserves to service them. A Material Loss Review (MLR) was conducted and referred by OA to the TOIG/Office of Investigations.

While the allegations were substantiated, the U.S. Attorney's Office has determined that the conduct did not alone cause the bank to fail, nor was it of an extent or level that would support a criminal prosecution of its officers or board members.

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MEMORANDUM TO FILE

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY

FROM:

[REDACTED]
Special Agent [REDACTED]

SUBJECTS:

Silverton Bank
Atlanta, Georgia

OIG Case Number: OCC-10-1571-I

This investigation was initiated by the Office of Inspector General (OIG), Office of Investigation (OI) on April 1, 2010. On December 22, 2009, Treasury, OIG Office of Audit referred the Silverton Bank, N.A., Atlanta, GA, Material Loss Review to OI due to the discovery of what appeared to be fraudulent activities involving Silverton Bank Officials. Silverton Bank is currently under investigation by the Federal Bureau of Investigation, Federal Deposit Insurance Corporation OIG, Special Inspector General for Troubled Assets Relief Program, and the United States Attorney's Office.

On June 18, 2010, Inspector General Eric Thorson instructed OI to discontinue investigative efforts into Silverton Bank. Therefore, it is recommended that no further investigation be conducted by the OIG/OI and with the approval of this memorandum, this investigation be administratively closed.

Approved [REDACTED]

7-7-10

[REDACTED]
Assistant Special Agent in Charge

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WASHINGTON, D.C. 20220

MEMORANDUM TO FILE

**OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY**

FROM:

[REDACTED]
Special Agent

SUBJECT:

Home National Bank
Blackwell, OK

OIG Case Number: BANK-10-2227-I

On June 14, 2010, the U.S. Department of the Treasury (Treasury), Office of Inspector General (OIG), Office of Investigations (OI), received correspondence from the Federal Deposit Insurance Corporation (FDIC) OIG, as part of the joint Bank Fraud/Failure initiative, regarding potential insider trading by Home National Bank's executives. It was alleged that the bank's executives are family members and gave themselves bank funds. Specifically, it is alleged the bank executives subverted the Office of the Comptroller of the Currency examination process by not revealing the true borrowers and condition of loans, which consequently contributed to the bank's failure.

On July 9, 2010, Home National Bank closed, and the assuming institutions were RCB Bank of Claremore, OK and Enterprise Bank & Trust of Clayton, MO. Under the financial reform legislation, a Material Loss Review (MLR) reports are required for banks with losses in excess of \$200 million; the Home National Bank's estimated losses were approximately \$78 million, and the bank's losses did not reach the \$200 million threshold.

On August 9, 2010, the OIG/OI was notified by the FDIC OIG that there was insufficient information to proceed with any criminal charges, based on the FDIC post closure examination of Home National Bank. The FDIC OIG no longer considered it a criminal matter. The FDIC determined that administrative and/or civil fines and sanctions by the OCC may be the best course of action, if necessary. As a result of the lead investigative agency's decision, it is recommended that this investigation be administratively closed with the approval of this report.

Approved:


[REDACTED]
Special Agent in Charge



OFFICE OF
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MEMORANDUM TO FILE

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY

FROM:

2/11 8/24/10
[REDACTED]
Assistant Special Agent in Charge

SUBJECT:

Century Bank
Sarasota, FL

OIG Case Number: BANK-10-2042-I

On June 28, 2010, the U.S. Department of the Treasury (Treasury), Office of Inspector General (OIG), Office of Investigations (OI), initiated an investigation with the Federal Deposit Insurance Corporation (FDIC) OIG, as part of the joint bank Fraud initiative, regarding potential fraudulent activities by Century Bank personnel. The OIG Office of Audit completed a Material Loss Review which revealed allegations that Century engaged in improper loan accounting, missing or destroyed documents, and questionable decisions by management to override and approve loans that were rejected by underwriters. This would have subverted the Office of Thrift Supervision (OTS) examination process by not revealing the true condition of loans, not providing all bank documentation, and misleading asset classifications which consequently contributed to the bank's failure.

On November 13, 2009, Century was closed by the OTS, which appointed the FDIC as receiver. To protect the depositors, the FDIC entered into a purchase and assumption agreement with Iberia Bank, Lafayette, Louisiana, to assume all of the deposits of Century. As of October 31, 2009, Century had total assets of \$728 million and total deposits of approximately \$631 million.

On August 11, 2010, the OIG/OI was notified by the FDIC OIG that there was insufficient information to proceed with any criminal charges, based on their post closure examination of Home National Bank.


[REDACTED]

The FDIC OIG determined that investigation into Century did not have investigative merit, nor could the FDIC OIG identify any investigative targets. As a result, FDIC

OIG no longer considers this a criminal matter. The FDIC determined that administrative and/or civil fines and sanctions by the OTS may be the best course of action. OTS currently has an ongoing enforcement proceeding against Century.

As a result of the lead investigative agency's decision, it is recommended that this investigation be concluded with the approval of this report.

Approved:

 8/26/10

Special Agent in Charge

REPORT OF INVESTIGATION
BANK-10-2511-I



Office of Inspector General

United States Department of the Treasury



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: Flagship National Bank
Bradenton, FL

Case #: Bank-10-2511-I

Case Type: Criminal X
Administrative
Civil

Investigation Initiated: August 11, 2010

Investigation Completed: JAN 11 2012

Conducted by: [REDACTED]
Special Agent

Origin: Marla Freedman, Assistant Inspector
General for Audit, Treasury Office of the
Inspector General

Approved by: [REDACTED]
Special Agent in Charge

Summary

On July 13, 2010, the Treasury Office of the Inspector General, Office of Audit forwarded to the Treasury Office of the Inspector General, Office of Investigations, a referral for investigative review arising from information identified during a Material Loss Review of the subject bank. Allegations concerned potential fraudulent loan modification practices promoted and committed by Flagship National Bank executives to circumvent federal lending limits. The Office of the Comptroller of the Currency (OCC) advised that they evaluated whether to initiate a formal investigation relating to those allegations, but after reviewing relevant records, OCC decided not to open their own investigation. OCC advised that they are not aware of any obstruction of exams issues ever occurring.

The allegations were not substantiated.

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Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: Bank First Minnesota

Case #: BANK-10-2967-I

Investigation Initiated: 8/30/2010

Case Type: Criminal X
Administrative
Civil

Investigation Completed:

Conducted by: [REDACTED]
Special Agent

Origin: Proactive

Approved by: [REDACTED]
Special Agent in Charge

Summary

On August 30, 2010, the Department of the Treasury Office of Inspector General (TOIG) opened an investigation into the potentially fraudulent lending practices at Bank First Minnesota. (Exhibit 1) Also participating in the investigation were the Federal Deposit Insurance Corporation (FDIC) Office of Inspector General (OIG), the Federal Reserve Board (FRB) OIG and the Federal Bureau of Investigation (FBI).

To date, there has been little or no investigative activity performed by the lead agencies (FDIC OIG and FRB OIG) and no information has surfaced to enhance Treasury's nexus in the investigation. Therefore, the investigation will be closed unless or until additional information is uncovered to warrant reopening.

Basis and Scope of the Investigation

Due to the lack of activity by the lead agencies, the TOIG was limited to reviewing the FRB OIG's Material Loss Review of Bank First Minnesota (Exhibit 2) and the list of Office of Thrift Supervision (OTS) regulated institutions that purchased loans in Bank First Minnesota's loan participation scheme.

Investigative Activity

[REDACTED]

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[REDACTED]

In the course of the investigation, the TOIG attempted to locate the Reports of Examination (ROE) for Bank First Minnesota and discovered that Bank First Minnesota is regulated by the FRB which makes illegal activity at Bank First Minnesota the province of the FRB OIG. The primary allegation against Bank First Minnesota officers and directors is that they fraudulently misrepresented the strength of their loan participation initiative when they sold portions of it to OTS regulated institutions. To date, there has been no information from the OTS that any of the OTS regulated institutions which purchased into the Bank First Minnesota loan participation initiative attempted to subvert the examination process to conceal this fact.

Referrals

Not Applicable

Judicial Action

Not Applicable

Findings

To date, there has been little or no investigative activity performed by the lead agencies (FDIC OIG and FRB OIG) and no information has surfaced to enhance Treasury's nexus in the investigation. Therefore, the investigation will be closed unless or until additional information is uncovered to warrant reopening.

Distribution

Not Applicable

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OFFICE OF
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 9, 2010

MEMORANDUM TO FILE

**OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY**

FROM:

[REDACTED] *W*
Special Agent

SUBJECT:

MLR-Valley Capital Bank

OIG Preliminary Case Number: OCC-11-0279-P

This preliminary investigation was initiated by the Office of Inspector General (OIG), Office of Investigation (OI), on November 19, 2010, after receiving notification from the Treasury Office of the Inspector General, Office of Audit that potential insider abuses were identified during the non-material loss review of Valley Capital Bank of Mesa, Arizona.

On December 11, 2009, the Office of the Comptroller of Currency (OCC) closed Valley Capital and appointed the Federal Deposit and Insurance Corporation (FDIC) as receiver. As of September 30, 2009, the bank had \$40.3 million in total assets. FDIC estimated that the loss to the Deposit Insurance Fund is \$7.4 million.

On November 17, 2010, the FDIC, Office of the Inspector General (FDIC OIG), Southwest Region, indicated that it is monitoring the closure of Valley Capital Bank. However, it has not detected any criminal activity and is not working any active criminal case involving Valley Capital. The FDIC OIG advised it may pursue civil claims against the bank's former directors and officials.

At this time, the OIG/OI has determined that investigation into Valley Capital Bank is not warranted and it is recommended no further investigation be conducted at this time and the matter be administratively closed with the approval of this memorandum.

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Date Printed: 12/9/10
OI Form-055 (Jan 2009)

Office of Inspector General - Investigations
Department of the Treasury

Approved

Assistant Special Agent in Charge

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Date Printed: 12/5/10
OI Form-000 (Jan 2009)

**Office of Inspector General - Investigations
Department of the Treasury**



OFFICE OF
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 13, 2010

MEMORANDUM TO FILE
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY

FROM: [REDACTED]
Special Agent

SUBJECT: Ideal Federal Savings Bank

OIG Preliminary Case Number: BANK-11-0316-P

This preliminary investigation was initiated by the Office of Inspector General (OIG), Office of Investigation (OI), on November 23, 2010, after receiving notification from the Treasury Office of the Inspector General, Office of Audit that potential fraudulent activities were identified during the non-material loss review of Ideal Federal Savings Bank, Baltimore, MD.

On July 9, 2010, the Office of Thrift Supervision (OTS) closed Ideal Federal and appointed the Federal Deposit and Insurance Corporation (FDIC) as receiver. As of March 31, 2010, the thrift had \$6.3 million in total assets. FDIC estimated that the loss to the Deposit Insurance Fund is \$2.1million.

On December 13, 2010, ASAC [REDACTED] TOIG spoke with FDIC-OIG SAC [REDACTED] Northeast Region. [REDACTED] said his agency is not opening investigation of Ideal Federal Savings at this time. At the present time the purported loss amount does not meet the threshold to present matter to the U.S. Attorney's Office. If information is later developed that should reflect otherwise, they will open and refer matter to us to work jointly with the Federal Deposit and Insurance Corporation.

At this time, the OIG/OI has determined that investigation into Ideal Federal Savings Bank does not have any investigative merit and it is recommended no further investigation be conducted at this time and the matter be administratively closed with the approval of this memorandum.

Approved:

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Date Printed: 4/21/11
OI Form-088 (Jan 2009)

Office of Inspector General - Investigations
Department of the Treasury



Assistant Special Agent in Charge

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Date Printed: 4/21/11
OI Form-082 (Jan 2009)

Office of Inspector General - Investigations
Department of the Treasury

REPORT OF INVESTIGATION
BANK 11-0896-I



Office of Inspector General

United States Department of the Treasury



Office of the Inspector General
U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]: Interference
With OCC Investigation

Case #: BANK 11-0896-I

Case Type: Criminal ☒
Administrative ☐
Civil ☐

Investigation Initiated: April 26, 2011

Investigation Completed: OCT 11 2011

Conducted by: [REDACTED]
Special Agent

Origin: Office of the Comptroller of the
Currency

Approved by: [REDACTED]
Special Agent in Charge

Summary

On April 15, 2011, [REDACTED] Director, Enforcement & Compliance Division, Office of the Comptroller of the Currency (OCC) forwarded to Treasury, Office of Inspector General, (TOIG), documents supporting an allegation involving a possible attempt by [REDACTED] officials to interfere with an investigation conducted by the OCC. (Exhibit 1)

The allegation stated a status update would be provided in order to offer [REDACTED] to comply with OCC instruction. A status update was obtained on June 29, 2011 from [REDACTED] Senior Attorney, Enforcement and Compliance, OCC, indicating that [REDACTED] has complied with all OCC instructions and as of the closing of this report, does not feel that [REDACTED] has interfered with any examination conducted by the OCC.