



Department of Justice



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**FORMER TREASURER OF TAYLOR, BEAN & WHITAKER
PLEADS GUILTY TO \$1.9 BILLION FRAUD SCHEME
THAT CONTRIBUTED TO THE FAILURE OF COLONIAL BANK**

WASHINGTON – Desiree Brown, the former treasurer of a private mortgage lending company, Taylor, Bean & Whitaker (TBW), pleaded guilty today to conspiring to commit bank, wire and securities fraud for her role in a more than \$1.9 billion fraud scheme that contributed to the failures of Colonial Bank and TBW.

The guilty plea was announced today by Assistant Attorney General Lanny A. Breuer of the Criminal Division; U.S. Attorney Neil H. MacBride for the Eastern District of Virginia; Special Inspector General Neil Barofsky for the Troubled Asset Relief Program (SIGTARP); Assistant Director in Charge James W. McJunkin of the FBI’s Washington Field Office; Michael P. Stephens, Inspector General of the Department of Housing and Urban Development (HUD OIG); Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation (FDIC OIG); Steve A. Linick, Inspector General of the Federal Housing Finance Agency (FHFA OIG); and Victor F. O. Song, Chief of the Internal Revenue Service (IRS) Criminal Investigation.

Brown, 45, of Hernando, Fla., pleaded guilty before U.S. District Judge Leonie M. Brinkema in the Eastern District of Virginia. Brown faces a maximum penalty of 30 years in prison when she is sentenced on June 10, 2011. In a related action, the U.S. Securities and Exchange Commission (SEC) today filed an enforcement action against Brown in the Eastern District of Virginia.

According to court documents, Brown admitted that from late 2003 through August 2009, she and her co-conspirators, including former TBW chairman Lee Farkas engaged in a scheme to defraud various entities and individuals, including Colonial Bank, a federally-insured bank; Colonial BancGroup Inc.; shareholders of Colonial BancGroup; investors in Ocala Funding LLC, including Deutsche Bank and BNP Paribas; the Troubled Asset Relief Program (TARP); and the investing public. One of the goals of the scheme to defraud was to obtain funding for TBW to assist it in covering expenses related to operations and servicing payments owed to third-party purchasers of loans and/or mortgage-backed securities.

According to court documents, Brown and her co-conspirators referred to one aspect of the fraud scheme as “Plan B.” “Plan B” generated money for TBW through the fictitious “sales” of mortgage loans to Colonial Bank. The conspirators accomplished this by sending

mortgage data to Colonial Bank for loans that did not exist or that TBW had already committed or sold to other third-party investors. As a result, the Plan B loan data was recorded in Colonial Bank's books and records, and gave the false appearance that Colonial Bank had purchased legitimate interests in mortgage loans from TBW. Brown admitted that she and her co-conspirators caused Colonial Bank to pay TBW for assets that were worthless to Colonial Bank.

Brown admitted that, as part of the fraud scheme, she and her co-conspirators also caused TBW to sell fictitious trades, which had no pools of loans collateralizing them, to Colonial Bank. Brown and her co-conspirators caused false information about the trades to be entered on Colonial Bank's books and records, giving the appearance that the bank owned interests in legitimate trades, when in fact the trades had no value and could not be sold.

Court documents indicate that the conspirators caused Colonial Bank to pay TBW more than \$400 million for assets that in fact had no value, and caused Colonial Bank and Colonial BancGroup to hold these assets on their books as if they had actual value. Additionally, the conspirators caused TBW to misappropriate more than \$1 billion in collateral from Ocala Funding LLC, a mortgage lending facility owned by TBW.

According to court documents, the fraud scheme also included an effort by the conspirators in the fall of 2008 to obtain \$570 million in taxpayer funding through the Capital Purchase Program (CPP), a sub-program of the U.S. Treasury Department's TARP program. In connection with the application, Colonial BancGroup submitted financial data and filings that included materially false information related to mortgage loan and securities assets held by Colonial Bank as a result of the fraudulent scheme admitted to by Brown. Colonial BancGroup never received the TARP funding.

In August 2009, the Alabama State Banking Department, Colonial Bank's regulator, seized the bank and appointed the FDIC as receiver. Colonial BancGroup also filed for bankruptcy in August 2009.

In June 2010, Farkas was arrested and charged in a 16-count indictment for his role in the fraud scheme. His trial is scheduled to begin in April 2011. An indictment is merely a charge and a defendant is presumed innocent until proven guilty.

The case is being prosecuted by Deputy Chief Patrick Stokes and Trial Attorney Robert Zink of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Charles Connolly and Paul Nathanson of the Eastern District of Virginia. This case was investigated by SIGTARP, FBI's Washington Field Office, FDIC OIG, HUD OIG, FHFA OIG and the IRS Criminal Investigation. The Financial Crimes Enforcement Network (FinCEN) of the Department of the Treasury also provided support in the investigation.

This prosecution was brought in coordination with President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement

who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

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