

Department of Justice



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Former CEO, CIO, and CFO, of the Federal Home Loan Bank of Dallas Indicted for Making False Statements

DALLAS – An indictment returned by a federal grand jury in Dallas this week charges three former executives of the Federal Home Loan Bank of Dallas (“FHLB-Dallas”), Terence C. Smith, Nancy B. Parker, and Michael J. Sims, with various charges related to defrauding FHLB-Dallas by seeking reimbursement for personal travel and gifts, announced John Parker, U.S. Attorney for the Northern District of Texas.

The indictment charges Smith, 60, who was the President and Chief Executive Officer of the FHLB-Dallas from 2000 to September 2013; Parker, 64, who was the Chief Information Officer of the FHLB-Dallas from 1999 to November 2013; and Sims, 51, who was the Chief Financial Officer of the FHLB-Dallas from 2005 to May 2014, with one count of conspiring to make false statements to a Federal Home Loan Bank. Smith is also charged with eleven substantive counts of making false statements to the FHLB-Dallas related to travel, Parker is charged with six substantive counts of making false statements, and Sims is charged with three substantive counts of making false statements.

The indictment alleges that starting as early as January 2008 and continuing through November 2013, Smith, Parker, and Sims, submitted or caused to be submitted a series of fraudulent reimbursement requests for travel they identified as business-related but was in fact personal, which caused the bank to pay approximately \$780,000. The defendants incurred these expenses in connection with first class airfare, limousine services, concerts, vineyard tours, luxury hotel rooms, lavish meals, and expensive liquor and wine during more than 30 trips they took to Las Vegas, Nevada, Amelia Island, Florida, Coronado, California, San Diego, California, and others locations. In each instance, the defendants falsely stated that purpose of their travel was attending various conferences, planning meetings, strategy meetings, and ops meetings, when in fact they did not attend any conference, or conduct any legitimate planning, strategy, or ops meetings. Despite taking numerous trips that served no legitimate business purpose, the indictment alleges that the defendants further defrauded FHLB-D by requesting payment of more than \$450,000 for unused vacation time.

The indictment also charges Parker separately with conspiring to embezzle from FHLB-Dallas in connection with a scheme she executed to have the bank pay for Christmas gifts for Smith. Parker is also charged with three substantive counts of embezzlement related to the Christmas gifts.

The indictment alleges from at least December 2005 and continuing through December 2012, Parker conspired with a former contractor who later became an employee of FHLB-Dallas to submit an inflated contractor invoice, fictitious check requests, and a fictitious purchase order to the bank to acquire Christmas gifts for Smith using the bank’s funds. Parker’s actions caused FHLB-

Dallas to pay more than \$17,000 for the gifts, which included a wine sommelier computer and video/photography equipment.

FHLB-Dallas is a government sponsored enterprise and part of the Federal Home Loan Bank System. The Federal Home Loan Bank System was created to support mortgage lending and related community investment. The System is currently composed of 11 regional Federal Home Loan Banks and more than 7,300 member financial institutions. FHLB-Dallas is a cooperative association that consists of financial institutions from the five-state district of Arkansas, Louisiana, Mississippi, New Mexico, and Texas that have purchased stock in FHLB-Dallas. Member institutions have access to funding for housing finance, community lending, and asset-liability management. FHLB-Dallas helped its member institutions provide credit and financial services to families, farms, and businesses across its district.

An indictment is merely an allegation and defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law. However, if convicted, each count of making a false statement carries a maximum statutory penalty of 30 years in federal prison and a \$1 million fine. Each count of conspiracy to make a false statement carries a maximum statutory penalty of five years in federal prison and a \$250,000 fine. Restitution may also be ordered. The indictment also includes a forfeiture allegation that would require the defendants, upon conviction, to forfeit any property that constitutes or was derived from proceeds traceable to the offense.

The Federal Housing Finance Agency Office of Inspector General led the investigation. Assistant U.S. Attorneys Douglas Brasher and Errin Martin are in charge of the prosecution.

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