



Department of Justice

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FORMER BANK EXECUTIVE FOUND GUILTY IN \$15 MILLION CONSTRUCTION LOAN FRAUD SCHEME

WASHINGTON – A former Kansas bank executive was found guilty by a federal jury yesterday for his participation in a bank fraud scheme to obtain a \$15 million construction loan for certain bank customers based upon false and fraudulent representations. The loan was shared among 26 Kansas banks.

Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division, Special Agent in Charge Justin R. Bundy of the Federal Deposit Insurance Corporation Office of Inspector General's (FDIC-OIG) Kansas City Regional Office, Special Agent in Charge Timothy R. Langan of the FBI's Kansas City Field Office and Special Agent in Charge Catherine Huber of the Federal Housing Finance Agency Office of Inspector General's (FHFA-OIG) Central Region Office made the announcement.

Troy A. Gregory, 52, of Lawrence, Kansas, was found guilty of four counts of bank fraud and two counts of false statements, as charged in a November 2017 indictment. The jury failed to reach a verdict as to one count of conspiracy. Sentencing is scheduled for Jan. 28, 2020, before U.S. District Judge Carlos Murguia of the District of Kansas, who presided over the trial.

According to the evidence submitted at trial, Gregory was a bank executive and loan officer who had made millions of dollars in loans to a group of borrowers who were struggling to make payments on the loans. Beginning in approximately late 2007, Gregory began the process of making a \$15.2 million construction loan to build an apartment complex to that same group of borrowers. Gregory's bank shared this loan with 25 other Kansas banks. Gregory made and caused others to make false statements to the banks about the strength of the borrowers, the debt status of the apartment property and the existence of approximately \$1.7 million in certificates of deposit for collateral on the loan, all to get the loan approved. Instead of using the loan funds promised for building the apartments, Gregory immediately diverted over \$1 million of the loan to pay for part of the certificates of deposit pledged as collateral, pay off debt on the apartment property, and make payments on unrelated loans, the evidence showed. Other Kansas banks that shared in this loan would not have participated in the loan without the false representations and promises. The banks ultimately wrote off millions of dollars on the \$15.2 million construction loan, the evidence showed.

The FDIC-OIG, IRS-CI, FBI and FHFA-OIG are investigating this matter. Trial Attorney Andrew R. Tyler and Senior Litigation Counsel David A. Bybee of the Criminal Division's Fraud Section are prosecuting the case.

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