

Department of Justice

U.S. Attorney's Office

District of Maryland

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Former President of Cecil Bank Pleads Guilty to Federal Charges in Maryland of Bank Fraud Conspiracy, Receiving a Bribe, and Making False Statements in Bank Records

Orchestrated the Straw Purchase of a Foreclosed Property for Her Own Benefit, Causing a Loss to the Bank of Approximately \$145,000; Made False Statements to Bank Regulators Inquiring About Foreclosed Property

Baltimore, Maryland – The former President and Chief Executive Officer of Cecil Bank, Mary Beyer Halsey, age 59, of Rising Sun, Maryland, pleaded guilty today to the federal charges of conspiracy to commit bank fraud, receipt of a bribe by a bank official, and false statement in bank records, in connection with the straw purchase of a home in Elkton, Maryland, upon which Cecil Bank had foreclosed.

The guilty plea was announced by United States Attorney for the District of Maryland Robert K. Hur; Special Agent in Charge Mark P. Higgins of Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG), Mid-Atlantic Region; Special Agent in Charge Patricia Tarasca of Federal Deposit Insurance Corporation, Office of Inspector General (FDIC/OIG), New York Region; Special Inspector General Christy Goldsmith Romero for the Troubled Asset Relief Program (SIGTARP); and Inspector General Hannibal “Mike” Ware of the Small Business Administration, Office of Inspector General (SBA/OIG).

“Mary Beyer Halsey used her position as President and CEO of Cecil Bank for her personal benefit, causing a loss to the bank, which had already received federal taxpayer funds as part of the Troubled Asset Relief Program,” said U.S. Attorney Robert K. Hur. “Corrupt bank officials undermine the public’s trust in our financial system.”

“The Federal Housing Finance Agency Office of Inspector General (FHFA-OIG) is committed to investigating allegations of fraud committed by officers of financial institutions which are members of the 11 Federal Home Loan Banks (FHLBanks) because their crimes strike at the heart of the FHLBank System,” said Mark Higgins, Special Agent in Charge of the FHFA-OIG’s Mid-Atlantic Region. “We are proud to have partnered with the U.S. Attorney’s Office for the District of Maryland on this case.”

“This plea illustrates the tremendous harm bank insiders can cause when they use their positions for personal gain, breaking the trust placed in them by their employees, shareholders, and customers,” said Patricia Tarasca, Special Agent in Charge, New York Region, Office of Inspector General for the Federal Deposit Insurance Corporation. “We thank our law enforcement partners and appreciate the cooperation between investigating agencies.”

“Today, another bank CEO pleads guilty to committing fraud against the bank while the bank was in TARP,” said Special Inspector General Christy Goldsmith Romero. “Cecil Bank CEO Halsey pled guilty to conspiracy to commit bank fraud, making false statements in bank records, and receiving a bribe in a fraud that caused losses to Cecil Bank. Taxpayers lost nearly \$11 million in TARP when Cecil Bank failed. SIGTARP commends U.S. Attorney Robert Hur and his team for fighting financial fraud related to TARP.”

“OIG and its law enforcement partners are poised to root out fraud and bring wrongdoers to justice,” said SBA Inspector General Hannibal “Mike” Ware. “I want to thank the U.S. Attorney’s Office and our law enforcement partners for their dedication and pursuit of justice.”

Cecil Bank, located in Elkton, Maryland, had received \$11,560,000 in federal taxpayer funds in 2008, under the Capital Purchase Program, as part of the Troubled Asset Relief Program. On April 20, 2011, Cecil Bank initiated the foreclosure of a single-family house located at 127 Ebenezer Church Road in Elkton.

According to her plea agreement, from 2012 to 2013, Halsey conspired with Daniel Whitehurst, an employee of a real estate development company that did business in Maryland, to defraud Cecil Bank and another bank to purchase a home through false pretenses, representations and promises. Specifically, on March 28, 2012, Halsey and Whitehurst met at a restaurant in Cecil County. Whitehurst asked Halsey if she could help him and a business partner get a \$500,000 line of credit from Cecil Bank. Halsey agreed to help Whitehurst to obtain a line of credit from Cecil Bank, in exchange for Whitehurst agreeing to serve as the straw purchaser of 127 Ebenezer on behalf of Halsey. Halsey suggested that she increase the line of credit for Whitehurst to \$650,000 to include the funds needed to buy the house. Whitehurst agreed to Halsey's request to secretly buy 127 Ebenezer on Halsey's behalf. On May 9, 2012, Halsey participated in a loan committee meeting at Cecil Bank that considered and approved a \$650,000 line for credit for Whitehurst and a \$500,000 line of credit for his business partner.

Halsey admitted that at her request, on May 14, 2012, Whitehurst visited 127 Ebenezer and provided Halsey with an estimate of the costs to update the house. Whitehurst determined that beyond replacing the kitchen subflooring at a cost of about \$1,000, there were no significant repairs needed. Whitehurst provided a letter of intent to purchase the home from the bank for \$150,000 for Halsey to review. Halsey suggested lowering the price to \$145,000 to allow room to increase the offer later. Halsey knew that an exterior-only appraisal of the property ordered by Cecil Bank on November 9, 2011, showed a market value of \$263,000. A full appraisal on September 10, 2012, reflected a market value of \$295,000. To support the below-market price that Halsey wanted to pay, Whitehurst included in the letter of intent a list of lower-priced home sales in the same area that were not comparable to 127 Ebenezer and therefore was not reflective of the property's actual market value.

As detailed in the plea agreement, on May 23, 2012, Whitehurst e-mailed Cecil Bank his offer to purchase 127 Ebenezer for \$145,000. On the same day, during a meeting of the Cecil Bank Board of Directors, Halsey advised the Board that Whitehurst had made a purchase offer of \$140,000 for 127 Ebenezer, \$5,000 less the actual offer. To support the below-market price of \$140,000, Halsey falsely characterized the property as having "structural deficiencies [that] will require significant repairs." Halsey did not disclose her personal interest in the property, nor Whitehurst's role as her nominee to acquire the property on her behalf. The Board authorized Halsey to "negotiate the best price." Thereafter, Whitehurst submitted a contract for him to purchase 127 Ebenezer from Cecil Bank for \$150,000, which Halsey signed on August 17, 2012 on behalf of Cecil Bank.

According to the plea agreement, subsequent to authorizing the sale of 127 Ebenezer, Halsey told Whitehurst that he should not use his line of credit from Cecil Bank to purchase the house, but should instead get the funds from a different source. Whitehurst applied for and obtained a \$100,000 loan from another bank to purchase 127 Ebenezer, fraudulently claiming that he was purchasing the property for himself and that the down payment was from an investment account. On October 31, 2012, prior to 127 Ebenezer going to settlement, Halsey wired \$75,000 to Whitehurst's bank account to cover the cost of the down payment as well as closing costs and upgrades to the property that Halsey directed Whitehurst to arrange. To conceal the true purpose of the wired funds, Whitehurst sent Halsey a fictitious real estate contract purporting to show that the \$75,000 was the down payment for a different property that Whitehurst owned in Havre de Grace, Maryland.

On November 21, 2012, the settlement of 127 Ebenezer was held with Halsey representing Cecil Bank as the seller, and Whitehurst as the purported purchaser, selling the property to Whitehurst for \$150,000. Both signed the HUD-1 form which falsely represented that Whitehurst had paid approximately \$52,566 at settlement, when in fact, the down payment and all related closing costs were paid from the \$75,000 Halsey had wired to Whitehurst's bank account beforehand. From October 31, 2012 through March 29, 2013, Halsey transferred an additional \$60,000 to Whitehurst to cover the cost the upgrades to the house that they had previously discussed, as well as to reimburse Whitehurst for mortgage payments he made on the property. Halsey and Whitehurst also made plans to transfer title of the property to Halsey by selling the house to her at a price that would minimize the tax consequences of the sale for Whitehurst.

In December 2012, in response to a question from a bank examiner for the Federal Reserve Bank of Richmond inquiring about the sale of the property to Whitehurst, Halsey 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.”

In April 2013, federal agents began interviewing employees and other borrowers about banking irregularities at Cecil Bank. Title to 127 Ebenezer was never transferred to Halsey. Halsey never told the bank that she was the true purchaser of 127 Ebenezer, nor did the bank know that Halsey and Whitehurst had orchestrated the sale of the foreclosed property at the fraudulent price of \$150,000, instead of the appraised pre-renovation price of \$295,000.

As a result of Halsey’s misrepresentations and omissions, the bank lost approximately \$145,000.

Halsey faces a maximum sentence of 30 years in federal prison for each offense: conspiracy to commit bank fraud; false statement in bank records; and receipt of a bribe by a bank official. Actual sentences for federal crimes are typically less than the maximum penalties. A federal district court judge will determine any sentence after taking into account the U.S. Sentencing Guidelines and other statutory factors. U.S. District Judge Deborah K. Chasanow has scheduled sentencing for November 6, 2020 at 11:00 a.m.

Daniel Whitehurst, age 36, of Bel Air, Maryland, pleaded guilty under seal to the federal charge of mail fraud on April 6, 2018. Whitehurst faces a maximum sentence of 30 years in federal prison for conspiracy to commit bank fraud. Judge Chasanow has not scheduled a date for Whitehurst’s sentencing.

United States Attorney Robert K. Hur commended the FHFA-OIG, Mid-Atlantic Region; FDIC/OIG; SIGTARP; and SBA/OIG for their work in the investigation. Mr. Hur thanked Assistant U.S. Attorneys Martin J. Clarke and Harry M. Gruber, who are prosecuting the case.

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Topic(s):
Financial Fraud

Contact:
Marcia Murphy
(410) 209-4854

Component(s):
[USAO – Maryland](#)