



# Department of Justice



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## **FORMER PRESIDENT OF TBW PLEADS GUILTY TO FRAUD SCHEME**

WASHINGTON – Raymond Bowman, the former president of Taylor, Bean & Whitaker (TBW), pleaded guilty today to conspiring to commit bank, wire and securities fraud, and lying to federal agents about his role in a fraud scheme that contributed to the failures of TBW and Colonial Bank.

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.

Bowman, 45, of Atlanta, pleaded guilty before U.S. District Judge Leonie M. Brinkema in the Eastern District of Virginia. Bowman faces a maximum penalty of five years in prison on the conspiracy charge and a maximum penalty of five years in prison on the false statements charge when he is sentenced on June 10, 2011.

According to court documents, Bowman admitted that from 2003 through August 2009, he and his 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.; and the investing public. Bowman admitted that he knowingly and intentionally participated in a fraud scheme that caused Colonial Bank and Colonial BancGroup to purchase tens of millions of dollars of worthless assets, caused Colonial BancGroup to report false information in its financial statements, and artificially inflated the value of TBW's mortgage servicing rights.

Court documents state that in early 2002, Bowman learned that TBW began running overdrafts in its master bank account at Colonial Bank because of TBW's inability to meet its operating expenses, which included payroll, servicing payments owed to third-party purchasers of loans and/or mortgage-backed securities and other obligations. In or about the fall of 2003,

Bowman, along with Farkas and other co-conspirators, engaged in a series of fraudulent actions to cover up the overdrafts, first by sweeping overnight money from one TBW account with excess funds into another, and later through the fictitious “sales” of mortgage loans to Colonial Bank, a fraud scheme the conspirators dubbed “Plan B.” 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. According to the statement of facts, Bowman believed that Plan B data included data for loans that did not exist and knew that without Plan B, TBW would likely fail and go out of business.

TBW used its mortgage servicing rights (MSR) to collateralize a working capital line of credit at Colonial Bank, and it retained third-party companies to conduct periodic MSR valuations. According to court documents, Bowman admitted that he, at Farkas’s request, directed co-conspirators to manipulate TBW’s borrowing base by billions of dollars to artificially inflate the MSR valuations and to avoid a margin call.

In 2005, TBW established a wholly-owned special purpose entity called Ocala Funding LLC, as a financing vehicle to provide it with additional funding for mortgage loans. The facility obtained funds for mortgage lending from the sale of asset-backed commercial paper to financial institutions. In his statement of facts, Bowman admitted that he learned from Farkas and other co-conspirators at TBW that within a year of its creation, Ocala Funding had a significant collateral deficit. As Bowman acknowledged, the government could prove that by August 2009, that deficit had grown to approximately \$1.5 billion and that TBW had caused Colonial Bank and the Federal Home Loan Mortgage Corporation (Freddie Mac) to falsely believe that they each had an undivided ownership interest in thousands of the same loans worth hundreds of millions of dollars.

On Aug. 3, 2009, Bowman was interviewed by agents from the FBI and the Office of the SIGTARP. Today, Bowman admitted that he falsely stated to the agents that he was not aware of Plan B loans, and that he was not aware of any fraudulent activities between Colonial Bank and TBW.

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. Desiree Brown, the former treasurer of TBW, pleaded guilty on Feb. 24, 2011, and Catherine Kissick, a former senior vice president of Colonial Bank and head of its Mortgage Warehouse Lending Division, pleaded guilty on March 2, 2011, for their roles in the fraud scheme.

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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