

Department of Justice

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FOR IMMEDIATE RELEASE

Tuesday, November 10, 2020

Former Bank Executive Sentenced to Prison for \$15 Million Construction Loan Fraud

A former Kansas bank executive was sentenced to 60 months in prison today for his role in carrying out a bank fraud scheme to obtain a \$15 million construction loan from 26 Kansas banks.

Acting Assistant Attorney General Brian Rabbitt of the Justice Department's Criminal Division, Special Agent in Charge Justin Bundy of the Federal Deposit Insurance Corporation Office of Inspector General's (FDIC-OIG) Kansas City Regional Office, Special Agent in Charge Adam B. Steiner of the IRS Criminal Investigation's (IRS-CI) St. Louis Field Office, Special Agent in Charge Timothy 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, 53, of Lawrence, Kansas, was sentenced by Chief U.S. District Judge Julie A. Robinson of the District of Kansas to 60 months in prison followed by three years of supervised release, and ordered to pay \$4,731,208.16 in restitution.

Following a two-week trial in August 2019, Gregory was found guilty of four counts of bank fraud and two counts of false statements. According to the evidence presented at trial and at the sentencing hearing, 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 late 2007, Gregory initiated the process of making a \$15.2 million construction loan to build an apartment complex to that same group of borrowers so they could pay back the other outstanding loans. Gregory's bank shared this loan with 25 other Kansas banks. To convince the other banks to participate, Gregory made and caused others to make false statements 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. Other Kansas banks that shared in this loan would not have participated in the loan without Gregory's false representations and promises. The victimized banks collectively lost approximately \$5 million on this fraudulent loan.

The case was investigated by FDIC-OIG, IRS-CI, the FBI, and FHFA-OIG. Senior Litigation Counsel David A. Bybee and Trial Attorney Andrew R. Tyler of the Criminal Division's Fraud Section prosecuted the case.

The Criminal Division's Fraud Section plays a pivotal role in the Department of Justice's fight against white collar crime around the country.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at <http://www.justice.gov/Celebrating150Years>.

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