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Department of Justice

Office of Public Affairs

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Four Executives Plead Guilty to Fraud Scheme that Caused Over \$4.5 Million in Losses to the Small Business Administration

Three former executives of Valley Bank, a defunct financial institution based in Moline, Illinois, and the President of Vital Financial Services (Vital Financial), a lending service provider, have pleaded guilty to scheming to defraud the Small Business Administration (SBA) in connection with its programs to guarantee loans made to small businesses.

According to court document, the defendants — Michael Slater, 65, of Clive, Iowa, former President and Founder of Vital Financial; Larry Henson, 70, of Davenport, Iowa, former President and Chairman of Valley Bank; Andrew Erpelding, 43, also of Davenport, Iowa, former Vice President and Regional Manager of Valley Bank; and Susan McLaughlin, 68, of Bettendorf, Iowa, former Vice President for Credit Administration of Valley Bank — conspired to and did fraudulently obtain loan guarantees from the SBA on behalf of Valley Bank borrowers, knowing that the loans did not meet SBA's guidelines and requirements for the guarantees. They did so by, among other things, altering loan payment histories, renaming businesses, and hiding the fact that borrowers had previously defaulted on loans. When the fraudulently guaranteed loans defaulted, the defendants caused the submission of reimbursement requests to the SBA to purchase the defaulted loans from investors and lending institutions, thereby shifting the majority of losses on the ineligible loans to the SBA. In all, the defendants attempted to obtain guarantees on over \$14 million in loans, were successful in obtaining guarantees on over \$9 million in loans, and caused the SBA losses of over \$4.5 million.

All four defendants pleaded guilty to conspiracy to commit wire fraud affecting a financial institution. McLaughlin pleaded guilty on Sept. 20; Erpelding on Sept. 21; Henson on Nov. 9; and Slater on Nov. 18. The defendants each face a maximum penalty of 30 years in prison. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

Assistant Attorney General Kenneth A. Polite Jr. of the Justice Department's Criminal Division; U.S. Attorney Richard D. Westphal for the Southern District of Iowa; Inspector General Jay N. Lerner of the Federal Deposit Insurance Corporation Office of Inspector General (FDIC-OIG); Inspector General Mark Bialek of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB/CFPB-OIG); Inspector General Hannibal "Mike" Ware of the SBA Office of Inspector General (SBA-OIG), Acting Assistant Director Jay Greenberg of the FBI's Criminal Investigative Division, and Acting Inspector General Phyllis K. Fong of the Federal Housing Finance Agency Office of Inspector General (FHFA-OIG) made the announcement.

The FDIC-OIG, FRB/CFPB-OIG, SBA-OIG, FBI, and FHFA-OIG investigated the case.

Trial Attorney Siji Moore of the Criminal Division's Fraud Section and Assistant U.S. Attorney Adam Kerndt of the Southern District of Iowa are prosecuting the case.

Component(s):

Criminal Division

Criminal - Criminal Fraud Section

USAO - Iowa, Southern

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