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Taylor, Bean & Whitaker

- \$3.5 BILLION SCHEME
- Involved sales of fake mortgage assets, misappropriations of funds, and triple selling of mortgage loans
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Summary of Prosecution Matters and Convictions

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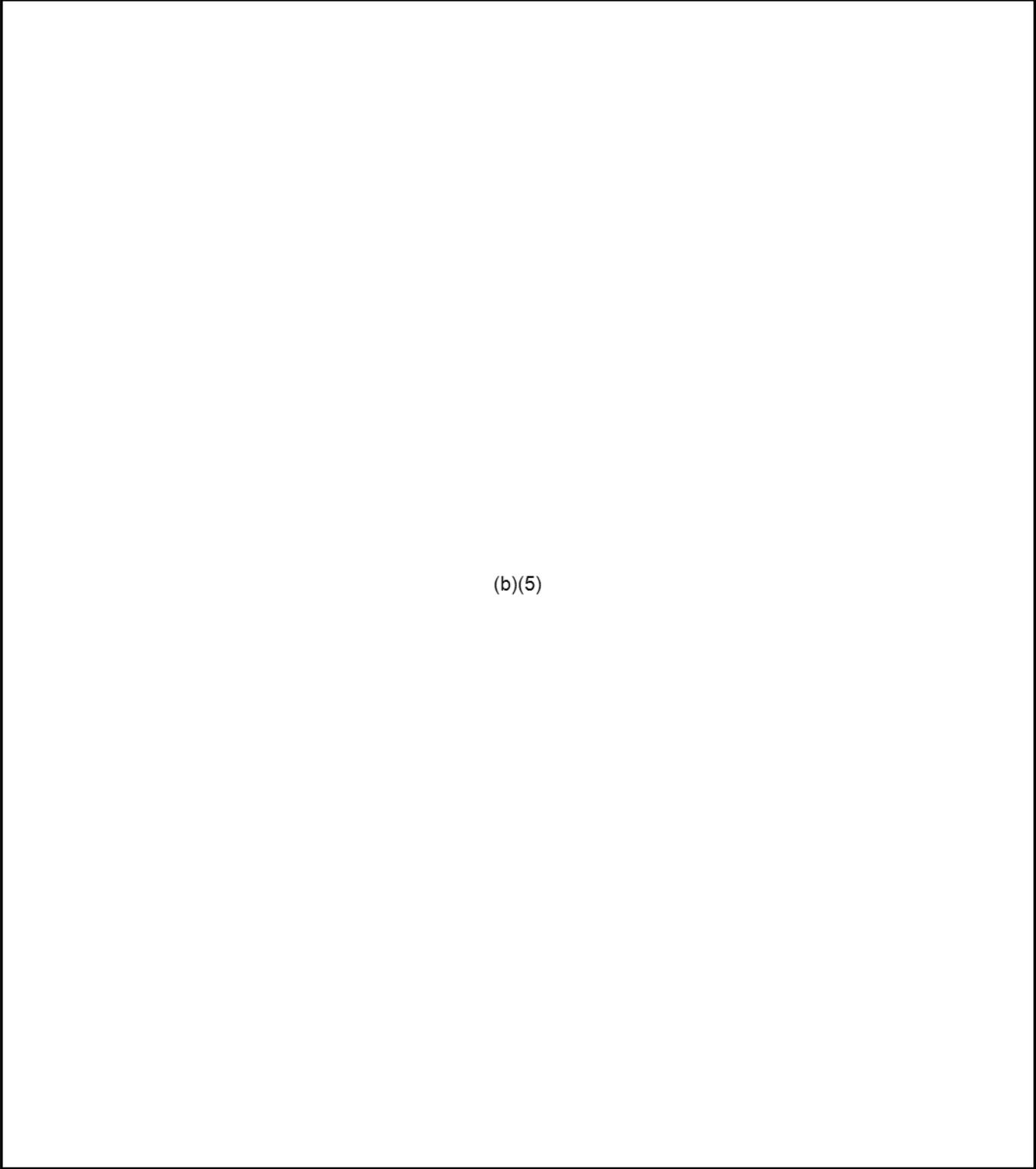
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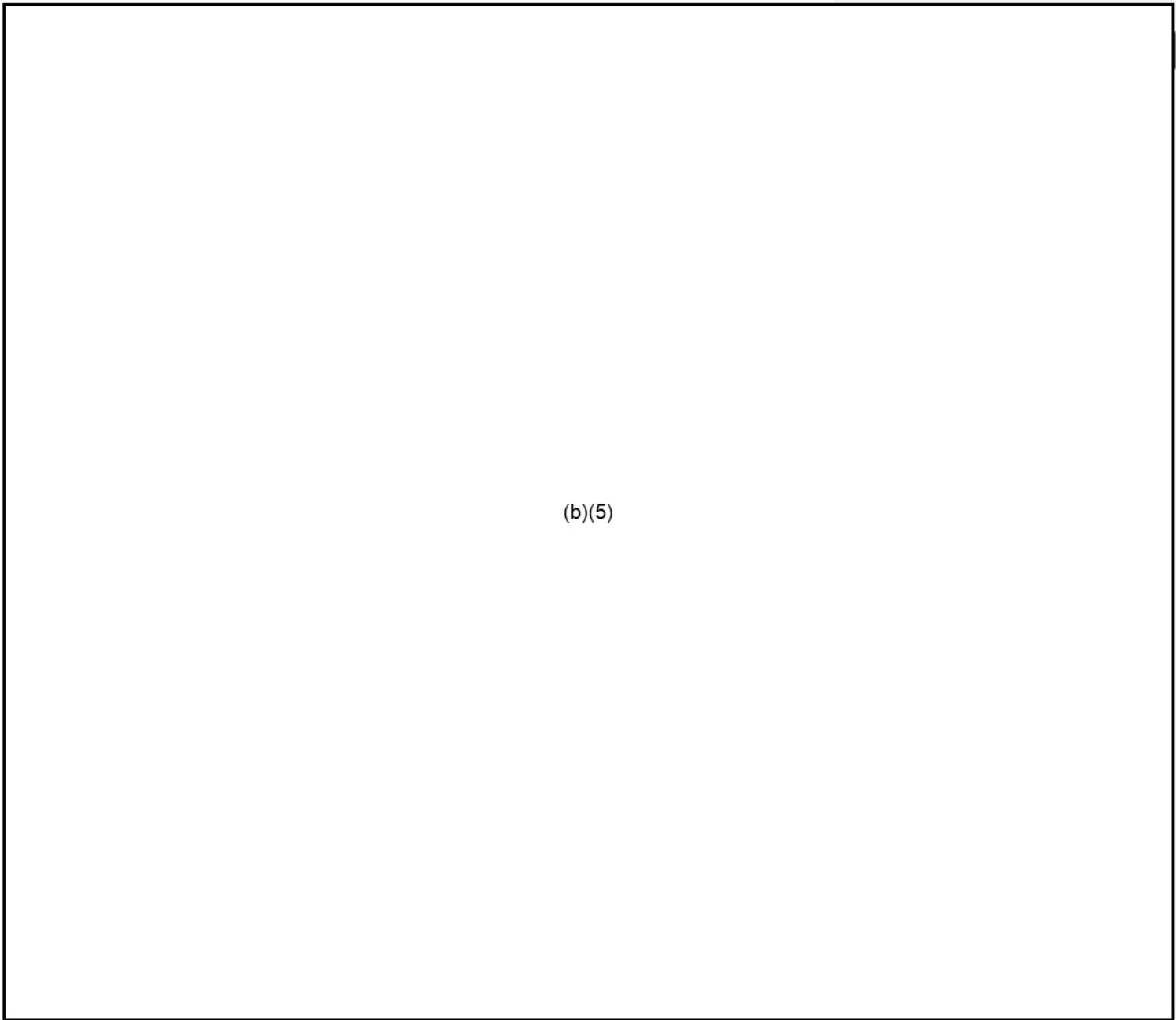
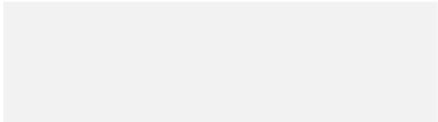
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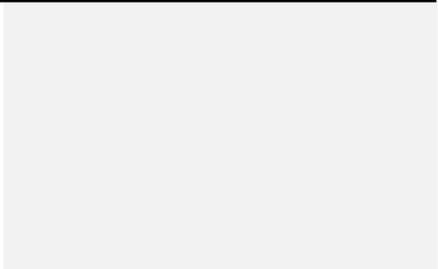
FHFA TBW – COLONIAL BANK TALKING POINTS



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TBW-Colonial Investigation – Lessons Learned

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FHFA

**Office of Inspector General
Investigations Division**

Fraud Prevention through Awareness, Investigation & Enforcement



**Colonial Bank – Taylor, Bean &
Whitaker Mortgage Company
Investigation and Prosecution**



**FHFA – DOJ
Mortgage Fraud Conference
February 11, 2014**

This briefing contains information sensitive to the operations of the FHFA-OIG



Investigative Agencies



- SIGTARP
- FBI
- FHFA-OIG
- HUD-OIG
- FDIC-OIG
- SEC
- IRS-CID





Prosecution Team



Eastern District of Virginia	Department of Justice Fraud Section
Charles Connolly	Patrick Stokes
Paul Nathanson	Rob Zink



TARP Capital Raise



April 1, 2009 – Colonial BancGroup files 8K announcing the signing of a Stock Purchase Agreement, dated March 31, 2009, with investors led by Taylor, Bean & Whitaker Mortgage Corporation pursuant to which Colonial BancGroup would raise \$300 million of additional capital, in order to receive \$550 million in TARP funds



Case Initiation



- SIGTARP opened an investigation to determine if it was a “round trip” transaction
- SIGTARP Subpoena issued to Colonial Bank and TBW
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Additional Frauds



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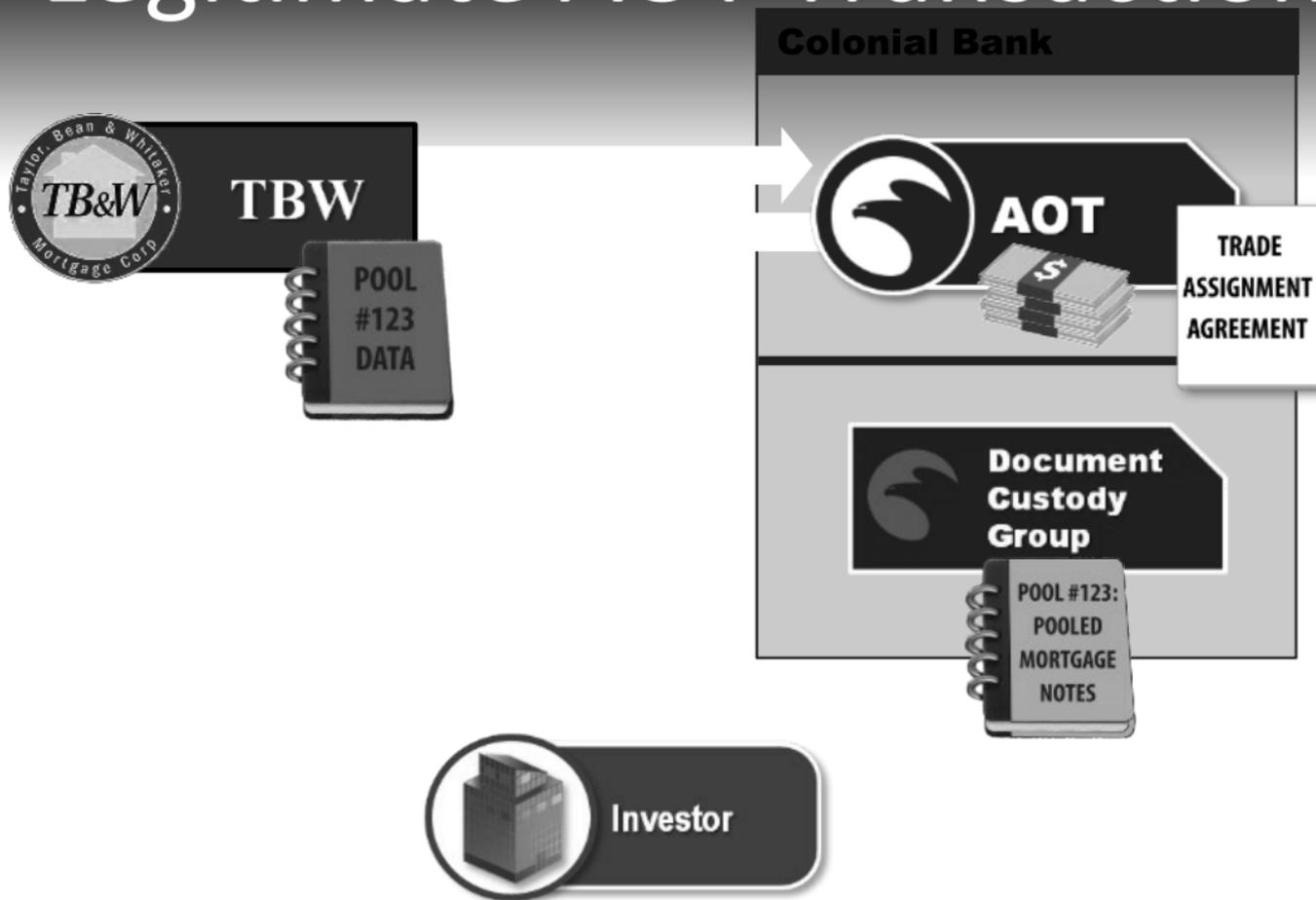
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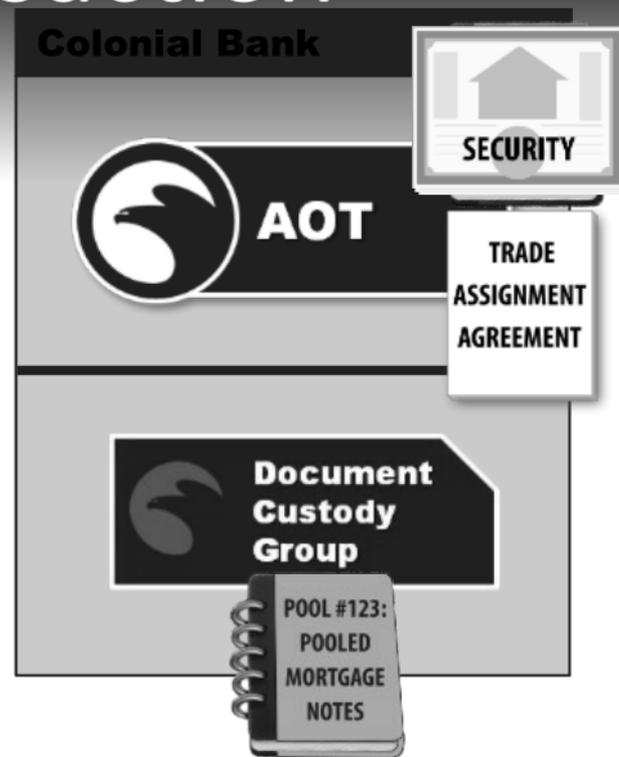
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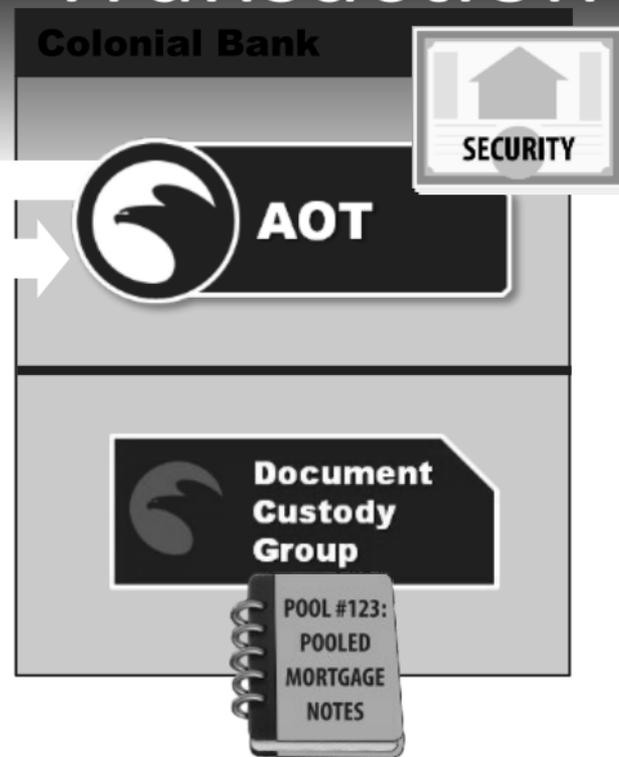
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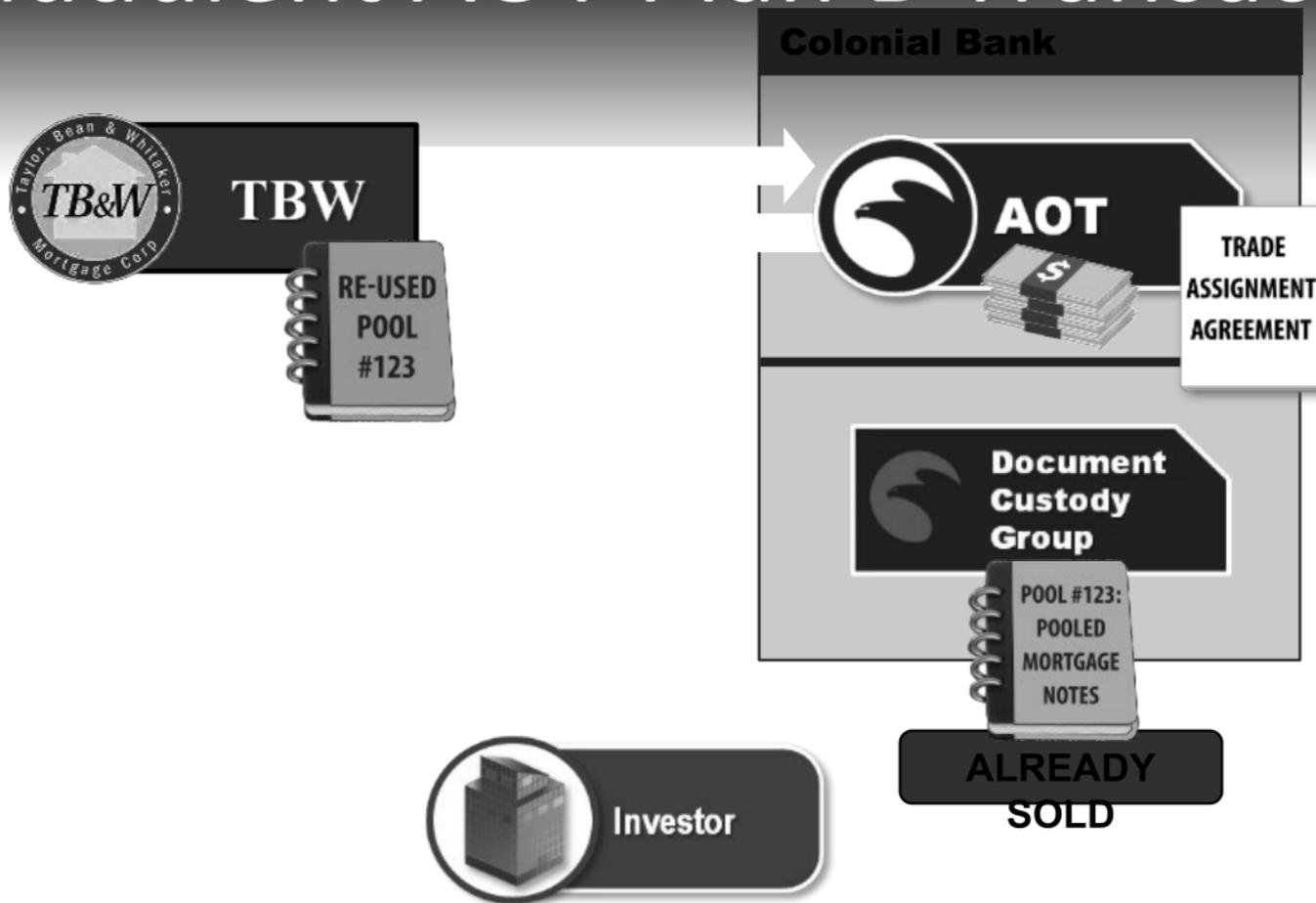
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Legitimate AOT Transaction



Fraudulent AOT Plan B Transaction



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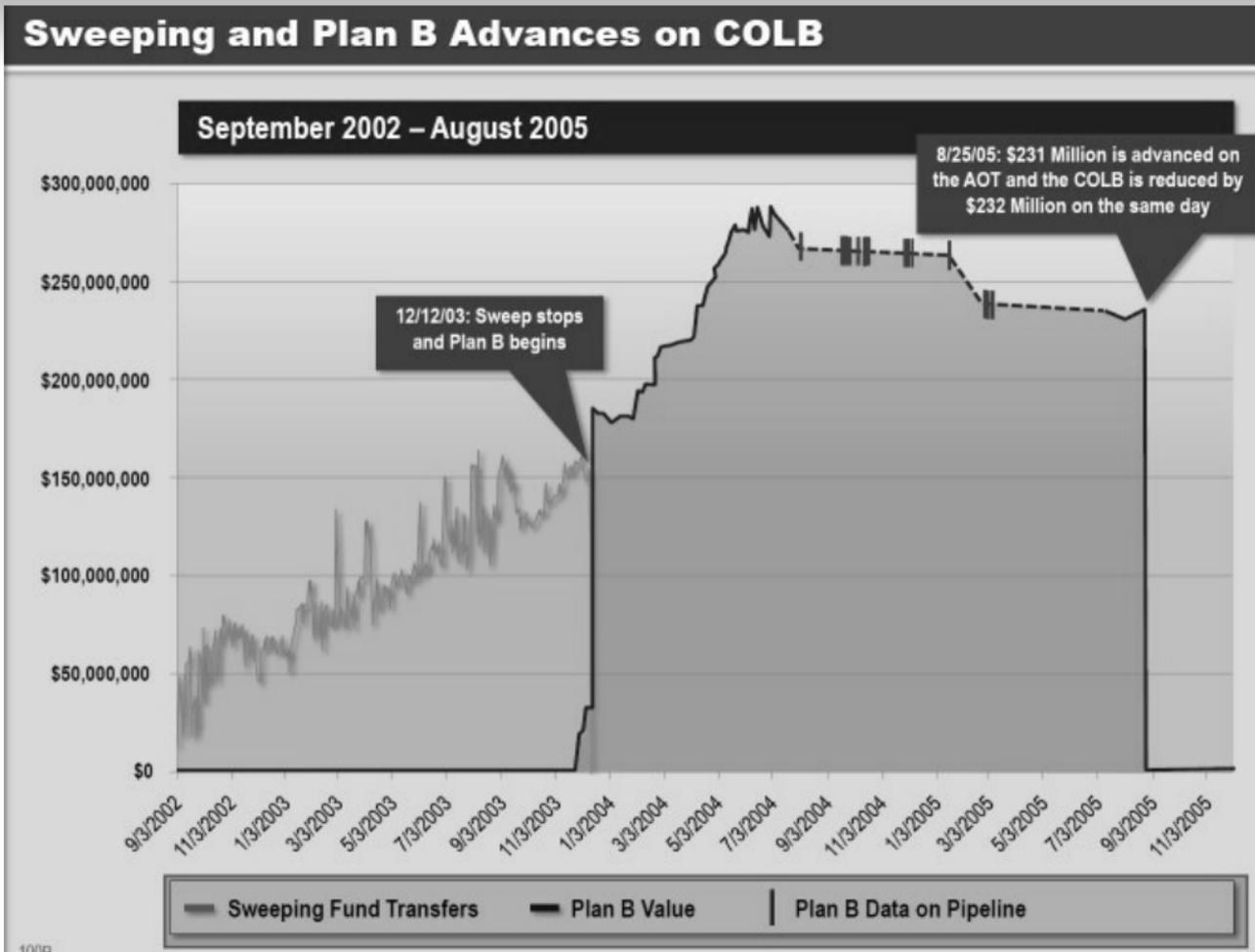
POOL #123:
POOLED
MORTGAGE
NOTES

**ALREADY
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Transition from “Sweeping” to Plan B

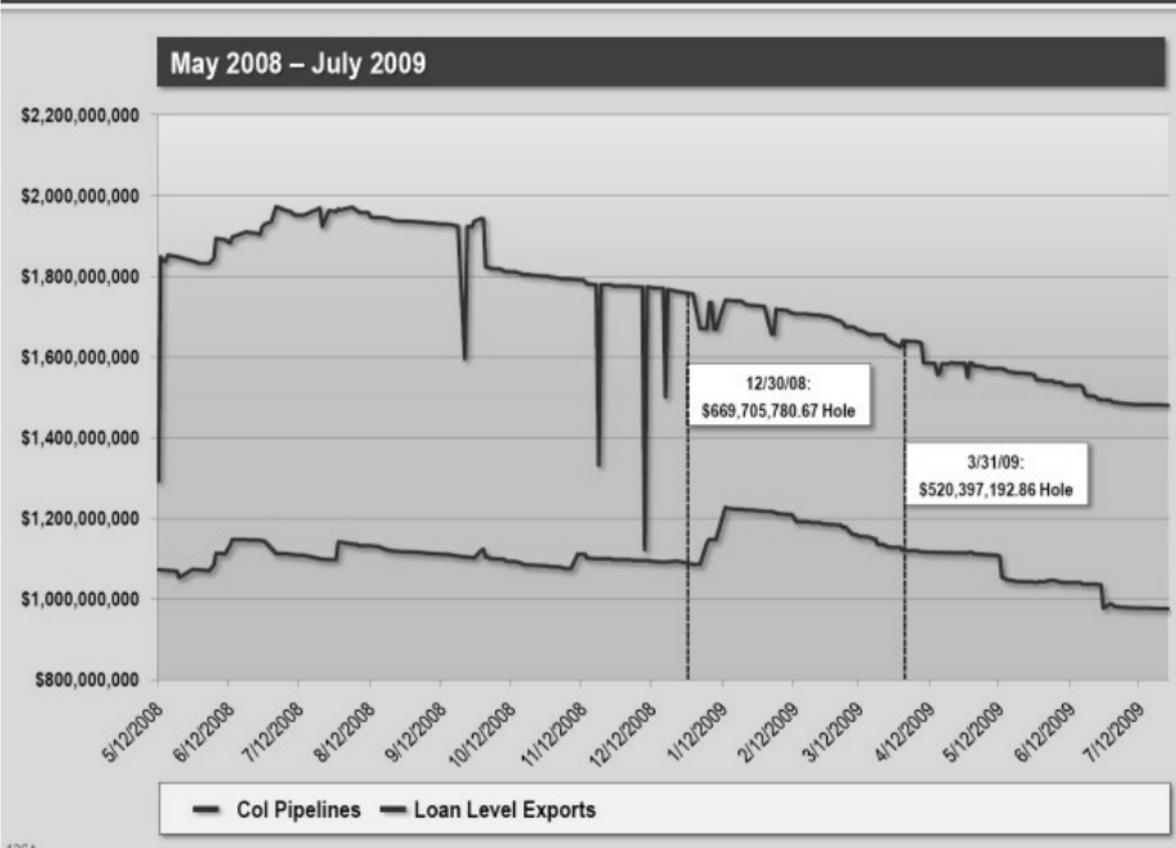




The Size of the "Hole" in Assignment of Trade



Historical AOT Hole





Ocala Funding



Ocala Funding Loan & Cash Collateral Analysis as of 8/3/09

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Not in Servicing	4	760,866	X
Total	9,301	\$ 1,845,913,588	\$ 160,047,375



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- False Financial statements were submitted to support Colonial's application for \$553 million in TARP funds
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- Investors were added without their knowledge or approval



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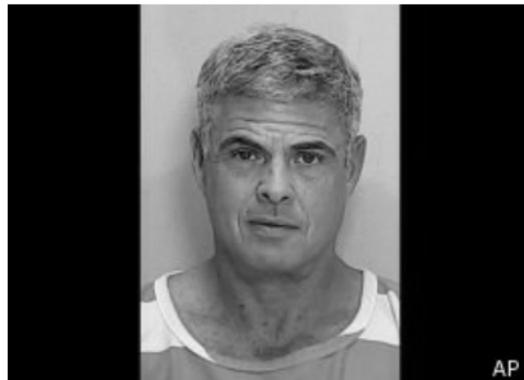
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- Desiree Brown was the former TBW Treasurer
- Brown was involved in the Sweeping, Plan B, and Ocala Funding frauds
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- Teresa Kelly was the former Colonial Bank Operations Supervisor
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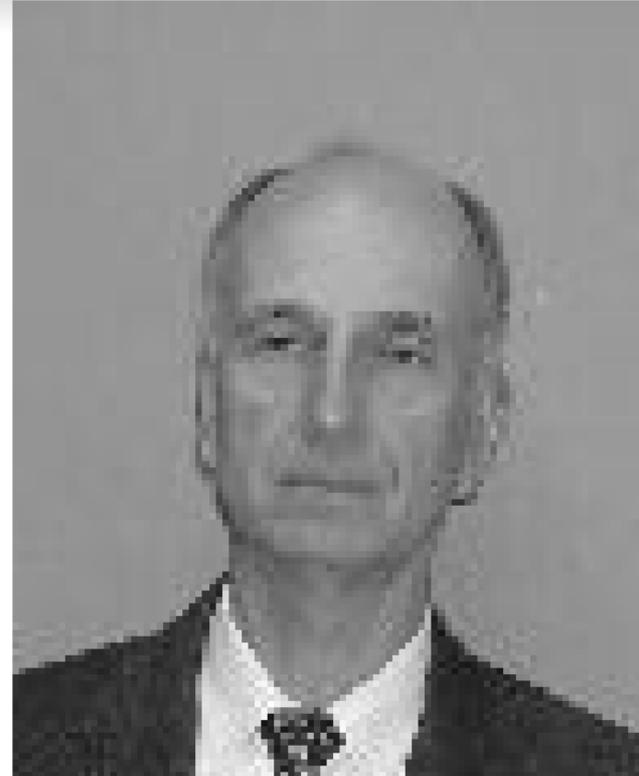




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- Paul Allen was the former TBW CEO
- Allen was involved in the OF and TARP Fraud
- Allen pled guilty on April 1, 2011, to conspiracy and submitting false documents to HUD due to his participation in the Ocala Funding and TARP frauds
- Allen was sentenced on June 21, 2011, to 40 months in prison





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- Delton De Armas was the former TBW CFO
- De Armas was involved in the OF Fraud
- De Armas pled guilty to conspiracy to commit bank fraud and false statements
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Trial



- 10 day trial
- Approximately 2 dozen witnesses
- Over 300 Government Exhibits
- We were challenged in explaining how the complex mortgage market operated to jurors in an easy-to-understand manner
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Lee Farkas was Sentenced to 30 years in prison





Forfeiture/Restitution



Judge Brinkema ordered the forfeiture of over \$38 million in properties and cash and restitution in the following amounts:

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Red Flags/Lessons Learned



- Fannie terminating their relationship with TBW for fraud without making any type of referral
- TBW's unusually close relationship and reliance on Colonial Bank
- MWLD claimed to be one of the few profitable divisions of Colonial but this was during the mortgage melt down with significant investment in the Florida residential real estate market
- Colonial Bank changing regulators quickly during a review;
- TBW was a thinly marginalized company and was trying to buy the bank
- Farkas led an extravagant lifestyle and the décor of the TBW offices was "over the top"



Questions





FHFA

**Office of Inspector General
Investigations Division**

Fraud Prevention through Awareness, Investigation & Enforcement



**Colonial Bank – Taylor, Bean &
Whitaker Mortgage Company
Investigation and Prosecution**



**FHFA – DOJ
Mortgage Fraud Conference
February 11, 2014**

This briefing contains information sensitive to the operations of the FHFA-OIG



Investigative Agencies



- SIGTARP
- FBI
- FHFA-OIG
- HUD-OIG
- FDIC-OIG
- SEC
- IRS-CID





Prosecution Team



Eastern District of Virginia	Department of Justice Fraud Section
Charles Connolly	Patrick Stokes
Paul Nathanson	Rob Zink



TARP Capital Raise



April 1, 2009 – Colonial BancGroup files 8K announcing the signing of a Stock Purchase Agreement, dated March 31, 2009, with investors led by Taylor, Bean & Whitaker Mortgage Corporation pursuant to which Colonial BancGroup would raise \$300 million of additional capital, in order to receive \$550 million in TARP funds



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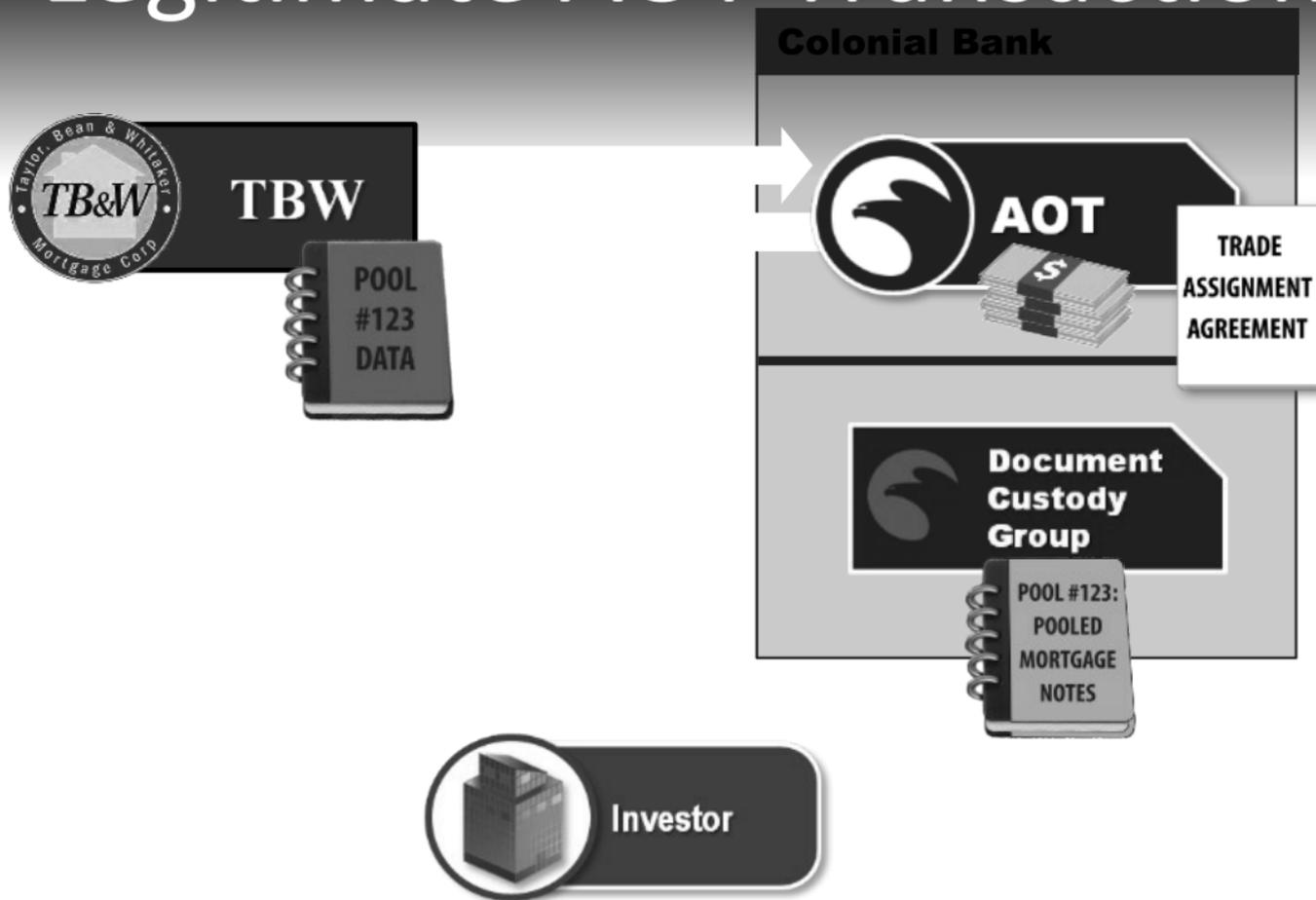
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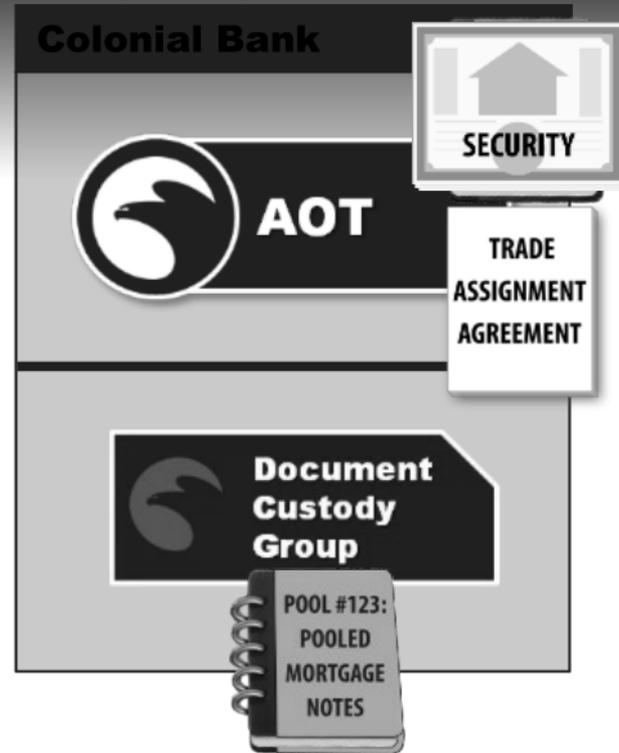
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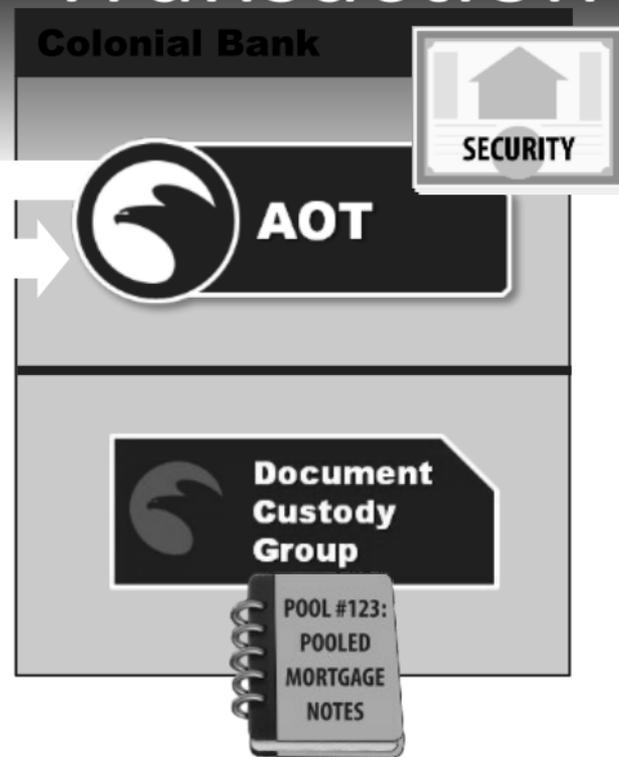
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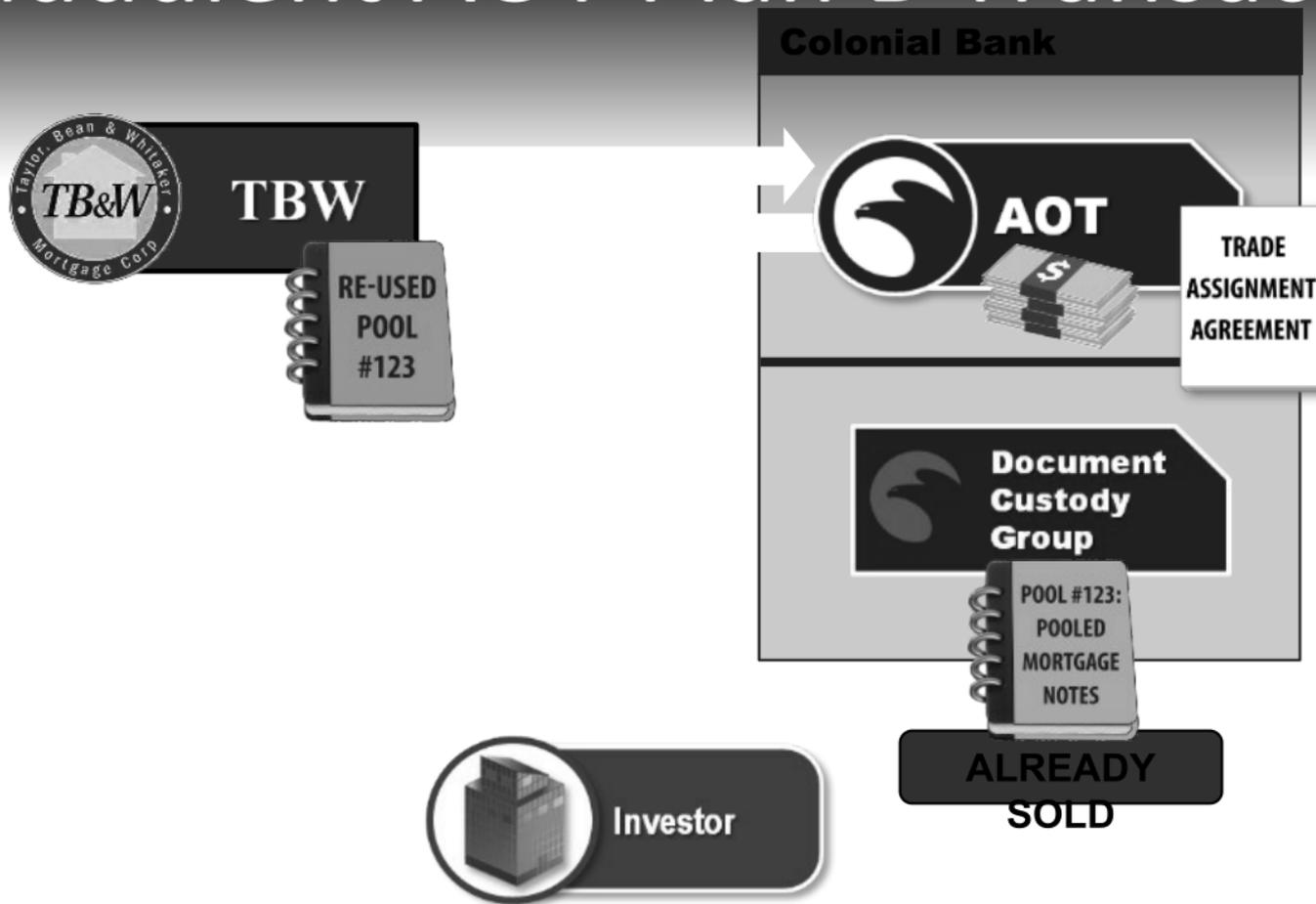
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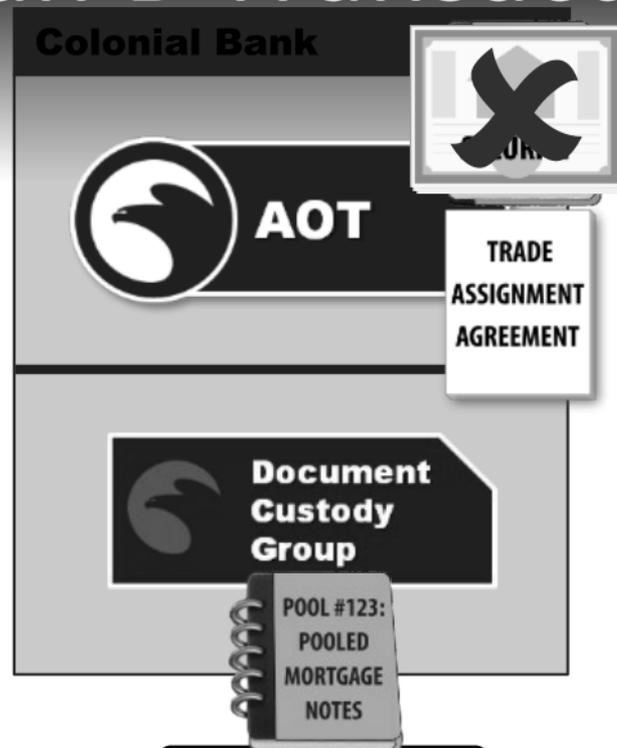
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Fraudulent AOT Plan B Transaction



**ALREADY
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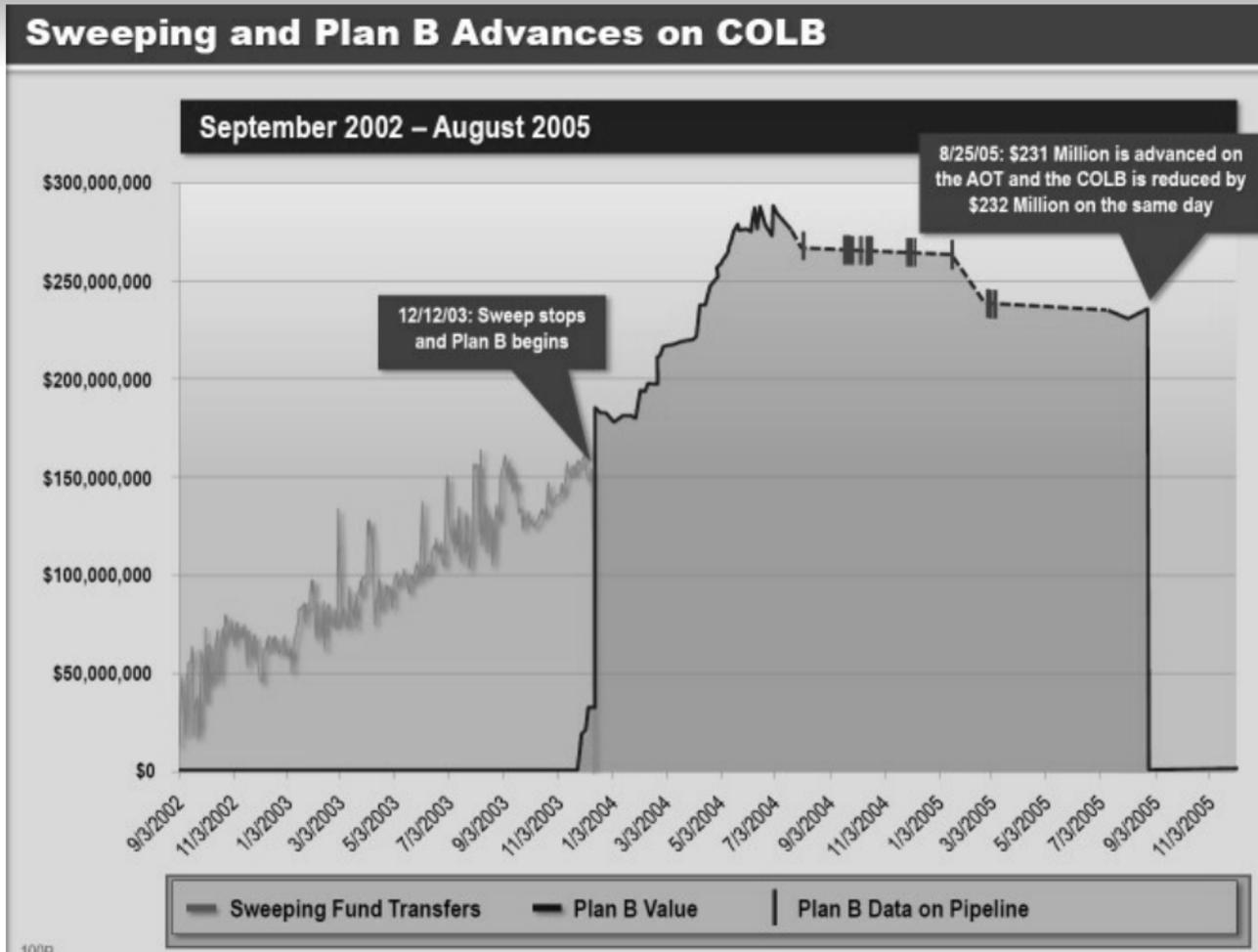
One Example of an AOT Loan Recycled Through Multiple AOT Pools

Loan ID #1478144

POOL	11/10/20 08	12/23/20 08	1/12/200 9	1/15/200 9	3/13/200 9	5/1/2009	5/14/200 9	6/11/200 9	6/23/200 9	6/29/200 9	7/28/200 9
69853 9	\$95,458. 55										
69879 7		\$97,833. 12									
58163 9			\$100,848. 08								
57521 7				\$100,581. 37							
70830 7					\$100,016. 94						
70859 0						\$99,994. 58					
71623 9							\$99,994. 58				
71629 5								\$99,994. 58			
71637 9									\$99,994. 58		
71637 9										\$100,632. 88	
71647 8											\$100,747. 84



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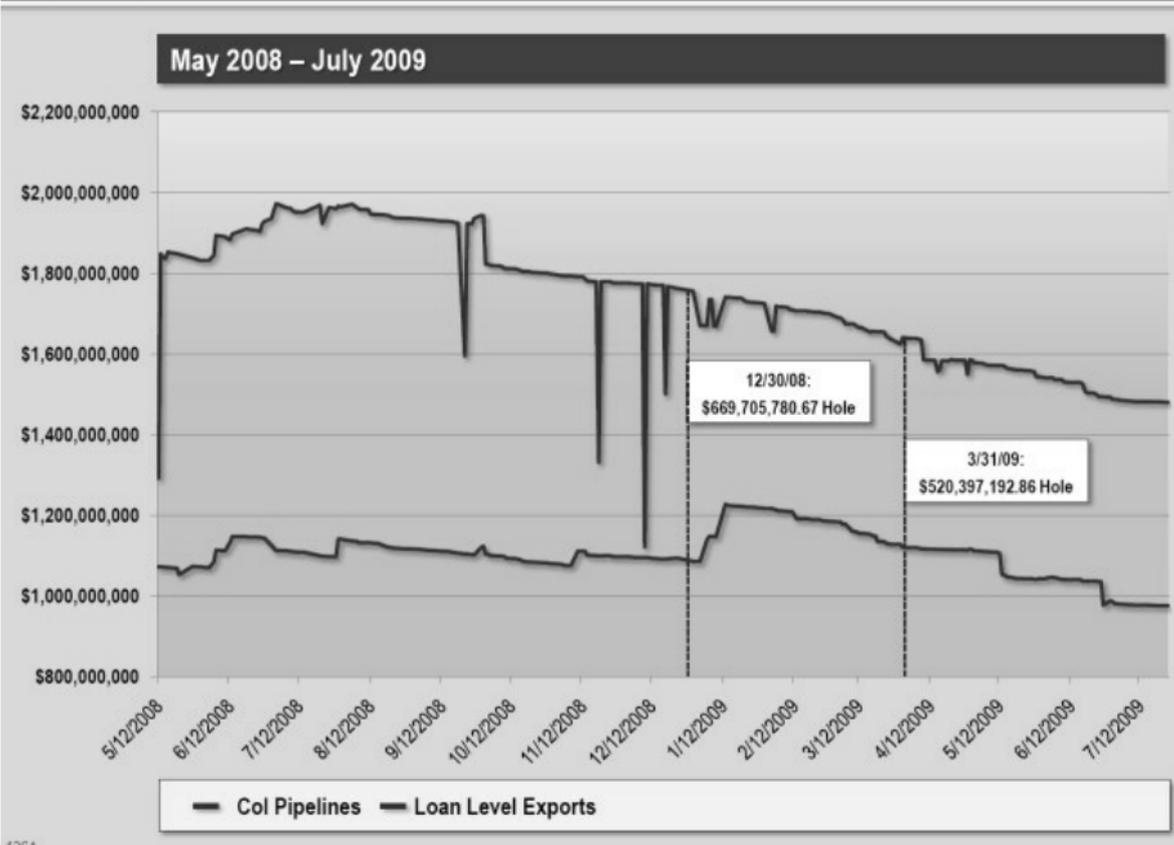




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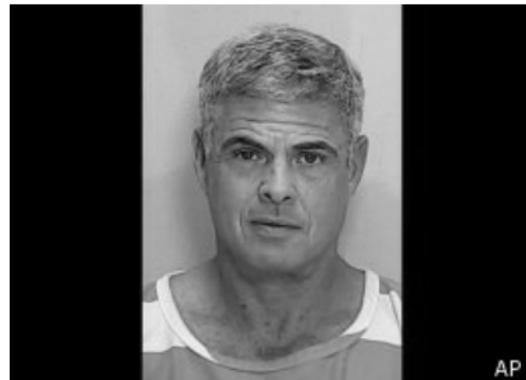
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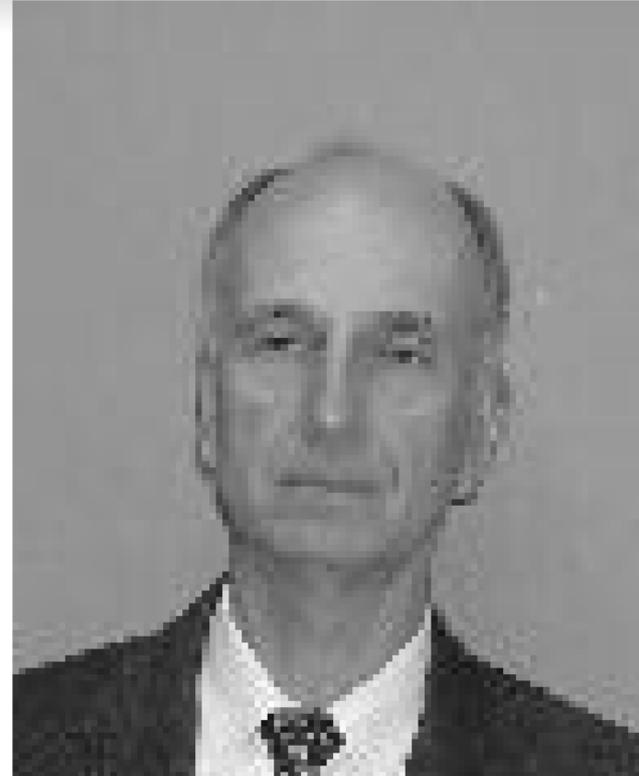




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