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OA/ID Number: 13723
Folder ID Number: 13723-002

Folder Title:
Financial Institution Fraud 6/22/90 [OA 7562][1]

Stack:	Row:	Section:	Shelf:	Position:
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SEC. ____ . ADDITIONAL RESOURCES FOR THE DEPARTMENT OF THE TREASURY
AND THE DEPARTMENT OF JUSTICE.

There are hereby authorized to be appropriated--

(a) to the Internal Revenue Service, Department of the Treasury, to hire and train 160 special agents and/or revenue agents, and for investigating violations of the Internal Revenue Code of 1986 and related statutes concerning the thrift industry: \$18,500,000; and

(b) in the Department of Justice--

(1) to the Federal Bureau of Investigation, to hire 200 federal agents and necessary support personnel: \$34,329,000;

(2) to the United States Attorneys Offices, to hire 200 Assistant United States Attorneys and necessary support personnel: \$45,000,000;

(3) to the Tax Division, to hire 16 attorneys and necessary support personnel: \$1,880,000;

(4) to the Criminal Division, to hire 53 attorneys and necessary support personnel: \$8,184,000; and

(5) to the Civil Division, Department of Justice, to hire 34 attorneys and necessary support personnel: \$6,832,000.

SEC. ____ . INTERAGENCY COORDINATION.

Notwithstanding any other provision of law--

(a) The Attorney General may, with the consent of the head of

any department or agency, designate attorneys, law enforcement personnel, and other employees of such department or agency to assist the Department of Justice in the investigation and prosecution of fraud or other criminal or unlawful activity in or against the savings associations industry.

(b) Any attorney of a department or agency designated pursuant to subsection (a) may, subject to the general supervision of the Attorney General, conduct any kind of legal proceeding, civil or criminal, including grand jury proceedings and proceedings before committing magistrates, and perform any other investigative or prosecutorial function, which United States Attorneys are authorized by law to conduct or perform, whether or not the attorney is a resident of the district in which the proceeding is brought.

(c) Departments and agencies shall not be required to be reimbursed for the services of personnel designated pursuant to subsection (a).

SEC. ____ . AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT.

(a) PRIORITY OF CERTAIN CLAIMS.--Section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821) is amended by adding at the end thereof the following:

"(p) PRIORITY OF CERTAIN CLAIMS.--In any proceeding related to any claim acquired under section 11 or 13 of this Act against an insured financial institution's director, officer, employee, agent, attorney, accountant, appraiser, or any other party employed by or providing services to an insured financial institution, any suit, claim or cause of

action brought by the Corporation shall have priority over any other such suit, claim, or cause of action asserted by depositors, creditors, or shareholders of the insured financial institution, except that such priority shall not apply with respect to any such suit, claim or cause of action asserted by an instrumentality of the Federal Government.

"(q) EXPEDITED PROCEDURES FOR CERTAIN CLAIMS.--

"(1) TIME FOR FILING NOTICE OF APPEAL.--The notice of any appeal of any order, whether interlocutory or final, entered in any case brought by the Corporation against an insured institution's officers, directors, employee, attorneys, accountants, or other agents shall be filed within 10 days of the entry of that order. Hearing of the appeal shall be within 30 days of filing of the notice. The appeal shall be decided within 90 days of the notice.

"(2) SCHEDULING.--Consistent with section 1657 of title 28, United States Code, the courts of the United States shall expedite the consideration of any case brought by the Corporation against an insured institution's officers, directors, employee, attorneys, accountants, or other agents. As far as practicable, the courts will give such cases priority on their dockets.

"(3) JUDICIAL DISCRETION.--Any judge may modify the schedule and limitations of paragraphs (1) and (2) as applied to a specific case, based on a specific finding that the ends of justice served by making such a modification outweigh the best interest of the public in having the case resolved expeditiously."

(b) APPLICABILITY.--The provisions of section 11(p) of the

4

Federal Deposit Insurance Act, as added by this section, shall apply with respect to proceedings commenced on or after the date of enactment of this Act.

SEC. ____ . LIMITATION ON DISPOSITION OF CERTAIN ASSETS.

(a) Section 8(i) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)) is amended by adding at the end thereof the following:

"(4) In any action brought by an appropriate Federal financial regulatory agency pursuant to paragraph (1), the court may, upon application of the agency, issue ex parte a restraining order which prohibits any persons from withdrawing, transferring, removing, dissipating or disposing of any funds, assets or other property and which appoints a temporary receiver to administer such restraining order. Upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond."

(b) DOJ LANGUAGE TO BE SUPPLIED

SEC. ____ . TECHNICAL AMENDMENTS TO TITLE 18, UNITED STATES CODE
Title 18, United States Code, is amended--

(a) in section 656--

(1) by inserting "bank or savings and loan holding company," before "national bank" the first time it appears in the first sentence; and

(2) by inserting "or company" after "such bank" each time it occurs in the first paragraph;

(b) in section 657--

(1) by deleting "Home Owner's Loan Corporation," and inserting in lieu thereof "Office of Thrift Supervision, the

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Federal Home Loan Bank System, the Resolution Trust Corporation,"; and

(2) by deleting "Federal Savings and Loan Insurance Corporation" and inserting in lieu thereof "Federal Deposit Insurance Corporation";

(c) in section 1005, by inserting "or company" after "such bank" each time it appears in the first paragraph;

(d) in section 1006--

(1) by deleting "Home Owner's Loan Corporation," and inserting in lieu thereof "Office of Thrift Supervision, the Federal Home Loan Bank System, the Resolution Trust Corporation,"; and

(2) by deleting "Federal Savings and Loan Insurance Corporation" and inserting in lieu thereof "Federal Deposit Insurance Corporation";

(e) in section 1014, by inserting "Office of Thrift Supervision" after "the Federal Home Loan Bank System,";

(f) in section 1341, by inserting ", credit," after "money";

(g) (1) in section 1343--

(A) by inserting ", credit," after "money";

(B) by striking out "transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds" and inserting in lieu thereof "uses or causes to be used any facility of interstate or foreign commerce";

(C) by inserting "or attempting to do so" after "for the purpose of executing such scheme or artifice"; and

(D) by amending the heading to read "Fraud by use of facility of interstate commerce"; and

6

(2) in the table of sections for chapter 63 of title 18, United States Code, by striking out the item relating to section 1343 and inserting in lieu thereof:

"1343. Fraud by use of facility of interstate commerce.";

(h) in section 2314, by inserting "or foreign" after "interstate"; and

(i) in section 3289, by striking out "or, in the event of an appeal, within sixty days of the date the dismissal of the indictment or information becomes final," and inserting such stricken language after "within six months of the expiration of the statute of limitations,".

SEC. ____ . AMENDMENTS TO TITLE 11, UNITED STATES CODE

Section 523(a) of title 11, United States Code, is amended--

(a) by striking out "or" at the end of paragraph (9);

(b) by striking out the period at the end of paragraph (10) and inserting in lieu thereof a semicolon; and

(c) by adding after paragraph (10) the following:

"(11) to the extent that such debt arises from a court order providing for forfeiture or restitution or other compensation to victims of criminal acts or witnesses participating in criminal proceedings;

"(12) to the extent such debt arises from a criminal appearance bond; or

"(13) for any damages, penalty, fine, forfeiture, restitution, reimbursement, indemnification, or guarantee against loss, provided in any judgment, order, or consent order or decree entered in any court of the United States or of any State, issued by a Federal financial regulatory agency, or contained in any settlement agreement entered into by the debtor, arising from any act of actual fraud or defalcation while acting in a fiduciary capacity committed with

7

respect to any insured depository institution or insured credit union."; and

(4) by adding after subsection (d) the following:

"(e) Any individual acting as a director, officer, or institution-affiliated party (as defined in section 3(u) of the Federal Deposit Insurance Act (12 U.S.C. 1813(u)) or section 206(r) of the Federal Credit Union Act (12 U.S.C. 1786(r))) of an insured depository institution or insured credit union shall be considered to be acting in a fiduciary capacity with respect to the purposes of subsections (a)(4) or (13).

"(f) Notwithstanding subsection (a)(2)(B)(iii) of this section, reliance by a creditor will not be required to establish an exception to discharge under subsection (a)(2)(A) or (B) of this section if the creditor is a financial regulatory agency that is a successor to an insured depository institution or insured credit union.

"(g)(1) Notwithstanding any other provision of law, a complaint objecting to the discharge of any debt owed to--

"(A) an insured depository institution or insured credit union that is closed, is in receivership or conservatorship, is sold to (or has its assets and liabilities assumed by) another insured depository institution or insured credit union in a transaction assisted by a financial regulatory agency, or

"(B) a financial regulatory agency, may be filed on or before the date that is the later of 120 days after the date of the debtor's first meeting of creditors, as provided under section 341 of this title,

8

or 120 days after the date of the appointment of a conservator or receiver by a financial regulatory agency for the insured depository institution or insured credit union with respect to which the debt arises.

"(2) The provisions of this subsection shall not extend the period of limitations prescribed by section 11(d)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(4)).

"(h) For purposes of subsections (a)(13), (e), (f), and (g) of this section--

"(1) the term 'insured depository institution' shall have the same meaning as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2)); and

"(2) the term 'insured credit union' shall have the same meaning as defined in section 101(7) of the Federal Credit Union Act (12 U.S.C. 1752(7)).";

(b) in section 1328, by amending subsection (a)(2) to read as follows:

"(2) of a kind specified in--

"(A) paragraphs (5), (7), (11), or (12) of section 523(a) of this title; or

"(B) paragraphs (2), (4), (6), (11), or (13) of section 523(a) of this title owed to a financial regulatory agency, or a conservator or receiver of an insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2))) or insured credit union (as defined in section 101(7) of the Federal Credit Union Act (12 U.S.C. 1752(7)))."; and

(c) in section 522, by amending subsection (c)(1) to read as follows:

"(1) a debt of a kind specified in--

"(A) paragraphs (1), (5), (11), or (13) of section 523(a) of this title; or

"(B) paragraphs (2), (4), or (6) of section 523(a) of this title owed to a financial regulatory agency, or a conservator or receiver of an insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2))) or insured credit union (as defined in section 101(7) of the Federal Credit Union Act (12 U.S.C. 1752(7))); or".

SEC. ____ . WIRETAP AUTHORITY FOR BANK FRAUD AND RELATED OFFENSES;
TECHNICAL AMENDMENTS TO WIRETAP LAW

Section 2516 of title 18, United States code, is amended--

(a) in subsection (1)(c)--

(1) by inserting "section 215 (relating to bribery of bank officials)," before "section 224";

(2) by inserting "section 1014 (relating to false statements to financial institutions)," before "sections 1503,";

(3) by striking out "section 1343 (fraud by wire, radio,

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or television)," and inserting in lieu thereof "section 1343 (fraud by use of facility of interstate commerce), section 1344 (relating to bank fraud),"; and

(4) by striking out "the section in chapter 65 relating to destruction of an energy facility,"; and

(b) by redesignating the first paragraph (m), which reads "any conspiracy to commit any of the foregoing offenses." as paragraph (o);

(c) by striking out "and" at the end of paragraph (m);

(d) by striking out the period at the end of paragraph (n) and inserting in lieu thereof "; and"; and

(e) in paragraph (j), by striking out "any violation of section 1679(c)(2) (relating to destruction of a natural gas pipeline) or subsection (i) or (n) of section 1472 (relating to aircraft piracy) of title 49, of the United States Code" and inserting in lieu thereof "any violation of section 11(c)(2) of the Natural Gas Pipeline Safety Act of 1968 (relating to destruction of a natural gas pipeline) (49 U.S.C. App. 1679a(c)(2)) or sections 902(i) or (n) of the Federal Aviation Act of 1958 (relating to aircraft piracy) (49 U.S.C. App. 1472(i) or (n))".

SEC. ____ . AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT

Section 11 of the Federal Deposit Insurance Act (12 U.S.C. 1821) is amended by adding at the end thereof the following:

(2) "(p) PRIORITY OF CERTAIN CLAIMS.--In any proceeding related to any claim acquired under section 11 or 13 of this Act against an insured financial institution's director, officer, employee, agent, attorney, accountant, appraiser, or any other party employed by or providing services to an insured financial institution, any suit, claim or cause of action brought by the Corporation shall have priority over any other such suit, claim, or cause of action asserted by depositors, creditors, or shareholders of the insured financial institution, except for claims of Federal agencies, ^{or the United States} ~~as provided in section 6321 of the Internal Revenue Code of 1986 and section 3713 of title 31, United States Code.~~ This priority shall apply to both the prosecution of any suit, claim, or cause of action, and to the execution of any subsequent judgments resulting from such suit.

(3) "(q) EXPEDITED PROCEDURES FOR CERTAIN CLAIMS.--

"(1) TIME FOR FILING NOTICE OF APPEAL.--The notice of any appeal of any order, whether interlocutory or final, entered in any case brought by the Corporation against an insured institution's officers, directors, employee, attorneys, accountants, or other agents shall be filed within 10 days of the entry of that order. Hearing of the appeal shall be within 30 days of filing of the notice. The appeal shall be decided within 90 days of the notice.

"(2) SCHEDULING.--Consistent with section 1657 of title 28, United States Code, the courts of the United States shall expedite the consideration of any case brought by the Corporation against an insured institution's officers, directors, employee, attorneys, accountants, or other agents. As far as practicable, the courts will give such cases priority on their dockets.

"(3) JUDICIAL DISCRETION.--Any judge may modify the schedule and limitations of paragraphs (1) and (2) as applied to a specific case, based on a specific finding that the ends of justice served by making such a modification outweigh the best interest of the public in having the case resolved expeditiously."

SEC. ____ . AMENDMENTS TO TITLE 11, UNITED STATES CODE

Title 11, United States Code, is amended--

(a) in section 523--

- (1) by striking out "or" at the end of subsection (a)(9);
- (2) by striking out the period at the end of subsection (a)(10) and inserting in lieu thereof a semicolon;
- (3) by adding at the end of subsection (a) the following:

"(11) for restitution that the debtor has been ordered to pay by any court of the United States or of any State, in any criminal proceeding arising from any action that caused loss to any insured depository institution or insured credit union; or

"(12) for any damages, penalty, fine, forfeiture, restitution, reimbursement, indemnification, or guarantee against loss, provided in any judgment, order, or consent order or decree entered in any court of the United States or of any State, issued by a Federal financial regulatory agency, or contained in any settlement agreement entered into by the debtor, arising from any act of actual fraud or defalcation while acting in a fiduciary capacity committed with respect to any insured depository institution or insured credit union."; and

- (4) by adding after subsection (d) the following:

"(e) Any individual acting as a director, officer, or institution-affiliated party (as defined in section 3(u) of the Federal Deposit Insurance Act (12 U.S.C. 1813(u)) or section 206(r) of the Federal Credit Union Act (12 U.S.C. 1786(r))) of an insured depository institution or

insured credit union shall be considered to be acting in a fiduciary capacity with respect to the purposes of subsections (a)(4) or (12).

"(f) Notwithstanding subsection (a)(2)(B)(iii) of this section, reliance by a creditor will not be required to establish an exception to discharge under subsection (a)(2)(A) or (B) of this section if the creditor is a financial regulatory agency that is a successor to an insured depository institution or insured credit union.

"(g)(1) Notwithstanding any other provision of law, a complaint objecting to the discharge of any debt owed to--

"(A) an insured depository institution or insured credit union that is closed, is in receivership or conservatorship, is sold to (or has its assets and liabilities assumed by) another insured depository institution or insured credit union in a transaction assisted by a financial regulatory agency, or

"(B) a financial regulatory agency,
may be filed on or before the date that is the later of 120 days after the date of the debtor's first meeting of creditors, as provided under section 341 of this title, or 120 days after the date of the appointment of a conservator or receiver by a financial regulatory agency for the insured depository institution or insured credit union with respect to which the debt arises.

"(2) The provisions of this subsection shall not extend the period of limitations prescribed by section 11(d)(4) of the Federal Deposit Insurance Act (12 U.S.C. 1821(d)(4)).

"(h) For purposes of subsections (a)(11), (a)(12), (e), (f), and (g) of this section--

"(1) the term 'insured depository institution' shall have the same meaning as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2)); and

"(2) the term 'insured credit union' shall have the same meaning as defined in section 101(7) of the Federal Credit Union Act (12 U.S.C. 1752(7)).";

(b) in section 1328, by amending subsection (a)(2) to read as follows:

"(2) of a kind specified in--

"(A) section 523(a)(5) of this title; or

"(B) section 523(a)(2), (4), (6), (11), or (12) of this title owed to a financial regulatory agency, or a conservator or receiver of an insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2))) or insured credit union (as defined in section 101(7) of the Federal Credit Union Act (12 U.S.C. 1752(7)))."; and

(c) in section 522, by amending subsection (c)(1) to read as follows:

"(1) a debt of a kind specified in--

"(A) section 523(a)(1), (5), (11), or (12) of this title; or

"(B) section 523(a)(2), (4), or (6) of this title owed to a financial regulatory agency, or a conservator or receiver of an insured depository institution (as defined in section 3(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(2))) or insured credit union (as defined in section 101(7) of the Federal Credit Union Act (12 U.S.C. 1752(7))); or".

unit may be applied by the governmental unit in a manner that preserves alternative sources of collection, if any."

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SEC. 202. Section 523(a) of title 11, United States Code, is amended as follows:

(a) by deleting the word "or" at the end of section 523(a)(9); and

(b) by deleting "." at the end of section 523(a)(10) and adding "; and" in lieu thereof; and

(c) by adding the following subsections at the end of section 523(a):

"(11) to the extent that such debt arises from a court order providing for ^{forfeiture or} restitution or other compensation to victims of criminal acts or witnesses participating in criminal proceedings.

"(12) to the extent such debt arises from a criminal appearance bond."

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SEC. 203. Section 1328(a)(2) of title 11, United States Code, is amended by striking out "section 523(a)(5)" and inserting in lieu thereof "paragraphs (5), (7), (11) and (12) of section 523(a)".

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SEC. 204. Section 523(a) of title 11, United States Code, is amended to read as follows:

(a) subsection (8) is amended to read as follows:

"(8) for an educational benefit overpayment or loan made, insured or guaranteed by a governmental unit, or made under any program funded in whole or in part by a

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SEC. ____ . LIMITATION ON DISPOSITION OF CERTAIN ASSETS

Section 8(i) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)) is amended by adding at the end thereof the following:

"(4) In any action brought by an appropriate Federal financial regulatory agency pursuant to paragraph (1), the court may, upon application of the agency, issue ex parte a restraining order which prohibits any persons from withdrawing, transferring, removing, dissipating or disposing of any funds, assets or other property and which appoints a temporary receiver to administer such restraining order. Upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond."

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anot. to 18 USC 1345)

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Notwithstanding any other provision of law:

(a) The Attorney General may, with the consent of the heads of departments, designate attorneys employed by the departments to assist the Department of Justice in the investigation and prosecution of fraud or other criminal or unlawful activity in or against the savings associations industry.

(b) An attorney designated in accordance with subsection (a) may, subject to the general supervision of the Attorney General, conduct any kind of legal proceeding, civil or criminal, including grand jury proceedings and proceedings before committing magistrates, and perform any other investigative or prosecutorial function, which United States attorneys are authorized by law to conduct or perform, whether or not the attorney is a resident of the district in which the proceeding is brought.

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(c) The departments shall not be reimbursed for the services of attorneys designated in accordance with subsection (a).

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SEC. ENHANCEMENT OF ABILITY TO ORDER RESTITUTION IN CERTAIN FRAUD CASES. Section 3663(a) of title 18, United States Code, is amended by adding at the end the following: "For the purposes of this section the term 'victim of such offense' shall include any victim of an offense involving a scheme or artifice under chapter 63 of this title (or under the second paragraph of section 2314 of this title), or of a conspiracy to commit such an offense, irrespective of whether the defendant was convicted of an offense involving that victim or of an offense involving the property of the victim for which restitution is to be ordered.

Explanation

This would partially overcome the decision of the Supreme Court in Hughey v. United States, (decided May 21, 1990), which held that, for the purposes of the restitution statute, restitution can be ordered only to those victims of an offense for which the defendant has been convicted. Under the proposed amendment, Hughey would be effectively overturned with respect to prosecutions using a "scheme or artifice" provision, such as mail fraud and bank fraud. In those cases, the court would be empowered to order restitution to any victim of a scheme, even if such victim was not included in a count of conviction or (as to the same victim) even if the property for which restitution is ordered was not the subject of a count of conviction.

SEC. ____ TECHNICAL AMENDMENTS TO TITLE 18, UNITED STATES CODE

Title 18, United States Code, is amended--

(a) in section 656--

(1) by inserting "bank or savings and loan holding company," before "national bank" the first time it appears in the first sentence; and

(2) by inserting "or company" after "such bank" each time it occurs in the first paragraph;

(b) in section 657--

(1) by deleting "Home Owner's Loan Corporation," and inserting in lieu thereof "Office of Thrift Supervision, the Federal Home Loan Bank System, the Resolution Trust Corporation,"; and

(2) by deleting "Federal Savings and Loan ^{Insurance} Corporation" and inserting in lieu thereof "Federal Deposit Insurance Corporation";

(c) in section 1005, by inserting "or company" after "such bank" each time it appears in the first paragraph;

(d) in section 1006--

(1) by deleting "Home Owner's Loan Corporation," and inserting in lieu thereof "Office of Thrift Supervision, the Federal Home Loan Bank System, the Resolution Trust Corporation,"; and

(2) by deleting "Federal Savings and Loan ^{Insurance} Corporation" and inserting in lieu thereof "Federal Deposit Insurance Corporation";

(e) in section 1014, by inserting "Office of Thrift Supervision" after "the Federal Home Loan Bank System,";

(f) in section 1341, by inserting ", credit," after "money"; and

(g) in section 1343, by inserting ", credit," after "money".

DOT Technicals

Additions to ⑧

SUBTITLE B -- MISCELLANEOUS AND TECHNICAL AMENDMENTS.

SEC. 9201. CONFORMING AMENDMENTS TO SUBSTITUTE A REFERENCE TO THE FDIC FOR THE NOW ABOLISHED FSLIC IN TWO BANKING OFFENSES.

Sections 657 and 1006 of title 18, United States Code, are each amended by striking out "the Federal Savings and Loan Insurance Corporation" and inserting in lieu thereof "the Federal Deposit Insurance Corporation".

**102. JURISDICTIONAL AMENDMENT FOR SECTION 2314 TO COVER
FRAUDULENT SCHEMES INVOLVING FOREIGN AS WELL AS
INTERSTATE TRAVEL**

The second paragraph of section 2314 of title 18, United States Code, is amended by inserting "or foreign" after "interstate".

SEC. 103. FRAUD THROUGH USE OF A FACILITY OF COMMERCE

(a) Section 1343 of title 18, United States Code, is amended by --

(1) striking out "transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds" and inserting in lieu thereof "uses or causes to be used any facility of interstate or foreign commerce"; and

(2) inserting "or attempting to do so" after "for the purpose of executing such scheme or artifice".

(b) The heading of section 1343 of title 18, United States Code, is amended to read: "Fraud by use of facility of interstate commerce".

(c) CLERICAL AMENDMENT. -- The table of sections for chapter 63 of title 18, United States Code, is amended to by striking out the item relating to section 1343 and inserting in lieu thereof "1343. Fraud by use of facility of interstate commerce.".

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15 SEC. 1229. CORRECTION OF MISPLACED PHRASE IN 18 U.S.C.
16 3289.

17 Section 3289 of title 18, United States Code, is amend-
18 ed by striking out “or, in the event of an appeal, within sixty
19 days of the date the dismissal of the indictment or informa-
20 tion becomes final,” and inserting that same stricken lan-
21 guage after “within six months of the expiration of the stat-
22 ute of limitations,”.

ROUTING AND

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Action

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Conclusion

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SEC. WIRETAP AUTHORITY FOR BANK FRAUD AND RELATED OFFENSES
AND TECHNICAL AMENDMENTS TO WIRETAP LAW. (a) Section 2516(1)(c)
of title 18, United States Code, is amended --

(1) by inserting "section 215 (relating to bribery of
bank officials)," before "section 224";

(2) by inserting "section 1014 (relating to false
statements to financial institutions)," before "sections 1503,";

(3) by inserting "section 1344 (relating to bank
fraud)," after "section 1343 (fraud by wire, radio, or televi-
sion),"; and

(4) by striking out "the section in chapter 65 relating
to destruction of an energy facility,";

(b) Section 2516(1) of title 18, United States Code, is
amended --

(1) by redesignating the first paragraph (m) which
reads "any conspiracy to commit any of the foregoing offenses."
as paragraph (o);

(2) by striking out "and" at the end of paragraph (m);

(3) by striking out the period at the end of paragraph
(n) and inserting ";and"; and

(4) in paragraph (j), by striking out "any violation of
section 1679a(c)(2) (relating to destruction of a natural gas
pipeline) or subsection (i) or (n) of section 1472 (relating to
aircraft privacy) of title 49, of the United States Code" and
inserting in lieu thereof "any violation of section 11(c)(2) of
the Natural Gas Pipeline Safety Act of 1968 (relating to destruc-
tion of a natural gas pipeline) (49 U.S.C. App. 1679a(o)(2)) or

2

sections 902 (i) or (n) of the Federal Aviation Act of 1958
(relating to aircraft piracy) (49 U.S.C. App. 1472(i) or (n))".

DRAFT 10-15

Fighting Financial Institution Fraud

In order to enhance our ability to fully and vigorously enforce bank fraud, the Treasury/Justice [Administration] will support an amendment to the crime bill pending in the Senate that is sponsored by Senators Robert Dole, John Heinz, Jake Garn, and Congressman Robert Michael.

The Dole/Heinz/Garn/Michael proposal would:

- D-H
- o Make aggressive use of federal resources for investigation and prosecution of financial institution crimes by allowing the Justice Department to accept without reimbursement the services of federal attorneys, law enforcement personnel, and other employees.
 - o Give law enforcement authorities a needed tool: the ability to request the use of wiretaps based on allegations of bank fraud, false statements to financial institutions, and bribery of bank officials for which wiretap authority is not presently available.
 - o Encourage the swift administration of justice by directing U.S. courts to give cases brought by the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation (RTC) priority consideration and to establish procedures for expedited appeals.
 - o Protect taxpayers by (a) authorizing the Department of Justice, the FDIC, the RTC, and the Office of Thrift Supervision (OTS) to seek court orders to freeze the corporate and personal assets of defendants in civil cases; and (b) providing that claims of the federal government have priority over those of other creditors in actions against parties responsible for losses at financial institutions where fraud is alleged.
 - o Protect victims of fraud by authorizing courts to order payment of restitution to victims of financial institution fraud even in cases where all victims were not included in the crimes for which the defendants were convicted.
 - o Protect victims of fraud by prohibiting the use of bankruptcy as a strategy to avoid damages, penalties, and forfeitures. This would apply to any debtor who committed fraud while acting in a fiduciary capacity to an insured financial institution.
 - o Authorize an additional \$25 million for the Internal Revenue Service and the Department of Justice for investigation of financial institutions fraud.

The Attorney General also announced further steps to intensify the fight against fraud in our nation's financial institutions. These steps include:

- o Establishing in the Department of Justice, under the Deputy Attorney General, a Financial Frauds Coordinating Unit to coordinate the Department's attack on financial institutions fraud.
- o Establishing, with the Secretary of Treasury, FDIC, and RTC, a "flying squad" of attorneys drawn from Justice's Civil and Criminal Divisions and from regulatory agencies to be available on short notice to focus immediate enforcement efforts on financial institutions as being the subject of on going criminal activity.

The Financial Frauds Coordinating Unit will sharpen and focus currently dispersed policy and operational functions related to both civil and criminal investigations and prosecutions, and serve as a central point of contact for inquiries from other federal, state, and local agencies concerning status and actions taken on Department of Justice activities. The unit will also coordinate all law enforcement activities, removal and prohibitive actions, cease and desist actions, and damage, penalties, and restitution remedies to ensure

The "flying squads," an example of excellent coordination among the several Federal agencies responsible for addressing bank fraud, will provide an immediate response capability; lawyers and auditors from Justice and regulatory agencies with specialized expertise in financial fraud will travel to jurisdictions where an institution is subject to on going criminal activity to take immediate action. Investigations will be initiated immediately; assets of failed institutions will be preserved; and documents and records vital to legal proceedings will be protected.

A.G.

Background

Already Done { The Bush Administration has vigorously pursued crime against our nation's financial institutions from the first months. The President requested appropriations for FY 1989 and FY 1990 to address this serious problem. The additional resources, provided in 1990, will support 153 FBI agents; 118 Assistant U.S. Attorneys; 24 Fraud Section attorneys, 12 of whom will be added to the Dallas Bank Fraud Task Force; and 100 FBI accounting technicians -- dedicated and talented people have already been selected for most of these jobs and are hard at work, with results beginning to show.

The Department of Justice has aggressively pursued financial institution fraud, achieving substantial results:

- Already Done* {
- 791 major convictions for financial institution fraud in 1989 (losses over \$100,000)
 - 530 failed institutions currently under FBI investigation (up from 282 three years ago)
 - 184 major S&L indictments since 1987, with 159 convictions.

In 1987, using existing resources, the Department established the Dallas Task Force to aggressively prosecute S&L fraud cases. This Task Force to date has brought criminal charges against 77 persons, obtaining 52 convictions, 40 of which involve savings and loan institutions. The Dallas Task Force currently has 42 separate savings and loans and 560 individuals under investigation.

Based on the success of the Dallas model, the Attorney General is expanding the task force concept to 37 other U.S. Attorney's offices.

Already Done { In April of this year, the Attorney General established a senior interagency group to identify and prioritize the most important cases to be investigated and prosecuted. The focus will be on cases that involve failed or severely weakened financial institutions, where the losses result from insider fraud and manipulation. This group is comprised of representatives from the Department of Justice, FBI, Office of Thrift Supervision, FDIC, Comptroller the Currency, Board of Governors of the Federal Reserve System, the National Credit Union Administration, the Attorney General's Advisory Committee of U.S. Attorneys, and the Department of Treasury. It will also make recommendations concerning the streamlining and accelerating of the investigatory and prosecutorial functions.

The Attorney General has established a new position, Special Counsel to the Deputy Attorney General for Financial Institutions. The sole responsibility of the Special Counsel

will be to coordinate all matters concerning the investigation and prosecution of financial institution fraud and to ensure the implementation of all forthcoming policy initiatives. Additionally, the Special Counsel will ensure that the resources devoted to financial institution fraud prosecutions are properly allocated.

The resources of other agencies will also be brought to bear on this problem:

- o The Resolution Trust Corporation (RTC) has established an Office of Investigations and a national network of investigative teams. Approximately 300 new investigative staff will have been added by the end of this year.
- o Over the last three years, Treasury's Office of Thrift Supervision and its predecessor have required 664 institutions to agree to terminate unsafe and unsound practices, removed over 150 senior thrift officers and directors, and issued 111 cease and desist orders to stop unsafe and unsound practices.
- o The IRS is expected to aggressively pursue individuals suspected of tax fraud in connection with their relationship with failed savings and loan institutions. Those people benefitting from this scandal who cannot be prosecuted under the bank fraud statutes can sometimes be charged with hiding or understating income (e.g. bribes, write-offs, etc.).

Treasury (later)
Alcohol (done)
Annex 100-4

Increased legal authorities would assist the Administration in its efforts to apprehend and prosecute those who commit fraud. Therefore, the Administration will support an amendment to the crime bill sponsored by Senators Dole, Heinz, [Garn and Representative Michael]. This proposal will:

- o Enable the Department of Justice to utilize, without reimbursement, the very best legal minds and investigators from other government agencies.
- o Provide law enforcement agencies the ability to request the use of wiretaps to investigate ongoing bank fraud, false statements to financial institutions, bribery of bank officials, and related offenses for which wiretap authority is not presently available.
- o Provide cases brought by the Federal Deposit Insurance Corporation (FDIC) and the RTC priority consideration and establish procedures for expedited appeals.
- o Protect taxpayers by (a) authorizing the Department of Justice, the FDIC, the RTC, and the Office of Thrift Supervision (OTS) to seek court orders to freeze the corporate and personal assets of defendants in civil

cases; and (b) provide that claims of the Federal Government have priority over those of other creditors in actions against parties responsible for losses at financial institutions where fraud is alleged.

- o Protect victims of fraud by authorizing courts to order payment of restitution to victims of financial institutions fraud even in cases where all victims were not identified in the count of conviction.
- o Protect victims of fraud by prohibiting the use of bankruptcy as a strategy to avoid damages, penalties, and forfeitures. This would apply to any debtor who committed fraud while acting in a fiduciary capacity to an insured financial institution.
- o Authorize an additional \$25 million for the IRS and the Department of Justice for investigation of financial institutions fraud.

These measures are supported by the Administration to augment our vigorous efforts to root out fraud at financial institutions, protect victims, and bring to justice those who have violated the law.

JIM RICHMOND
514-0467

DRAFT

~~THE WHITE HOUSE~~

~~Office of the Press Secretary~~

FOR IMMEDIATE RELEASE

June __, 1990

FACT SHEET
Fighting Financial Institution Fraud

The Administration today announced further steps to intensify the fight against fraud in our nation's financial institutions. These steps include:

- Commitment to providing necessary resources are directed to ~~Targeting~~ the most significant S&L and bank fraud cases -- those involving high losses, potential insider fraud, and weakening of the financial institution -- and focusing investigative and prosecutorial resources on these priority matters.
- ~~Calling on the resources of all agencies~~
~~Upgrading interagency coordination, under the leadership of the Department of Justice, to ensure that all available government-wide resources are properly allocated and deployed in the fight against financial institution fraud.~~
- Seeking additional legislation in cooperation with Senators Robert Dole and John Heinz to enhance the government's ability to locate and prosecute savings and loan fraud.
 - o Add Special Squads
 - o Add ~~debarment~~ Background
 - o Add ?

Despite the failure of Congress to provide

In February 1989, the first month of this Administration, the Attorney General identified fraud against financial institutions as a serious problem and one of his top enforcement priorities and called upon Congress for additional investigative and prosecutorial resources. ~~Congress turned down the Administration's March 1989 request for a supplemental appropriation of \$36.8 million to combat financial institution fraud. Instead, in FY 1989 Congress cut the FBI request for 40 Special Agents and cut \$1 million from the Criminal Division Fraud Section budget.~~ much has been accomplished.

Even without new resources, the Department of Justice has been aggressively pursuing financial institution fraud, achieving substantial results:

- 791 major convictions for financial institution fraud in 1989 (losses over \$100,000)

S+LS
BANKS
CREDIT / Financial
FRAUD

AG will give brief overview of cleanup
Tres. support invest/prosec OTS,
NATIONAL ECO-HEALTH;

AG will TALK about = early priority
made it a priority / Dallas office
most turned down by Congress = of # prosecutions

- 2 -

- 530 failed institutions currently under FBI investigation (up from 282 three years ago)
- 184 major S&L indictments since 1987, with 159 convictions

using existing resources
 In 1987, the Department established the Dallas Task Force, ^{to} using existing Criminal Division resources and the resources of other agencies to supplement the work of the U.S. Attorney's Office. Today, the Task Force consists of 22 Assistant U.S. Attorneys and Fraud Section attorneys, 3 Tax Division lawyers, 36 FBI agents, 16 IRS Special Agents, and 3 Office of Thrift Supervision examiners. *aggressively prosecute S + L fraud cases*

← This Task Force to date has brought criminal charges against 77 persons, obtaining 52 convictions, 40 of which involve savings and loan institutions. The Dallas Task Force currently has 42 separate savings and loans and 560 individuals under investigation.

Based on the success of the Dallas model, the Attorney General is expanding the task force concept to ~~22~~ ³⁷ other key *up+running* cities.

In December 1989, the Congress appropriated the money for FIRREA. Part of this appropriation was for enhanced resources. To date, 153 FBI agents have been hired; 90 of 118 Assistant U.S. Attorneys; 22 of 24 Fraud Section attorneys have been hired (or are in the process of being hired); and 100 FBI accounting technicians will be hired. In addition, 12 of the 24 Fraud Section lawyers will be added to the Dallas Bank Fraud Task Force.

Additional Steps

The Attorney General established

In April of this year, a senior interagency group ~~was established~~ to identify and prioritize the most important cases to be investigated and prosecuted. The focus will be on cases that involve failed or severely weakened financial institutions, where the losses result from insider fraud and manipulation. This group is comprised of representatives from the Department of Justice, FBI, Office of Thrift Supervision, FDIC, Comptroller of the Currency, Board of Governors of the Federal Reserve System, the National Credit Union Administration, the Attorney General's Advisory Committee of U.S. Attorneys, and the Department of Treasury. It will also make recommendations concerning the streamlining and accelerating of the investigatory and prosecutive functions.

The Attorney General has established a new position, Special Counsel to the Deputy Attorney General for Financial

- 3 -

Institutions. The sole responsibility of the Special Counsel will be to coordinate all matters concerning the investigation and prosecution of financial institution fraud and to ensure the implementation of all forthcoming policy initiatives. Additionally, the Special Counsel will ensure that the resources devoted to financial institution fraud prosecutions are properly allocated.

The President, the Attorney General, and the Secretary of the Treasury are expected to meet on Friday, June 22, 1990, with the U.S. Attorneys to underscore the Administration's commitment to continue to address this critical issue. According to the Attorney General, this is the nation's highest economic crime and

The resources of other agencies will be brought in to bear on this problem. The Resolution Trust Corporation (RTC) has established an Office of Investigations and a national network of investigative teams. Approximately 300 new investigative staff will have been added by the end of this year.

Over the last three years, the OTS and its predecessor have required 664 institutions to agree to terminate unsafe and unsound practices, removed over 150 senior thrift officers and directors, and issued 111 cease and desist orders to stop unsafe and unsound practices. The IRS is expected to _____.

The Administration will support an amendment to the crime bill sponsored by Senators Dole and Heinz, developed in conjunction with the Departments of Justice and Treasury. This proposal will:

- Enable the Department of Justice to utilize, without reimbursement, the very best legal minds and investigators from other government agencies.
- Allow law enforcement agencies the ability to request the use of wiretaps to investigate ongoing bank fraud, false statements to financial institutions, bribery of bank officials and related offenses for which wiretap authority is not presently available.
- To provide cases brought by the Federal Deposit Insurance Corporation (FDIC) and the RTC priority consideration and to establish procedures for expedited appeals.
- Protect taxpayers by (a) authorizing the Department of Justice, the FDIC, the RTC, and the Office of Thrift Supervision (OTS) to seek court orders to freeze the corporate and personal assets of defendants in civil

And finally, later this month I plan to meet with U.S. attorneys from across the country to get a progress report from them, and to discuss their vital work in prosecuting financial fraud.

Let me also say, I am deeply impressed by the cooperation between the men and women of the Departments of Justice and Treasury, and their dedication to prosecute financial frauds. I commend Senators Dole and Heinz for leading this effort. And I look forward to working with Congress in this same spirit to promote justice.

And now I'd be delighted to take your questions.

- 4 -

cases; and (b) providing that claims of the Federal Government have priority over those of other creditors in actions against parties responsible for losses at financial institutions where fraud is alleged.

- Protect victims of fraud by authorizing courts to order payment of restitution to victims of financial institution fraud even in cases where all victims were not identified in the count of conviction.
- Protect victims of fraud by prohibiting the use of bankruptcy as a strategy to avoid damages, penalties, and forfeitures. This would apply to any debtor who committed fraud while acting in a fiduciary capacity to an insured financial institution.
- Provide one uniform, fair, and effective national procedure for the collection of Federal debts and enable the Federal Government to collect criminal and civil judgments through such means as attachments and garnishments and draw on the best features of debt collection laws found in the states.

These measures are support by the President to augment vigorous Administration efforts to root out fraud at financial institutions, protect victims, and bring to justice those who have violated the law.

Insert

IRS will aggressively pursue individuals suspected of tax fraud in connection with their relationship with failed savings and loan institutions. Those people benefiting from this scandal who can not be prosecuted under the bank fraud statutes can sometimes be charged with hiding or understating income (e.g, bribes, write-offs, etc.).

Cleared w/ G Jones 5-8-90

DRAFT

STATEMENT

OF

EDWARD S.G. DENNIS, JR.
ASSISTANT ATTORNEY GENERAL
CRIMINAL DIVISION

BEFORE

THE

SUBCOMMITTEE ON CRIMINAL JUSTICE
COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING

FRAUD AGAINST FINANCIAL INSTITUTIONS

ON

MAY 11, 1990

Mr. Chairman and members of the Subcommittee, I am pleased to be here today to report to you about the progress being made by the Department of Justice in fighting financial institution fraud. First, let me assure the Subcommittee that the effective prosecution of the victimizers of federally insured financial institutions continues to be a top law enforcement priority of the Department.

I. TOP PRIORITY GIVEN TO THE PROSECUTION
OF FINANCIAL INSTITUTION FRAUD

Since as early as the establishment of the Interagency Bank Fraud Enforcement Working Group in December 1984, combating fraud directed against financial institutions has been a top priority for economic crime enforcement. (More about the organization and accomplishments of the Working Group will be provided later in this statement.) This has been communicated to the United States Attorneys on a number of occasions. For example, in November 1985, a notice was published in the United States Attorneys' Manual stating that:

U.S. Attorneys shall place bank fraud and bank bribery prosecutions high on their list of white collar crime enforcement priorities. The health of the nation's banking industry is essential to the health of the nation's economy. Instances of bank bribery and bank fraud, even if directed toward relatively small banks, seriously undermine the confidence and trust that individuals and businesses place in the banking industry as a whole. That confidence and trust will diminish all the more if the public fails to

perceive a comprehensive and active federal law enforcement presence in the industry.

U.S.A.M. §9-40.539A. (November 5, 1985)

Furthermore, in December 1986, the Associate Attorney General notified all United States Attorneys that fraud in the banking industry was a national priority for economic crime enforcement, and on February 24, 1987, the Attorney General sent a memorandum to all the United States Attorneys emphasizing that the financial institution fraud problem was a major concern of the Department and warranted the close attention of the United States Attorneys.

Almost immediately after assuming office, Attorney General Dick Thornburgh personally reviewed the financial institution fraud enforcement effort. Soon thereafter, in December 1988, the Attorney General met with the Interagency Bank Fraud Enforcement Working Group and emphasized the Department's strong commitment to effective enforcement in this priority area.

The top economic crime priority status of the effective prosecution of fraud against financial institutions has been reemphasized recently by the Attorney General. His December 7, 1989, public statement made clear that combating financial institution fraud is a top enforcement priority of the Department, and at the Economic Crime Council (Council) meeting held February 22, 1990, the Attorney General stressed that this area is of

particular concern to the President and the public. The Council is an organization composed of 23 United States Attorneys, various officials of the Department of Justice, and representatives of various federal law enforcement agencies outside the Department.

In April of this year, a copy of my March 15, 1990 statement before the Commerce, Consumer, and Monetary Affairs Subcommittee of the House Committee on Government Operations and a copy of my April 12, 1990 statement before the House Committee on Banking, Finance and Urban Affairs were sent to all United States Attorneys. Those statements, like this one, emphasize that the Department considers combating fraud against financial institutions to be of utmost importance.

II. THE ROLE OF THE DEPARTMENT OF JUSTICE

In general terms, the Department's role in the investigation and prosecution of insider and affiliated-outsider fraud and other abuses of financial institutions is to enforce certain federal criminal and civil laws enacted by Congress to provide criminal penalties and civil sanctions for defrauding or otherwise harming federally insured financial institutions. Most of the Department's involvement is in the criminal enforcement area since Congress has vested most of the civil enforcement authority and responsibility with the various financial institution supervisory agencies.

The vast majority of the Department's enforcement effort is carried out by the 93 United States Attorneys under the direction of the Attorney General. Although the Attorney General has direction of all United States Attorneys in the discharge of their duties, each United States Attorney, within the United States Attorney's district, serves as the principal federal law enforcement officer. The United States Attorney has the responsibility and authority to conduct most of the trial work in which the United States is a party. The United States Attorney's authority includes the authority to:

(a) prosecute for all offenses against the United States (including fraud and other offenses against federally insured financial institutions); and

(b) prosecute or defend, for the government, all civil actions, suits or proceedings in which the United States is concerned.

The Criminal Division supervises the enforcement of all federal criminal laws except those that are specifically assigned to other divisions. The Criminal Division will provide assistance to a United States Attorney in any matter within the Division's jurisdiction and will serve as a conduit for a United States Attorney to a higher authority within or without the Department on matters within its jurisdiction. The Fraud Section of the Criminal

Division supports the United States Attorneys with legal and investigative guidance, and, when requested and able to do so, provides staffing for United States Attorney-originated financial institution fraud cases. The Fraud Section also provides training to, and shares information with, other members of the law enforcement community in order to enhance the federal government's overall effort to combat financial institution fraud. Moreover, the Section promotes coordination and cooperation among the regulatory agencies and law enforcement components of the Department through the Section's involvement with the Interagency Bank Fraud Enforcement Working Group.

Both the Tax Division and the Civil Division of the Department are involved in the enforcement effort. The Tax Division is an active participant in the operations of the Dallas Bank Fraud Task Force and the Civil Division is engaged in implementing section 951 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). More will be said later in this statement about the Dallas Bank Fraud Task Force and the Civil Division's enforcement of section 951.

III. INCREASING THE ENFORCEMENT EFFORT

FIRREA, which became law August 9, 1989, was the result of a joint effort of the Administration and Congress in recognition of the critical need for strengthening federal supervision and

enforcement efforts involving the Nation's federally insured financial institutions. Section 966(a)(1) of FIRREA authorized an appropriation to the Department of \$65 million for each of fiscal years 1990 through 1992, for purposes of investigations and prosecutions made by FIRREA apply. Similarly, Section 966(a)(2) of FIRREA authorized an appropriation to the Department of \$10 million for each of fiscal years 1990 through 1992, for purposes of civil proceedings involving financial institutions subject to FIRREA and amendments made by FIRREA. No funds were actually provided by FIRREA upon its enactment.

In December 1989, the authorizations under FIRREA resulted in the appropriation of \$49.179 million, an amount requested by the Administration, for strengthening the Department's investigation and prosecution of financial institution fraud. I should note that the Administration had requested supplemental funding in fiscal year 1989 of \$36.8 million for an increased effort against financial institution fraud, rather than waiting for the planned expansion in fiscal year 1990, but this supplemental funding was not provided by the Congress.

Following a careful review within the Department regarding how best to employ resources under FIRREA, the Department divided the \$49.179 million among Departmental components as follows:

Federal Bureau of Investigation	\$25,039,000
United States Attorneys	\$20,862,000
Criminal Division	\$ 2,600,000
Tax Division	\$ 678,000

The authorized distributions of FBI Special Agents among various FBI field divisions and Assistant U.S. Attorneys among various U.S. Attorneys' Offices are listed below. The FBI is adding 153 new agents to this effort using FIRREA funds. Forty-nine additional agent positions are being dedicated to the FIRREA enforcement effort. These positions are being funded with other Bureau monies. The addition of the 202 agents will result in a total of approximately six hundred agent work years being dedicated to investigating financial institution related fraud and embezzlement. In addition, FIRREA will result in 118 Assistant United States Attorney positions dedicated to FIRREA enforcement.

These positions will augment our prior prosecutorial efforts, which, based on a survey of the FBI field Divisions and U.S. Attorneys' Offices conducted in March 1989, included approximately 200 Assistant U.S. Attorney work years applied to this area. A recent survey of the 37 United States Attorneys' Offices receiving increases under the appropriations resulting from FIRREA, which was completed in mid-March 1990, found that 68 of the 118 positions had been filled (23 of the positions were filled with experienced Assistant U.S. Attorneys), 20 potential hires were undergoing the

required background checks, and recruitment efforts were underway to fill most of the remaining positions.

<u>FBI Division</u>	<u>Special Agents</u>	<u>U.S. Attorney's Office</u>
Anchorage	2	1 District of Alaska
Atlanta	3	2 Northern District of Georgia 1 Middle District of Georgia
Boston	3	2 District of Massachusetts 1 District of New Hampshire
Charlotte	0	2 Eastern District of North Carolina
Chicago	4	3 Northern District of Illinois
Cleveland	2	1 Northern District of Ohio
Dallas	37	12 Northern District of Texas 3 Eastern District of Texas
Denver	8	4 District of Colorado 1 District of Wyoming
El Paso	1	1 Western District of Texas
Houston	27	15 Southern District of Texas
Kansas City	10	3 District of Kansas 3 Western District of Missouri
Little Rock	4	2 Eastern District of Arkansas
Los Angeles	27	15 Central District of California
Memphis	1	1 Western District of Tennessee
Miami	4	2 Southern District of Florida

- 9 -

Minneapolis	5	3 District of Minnesota
		1 District of North Dakota
Newark	3	1 District of New Jersey
New Orleans	12	3 Eastern District of Louisiana
		2 Middle District of Louisiana
		2 Western District of Louisiana
New York	10	3 Southern District of New York
		3 Eastern District of New York
Oklahoma City	10	5 Western District of Oklahoma
Omaha	4	1 District of Nebraska
		1 Northern District of Iowa
Philadelphia	1	1 Eastern District of Pennsylvania
Phoenix	6	3 District of Arizona
Sacramento	1	1 Eastern District of California
San Antonio	8	5 Western District of Texas
San Francisco	4	3 Northern District of California
Seattle	3	2 Western District of Washington
Tampa	1	3 Middle District of Florida
Financial Crimes		
Unit, White Collar		
Crime Section, FBI		
Headquarters	1 (May not be filled)	
TOTALS	202	118

Although most of the new resources will be located in the field, both the Tax Division and the Criminal Division received authorizations for additional positions, including six trial attorneys for the Tax Division and 24 trial attorneys for the Criminal Division, to strengthen their support to the U.S. Attorneys' Offices. As of May 10, 1990, the Fraud Section had brought aboard seven attorneys as a result of FIRREA, and nine more attorneys were expected to join the Section following the completion of background checks or their completion of their various personal commitments. Recruitment efforts to fill the remaining eight FIRREA positions are ongoing. Twelve of the Fraud Section's FIRREA funded trial attorney positions are dedicated to the Dallas Regional Office of the Fraud Section to reinforce the operations of the task force there.

The Department's fiscal year 1991 budget request maintains this increased level of effort, but also requests 60 new positions (\$3,419,000) for the Civil Division and \$279,000 for the Tax Division.

IV. THE INVESTIGATORY-PROSECUTORIAL STRATEGY

The Department's strategy for the investigation and prosecution of fraud against financial institutions consists of a number of elements, including those on the following list:

- establishing task forces, consisting mainly of FBI staff and United States Attorney Office

staff, in FBI divisions and judicial districts having the greatest need;

-- using Assistant United States Attorneys to fill lead attorney positions on such teams, except where the circumstances warrant assigning a Fraud Section Attorney as the lead attorney, and adding Internal Revenue Service Agents, Postal Inspectors and Tax Division attorneys to a team where such assignments would strengthen the team's operations;

-- co-housing of the components of the teams and assigning experienced Assistant United States Attorneys to task forces, backfilling with less experienced or newly hired attorneys, whenever practicable;

-- evaluating the sufficiency of the recent allocations and making warranted adjustments;

-- targeting the most culpable offenders and FBI priority cases, and employing the "Fast Track" approach where feasible (an approach involving minimal use of federal resources, frauds involving lower dollar losses, and confessions made by putative defendants.)

-- continuing to develop and maintain close cooperation with the financial institution supervisory agencies at the national level

through the Interagency Bank Fraud Enforcement Working Group, and enhancing cooperation and coordination with financial institution supervisory agencies at the local level;

-- using Criminal Division (Fraud Section) resources as a reserve to sustain the ongoing task force efforts in the Northern District of Texas and the Western District of Oklahoma, and to reinforce enforcement efforts in other districts as existing Section resources permit; and

-- using section 951 of FIRREA (12 U.S.C. § 1833a.) in lieu of or in connection with criminal prosecution.

V. IMPLEMENTATION OF FIRREA

The Department of Justice has made substantial progress in carrying out its responsibilities under the enforcement provisions of FIRREA within the Department's purview. Several examples of our progress follow:

Dallas Regional Office of the Fraud Section

Section 965 of FIRREA mandated establishing a Fraud Section regional office in the Northern District of Texas and maintaining

the office at least through fiscal year 1992. Pursuant to this requirement, the Criminal Division has established this office. A Fraud Section Senior Litigation Counsel, stationed in Dallas, Texas, was named in August 1989, to head the Dallas Regional Office as its Director. Twelve Fraud Section attorneys are handling work assigned by to the Regional Office. Two Fraud Section attorneys, in addition to the Regional Director, are stationed in Dallas. Two additional Fraud Section attorneys are scheduled to be stationed in Dallas. Ultimately, 22 Fraud Section attorneys will be assigned on a full-time basis to Regional Office assignments. We anticipate that at least five of these attorneys will be stationed in Dallas.

Following an on-site review of the Dallas operation in February 1990, which I conducted with one of my deputies and the new Chief of the Fraud Section, the Regional Director was given authority to decide various matters previously requiring headquarter's review. For example, in most cases, the Regional Director now has the authority to decide whether to seek an indictment and whether to execute a plea agreement. In addition, the Regional Director is the rating official for Fraud Section attorneys assigned to the Regional Office and the Dallas Bank Fraud Task Force. (The Task Force will be discussed later in this statement.) Lastly, the management of the Regional Office's

operations will be strengthened by assigning several intermediate level supervisory attorneys who will report directly to the Regional Director.

The Regional Office will continue to represent the Fraud Section as a member of the Dallas Bank Fraud Task Force. The Regional Director will continue to serve as the lead attorney for the task force.

It should be noted that the Fraud Section's role is to support, not compete with, the efforts of the U.S. Attorneys. Ideally, the staffing of the U.S. Attorneys' Offices will be adequate to fully address fraud against financial institutions. But experience teaches that it is impossible to predict with absolute accuracy future investigatory and prosecutorial needs in the field. Hence, maintaining a reserve at the headquarters level is of vital importance to ensure some flexibility in responding to unanticipated needs. For this reason, among others, the Department remains unconvinced of the desirability of the statutory establishment of Fraud Section regional offices.

Notice to U.S. Attorneys

By memorandum dated August 31, 1989, the Fraud Section sent all the United States Attorneys' Offices an outline of selected enforcement provisions of FIRREA. Since then, several advisory

notices concerning such things as the interpretation of various provisions of FIRREA have been issued to the field. The Section routinely responds to inquiries from the field regarding FIRREA's enforcement provisions.

Sentencing Guidelines

Section 961(m) of FIRREA included a specific direction to the U.S. Sentencing Commission to establish guidelines ensuring a substantial period of incarceration for a violation of, or conspiracy to violate, 18 U.S.C. § 215(a), 656, 657, 1005, 1006, 1007, 1014, 1341 (affecting a financial institution), 1343 (affecting a financial institution), or 1344, that "substantially jeopardizes the safety and soundness of a federally insured financial institution." On April 26, 1990, the U.S. Sentencing Commission submitted to Congress for review several amendments to the guidelines which were made in response to section 961(m). While the amendments include substantial increases in offense levels for offenses "deemed to have 'substantially jeopardized the safety and soundness of a financial institution,'" a strengthening of the guidelines which we fully support, the definition of an offense that "substantially jeopardized the safety and soundness of a financial institution" is so narrow that the guidelines using the term might seldom be used. In addition, the Commission has not

amended the guidelines to account for the increased 20 year maximum sentence of imprisonment FIRREA provided for a number of financial institution fraud offenses.

Section 951

Section 951 of FIRREA has provided a new civil cause of action, codified as 12 U.S.C. § 1833a. The Federal Programs Branch (Branch) of the Civil Division and the Fraud Section of the Criminal Division have been working closely together towards implementing section 1833a. The Fraud Section has given the Branch certain information from the Section's records to assist with the identification of U.S. Attorneys' Offices possibly having matters suitable for application of section 1833a. Additional information about the Civil Division's implementation of, section 1833a will be supplied to the Subcommittee by the Civil Division.

Forfeiture

FIRREA contains both criminal and civil forfeiture provisions. Notice to all U.S. Attorneys' Offices about these provisions has been given various ways, including through the distribution of a Fraud Section outline about FIRREA on August 31, 1989, by an item published in the "Bulletin on Economic Crime Enforcement" in the fourth quarter of 1989, and by an item prepared in the Asset Forfeiture Office of the Criminal Division and published in the

United States Attorneys' Bulletin.

A. Criminal Forfeiture. Criminal forfeiture is an in personam penalty imposed on the wrongdoer as a sanction. FIRREA provides two ways by which it may be imposed.

First, section 963(c) of FIRREA amended 18 U.S.C. § 982(a) to include forfeiture of "any property constituting, or derived from, proceeds" the defendant obtained, "directly or indirectly, as the result of" a violation of, or a conspiracy to violate, section 215 [bribery of a financial institution official], 656 [misapplication of bank funds], 657 [misapplication of savings and loan funds], 1005 [false entries in bank records or unlawful participation in a bank transaction], 1006 [false entries in savings and loan records or unlawful participation in a savings and loan transaction], 1007 [false statement to influence FDIC action], 1014 [false statement to obtain loan], 1341 [mail fraud], 1343 [wire fraud], or 1344 [scheme or artifice to defraud financial institution], affecting a financial institution.

Second, FIRREA in section 968 amended the RICO provisions of 18 U.S.C. § 1961(1) to add bank fraud (18 U.S.C. § 1344) as a racketeering activity. Thus, where a RICO prosecution is warranted, RICO forfeiture under 18 U.S.C. § 1963 may be pursued. Subsection 1963(a) provides for the forfeiture of

(1) any interest the person has acquired or maintained in violation of [RICO];

(2) any--

(A) interest in;

(B) security of;

(C) claim against; or

(D) property or contractual right of any kind affording a source of influence over;

any enterprise which the person has established, operated, controlled, conducted, or participated in the conduct of, in violation of [RICO]; and

(3) any property consisting [of], or derived from, any proceeds which the person obtained, directly or indirectly, from racketeering activity * * * in violation of [RICO].

Because criminal forfeiture is an in personam penalty imposed as part of the criminal sentence, it is subject to the ex post facto clause. The Constitution bars retroactive application of penal legislation that imposes or increases criminal punishment. Calder v. Bull, 3 U.S. (3 Dall.) 386, 390 (1798); Weaver v. Graham, 450 U.S. 24, 28-29 (1981). Thus, FIRREA's criminal forfeiture provisions cannot be applied to conduct prior to August 9, 1989.

B. Civil Forfeiture. Civil forfeiture is an in rem action against the offending property. It is not necessary that a criminal case be brought. See United States v. Bonanno Organized

Crime Family, 683 F. Supp. 1411, 1460 n.38 (S.D.N.Y. 1988) (citing, inter alia, Calero-Toledo v. Pearson Yacht Leasing Co., 416 U.S. 663-688 (1974)).

In addition to criminal forfeiture, FIRREA provides for civil forfeiture by amending 18 U.S.C. § 981 to permit forfeiture of any real or personal property that "constitutes or is derived from proceeds traceable" to a violation of 18 U.S.C. § 215, 656, 657, 1005, 1006, 1007, 1014, or 1344. This list of statutes differs from the list enumerated in the FIRREA criminal forfeiture provisions of 18 U.S.C. § 982. First, conspiracy to violate the substantive offense is not included. Next, 18 U.S.C. §§ 1341 and 1343 are not included. Lastly, the list is not modified by the term "affecting a financial institution."

There are additional differences between section 981 and section 982. First, section 981 has no substitute assets provision, but section 982 incorporates the substitute assets provisions of 21 U.S.C. § 853(p). Next, section 981 contains "traceable thereto" language, but section 982 does not. There is no legislative history explaining how this apparent difference should be interpreted.

Moreover, there is no explicit provisions in FIRREA, or its legislative history, regarding the retrospective application of section 981. Substantial arguments can be made for or against such

application.

THE DALLAS BANK FRAUD TASK FORCE

Overview

In early 1987, faced with a large number of substantial allegations of criminality associated with various failed financial institutions in the Northern District of Texas, the United States Attorney for the District and the Special Agent in Charge (SAC) of the Dallas Division of the Federal Bureau of Investigation (FBI) together initiated action to strengthen the ongoing law enforcement effort directed against victimizers of such financial institutions. Through this initiative of the United States Attorney and the SAC, a task force was organized in the Northern District of Texas, beginning in August 1987. The Task Force became known as the Dallas Bank Fraud Task Force (Task Force).

The lead attorney for the Task Force, stationed in Dallas the end of September 1987, has been a Senior Litigation Counsel from the Criminal Division's Fraud Section. (In August 1989, the lead attorney was named as the Director of the Dallas Regional Office of the Fraud Section.) The Task Force has been composed of Special Agents and support staff of the Dallas Division of the FBI; Special Agents, Revenue Agents, and support staff of the Internal Revenue Service (IRS); employees of the Federal Home Loan Bank of Dallas; an attorney from the Office of Enforcement of the Federal Home Loan

Bank Board (now the Office of Thrift Supervision); Assistant United States Attorneys from the Northern District of Texas; trial attorneys from the Fraud Section; and Tax Division attorneys.

By the beginning of 1988, the Task Force organization consisted of nine Fraud Section attorneys spending all or most of their time on Task Force work, a Special Assistant United States Attorney supplied by the Federal Home Loan Bank Board's Office of Enforcement, three Assistant United States Attorneys, one Tax Division attorney (part-time), twenty Special Agents of the FBI, and several agents from the IRS. At the end of 1988, the FBI's contingent had increased by two Special Agents with several more scheduled for assignment to the Task Force in early 1989. The IRS contingent had grown substantially to a group of fifteen agents headed by a Group Manager.

Currently, the Task Force is composed of the entire staff of Fraud Section's Dallas Regional Office and investigators, prosecutors, and support staff from the previously mentioned Task Force components. Twelve Fraud Section attorneys (three live in Dallas), and three Section secretaries stationed in Dallas, one Special Assistant United States Attorney from the Office of Thrift Supervision, six Assistant United States Attorneys from the Northern District of Texas and one secretary from the United States Attorney's staff, 27 Special Agents of the FBI plus support staff, 15 agents of the IRS plus support staff, two Tax Division

attorneys, and several Office of Thrift Supervision employees, are staffing the Task Force.

The primary role of the Task Force is to investigate individuals who allegedly have committed serious federal offenses in the Northern District of Texas against federally insured financial institutions and to undertake prosecution when prosecution is warranted. The role of the Fraud Section's Dallas Regional Office is to provide overall direction of the Task Force's effort and to serve as one of the members of the Task Force.

Task Force Prosecutions

The Task Force has been extraordinarily successful with its prosecutions. As of May 4, 1990, the Task Force had brought charges against 70 defendants and had obtained convictions of 49 defendants. Only two of the 70 defendants prosecuted by the Task Force have been acquitted.

The Task Force has prosecuted 12 jury trials and has obtained jury verdicts of guilty against 18 of the 22 defendants. Two defendants were acquitted; two others will be retried as a result of a mistrial from a deadlocked jury. This represents a remarkably high jury trial conviction rate of 90 percent (18 of 20 defendants tried to verdict).

The remainder of the convictions (31) resulted from successfully negotiated guilty pleas. Such negotiated dispositions

are almost always attributable to an effective, extensive investigation involving the coordinated efforts of federal investigators, prosecutors and a grand jury.

It is noteworthy that the 49 defendants convicted through the Task Force's efforts consist of 22 senior executives of financial institutions and 27 individuals doing business with various financial institutions. More specifically, prosecutions involving the defunct Vernon Savings and Loan Association (Vernon) have produced convictions of seven Vernon officers/directors (the chairman of the board of directors, the president, a senior executive vice president, a president of the Dallas Division of Vernon (and executive vice president of Vernon), an executive vice president, a senior vice president, a president of a service corporation of Vernon). In addition, two consultants doing business with Vernon have been convicted.

Prosecutions involving failed Sunbelt Savings Association (Sunbelt) have produced convictions of two Sunbelt officers/directors (a vice president and a director (who also was president of Sunbelt Service Corporation, a subsidiary of Sunbelt). In addition, an accountant, three individuals operating a business borrowing funds from a Sunbelt subsidiary, two part owners of a company doing business with Sunbelt, and an accountant for Sunbelt have been convicted.

Prosecutions involving failed State Savings and Loan Association (State) have produced convictions of the chairman of the board of directors of State, a real estate broker and business associate of a State executive, and three borrowers from State.

Prosecutions involving failed Commodore Savings Association (Commodore) have produced convictions of three officers/directors (the chairman of the board of directors and principal shareholder of Commodore, a vice chairman of the board of directors of Commodore, and the chief executive officer (and vice chairman of the board of directors) of Commodore)). The convictions followed a jury trial. One of these defendants was convicted again in a second trial on additional charges. There were two other defendants in the second trial, but the jury was unable to reach a verdict on some of the charges against them. These two defendants will be retried on the remaining charges, but no firm trial date has been set.

Prosecutions involving failed Western State Bank (Western) have produced convictions of the president (and director) of Western and four individuals (including an accountant) associated with a borrower from Western. The president of Western was convicted following a jury trial.

The remainder of the convicted defendants consist of:

-- a vice president of failed Western
Savings Association;

-- a director (and loan committee member) of failed Irving Savings Association;

-- a chief executive officer/chairman of the board of directors of Commerce Bank;

-- a chairman of the board of directors of failed Summit Savings Association;

-- an executive vice president of a subsidiary of failed Guaranty Federal Savings and Loan Association;

-- a chairman of the board of directors and an officer of a subsidiary of Independent American Savings Association;

-- a president of a subsidiary of Richardson Savings and Loan Association;

-- a businessman and borrower from Northwest Bank, Dallas, Texas;

-- a businessman and borrower from failed Sentry Savings Association;

-- a businessman and borrower from First State Bank of Rockwall, Rockwall, Texas;

business borrowing from several Dallas area financial institutions (convicted following a jury trial);
-- an individual doing business with failed Empire Savings and Loan Association (convicted following a jury trial);
-- a chief financial officer of a mortgage company who committed perjury before a federal grand jury in Dallas (convicted following a jury trial);
-- a Waco businessman who committed perjury before a federal grand jury in Dallas (convicted following a jury trial); and
-- a Dallas businessman who committed tax fraud and bankruptcy fraud.

**Sentences Imposed in
Task Force Prosecutions**

Task Force sentences have ranged from probation to 35 years' imprisonment. Of the 10 defendants sentenced in fiscal year 1988, seven received terms of imprisonment, three received probation, six were ordered to make restitution (totaling \$5,852,370.08) to their

victims, and four were fined. Of the 20 defendants sentenced in fiscal year 1989, 14 received terms of imprisonment, six received probation, nine were ordered to make restitution (totaling \$3,140,523.67) to their victims, and eight were fined. Of the eleven defendants sentenced in fiscal year 1990 (as of March 31, 1990), all 11 received terms of imprisonment, six were ordered to make restitution (totaling \$2,520,271.44), and two were fined.

Moreover, as you may know, Mr. Chairman, on April 5, 1990, a former Chairman of the Board of Vernon Savings and Loan was sentenced to 30 years' imprisonment, with restitution to be determined by the Court. In my view, this sentence sends a strong signal that fraudulent activity will not be tolerated and will be punished severely.

Task Force prosecutors (as well as federal prosecutors in other districts) routinely seek the imprisonment of defendants who have committed serious financial institution related frauds. Moreover, restitution for victims and fines are routinely sought. (We anticipate that civil and criminal forfeitures under FIRREA will soon be used by the United States Attorneys in these cases.)

VII. ACCOMPLISHMENTS (PROSECUTIONS)

The Department of Justice, while fully recognizing the importance of strengthening the enforcement effort, is proud of the

accomplishments of the dedicated investigators and prosecutors who have brought to justice thousands of individuals who victimized financial institutions. The criminal caseload statistics maintained by the Executive Office for United States Attorneys, concerning financial institution fraud prosecutions, show, for example, that in fiscal year 1984, 1421 defendants pleaded guilty and 89 defendants were found guilty following trial (24 defendants were acquitted). (For criminal caseload statistics for fiscal year 1982 through fiscal year 1990, as of February 28, 1990, please see Enclosure 1 to this statement. Enclosure 2 comprises related FBI statistical information that was provided to the House Committee on Banking, Finance and Urban Affairs in connection with the April 11, 1990, testimony of the Director of the FBI before the Committee.) In fiscal year 1989, a total of 1989 defendants pleaded guilty and 165 defendants were found guilty following trial (29 defendants were acquitted). This substantial increase in convictions from fiscal year 1984 to fiscal year 1989 was no doubt attributable in large measure to the high priority the Department has placed on this enforcement effort.

The Department's recent financial institution fraud prosecutions have encompassed a wide variety of schemes and jurisdictions. Some examples follow:

In Dallas, Texas, the former chairman of the board of directors of now defunct Vernon Savings and Loan was convicted of bank fraud. He defrauded Vernon by arranging inflated loans for

the purchase and development of property in Arlington, Texas, and receiving a share of the loan proceeds from an intermediate seller of the property. (As noted above, this person was recently sentenced to prison.) A former President of Vernon was convicted in June 1989, for misapplying loan proceeds for female escorts and a campaign contribution scheme.

A bank president in Denton, Texas was convicted of arranging a series of loans for borrowers totalling over \$2.5 million for the purchase of excavation equipment locally. The loan proceeds were diverted to fund a gold mine development project in Liberia.

In the Eastern District of Virginia an attorney and an accountant were convicted of fraudulent sales of mortgage loans throughout the country by Landbank Equity Corporation.

In the District of Wyoming two bankers and an attorney were convicted of conspiracy, wire fraud, misapplication of funds, and illegally participating in loans. They had acquired control of a financial institution through deceit and guile, then illegally diverted funds from the institution for their own use.

In the Central District of California the two former owners of the Romona Savings and Loan were convicted of diverting millions of dollars from the institution for risky land speculation that contributed to its collapse. In another case, prosecutors

convicted the defendant of defrauding numerous thrifts throughout the country by using false financial statements portraying the defendant as an international real estate developer.

In the District of Maryland the president and senior vice-president of a thrift were convicted of offenses involving a \$12 million loss due to their land speculation and improper loans.

In the Western District of Oklahoma the former president and chief executive officer of defunct First National Bank of Del City, Oklahoma was convicted of bank fraud in using approximately \$2.5 million in bank loans through nominee borrowers.

In the Southern District of New York, federal prosecutors obtained a conviction in 1989, against a defendant in one of the largest bank fraud cases ever prosecuted in New York. The defendant had stolen more than \$38 million from the Central National Bank of New York (CNB) in numerous highly sophisticated schemes leading to the failure in September 1987, of the bank. The successful prosecution was the culmination of a two-year criminal investigation by the FBI, United States Attorney for the Southern District of New York and Office of the Comptroller of the Currency.

In another significant case prosecuted in the Southern District of New York, convictions were obtained against John P. Galanis and members of his organization on charges of bank, tax,

and securities fraud and racketeering. Galanis' 27-year sentence of imprisonment was one of the longest ever in this district for white collar crime offenses.

In the Eastern District of New York, a former president of Flushing Federal Savings and Loan Association and five other defendants were convicted of participating in a fraudulent loan scheme. Flushing Federal was one of the largest financial institution failures in the Northeast, with losses of \$100 million.

In the District of Minnesota, the number of cases of financial institution fraud in fiscal year 1989 was almost twice the number of such cases in the previous fiscal year. Thirty-five individuals were convicted in fiscal year 1989, for schemes involving over \$10 million in losses to financial institutions in Minnesota, an increase of nearly \$7 million from fiscal year 1988. One

significant prosecution resulted in the conviction of the former owner and president of two Minnesota banks for embezzling over \$849,000 from the two banks over a period of three years.

In the Southern District of Florida the president and vice-president of Sunrise Savings and Loan were convicted for contributing to causing the thrift's \$680 million collapse by self-dealing.

In the Middle District of Florida, Florida Federal Savings Bank was convicted of falsifying statements in connection with government-backed student loans. Two former officers of the financial institution also were convicted.

The foregoing examples illustrate but a few of the many important success achieved by our investigators and prosecutors in recent years in prosecuting financial institution fraud.

VIII. ACCOMPLISHMENTS (INTERAGENCY COORDINATION)
Interagency Bank Fraud Enforcement Working Group

In 1984, concerned that financial institutions were becoming increasingly vulnerable to insider fraud and that prosecutions were not keeping pace with criminality, then Attorney General William French Smith and officials of the Federal Home Loan Bank Board (FHLBB), the Board of Governors of the Federal Reserve System (FRS), Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) formed the Interagency Bank Fraud Enforcement Working Group (Working Group).

The Working Group was created to address problems and promote cooperation toward the goal of improving the Federal Government's response to white-collar crime in the nation's federally supervised and regulated financial institutions. The Working Group is composed of officials from the Department of Justice (including the Fraud Section of the Criminal Division and the FBI), Office of Thrift Supervision (OTS), FDIC, OCC, FRS, National Credit Union

Administration (NCUA), Farm Credit Administration (FCA), a representative of the Attorney General's Advisory Committee of United States Attorneys, U.S. Secret Service, Department of the Treasury (represented by the Assistant General Counsel (Enforcement)), and the Securities and Exchange Commission (recently became a member). These officials represent the heads of the member organizations comprising the Working Group.

The Working Group is an important component in the government's financial institution anti-fraud effort. On December 15, 1988, the Attorney General addressed the Working Group and emphasized the Department's commitment to and high regard for it. The Attorney General also stressed the high priority the Department has given to the investigation and prosecution of financial institution fraud.

The Working Group's accomplishments include:

producing a uniform criminal referral form for use by all federally insured financial institutions and supervisory agencies to facilitate prompt, thorough reporting of suspected crimes;

improving both communication and coordination among its members, resulting in a tighter bond between the agencies and the law enforcement community;

promoting "Fast Track," which is a law enforcement approach designed to facilitate the economical, effective prosecution of certain financial institution frauds which would otherwise probably escape criminal prosecution;

establishing the Significant Referral Tracking System, a system maintained by the Fraud Section which records matters identified by financial institution supervisory agencies as significant to them;

instituting and sponsoring a financial institution fraud investigation training program, including joint training courses for FBI agents and bank examiners. In addition, two bank fraud seminars for prosecutors and agency attorneys have been presented through the Attorney General's Advocacy Institute and one is in the planning stage; this training program, with the FBI's Bank Failure Seminar and the Federal Financial Examination Council's White Collar Crime School, provides training for examiners and FBI agents in how to detect and investigate fraud;

promoting recent amendments to the Right to Financial Privacy Act (contained in the Anti-Drug Abuse Act of 1988) facilitating law enforcement agencies' timely receipt of information relating to suspected crimes;

publishing, and distributing (including distribution to all U.S. Attorneys), the "Bank Fraud Directory" a publication designed to assist federal law enforcement personnel to better understand the function performed by the various federal financial institution supervisory agencies and to improve the coordination between those agencies and the federal law enforcement community in the investigation and prosecution of financial institution fraud cases;

identifying locations most in need of additional federal prosecutors and investigators to handle financial institution fraud matters and cases; and

encouraging the creation of local financial institution fraud working groups to strengthen enforcement efforts at the local level.

Local Working Groups

On November 19, 1987, the Assistant Attorney General of the Criminal Division, William F. Weld, while testifying before the Commerce, Consumer, and Monetary Affairs Subcommittee of the Committee on Government Operations, U.S. House of Representatives, discussed the success of interagency bank fraud working groups at both the national and local levels. Mr. Weld pledged to encourage each U.S. Attorney to consider the concept for his or her own district.

By memorandum dated February 17, 1988, addressed to all U.S. Attorneys, Mr. Weld encouraged U.S. Attorneys whose districts had substantial caseloads of financial institution fraud to establish a local group modeled after the Bank Regulator Forum (Forum). The Forum was established in 1986 in the Northern District of Illinois to coordinate with other law enforcement and financial institution supervisory agencies in addressing problems in the area of financial institution fraud. The Forum has achieved notable, tangible results. They include location of high quality expert witnesses, identification of examiners to brief assistants and agents assigned to complex cases at early stages of investigation, and improvement in the quality of referrals by the supervisory agencies. Most importantly, such a group fosters communication and cooperation between and among the agencies involved in combating financial institution fraud. Based on our most recent information, the following districts are employing local working groups.

D AZ	(Phoenix)*
ED AR	(Little Rock)*
CD CA	(Los Angeles)*
ND CA	(San Francisco)*
ED CA	(Sacramento)*
D CO	(Denver)*
SD FL	(Miami)*
CD IL	(Springfield)
SD IL	(East St. Louis)
ND IL	(Chicago)*

SD IN	(Indianapolis)
D KS	(Wichita)* (Topeka)*
D MA	(Boston)*
D NE	(Omaha)*
D NJ	(Newark)*
ED NY	(Brooklyn)*
SD NY	(Manhattan)*
ED NC	(Raleigh)*
ND OK	(Tulsa)
ED PA	(Philadelphia)*
ED TN	(Knoxville)
ND TX	(Dallas)*
SD TX	(Houston)*
ED WN	(Milwaukee)
WD WN	(Madison)

* A task force district as designated by the Attorney General December 7, 1989, in his public statement.

Mr. Chairman, this completes my prepared statement. I appreciate the opportunity to be here today and Mr. Chairman, I will be pleased to respond to questions from the members of the Subcommittee.

ENCLOSURE 1

Criminal Caseload Statistics
Received, Pending, Terminated, Filed Counts
Fiscal Years 1982 thru 1990 (year-to-date)

FISCAL YEAR	Number of Matters Received	Number of Defendants In Matters Received	Number of Cases Filed	Number of Defendants In the Cases Filed	Number of Matters Terminated	Number of Defendants In Matters Terminated	Number of Cases Terminated	Number of Defendants In the Cases Terminated	Number of Matters Pending at End of Year	Number of Defendants In Matters Pending at End of Year	Number of Cases Pending at End of Year	Number of Defendants In Cases Pending at End of Year
FY 1982	3258	3926	1724	1922	1355	1757	1690	1864	3109	3903	898	1019
FY 1983	3091	3764	1678	1892	1393	1741	1745	1949	3237	4171	832	960
FY 1984	2949	3611	1528	1752	1260	1578	1494	1696	3408	4474	845	975
FY 1985	3512	4488	1590	1835	1086	1529	1483	1647	4130	5684	892	1096
FY 1986	4244	5212	1954	2247	1419	1956	1661	1892	4859	6569	1167	1447
FY 1987	4402	5457	2158	2466	1992	2768	2085	2403	5167	6926	1082	1353
FY 1988	4416	5577	2206	2521	1996	2754	1977	2237	5392	7337	1381	1712
FY 1989	5078	6504	2336	2749	2508	3355	2098	2439	5532	7551	1477	1862
FY 1990 (YTD)	1876	2468	794	970	720	978	740	867	5862	7992	1489	1920

• The Executive Office for United States Attorneys (EOUSA) maintains a case tracking system that collects information from the 93 United States Attorneys. EOUSA recently provided the Criminal Division with statistical reports on cases and matters that were identified as involving the bank fraud and embezzlement program category (036). This program category includes crimes involving banks, savings and loan associations and similar financial institutions. In addition, cases and matters reported under other program categories and involving violations of one of the major bank fraud statutes (18 USC 656, 657, 1005, 1006, 1014, and 1344) were included in the EOUSA's statistics. The statistics provide information for FY 1982 through FY 1990 (as of February 28, 1990) for each district. This is a summary table for all districts. (A referral is counted as a "matter" until an indictment or information is filed and then it is counted as a "case.")

SOURCE: Statistical Reports produced by the Executive Office for United States Attorneys

RECEIVED, PENDING, TERMINATED, FILED COUNTS

	MATTER DEF COUNT	MATTER RECEIVE COUNT	MATTER PEND DEF	MATTER PEND COUNT	MATTER TERM DEF	MATTER TERM COUNT	CASE FILE DEF	CASE FILE COUNT	CASE PEND DEF	CASE PEND COUNT	CASE TERM DEF	CASE TERM COUNT
DIS												
ALABAMA N	23	20	68	52	8	5	4	4	2	2	6	5
ALABAMA M			18	15					4	4		
ALABAMA S	1	1	55	35			1	1	7	5	1	1
NORTH MARIANA	3	3	2	2			1	1	1	1		
ALASKA	1	1	19	17			1	1	1	1		
ARIZONA	26	19	90	67	17	11	4	3	7	6	3	3
ARKANSAS E	14	11	33	20	13	13	7	5	10	8	5	4
ARKANSAS M	10	8	14	12	1	1	1	1	1	1	3	3
CALIF N	83	68	365	275	64	55	19	15	89	44	27	24
CALIF C	111	67	366	173	13	7	53	39	121	76	34	26
COLORADO	59	29	119	76	21	14	29	16	32	18	9	8
CONNECTICUT	47	38	81	57	6	3	11	11	15	14	12	12
DELAWARE	3	2	17	13					4	4	1	1
DIST OF COLUMBIA			93	83					26	26		
FLORIDA N	3	3	49	33			4	3	9	6	2	2
FLORIDA S	75	46	165	101	27	19	55	36	84	60	52	45
GEORGIA N	48	29	124	89	13	11	20	16	36	24	14	12
GEORGIA M	11	7	42	31	2	2	1	1	13	11	5	4
GEORGIA S	3	3	33	27	1	1	1	1	4	4		
HAWAII	3	3	14	16	1	1	4	4	2	2	4	4
IDaho	13	6	43	32	7	7	2	2	9	7	1	1
ILLINOIS N	89	77	570	456	31	21	44	43	136	109	26	18
ILLINOIS S	2	2	43	29	2	2	1	1	4	3		
ILLINOIS C	12	5	42	47	4	4	9	2	15	8	7	7
INDIANA N	11	10	32	25	3	3	2	2	8	8	8	7
INDIANA S	10	8	50	43	8	5	10	9	16	15	5	5
IOWA NORTH	33	17	99	64	22	19	3	3	6	6	3	3
IOWA SOUTH	13	10	23	19	5	4					1	1
KANSAS	2	1	53	36	4	4	4	3	11	10	9	9
KENTUCKY E	23	14	60	38	6	3	7	7	4	3	7	6
KENTUCKY M	11	10	50	38	1	1	2	2	16	12	4	3
LOUISIANA E	21	19	67	58	6	5	7	7	12	10	11	11
LOUISIANA M	64	36	147	87	26	9	13	12	10	10	10	9
MAINE	2	2	34	23			1	1	1	1	2	2

011

PAGE 2

3 PAGE

5

**Criminal Caseload Statistics
Case Disposition Counts
Fiscal Years 1982 thru 1990 (year-to-date)**

FISCAL YEAR	Number of Cases Involving Guilty Pleas	Number of Defendants Entering Guilty Pleas	Number of Cases Tried	Number of Defendants Tried	Number of Cases Involving Guilty Verdicts	Number of Defendants Found Guilty	Number of Cases Involving Acquittals	Number of Defendants Acquitted	Number of Cases Terminated For Other Reasons**	Number of Defendants Whose Cases Were Terminated For Other Reasons**	Total Number of Cases Terminated	Total Number of Defendants Whose Cases Were Terminated
FY 1982	1414	1528	118	147	99	111	19	36	158	189	1690	1864
FY 1983	1336	1470	248	294	227	266	21	28	161	185	1745	1949
FY 1984	1273	1421	87	113	66	89	21	24	134	162	1494	1696
FY 1985	1275	1377	87	106	68	74	19	32	121	164	1483	1647
FY 1986	1417	1569	98	131	87	108	11	23	146	192	1661	1892
FY 1987	1764	1985	128	172	105	133	23	39	193	246	2085	2403
FY 1988	1688	1843	116	158	99	131	17	27	173	236	1977	2237
FY 1989	1774	1989	128	194	113	165	15	29	196	256	2098	2439
FY 1990 (YTD)	658	745	34	53	29	42	5	11	48	69	740	867

* The Executive Office for United States Attorneys (EOUSA) maintains a case tracking system that collects information from the 93 United States Attorneys. EOUSA recently provided the Criminal Division with statistical reports on cases and matters that were identified as involving the bank fraud and embezzlement program category (036). This program category includes crimes involving banks, savings and loan associations and similar financial institutions. In addition, cases and matters reported under other program categories and involving violations of one of the major bank fraud statutes (18 USC 656, 657, 1005, 1006, 1014, and 1344) were included in the EOUSA's statistics. The statistics provide information for FY 1982 through FY 1989 (as of February 28, 1990) for each district. This is a summary table for all districts. (A referral is counted as a "matter" until an indictment or information is filed and then it is counted as a "case.")

** The "Other Reasons" category includes defendants involved in appellate decisions and proceedings suspended indefinitely by court.

SOURCE: Statistical Reports produced by the Executive Office for United States Attorneys

4/04/90

FY90 AS OF 02/28/90 CRIMINAL CASELOAD STATISTICS
 OF TITLE 18 USC 652, 657, 1005, 1006, 1014, 1344 OR PROGRAM CATEGORY 036
 CRIMINAL CASE DISPOSITION COUNTS

PAGE 1

DIST	GUILTY PLEAS DEF	GUILTY PLEAS CASE	TRIED DEF CNT	TRIED CASE CNT	GUILTY VERDICT DEF	GUILTY VERDICT CASE	ACQUIT DEF CNT	ACQUIT CASE CNT	OTHER TERM DEF	OTHER TERM CASE	TOTAL TERM DEF	TOTAL TERM CASE
ALABAMA N	6	5									6	5
ALABAMA S	1	1									1	1
ARIZONA	3	3									3	3
ARKANSAS E	5	4									5	4
ARKANSAS W	3	3									3	3
CALIF N	16	17	3	2	3	2			6	5	27	24
CALIF C	30	24	2	1	2	1			2	1	34	26
COLORADO	9	8									9	8
CONNECTICUT	10	10	1	1	1	1			1	1	12	12
DELAWARE			1	1	1	1					1	1
FLORIDA N	2	2									2	2
FLORIDA S	47	43	5	2	3	1	2	1			52	45
GEORGIA N	12	11	2	1	2	1					14	12
GEORGIA W	4	4							1		5	4
HAWAII	4	4									4	4
IDAH0	1	1									1	1
ILLINOIS N	21	17	5	1	5	1					26	18
ILLINOIS C	7	7									7	7
INDIANA N	7	6							1	1	8	7
INDIANA S	4	4	1	1			1	1			5	5
IOWA NORTH	2	2	1	1	1	1					3	3
IOWA SOUTH	1	1									1	1
KANSAS	7	7	1	1	1	1			1	1	9	9
KENTUCKY E	5	5	2	1	2	1					7	6
KENTUCKY W	2	2	2	1	2	1					4	3
LOUISIANA E	11	11									11	11
LOUISIANA W	8	8							2	1	10	9
MAINE	1	1							1	1	2	2
MARYLAND	19	14									19	14
MASSACHUSETTS	10	9							1	1	11	10
MICHIGAN E	11	11							1	1	12	12
MICHIGAN W	7	6									7	6
MINNESOTA	20	15							2	1	22	16
MISSISSIPPI S	7	6							1	1	8	7
MISSOURI E	5	3	1	1	1	1					6	4

BYNO AS OF 02/20/93 CRIMINAL CASELOAD STATISTICS
OF TITLE 18 USC 050, 057, 1005, 1030, 1034, 1334 OR PROGRAM CATEGORY 036
CRIMINAL CASE DISPOSITION COUNTS

;

[illegible]

6/04/90

BYUO AS OF 02/28/90 CRIMINAL CASELOAD STATISTICS
 OF TITLE 12 USC 65C, 657, 1005, 1006, 1014, 1014 ON PROGRAM CATEGORY 036
 CRIMINAL CASE DISPOSITION COUNTS

PAGE 3

DIST	GUILTY PLEAS DEF	GUILTY PLEAS CASE	TRIED DEF LNT	TRIED CASE CNT	GUILTY VERDICT DEF	GUILTY VERDICT CASE	ACQUIT DEF CNT	ACQUIT CASE CNT	OTHER TERM DEF	OTHER TERM CASE	TOTAL TERM DEF	TOTAL TERM CASE
WASHINGTON W	14	11	1	1			1	1			15	12
WEST VIRGINIA M									1	1	1	1
WEST VIRGINIA S	11	6									11	6
WISCONSIN E	13	11									13	11
WISCONSIN M	3	3							1	1	4	4
WYOMING	4	3									4	3
FLORIDA M	17	13	1				1		9	3	27	16
LOUISIANA M									2	2	2	2
CALIF E	21	18									21	18
CALIF S	4	4							1	1	5	5
FINAL TOTALS	745	658	53	34	42	29	11	5	69	48	867	740

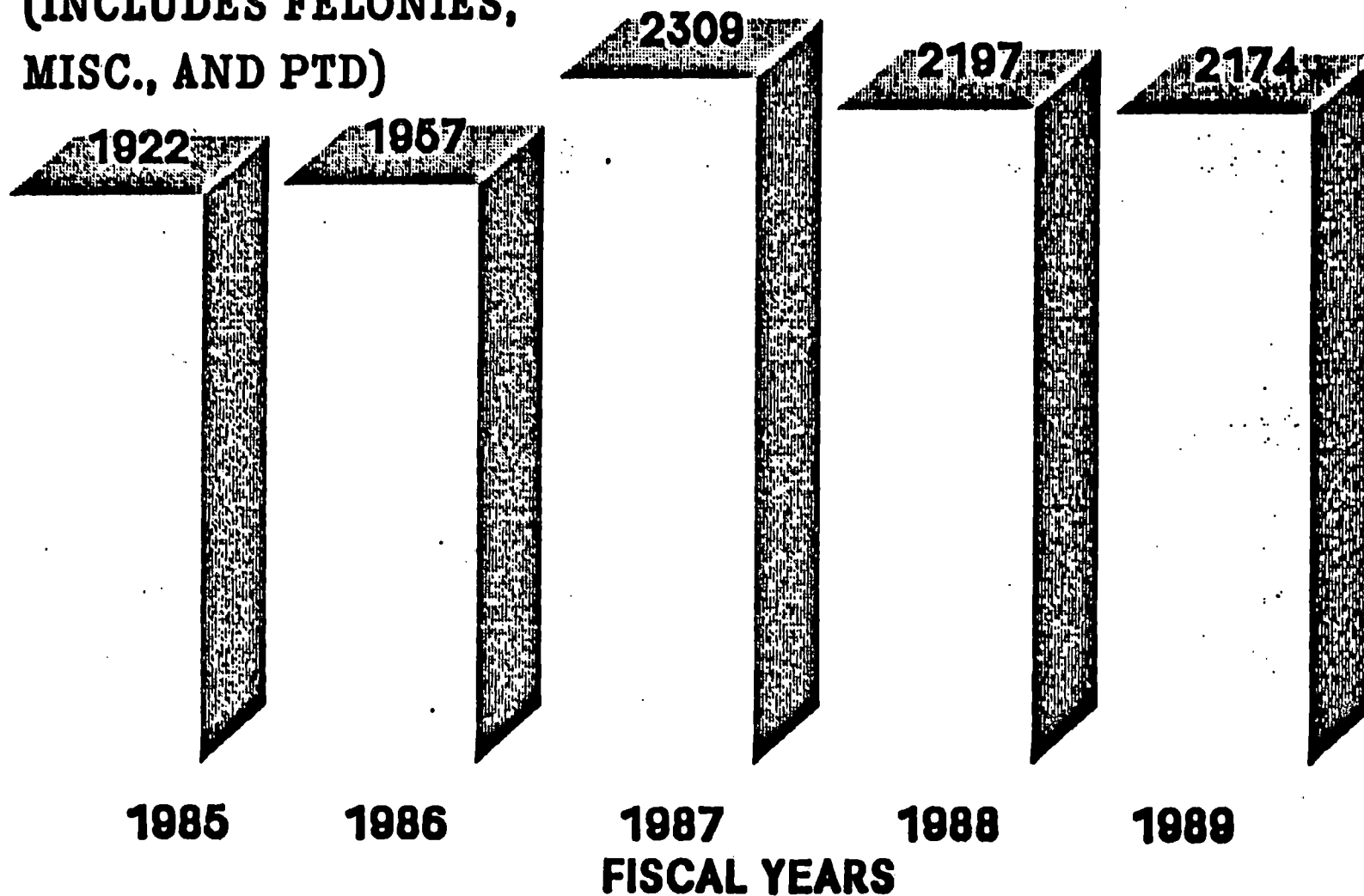
867 RECORDS TOTALED

ENCLOSURE 2

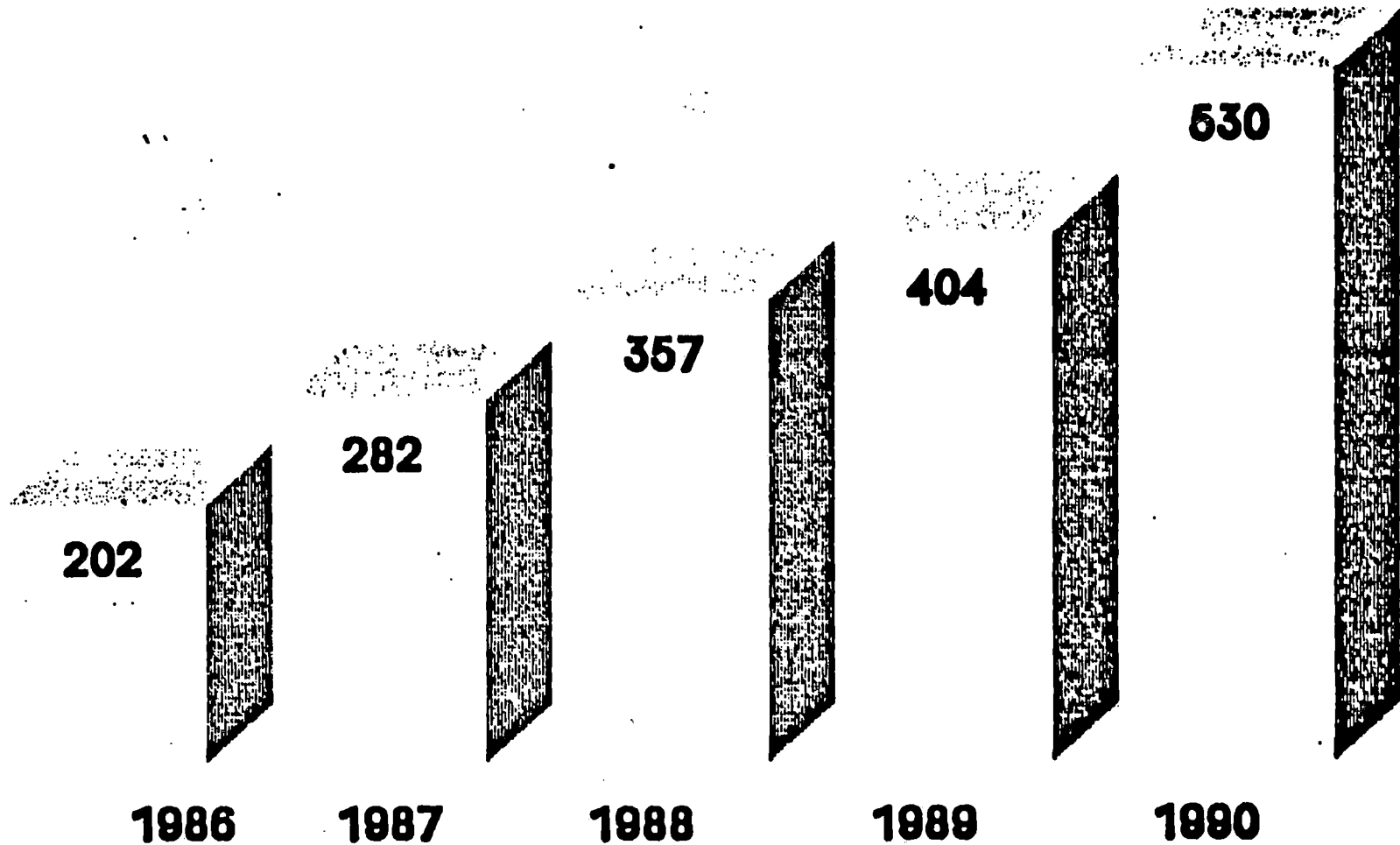
BANK FRAUD AND EMBEZZLEMENT

CONVICTIONS AND PRETRIAL DIVERSIONS

(INCLUDES FELONIES,
MISC., AND PTD)

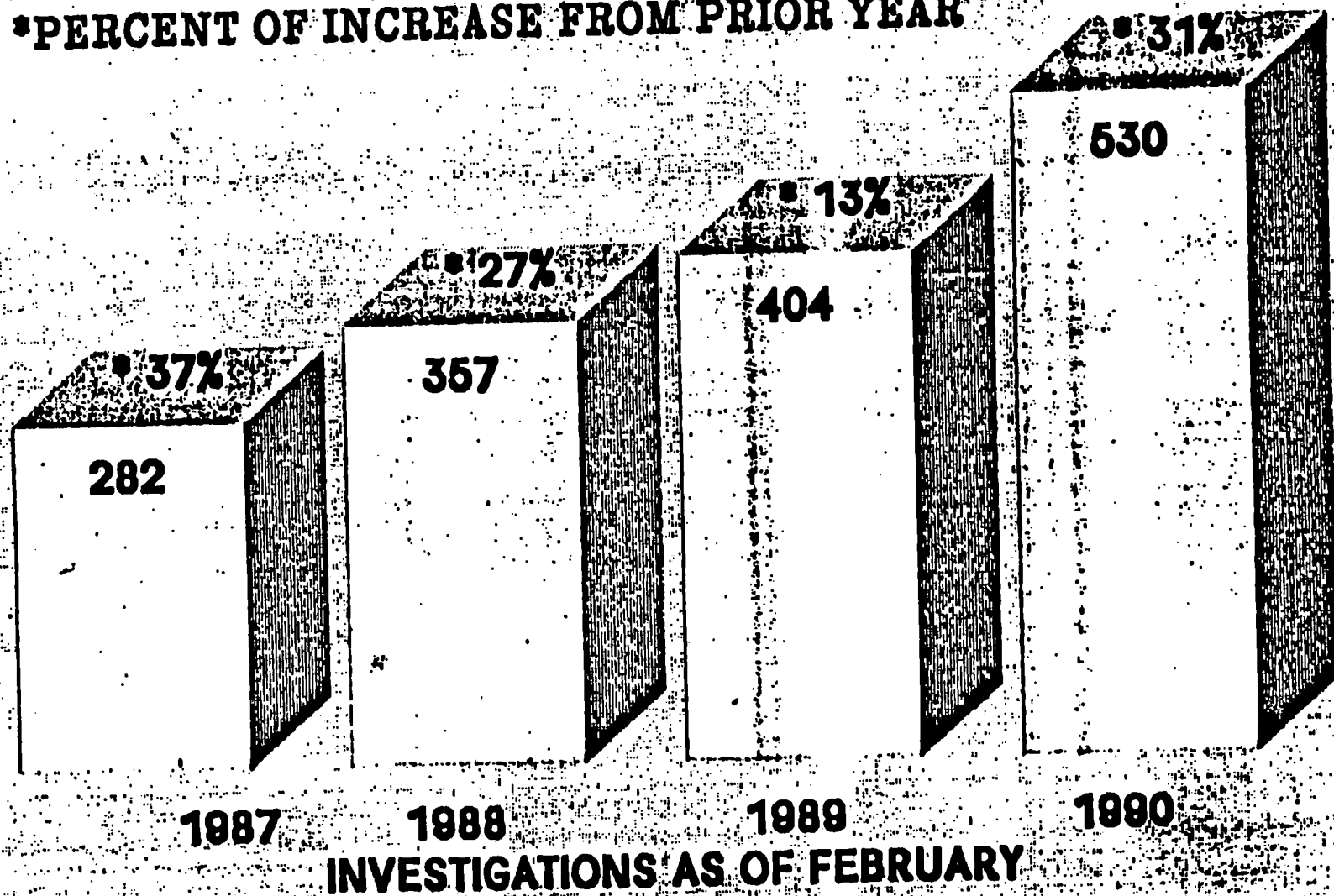


NUMBER OF FAILED FINANCIAL INSTITUTIONS WITH ONGOING FBI INVESTIGATIONS BY YEAR

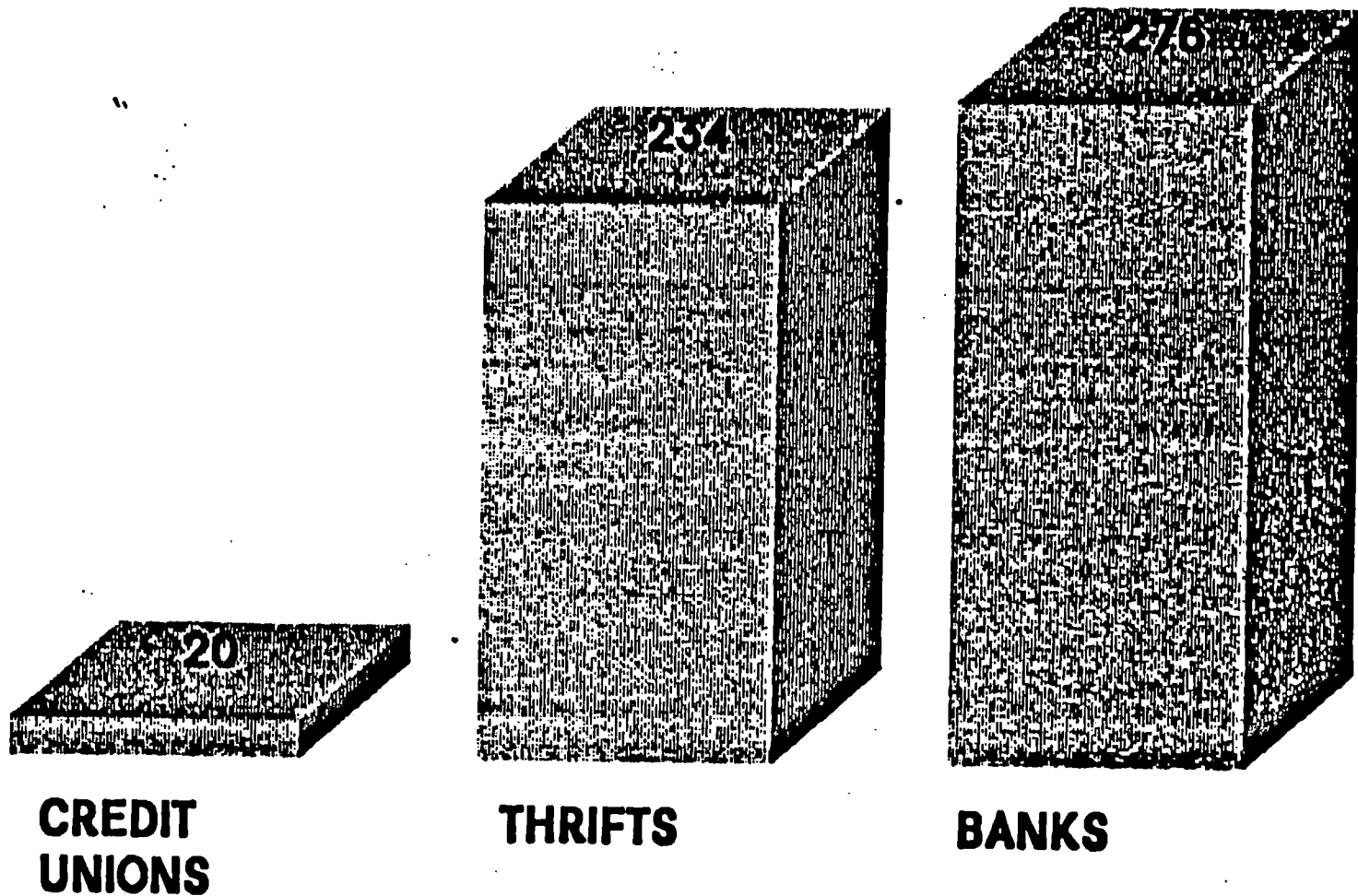


BANK FRAUD AND EMBEZZLEMENT FAILED FINANCIAL INSTITUTIONS UNDER FBI INVESTIGATION

***PERCENT OF INCREASE FROM PRIOR YEAR**

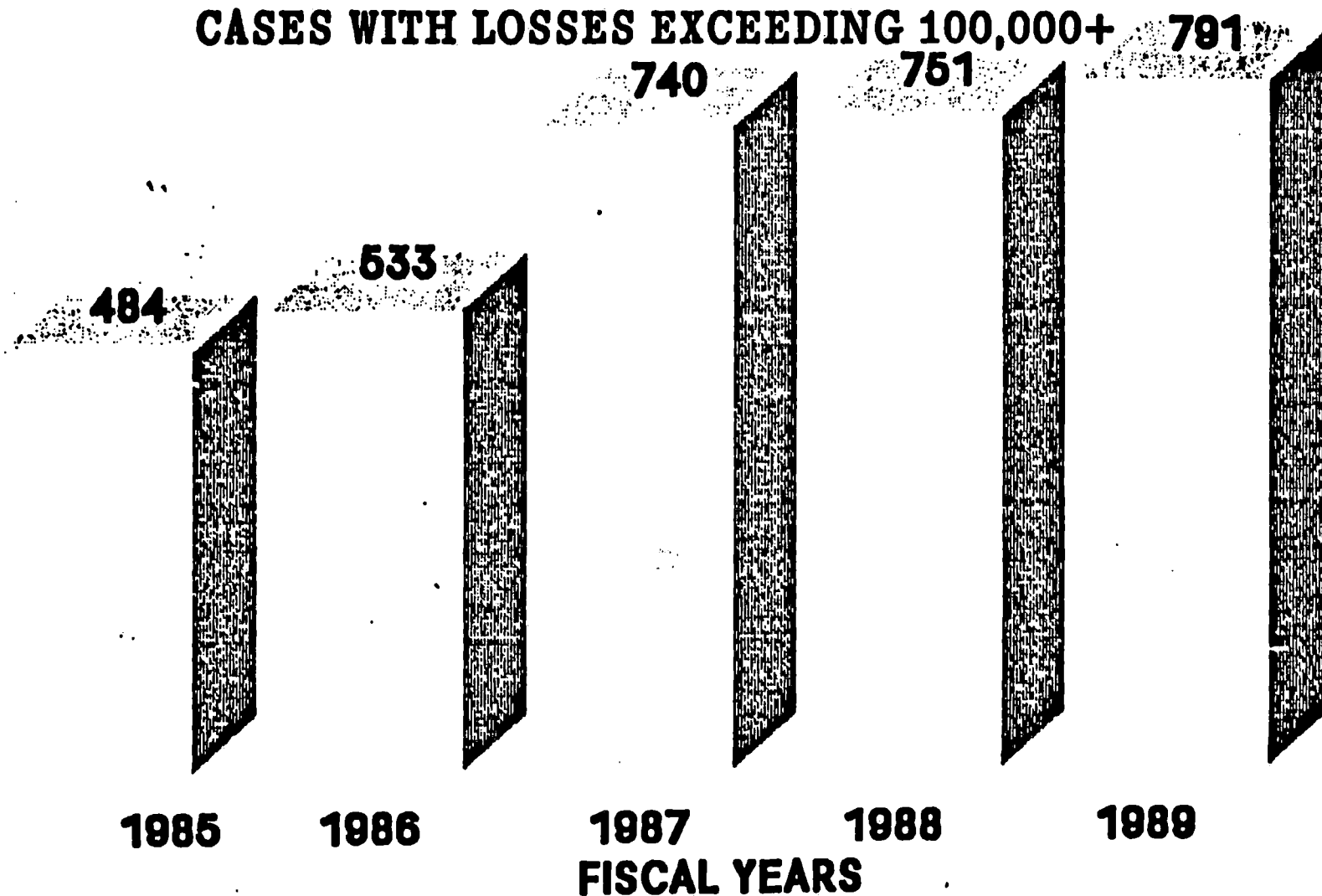


CATEGORIES OF FAILED FINANCIAL INSTITUTIONS AS OF FEBRUARY 1990



BANK FRAUD AND EMBEZZLEMENT CONVICTIONS AND PRETRIAL DIVERSIONS

CASES WITH LOSSES EXCEEDING 100,000+



DECLINATIONS**Number of Cases Declined
1988**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks	221	40	46
Savings & Loans	37	8	14
Credit Unions	3	2	2

**Number of Cases Declined
1989**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks	189	34	40
Savings & Loans	24	10	19
Credit Unions	4	1	2

**Number of Cases Declined
1st Quarter 1990**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks	44	11	10
Savings & Loans	10	1	8
Credit Unions	0	0	0

Question 1(b) Numbers of declinations, convictions, and acquittals: For each of the three higher dollar loss categories, each type of financial institution, and for open vs. failed financial institutions: the number of (i) investigations declined by U.S. Attorneys and if known, the number of subjects/target, (ii) acquittals after trial, (iii) mistrials (where there were no subsequent convictions) and (iv) pretrial diversions and (v) convictions (whether after trial or plea bargain).

Answer: The FBI is able to identify the number of cases declined by the U.S. Attorneys' Offices but with our record keeping system, we are not always able to identify the number of subjects/targets in these declinations. The number of acquittals, pretrial diversions, convictions by pleas or trials are captured by subject/target. The FBI maintains no records concerning mistrials; therefore, we are unable to answer this part of the question. Below are the requested charts, categorizing the number of declinations, acquittals, pretrial diversions, and convictions by type of financial institution, amount of loss, and where applicable, open versus closed institutions.

Question A1(a). We are specifically requesting the following data, for each FBI division (and also the total) for FYs 1988, 1989, and the first quarter of 1990:

a. Numbers of investigations: (i) The number of pending financial institution BF&E cases in each of the following dollar loss categories: under \$25,000, \$25,000 to \$99,999, \$100,000 to \$499,999, \$500,000 to \$999,999, and one million or more; (ii) for these last three dollar categories (the three higher ones), a breakdown showing type of financial institution (S&Ls, banks, and credit unions), and (iii) also, for these two higher dollar categories, figures for open institutions and failed institutions. (We would prefer the open and failed institution breakdowns by type of financial institution, if the FBI can readily obtain this.)

Answer: 1a.(i) The following chart illustrates the currently pending BF&E cases by dollar loss categories. It should be noted that 986 cases in the under \$25,000 category are being handled by a Fast Track system.

<u>Loss Category</u>	<u>Number of Cases</u>
Under \$25,000	1,791
\$25,000 - \$99,999	2,279
\$100,000 - \$499,999	1,662
\$500,000 - \$999,999	421
Over \$1 Million	944
Total BF&E cases	7,097

1a. (ii) The following chart illustrates the currently pending BF&E investigations involving losses over \$100,000 by type of financial institution and loss category

	<u>\$100-499K</u>	<u>\$500-999K</u>	<u>Over \$Million</u>
Bank	1,350	319	609
Savings & Loan	245	84	325
Credit Union	67	18	10

1a. (iii) The following illustrates the currently pending BF&E investigations involving losses over \$100,000 by type of institution and whether the institution is open or failed and/or merged.

	<u>OPEN</u>	<u>FAILED/MERGED</u>
Bank	2,002	276
Savings & Loan	420	234
Credit Union	75	20

ACQUITTALS

Number of Defendants Acquitted 1988

Type of Institution	Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks	4	0	0
opened	0	0	0
closed			
Savings & Loans	0	3	1
opened	0	0	0
closed			
Credit Unions	1	0	0
opened	0	0	0
closed			

Number of Defendants Acquitted 1989

Type of Institution	Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks	4	0	4
opened	1	1	0
closed			
Savings & Loans	1	0	1
opened	0	0	1
closed			
Credit Unions	0	0	0
opened	0	0	0
closed			

Number of Defendants Acquitted 1st Quarter 1990

Type of Institution	Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks	0	0	0
opened	0	0	1
closed			
Savings & Loans	0	0	2
opened	0	0	0
closed			
Credit Unions	0	0	0
opened	0	0	0
closed			

PRETRIAL DIVERSIONS

Number of Pretrial Diversions 1988

Type of Institution	Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks	12	1	2
opened	0	0	1
closed	0	0	1
Savings & Loans	5	0	2
opened	0	0	1
closed	0	0	1
Credit Unions	0	0	0
opened	0	0	0
closed	0	0	0

Number of Pretrial Diversions 1989

Type of Institution	Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks	11	3	1
opened	0	0	0
closed	0	0	0
Savings & Loans	2	0	0
opened	0	0	0
closed	0	0	0
Credit Unions	3	0	0
opened	1	0	0
closed	1	0	0

Number of Pretrial Diversions 1st Quarter 1990

Type of Institution	Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks	0	0	0
opened	0	0	2
closed	0	0	0
Savings & Loans	0	0	0
opened	0	0	1
closed	0	0	0
Credit Unions	1	0	0
opened	0	0	0
closed	0	0	0

**CONVICTIONS
TRIALS**

**Number of Convictions By Trial
1988**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks	35	16	13
opened	1	0	3
closed			
Savings & Loans	1	2	15
opened	0	1	1
closed			
Credit Unions	0	0	0
opened	0	0	0
closed			

**Number of Convictions by Trial
1989**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks	26	1	17
opened	3	3	10
closed			
Savings & Loans	2	1	7
opened	3	0	10
closed			
Credit Unions	2	0	0
opened	0	0	0
closed			

**Number of Convictions by Trial
1st Quarter 1990**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks	5	1	2
opened	0	0	3
closed			
Savings & Loans	0	0	1
opened	0	0	4
closed			
Credit Unions	1	0	0
opened	0	0	0
closed			

PLEAS

**Number of Convictions by Plea
1988**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks			
opened	340	69	81
closed	1	0	16
Savings & Loans			
opened	59	2	15
closed	3	1	1
Credit Unions			
opened	14	0	2
closed	0	0	0

**Number of Convictions by Plea
1989**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks			
opened	317	71	94
closed	6	3	53
Savings & Loans			
opened	57	18	8
closed	8	9	26
Credit Unions			
opened	16	4	4
closed	1	0	0

**Number of Convictions by Plea
1st Quarter 1990**

<u>Type of Institution</u>	<u>Amount of Loss \$100,000 to \$499,999</u>	<u>Amount of Loss \$500,000 to \$999,999</u>	<u>Amount of Loss \$1 Million & Up</u>
Banks			
opened	63	17	11
closed	0	1	15
Savings & Loans			
opened	15	2	5
closed	0	1	9
Credit Unions			
opened	11	0	0
closed	0	0	0

Question A1 (c): Prison sentences and fines imposed: For each of the three higher dollar loss categories, for each type of financial institution, and for open vs. failed financial institutions (with the same combination of the latter two categories, as referenced above, if possible): (i) the prison sentences imposed—broken down by appropriate categories of fines and imprisonment (we will leave the exact categories to the FBI's discretion; we would anticipate at least four imprisonment categories, such as probations, less than 6 months, 6 months to 1 year, 1 to 3 years, and 3 years plus, for example); and (ii) the total amount of fines.

Answer: The FBI has provided a chart of all sentences handed down in Fiscal Years 1988, 1989, and the first quarter of 1990 for Bank Fraud and Embezzlement. Due to the way sentences are given, we were unable to divide the sentences into categories of probation, less than 6 months, 6 months to 1 year, etc. The charts show the FBI field office, the judicial district of the sentencing, the type of financial institution, the category of the loss, and the actual sentence.

Attached are the charts that show the amount of fines collected as well as the number of cases fines were collected.

FINES

Number of Cases and Amount of Fines 1988

Type of Institution		Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks				
opened	(150)	\$952,990	(25) \$133,818	(29) \$447,450
closed	(2)	750	(0) -0-	(5) 40,500
Savings & Loans				
opened	(24)	286,200	(5) 34,600	(10) 38,850
closed	(0)	-0-	(1) 25,100	(5) 294,575
Credit Unions				
opened	(7)	12,900	(1) 150	(0) -0-
closed	(0)	-0-	(0) -0-	(0) -0-

Number of Cases and Amount of Fines 1989

Type of Institution		Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks				
opened	(132)	\$625,975	(25) \$711,000	(38) \$661,087
closed	(6)	16,400	(0) -0-	(14) 218,325
Savings & Loans				
opened	(20)	148,825	(4) 3,200	(10) 298,400
closed	(1)	4,600	(17) 100	(11) 361,350
Credit Unions				
opened	(8)	12,400	(1) 100	(2) 15,050
closed	(0)	-0-	(0) -0-	(0) -0-

Number of Cases and Amount of Fines 1st Quarter 1990

Type of Institution		Amount of Loss \$100,000 to \$499,999	Amount of Loss \$500,000 to \$999,999	Amount of Loss \$1 Million & Up
Banks				
opened	(31)	\$83,711	(5) \$15,200	(10) \$170,221
closed	(0)	-0-	(1) 11,670	(13) 274,349
Savings & Loans				
opened	(5)	8,600	(1) 5,000	(3) 21,850
closed	(0)	-0-	(1) 1,000	(5) 211,250
Credit Unions				
opened	(1)	50	(0) -0-	(0) -0-
closed	(0)	-0-	(0) -0-	(0) -0-

Question A1(d): Numbers of cases in which restitution or recoveries obtained and dollar amounts: For each of the three dollar loss categories, for each type of financial institution, and for open vs. failed financial institutions (with the same combination of these latter two categories, if possible): (i) the numbers of cases as to which (a) some FBI recovery occurred or (b) the courts ordered restitution, and (iii) the total dollar amounts of (a) recoveries and (b) restitution orders.

Answer: Attached are requested charts, showing the number cases where recoveries occurred and the amount of the recoveries, and the number of cases where restitution was ordered and the amount of the restitution.

RECOVERIES

Number of Cases and Amount of Recoveries 1988

Type of Institution		Amount of Loss \$100,000 to \$499,999		Amount of Loss \$500,000 to \$999,999		Amount of Loss \$1 Million & Up
Banks						
opened	(41)	\$4,140,055	(8)	\$4,423,010	(8)	\$7,428,384
closed	(0)	-0-	(0)	-0-	(2)	344,000
Savings & Loans						
opened	(7)	495,816	(1)	190,000	(2)	1,014,410
closed	(0)	-0-	(0)	-0-	(0)	-0-
Credit Unions						
opened	(1)	15,600	(0)	-0-	(0)	-0-
closed	(0)	-0-	(0)	-0-	(0)	-0-

Number of Cases and Amount of Recoveries 1989

Type of Institution		Amount of Loss \$100,000 to \$499,999		Amount of Loss \$500,000 to \$999,999		Amount of Loss \$1 Million & Up
Banks						
opened	(41)	\$4,402,449	(5)	\$1,742,214	(13)	\$59,971,624
closed	(0)	-0-	(0)	-0-	(2)	548,200
Savings & Loans						
opened	(2)	770,978	(2)	362,100	(2)	8,639,251
closed	(1)	330,000	(0)	-0-	(3)	6,045,717
Credit Unions						
opened	(1)	15,600	(1)	478,077	(1)	825,000
closed	(0)	-0-	(0)	-0-	(0)	-0-

Number of Cases and Amount of Recoveries 1st Quarter 1990

Type of Institution		Amount of Loss \$100,000 to \$499,999		Amount of Loss \$500,000 to \$999,999		Amount of Loss \$1 Million & Up
Banks						
opened	(17)	\$1,657,803	(1)	\$18,000	(0)	-0-
closed	(0)	-0-	(0)	-0-	(0)	-0-
Savings & Loans						
opened	(0)	-0-	(1)	23,177	(0)	-0-
closed	(0)	-0-	(0)	-0-	(0)	-0-
Credit Unions						
opened	(1)	90,000	(0)	-0-	(0)	-0-
closed	(0)	-0-	(0)	-0-	(0)	-0-

RESTITUTION

Number of Cases and Amount of Restitution 1988

Type of Institution		Amount of Loss \$100,000 to \$499,999		Amount of Loss \$500,000 to \$999,999		Amount of Loss \$1 Million & Up
Banks						
opened	(205)	\$26,252,777	(29)	\$11,273,888	(30)	\$45,106,782
closed	(1)	269,688	(1)	593,500	(3)	1,124,319
Savings & Loans						
opened	(36)	4,808,246	(9)	1,751,402	(6)	28,886,714
closed	(1)	100,000	(0)	-0-	(3)	3,121,000
Credit Unions						
opened	(11)	1,077,970	(2)	535,740	(1)	1,136,000
closed	(0)	-0-	(0)	-0-	(0)	-0-

Number of Cases and Amount of Restitution 1989

Type of Institution		Amount of Loss \$100,000 to \$499,999		Amount of Loss \$500,000 to \$999,999		Amount of Loss \$1 Million & Up
Banks						
opened	(180)	\$23,947,772	(26)	\$12,386,342	(36)	\$166,235,057
closed	(4)	374,000	(1)	500,000	(13)	94,542,502
Savings & Loans						
opened	(19)	3,414,100	(9)	4,660,434	(6)	6,665,496
closed	(0)	-0-	(3)	993,224	(6)	18,636,252
Credit Unions						
opened	(16)	2,071,836	(1)	100,000	(1)	110,000
closed	(0)	-0-	(0)	-0-	(0)	-0-

Number of Cases and Amount of Restitution 1st Quarter 1990

Type of Institution		Amount of Loss \$100,000 to \$499,999		Amount of Loss \$500,000 to \$999,999		Amount of Loss \$1 Million & Up
Banks						
opened	(45)	\$5,122,183	(9)	\$3,176,235	(5)	\$ 4,945,504
closed	(0)	-0-	(1)	600,393	(3)	41,251,332
Savings & Loans						
opened	(12)	1,332,383	(1)	486,173	(1)	15,000
closed	(0)	-0-	(0)	-0-	(5)	1,314,771
Credit Unions						
opened	(11)	496,400	(0)	-0-	(0)	-0-
closed	(0)	-0-	(0)	-0-	(0)	-0-

DRAFT 010 115

Fighting Financial Institution Fraud

In order to enhance our ability to fully and vigorously enforce bank fraud, the Treasury/Justice [Administration] will support an amendment to the crime bill pending in the Senate that is sponsored by Senators Robert Dole, John Heinz, Jake Garn, and Congressman Robert Michael.

The Dole/Heinz/Garn/Michael proposal would:

- o Make aggressive use of federal resources for investigation and prosecution of financial institution crimes by allowing the Justice Department to accept without reimbursement the services of federal attorneys, law enforcement personnel, and other employees.
- o Give law enforcement authorities a needed tool: the ability to request the use of wiretaps based on allegations of bank fraud, false statements to financial institutions, and bribery of bank officials for which wiretap authority is not presently available.
- o Encourage the swift administration of justice by directing U.S. courts to give cases brought by the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation (RTC) priority consideration and to establish procedures for expedited appeals.
- o Protect taxpayers by (a) authorizing the Department of Justice, the FDIC, the RTC, and the Office of Thrift Supervision (OTS) to seek court orders to freeze the corporate and personal assets of defendants in civil cases; and (b) providing that claims of the federal government have priority over those of other creditors in actions against parties responsible for losses at financial institutions where fraud is alleged.
- o Protect victims of fraud by authorizing courts to order payment of restitution to victims of financial institution fraud even in cases where all victims were not included in the crimes for which the defendants were convicted.
- o Protect victims of fraud by prohibiting the use of bankruptcy as a strategy to avoid damages, penalties, and forfeitures. This would apply to any debtor who committed fraud while acting in a fiduciary capacity to an insured financial institution.
- o Authorize an additional \$25 million for the Internal Revenue Service and the Department of Justice for investigation of financial institutions fraud.

The Attorney General also announced further steps to intensify the fight against fraud in our nation's financial institutions. These steps include:

- o Establishing in the Department of Justice, under the Deputy Attorney General, a Financial Frauds Coordinating Unit to coordinate the Department's attack on financial institutions fraud.
- o Establishing, with the Secretary of Treasury, FDIC, and RTC, a "flying squad" of attorneys drawn from Justice's Civil and Criminal Divisions and from regulatory agencies to be available on short notice to focus immediate enforcement efforts on financial institutions as being the subject of on going criminal activity.

The Financial Frauds Coordinating Unit will sharpen and focus currently dispersed policy and operational functions related to both civil and criminal investigations and prosecutions, and serve as a central point of contact for inquiries from other federal, state, and local agencies concerning status and actions taken on Department of Justice activities. The unit will also coordinate all law enforcement activities, removal and prohibitive actions, cease and desist actions, and damage, penalties, and restitution remedies to ensure

The "flying squads," an example of excellent coordination among the several Federal agencies responsible for addressing bank fraud, will provide an immediate response capability; lawyers and auditors from Justice and regulatory agencies with specialized expertise in financial fraud will travel to jurisdictions where an institution is subject to on going criminal activity to take immediate action. Investigations will be initiated immediately; assets of failed institutions will be preserved; and documents and records vital to legal proceedings will be protected.

Background

The Bush Administration has vigorously pursued crime against our nation's financial institutions from the first months. The President requested appropriations for FY 1989 and FY 1990 to address this serious problem. The additional resources, provided in 1990, will support 153 FBI agents; 118 Assistant U.S. Attorneys; 24 Fraud Section attorneys, 12 of whom will be added to the Dallas Bank Fraud Task Force; and 100 FBI accounting technicians -- dedicated and talented people have already been selected for most of these jobs and are hard at work, with results beginning to show.

The Department of Justice has aggressively pursued financial institution fraud, achieving substantial results:

- 791 major convictions for financial institution fraud in 1989 (losses over \$100,000)
- 530 failed institutions currently under FBI investigation (up from 282 three years ago)
- 184 major S&L indictments since 1987, with 159 convictions.

In 1987, using existing resources, the Department established the Dallas Task Force to aggressively prosecute S&L fraud cases. This Task Force to date has brought criminal charges against 77 persons, obtaining 52 convictions, 40 of which involve savings and loan institutions. The Dallas Task Force currently has 42 separate savings and loans and 560 individuals under investigation.

Based on the success of the Dallas model, the Attorney General is expanding the task force concept to 37 other U.S. Attorney's offices.

In April of this year, the Attorney General established a senior interagency group to identify and prioritize the most important cases to be investigated and prosecuted. The focus will be on cases that involve failed or severely weakened financial institutions, where the losses result from insider fraud and manipulation. This group is comprised of representatives from the Department of Justice, FBI, Office of Thrift Supervision, FDIC, Comptroller the Currency, Board of Governors of the Federal Reserve System, the National Credit Union Administration, the Attorney General's Advisory Committee of U.S. Attorneys, and the Department of Treasury. It will also make recommendations concerning the streamlining and accelerating of the investigatory and prosecutorial functions.

The Attorney General has established a new position, Special Counsel to the Deputy Attorney General for Financial Institutions. The sole responsibility of the Special Counsel

will be to coordinate all matters concerning the investigation and prosecution of financial institution fraud and to ensure the implementation of all forthcoming policy initiatives. Additionally, the Special Counsel will ensure that the resources devoted to financial institution fraud prosecutions are properly allocated.

The resources of other agencies will also be brought to bear on this problem:

- o The Resolution Trust Corporation (RTC) has established an Office of Investigations and a national network of investigative teams. Approximately 300 new investigative staff will have been added by the end of this year.
- o Over the last three years, Treasury's Office of Thrift Supervision and its predecessor have required 664 institutions to agree to terminate unsafe and unsound practices, removed over 150 senior thrift officers and directors, and issued 111 cease and desist orders to stop unsafe and unsound practices.
- o The IRS is expected to aggressively pursue individuals suspected of tax fraud in connection with their relationship with failed savings and loan institutions. Those people benefitting from this scandal who cannot be prosecuted under the bank fraud statutes can sometimes be charged with hiding or understating income (e.g. bribes, write-offs, etc.).

Increased legal authorities would assist the Administration in its efforts to apprehend and prosecute those who commit fraud. Therefore, the Administration will support an amendment to the crime bill sponsored by Senators Dole, Heinz, [Garn and Representative Michael]. This proposal will:

- o Enable the Department of Justice to utilize, without reimbursement, the very best legal minds and investigators from other government agencies.
- o Provide law enforcement agencies the ability to request the use of wiretaps to investigate ongoing bank fraud, false statements to financial institutions, bribery of bank officials, and related offenses for which wiretap authority is not presently available.
- o Provide cases brought by the Federal Deposit Insurance Corporation (FDIC) and the RTC priority consideration and establish procedures for expedited appeals.
- o Protect taxpayers by (a) authorizing the Department of Justice, the FDIC, the RTC, and the Office of Thrift Supervision (OTS) to seek court orders to freeze the corporate and personal assets of defendants in civil

cases; and (b) provide that claims of the Federal Government have priority over those of other creditors in actions against parties responsible for losses at financial institutions where fraud is alleged.

- o Protect victims of fraud by authorizing courts to order payment of restitution to victims of financial institutions fraud even in cases where all victims were not identified in the count of conviction.
- o Protect victims of fraud by prohibiting the use of bankruptcy as a strategy to avoid damages, penalties, and forfeitures. This would apply to any debtor who committed fraud while acting in a fiduciary capacity to an insured financial institution.
- o Authorize an additional \$25 million for the IRS and the Department of Justice for investigation of financial institutions fraud.

These measures are supported by the Administration to augment our vigorous efforts to root out fraud at financial institutions, protect victims, and bring to justice those who have violated the law.

UNITED STATES ATTORNEYS' OFFICES

and

June 17, 1990
7:00 pm

EXAMPLES OF MAJOR SAVINGS AND LOAN FRAUD CONVICTIONS

1987 - 1990

WESTLAKE THRIFT
Westlake, California

CONVICTED: President of Westlake Thrift
1990 Vice-President of First United Savings

Defendants awaiting sentencing

OFFENSE: involved allegations of bribes to savings and loan officers

AMOUNT OF FRAUD ALLEGED: \$5 million

PROGRESSIVE SAVINGS AND LOAN ASSOCIATION
Alhambra, California

CONVICTED: One Savings and Loan Officer
1988 Three Attorneys-at-Law
Seven Additional Defendants

PRISON SENTENCE: ranged up to 8 years

RESTITUTION ORDERED: \$1 million

OFFENSE: involved fraudulent real estate transactions

BANK OF AMERICA and Various Savings and Loan Institutions
Throughout the United States

CONVICTED: One Savings and Loan Officer
1990 One Attorney-at-Law
Two Businessmen

Defendants awaiting sentencing

OFFENSE: involved a mortgage lending company (headed by a West Point graduate, who was a Vietnam Veteran with a prior fraud conviction), which enticed approximately 20 savings and loans to invest in residential mortgages with inflated value

AMOUNT OF FRAUD ALLEGED: \$95 million

CONSOLIDATED SAVINGS AND LOAN
Irving, California

CONVICTED: Borrower
1989

PRISON SENTENCE: 4 years

OFFENSE: involved inflated collateral for loans

AMOUNT OF FRAUD ALLEGED: \$24 million

FOUNDERS SAVINGS AND LOAN
Los Angeles, California

CONVICTED: Vice-President
1990

Defendants awaiting sentencing

OFFENSE: involved false income tax returns to obtain loan

AMOUNT OF FRAUD ALLEGED: \$125,000

AMERICAN SAVINGS BANK
Stockton, California

CONVICTED: Two Borrowers
1989

PRISON SENTENCE: one defendant 18 months and the other 5 years

OFFENSE: involved false financial statements

AMOUNT OF FRAUD ALLEGED: \$54 million

NORTH AMERICAN SAVINGS AND LOAN
Santa Anna, California

CONVICTED: Assistant to the Chairman of the Board
1990 and four others

Defendants awaiting sentencing

OFFENSE: involved conspiracy and false statements

ESTIMATED LOSS: \$13 million

PROGRESSIVE SAVINGS AND LOAN
Alhambra, California

CONVICTED: President of mortgage firm
1987

PRISON SENTENCE: 20 years

RESTITUTION ORDERED: \$4.4 million

OFFENSE: involved mortgage bonds containing false statements

AMOUNT OF FRAUD ALLEGED: \$10 million

RAMONA SAVINGS AND LOAN
Orange, California

CONVICTED: Two owners of the institution
1989

PRISON SENTENCE: one defendant 12 years and the other 15 years

OFFENSE: involved false entries and fraudulent real estate transactions

AMOUNT OF FRAUD ALLEGED: \$6 million

BELL SAVINGS AND LOAN
San Mateo, California

CONVICTED: President
1989 Chairman of the Board

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$1 million

OFFENSE: involved making false statements to the savings and loan institution

AMOUNT OF FRAUD ALLEGED: \$1 million

COLUMBUS/MARIN SAVINGS AND LOAN
San Rafael, California

CONVICTED: President
1989 Majority stockholder

SENTENCE: probation

RESTITUTION ORDERED: \$9.3 million in fines and restitution

OFFENSE: involved misapplication and embezzlement of funds

GOLDEN PACIFIC SAVINGS AND LOAN
Santa Rosa, California

CONVICTED: CEO
1987 Chairman of the Board

PRISON SENTENCE: 1 year

RESTITUTION ORDERED: \$6.9 million in fines and restitution

OFFENSE: involved embezzlement of funds and making false statements

CENTENNIAL SAVINGS AND LOAN
Santa Rosa, California

CONVICTED: Executive Vice-President
1987 Borrower

SENTENCE: up to 90 days imprisonment and probation

RESTITUTION ORDERED: \$2.9 million in fines and restitution

OFFENSE: involved embezzlement and false entries in loan documents

FIRST FINANCIAL OF LOUISIANA SAVINGS AND LOAN
Lutcher, Louisiana

CONVICTED: Senior Vice-President
1990

PRISON SENTENCE: 3 years

OFFENSE: involved allegations of fraud and bank bribery

SIOUX VALLEY SAVINGS AND LOAN
Cherokee, Iowa

CONVICTED: President
1989 Vice-President
Treasurer

PRISON SENTENCE: ranged up to 6 years

OFFENSE: involved embezzlement and false entries

ESTIMATED LOSS: \$30 million

STATE FEDERAL SAVINGS AND LOAN
Oregon

CONVICTED: Senior Vice-President
1990 Six others

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$3 million

OFFENSE: involved embezzlement of funds, false statements and false entries in the savings and loan's records

FLUSHING FEDERAL SAVINGS AND LOAN ASSOCIATION
Flushing, New York

CONVICTED: President
1990 Vice-President
Twelve others

Defendants awaiting sentencing

OFFENSE: involved conspiracy, misapplication of bank funds and false statements on loan applications

AMOUNT OF FRAUD ALLEGED: \$8 million

HOME FEDERAL SAVINGS AND LOAN
Kings Mountain, North Carolina

CONVICTED: Vice-President
1988

PRISON SENTENCE: 15 months

OFFENSE: involved false entries in loan documents

ESTIMATED LOSS: \$263,000

INVESTEX SAVINGS
Tyler, Texas

CONVICTED: Seventeen Borrowers
1988 Including Two Land Developers
One Appraiser

PRISON SENTENCE: ranging up to 8 years

RESTITUTION ORDERED: \$3 million in fines and restitution

OFFENSE: involved false land appraisals

ESTIMATED LOSS: greater than \$3 million

FIRST FEDERAL SAVINGS BANK
Huron, South Dakota

CONVICTED: President of mortgage company
1990

PRISON SENTENCE: 3 years

ESTIMATED LOSS: \$2.8 million

NEW ENGLAND SAVINGS BANK
New London, Connecticut

CONVICTED: Vice-President
1987

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$160,000

OFFENSE: involved false entries on loan documents

SOCIETY FOR SAVINGS
Hartford, Connecticut

CONVICTED: Branch Manager
1990

PRISON SENTENCE: 18 months

RESTITUTION ORDERED: \$885,000

ESTIMATED LOSS: \$1 million

SILVER SAVINGS AND LOAN ASSOCIATION
Silver City, New Mexico

CONVICTED: Two Borrowers
1987

**SENTENCE: three years imprisonment for one defendant and
probation for other defendant**

OFFENSE: involved overdrafts and claimed business expenses

ESTIMATED LOSS: \$1.8 million

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Chairman of the Board of Directors
1989

PRISON SENTENCE: 30 years

RESTITUTION ORDERED: under consideration of the court

OFFENSE: involved fraud against Vernon and misapplication of
Vernon funds

ESTIMATED LOSS: \$17 million

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: President
1989 Executive Vice-President
Senior Vice-President

PRISON SENTENCE: ranged up to 5 years

RESTITUTION ORDERED: approximately \$130,000

OFFENSE: involved conspiracy to defraud the Federal Home Loan
Bank Board and to misapply Vernon funds in connection with
reimbursing Vernon officers for political campaign contributions
they had made and to pay for female companionship for the
Commissioner of the Texas Savings and Loan Department

ESTIMATED LOSS: \$66,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Executive Vice-President
1988

PRISON SENTENCE: None

OFFENSE: involved a false statement to conceal the financial
condition of Vernon from the Federal Savings and Loan Insurance
Corporation

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Senior Executive Vice-President
1988

PRISON SENTENCE: None

RESTITUTION ORDERED: \$330,000

OFFENSE: involved making a false statement to the Federal Home Loan Bank Board to conceal the diversion of loan funds to an unauthorized use

ESTIMATED LOSS: \$1,600,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: President of Vernon Service Corporation
1989

PRISON SENTENCE: 1 year

RESTITUTION ORDERED: \$210,000

OFFENSE: involved making false statements to influence Vernon in connection with a loan

ESTIMATED LOSS: \$577,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Major Borrower
1989

PRISON SENTENCE: 1 year

RESTITUTION ORDERED: \$210,000

OFFENSE: involved false statements to influence Vernon in connection with a loan

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Businessman doing business with Vernon
1989

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$1,212,000

OFFENSE: involved aiding a Vernon officer to illegally receive moneys through a Vernon transaction

ESTIMATED LOSS: \$1,212,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Director of Sunbelt and President of a subsidiary of
1989 Sunbelt

PRISON SENTENCE: Motion for clarification of sentence is pending (sentenced to five years imprisonment, but maximum under the statute was two years)

RESTITUTION ORDERED: Motion for clarification of sentence is pending (\$415,000 was orally ordered, but the judgment and commitment order contained no restitution)

OFFENSE: involved conspiracy and false statements in connection with misusing loan funds

ESTIMATED LOSS: \$3,000,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-President
1989

PRISON SENTENCE: 3 months

RESTITUTION ORDERED: None

OFFENSE: involved conspiracy to defraud the Federal Home Loan Bank Board and the Internal Revenue Service in connection with concealing the true condition of Sunbelt's loan portfolio

ESTIMATED LOSS: \$125,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-President
1990

Defendant awaiting sentencing

OFFENSE: involved tax evasion

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Owner of a Company
1989 Co-owner of the Company
Office Manager of the Company
Accountant

PRISON SENTENCES: ranged up to 10 years

OFFENSE: involved conspiracy, false statements and fraud against
Sunbelt in connection with a Sunbelt loan

ESTIMATED LOSS: \$6 million

COMMODORE SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Chairman of the Board of Directors
1989 Two Vice-Chairmen of the Board of Directors

PRISON SENTENCE: ranging from 6 months to 15 years (later
reduced to five years)

RESTITUTION ORDERED: \$104,062 for each of two defendants and
\$4,000 for the third defendant

OFFENSE: involved conspiracy to defraud the Federal Election
Commission and the Federal Home Loan Bank Board and misapplying
Commodore funds in connection with reimbursing Commodore officers
for political campaign contributions they had made

ESTIMATED LOSS: \$120,000

COMMODORE SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-Chairman of the Board of Directors (second
1989 conviction)

PRISON SENTENCE: 5 years

RESTITUTION ORDERED: \$977,500

OFFENSE: involved conspiracy to defraud the Federal Home Loan Bank Board and misapplication of Commodore funds in connection with diverting Commodore funds through a sham transaction

ESTIMATED LOSS: \$1 million

WESTERN SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-President
1989

PRISON SENTENCE: 2 years

OFFENSE: involved conspiracy to defraud the Internal Revenue Service and false statements affecting Western Savings in connection with the misuse of loan funds

ESTIMATED LOSS: \$500,000

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Chairman of the Board of Directors
1988 One Borrower

SENTENCE: 6 months imprisonment for the Chairman and probation for the borrower

RESTITUTION ORDERED: \$100,000

OFFENSE: involved misapplying funds of the institution for a kickback in connection with a state loan

ESTIMATED LOSS: \$2 million

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: One Borrower
1988

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$150,000 (Oregon case)

OFFENSE: involved false statements affecting State and another financial institution located in Oregon

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Broker doing business with State
1988

PRISON SENTENCE: None

OFFENSE: involved misapplying funds of State for use as a kickback regarding a loan transaction

ESTIMATED LOSS: \$100,000

SUMMIT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Chairman of the Board of Directors
1989

PRISON SENTENCE: 5 years

OFFENSE: involved fraud against Summit and misapplying funds of the thrift

IRVING SAVINGS ASSOCIATION
Irving, Texas

CONVICTED: Director
1988

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$1.6 million

OFFENSE: involved wire fraud and false statements affecting the institution

ESTIMATED LOSS: \$1.6 million

GUARANTY FEDERAL SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Executive Vice-President of a Subsidiary
1989

PRISON SENTENCE: 3 years

OFFENSE: involved conspiracy to defraud Guaranty in connection with a real estate loan

ESTIMATED LOSS: \$10 million

GUARANTY FEDERAL SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Loan Officer
1989 One Borrower

PRISON SENTENCE: 18 months for Loan Officer and 1 year for the borrower

OFFENSE: involved embezzlement of funds

AMOUNT OF ALLEGED FRAUD: \$330,000

INDEPENDENT AMERICAN SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: An Officer of a subsidiary of Independent American
1989 and the Chairman of the Board of Directors of the
subsidiary

Defendant awaiting sentencing

OFFENSE: involved fraud through creating fictitious tax losses

SENTRY SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: One Borrower
1989

PRISON SENTENCE: 3 years (later reduced to 1 year)

RESTITUTION ORDERED: \$700,000

OFFENSE: involved conspiracy to defraud the institution

ESTIMATED LOSS: \$700,000

RICHARDSON SAVINGS AND LOAN ASSOCIATION
Richardson, Texas

CONVICTED: President of a Subsidiary
1990

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$1,200

OFFENSE: involved false statements made to influence Richardson
in connection with a loan

EMPIRE SAVINGS AND LOAN ASSOCIATION
Mesquite, Texas

CONVICTED: One Borrower
1988

PRISON SENTENCE: 35 years

RESTITUTION ORDERED: \$500,000

OFFENSE: involved wire fraud and false statements affecting Empire and several other financial institutions in connection with loans obtained through false statements of the borrower

ESTIMATED LOSS: \$500,000

BROWNFIELD SAVINGS AND LOAN
Englewood, Colorado

CONVICTED: Major Stockholder
1987 One Borrower

PRISON SENTENCE: 5 years

RESTITUTION ORDERED: \$2.2 million

OFFENSE: involved conspiracy, mail fraud and false statements to obtain loans

QUEEN CITY SAVING AND LOAN
Seattle, Washington

CONVICTED: President
1988 One Borrower

PRISON SENTENCE: President received 2 years and the borrower 10 years

RESTITUTION ORDERED: \$12.7 million

OFFENSE: involved conspiracy, wire fraud, false entries and false loan information

FIRST MUTUAL SAVINGS ASSOCIATION
Pensacola, Florida

CONVICTED: Chief Executive Officer
1988 President

PRISON SENTENCE: 12 years for both defendants

RESTITUTION ORDERED: \$939,827.12

OFFENSE: related to illegal loans and \$939,000 in kickbacks

ESTIMATED LOSS: alleged \$90 million

FIRST FEDERAL SAVINGS AND LOAN
Beloit, Kansas

CONVICTED: President
1988 Executive Vice-President

PRISON SENTENCE: each received 2 years

OFFENSE: involved conspiracy to receive kickbacks from loans made

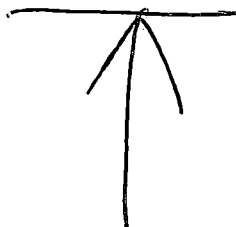
GUARANTY FEDERAL SAVINGS AND LOAN
Galveston, Texas

CONVICTED: Vice-President
1988 Chief Executive Officer
Eight Other Defendants

PRISON SENTENCE: ranged from 18 months to 11 years

OFFENSE: involved kickbacks from loan proceeds which were
diverted to develop Championship Golf Course

ESTIMATED LOSS: \$17 million



**FIRST FEDERAL SAVINGS AND LOAN
Spartanburg, South Carolina**

**CONVICTED: Consumer Loan Manager
1989**

PRISON SENTENCE: 3 years

**OFFENSE: involved embezzlement and misapplying funds of the
institution**

ESTIMATED LOSS: \$4.5 million

**SOUTHERN FEDERAL SAVINGS AND LOAN
Thomasville, Georgia**

**CONVICTED: President
1990**

Defendant awaiting sentencing

OFFENSE: involved false statements to the institution

AMOUNT OF FRAUD ALLEGED: \$110,000

**FIRST AMERICAN SAVINGS
Oak Brook, Illinois**

**CONVICTED: Former Governor of Illinois
1987**

PRISON SENTENCE: 8 years

**OFFENSE: involved obtaining loans through false financial
statements**

AMOUNT OF FRAUD ALLEGED: \$1.1 million

HOME PLAN SAVINGS AND LOAN
Johnson, Iowa

CONVICTED: Loan Officer
1989

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$1.8 million

OFFENSE: involved misapplication of funds of the institution

LA HACIENDA SAVINGS AND LOAN
San Antonio, Texas

CONVICTED: Chairman of the Board
1987

PRISON SENTENCE: 4 months

RESTITUTION ORDERED: \$242,000

OFFENSE: involved misapplication of funds of the institution

ALAMO SAVINGS AND LOAN
San Antonio, Texas

CONVICTED: Former Vice-President
1989

PRISON SENTENCE: 4 years

RESTITUTION ORDERED: \$463,000

OFFENSE: involved false entries in the institution's records and
illegal participation in loans

ODESSA SAVINGS AND LOAN
Odessa, Texas

CONVICTED: Majority Shareholder
1988 Executive Vice-President

SENTENCE: 6 months in a halfway house

RESTITUTION ORDERED: \$7.1 million

OFFENSE: involved misapplying monies and false entries in the institution's records

ALAMO SAVINGS ASSOCIATION
San Antonio, Texas

CONVICTED: Vice-President
1989 Vice-President of Gross Bank
One Attorney-at-Law
One Customer

PRISON SENTENCE: ranging from 4 to 10 years

RESTITUTION ORDERED: \$1.9 million

OFFENSE: involved false statements and bank bribery

SUBURBAN SAVINGS ASSOCIATION
San Antonio, Texas

CONVICTED: Two Major Shareholders
1989 Executive Vice-President

PRISON SENTENCE: two shareholders received 3 years and the Executive Vice-President is awaiting sentencing

RESTITUTION ORDERED: \$1 million

OFFENSE: involved misapplication of the institutions funds

AMERICAN HERITAGE SAVINGS AND LOAN
Bloomington, Illinois

CONVICTED: President
1987 Vice-President
General Counsel

SENTENCE: President received 1 year, Vice-President received 6 months and the General Counsel received probation

OFFENSE: involved false statements and sham loans

ESTIMATED LOSS: \$45 million

FIRST FINANCIAL SAVINGS AND LOAN
Illinois

CONVICTED: President
1988 Vice-President

PRISON SENTENCE: ranged from 3 to 7 years

RESTITUTION ORDERED: \$17 million

OFFENSE: involved false statements to obtain real estate loans

ESTIMATED LOSS: \$17 million

A.J. SMITH SAVINGS AND LOAN
Midlothian, Illinois

CONVICTED: President
1988 One Attorney-at-Law
One Borrower (Real Estate Executive)

PRISON SENTENCE: President received 6 months, Attorney-at-Law and Borrower received 2 years

RESTITUTION ORDERED: \$1.6 million

OFFENSE: involved inflating the market value of condominiums

AMOUNT FRAUD ALLEGED: \$2 million

LEE SAVINGS ASSOCIATION
Austin, Texas

CONVICTED: President
1989

PRISON SENTENCE: 3 years

RESTITUTION ORDERED: \$500,000

OFFENSE: involved bank bribery

SUN SAVINGS AND LOAN ASSOCIATION
San Diego, California

CONVICTED: One Borrower
1988

PRISON SENTENCE: 8 years

RESTITUTION ORDERED: \$202,000

OFFENSE: involved conspiracy and making false statements

RIVER CITY FEDERAL SAVINGS BANK
Baton Rouge, Louisiana

CONVICTED: President
1989

PRISON SENTENCE: 4 years

RESTITUTION ORDERED: \$2.3 million

OFFENSE: involved false entries and alleged kickbacks to the President

**NEW WORLD BANK FOR SAVINGS
Boston, Massachusetts**

**CONVICTED: One Borrower
1990**

PRISON SENTENCE: 16 years

RESTITUTION ORDERED: \$2.6 million

**OFFENSE: involved defendant representing that a shell company was
a major international real estate corporation**

**COMMONWEALTH FEDERAL SAVINGS
North Whales, Pennsylvania**

**CONVICTED: Assistant Branch Manager
1988**

PRISON SENTENCE: 18 months

RESTITUTION ORDERED: \$780,000

OFFENSE: involved embezzlement and misapplication of funds

**SUN SAVINGS AND LOAN ASSOCIATION
San Diego, California**

**CONVICTED: One Borrower
1988**

PRISON SENTENCE: 8 years

RESTITUTION ORDERED: \$202,000

**OFFENSE: involved conspiracy and false entries in the
institution's documents**

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION
Baton Rouge, Louisiana

CONVICTED: One Borrower
1989

PRISON SENTENCE: 4 years

RESTITUTION ORDERED: \$1 million

OFFENSE: involved making false statements to the institution in connection with loans

GOLDOME SAVINGS AND LOAN
Florida

CONVICTED: President of Palmetto Federal Savings and Loan
1989

PRISON SENTENCE: 3 years

RESTITUTION ORDERED: \$1 million

OFFENSE: involved President making false entries to inflate the value of his institution prior to its purchase by another institution

AMOUNT OF FRAUD ALLEGED: \$10 million

FIRST FINANCIAL SAVINGS ASSOCIATION
Milwaukee, Wisconsin

CONVICTED: President
1989

PRISON SENTENCE: 3 years

RESTITUTION ORDERED: \$1 million

OFFENSE: involved conspiracy and wire fraud

AMOUNT OF FRAUD ALLEGED: \$2.2 million

AMERICAN SAVINGS AND LOAN
Stockton, California

CONVICTED: One Employee
1987

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$133,000

OFFENSE: involved misapplying funds of the institution

BALDWIN COUNTY SAVINGS AND LOAN ASSOCIATION
Robertsdale, Alabama

CONVICTED: CEO
1989

SENTENCE: probation

OFFENSE: involved misapplication of funds of the institution

ESTIMATED LOSS: \$1.5 million

GULF COAST SAVINGS AND LOAN
Mobile, Alabama

CONVICTED: CEO
1987

PRISON SENTENCE: 4 years

RESTITUTION ORDERED: \$800,000

OFFENSE: involved misapplication of the funds of the institution

MAGNOLIA FEDERAL SAVINGS AND LOAN
Hattiesburg, Mississippi

CONVICTED: Loan Officer
1989

PRISON SENTENCE: 18 months

OFFENSE: involved false statements to obtain loans

ESTIMATED LOSS: \$178,000

VALLEY FEDERAL SAVINGS AND LOAN
Johnson City, Tennessee

CONVICTED: Vice-President
1988 Loan Officer of subsidiary mortgage company

PRISON SENTENCE: Vice-President received 5 months and Loan
Officer received probation

OFFENSE: involved false statements to obtain loans

ESTIMATED LOSS: \$522,000

FIRST FINANCIAL SAVINGS AND LOAN
Lutcher, Louisiana

CONVICTED: Vice-President
1990

Defendant awaiting sentencing

ESTIMATED LOSS: \$500,000

FIRST SOUTHERN SAVINGS
Pascagoula, Mississippi

CONVICTED: Vice-President
1990 One Borrower

SENTENCE: borrower received probation and Vice-President is
awaiting sentencing

RESTITUTION ORDERED: \$86,000

OFFENSE: involved false statements to obtain loans

ESTIMATED LOSS: \$617,000

KNOX FEDERAL SAVINGS AND LOAN
Knoxville, Tennessee

CONVICTED: Branch Manger
1987

PRISON SENTENCE: 5 years

RESTITUTION ORDERED: \$102,000

OFFENSE: involved misapplication of the institution's funds

JOHN SEVIER SAVINGS AND LOAN
Sevier County, Tennessee

CONVICTED: Executive Vice-President
1987

PRISON SENTENCE: 4 years

OFFENSE: involved embezzlement of the institution's funds

ESTIMATED LOSS: \$150,000

SECURITY TRUST SAVINGS AND LOAN
Oak Ridge, Tennessee

CONVICTED: President
1988

PRISON SENTENCE: 4 years

OFFENSE: involved embezzlement of the institution's funds

ESTIMATED LOSS: \$445,000

SAVERS FEDERAL SAVINGS AND LOAN
Little Rock, Arkansas

CONVICTED: Two Borrowers
1989

SENTENCE: probation for each

RESTITUTION ORDERED: \$417,000

OFFENSE: involved false statements as to value of condominiums

ESTIMATED LOSS: over \$1 million

VICTOR FEDERAL SAVINGS AND LOAN
Muskogee, Oklahoma

CONVICTED: Advisory Board Member
1988 Former Officer

SENTENCE: board member received probation and officer received
18 months

OFFENSE: involved conspiracy and false statements to obtain loans

ESTIMATED LOSS: \$5 million

VICTOR FEDERAL SAVINGS AND LOAN
Muskogee, Oklahoma

CONVICTED: President
1989 Chairman of the Board

Defendants awaiting sentencing

ESTIMATED LOSS: \$10 million

PEOPLES FEDERAL SAVINGS AND LOAN ASSOCIATION
Wilmington, North Carolina

CONVICTED: Vice-President
1987

PRISON SENTENCE: 20 years

RESTITUTION ORDERED: \$99,000

OFFENSE: involved conspiracy and false entries in the
institution's documents

SAVANNAH SAVINGS AND LOAN
Savannah, Tennessee

CONVICTED: Director
1988

PRISON SENTENCE: 2 years

OFFENSE: involved embezzlement and false entries in the
institution's documents

CLEVELAND COMMUNITY SAVINGS
Cleveland, Ohio

CONVICTED: President
1987 Chairman of the Board
One Attorney-at-Law
Two Other Employees

SENTENCE: ranging from probation to 5 years imprisonment

OFFENSE: involved embezzlement of the institution's funds

ESTIMATED LOSS: \$4 million

NOTE: Savings and loans listed are the primary institutions
defrauded. In many instances, a large number of institutions in
the immediate geographical area were victimized as part of the
defendant's overall scheme.

DALLAS BANK FRAUD TASK FORCE

and

June 18, 1990

10:00 am

EXAMPLES OF MAJOR SAVINGS AND LOAN FRAUD CONVICTIONS

1987 - 1990

**VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas**

**CONVICTED: Chairman of the Board of Directors
1989**

PRISON SENTENCE: 30 years

RESTITUTION ORDERED: Under consideration of the court

OFFENSE: involved fraud against Vernon and misapplication of Vernon funds

ESTIMATED LOSS: \$17 million

**VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas**

**CONVICTED: President
1989**

PRISON SENTENCE: 5 years

RESTITUTION ORDERED: \$65,771.44

OFFENSE: involved conspiracy to defraud the Federal Home Loan Bank Board and to misapply Vernon funds in connection with reimbursing Vernon officers for political campaign contributions they had made and to pay for female companionship for the Commissioner of the Texas Savings and Loan Department

ESTIMATED LOSS: \$66,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Executive Vice-President
1988

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved a false statement to conceal the financial condition of Vernon from the Federal Savings and Loan Insurance Corporation

ESTIMATED LOSS: None

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Executive Vice-President
1989

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$55,000

OFFENSE: involved conspiracy to misapply Vernon funds to reimburse Vernon officers for political campaign contributions they had made

ESTIMATED LOSS: \$55,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Senior Executive Vice-President
1988

PRISON SENTENCE: None

RESTITUTION ORDERED: \$330,000

OFFENSE: involved making a false statement to the Federal Home Loan Bank Board to conceal the diversion of loan funds to an unauthorized use

ESTIMATED LOSS: \$1,600,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Senior Vice-President
1988

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$11,500

OFFENSE: involved conspiracy to defraud the Federal Home Loan Bank Board and the Federal Election Commission in connection with illegal corporate campaign contributions and paid female companionship through the use of Vernon funds

ESTIMATED LOSS: \$14 million

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: President of Vernon Service Corporation
1989

PRISON SENTENCE: 1 year

RESTITUTION ORDERED: \$210,000

OFFENSE: involved false statements to influence Vernon in connection with a loan

ESTIMATED LOSS: \$577,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Major Borrower
1989

PRISON SENTENCE: 1 year

RESTITUTION ORDERED: \$210,000

OFFENSE: involved false statements to influence Vernon in connection with a loan

ESTIMATED LOSS: \$577,000

VERNON SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Businessman doing business with Vernon
1989

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$1,212,000

OFFENSE: involved aiding a Vernon officer to illegally receive moneys through a Vernon transaction

ESTIMATED LOSS: \$1,212,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Director of Sunbelt and President of a subsidiary of
1989 Sunbelt

PRISON SENTENCE: Motion for clarification of sentence is pending (sentenced to five years imprisonment, but maximum under the statute was two years)

RESTITUTION ORDERED: Motion for clarification of sentence is pending (\$415,000 was orally ordered, but the judgment and commitment order contained no restitution)

OFFENSE: involved conspiracy and false statements in connection with misusing loan funds

ESTIMATED LOSS: \$3,000,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-President
1989

PRISON SENTENCE: 3 months

RESTITUTION ORDERED: None

OFFENSE: involved conspiracy to defraud the Federal Home Loan Bank Board and the Internal Revenue Service in connection with concealing the true condition of Sunbelt's loan portfolio

ESTIMATED LOSS: \$125,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-President
1990

Awaiting sentencing

OFFENSE: involved tax evasion

ESTIMATED LOSS: \$28,000

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Owner of a Company
1989 Co-owner of the Company
Office Manager of the Company
Accountant

PRISON SENTENCES: Range up to 10 years

RESTITUTION ORDERED: None

OFFENSE: involved conspiracy, false statements and fraud against
Sunbelt in connection with a Sunbelt loan

ESTIMATED LOSS: \$6 million

SUNBELT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Part-owner of a company doing business with Sunbelt
1990

Awaiting sentencing

OFFENSE: involved preparation of a false income tax return

**SUNBELT SAVINGS ASSOCIATION
Dallas, Texas**

CONVICTED: Part-owner of a company doing business with Sunbelt
1990

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved false statements in connection with a Sunbelt
loan

ESTIMATED LOSS: \$14,000

**SUNBELT SAVINGS ASSOCIATION
Dallas, Texas**

CONVICTED: Part-owner of a Sunbelt borrower
1990

Awaiting sentencing

OFFENSE: involved false statements in connection with a Sunbelt
loan

ESTIMATED LOSS: \$30,000

**SUNBELT SAVINGS ASSOCIATION
Dallas, Texas**

CONVICTED: Comptroller of a Sunbelt borrower
1990

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved preparing a false corporate tax return

**COMMODORE SAVINGS ASSOCIATION
Dallas, Texas**

CONVICTED: Chairman of the Board of Directors
1989 Two Vice-Chairmen of the Board of Directors

PRISON SENTENCE: Ranging from 6 months to 15 years (later reduced to five years)

RESTITUTION ORDERED: \$104,062 for each of two defendants and \$4,000 for the third defendant

OFFENSE: involved conspiracy to defraud the Federal Election Commission and the Federal Home Loan Bank Board and misapplying Commodore funds in connection with reimbursing Commodore officers for political campaign contributions they had made

ESTIMATED LOSS: \$120,000

**COMMODORE SAVINGS ASSOCIATION
Dallas, Texas**

CONVICTED: Vice-Chairman of the Board of Directors (second
1989 conviction)

PRISON SENTENCE: 5 years

RESTITUTION ORDERED: \$977,500

OFFENSE: involved conspiracy to defraud the Federal Home Loan Bank Board and misapplication of Commodore funds in connection with diverting Commodore funds through a sham transaction

ESTIMATED LOSS: \$1 million

WESTERN SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Vice-President
1989

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: None

OFFENSE: involved conspiracy to defraud the Internal Revenue Service and false statements affecting Western Savings in connection with the misuse of loan funds

ESTIMATED LOSS: \$500,000

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Chairman of the Board of Directors
1988

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$100,000

OFFENSE: involved misapplying funds of State

ESTIMATED LOSS: \$2,000,000

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Borrower
1988

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved misapplying funds of State for a kickback in connection with a State loan

ESTIMATED LOSS: \$2,000,000

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Borrower
1988

PRISON SENTENCE: 1 year and 1 day

RESTITUTION ORDERED: None

OFFENSE: involved conspiracy in the Southern District of Texas and wire fraud in the Northern District of Texas in connection with making false statements to influence State

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Borrower
1988

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$150,000 (Oregon case)

OFFENSE: involved false statements affecting State and another financial institution located in Oregon

STATE SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Broker doing business with State
1988

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved misapplying funds of State for use as a kickback regarding a loan transaction

ESTIMATED LOSS: \$100,000

SUMMIT SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Chairman of the Board of Directors
1989

PRISON SENTENCE: 5 years

RESTITUTION ORDERED: None

OFFENSE: involved fraud against Summit and misapplying funds of the thrift

IRVING SAVINGS ASSOCIATION
Irving, Texas

CONVICTED: Director
1988

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$1.6 million

OFFENSE: involved wire fraud and false statements affecting Irving

ESTIMATED LOSS: \$1.6 million

GUARANTY FEDERAL SAVINGS AND LOAN ASSOCIATION
Dallas, Texas

CONVICTED: Executive Vice-President of a subsidiary
1989

PRISON SENTENCE: 3 years

RESTITUTION ORDERED: None

OFFENSE: involved conspiracy to defraud Guaranty in connection with a real estate loan

ESTIMATED LOSS: \$10 million

INDEPENDENT AMERICAN SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: An Officer of a subsidiary of Independent American and
1989 the Chairman of the Board of Directors of the
subsidiary

Awaiting sentencing

OFFENSE: involved tax fraud through creating fictitious tax losses

SENTRY SAVINGS ASSOCIATION
Dallas, Texas

CONVICTED: Borrower
1989

PRISON SENTENCE: 3 years (later reduced to 1 year)

RESTITUTION ORDERED: \$700,000

OFFENSE: involved conspiracy to defraud Sentry

ESTIMATED LOSS: \$700,000

RICHARDSON SAVINGS AND LOAN ASSOCIATION
Richardson, Texas

CONVICTED: President of a subsidiary
1990

PRISON SENTENCE: 2 years

RESTITUTION ORDERED: \$1,200

OFFENSE: involved false statements made to influence Richardson
in connection with a Richardson loan

ESTIMATED LOSS: \$1,200

**EMPIRE SAVINGS AND LOAN ASSOCIATION
Mesquite, Texas**

**CONVICTED: Borrower
1988**

PRISON SENTENCE: 35 years

RESTITUTION ORDERED: \$500,000

**OFFENSE: involved wire fraud and false statements affecting Empire
and several other financial institutions in connection with loans
obtained through false statements of the borrower**

ESTIMATED LOSS: \$500,000

WESTERN STATE BANK
Denton, Texas

CONVICTED: President and Director
1989

PRISON SENTENCE: 12 years

RESTITUTION ORDERED: None

**OFFENSE: involved defrauding Western in connection with diverting
loan funds for a gold mine venture**

ESTIMATED LOSS: \$2,500,000

WESTERN STATE BANK
Denton, Texas

CONVICTED: Employee of borrower
1989

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved defrauding Western

ESTIMATED LOSS: \$90,000

WESTERN STATE BANK
Denton, Texas

CONVICTED: Employee of borrower
1989

PRISON SENTENCE: None

RESTITUTION ORDERED: None

OFFENSE: involved defrauding Western

ESTIMATED LOSS: \$75,000

**WESTERN STATE BANK
Denton, Texas**

**CONVICTED: Employee of borrower
1989**

PRISON SENTENCE: None

RESTITUTION ORDERED: None

**OFFENSE: involved defrauding Western in connection with a scheme
to fund a gold mine venture**

ESTIMATED LOSS: \$2,500,000

**WESTERN STATE BANK
Denton, Texas**

**CONVICTED: Accountant
1989**

PRISON SENTENCE: 3 years

RESTITUTION ORDERED: None

**OFFENSE: involved defrauding Western in connection with a scheme
to fund a gold mine venture**

ESTIMATED LOSS: \$2,500,000

**COMMERCE BANK
Plano, Texas**

**CONVICTED: Chairman of the Board of Directors
1989**

Awaiting sentencing

**OFFENSE: involved false statements to the Federal Reserve Bank of
Dallas to misrepresent the true condition of Commerce and using an
unauthorized letter of credit as collateral for a loan at since
failed Northwest Bank**

FIRST STATE BANK OF ROCKWALL
Rockwall, Texas

CONVICTED: Borrower
1988

PRISON SENTENCE: 6 months

RESTITUTION ORDERED: \$28,399

OFFENSE: involved false statements to influence First State in
connection with a loan

ESTIMATED LOSS: \$28,400

NORTHWEST BANK
Dallas, Texas

CONVICTED: Borrower
1988

PRISON SENTENCE: None

RESTITUTION ORDERED: \$60,000

OFFENSE: involved false statements to influence Northwest in
connection with a loan

ESTIMATED LOSS: \$587,200

CENTRAL NATIONAL BANK AND VARIOUS OTHER BANKS
IN TEXAS AND OKLAHOMA

CONVICTED: Three Borrowers
1987

PRISON SENTENCE: One defendant committed suicide on eve of
sentencing and the other two each received 5 years

RESTITUTION ORDERED: Both defendants were ordered to pay
\$2,545,435.04

OFFENSE: involved defrauding several Texas and Oklahoma banks
through pledging titles of cars already sold by the defendants

ESTIMATED LOSS: \$2,546,000

NO FINANCIAL INSTITUTION INVOLVED

CONVICTED: Waco, Texas businessman
1988

PRISON SENTENCE: 18 months

RESTITUTION ORDERED: None

OFFENSE: involved lying under oath to a federal grand jury
investigating allegations of fraud against financial institutions

ESTIMATED LOSS: None

NO FINANCIAL INSTITUTION INVOLVED

CONVICTED: Dallas, Texas businesswoman

PRISON SENTENCE: 3 years

RESTITUTION ORDERED: None

OFFENSE: involved tax fraud and bankruptcy fraud

NO FINANCIAL INSTITUTION INVOLVED

CONVICTED: Officer of a Dallas mortgage company

PRISON SENTENCE: 21 months

RESTITUTION ORDERED: None

OFFENSE: involved lying under oath to a federal grand jury

ESTIMATED LOSS: None