



# Department of Justice

Acting United States Attorney Sally Quillian Yates  
Northern District of Georgia

FOR IMMEDIATE RELEASE

01/14/10

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## **FORMER EXECUTIVE OF FAILED BANK PLEADS GUILTY**

### ***Former Bank Official Ignored Disclosure Reporting Requirements That Would Have Alerted Others to Massive Mortgage Fraud at Omni National Bank***

NEWNAN, GA - JEFFREY L. LEVINE, 68, of Atlanta, Georgia, pleaded guilty today in federal district court to causing materially false entries that overvalued bank assets to be made in the books, reports and statements of Omni National Bank.

Acting United States Attorney Sally Quillian Yates said, "This case demonstrates the damage that can result when senior bank officials ignore rules and regulations designed to protect a bank by identifying problem loans. Bank executives and those in critical and knowledgeable positions will be held accountable when they deliberately circumvent the systems designed to reveal the true condition of their bank to its regulators, insurers and investors."

Federal Deposit Insurance Corporation (FDIC) Inspector General Jon T. Rymer said, "The FDIC is tasked with liquidating the assets of failed banks such as Omni. Therefore, the FDIC OIG aggressively investigates and prosecutes fraudulent activities that undermine the integrity of the financial services system and impede the FDIC's efforts to maximize recoveries. We are pleased to have partnered with our law enforcement colleagues in bringing about this successful action."

Martin D. Phanco, Postal Inspector in Charge of the Atlanta Division said, "This investigation uncovered a fraudulent scheme which benefitted the defendant and other individuals. The U.S. Postal Inspection Service mission is to protect the U.S. mail system from criminal misuse like that demonstrated in this case."

Special Inspector General for the Troubled Asset Relief Program (SIGTARP) Neil Barofsky said, "There were many reasons for our financial crisis, including fraudulent schemes like the egregious conduct admitted today. SIGTARP is committed to working with its law enforcement partners to root out these crimes whenever they can be discovered."

Department of Housing and Urban Development (HUD) Inspector General Kenneth M. Donohue said, “Families receiving Section 8 rental subsidies should expect safe, decent and sanitary housing. In this case, poor stewardship and management of the properties has negatively affected the neighborhoods and the entire community.”

According to Acting United States Attorney Yates, the charges, and other information presented in court, LEVINE was Executive Vice President, the second largest bank shareholder, and head of the Community Redevelopment Lending Department at Omni National Bank from 2000 through October 12, 2007. To keep non-performing loans current on paper, LEVINE and others at Omni failed to disclose many exceptions to their policies and procedures which resulted in Omni being exposed to a greater risk of loss. Practices that went unreported included: diversion of loan proceeds escrowed for rehab; excessive credit concentrations to a single borrower; funding additional loans for Omni foreclosures at ever-increasing amounts; and failing to create sufficient reserves for those questionable loans or to properly record them on Omni’s books and records.

Before takeover by the FDIC on March 27, 2009, Omni was headquartered in Atlanta with branch offices in Birmingham, Tampa, Chicago, Fayetteville, N.C., Houston, Dallas and Philadelphia. Omni borrowed Fed Funds at low rates to make high-interest, short-term loans through LEVINE’s Community Redevelopment Department to borrowers with less than stellar credit and often no steady employment or formal education. Such Omni borrowers were supposed to purchase and rehab distressed properties for prompt resale or Section 8 rental in run-down, inner-city neighborhoods. Borrowers were expected to do most of the rehab themselves within a few months of the loan, and qualify for a loan to purchase a second property only when the first property was sold, or ready for sale. Omni, its regulators and investors relied on the expected increased value of the property after rehab to be well in excess of the loan amount. The Redevelopment Department generated a significant portion of the Omni profits reported on its books and reports, although the facts now show that those profits were materially overstated.

LEVINE and others were well aware that none of the foreclosed properties could be sold on the open market for the amount of the outstanding Omni loans. A number of foreclosures were never disclosed on the Omni books as required, and some properties were resold up to five times at ever-increasing amounts. The actions of LEVINE and others at Omni resulted in an overvaluation of bank assets, which in turn misled Omni’s outside auditors, its Office of the Comptroller of the Currency regulator, its FDIC insurer, the Securities and Exchange Commission, and Omni shareholders. Such practices contributed to the over 500 foreclosures and an additional 500 non-performing loans, which resulted in at least \$7 million in losses to the FDIC.

The evidence showed that the HUD Section 8 Program and its tenants also suffered, because many of the Omni-funded distressed properties were not rehabbed, but

rather, stood vacant or were inhabited by squatters for years, corrupting other Section 8 properties and the community. Even if rented, the frequent Omni foreclosures resulted in unstable housing for Section 8 tenants, as well as increased crimes resulting from the vacant properties and transient tenants.

LEVINE was charged in a Criminal Information on December 22, 2009, with making, and causing others to make, materially false entries that overvalued bank assets, in the books, reports and statements of Omni National Bank, and today pleaded guilty to this charge. He could receive a maximum sentence of 30 years in prison and a fine of up to \$1,000,000. In determining the actual sentence, the Court will consider the United States Sentencing Guidelines, which are not binding but provide appropriate sentencing ranges for most offenders. Sentencing is scheduled for March 23, 2010, at 2 p.m., before United States District Judge Jack T. Camp.

Additional Omni-related prosecutions to date include:

●MARK ANTHONY MCBRIDE, 43, of East Point, Georgia, who pleaded guilty on April 4, 2009, to fraudulently obtaining millions of dollars in mortgage loans from Omni and other lenders. MCBRIDE is scheduled to be sentenced on March 2, 2010 at 2 p.m., before United States District Judge Jack T. Camp. MCBRIDE remains in jail while awaiting sentencing.

●BRENT MERRIELL, 37, of Atlanta, Georgia, was indicted on December 15, 2009, with six counts of aggravated identity theft and false statements in connection with his request to the FDIC for permission to “short sale” 14 properties for \$2.2 million less than the Omni funded outstanding loans. MERRIELL was facing foreclosure on each of the properties when the charges allege that he submitted “short sale” requests supported by forged and counterfeited sales contracts and loan commitments in the names of four people whose identities had been stolen. MERRIELL has pleaded not guilty to the charges and remains in jail awaiting trial. No trial date has been set.

●DELROY OLIVER DAVY, 37, of Lithonia, Georgia, was charged in a Criminal Information on December 18, 2009, with bank fraud and conspiracy to commit bank, mail, and wire fraud in connection with a scheme to fraudulently obtain millions of dollars of mortgage loans from Omni and other lenders. At his initial appearance DAVY waived indictment and announced his intention to plead guilty to those charges in January 2010. The plea hearing will be before United States District Judge Jack T. Camp. The hearing date has not yet been set.

These cases are being investigated by Special Agents of a Mortgage Fraud Task Force for Omni-related cases, which includes FDIC-OIG, HUD-OIG, the Postal Inspection Service, the SIGTARP, and the FBI. The Task Force is continuing a number of Omni-related investigations, including inquiries related to Omni’s application for

Troubled Asset Relief Program (TARP) funds.

Assistant United States Attorneys Gale McKenzie and Christopher Bly are prosecuting the case.

For further information please contact Sally Q. Yates, Acting United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).