

Remarks by Christy L. Romero, Special Inspector General
Office of the Special Inspector General for the Troubled Asset Relief Program

Press Briefing
Friday, April 20, 2012, 11:00 a.m.

Walter E. Hoffman United States Courthouse
Norfolk, Virginia

Remarks regarding guilty plea by Virginia developer Eric Menden to massive bank fraud that contributed to the collapse of the Bank of the Commonwealth

I am Christy Romero, Special Inspector General at SIGTARP, a federal law enforcement agency that investigates crime related to the federal bailout known as TARP. SIGTARP federal agents have been boots-on-the-ground for some time now in the Tidewater region with our partners, who are here today, investigating this case in order to protect the community which is also my hometown.

Menden pleaded guilty today to a fraud scheme that resulted in millions of dollars of losses at the Bank of the Commonwealth and contributed to its collapse. Menden admitted that he did not act alone. This scheme was a tit-for-tat arrangement – Menden performed favors for insiders at Bank of the Commonwealth in exchange for bank loans to fund his scheme. In return for the bank loans, Menden helped Bank of the Commonwealth insiders conceal their loans that were past due by engaging in conduct such as using straw purchasers to buy foreclosed properties from the bank and buying foreclosed properties at auction at inflated prices so that the bank did not suffer losses. However, it did not matter to Menden that the prices were inflated because he paid for the properties using loans from Bank of the Commonwealth.

SIGTARP has been investigating this case because Bank of the Commonwealth applied for \$28 million in TARP funds and was later told by its federal banking regulator to withdraw its TARP application. That same regulator found problems with the practices used at the bank to mask the past due status of loans.

This is an ongoing investigation, and the people of the Tidewater region and in communities across the nation should know that SIGTARP is looking out for them. At SIGTARP, we stand committed to protecting the American people from all fraud related to TARP, whether it happens on Wall Street or Granby Street. I would like to thank United States Attorney Neil MacBride who has shown great leadership in protecting the people of Tidewater, as well as the terrific Assistant United States Attorneys on the case, Melissa O'Boyle, Katherine Lee Martin, and Uzo Asonye. I also want to thank the FBI, IRS-CI, and the FDIC Office of Inspector General for their important work on this investigation.