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FOR IMMEDIATE RELEASE 202-622-1419
Friday, April 22, 2011
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JEFFREY L. LEVINE, FORMER EXECUTIVE OF FAILED OMNI NATIONAL BANK, SENTENCED TO FEDERAL PRISON

WASHINGTON, D.C. – Jeffrey L. Levine, the former Executive Vice-President of failed Omni National Bank of Atlanta, Georgia, and head of that bank's Community Redevelopment Lending Department, was sentenced today by United States District Judge J. Owen Forrester to serve 5 years in federal prison on charges of causing materially false entries that overvalued bank assets to be made on the books, reports, and statements of the now failed Omni National Bank.

Levine's conviction was announced by United States Attorney Sally Quillian Yates for the Northern District of Georgia, and was investigated by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and its law enforcement partners including the Federal Deposit Insurance Corporation Office of Inspector General (FDIC-OIG), as part of a Federal Mortgage Fraud Task Force investigating the failure of Omni, which at one time had almost $1 billion in assets and branch offices in Atlanta, Birmingham, Tampa, Chicago, Fayetteville, Houston, Dallas and Philadelphia. Before its failure and takeover by the Federal Deposit Insurance Fund (FDIC) on March 27, 2009, Omni had unsuccessfully applied for Troubled Asset Relief Program (TARP) funds under the Capital Purchase Program (CPP).

Christy L. Romero, the Acting Special Inspector General for the Troubled Asset Relief Program stated, "Jeffrey Levine joins a growing list of convicted bank executives who, through deliberate and excessive risktaking, contributed to the demise of a financial institution at the height of the financial crisis. Levine's fraud scheme caused material overvaluations in Omni's books and records that were submitted when the bank unsuccessfully sought American taxpayer funding through the Troubled Asset Relief Program. Today's sentencing demonstrates the seriousness of these crimes and SIGTARP's unwavering commitment to protect the American taxpayers' investment in the TARP program."

"Levine violated the public's trust by ignoring financial reporting requirements that are in place to prevent the kind of fraud that occurred at Omni National Bank, and now he will spend his golden years in federal prison," said United States Attorney Sally Quillian Yates. "Bank executives have a responsibility to the public to perform ethically and lawfully, and those who do not take that responsibility seriously will be prosecuted and punished."

Levine was sentenced to 5 years in prison to be followed by 5 years of supervised release and fined $6,761,791. Levine was convicted of these charges on January 14, 2010, upon his guilty plea.

According to the United States Attorney, 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.

Additionally, Omni borrowed Federal 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.

Additional Omni-related prosecutions to date include:

•DELROY OLIVER DAVY, of Lithonia, Georgia, who pleaded guilty on May 11, 2010, to 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, was also sentenced today by Judge Forrester, who ordered that Davy serve 14 years in federal prison.

•KARIM WALTHOUR LAWRENCE, of Atlanta, Georgia, who pleaded guilty on January 5, 2011, to accepting bribes from contractors he selected to rehab Omni-foreclosed properties while he was an officer of Omni, will be sentenced before United States District Judge Willis B. Hunt, Jr. A sentencing date has not yet been set by the court.

•CHRISTOPHER BERNARD LOVING, of McDonough, Georgia, was sentenced on August 24, 2010, to 3 years probation for making false statements to agents of SIGTARP and the FDIC in connection with an investigation of kickbacks he paid Omni officer Karim Lawrence for construction contracts.

•BRENT MERRIELL, of Atlanta, Georgia, was sentenced on August 3, 2010, to over 3 years in prison for making false statements to the FDIC regarding short-sales of Omni-funded properties and aggravated identity theft. Merriell's conviction resulted from a SIGTARP/FDIC sting operation.

Assistant United States Attorneys Gale McKenzie and Christopher C. Bly prosecuted the case. The case was investigated by Special Agents of a Mortgage Fraud Task Force for Omni-related cases, made up of SIGTARP, FDIC-OIG, Housing and Urban Development Office of Inspector General (HUD-OIG), the United States Postal Inspection Service, and the Federal Bureau of Investigation. 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. This investigation is part of President Barack Obama's Financial Fraud Enforcement Task Force.

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