



SIGTARP

OFFICE OF THE SPECIAL INSPECTOR GENERAL
FOR THE TROUBLED ASSET RELIEF PROGRAM

ADVANCING ECONOMIC STABILITY THROUGH TRANSPARENCY, COORDINATED OVERSIGHT AND ROBUST ENFORCEMENT

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FORMER BANK PRESIDENT AND CONSPIRATOR SENTENCED TO FEDERAL PRISON FOR BANK FRAUD CONSPIRACY

WASHINGTON, DC - The Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and United States Attorney for the Eastern District of Louisiana Dana J. Boente today announced that Reginald R. Harper, age 59, a resident of Hammond, Louisiana, the former president and chief executive officer of First Community Bank of Hammond, Louisiana, and Troy A. Fouquet, age 45, a resident of Covington, Louisiana, a local real estate developer, were sentenced to federal prison on Thursday by United States District Judge Nannette Jolivette Brown for conspiracy to commit bank fraud.

Harper was sentenced to 24 months imprisonment, followed by three years of supervised release and a \$25,000 fine. Fouquet was sentenced to 18 months imprisonment, followed by three years of supervised release. Harper and Fouquet were also ordered to pay restitution to the victim of their crime, First Community Bank, in the amount of \$570,955.71, plus interest.

“First Community Bank President Harper and bank customer Fouquet turned to bank fraud to hide past due loans from the bank, its regulators, and the Treasury Department in the bank’s TARP application,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “The \$3 million dollar fraud scheme, which involved making sham loans to Fouquet through straw borrowers and a cover-up that lasted for years, caused significant losses to First Community Bank and jeopardized the bank’s financial stability and ability to serve its community. SIGTARP and its law enforcement partners will bring accountability for TARP-related crimes.”

“Bank fraud harms financial institutions, in this case First Community Bank, and the local economy,” said United States Attorney Boente. “This prosecution provides a lesson that bank fraud has serious consequences, not just for financial institutions, but also for individuals.”

According to court documents, in approximately 2004, Harper loaned in excess of \$2 million to Fouquet or one of a number of companies Fouquet owned or controlled. The purpose of the loans was to purchase parcels of real estate, develop them into subdivisions, and build houses on them, eventually to be purchased by prospective home buyers who would obtain permanent mortgages to finance the purchases. The permanent mortgages would pay off the original loans made by Harper on behalf of First Community Bank and also include monies to pay Fouquet.

According to the court documents, however, beginning in 2005, it became difficult for Harper and Fouquet to identify qualified home buyers to obtain permanent mortgages. As a result, Harper and Fouquet developed various methods to avoid reporting the delinquency on the loans made by Harper, on behalf of First Community Bank, to Fouquet and/or his companies.

One method used by the defendants, according to court documents, included Harper making “loans” to the prospective home buyers to make it appear to the permanent mortgage lender that the prospective home buyer had more funds on hand than they actually did. Another method employed by the defendants, according to court documents, was to use “nominee” loans or “straw” borrowers to sign up for new First Community Bank loans, authorized by Harper, the proceeds of which were then utilized to pay off the original loans made to Fouquet and/or his companies. Finally, an additional method used to avoid reporting the delinquency of these loans, according to court documents, included Fouquet presenting Harper with insufficient checks (i.e. a check not backed up with sufficient funds) and Harper accepting them, crediting the loan payment in First Community Bank’s books and records, despite knowing the check was insufficient.

The fraudulent methods employed by the defendants, as set forth in court documents, led to a false call report (a report of First Community Bank’s financial health), which impacted an application undertaken by the bank to receive funds from the Troubled Asset Relief Program (TARP), a program administered by the United States. First Community Bank was approved to receive \$3.3 million in TARP funds, but the bank withdrew its application after Treasury approval. Ultimately, according to court documents, when the wrongdoing employed by the defendants was uncovered, First Community Bank suffered severe financial losses.

The case was prosecuted by Assistant United States Attorney Matt Chester.

The case was investigated by agents from SIGTARP and the Federal Bureau of Investigation.

This prosecution was brought in coordination with President Barack Obama’s Financial Fraud Enforcement Task Force, which was established to wage an aggressive and coordinated effort to investigate and prosecute financial crimes. SIGTARP is a member of the task force. To learn more about the President’s Financial Fraud Enforcement Task Force, please visit www.StopFraud.gov.

About SIGTARP

The Office of the Special Inspector General for the Troubled Asset Relief Program investigates fraud, waste, and abuse in connection with TARP.

To report suspected illicit activity involving TARP, dial the **SIGTARP Hotline**: 1-877-SIG-2009 (1-877-744-2009).

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