Langlinais

What Can Go Wrong

Banking & Financial Services

PHONE NUMBER:
214-235-2457

WEBSITE:
ScottLanglinais.com

EMAIL ADDRESS:
Langlinais@xemaps.com

1. The Chief Trader purchased derivatives using heavy leverage. When values plummeted due to a natural disaster, he requested more funds, and chased the losses with riskier bets on margin. No one noticed the losses for some time because he buried them in an unknown error account set up by an inexperienced team member. By the time the trader fled the country, his $1.3 billion in accumulated liabilities exceeded the capital and reserves of the 200-year old institution.

2. An investment fund manager withdrew millions of dollars from the fund for personal use, and provided false statements to investors to conceal their losses.

3. A major investment bank earned $600 million in fees to help raise $6.5 billion in three bond sales intended to promote economic development in a third-world nation. However, $4.5 billion of those funds were used for bribes, kickbacks, and lavish personal expenses. Because the bank ignored the warning signs, they were required to return the $600 million, and suffered an additional $2.3 billion fine.

4. A customer obtained lines of credit in his name, his wife's name, his mother's name, and his companies' names. He did so by forging the signatures of his wife and mother, submitting false financial statements for his companies, and pledging phony collateral to secure the loans. Four victim banks suffered $11.4 million in losses.

5. A crime syndicate rented and purchased dead bodies in order to receive death benefits from insurers.

6. Because the mortgage lender operated by the motto, "Loans move forward, never backward," loan officers regularly falsified application data to allow unqualified applicants to receive mortgage loans. For example, one application claimed the applicant was a sales representative earning $15,000 per month. In fact, they worked for a temp agency earning under $3,000 per month. Numerous borrowers defaulted within months, driving the lender to bankruptcy.

7. In order to keep their deposit levels high enough to achieve their goals, a remote branch manager failed to review suspicious deposits. When authorities learned a drug dealer was laundering money through the branch, they fined the institution millions of dollars for lack of control.

8. Because he was receiving bribes and kickbacks from the borrower, a lending officer approved loans secured by unimproved real estate with loan-to-value ratios as high as 150 percent, and no principal payments due for 12-24 months. When the principal came, he would roll the unpaid principal and interest into a new loan with no payments due for 12-24 months. Of the $7 million in loans made to the customer, only $300,000 was repaid.

9. Over 100 employees became involved in a scam in which they created false insurance policies so they would be paid higher commissions. By maintaining the policies on a computer system dedicated solely to accounting for their fictitious customers, the group fooled shareholders, regulators, and reinsurers for over 9 years.

10. A financial services institution with U.S. branches moved millions in cash through the United States on behalf of sanctioned, terrorist nations. The institution removed all references to the sanctioned nations from the transaction data in order to avoid scrutiny. After getting caught, U.S. regulators fined the institution $200 million.

11. A buyer used stolen financial information to apply for a mortgage and purchase a house that they used as a methamphetamine lab. They kept the mortgage current for a few months, then abandoned the significantly damaged home to foreclosure.

12. The president and CEO of a financial services institution, over the course of nearly 20 years, took over $200 million out of investment accounts for his own personal use. He delivered altered and falsified bank statements to his CFO every month to conceal the theft. The fraud was finally discovered after the CEO's failed suicide attempt.

13. Despite being aware of a publicly held company's financial problems, stock analysts artificially inflate their rating of the company—calling it a "strong buy"—because the company provides the analysts' employer with substantial investment banking business.

14. Mutual fund executives allowed favored institutional investors to trade in their shares after the market had closed for the day, so the investors could trade on news that would not be known to the public until the next day.

15. Several individuals engaged in property flipping: over a short time, different individuals within the group successively purchased the same property, artificially driving up its price with false appraisals and successive sales. The final buyer obtained a mortgage with a stolen identity with the intent of letting the mortgage default, and the financial institution got stuck with a property worth much less than the outstanding mortgage.

16. A business owner made commercial deposits into the ATM every night. When keying the deposit amount, he added an extra 0. When he realized the bank gave him credit for the full amount and consistently took two days to correct the error, he started withdrawing funds the account did not have, and keyed in ever-increasing deposits to cover the gap. The largest deposit he keyed into the ATM: $995,000 for a $100 deposit.

17. Securities traders engaged in 'surveys' of market analysts to gauge which securities might receive revised ratings that could move the price of the securities. Though masked as surveys, internal documents revealed the traders used the surveys to front-run analyst revisions by purchasing or selling the securities ahead of the reports, in what became known as systemic insider trading.

18. A human trafficking ring used person-to-person money transfers to fund their criminal activities.

19. An insurance agent, in exchange for kickbacks, informed her clients about a loophole in which they could file supplemental claims after an accident to receive compensation for repairs unrelated to the accident. Over the course of several years, the agent's accounts had 7x as many supplemental claims as the next highest agent.

20. Using a bogus contract and phony financial statements, a customer obtained a $12 million commercial loan for a Farming & Ranching venture he never intended to start. He used the money for personal reasons and the lending institution took a full loss on the loan.

21. A portfolio manager of a large mutual fund invested his personal money in a start-up company owned by his sons. To help the start-up, the portfolio manager withdrew the mutual fund's investments from firms that might compete with the start-up.

22. A debt consolidator agreed to pay a struggling family's debts, but he convinced the family that in order to do so, they would have to sign over the titles to their assets. The consolidator sold the assets, leaving the family with just the outstanding debt.

23. An investor recruited (or coerced) new arrivals into the country to serve as straw buyers, providing their personal information to obtain a mortgage. In return, the new arrival would be allowed to live in the house for a few months rent-free. The investor defaulted on the mortgage, stole the funds, and left the new arrival with the debt.

24. A couple established a business designed to assist low-income families obtain loans. For a fee, the business falsified loan applications to assure the buyers' applications would be approved by lenders. When the unqualified buyers defaulted, the financial institutions did not lose, because the loans were covered by government programs.

25. An escrow officer stole more than $500,000 in escrow funds from the lending institution for which they worked.

26. The large insurer's top salesperson, accounting for 5% of the company's new business, had sold multimillion-dollar face amount policies with a high first-year cash value then offered to pay the premiums in exchange for the cash-value rights. The salesperson then borrowed on the cash value.

27. A real estate agent posted fake MLS listings and colluded with an attorney who worked with a title company and created a false buyer. They obtained mortgages for properties that did not exist, and stole the funds.

28. An employee made adjustments to the due date on her own loan to show it as current, even though she made no payments. When she was not caught, she extended the adjustments to friends' and family members' loans.

29. A manager paid off bad loans with the proceeds of new loans and changed due dates on others to keep from increasing his loan loss reserves, and avoid criticism.

30. A manager made loans to fictitious borrowers and converted the proceeds to his own use. When the loans were due, he paid them off with the proceeds of new loans made to other fictitious borrowers.

31. Borrowers, in collusion with a loan officer, were approved for loans in excess of three times the value of the collateral pledged. The appraisals used to value the assets were prepared by an appraiser who had never seen the assets.

32. A borrower increased his income and assets and omitted liabilities on his loan application in order to get approved. The loan officer looked the other way because the borrower was his brother-in-law.

33. A bank manager paid for his gambling losses by making loans to his bookies, with no intention of collecting. There was never any collection effort on the loans.

34. A loan officer lured distressed, elderly homeowners to refinance their mortgages into a reverse mortgage. Using false appraisals to inflate the borrower's equity in the home, the officer got reverse mortgages approved that the homeowners would not otherwise have qualified for. None of the borrowers had enough equity to qualify without a false appraisal. After receiving proceeds, the officer closed off the borrower's loans and failed to pay their existing mortgages.

35. An international team set up false mailing addresses supported by false utility bills and fake identity documents to acquire credit cards. They started making small charges and paying off the cards to improve their credit ratings, which allowed them to obtain new cards and expand their credit limits. They would then withdraw cash or max out the cards without paying the bill.

36. The property manager had vendors, contractors and employees work on and deliver fuel to his own home, but charged the costs to properties owned & managed by the bank.

37. Employees, led by the property manager, stole $350,000 worth of scrap metal from abandoned propertied managed by the bank.

38. A branch manager made entries to reverse NSF charges on his own bank account. He “reversed” $35,000 more than the charges incurred.

39. A supervisor used file maintenance to change the aging on overdrafts for himself and friends.

40. A security guard stole money from the night deposit box.

41. A contractor built a $150,000 addition on a bank officer’s house. The costs were buried in a new branch construction project.

42. A bank paid campaign contributions to a state official’s reelection campaign. The official directed state deposits to the bank.

43. A teller borrowed money from the till for a weekend trip.

44. A mutilated currency shipment to the Fed was short when it arrived.

45. A branch employee stole $2 million and covered it with an entry to *Due to & From Banks*. The loss went undetected for over 5 years.