



NEWS RELEASE

Internal Revenue Service - Criminal Investigation
Los Angeles Field Office
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Recruiter in Multi-Million Dollar Mortgage Fraud Scheme Sentenced to Prison

Los Angeles – A Los Angeles man who recruited churches into a \$4.2 million mortgage fraud scheme was sentenced today by U.S. District Court Judge Manuel L. Real to one year and one day imprisonment and 5 years of supervised release.

Chester Peggese, 59, of Los Angeles--who pleaded guilty to one count each of bank fraud and subscribing to a false tax return--was further ordered to pay restitution of \$4.2 million to Broadway Federal Bank and \$38,609 to the Internal Revenue Service.

According to the plea agreement filed in the case, Peggese held himself out to churches in the Los Angeles area as a consultant who could assist the churches in obtaining mortgage loans to purchase property or in obtaining loans to refinance existing mortgages from Broadway Federal Bank. Between 2007 and 2009, Peggese would meet with churches and obtain from them financial information required as part of the loan application. Unidentified co-schemers would alter the financial information provided to make it appear as if the churches were more financially sound than they were. Peggese caused these false loan applications to be submitted to Broadway Federal Bank.

Based upon the false statements about the financial status of the churches, Broadway Federal Bank would issue mortgages to the churches. An insider at Broadway Federal Bank, Paul Ryan, provided a template for presenting financial information for the churches to ensure that the church loan applications which contained inflated financial information would be approved. Peggese received payment out of escrow on the loans and would kickback a portion of the funds to Ryan.

The specific bank fraud count to which Peggese pleaded guilty relates to the submission of false financial information for an unidentified church to Broadway Federal Bank in June of 2007. As a result of this false information, Broadway Federal Bank issued a loan in the amount of \$1,331,250. The actual loss to Broadway Federal Bank on this loan was \$403,010.

The specific tax count to which Peggese pleaded guilty relates to the filing of his 2008 tax return. Peggese admits he had additional gross business receipts for calendar year 2008 in the amount of \$106,325 that was not reported on his tax return. At least a portion of the gross business receipts not reported on his return was derived from the scheme to defraud Broadway Federal Bank. In addition, for calendar years 2007 and 2009, Peggese had additional gross business receipts not reported on his tax returns of \$39,900 and \$13,536, respectively. As a result of this unreported income, the total taxes owed by Peggese for years 2007 through 2009 is \$38,609.

In July of 2014, Paul Ryan, 48, also of Los Angeles, pleaded guilty to one count of receiving bribes and rewards as a bank employee. Ryan is scheduled to be sentenced by U.S. District Court Judge S. James Otero on May 9, 2016. When sentenced, Ryan faces a statutory maximum sentence of 30 years imprisonment, restitution of \$353,925 to be paid to Broadway Federal Bank, and a fine of \$1,000,000.

The investigation and prosecution of Peggese and Ryan was conducted by IRS Criminal Investigation, the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), the Federal Bureau of Investigation, and the Federal Deposit Insurance Corporation Office of Inspector General (FDIC-OIG), in conjunction with the United States Attorney's Office for the Central District of California.

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