FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC SEEKS STIFF PRISON SENTENCES TO DETER THRIFT INDUSTRY FRAUD

The Federal Deposit Insurance Corporation will ask a federal court judge in California later this month to impose "significant prison sentences" on two former thrift executives in a case that underscores FDIC efforts to stop fraud and abuse in the savings and loan industry.

The thrift executives are Leif and Jay Soderling, former directors and shareholders of Golden Pacific Savings and Loan Association of Santa Rosa, California, which was closed by federal regulators in May 1985. The two brothers were found guilty in December of going on a $500,000 "spending spree" at the same time they claimed an inability to make $1.5 million in restitution payments under terms of a previous bank fraud conviction.

U.S. District Court Judge Robert Peckham in San Francisco found the Soderlings in criminal contempt and set a January 22 sentencing date. The Judge also increased the restitution amount due the FDIC from $1.5 million to $6.9 million. Before the Soderlings were brought before Judge Peckham on charges of concealing and spending assets, the brothers served eight months in halfway houses for their previous fraud conviction.

Jack D. Smith, a Deputy General Counsel at the FDIC, praised the judge's decision and said the agency would seek "significant prison sentences for the Soderlings partly to send a strong message to anyone contemplating fraud that we will not tolerate this kind of criminal conduct and contempt."

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"While we intend to hit these kinds of financial criminals in the wallet, we also are convinced that a significant prison sentence is needed to deter others from engaging in similar swindles," Smith said. "The FDIC wants these individuals to know -- in advance and in no uncertain terms -- that this kind of crime will not pay. We also want the American people to know it is our intention to severely punish those who commit these crimes."

Congress last August gave deposit insurance authority and limited supervision over S&Ls to the FDIC in response to the recent thrift industry's crisis. FDIC Chairman L. William Seidman, in announcing steps last year to combat abuses at S&Ls, said there was "no question" that fraud and other criminal activities were major factors in thrift insolvencies.

Among the actions taken by the FDIC Board to prevent and discourage fraud in the S&L industry was the creation in October 1989 of the Conflicts and Criminal Restitution Section in the agency's Legal Division to prosecute S&L industry fraud and abuse. The Section has been fully staffed only in the last month. Howard Feinstein, previously an attorney with the Justice Department and the former Federal Home Loan Bank Board (FHLBB), recently joined the FDIC as an Assistant General Counsel and chief of the new Section.

The Soderling case is a continuation of work initiated by the FHLBB, now the Office of Thrift Supervision.

For further information, please contact Mr. Feinstein (202-906-7636) or Herman Manuel (202-906-6481), the FDIC staff attorney in charge of the case.

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