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FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

FOR IMMEDIATE RELEASE PR-23-90 (2-14-90)

FDIC WINS ANOTHER THRIFT FRAUD CASE; JUDGE ORDERS PRISON AND $6.8 MILLION PENALTY FOR FORMER CALIFORNIA S&L OWNERS

A U.S. District Court Judge in Los Angeles has sentenced two former owners and operators of a failed California savings and loan association to lengthy prison terms and to pay the Federal Deposit Insurance Corporation $6.8 million in restitution for crimes that led to the downfall of the institution.

Judge David V. Kenyon late Tuesday sentenced Donald P. Mangano to 15 years in prison and John Lee Molinaro to 12 years in prison for a total of more than 60 counts of banking fraud arising from their operation of Ramona Savings and Loan Association of Orange, California. As part of their criminal sentence, the Judge ordered the $6.8 million in restitution to the FDIC, which succeeded the former Federal Savings and Loan Insurance Corporation (FSLIC) as receiver for Ramona Savings.

Congress last August gave the FDIC deposit insurance authority and limited supervision over savings associations in response to the S&L industry's financial crisis. FDIC Chairman L. William Seidman has said there is "no question" that fraud and other criminal activities were major factors in thrift insolvencies. Among the actions taken by the FDIC Board in recent months was the creation of a section within the Legal Division to prosecute S&L industry fraud and abuse.

Chairman Seidman said today: "We are thankful to Judge Kenyon for imposing sentences upon both men that clearly reflect the seriousness of their crimes. This should send an unmistakable message to others who have perpetrated a fraud upon a federally-insured financial institution or who are considering committing this kind of crime."

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The ruling Tuesday was the latest in a series of recent court decisions won by the FDIC and its new fraud prosecution section. Late last month, a federal court ordered Jerry D. Smith to pay $12.8 million in restitution to cover fraud-related losses that led to the demise of Queen City Savings and Loan Association, Seattle. Also last month, a federal court in San Francisco sentenced brothers Jay and Leif Soderling to six years in prison for failing to pay court-ordered restitution for crimes committed against the failed Golden Pacific Savings and Loan Association of Santa Rosa, California.

In the Ramona Savings case, Mangano and Molinaro purchased the institution in April 1984 and transformed it from a traditional mortgage lender into the equivalent of a real estate development company. The approach created substantial losses for the S&L but enabled the two men to reap large rewards through fraud and other means.

Their criminal trial centered upon their development of the Cherokee Village luxury resort in Palm Springs, California. The project eventually caused losses at Ramona Savings of $9 million. However, Mangano and Molinaro concocted an elaborate scheme whereby Ramona Savings paid Mangano and a construction company he owned millions of dollars, gave Molinaro a $2 million cash dividend, and distorted the S&L's balance sheet to mislead state and federal regulators. The S&L eventually was taken over by the FSLIC in September 1986, with an audit revealing $108 million in assets and a net worth of negative $65 million.

Mark Gabrellian, a Senior Counsel at the FDIC in charge of the case, said: "This is among the most egregious examples of insider abuse that have plagued the thrift industry during the past few years. Mangano and Molinaro destroyed in two years an institution that had been in existence for 60 years."

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