



NEWS RELEASE

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JUDGE ORDERS FORMER TEXAS BANK PRESIDENT TO SERVE 12 YEARS IN PRISON,
PAY RESTITUTION TO THE FDIC FOR LOSSES FROM FRAUDULENT LOANS

A U.S. District Court Judge in Texas on Tuesday ordered former National Bank of Texas president Richard Homer Taylor to serve the maximum sentence of 12 years in prison and to pay more than \$19,000 in restitution to the Federal Deposit Insurance Corporation for fraud that contributed to the demise of the Austin bank.

Prior to the sentencing, FDIC Chairman L. William Seidman had written to Judge James Nowlin in Austin asking that Taylor serve a substantial prison term and pay restitution to "reflect the seriousness of his crimes and serve to deter others from committing similar acts." Chairman Seidman noted that fraud and insider abuse are major factors in many financial institution failures.

In addition to requiring the 12-year prison term and \$19,099 in restitution to the FDIC, Judge Nowlin on Tuesday ordered Taylor to pay \$505,000 in other fines and to make \$221,000 in restitution to Franklin Federal Bancorp of Austin. Franklin Federal purchased certain assets from the former Federal Savings and Loan Insurance Corporation, which was acting as receiver for CreditBanc Savings of Austin, a thrift institution that was closed in 1988 and that had losses from loans to Taylor.

FDIC General Counsel Alfred Byrne said today: "The FDIC endorses fully the length of the prison sentence imposed by Judge Nowlin. This should help send our message to white collar criminals and to the American public that the FDIC will do everything it can to be certain that individuals who commit fraud are prosecuted aggressively and successfully."

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Taylor was indicted in October 1989 on 15 counts of bank and tax fraud that the FDIC said were important factors in the July 1986 failure of Austin's \$32.6 million-asset National Bank of Texas. In January, as part of a plea bargain, Taylor admitted being guilty to two counts of bank fraud and one count of income tax fraud. In 1987, Taylor also agreed to pay the Office of the Comptroller of the Currency, the primary regulator of the National Bank of Texas, a \$100,000 civil money penalty and to refrain from any future involvement in the banking industry.

Taylor caused losses at National Bank of Texas through a scheme in which other individuals obtained loans at his direction and later transferred the loan proceeds to him. He also pleaded guilty to fraud in connection with a \$250,000 loan from CreditBanc Savings to a restaurant company he led. The company obtained the loan by presenting false invoices showing purchases of restaurant equipment when, in fact, the equipment was being leased.

The Taylor case marks the latest in a series of recent convictions won by the Department of Justice with the aid of FDIC attorneys and field investigators of the FDIC's Division of Liquidation.

In April, for example, a Judge in Dallas sentenced former S&L industry executive Woody F. Lemons to 30 years in jail in a case arising out of the 1987 failure of Vernon Savings and Loan Association of Texas. In March, Oklahoma financier Charles Bazarian was sentenced to five years in prison in a case involving two failed California thrifts and agreed to pay the FDIC at least \$2 million for fraud committed against five other thrifts.

Attached is a copy of Chairman Seidman's June 11 letter to Judge Nowlin outlining the FDIC's concerns about financial industry fraud and asking for a tough sentence for Taylor.

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