



# Department of Justice

**Acting United States Attorney Kathleen M. Kahoe  
Eastern District of Virginia**

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## **FORMER BANK OF THE COMMONWEALTH EXECUTIVE SENTENCED TO 17 YEARS IN PRISON FOR MASSIVE FRAUD**

NORFOLK, Va. – Stephen G. Fields, 49, of Chesapeake, Virginia, was sentenced today to 17 years in prison, followed by 5 years of supervised release, for conspiracy to commit bank fraud, false entries in bank records, misapplication of bank funds, and false statement to a financial institution. The Court further ordered Fields to pay \$331,860,955.43 in restitution to the Federal Deposit Insurance Corporation, and to forfeit \$61,625,789.79 in proceeds from the offense.

Kathleen M. Kahoe, Acting United States Attorney for the Eastern District of Virginia; Royce E. Curtin, Special Agent in Charge of the FBI's Norfolk Field Office; Thomas J. Kelly, Special Agent in Charge of the Internal Revenue Service Criminal Investigation's Washington, D.C., Field Office (IRS-CI); Christy L. Romero, Special Inspector General for the Troubled Asset Relief Program (SIGTARP); Jon T. Rymer, Inspector General of the Federal Deposit Insurance Corporation (FDIC-OIG); and Mark Bialek, Inspector General of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau (FRB-CFPB OIG) made the announcement after sentencing by United States District Judge Raymond A. Jackson.

“Defendant Fields’ criminal acts were not only felonious violations of the law, but also contributed to the collapse of the Bank of the Commonwealth during the economic crisis,” said Acting United States Attorney Kathleen M. Kahoe. “We are committed to investigating and ferretting out these white collar crimes, which have devastating and far reaching consequences. These frauds will not be tolerated and I wish to commend the steadfast determination of our prosecutors and law enforcement partners who dedicated countless hours in seeing that justice was achieved in this case.”

“Today, those responsible for the corruption leading to one of the biggest bank failures in Virginia history impacting our Hampton Roads community were held accountable,” said FBI Special Agent In Charge Royce E. Curtin. “The extensive two year investigation led by FBI Norfolk Division, in conjunction with IRS, SIGTARP, FDIC-OIG, and IG-FRB, identified and

unraveled a criminal enterprise conducting complex fraudulent financial transactions. This case reflects the FBI and its partners' commitment to protect our communities by aggressively investigating and bringing to justice individuals exploiting their influence or position for personal gain.”

“The culture among senior executives at TARP applicant Bank of the Commonwealth was rotten at its core, and Fields was a principal contributor to the stench of corruption and entitlement at the bank,” said Christy Romero, Special Inspector General for TARP (SIGTARP). “As a former bank examiner, Fields should have stopped and blown the whistle, but instead, he engaged in an extend and pretend scheme to mask past-due loans, rigged auctions to get foreclosed property off of the bank’s books, and lied to bank examiners. Let today’s sentencing serve as a warning to anyone engaged in fraud involving TARP – SIGTARP and its law enforcement partners will bring justice and hold you accountable for your crimes.”

“The FDIC OIG is pleased to join the U.S. Attorney’s Office and our law enforcement colleagues in announcing the sentencing of Mr. Fields,” said FDIC Inspector General Jon T. Rymer. “It is particularly troubling to the FDIC OIG when bank insiders who are entrusted with operating their banks in a safe and sound manner violate that trust and engage in activities that contribute to losses to the Deposit Insurance Fund. As evidenced in today’s sentencing, those who undermine the integrity of the financial system will be brought to justice.”

“Today’s sentencing shows that bank executives who engage in illegal activities that undermine the public trust will be brought to justice,” said Mark Bialek, Inspector General of the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau. “We will continue to work with our law enforcement partners to vigorously pursue wrongdoers whose fraudulent actions materially impact the Federal Reserve Board’s supervision program.”

Fields was found guilty after a lengthy, ten week, jury trial on May 24, 2013. Evidence presented at trial demonstrated that Fields, a former Executive Vice President and Senior Commercial Loan Officer for the Former Bank of the Commonwealth (“Bank”), engaged in an illegal reciprocal relationship with certain troubled borrowers to mask the Bank’s deteriorating financial condition. Conspirators Thomas E. Arney, Eric H. Menden, and George P. Hranowskyj all testified at trial that, at the request of Fields, they performed favors such as buying Bank of the Currituck stock, bailing out the Bank President’s son on bad investments, and purchasing bank-owned property with fully-funded Bank of the Commonwealth loans. In return, Arney, Menden and Hranowskyj all received preferential treatment such as affording large overdrafts, sometimes for hundreds of thousands of dollars, below-market interest rates, loans to make interest payments on other loans, and easy access to credit. Fields continued to lend millions of dollars to Arney, Menden and Hranowskyj despite knowledge of their serious financial problems, and even after Hranowskyj had accused Menden of embezzling money from one of the Bank’s largest construction loans.

As a further part of the scheme, Fields assisted in the removal of hundreds of past-due loans from past due loan reports prepared for the Bank’s Board of Directors. For example, Fields took draws from a construction loan for the 345 Granby Street property to make payments on wholly unrelated loans. Fields was well aware that such loans should appear on the Bank’s

past due loan report, but took steps to conceal their past due status to mask the Bank's diminishing financial condition. On more than one occasion, the Federal Reserve Bank of Richmond criticized Fields for failing to comply with the Bank's internal controls, and for jeopardizing the safety and soundness of the financial institution. This is so even though Fields used to work at the Federal Reserve Bank of Richmond as a safety and soundness examiner.

Finally, Fields also facilitated self-dealing and preferential treatment at the Bank's expense for co-defendants Edward Woodard, Troy Brandon Woodard, and his own loan assistant. For example, Fields arranged for Arney to purchase Edward Woodard's personal condominium at an inflated price using 100% financing from the Bank. Fields himself substantially benefited throughout this conspiracy by receiving substantial benefits from the Bank in the form of a large salary, a company car and other employment benefits. Moreover, one of the Bank's largest borrowers, Mr. Menden and Mr. Hranowskyj, paid over \$6,000 to install granite countertops and other amenities in Mr. Fields's kitchen.

In addition to having a substantial impact on property values in the Hampton Roads area, Fields's crimes were a significant factor in the failure of the Bank of the Commonwealth on September 23, 2011. As a result of this failure, the Federal Deposit Insurance Corporation has sustained at least \$333 million in losses.

The Investigation was conducted by the FBI's Norfolk Office, Field Office, IRS-CI, SIGTARP, FDIC-OIG, and FRB-CFPB OIG. Assistant United States Attorneys Katherine Lee Martin, Uzo Asonye, and Melissa E. O'Boyle prosecuted the case on behalf of the United States.

A copy of this press release may be found on the website of the United States Attorney's Office for the Eastern District of Virginia at <http://www.justice.gov/usao/vae>. Related court documents and information may be found on the website of the District Court for the Eastern District of Virginia at <http://www.vaed.uscourts.gov> or on <https://pcl.uscourts.gov>.

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