



# Department of Justice

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## **WOODBINE BANKER SENTENCE TO 18 MONTHS IN FEDERAL PRISON**

### ***Misapplied millions of dollars of bank funds over 9 year period***

COUNCIL BLUFFS, IA - On May 20, 2011, former banker Kenneth W. Waite, age 59, of Woodbine was sentenced to 18 months in prison by John A. Jarvey, U.S. District Court Judge for the Southern District of Iowa, for making a false loan application to Commercial Federal Bank, his past employer, for the purpose of obtaining a \$2.3 million line-of-credit for some distressed customers.

“Those who place their funds on deposit with federally-insured financial institutions expect bank officers to safeguard their money, not steal it or gamble with it,” explained United States Attorney Nicholas Klinefeldt. “Mr. Waite’s sentence should serve as a warning that the federal criminal justice system will not tolerate bank officials who violate the trust of customers and the bank system.”

A grand jury returned an indictment on August 5, 2010, charging Mr. Waite with 50 different financial crimes, namely misapplication of bank funds (counts 1-45), making false bank entries (counts 46 - 49), and making false statements to a bank (count 50). He proceeded to trial in Council Bluffs on January 31, 2011.

In the midst of trial, Mr. Waite elected to plead guilty to count 50 of the indictment, which charged him with knowingly making false statements for the purpose of influencing the action of the executive loan committee of Commercial Federal Bank by submitting a false loan application to

renew and increase the existing revolving line of credit of local cattle feeders Ed and Ryan Sullivan from \$7,000,000 to \$9,250,000.

The loan application prepared by Mr. Waite on the Sullivans' behalf in March 2005 failed to reflect the he had, unbeknownst to the bank and the Sullivans, made over \$4 million of illegal loans into the Sullivans operating account in 2004 - 2005 to help them during a time of financial distress. Mr. Waite falsely stated that the requested increase was "due to increasing capacity to 11,000 head of cattle on feed and \$150/head increase in the cost of cattle over previous year," when he knew the increase was needed, in significant part, to repay the illegal loans he previously advanced to the Sullivans.

To funnel money into the Sullivans' cattle operation, Mr. Waite hijacked the loans of other customers by altering bank records to permit him to increase the amount of funds available to them, and transferred bank funds through their loans into the Sullivans' operating account. He hoped they would be able to repay the funds.

None of the customers knew of Mr. Waite's actions. The Sullivans thought the deposits made into their account came from their existing line of credit.

Commercial Federal's successor, Bank of the West, discovered the scheme soon after acquiring the Woodbine bank, and eventually had to charge off a \$3.3 million loss on the account due to Mr. Waite's actions.

According to trial testimony, Mr. Waite was reprimanded by Commercial Federal in 1999 for exceeding his lending authority by \$204,848 when he made unauthorized loans to Lynne M. Tremel.

Additionally, evidence at sentencing established that, in 2008 - 2009, Mr. Waite, as an officer of Farmers Trust and Savings Bank in Woodbine, also intentionally misapplied funds from a customer's collateral sales to the wrong notes, to cover up the cattle feeder's deteriorating financial

condition. Farmers Trust estimated that Mr. Waite's illegal actions caused it and related entities an estimated \$1.1 million loss.

To settle a civil matter brought against him by the Federal Deposit Insurance Corporation, Mr. Waite, on December 1, 2009, agreed to give up his livelihood as a banker and pay a \$40,000 fine.

At sentencing, United States District Court Judge John Jarvey commended the Federal Deposit Insurance Corporation and Federal Bureau of Investigation for investigating the matter. This case was prosecuted by the United States Attorney's Office, Southern District of Iowa.

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