

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

NATHANIEL FRAZIER and JEFFREY
GARRISON

Former institution-affiliated parties of
REGIONS BANK
Birmingham, Alabama, a state-member bank

Docket Nos. 18-017-E-I
18-017-CMP-I

Notice of Intent to Prohibit and
Notice of Assessment of Civil
Money Penalties Pursuant to Section
8 of the Federal Deposit Insurance
Act, as Amended

The Board of Governors of the Federal Reserve System (the “Board of Governors”) is of the opinion or has reasonable cause to believe that:

(A) Nathaniel Frazier (“Frazier”), a former institution-affiliated party of Regions Bank (“Regions”), Birmingham, Alabama, a state-member bank, engaged in unsafe or unsound practices and violations of applicable law. The practices involve making false entries in Regions’ records, by improperly inflating credit applicants’ reported income, directing or encouraging others to do so, and failing to take appropriate action when confronted with information of such practices by his subordinates. In connection with the misconduct described herein, Frazier received a financial gain or other benefit and Regions suffered financial loss or other damage.

(B) Jeffrey Garrison (“Garrison”), a former institution-affiliated party of Regions, engaged in unsafe or unsound practices and violations of applicable law. The practices involve making false entries in Regions’ records, by improperly inflating credit applicant reported

income and opening credit card accounts without customer authorization. In connection with the misconduct described herein, Garrison received a financial gain or other benefit and Regions suffered financial loss or other damage.

(C) Frazier's and Garrison's misconduct described herein involved personal dishonesty or a continuing or willful disregard for the safety and soundness of Regions.

Accordingly, the Board of Governors hereby institutes this Combined Notice of Intent to Prohibit and Assessment of Civil Money Penalties (the "Notice") for the purpose of determining whether an appropriate order should be issued:

- i. Permanently barring Frazier and Garrison from participating in any manner in the conduct of the affairs of any institution specified in 12 U.S.C. § 1818(e)(7)(a), pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the "FDI Act"), 12 U.S.C. § 1818(e); and
- ii. Assessing civil money penalties against Frazier and Garrison pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), of \$18,936 and \$9,468, respectively.

In support of the Notice, the Board of Governors alleges as follows:

JURISDICTION

1. Regions is and was at all material times relevant to the Notice, a state-member bank subject to the supervision and regulation of the Board of Governors. Accordingly, the Board of Governors is the appropriate Federal Banking Agency to bring charges against institution-affiliated parties of Regions within the meaning of sections 3(q)(3) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(q)(3), 1818(b)(3).

2. Frazier was employed by Regions in various positions from August 22, 2011 until June 6, 2017, rising from Financial Services Specialist ("FSS") to Branch Manager, and is an

institution-affiliated party of Regions as defined by sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3).

3. Garrison was employed by Regions from July 20, 2015 until March 7, 2017, as a FSS, and is an institution-affiliated party of Regions as defined by sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3).

4. The material period for purposes of the Notice, unless otherwise stated, is June 7, 2013 through January 31, 2017.

FACTUAL ALLEGATIONS

5. During the material period, Frazier served as FSS, Branch Team Leader and Branch Manager at Regions. From June 8, 2015 to June 6, 2017, Frazier served as Branch Manager at Regions' Southgate Branch, in Memphis, Tennessee ("Southgate"). As Branch Manager, Frazier had overall responsibility for the operations of Southgate, including supervising other employees at the branch and ensuring they conducted business in accordance with Regions' policies and procedures, and in compliance with applicable laws.

6. While employed at Regions, Frazier improperly inflated credit applicants' reported income, encouraged his subordinates at Southgate to engage in such practices, and failed to take appropriate action when confronted with information of such practices by Garrison.

7. While serving as a Branch Manager at Southgate, Frazier encouraged and directed his subordinates to improperly inflate applicants' reported income. Frazier's actions were in contravention of Regions' policies and applicable law.

8. Frazier instructed Southgate subordinates "to follow the plan," which they reasonably understood to mean that they should improperly inflate credit applicant income, contrary to Regions' policies.

9. While at Southgate, Frazier would at times “guess” the actual income of a credit applicant’s spouse, when the applicant did not know the spouse’s income, contrary to Regions’ policies.

10. When confronted with information that Garrison was improperly inflating credit applicants’ reported income, Frazier failed to take appropriate action to stop Garrison’s improper conduct, contrary to Regions’ policies.

11. While at Regions, on multiple occasions, Frazier made false entries in the bank’s records, by improperly inflating credit applicants’ reported income for stated income products, such as credit cards, personal loans, and personal lines of credit, over a period of several years, to qualify applicants for products which they would otherwise not be able to qualify, contrary to Regions’ policies and applicable law.

12. On June 6, 2017, Regions terminated Frazier for the misconduct described above.

13. Frazier’s misconduct resulted in a financial loss to Regions of at least \$14,110.

14. Garrison served as a FSS at Southgate from July 20, 2015 until August 15, 2016, when he transferred to Regions’ North Freeway Branch in Houston, Texas (“Houston Branch”), where he continued to serve as a FSS, until he resigned from Regions on March 7, 2017.

15. While at Southgate, on multiple occasions, Garrison made false entries in Regions’ records, by improperly inflating credit applicants’ reported income for stated income products, such as credit cards, personal loans, and personal lines of credit, over a period of more than a year, to qualify applicants for products which they would otherwise not be able to qualify, contrary to Regions’ policies and applicable law.

16. While at Southgate and at the Houston Branch, Garrison made false entries in Regions’ records, by originating several credit card accounts without customer authorization,

contrary to Regions' policies and applicable law.

17. While at Southgate, Garrison failed to inform certain customers that he was submitting a credit application for them, contrary to Regions policies and applicable law.

18. As a result of his improper actions and misconduct at Southgate, Garrison received \$15,154 in incentive compensation from Regions.

19. Garrison's improper actions and misconduct resulted in financial loss to Regions of at least \$2,910.

20. Frazier received personal benefit from his improper actions and misconduct. By improperly inflating credit applicants' reported income and encouraging others at Southgate to do so, Frazier was able to exceed his loan production goals set for him by Regions. As a result, Frazier received loan production incentive bonuses totaling \$9,440.

21. Frazier's conduct showed a willful and continuing disregard for the safety and soundness of Regions in that he engaged in a sustained pattern of misconduct over the course of several years, which subjected Regions to financial loss. Additionally, Regions has incurred significant costs to investigate and remediate the conduct of Frazier.

22. Garrison received personal benefit from his improper actions and misconduct. By improperly inflating credit applicants' reported income and originating unauthorized credit card accounts, Garrison was able to exceed production goals set for him by Regions. As a result, Garrison received \$15,154 in incentive compensation from Regions.

23. Garrison's conduct showed a willful and continuing disregard for the safety and soundness of Regions in that he engaged in a sustained pattern of misconduct over the course of nineteen months, which subjected Regions to financial loss. Additionally, Regions has incurred

significant costs to investigate and remediate the conduct of Garrison.

COUNT I: Unsafe or Unsound Banking Practices (Frazier and Garrison)

24. As set forth above, during the relevant period Frazier made false entries in Regions' records by improperly inflating credit applicants' reported incomes, encouraged subordinates at Southgate to do so, and showed indifference to Garrison's improper actions, in violation of Regions' policies and applicable law.

25. As set forth above, Garrison made false entries in Regions' records by improperly inflating credit applicants' reported income and originating unauthorized credit card accounts, in violation of Regions' policies and applicable law.

26. Frazier's and Garrison's misconduct described herein constituted unsafe or unsound banking practices and exposed Regions to a reasonably foreseeable risk of financial loss, legal and reputational risk, and investigation and remediation expenses.

COUNT II: Violations of 18 U.S.C. § 1005 (Frazier and Garrison)

27. At all relevant times, 18 U.S.C. § 1005 provided that any bank employee who makes a false entry in any book, report, or statement of such bank, with intent to injure or defraud such bank, shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

28. As set forth above, during the material period, Frazier and Garrison made false entries in Regions' records by improperly inflating credit applicants' reported incomes with the intent to injure or defraud Regions. These actions constituted violations of 18 U.S.C. § 1005.

REQUESTED RELIEF

PROHIBITION ACTION

29. Notice is hereby given that a hearing will be held on _____, 2018, at the United States Courthouse in the Western District of Tennessee, in Memphis, Tennessee, or any place designated by the presiding administrative law judge, for the purpose of taking evidence on the charges specified herein, in order to determine whether an appropriate order should be issued under section 8(e) of the FDI Act to prohibit the future participation of Frazier and Garrison in the affairs of any insured depository institution, holding company thereof, foreign bank, or any institution specified in section 8(e)(7)(A) of the FDI Act, 18 U.S.C. § 1818(e)(7)(A). As set forth above, by reason of Frazier's and Garrison's unsafe or unsound practices and violations of law, Frazier and Garrison received financial gains or other benefits and Regions has suffered or will suffer financial losses and will probably suffer additional financial loss or other damage, or the interests of its depositors have been or could be prejudiced; and, the unsafe or unsound practices and violations of law involved personal dishonesty or continuing or willful disregard for the safety and soundness of Regions.

30. The hearing shall be held before an administrative law judge to be appointed from the Office of Financial Institution Adjudication ("OFIA"), pursuant to section 263.54 of the Board of Governors Rules of Practice for Hearings ("Rules of Practice"), 12 C.F.R. § 263.54. The hearing shall be public, unless the Board of Governors determines that a public hearing would be contrary to the public interest, and in all other aspects shall be conducted in compliance with the provisions of the FDI Act and the Rules of Practice.

31. **Frazier and Garrison are hereby directed to file an answer to the Notice within 20 days of the service of the Notice, as provided by section 19 of the Rules of**

Practice, 12 C.F.R. § 263.19, with OFIA. Frazier and Garrison are encouraged to file any answer to the Notice by electronic mail with the Office of Financial Institution

Adjudication at ofia@fdic.gov. Pursuant to section 263.11(a) of the Rules of Practice, 12 C.F.R. § 263.11(a), any answer filed with OFIA shall also be served on the Secretary of the Board of Governors. As provided in section 263.19(c)(1) of the Rules of Practice, 12 C.F.R. § 263.19(c)(1), the failure of Frazier or Garrison to file an answer required by the Notice within the time provided herein shall constitute a waiver of their respective rights to appear and contest the allegations of the Notice in which case the presiding officer is authorized, upon proper motion, to find the facts to be as alleged in the Notice and to file with the Secretary of the Board of Governors a recommended decision containing such findings and appropriate conclusions. Any final order issued by the Board of Governors based upon a failure to answer is deemed to be an order issued by consent.

32. Frazier or Garrison may submit to the Secretary of the Board of Governors, within 20 days of the service of the Notice, a written statement detailing the reasons why the hearings described herein should not be public. The failure to submit such a statement within the aforesaid period shall constitute a waiver of any objection to a public hearing.

33. Authority is hereby delegated to the Secretary of the Board of Governors to designate the time and place and presiding officer for any hearing that may be conducted on the Notice and to take any and all actions that the presiding officer would be authorized to take under the Board of Governors' Rules of Practice with respect to the Notice and any hearing to be conducted hereon, until such time as a presiding officer shall be designated.

CIVIL MONEY PENALTY ASSESSMENT

34. At all material times relevant to the Notice, the practices set forth in Count II permit the Board of Governors to assess a civil money penalty under section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A), in a daily amount not to exceed \$9,468.00, for violations occurring prior to November 2, 2015, and \$9,819.00, for violations occurring on or after such date, pursuant to 12 C.F.R. § 263.65(b)(2)(i).

35. As set forth above, Frazier and Garrison engaged in violations of law by making false entries in Regions books and records by improperly inflating credit applicants' reported incomes, among other misconduct.

36. After taking into account the size of Frazier's financial resources, his good faith, the gravity of the violations, the history of previous violations, and such other matters as justice may require, the Board of Governors hereby assesses a civil money penalty of \$18,936.00 against Frazier for violating applicable law, as set forth in the Notice. Frazier shall forfeit and pay the penalty as hereinafter provided.

37. After taking into account the size of Garrison's financial resources, his good faith, the gravity of the violations, the history of previous violations, and such other matters as justice may require, the Board of Governors hereby assesses a civil money penalty of \$9,468.00 against Garrison for violating applicable law, as set forth in the Notice. Garrison shall forfeit and pay the penalty as hereinafter provided.

38. The penalties set forth in the Notice are assessed by the Board of Governors pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i) and subparts A and B of the Rules of Practice, 12 C.F.R. § 263.1 *et seq.*

39. Remittance of the penalties set forth herein shall be made within 60 days of the date of the Notice, in immediately available funds, payable to the order of the Secretary of the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States.

40. Notice is hereby given, pursuant to section 8(i)(2) of the FDI Act, 12 U.S.C. § 1818(i)(2) and section 263.23 of the Rules of Practice, 12 C.F.R. § 263.23, that Frazier and Garrison are afforded an opportunity for a formal hearing before the Board of Governors concerning these assessments.

41. **Pursuant to section 8(i)(2)(E)(ii) of the FDI Act, 12 U.S.C. § 1818(i)(2)(E)(ii), if a hearing is not requested within 20 days of service, the penalty assessment becomes a final and unappealable order. Any request for such a hearing must be filed with the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500, and with the Secretary of the Board of Governors, Washington, D.C. 20551, within 20 days after the issuance and service of the Notice on Frazier and Garrison, with regard to the civil money penalties proceedings against Frazier and Garrison. Frazier and Garrison are encouraged to file any request for a hearing by electronic mail with the Office of Financial Institution Adjudication at ofia@fdic.gov.** A hearing, if requested, will be public, unless the Board of Governors shall determine that a public hearing would be contrary to the public interest, and in all other aspects will be conducted in compliance within the provisions of the FDI Act and the Rules of Practice before an administrative law judge to be designated pursuant to applicable law as in effect at the time of such hearing. The hearing described above may, in the discretion of the Board of Governors, be combined with any other hearing to be held on the matters set forth in the Notice.

By order of the Board of Governors of the Federal Reserve System, effective this 26th day
of March, 2018.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/
Ann E. Misback
Secretary of the Board