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Department of Justice

U.S. Attorney's Office

Western District of Pennsylvania

FOR IMMEDIATE RELEASE

Friday, August 31, 2018

Auto Dealership Agrees to Pay Penalty of \$1.4 Million and Restitution of More than \$730K in Bank Loan Fraud Scheme

(ERIE, Pa.) – United States Attorney Scott w. Brady announced today that Hallman Chevrolet of Erie, Pennsylvania entered into a Deferred Prosecution Agreement, and agreed to pay a monetary penalty of \$1,400,000.00 and more than \$737,000.00 in restitution to various lending institutions.

According to the agreement entered into between U.S. Attorney Brady and David Hallman (on behalf of Hallman Chevrolet and the Hallman Auto Group), from 2009 through 2015, with knowledge and acquiescence of David Hallman, Hallman Chevrolet engaged in a bank fraud scheme and a conspiracy to commit bank fraud, for which Hallman accepted responsibility. The parties entered into a comprehensive Deferred Prosecution Agreement to hold Hallman Chevrolet accountable for its actions and to compensate lending institutions. The agreement requires the monitoring of Hallman Chevrolet's conduct over the next four years and imposes other substantial obligations on the auto dealership and its owner.

U.S. Attorney Brady stated, "For over six years, Hallman Chevrolet defrauded financial institutions throughout the region by systematically falsifying loan documents in hundreds of transactions. The perpetration of large-scale auto loan fraud schemes in western Pennsylvania must stop. The auto dealership industry is put on notice that substantial penalties await those who engage in such schemes. In addition to the combined fine and restitution exceeding \$2 million, the Policies, Procedures, Compliance and Ethics program required by this agreement should serve as a template for responsible, ethical conduct within this industry."

"The FBI treats these types of crimes very seriously," said Special Agent in Charge Robert Jones. "We work to hold accountable those who undermine the integrity of these types of institutions."

Among other acts uncovered in the investigation, to which the parties stipulated in the Deferred Prosecution Agreement, Hallman Chevrolet engaged in a fraudulent down payment scheme by manipulating bills of sale and bank lending contracts to hide from financial institutions the true source of customer down payments. During the scheme, Hallman Chevrolet customers were coached by Hallman Chevrolet employees to provide jewelry (most of which was low value costume jewelry) to Hallman Chevrolet in return for Hallman Chevrolet making it appear valuable down payments had been provided by customers. As a result, Hallman Chevrolet led the financial institutions into making unsafe investment decisions by having under-collateralized assets and financially risky credit applicants. Financial institutions were led to believe customers used their

own money for the down payments making it appear they were more credit worthy, when in effect, the financial institutions themselves had unknowingly supplied their own loan funds to cover the fictitious down payment. Through the scheme, Hallman Chevrolet earned sales and profits that were otherwise impossible.

For those financial institutions impacted by the loan scheme, loan default rates were over double the industry standard. This high default rate was due primarily to the fact that customers had paid no money of their own for the purchase of the vehicle and had little incentive, and no actual financial ability, to pay down the loan balance.

This loan fraud scheme affected financial institutions throughout the United States and in Erie, Pennsylvania. For the years 2009 through 2015, Hallman Chevrolet conducted over 600 separate sales through the falsification of down payments. Due to the excessive default rate, financial institutions suffered losses approximating more than \$1,000,000.

The investigation also disclosed Hallman Chevrolet failed to have in place a compliance program to prevent and detect violations of law. Since late 2017, Hallman Chevrolet has substantially improved its compliance program, has trained employees and staff, and has taken steps to ensure compliance with the law.

As part of the Deferred Prosecution Agreement entered into with the government, over the next four years, Hallman Chevrolet must engage in a substantial corporate compliance and ethics program and a vigorous monitoring and audit regime.

In exchange for the agreement entered into by Hallman Chevrolet, including the significant monetary penalty, which will disgorge Hallman of any profits realized from the bank fraud scheme, the substantial payments of restitution to lending institutions, and Hallman's other obligations over the next four years, the United States Attorney has agreed to defer any prosecution against Hallman Chevrolet for its wrongful acts. If Hallman Chevrolet fails to abide by the terms and conditions of the Deferred Prosecution Agreement, the United States Attorney may seek to institute criminal proceedings against Hallman Chevrolet and may use against Hallman Chevrolet the stipulation of facts establishing its culpability in the bank fraud scheme as set forth in the agreement.

Assistant United States Attorney Marshall J. Piccinini is prosecuting this case on behalf of the government.

The Federal Bureau of Investigation conducted the investigation that led to the discovery of the bank fraud scheme conducted by Hallman Chevrolet.

Topic(s):

Financial Fraud

Component(s):

USAO - Pennsylvania, Western

Updated August 31, 2018