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## Ten years after a bank collapsed, former customers are getting their money back and more

### Pennies from heaven

12/21/2011 10:00 PM

By **BEN MEYERSON**  
Editor

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Dick McKinlay was on vacation when he got the call.

He was up in Door County, Wis., that evening in late June 2002 when the phone rang, and it was bad news. It was the call that every soul who works at a bank hopes they'll never get: The federal government's two big bank regulators, the Federal Deposit Insurance Corporation and the Office of Thrift Supervision were on the line.

The bank of which he was chairman, Universal Federal Savings at 1800 S. Halsted St. in Pilsen, was in trouble, they said. There had been massive insider fraud, many millions of dollars of it.

"It was quite a shocking telephone call," McKinlay recalled. "I was dumbstruck to find out that this was the worst possible kind of fraud."

McKinlay left Wisconsin at 3 a.m. and headed back to Chicago. He tried to figure out what had gone wrong and try to fix it, but it was too late. Within a couple of days, on June 27, the FDIC took over Universal.

Universal's collapse changed McKinlay's life and the lives of many folks who lived and worked in Pilsen. But nearly a decade later after the bank's collapse, the bank is paying unexpected dividends to its former customers — literally.

Because of a landmark settlement with the FDIC, money is falling from the sky during the holiday season for Universal's former employees and depositors. Not only are people who lost money when the bank collapsed getting it back, but regular bank customers — who didn't lose a penny when Universal collapsed — are getting cash as well.

The money comes from Adam Resnick, the man convicted of bringing down the bank with a check-kiting scheme he used to finance a multimillion dollar gambling addiction. Resnick threw down cash in casinos from Hammond to Las Vegas, as well as online and with local bookies. He lived a lavish lifestyle that he funded by manipulating a bank account held by Terry Navarro, the son of Universal's president, Maureen Navarro. He worked the system by making deposits and withdrawals through American National, a larger bank that processed checks on behalf of the much smaller Universal.

The tales of Resnick's high-flying gambling days and subsequent downfall were documented in the book he co-wrote, *Bust: How I Gambled and Lost a Fortune, Brought Down a Bank — and Lived to Pay for It*.

Resnick pleaded guilty to one count of wire fraud in 2006, and on top of spending a little less than two years in prison, he was ordered to pay back about \$10 million to the FDIC.

For an ex-convict, that's a lot of money. But when Resnick got out of prison, he happened to come into a bundle of cash through another channel — whistleblowing. By helping the government bring a different kind of fraud to the forefront, medical fraud, Resnick raked in about \$2 million.



Bank watchdog Tim Anderson stands in front of the former Universal Federal Bank building at 1800 S. Halsted St. It was sold to Chicago Community Bank after Universal's failure.  
File 2007

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Resnick handed that money over to the FDIC for restitution soon after he received it in 2009. But the question was, whose money should it be?

Tim Anderson, a bank watchdog from Libertyville, seems to spend his whole life looking at banks. A onetime bank consultant, he's aggressively pursued cases around the Chicago area for years, rabidly digging up details on troubled banks around the area.

When Universal crashed in 2002, the case piqued his interest immediately, but he couldn't figure out what had happened. The details of the case were under lock and key for years as the Justice Department compiled its case against Resnick. But once those details finally came out, Anderson locked on and hasn't let go since.

"Why is this guy from Libertyville standing out in front of a bank in Pilsen? The short answer is, because they pissed me off," Anderson said. "Fraud pisses me off, and I hate ineptness."

So Anderson went to bat for the victims of Universal's demise, but with a unique argument: Any money that Resnick paid to the FDIC shouldn't stay with them, sitting in a vault somewhere. No, Anderson argued, because Universal was a mutual bank, it was owned by its customers, and any extra cash left over after paying back people who lost money should be distributed to the bank's owners.

When Resnick forked over \$2 million to the FDIC, Anderson found a couple of people who had lost money during the takeover and nudged them into suing the FDIC to get their money back. One was Joseph Pavlik, who had more than \$100,000 in a personal account, and the other was Donna Smitley, who had more than \$100,000 in a business account.

With attorney Clint Krislov, they tried to talk the FDIC into handing out the money they had gotten from Resnick, but to little avail.

"Initially they pooh-poohed the whole case and dismissed us," Krislov said. "I think the greatest frustration of dealing with the government entity is that they don't have to cooperate with you until you drag them in kicking and screaming, at which point they say, 'Oh, we would have done this all along.'"

That's more or less what happened in the case, Krislov said. Once he went in front of a judge with the FDIC, it was a simple matter of breaking down the numbers — who got what. After all the cash was divvied up to the people who lost money, the FDIC and IRS took their own cuts, and Krislov got his payment, there was still a lump of cash left — some \$400,000.

That money will be doled out to the roughly 4,500 account holders who used the bank at the time of its collapse and who were, in fact, the bank's owners. At the time, they probably didn't realize it, and they may not have realized it ever since. But nearly 10 years after the bank collapsed, right around Christmas, they'll be getting a check out of the blue.

Krislov, the FDIC and Anderson all say they think this is the first time the government's ever dished out excess cash to regular depositors.

"There are a lot of institutions that are mutually owned institutions: co-ops, credit unions, all of those things that people join without even thinking about what the term means. It's an important concept, because when you do business with a mutual-type entity, you are an owner," Krislov said. "What we all too often ignore as a meaningless title, it's not. With people watching out, it may create meaningful recovery."

Anderson was more blunt.

"This is the first time that owners of a mutual have gotten money back as stockholders," he said. "But they didn't know they were owners."

FDIC spokesman Greg Hernandez said in an email that the reason it's never happened before is because the FDIC has never gotten restitution money after it had closed receivership on a failed bank before.

"In essence, the FDIC receivership was done with its work and was shut down," Hernandez wrote. "Then these funds were made available."

## Who gets the money?

The extra cash from Universal Federal Bank's restitution is being doled out to anyone who had an account when the bank collapsed. Here's where the customers were in 2001, six months before the crash.

### Total accounts and deposits Dec. 31, 2001

Market area	Accounts	Deposits
Pilsen	2,326	\$15,761,318
Little Village/Heart of Chic.	469	\$2,880,514
New South Side/Chinatown	15	\$28,090
Cicero	53	\$307,876
University Village/Tri-Taylor	23	117,377
North Lawndale	15	\$27,864
Bridgeport/McKinley Park	285	\$1,723,230
New City	3	\$7,720
Back of the Yards	67	\$216,198
Brighton Park/Gage Park	330	\$3,157,308
Outside over	1,086	\$15,050,489
<b>Total</b>	<b>4,672</b>	<b>\$39,277,984</b>

WGN...

EHF - it's pretty easy, actually. You...

Beverly, your rant is incoherent. ...

I would strongly suggest proof reading...

woman is a nut case, fact is most all...

woman is a nut case, fact is all her...

I went during my lunch hour, just 3...

This is an amazing article. Dick, if...

Here is something that many other...

I think your article was in good faith...

They're still due more money, too. Resnick still owes about \$8 million to the government, and will have 10 percent of whatever income he makes in the future shaved off until he pays it back.

However, Resnick said he's glad to be giving the money to people who should get it.

"If these people were rightfully owed the money, nothing makes me happier than that my hard work would ultimately result in them receiving funds. It makes me proud," he said. "They're indirectly my victims. Certainly, I support them receiving money. Everything I've done from the moment I took the plea deal and stopped gambling has been to make everyone whole."

He wouldn't say what he's doing professionally at this point, though, or when more restitution money might come from him. He said he had been involved in a second whistleblower case, but had dropped out of it.

Even with the FDIC's promise to mail out the money, not everyone was sure if or when it would finally come through. Lorraine Kirsten was a 15-year employee of Universal who had retired, but still sat on the bank's board when it was taken over. She lost her \$52,000 pension when it crashed, and said the FDIC has been telling her since 2002 that she was entitled to the money.

"Until I see the checks, I won't believe it," she said in an interview earlier in December.

She's been living primarily off Social Security since then, with some seasonal work preparing taxes at Jackson Hewitt. She was getting by.

But just this week, she finally got her money — one check for \$52,000 and change, and an interest check for a little over \$9,000.

She was happy to have the money, but didn't let the FDIC off the hook.

"They sort of got forced into it, I think," she said. "I don't think we would have seen a penny otherwise."

Kirsten's former colleague on the board, McKinlay, said he thinks it's doubtful any of the money would have been doled out to the people without Anderson's diligence.

"There's an extraordinary commitment that he's had to this process of making the FDIC aware of its responsibilities," McKinlay said. "He's spent tremendous amounts of time for reasons that I can't fully fathom. He is obsessed with this case, but to good effect. He's certainly one of a kind."

Krislov agreed. Though Anderson has been known to get under people's skin with his tactics and approach, he's one of the main reasons people are finally getting the money that's rightfully theirs.

"I don't think it's unfair to give Tim credit for a lot of what was accomplished. He appears to do it out of a totally pure desire, assuming there is such, to see that the right things happen, and that things not just get swept under the rug that might otherwise," Krislov said. "I think the people who ignored him or regarded him as a flake or a kook, even the people who don't like him or disdain him, know that there's a kernel of truth that he's uncovered under these things."

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**By Jill Weiss from Lakeview**

Posted: 12/29/2011 5:54 PM

Mr. Anderson's perseverance is remarkable. Seeking the truth in the face of official obfuscation is too rare in this world. He demonstrates for us that our democracy is not a spectator sport, it is a participation sport. He accomplished the same as running back a FDIC punt and scoring a touchdown after the game was over.

**By Daniel James**

Posted: 12/29/2011 1:25 PM

In a season that seems to highlight the giver as much as the gift, Tim's pursuit of what is "right" to the very substantial benefit of those 4500 owner depositors without a penny of personal gain is remarkable. If they only knew, I bet many would want to shake his hand and say 'thank you' - not just for the money, but for the meaning that made it all happen. Thanks, Tim.

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