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## Colonial BancGroup faces federal investigation

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MONTGOMERY, Ala. — Colonial BancGroup said Friday it is under criminal investigation by the Department of Justice over alleged accounting irregularities at its mortgage warehouse lending unit.

The company said the probe involves one year's worth of financial statements and that it intends to cooperate. The company was notified of the official investigation on Thursday.

The announcement follows a raid by federal agents on Monday at Colonial BancGroup Inc.'s branch in Orlando, Fla., where the mortgage warehouse lending unit is located.

A spokeswoman for the inspector general of the U.S. Treasury's Troubled Asset Relief Program had said that agents from her office, the FBI and Housing and Urban Development inspector general conducted the search.

Colonial is also the subject of a Securities and Exchange Commission investigation related to its participation in the TARP program and its accounting for loan loss reserves. It has provided documents to the SEC.

The Alabama State Banking Department has scheduled a meeting Wednesday in Montgomery to ask for Colonial's consent to appoint the FDIC as receiver for the bank if and when the state banking superintendent deems it necessary.

Colonial operates 335 branches in Florida, Alabama, Georgia, Nevada and Texas.

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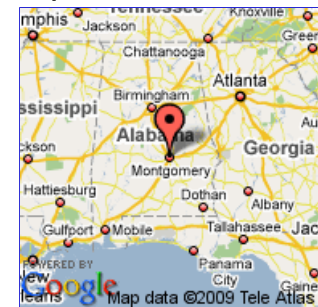
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