Conspiracy Digest
REAL NEWS THAT CONNECTS THE DOTS . . .

MOVIE REVIEWS

Confidence
Swordfish
Blow
The Patriot
Traffic
The Skulls

BOOK REVIEWS

Bushwhacked
The Conspirators

BUSHWHACKED: HUD Fraud, Spooks and the Slumlords of Harvard

by Uri Dowbenko

Catherine Austin Fitts is still trying to figure out what happened.

Her company, Hamilton Securities, Inc., was the lead financial advisor to the US Department of Housing and Urban Development (HUD).

Hamilton was hired to manage the sales of $10 billion worth of mortgages on houses, apartment buildings and nursing homes.

By all accounts, Hamilton's new program was a resounding success.

In fact, the HUD loan sales program team was even given a Hammer Award for Excellence in Re-engineering Government by Vice President Al Gore's Reinventing Government Initiative. By cutting red tape and improving the resale value of HUD owned mortgages, Hamilton Securities was a case study of a public-private partnership that saved US taxpayers lots of money.

Until...

The firm was ambushed by a series of lawsuits, audits and unsubstantiated rumors which destroyed the business.

Catherine Austin Fitts -- Maverick Banker

In the arcane but stodgy world of

[Rule by Secrecy]
[Defrauding America]
[Dark Alliance]

FREE NEWSLETTER

LINKS

CYBERSHOP

MAIN PAGE

investment banking, Catherine Austin Fitts is a revolutionary.

Before founding her own firm, Fitts, a Wharton graduate, was the first woman to be promoted to managing director of Dillon, Read and Co, Inc., the prototypical elitist men's club Wall Street investment bank.

To her credit, Fitts was instrumental in building a new market for Dillon Read. She began underwriting previously unrated municipal bonds, in essence, financing large government projects which other Wall Street firms said couldn't be done.

These novel bond sales helped revive New York City's crumbling subway system, and they provided funding for the City University of New York and other major projects.

The market in unrated and low-rated muni bonds took off, earning Fitts the title of "Wonder Woman of Muni Bonds," in a glowing Business Week article (February 23, 1987).

In 1989, she was asked to become the Federal Housing Administrator under HUD Secretary Jack Kemp. Fitts moved to Washington to undertake the monumental task of reforming the scandal-ridden, fraud-plagued agency.

After her stint in government, she was invited to be a Governor of the Federal Reserve Board. She declined.

Instead she founded Hamilton Securities Group, an employee-owned investment banking firm, which created an innovative system for saving taxpayers billions of dollars in the sale of government-guaranteed mortgage-loan sales from HUD.

By promoting open disclosure in the HUD financial transactions, Fitts undoubtedly, and unknowingly, must have stepped on a lot of toes.

The Crony Capitalists (or Old Boys' Network -- or the Octopus) must have seen Hamilton's program of financial transparency as a major threat to their system of bid rigging and insider trading.

HUD Cost Savings Lead to Hamilton's Demise

In this extremely complex case, newly disclosed evidence indicates that powerful forces conspired to destroy the financial equity of employee-owned Hamilton Securities, as well as the personal life savings of the firm's president, Catherine Austin Fitts.

Why? Because Hamilton Securities had opened up the market for defaulted HUD mortgages. In simple terms, the established network of insiders would be susceptible to -- horrors! -- open competition, not to mention an entire universe of new bidders.

In fact, Hamilton's plan for optimization of sales of defaulted mortgages resulted in a savings of over $2.2 billion for US taxpayers.

The numbers are staggering. Every year HUD issues about $70 billion of mortgage insurance which guarantees the mortgages used to finance homes, apartment buildings, nursing homes, assisted living facilities and hospitals. HUD then pays out about $6 billion on claims for defaulted mortgages, which the agency has to then manage at great cost to taxpayers.

Prior to Hamilton's involvement, HUD was recovering about 35 cents on the dollar of mortgage insurance payments made on defaulted mortgages.

When Hamilton instituted their new program, HUD's recovery rate soared to about 70 to 90 cents on the dollar. How? Hamilton introduced a proprietary optimization bidding software and an on-line database of information, accessible to all investors, so that the defaulted portfolio could be bid upon in an open auction.

In October 1997, the Chairman of one Congressional oversight committee referred to the Hamilton-based loan sales at HUD as generating "eye-popping" yields.

In fact from 1994-97, HUD saved about $2.2 billion in HUD's $12 billion mortgage portfolio. These savings then allowed HUD to issue far more new mortgage insurance at a lower cost.

When Hamilton's successful loan sales-auction program was suspended due to the investigation, the old levels of government inefficiency and fraud were resumed. Call it "Business As Usual."

That means HUD is now losing about $4 billion per year on its $6 billion of defaulted mortgages -- instead of just $2 billion. That's the equivalent of 20,000 taxpayers working their whole lives to pay for this boondoggle for just one year.

Anatomy of a Corporate Murder

Targeted by criminal elements in the Department of Justice (DoJ), Housing and Urban Development (HUD), as well as a cartel of private investment companies, Hamilton Securities has undergone an onslaught of unimaginable harassment and intimidation.

There had been a SWAT-like attack on Hamilton's office in Washington, 19 audits, countless subpoenas as well as ongoing litigation against HUD to force them to pay monies owed on their contract. It's been a 4-year long financially and emotionally draining "investigation." To date, there has been no evidence of any wrongdoing -- just rumors, innuendo, and lots of character assassination.

First, in June 1996, a sealed qui tam lawsuit, a phoney whistle-blower suit, as well as a Bivens action was filed by John Ervin of Ervin & Associates, Inc., a HUD subcontractor, notorious for filing nuisance lawsuits and "bid protests" -- 37 of them in the recent past. In the Bivens suit, he sued HUD itself, as well as several former HUD officials personally.

In fact, Ervin's lawsuits have cost a good-sized fortune in legal fees and overhead, estimated -- from 1995 to date -- to be as high as $40 to $50 million. An insider claims that during that time Ervin had up to 17 in-house personnel working full time on mountains of paperwork regarding this and other cases.

So who's bankrolling Ervin? Nobody has offered any explanations, but for a small time HUD sub-contractor like Ervin, this has turned out to be a serious investment.

Under the False Claims Act, a private party like Ervin, who files suit on behalf of the government, can receive 15-30% of any recovery, if the government's claim is successful. That percentage (15-30%) would have covered asset seizures of up to $4.7 billion of loan sales won by Goldman Sachs and its partners.

Is somebody just playing the odds? In this version of government "greenmail", or state-sponsored extortion, any asset seizures could be part of this 15 to 30% bounty.

The Spooky Life of Stanley Sporkin

Then, it just so happened that the judge presiding over the Hamilton case was the former CIA Counsel -- Federal Judge Stanley Sporkin (recently retired).

According to Rodney Stich, author of "Defrauding America," "Sporkin was involved with the 1980 October Surprise scheme and his judicial appointment was probably his reward by the Reagan-Bush administration for helping carry it out, and to block any judicial exposure or prosecution action."

(The October Surprise was the Reagan-Bush black-ops/covert action to delay the release of the hostages in Iran, resulting in the electoral victory of Reagan as US President.)

Sporkin was appointed to the bench by Ronald Reagan in 1985. His spooky roots, however, go back to the days when he was a director of the SEC's Division of Enforcement, while the infamous Bill Casey was practicing his Wall Street shakedown techniques as Chairman of the Securities and Exchange Commission.

Sporkin's other claim to fame was to encourage Casey to go after the infamous scamster Robert Vesco. Was Vesco more competition -- or just another freelancer?

Casey, who like George H. W. Bush, neglected or "forgot" to put his assets in a blind trust later also became director of CIA. His shares -- controlling stock in Capitol Cities Communications -- were eventually used to take over ABC in a $3.5 billion merger deal.

In the words of Joseph Persico, author of "Casey", "the director of the Central Intelligence Agency was soon to be a substantial shareholder in one of the country's major forums of free expression, with wondrous opportunity for managing the news."

Also according to Persico, Casey further employed Sporkin's specious reasoning by claiming that killing "suspected terrorists" was not murder.

Reagan's infamous Executive Order 12333 which privatized US National Security State dirty tricks was ostensibly the reason.

"Striking at terrorists planning to strike at you was not assassination," wrote Persico referring to Sporkin's logic, "it was 'preemptive self-defense.'"

Then Sporkin became the general counsel for the CIA (1981-86) and his mastery of coverup skills increased dramatically. For instance, in keeping the Oliver North Cocaine Trafficking Operation under wraps, it was Sporkin who invented another ingenious method of lying by omission.

Persico writes that "North's insistence

that the oversight committees be cut out troubled the CIA people. But the adroit Sporkin found a loophole. The President was required to inform the oversight committees of a covert action presumably in advance of the action, except when the urgency of the situation required that notification be delayed." Result? Everybody was notified 48 hours after the operation.

According to Persico, Sporkin also perfected the techniques of writing retroactive "findings" for Congress, so that CIA criminality could always be disguised or covered up -- after the fact.

Stich concludes that "to protect the incoming Reagan-Bush teams and many of the federal officials and others who took part in October Surprise, the Reagan-Bush team placed people, including those implicated in the activities, in control of key federal agencies and the federal courts. Some, like attorneys Stanley Sporkin, Lawrence Silberman, and Lowell Jensen were appointed to the federal bench defusing any litigation arising from the October Surprise or its many tentacles... Organized crime never had it so good."

Ironic Postscript Dept.: In Feb. 2000, retired spooky judge Stanley Sporkin (Yale Law School, 1957) joined the global powerhouse law firm Weil, Gotshal & Manges LLP. The company, which boasts 750 attorneys in 12 offices worldwide, is considered one of the leading law firms in the country on bankruptcy.

Part 2 | **Part 3**

Main Page