

California, said she learnt about the SEC investigation from a radio broadcast. "It surprised me Goldman owns a company like this," she said.

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SUBPRIME CONSUMERS HIT AT GOLDMAN

(By Suzanne Kapner)

Goldman Sachs is facing a wave of complaints from consumers over the business practices of its mortgage servicing unit, a subsidiary that collects payments on hundreds of thousands of loans worth tens of billions of dollars.

Goldman bought Litton Loan Servicing—a Houston, Texas, specialist in collecting money from high-risk borrowers—in December 2007, a year after the bank decided to reduce its exposure to the U.S. housing market.

The deal gave Goldman a new way to earn fees from subprime borrowers and provided it with a street-level view of conditions in the U.S. housing market as the financial crisis deepened.

It also put the Wall Street bank in the unusual position of facing hundreds of complaints from mainstream consumers, who allege that Litton unfairly charged them money. Without admitting wrongdoing, Litton agreed last year to pay \$532,000 to settle a class-action lawsuit in Los Angeles, accusing it of charging late fees during a 60-day grace period on loans it acquired from other servicers.

"Litton saw a great opportunity to make a lot of money by collecting servicing fees on troubled loans," said Dan Parsons, president of the Houston chapter of the Better Business Bureau, a non-profit group that promotes responsible business practices. "But when Litton takes over a loan, the borrower tends to be worse off."

Larry Litton Jr, chief executive of the Goldman unit, declined to comment on specific complaints and said any fees resulted from normal procedures. He added that it was "inevitable" Litton would face complaints as it deals mainly with distressed borrowers. "Do I wish complaint levels were lower?" he said. "Absolutely, we take complaints very seriously."

The Better Business Bureau lists nearly 800 complaints in the U.S. against Litton during the past three years, more than have been filed against most similar-sized servicers. In Houston, only three companies—Comcast, Telecheck and Continental Airlines—received more complaints Mr Parsons said.

Consumer Affairs, a website that tracks consumer problems, said it had received 390 complaints against Litton in the past year, a 60 percent rise over the prior 12 months, and more than triple the number logged against some similar-sized competitors. Many complaints against Litton come from consumers who say they entered into "trial" mortgage modification programmes that reduced their payments, only to find out later that they had been denied a permanent modification and owed more money than they would have if they had not entered the programme.

Litton's loan modification application states borrowers are liable for past due amounts, including unpaid interest, if they are denied a permanent modification. Late fees are supposed to be waived if permanent modifications are granted. According to government data through April, Litton's rate for converting loans from trial to permanent modifications was 29 percent, compared with rates of more than 80 percent for some competitors.

[From the New York Times, June 7, 2010]

FINANCIAL PANEL ISSUES A SUBPOENA TO GOLDMAN SACHS

(By Sewell Chan and Gretchen Morgenson)

Washington.—The commission investigating the causes of the financial crisis said on Monday that it had subpoenaed Goldman Sachs and harshly accused the investment bank of trying to delay and disrupt its inquiry.

"Goldman Sachs has not, in our view, been cooperative with our requests for information, or forthcoming with respect to documents, information or interviews," Phil Angelides, the chairman of the Financial Crisis Inquiry Commission, told reporters on a conference call.

The deputy chairman, Bill Thomas, accused Goldman of stonewalling, and said, "They may have more to cover up than either we thought or than they told us."

But even as Goldman appeared to be uncooperative, it tried over the last month to set up personal meetings with members of the commission, two people briefed on the discussions said.

Lobbyists representing Goldman in Washington tried to arrange one-on-one meetings with a handful of commissioners, including Mr. Angelides, but he declined to meet with them, according to the people, who spoke on the condition of anonymity because they were not authorized to discuss the commission's inner workings.

Mr. Angelides and Mr. Thomas both said that Goldman had inundated the panel with data—about five terabytes, equivalent to several billion printed pages—and dragged its feet on answering detailed questions about derivatives, securitization and other business activities.

In particular, the commission sought records on collateralized debt obligations based on mortgage-backed securities, and the names of Goldman's customers in transactions of derivatives. In a chronology it provided, the commission also indicated that it was interested in Goldman's dealings with the American International Group, the insurance giant that collapsed in 2008, and in the bank's so-called Abacus transactions, which are at the heart of a civil fraud suit brought by the Securities and Exchange Commission.

The commission's unusual public criticism—it has issued 12 subpoenas, none accompanied by stinging accusations of obstruction—underscored the anger in Washington at the outsize profits and influence of Goldman, which had emerged nearly unscathed from the financial crisis. It also reflected the fallout from Goldman's unyielding strategy of standing its ground in the face of inquiries and attacks.

A spokesman for Goldman, Michael DuVally, said, "We have been and continue to be committed to providing the F.C.I.C. with the information they have requested."

The lashing by the commission further complicated Goldman's public image. In April, the bank was accused of securities fraud in a civil suit filed by the S.E.C., which contended that it created and sold a mortgage investment that was secretly devised to fail.

That investment and others like it were the subject of a Senate investigation that also exposed Goldman to withering criticism. And federal prosecutors in Manhattan have begun looking into the mortgage practices of banks, including Goldman.

The commission, created by Congress, is required to deliver a report by December, but with only \$8 million and some 50 employees to draw on, it has at times seemed out-matched by the targets of its inquiries.

"I suspect they're spending more on their lawyers than our whole budget," Mr. Thomas conceded.

Lloyd C. Blankfein, Goldman's chairman and chief executive, testified at the commission's first public hearing in January, with the top bankers Jamie Dimon of JPMorgan Chase, John J. Mack of Morgan Stanley and Brian T. Moynihan of Bank of America.

After the hearing, the commission sent written questions for Mr. Blankfein and made requests for records in April and May.

Mr. Thomas, a California Republican who served 28 years in the House, said the requests to Goldman were "not inordinate" compared with similar queries sent to a half-dozen other banks. All of the other institutions complied, he said.

In contrast, Mr. Thomas said, Goldman gave a "basically incomplete" response, even as it deluged the commission with so much irrelevant information that it amounted to "mischief-making" that was both "deliberate and disruptive."

Mr. Angelides, a former California treasurer and candidate for governor, said, "We did not ask them to pull up a dump truck to our offices and dump a bunch of rubbish." He added, "This has been a very deliberate effort over time to run out the clock."

The two men also seemed to acknowledge that the sheer volume of data was beyond the commission's capacity to analyze. "We should not be forced to play Where's Waldo? on behalf of the American people," Mr. Angelides said. "This is not right."

Mr. Thomas, turning to the proverb about looking for a needle in a haystack, said, "We expect them to provide us with the needle."

The two men said that after the subpoena was issued on Friday, Goldman had moved to schedule interviews with several executives, including Mr. Blankfein; David A. Viniar, the chief financial officer; Gary D. Cohn, the president and chief operating officer; and Craig W. Broderick, the chief risk officer.

The 10-member commission was slow to get started. It recently replaced its executive director, B. Thomas Greene, with Wendy M. Edelberg, an economist on loan from the Federal Reserve, who had been the research director. Mr. Greene, a former chief assistant attorney general for California, remains on the commission's staff as senior counsel.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. JONES) is recognized for 5 minutes.

(Mr. JONES addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

THE OIL SPILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

Mr. BURTON of Indiana. Madam Speaker, my good friend Congressman POE of Texas just a few minutes ago talked about the oil spill down in the Gulf and referred to the action or inaction of the administration in dealing with it. He quoted something from the L.A. Times that I thought was kind of interesting and a little humorous that my colleagues might like to hear again, and it quotes the LA Times as saying: "Obama's speech: There's a pipe spewing a gazillion gobs of oil into the Gulf, so let's build more windmills."

Now, I know that sounds a little humorous, Madam Speaker, but that

sounded like what the President's speech was all about last night. There was no real solutions in dealing with the problem. Everybody's concerned about it. Everybody feels empathy and sympathy for the people in the Gulf, the thousands of people who have lost their jobs and who are out of work, the environmental problem that's been created. But what people want is they want a solution to the problem.

It has now been 57 days, 57 days since this tragedy occurred. And what did the President do? He has suspended oil drilling in the Gulf for 6 months. Now, that's going to result in as many as 150,000 people losing their jobs, and for the oil people that work on those derricks out there in the Gulf, that's 150,000 jobs that it not only affects them, it affects almost six times that number of people who have ancillary jobs that work in the restaurants, that work on the beaches down there, all the things that are going on down in the Gulf. So you're looking at the potential of half a million to a million jobs being affected adversely because we haven't dealt with the problem.

There have been other countries right after the spill took place that offered to send skimmers, ships over here to help skim up the oil on the surface of the ocean. We have had other countries that offered other help, and it's all been turned down. The Jones Act should have been suspended, but it was not suspended, and as a result, the oil crisis, the spill goes on and on and on.

It is extremely important that we address the problem as quickly as possible. I'm not an engineer. I don't know what the answer is. But today we had a meeting with people who had talked to the BP oil company and had talked to other oil engineers, and there are things that are going on right now that they believe will address the problem, hopefully in the next 2 or 3 or 4 weeks or at least another month or month-and-a-half, but at least they're moving on the problem now with auxiliary wells being drilled down into the bottom of the Gulf to choke off the spill.

All I'd like to say tonight, in addition to what's already been said, is that we have a tragedy down there that should not be compounded by what the problem has advocated, and that was he advocated last night that we come up with an energy bill, i.e., the cap-and-trade bill. And the cap-and-trade tax bill will tax all energy producers that emit CO₂ emissions into the atmosphere. And if translated, that means that companies around this country will have to pay hundreds of thousands and maybe millions of dollars more for their utility bills which will be passed on to the consumer in the form of higher prices, and the average family is going to be affected to the tune of about \$3,000 to \$4,000 a year if cap-and-tax is passed.

This is a time to deal with the crisis in the Gulf, not a time to start talking about the cap-and-tax bill which is going to cost jobs at a time when we

need to create jobs. The unemployment rate in this country is at 10 percent or very close to it, and if you include the people who are unemployed and looking for work who are no longer counted, we're looking at 13, 14, 15 percent that are unemployed.

So we need to address the economic problems, and we need to be dealing with that in a positive way and not going on with more taxes and more spending as the administration has talked about.

What I'd love to see if I had my druthers right now, Madam Speaker, is somebody like Ronald Reagan who could come in and cut taxes and cut spending and stimulate economic growth like he did, and as a result, we had 20 years of economic growth.

Right now what we're looking at is more unemployment, and now they're talking about, because of the way the Gulf is being handled, the possibility of more double-digit unemployment.

□ 1730

This is something that we can't tolerate right now. We need to be positive, we need to move ahead, and the President is not moving in that direction. And a perfect commentary is what was in the Los Angeles Times, not a conservative newspaper. And you heard liberal commentators all across the country last night saying the President is not addressing the problem, and he is way late in the first place, and in the second place, and in the third place.

So I would like to end by saying once again, I think the Los Angeles Times was right on the money when they said of Obama's speech, There's a pipe spewing a gazillion gallons of oil in the gulf, and what's he talking about? More taxes, more spending, and more wind-mills.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

OIL SPILL UPDATE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. KLEIN) is recognized for 5 minutes.

Mr. KLEIN of Florida. Madam Speaker, I rise today to continue my regular real-time updates to my south Florida constituents on the BP oil spill in the Gulf of Mexico. I believe it's my responsibility to keep the families, homeowners, and businesses along the 75 miles of my coastline in my district fully informed so they can be prepared for all possibilities.

First things first. Obviously, the spill itself has to be capped. I certainly call on BP to deploy every possible resource, every expert, every technology, every available opportunity to plug

this hole. This is not about a question of whether the Federal Government is going to step in and come on with some magic silver bullet. This is an all-hands-on-deck approach. Everyone should be involved. And it will require scientists and geologists and people from other oil companies from around the world to help figure this thing out. The permits should have probably never been issued in the first place without having the necessary cleanup plans in place, but it is here and it is now and we need to get it done.

I had the opportunity a week or so ago to join some NOAA researchers, those are oceanographic experts, on a 9-hour mission in a P-3 plane over the gulf to really understand what was going on, what the currents were doing. Obviously, from the southeast Florida side, we're concerned about the current which may bring it through the Florida Straits and up through the Gulf Stream. We saw through the research that was done. There is this possibility of course, and the sooner we can cap the oil, the better.

We all know that if this oil does come to the east side of Florida, as it has to the panhandle, it will impact Florida homeowners and businesses—not to mention the environment—for generations to come. We need to do it now, and we need to take whatever action is necessary to finish that job.

The other thing I would like to say to my constituents—and obviously this is a national issue—but no one should have to suffer because of BP's recklessness, and taxpayers cannot and will not be stuck with footing even a dime of the bill for this debacle. BP has to be fully responsible for the full cost of plugging the leak, cleaning up the spill, and making every person, every business who is harmed whole again. I appreciate the fact that today there was discussion about \$20 billion being put in escrow that can be drawn down for businesses and local groups that have to clean up this mess to pay for it, but this may play out for a generation. Let me repeat myself: BP is responsible for the full cost down to the last dime.

In Florida, we have always been concerned about offshore drilling because we have a multibillion-dollar tourism industry that depends on our pristine waters, beautiful beaches, and coral reefs. Right now, every restaurant owner in places like Deerfield Beach, which is part of my district, every hotel worker in West Palm Beach, every entrepreneur with a small souvenir shop or a fishing charter is concerned and they're holding their breath as to whether this water spill will affect them, affect their businesses, their jobs, and their livelihood. I have seen the fear on their faces, and meeting with them has only strengthened my resolve to make sure we do not leave our children with this terrible fate.

We cannot let another generation pass without making a serious move to not only clean up this mess, but to