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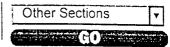
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HUD ignored charges of bid-rigging

By George Archibald THE WASHINGTON TIMES

op managers at the U.S. Department of Housing and Urban Development ignored corruption charges for two years against their chief financial advisory contractor.

The contractor, Hamilton Securities Group, a local investment company, was fired Friday by HUD Secretary Andrew M. Cuomo.

Ironically, Mr. Cuomo asked the Federal Housing Administration two years ago to respond to charges that Hamilton illegally gave a Wall Street bidder confidential inside information before HUD sold tens of thousands of troubled mortgages.

FHA ignored the complaint, and Hamilton went on to taint billions of dollars worth of HUD note sales by misusing a computerized process to select winners, according to agency documents.

Mr. Cuomo now is going to move against HUD officials who protected Hamilton and prolonged corruption that has embarrassed him, agency officials told The Washington Times.

He is angry that his own promised program to clean out waste, fraud and abuse at HUD has been clouded by a criminal probe of note-sale corruption that might have been prevented, officials said. The probe is being conducted by the department's inspector general and the Justice Department.

Firing Hamilton sends the message that "we're cracking down outside the agency," an official said, "but we're also sending the message that we're cracking down inside the agency. This is going to shake things up."

Two top officials with immediate worries are Nicolas P. Retsinas, assistant secretary for housing and FHA commissioner, and Kathryn Rock, FHA's comptroller, who ignored complaints against Hamilton sent to them by Mr. Cuomo, documents indicate.

A letter received by Mr. Cuomo in September 1995 charged Hamilton with giving confidential information to a bidding company and professional carelessness before a \$523 million note sale.

"At a meeting at HUD, [Hamilton] discussed the marketing of assets in a portfolio, in front of a representative of a firm which was bidding on that particular portfolio," wrote Manhattan lawyer Karen S. Burstein, a former Democratic candidate for attorney general of New York.

"In the meeting, the prime contractor's officer suddenly spoke, laughing, 'We have to watch what we say; remember there's a bidder in the room,'" she wrote. Miss Burstein was representing a subcontractor to Hamilton that was unhappy with Hamilton's actions.

A meeting participant told The Times that the bidder was BlackRock Financial Capital, a prominent Wall Street firm that ended up winning \$395 million worth of troubled mortgages in HUD's first national sale of defaulted single-family properties in November 1995.

According to HUD sources, BlackRock submitted a "pooled bid" with three partners for 12,981 defaulted mortgages. The bid matched Hamilton's winning sale price for those properties, calculated by a computerized "optimization model" that HUD now says was known by Hamilton to be "erroneous."

Four months later, in March 1996, a partnership of BlackRock and Berkeley Federal Savings Bank, a unit of Ocwen Financial Corp., won all of HUD's defaulted single-family-home loans in the agency's second national sale, buying 16,539 properties for \$633.8 million.

Miss Burstein said Hamilton had "developed a concept called 'teaming partner' which allows it to represent to HUD the availability of (in one case) 20 firms for different projects. Some of these 'teaming partners' are broker/dealers who will bid on portfolios being analyzed by the lead contractor. Such dealers have staff at Hamilton with access to confidential information."

During the period of both single-family sales, BlackRock served as Hamilton's subcontractor in organizing HUD's \$883.6 million "partially assisted" multifamily note sale, which took place in June 1996.

As subcontractor, BlackRock officials were given access to a confidential "servicing tape" containing payment history of all HUD-backed mortgages and other confidential information for borrowers and lenders, sources said. The computer tape was prepared for HUD by Electronic Data Systems.

BlackRock did not respond to inquiries yesterday.
Miss Burstein, who had worked for Mr. Cuomo's
father, former Democratic Gov. Mario Cuomo of New
York, said in her five-page letter that FHA contracting
officials had refused to act on the problems she outlined
and the younger Mr. Cuomo "promised that Nic [Retsinas]
would see the letter."

Jon J. Cowan, HUD's chief of staff, said Mr. Cuomo received Miss Burstein's letter when he was assistant

secretary for community planning and development. Mr. Cuomo remembers immediately referring the letter for action to Mr. Retsinas, the assistant secretary for housing. who said he asked Miss Rock to look into the matter, Mr.

HUD has not responded to a request by The Times. under the Freedom of Information Act, for records of HUD's actions or response to Miss Burstein's charges. Mr. Retsinas and Miss Rock did not respond to inquiries.

The inspector general's office denied The Times' request. "The records we located that are responsive to your request are part of an ongoing law enforcement investigation and cannot be released at this time," wrote Darlene D. Hall of the HUD IG's staff.

A Hamilton official told The Times the firm would not respond to inquiries because of the criminal probe. However, in a statement yesterday to the Associated Press, the firm said it was "extremely proud of its work" for HUD

and hoped to reach an amicable resolution.

The firm said it has given taxpayers an "extraordinary return" of billions of dollars through its work in the note-sale program. HUD has demanded immediate payment of \$3.9 million for losses caused by Hamilton and said the government may seek "additional millions of dollars" in further claims.

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