

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

[From FT.com, June 16, 2010]

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