

For Immediate Release
Friday, October 31, 2008

Grassley works to protect distressed homeowners rather than those who played mortgage game

WASHINGTON – Senator Chuck Grassley has asked the Treasury Department and the Federal Deposit Insurance Corporation for an accounting of how it is determining eligibility among the mortgages it selects to guarantee as part of the federal government's ongoing financial system rescue operation.

Grassley said he is concerned that the bailout not include straw buyers and those who gamed the system for financial wheeling and dealing and that resources dedicated to this effort are safeguarded to help Americans in need of help.

The text of the letter of inquiry from Grassley is below.

October 30, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Sheila C. Bair
Chairman of the Board
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Secretary Paulson and Chairman Bair:

This morning, I read with great interest the many articles noting that the Department of the Treasury (Treasury) and the Federal Deposit Insurance Corporation (FDIC) are giving serious consideration to covering as many as three million homeowners in danger of foreclosure at a cost of almost \$50 billion. While details on the plan are still being worked out, I am writing to strongly suggest that your agencies find a way to ensure that those who improperly and perhaps even fraudulently obtained mortgages are not rescued with taxpayer dollars.

I am troubled by the fact that I have yet to see any information addressing the underlying reason for the losses; namely the loans themselves. We cannot and should not rescue everyone for the sake of it; we need to understand the underlying loans and determine which are viable customers and which are fraudulent or "straw" buyers. There are far too many Americans legitimately struggling to stay in their homes for the Federal Government to ignore those who "gamed" the system with knowledge and intent. In light of this concern, I would appreciate a written response to the following questions by no later than November 5, 2008 as well as a briefing shortly thereafter:

- 1) Will the Treasury/FDIC conduct a review of the *original* loan documents to confirm the legitimacy of the mortgage and the basis upon which it was approved? If not, why not?

- 2) What processes will Treasury/FDIC implement to review the mortgages and what criteria will Treasury/FDIC employ to determine which mortgages are worthy of being guaranteed? Please respond in detail.
- 3) If managed by the government, how will the Treasury/FDIC determine, for example, who are the genuine credit customers; culpability of collusive customers; and outright fraud losses through broker/appraisal collusion?
- 4) Are the assets underlying each mortgage going to be purchased by the government, managed by the government or managed through identified banks? Please respond in detail.

In cooperating with the Committee's review, no documents, records, data, or other information related to these matters, either directly or indirectly, shall be destroyed, modified, removed, or otherwise made inaccessible to the Committee.

Sincerely,

Charles E. Grassley
United States Senator
Ranking Member of the Committee on Finance