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Bush Fails to Prosecute Bank Fraud

Rep. Bernard Sanders, I-VT

The Savings and Loan fiasco was the largest act of thievery in the history of the industrialized world. It is estimated that the bailout of the S&Ls will cost the American taxpayer \$500 billion over the next 30 years. This \$500 billion is money that will not be spent on housing, on education, on health care, on veterans' needs, and on our children.

As Vermont's Congressman, I hear from citizens around the state who say "Bernie, has the government been vigorous in prosecuting those crooks who destroyed the S&L institutions? Or are we, working people and middle income people, going to have to bail them out?"

Let's look at the facts and at some very important developments which have just taken place. First of all, the General Accounting Office reports that there have been 2,676 bank and S&L failures since 1980. According to the FDIC, there are indications of suspected wrongdoing by directors, officers and other professionals in **90 percent of the failed banks** under their jurisdiction. And there is, in addition, suspected wrongdoing in **81 percent of all S&L failures**.

Has the Bush administration been vigorously prosecuting these bank managers and directors who engaged in fraud and mismanagement? The answer is an unequivocal NO. According to

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the General Accounting Office, "most major investigations are closed without an indictment Only one-third of the cases are prosecuted."

The Justice Department claims that in the top 100 major S&L referrals, out of 219 cases there were 145 convictions and 90 sentences passed.

But what really has been going on? While the top 100 Savings and Loans allegedly stole \$597 million dollars, and were ordered to pay restitution of \$79 million, these top 100 S&Ls actually paid only \$349,000 in restitution. And while the S&Ls' officers were fined \$4.5 million, they actually paid only \$15,000 in fines.

As of February, less than half of one percent of the fines and restitutions ordered by the courts were ever collected from the top 100 thrifts! And of all 218 S&Ls that failed in the first four months of 1989, only 4% of all the fines and restitutions ordered by the courts were actually paid.

How has the Bush administration responded to the GAO reports that these swindlers are not paying for their fraud?

If you can believe it, the Bush administration's response has been to remove experienced lawyers from managing the fraud and reimbursement cases. In recent weeks, the Resolution Trust Corporation has transferred almost half the lawyers in its professional liability division, despite the fact that the statute of limitations for civil liability against S&L officers will run out on over 200 S&Ls in the next year.

Rather than press forward, the Resolution Trust Corporation

has, with the backing of President Bush, just reassigned much of its legal staff, including three out of four regional directors responsible for these important legal suits, as well as 25 managers and attorneys. Even at its greatest strength the RTC's professional liability division was only at 50% of necessary staffing. Now, fully half of the remaining lawyers have either recently left the division, or are expected to leave by June 30. The lawyers who have been reassigned will be replaced by attorneys with limited or no experience, even though by the end of 1993 decisions about whether to sue 465 institutions must be made.

The Bush Administration's decision to gut the legal staff of the RTC means that working and middle income people will be required to take on most of the burden of paying to bail out the S&Ls. Those who caused the mess will escape with little responsibility or liability.

The recent decision by the Resolution Trust Corporation to transfer half the lawyers in its professional liability division is a national disgrace. I have requested Rep. Henry Gonzalez, Chairman of the House Banking Committee, of which I am a member, to schedule a public hearing to inquire why the RTC is allowing bankers, lawyers and accountants to escape paying for their fraud and their errors.

Unless the Bush Administration reverses its decision to gut the RTC professional liability division staff, S&L managers, S&L directors, and S&L attorneys will almost completely escape having to reimburse the government for the costs of the S&L bailout. As

the statute of limitations for civil suits expires, the outrageous gains made by the wealthy few who ruined the S&Ls, and profited handsomely from the S&L failures, will be safe forever.

And ordinary Americans will be left to pick up the tab for the biggest swindle in American history.