

Representatives call for full investigation of potentially fraudulent CDO products marketed by Goldman.

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(Washington, DC) – 58 Representatives joined Congressman Peter DeFazio of Oregon and Congressman Elijah E. Cummings of Maryland in calling for a full investigation of Goldman Sachs by the Securities and Exchange Commission (SEC) when they sent a letter to Chairwoman Mary Schapiro last Friday.

DeFazio and Cummings also sent a letter to Special Inspector General for TARP, Neil Barofsky, and Professor Elizabeth Warren of the Congressional Oversight Panel (COP), requesting that SIGTARP and COP begin similar investigations.

Goldman Sachs has been sued by the SEC for possible securities fraud. The SEC alleges false and materially misleading statements by the firm in the creating and marketing of ABACUS 2007-AC1, a collateralized debt obligation (CDO) backed by home mortgages. There were 25 total ABACUS CDOs created.

The letter asks the SEC to investigate the remaining 24 ABACUS CDOs for similar fraud. It asks that the SEC identify the extent to which AIG paid out on credit default swaps purchased by Goldman Sachs and to ensure the taxpayers receive refunds on any AIG money received by Goldman Sachs on fraudulent premises.

“From the beginning, I’ve thought that the deal Goldman Sachs got via then President of the NY Federal Reserve Tim Geithner on their bad bets through AIG kind of stunk,” DeFazio says. “They got \$13 billion from AIG last year. I’m looking for any legal way to recoup that money for the people of the United States.”

“We’ve got to look into every aspect of these deals and figure out exactly what went wrong,”

said Cummings, a senior member of the House Committee on Oversight and Government Reform. “If people were participating in any type of fraudulent activity we need to expose it and they need to be brought to justice. We also need to get our money back.”

DeFazio and Cummings announced their request for an expanded SEC investigation last week.

The Democratic Members who have agreed to sign the letter alongside Cummings and DeFazio are: Dennis Cardoza, Stephanie Herseth Sandlin, John Conyers, John Dingell, George Miller, Ike Skelton, Jackie Speier, Brad Miller, John Garamendi, Keith Ellison, Marcy Kaptur, Christopher Carney, Gene Taylor, Stephen Lynch, Bill Pascrell, Peter Welch, Chellie Pingree, Phil Hare, Betty Sutton, Betsy Markey, Pete Stark, John Tierney, David Loebsack, Carol Shea-Porter, Mazie Hirono, Bob Filner, Jesse Jackson, Jr., Maurice Hinchey, Michael Capuano, Michael Michaud, Brian Baird, Dennis Kucinich, Joe Baca, Timothy Walz, Bennie Thompson, Mike Thompson, Earl Blumenauer, Lynn Woolsey, Dale Kildee, Bart Stupak, Mark Schauer, Raul Grijalva, Betty McCollum, Linda Sanchez, Martin Heinrich, Lois Capps, Anna Eshoo, Joe Donnelly, Barbara Lee, Alan Grayson, Steven Rothman, Dina Titus, Tim Ryan, Tom Perriello, Jan Schakowsky, Lloyd Doggett, Bruce Braley, and Mary Jo Kilroy