



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to  
File No.

601 4th Street, N. W.  
Washington D. C. 20535

August 16, 1999

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C. AUSTIN FITTS  
ANTITRUST  
FRAUD AGAINST THE GOVERNMENT

This investigation was predicated upon information received by the United States Department of Justice (DOJ). John Ervin (Ervin) filed a Qui Tam suit and as part of the suit, the DOJ was made aware of Ervin's allegations. The DOJ requested that the United States Department of Housing and Urban Development (HUD), Office of the Inspector General (OIG) investigate Ervin's allegations. Since a part of Ervin's allegations involved bid rigging, HUD/OIG asked the FBI to assist in the investigation.

Ervin, a local HUD contractor, alleged that Hamilton Securities Group, Inc. (Hamilton), its founder C. Austin Fitts, [REDACTED] had conspired to allow certain bidders to win assets at United States Government auctions.

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The auctions in question involved HUD's eleven billion dollar note sales program. HUD was attempting to liquidated both its single family and multifamily real estate portfolio through the sale of mortgage notes. HUD had acquired these mortgage notes as a result of the Federal Housing Administration (FHA), a component of HUD, making good on its insurance guarantee, paying off the mortgage lender and taking possession of the mortgage note.

Lacking expertise in the type of assets being auctioned, as well as the sheer volume of mortgages notes involved, caused HUD to hire a financial advisor, Hamilton, to handle their note sales program. Hamilton was owned by Fitts, a former FHA Commissioner and an advocate of the note sales program while a public servant. Ervin alleged that there were improprieties in the awarding of the financial advisor contract(s) to Hamilton.

Hamilton hired Blackrock Capital Financial LP (Blackrock) as a sub-contractor to assist on one of the first note sales. Blackrock was a "player" on Wall Street and had previously participated in Resolution Trust Corporation (RTC) asset sales. One of Ervin's allegations was that by working as a sub-contractor to Hamilton, Blackrock had access to inside information concerning future note sales. According to Ervin, Blackrock's competitors were not privy to this valuable information.

Interviews of Blackrock's corporate officers, as well as those individuals who worked on the sub-contract between Hamilton and Blackrock and those directly involved in the note sales were completed. None of these interviews substantiated any of Ervin's allegations.

Likewise, interviews of employees, partners and owners of Goldman Sachs & Company, Ocwen, Wilshire, National Security and others involved in the HUD notes sales failed to uncover any concerns, suspicions, or evidence of collusion being involved in the sales. Even losing bidders did not attribute their lack of success to collusion, or other bidders having inside information.

Interviews of HUD personnel involved in the note sales, as well as interviews of former Hamilton employees and sub-contractors were negative.

All of the information obtained during the course of this investigation was presented to Assistant United States Attorney (AUSA) Richard Chapman, United States Attorney's Office, District of Columbia and to Senior Trial Attorney Hays Gorey, Antitrust Division, DOJ for a prosecutive opinion. Both AUSA Chapman and Senior Trial Attorney Gorey declined prosecution in this matter.

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FEDERAL BUREAU OF INVESTIGATION  
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Section 552

Section 552a

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(b)(7)(A)

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21 Pages were not considered for release as they are duplicative of 296-1240657-16 p 2-22

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