Investigating the collapse

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How Goldman secretly bet on the U.S. housing crash

By Greg Gordon | McClatchy Newspapers

WASHINGTON — In 2006 and 2007, Goldman Sachs Group peddled more than $40 billion in securities backed by at least 200,000 risky home mortgages, but never told the buyers it was secretly betting that a sharp drop in U.S. housing prices would send the value of those securities plummeting.

Goldman's sales and its clandestine wagers, completed at the brink of the housing market meltdown, enabled the nation's premier investment bank to pass most of its potential losses to others before a flood of mortgage defaults staggered the U.S. and global economies.

Only later did investors discover that what Goldman had promoted as triple-A rated investments were closer to junk.


The Miami Herald
They bet on a meltdown, and won
CALLOUSED HANDS, COMPASSIONATE HEARTS
Voters' love affair with Crist cools off
Bike riders find strength in numbers
southmotors.com

How Moody's sold its ratings - and sold out investors

By Kevin G. Hall | McClatchy Newspapers

WASHINGTON -- As the housing market collapsed in late 2007, Moody's Investors Service, whose investment ratings were widely trusted, responded by purging analysts and executives who warned of trouble and promoting those who helped Wall Street plunge the country into its worst financial crisis since the Great Depression.

A McClatchy investigation has found that Moody's punished executives who questioned why the company was risking its reputation by putting its profits ahead of providing trustworthy ratings for investment offerings.

Instead, Moody's promoted executives who headed its "structured finance" division, which assisted Wall Street in packaging loans into securities for sale to investors.


The Miami Herald
Commissioners sitting on millions
It's getting worse
A DAY FOR FIGHTERS
Insiders claim Moody's sold out investors
southmotors.com

Firms are getting billions, but homeowners still in trouble

By Chris Adams | McClatchy Newspapers

WASHINGTON -- The federal government is engaged in a massive mortgage modification program that's on track to send billions in tax dollars to many of the very companies that judges or regulators have cited in recent years for abusive mortgage practices.

The firms, called mortgage servicers, have been cited for badgering, manipulating or lying to their customers; sticking them with bogus fees, or improperly foreclosing on them.


THE SACRAMENTO BEE
General rebuked for speech
In this governor's race, new media is message
Keep a clear head at the mall
Mortgage firms get billions; homeowners still in trouble

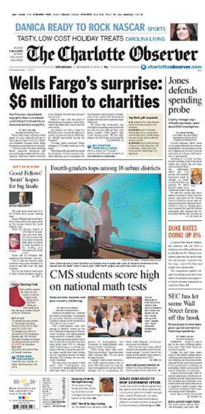
For the feds, some Wall Street firms are too big — to punish

By Chris Adams | McClatchy Newspapers

WASHINGTON — Forget too big to fail. In the eyes of federal regulators, many Wall Street firms are too big to punish.

During the past three years, some of the nation's largest financial firms have been accused by the government of cheating or misleading clients and ripping off tens of thousands of consumers of their investments.

Despite these findings, these financial giants got, sometimes repeatedly, special exemptions from the Securities and Exchange Commission that have saved them from a regulatory death penalty that could have decimated their lucrative mutual fund businesses.


The Charlotte Observer
DANICA READY TO ROCK NASCAR
Wells Fargo's surprise: $6 million to charities
Jones defends spending probe
Fourth-graders tops among 18 urban districts
CMS students score high on national math tests
SEC has let some Wall Street firms off the hook
DUKE RATES GOING UP 8%

LandAmerica touted its safety but clients lost millions

By Chris Adams | McClatchy Newspapers

BRENHAM, Texas — On the day before Thanksgiving 2008, Jean Ann Simmons came home after picking up her children at school to find an express mail package on her front porch in this small Texas town.

A unit of LandAmerica Financial Group Inc. — the company the Simmonses had entrusted with more than a quarter of a million dollars — informed the family in a one-page letter that it was going out of business. Nine months earlier, officials at LandAmerica had learned that the supposedly safe investments they'd made for clients such as the Simmonses had tanked.

And now the Simmonses were learning that their money, which came from selling a farm that had been in the family for decades, was gone.


THE SACRAMENTO BEE
Medical pot use puts job at risk
OBAMA PUTS HIS STAMP ON HISTORY
Maloofs bounce a key exec
Investors lose when firm fails
Toyota plant closure will multiply pain
Study: Women need 1-hour daily workout to fend off flab

Our lessons learned

- Our audience had drastically different needs than a Wall Street audience
  - It allowed us to look past the trees for the forest
  - We could tackle stories that might not make sense for other papers – or might seem like the dreaded 'old news' to them
- What we looked for:
  - Fresh meat on older stories
  - Local angles on national stories, and stories with a regional angle that we could help localize in all our markets
  - The really obscure stories that hadn't been picked off

- Editors are (sometimes) right
  - They pushed us to ask the most obvious questions
  - They pushed us to keep digging through competitive pressures
  - They forced us to write as we went – building a story nugget-by-nugget

None of our secret techniques are all that secret

- People
  - Trusted experts to help understand the markets
  - Friendly other journalists
  - Securities lawyers, although the more interesting the issue the more conflicted every lawyer was
  - Insiders, current and former employees of Moody's, New Century, Ocwen and other companies
  - Individual mortgage holders

- Documents
  - Drilling deep into SEC filings, looking for specific kinds of applications and registration statements that almost never get used (40-App)
  - Irish Stock Exchange allowed us to look at certain CDO prospectuses; insiders gave us some off-shore registration statements
  - Pension fund reports (under FOIA and Data Practices Act).
  - Work calendar for former Treasury Secretary Paulson.
  - Financial disclosure statements for Goldman alumni who served in Washington
  - Treasury Department records of bailout communications
  - Quarterly call reports for banks from the Office of the Comptroller of the Currency
  - Internal files, emails and memos from the Federal Trade Commission documenting its cases against mortgage service companies
  - Internal company records that detail predatory lending practices by mortgage service companies
  - Congressional hearing transcripts from 1940 (archived at the Library of Congress) about the birth of a specific oversight law
  - Lawsuits, lawsuits, lawsuits, and bankruptcy court records

Stories mentioned:

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