

Members of U.S. House Financial Services Committee snapped up or dumped bank stocks as bottom fell out of market

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A representative for Rep. Charlie Wilson said the congressman leaves day-to-day investment decisions to a money manager. • Members of Congress were chasing profits while making policy

WASHINGTON — As financial markets tumbled and the government worked to stave off panic by pumping billions of dollars into banks last fall, several members of Congress who oversee the banking industry were grabbing up or dumping bank stocks. Anticipating bargains or profits or just trying to unload before the bottom fell out, these members of the House Financial Services Committee or brokers on their behalf were buying and selling stocks including Bank of America and Citigroup — some of the very corporations their committee would later rap for greed, a Plain Dealer examination of congressional stock market transactions shows.

Financial disclosure records show that some of these Financial Services Committee members, including Ohio Rep. Charlie Wilson, made bank stock trades on the same day the banks were getting a government bailout from a program Congress approved. The transactions may not have been illegal or against congressional rules, but securities attorneys and congressional watchdog groups say they raise flags about the appearance of conflicts of interest.

“I don’t think that any of these people should be owning these types of financial instruments,” said Brian Biggins, a Cleveland securities lawyer and former stock brokerage manager. “I’m not saying they shouldn’t be in the stock market. But if they’re on the banking committee and trading in these kinds of stocks, I don’t think that’s right.”

For example, Rep. Ginny Brown-Waite, a Florida Republican, bought Citigroup stock valued between \$1,001 and \$15,000 on Oct. 2, the day before the House passed the financial rescue bill and President George W. Bush signed it into law, records show. She opposed the bill.

Eleven days later, she bought \$1,001 to \$15,000 worth of Bank of America stock. It was on the same day that then-Treasury Secretary Henry Paulson told leading banks that he expected them to accept billions in bailout money to prevent a financial meltdown.

Congressional finance reports available online

Want to see how members of Congress invest their money? It’s easier than ever. Personal

financial disclosure filings, which list assets, transactions, outside income and noncongressional travel reimbursements, are posted for House members on the House of Representatives clerk's Web site.

A free private Web site called LegiStorm provides the same information, as well as the financial disclosure filings of U.S. senators.

Government watchdog groups say the wide dissemination of these reports serves a vital public purpose in shedding light on Congress.

"I think that's the critical element, that there is knowledge that this information will go public, because that adds an important deterrent effect for members of Congress who are tempted to skirt the rules or act on what's insider information," said Sheila Krumholz, executive director of the Center for Responsive Politics. "And now in the midst of economic decline, citizens are understandably asking what members knew when and how they acted for their own personal portfolios — whether they publicly professed faith in our financial institutions while privately seeking to offload their holdings in those same institutions."

Brown-Waite, who has since left the committee to join the tax-writing Ways and Means Committee, and her spokeswoman would not comment for this article. The precise value of her investments is not publicly known because financial disclosure reports provide only broad ranges, although some members include detailed brokerage reports. Wilson, a Democrat from the eastern Ohio town of Bridgeport, sold between \$15,001 and \$50,000 worth of Huntington Bancshares stock on Nov. 14, the same day Huntington got \$1.4 billion in bailout money from the federal Troubled Asset Relief Program, or TARP, records show. Wilson's transactions over the course of last autumn also included Bank of America and BB&T, both beneficiaries of the bank rescue program that Treasury implemented after congressional passage.

Wilson's spokeswoman said the congressman did not personally pick these trades because he leaves day-to-day investment decisions to a money manager who uses a proprietary model in selecting securities to buy or sell.

"To be clear, Mr. Wilson doesn't know about the trades ahead of time or even as they're being made," said spokeswoman Hillary Wicai Viers.

A spokesman for Rep. Carolyn McCarthy, a New York Democrat also on the Financial Services Committee, said she similarly leaves transactions solely to the discretion of account managers. McCarthy's trades included a \$2,275 purchase of bailout recipient J.P. Morgan Chase while Congress was still hammering out its rescue bill.

Another member of the Financial Services Committee, Democratic Rep. Jackie Speier of California, said on a recent financial disclosure report that she bought up to \$15,000 in Citigroup stock on Nov. 7. That was 10 days after the bank got a \$25 billion bailout.

Her office now says the report was filed in error, the transaction should have been listed as her husband's — and she wishes he had not made it.

"When I brought it up with her, she said it was Barry's purchase and she didn't know about it but she would have disagreed with it at the time had she known about it," Speier spokesman Mike Larsen said.

Her husband wasn't the only committee spouse trading on bank stocks.

The stockbroker husband of West Virginia's Shelley Moore Capito, a Republican, sold more than \$100,000 in Citigroup stock in several transactions late last year. His brokerage firm was owned by Citigroup and his compensation included Citigroup stock. A Capito spokesman said the House Ethics Committee gave her verbal approval to join the committee despite her husband's job.

Another committee member, Illinois Republican Judith Biggert, whose husband sold Wells Fargo stock while Congress was helping to shape the rescue bill, said she does not discuss stock transactions with her spouse.

"I wouldn't have the vaguest idea" why he sold at that time "because we don't discuss our stocks," said Biggert. "We have a financial group in Chicago, and they take care of all of that."

Some of these stock sales enabled committee members or their families to cut losses before the market continued its slide. Other trades proved to be particularly ill-timed. Citigroup stock, for example, closed at \$22.50 per share the day Brown-Waite bought it. Now it's hovering around \$3.

Many details about the massive financial bailout last fall were widely known outside Capitol Hill. Yet members of the Financial Services Committee were privy to closed-door discussions, staff briefings and political horse-trading decisions between political parties, Congress and the White House. Banks lobbied Congress and the administration heavily.

Banks that received bailout money spent \$77 million on lobbying and \$37 million on federal campaign contributions last year, according to the Center for Responsive Politics. The center found that the banks spending the heaviest got the biggest rescue packages.

There has been no direct evidence that this allowed members to engage in insider trading. But when lawmakers overseeing banks also buy and sell bank stocks, it can create "the appearance of a problem," said Anthony J. Hartman, a Cleveland securities attorney.

"I do a lot of different types of litigation, and I just don't think anybody ought to be putting themselves in a situation where as an elected official, I can be suspect of what they are doing," Hartman said.

The issue of appearances is complicated, said Melanie Sloan, executive director of Citizens for Responsibility in Ethics in Washington, because "we can't say that because you're a member of Congress you can't buy or sell any stocks at all."

But she added, "I do think it's more troubling on an oversight committee, particularly Financial Services."

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