UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
WASHINGTON MUTUAL, INC., *et al.*,	)	Case No. 08-12229 (MFW)
	)	
Debtors	)	Jointly Administered
	)	

SUBMISSION FOR INCLUSION IN THE RECORD OF EXCERPTS OF THE UNITED STATES SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS' REPORT ENTITLED: WALL STREET AND THE FINANCIAL CRISIS: ANATOMY OF A FINANCIAL CRISIS

The Consortium of Trust Preferred Security Holders (the "TPS Consortium"),[1] by and through undersigned counsel, hereby submits for inclusion on the record the attached excerpts from the report entitled Wall Street and the Financial Crisis: Anatomy of a Financial Collapse (the "Senate Report"), which is a bi-partisan report issued on April 13, 2011 by United States Senate Permanent Subcommittee on Investigations (the "PSI"). In connection therewith, the TPS Consortium respectfully states:

1. During the July 21, 2011 confirmation proceedings on the Debtors' proposed chapter 11 plan of liquidation (the "Plan"), counsel for the TPS Consortium offered the Senate Report for admission as an exhibit and inclusion on the record.

2. Counsel for the Debtors objected to admission of the Senate Report, which objection was overruled by the Court who instructed counsel for the TPS Consortium to prepare

[1] As set forth in the *Verified Fourth Amended Statement of Brown Rudnick LLP and Campbell & Levine LLC Pursuant to Rule 2019 of the Federal Rules of Bankruptcy Procedure*, dated June 16, 2011 [Docket No. 7916], the TPS Consortium is comprised of parties: (a) who have been classified for treatment under Class 19 of the Plan; and (b) who each hold interests in securities described by the Debtors as constituting the REIT Series under the Plan.

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a ten page summary/excerpt of the Senate Report. That summary/excerpt is attached hereto as Exhibit A.

3. As explained at the July 21, 2011 hearing, the Senate Report is the result of an extensive, exhaustive investigation into the financial crisis of 2008, with a significant focus on the collapse of Washington Mutual, Inc. ("WMI"), a debtor in these proceedings, and its main banking subsidiary, Washington Mutual Bank ("WMB" and, together with WMI, "WaMu" or "Washington Mutual"). In conducting its investigation, the PSI conducted approximately 150 depositions and/or interviews, including of former officers and directors of WMI and WMB. The PSI reviewed tens of millions of pages of documents, including millions of pages of documents provided by, or pertaining to, WMI and/or WMB.

4. The PSI's resulting conclusions and findings are relevant to, inter alia, the Court's evaluation of the viability of estate claims and causes of action to be vested in the liquidating trust to be formed under the Plan (claims and causes of action with respect to which WMI filed on July 8, 2011 an application to employ special litigation counsel (see Docket No. 8111)). The Court's evaluation of the estate's claims and causes of action is critical to the required assessment of the value of interests in the liquidating trust that will be vested with, and will pursue, such claims and causes of action.

5. Under the Federal Rules of Evidence, the Senate Report is excepted from hearsay restrictions. See Fed. R. Evid. 803(8) (providing that the hearsay rule does not apply to "Records, reports, statements, or data compilations, in any form, of public offices or agencies, setting forth (A) the activities of the office or agency, or (B) matters observed pursuant to duty imposed by law as to which matters there was a duty to report . . . .").

6. Moreover, the Senate Report is a self-authenticating document under the Federal Rules of Evidence. See Fed. R. Evid. 902(5) ("Extrinsic evidence of authenticity as a condition precedent to admissibility is not required with respect to the following: . . . (5) Official Publications. Books, pamphlets, or other publications purporting to be issued by a public authority."); see also Lorraine v. Markel Am. Ins. Co., 241 F.R.D. 534, 551 (D. Md. 2007) ("Given the frequency with which official publications from government agencies are relevant to litigation and the increasing tendency for such agencies to have their own websites, Rule 902(5) provides a very useful method of authenticating these publications. When combined with the public records exception to the hearsay rule, Rule 803(8), these official publications posted on government agency websites should be admitted into evidence easily."). The full Senate Report is available at http://hsgac.senate.gov/public/_files/Financial_Crisis/FinancialCrisisReport.pdf, and the specific "case study" pertaining to Washington Mutual is presented at pages 48 – 160 therein.

Dated: Wilmington, Delaware
July 26, 2011

Respectfully submitted,

CAMPBELL & LEVINE LLC

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EXHIBIT A

Summary and Relevant Excerpts from Report of the
United States Senate's Permanent Subcommittee on Investigations
Titled ***Wall Street and the Financial Crisis: Anatomy of a Financial Collapse***

CORPORATE WASTE, MISMANAGEMENT,
AND BREACHES OF FIDUCIARY DUTY

- "The first chapter focuses on how high risk mortgage lending contributed to the financial crisis, using as a case study Washington Mutual Bank (WaMu). . . . This case study focuses on how one bank's search for increased growth and profit led to the origination and securitization of hundreds of billions of dollars in high risk, poor quality mortgages that ultimately plummeted in value, hurting investors, the bank, and the U.S. financial system. WaMu had held itself out as a prudent lender, but in reality, the bank turned increasingly to higher risk loans. Over a four-year period, those higher risk loans grew from 19% of WaMu's loan originations in 2003, to 55% in 2006, while its lower risk, fixed rate loans fell from 64% to 25% of its originations. At the same time, WaMu increased its securitization of subprime loans sixfold, primarily through its subprime lender, Long Beach Mortgage Corporation, increasing such loans from nearly $4.5 billion in 2003, to $29 billion in 2006. From 2000 to 2007, WaMu and Long Beach together securitized at least $77 billion in subprime loans." (Senate Report at 2-3)

- "In connection with the hearing, the Subcommittee released a joint memorandum from Chairman Carl Levin and Ranking Member Tom Coburn summarizing the investigation to date into Washington Mutual and the role of high risk home loans in the financial crisis. The memorandum contained the following findings of fact, which this Report reaffirms.

    1. **High Risk Lending Strategy.** Washington Mutual (WaMu) executives embarked upon a High Risk Lending Strategy and increased sales of high risk home loans to Wall Street, because they projected that high risk home loans, which generally charged higher rates of interest, would be more profitable for the bank than low risk home loans.

    2. **Shoddy Lending Practices.** WaMu and its affiliate, Long Beach Mortgage Company (Long Beach), used shoddy lending practices riddled with credit, compliance, and operational deficiencies to make tens of thousands of high risk home loans that too often contained excessive risk, fraudulent information, or errors.

    3. **Steering Borrowers to High Risk Loans.** WaMu and Long Beach too often steered borrowers into home loans they could not afford, allowing and encouraging them to make low initial payments that would be followed by much higher payments, and presumed that rising home prices would enable those borrowers to refinance their loans or sell their homes before the payments shot up.

    4. **Polluting the Financial System.** WaMu and Long Beach securitized over $77 billion in subprime home loans and billions more in other high risk home loans, used Wall Street firms to sell the securities to investors worldwide, and polluted the financial system with mortgage backed securities which later incurred high rates of delinquency and loss.

5. **Securitizing Delinquency-Prone and Fraudulent Loans.** At times, WaMu selected and securitized loans that it had identified as likely to go delinquent, without disclosing its analysis to investors who bought the securities, and also securitized loans tainted by fraudulent information, without notifying purchasers of the fraud that was discovered.

6. **Destructive Compensation.** WaMu's compensation system rewarded loan officers and loan processors for originating large volumes of high risk loans, paid extra to loan officers who overcharged borrowers or added stiff prepayment penalties, and gave executives millions of dollars even when their High Risk Lending Strategy placed the bank in financial jeopardy." (Senate Report at 50-51)

MANAGEMENT KNEW THAT IT WAS IMPOSING UNSUSTAINABLE RISK AND HARM ON THE COMPANY

- "For most of the five-year period reviewed by the Subcommittee, WaMu was led by its longtime Chairman of the Board and Chief Executive Officer (CEO) Kerry Killinger who joined the bank in 1982, became bank president in 1988, and was appointed CEO in 1990." Other "key" executives include: "President Steve Rotella who joined the bank in January 2005; Chief Financial Officer Tom Casey; President of the Home Loan Division David Schneider who joined the bank in July 2005; and General Counsel Faye Chapman. David Beck served as Executive Vice President in charge of the bank's Capital Markets Division, oversaw its securitization efforts, and reported to the head of Home Loans. Anthony Meola headed up the Home Loans Sales effort. Jim Vanasek was WaMu's Chief Credit Officer from 1999 until 2004, and was then appointed its Chief Risk Officer, a new position, from 2004-2005. After Mr. Vanasek's retirement, Ronald Cathcart took his place as Chief Risk Officer, and headed the bank's newly organized Enterprise Risk Management Division, serving in that post from 2005 to 2007." (Senate Report at 52)

- "In 2004, before WaMu implemented its High Risk Lending Strategy, the Chief Risk Officer Jim Vanasek, expressed internally concern about the unsustainable rise in housing prices, loosening lending standards, and the possible consequences. On September 2, 2004, just months before the formal presentation of the High Risk Lending Strategy to the Board of Directors, Mr. Vanasek circulated a prescient memorandum to WaMu's mortgage underwriting and appraisal staff, warning of a bubble in housing prices and encouraging tighter underwriting." (Senate Report at 65)

- "Mr. Vanasek was the senior-most risk officer at WaMu, and had frequent interactions with Mr. Killinger and the Board of Directors. While his concerns may have been heard, they were not heeded." (Senate Report at 66)

- "Mr. Vanasek told the Subcommittee that, because of his predictions of a collapse in the housing market, he earned the derisive nickname 'Dr. Doom.' But evidence of a housing

bubble was overwhelming by 2005. Over the prior ten years, housing prices had skyrocketed in an unprecedented fashion . . . ." (Senate Report at 66)

- "Despite Mr. Killinger's awareness that housing prices were unsustainable, could drop suddenly, and could make it difficult for borrowers to refinance or sell their homes, Mr. Killinger continued to push forward with WaMu's High Risk Lending Strategy." (Senate Report at 68)

- "In August 2007, more than a year before the collapse of the bank, WaMu's President Steve Rotella emailed CEO Kerry Killinger saying that, aside from Long Beach, WaMu's prime home loan business 'was the worst managed business I had seen in my career.'" (Senate Report at 86)

MANAGEMENT IGNORED AND AT TIMES EVEN REWARDED SHODDY LENDING PRACTICES AND LOAN FRAUD

- "Perhaps the clearest evidence of WaMu's shoddy lending practices came when senior management was informed of loans containing fraudulent information, but then did little to stop the fraud." (Senate Report at 95)

- **"Downey and Montebello Fraud Investigations.** The most significant example involves an internal WaMu investigation that, in 2005, uncovered substantial evidence of loan fraud involving two top producing loan offices in Southern California. WaMu management was presented with the findings, but failed to respond, leading to the same fraud allegations erupting again in 2007." (Senate Report at 96)

- "Despite the year-long effort put into the investigation, the written materials prepared, the meetings held, and the fraud rates in excess of 58% and 83% at the Downey and Montebello offices, no discernable actions were taken by WaMu management to address the fraud problem in those two offices. No one was fired or disciplined for routinely violating bank policy, no anti-fraud program was installed, no notice of the problem was sent to the bank's regulators, and no investors who purchased RMBS securities containing loans from those offices were alerted to the fraud problem underlying their high delinquency rates." (Senate Report at 98)

- "Over the next two years, the Downey and Montebello head loan officers . . . continued to issue high volumes of loans and continued to win awards for their loan productivity, including winning trips to Hawaii as members of WaMu's 'President's Club.' One of the loan officers even suggested to bank President Steve Rotella ways to further relax bank lending standards." (Senate Report at 98)

- "Questionable compensation practices did not stop in the loan offices, but went all the way to the top of the company. WaMu's CEO received millions of dollars in pay, even when his high risk loan strategy began unraveling, even when the bank began to falter, and even when he was asked to leave his post. From 2003 to 2007, Mr. Killinger was

paid between $11 million and $20 million each year in cash, stock, and stock options. In addition, WaMu provided him with four retirement plans, a deferred bonus plan, and a separate deferred compensation plan. In 2008, when he was asked to leave the bank, Mr. Killinger was paid $25 million, including $15 million in severance pay." (Senate Report at 153)

- "In February 2008, the Human Resources Committee approved a bonus plan for executive officers that tried to shield the executive bonuses from any impact caused by WaMu's mounting mortgage losses. . . . WaMu filed its executive compensation plan with the SEC, as required. The exclusion of mortgage related losses and expenses in the plan attracted notice from shareholders and the press. . . . Mr. Killinger sought to respond to the controversy in a way that would placate investors without alienating executives. His solution was to eliminate bonuses for the top five executives, and make cash payments to the other executives, without making that fact public. . . . In other words, WaMu would announce publicly that none of the Executive Committee members would receive bonuses in 2008, while quietly paying 'retention grants' rather than 'bonuses' to the next tier of executives. . . . There would be no disclosure of the retention cash payments." (Senate Report at 154)

WAMU'S PRE-PETITION STOCK PRICE (SUGGESTING SOLVENCY) WAS BASED ON MARKET MISINFORMATION

"At the April 16, 2010 hearing of the Subcommittee, Senator Coburn had the following exchange with Inspectors General Thorson and Rymer, which explains in part why OTS failed as regulator to address WaMu's harmful lending policies:

> Senator Coburn: As I sat here and listened to both the opening statement of the Chairman and to your statements, I come to the conclusion that actually investors would have been better off had there been no OTS because, in essence, the investors could not get behind the scene to see what was essentially misled by OTS because they had faith the regulators were not finding any problems, when, in fact, the record shows there are tons of problems, just there was no action taken on it. . . . I mean, we had people continually investing in this business on the basis – as a matter of fact, they raised an additional $7 billion before they collapsed, on the basis that OTS said everything was fine, when, in fact, OTS knew everything was not fine and was not getting it changed. Would you agree with that statement or not?
>
> Mr. Thorson: Yes, sir. I think . . . basically assigning a 'satisfactory' rating when conditions are not is contradictory to the very purpose for which regulators use a rating system. I think that is what you are saying.
>
> Senator Coburn: Any comments on that Mr. Rymer?
>
> Mr. Rymer: I would agree with Mr. Thorson . . . ." (Senate Report at 208)

MANAGEMENT'S WHEREWITHAL TO SATISFY JUDGMENTS ON ESTATE CLAIMS (IN ADDITION TO D&O INSURANCE)

- "Altogether, from 2003 to 2008, Washington Mutual paid Mr. Killinger nearly $100 million, on top of multi-million-dollar corporate retirement benefits." (Senate Report at 153)

TARGETS FOR AIDING AND ABETTING LIABILITY: INVESTMENT BANKS

A. General Findings

- "Another group of financial institutions active in the mortgage market were securities firms, including investment banks, broker-dealers, and investment advisors. These security firms did not originate home loans, but typically helped design, underwrite, market, or trade securities linked to residential mortgages, including RMBS and CDO securities that were at the heart of the financial crisis. Key firms included Bear Stearns, Goldman Sachs, Lehman Brothers, Merrill Lynch, Morgan Stanley, and the asset management arms of large banks, including Citigroup, Deutsche Bank, and JPMorgan Chase." (Senate Report at 38)

- "Investment banks were a major driving force behind the structured finance products that provided a steady stream of funding for lenders to originate high risk, poor quality loans and that magnified risk throughout the U.S. financial system. The investment banks that engineered, sold, traded, and profited from mortgage related structured finance products were a major cause of the financial crisis." (Senate Report at 320)

- "If an investment bank agrees to act as an 'underwriter' for the issuance of a new security to the public, such as an RMBS, it typically purchases the securities from the issuer, holds them on its books, conducts the public offering, and bears the financial risk until the securities are sold to the public. . . . Underwriters help issuers prepare and file the registration statements filed with the SEC, which explain to potential investors the purpose of a proposed public offering, the issuer's operations and management, key financial data, and other important facts. . . . If a security is not offered to the general public, it can still be offered to investors through a 'private placement.' Investment banks often act as the 'placement agent,' performing intermediary services between those seeking to raise money and investors. Placement agents often help issuers design the securities, produce the offering materials, and market the new securities to investors. . . . Whether acting as an underwriter or placement agent, a major part of the investment bank's responsibility is to solicit customers to buy the new securities being offered. Under the securities laws, investment banks that act as an underwriter or placement agent for new securities are liable for any material misrepresentation or omission of a material

fact made in connection with a solicitation or sale of those securities to investors." (Senate Report at 322-23)

- "Broker-dealers also have affirmative disclosure obligations to their clients. With respect to the duties of a broker-dealer, the SEC has held: '[W]hen a securities dealer recommends a stock to a customer, it is not only obligated to avoid affirmative misstatements, but also must disclose material adverse facts to which it is aware. That includes disclosure of 'adverse interests' such as 'economic self-interest' that could have influenced its recommendation.'" (Senate Report at 324, quoting In the Matter of Richmark Capital Corporation, Securities Exchange Act Rel. No. 48758 (Nov. 7, 2003))

- "Investment banks that designed, obtained credit ratings for, underwrote, sold, managed, and serviced CDO securities, made money from the fees they charged for these and other services. Investment banks reportedly netted from $5 to $10 million in fees per CDO. Some also constructed CDOs to transfer the financial risk of poorly performing RMBS and CDO securities from their own holdings to the investors they were soliciting to buy the CDO securities. By selling the CDO securities to investors, the investment banks profited not only from the CDO sales, but also eliminated possible losses from the assets removed from their warehouse accounts. In some instances, unbeknownst to the customers and investors, the investment banks that sold them CDO securities bet against those instruments by taking short positions through single name CDS contracts. Some even took the short side of the CDO they constructed, and profited when the referenced assets lost value, and the investors to whom they had sold the long side of the CDO were required to make substantial payments to the CDO." (Senate Report at 328-29)

- "From 2000 to 2007, Washing Mutual and Long Beach securitized at least $77 billion in subprime and home equity loans. WaMu also sold or securitized at least $115 billion in Option ARM loans. Between 2000 and 2008, Washington Mutual sold over $500 billion in loans to Fannie Mae and Freddie Mac, accounting for more than a quarter of every dollar in loans WaMu originated. . . . WaMu and Long Beach worked with a variety of investment banks to arrange, underwrite, and sell its RMBS securitizations, including Bank of America, Credit Suisse, Deutsche Bank, Goldman Sachs, Lehman Brothers, Merrill Lynch, Royal Bank of Scotland, and UBS." (Senate Report at 116-118)

B. Goldman Sachs

- "From 2004 to 2008, Goldman was a major player in the U.S. mortgage market. In 2006 and 2007 alone, it designed and underwrote 93 RMBS and 27 mortgage related CDO securitizations totaling about $100 billion, bought and sold RMBS and CDO securities on behalf of its clients, and amassed its own multi-billion-dollar proprietary mortgage related holdings." (Senate Report at 8-9)

- "WaMu, Long Beach, and Goldman had collaborated on at least $14 billion in loan sales and securitizations. In February 2006, Long Beach had a $2 billion warehouse account with Goldman, which was the largest of Goldman's warehouse accounts at that time." (Senate Report at 513)

- "Long Beach was known within the industry for originating some of the worst performing subprime mortgages in the country. . . . Nevertheless, in May 2006, Goldman acted as co-lead underwriter with WaMu to securitize about $532 million in subprime second lien mortgages originated by Long Beach." (Senate Report at 513-14)

- "The evidence discloses troubling and sometimes abusive practices which show, first, that Goldman knowingly sold high risk, poor quality mortgage products to clients around the world, saturating financial markets with complex, financially engineered instruments that magnified risk and losses when their underlying assets began to fail. Second, it shows multiple conflicts of interest surrounding Goldman's securitization activities, including its use of CDOs to transfer billions of dollars of risk to investors, assist a favored client making a $1 billion gain at the expense of other clients, and produce its own proprietary gains at the expense of the clients to whom Goldman sold its CDO securities." (Senate Report at 476)

- "Under Goldman's sales policies and procedures, an affirmative action by Goldman personnel to sell a specific investment to a specific customer constituted a recommendation of that investment." (Senate Report at 476)

- "In 2006 and 2007, when selling subprime CDO securities to customers, Goldman did not always disclose that the securities contained or referenced assets Goldman believed would perform poorly, and that the securities themselves were rapidly losing value. Goldman also did not disclose that the firm had built a large net short position betting that CDO and RMBS securities similar to the ones it was selling would lose value." (Senate Report at 476)

- "Throughout 2007, Goldman twice built up and cashed in sizeable mortgage related short positions. At its peak, Goldman's net short position totaled $13.9 billion. Overall in 2007, its net short position produced record profits totaling $3.7 billion for Goldman's Structured Products Group, which when combined with other mortgage losses, produced record net revenues of $1.1 billion for the Mortgage Department as a whole. Throughout 2007, Goldman sold RMBS and CDO securities to its clients without disclosing its own net short position against the subprime market or its purchase of CDS contracts to gain from the loss in value of some of the very securities it was selling to its clients." (Senate Report at 9)

C. Deutsche Bank

- "Both Goldman Sachs and Deutsche Bank underwrote securities using loans from subprime lenders known for issuing high risk, poor quality mortgages, and sold risky securities to investors across the United States and around the world. They also enabled the lenders to acquire new funds to originate still more high risk, poor quality loans. Both sold CDO securities without full disclosure of the negative views of some of their employees regarding the underlying assets and, in the case of Goldman, without full disclosure that it was shorting the very CDO securities it was marketing, raising questions about whether Goldman complied with its obligation to issue suitable investment recommendations and disclose material adverse interests. The case studies also illustrate how these two investment banks continued to market new CDOs in 2007, even as U.S. mortgage delinquencies intensified, RMBS securities lost value, the U.S. mortgage market as a whole deteriorated, and investors lost confidence. Both kept producing and selling high risk, poor quality structured finance products in a negative market, in part because stopping the 'CDO machine' would have meant less income for structured finance units, smaller executive bonuses, and even the disappearance of CDO desks and personnel, which is what finally happened." (Senate Report at 11)

- "In the face of a deteriorating market, Deutsche Bank aggressively sold a $1.1 billion CDO, Gemstone 7, which included RMBS securities that the bank's top CDO trader had disparaged as 'crap' and 'pigs,' and which produced $1.1 billion of high risk, poor quality securities that are now virtually worthless." (Senate Report at 333)

- "A substantial portion of the cash and synthetic assets included in Gemstone 7, 30% in all, involved subprime residential mortgages issued by three subprime lenders, Long Beach, Fremont, and New Century, all known for issuing poor quality loans and securities." (Senate Report at 358)

- "Email [from Deutsche Bank's top CDO trader] responding to a hedge fund trader at Mast Capital: 'Long Beach is one of the weakest names in the market.'" (Senate Report at 339)

- "On another occasion in March 2007, a Moody's analyst emailed a colleague about problems she was having with someone at Deutsche Bank after Moody's suggested adjustments to the deal: '[The Deutsche Bank investment banker] is pushing back dearly saying that the deal has been marketed already and that we cam back 'too late' with this discovery. . . . She claims it's hard for them to change the structure at this point.'" (Senate Report at 280)

TARGETS FOR AIDING AND
ABETTING LIABILITY: RATINGS AGENCIES

- "Between 2004 and 2007, Moody's and S&P issued credit ratings for tens of thousands of U.S. residential mortgage backed securities (RMBS) and collateralized debt obligations (CDO). Taking in increasing revenue from Wall Street firms, Moody's and S&P issued AAA and other investment grade credit ratings for the vast majority of those RMBS and CDO securities, deeming them safe investments even though many relied on high risk home loans. In late 2006, high risks mortgages began incurring delinquencies and defaults at an alarming rate. Despite signs of a deteriorating mortgage market, Moody's and S&P continued for six months to issue investment grade ratings for numerous RMBS and CDO securities." (Senate Report at 6)

- "Traditionally, investments holding AAA ratings have had a less than 1% probability of incurring defaults. But in 2007, the vast majority of RMBS and CDO securities with AAA ratings incurred substantial losses; some failed outright. Analysts have determined that over 90% of the AAA ratings given to subprime RMBS securities originated in 2006 and 2007 were later downgraded by the credit rating agencies to junk status. In the case of Long Beach, 75 out of 75 AAA rated Long Beach securities issued in 2006, were later downgraded to junk status, defaulted, or withdrawn." (Senate Report at 6)

- "Inaccurate AAA ratings introduced risk into the U.S. financial system and constituted a key cause of the financial crisis. In addition, the July mass downgrades, which were unprecedented in number and scope, precipitated the collapse of the RMBS and CDO secondary markets, and perhaps more than any other single event triggered the beginning of the financial crisis." (Senate Report at 6)

- "Evidence gathered by the Subcommittee shows that the credit rating agencies were aware of problems in the mortgage market, including an unsustainable rise in housing prices, the high risk nature of the loans being issued, lax lending standards, and rampant mortgage fraud. Instead of using this information to temper their ratings, the firms continued to issue a high volume of investment grade ratings for mortgage backed securities." (Senate Report at 7)

- "It is not surprising that credit rating agencies at times gave into pressure from investment banks and accorded them undue influence in the ratings process. . . . Ratings shopping inevitably weakens standards as each credit rating agency seeks to provide the most favorable rating to win business. It is a conflict of interest that results in a race to the bottom . . . ." (Senate Report at 287)

- "Internal Moody's and S&P emails further demonstrate that senior management and ratings personnel were aware of the deteriorating mortgage market and increasing credit risk. In June 2005, for example, an outside mortgage broker who had seen the head of S&P's RMBS Group, Susan Barnes, on a television program sent her an email warning

about the ‘seeds of destruction’ in the financial markets. He noted that no one at the time seemed interested in fixing the looming problem:

> ‘I have contacted the OTS, FDIC and others and my concerns are not addressed. I have been a mortgage broker for the past 13 years and I have never seen such a lack of attention to loan risk. I am confident our present housing bubble is not from supply and demand of housing, but from money supply. In my professional opinion the biggest perpetrator is Washington Mutual. 1) No income documentation loans. 2) Option ARMS (negative amortization) . . . 5) 100% financing loans. I have seen instances where WAMU approved buyers for purchase loans; where the fully indexed interest only payments represented 100% of borrower’s gross monthly income. We need to stop this madness!!!’” (Senate Report at 269)

TARGETS FOR AIDING AND ABETTING LIABILITY: OUTSIDE APPRAISERS

- “On November 1, 2007, the New York Attorney General issued a complaint against WaMu’s appraisal vendors, LSI and eAppraiseIT, alleging fraud and collusion with WaMu to systematically inflate real estate values.” (Senate Report at 189)

- “The OTS investigation uncovered many instances of improper appraisals. After reviewing 225 loan files, the OTS appraisal expert found that ‘[n]umerous instances were identified where, because of undue influence on the [outside] appraiser, values were increased without supporting documentation.’ OTS also found that WaMu had violated the agency’s appraisal regulations by failing to comply with appraisal independence procedures after they outsourced the function. The OTS investigation concluded that WaMu’s appraisal practices constituted ‘unsafe or unsound banking practices.’ The OTS investigation also concluded that WaMu was not in compliance with the Uniform Standards of Professional Appraisal Practice and other minimum appraisal standards.” (Senate Report at 190)

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	
	)	Chapter 11
WASHINGTON MUTUAL, INC., et al.,	)	
	)	Case No. 08-12229 (MFW)
Debtors	)	Jointly Administered

CERTIFICATE OF SERVICE

I, Mark T. Hurford, of Campbell & Levine, LLC, hereby certify that on July 26, 2011, I caused a copy of the *Submission for Inclusion in the Records of Excerpts of the United States Senate Permanent Subcommittee of Investigations' Report Entitled: Wall Street and the Financial Crisis: Anatomy of a Financial Crisis* to be served upon the attached service list via First Class Mail.

Dated: July 26, 2011

/s/ Mark T. Hurford
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