

11 Q At any time, did Senator Cranston ever ask you to
12 investigate the validity of any of Mr. Keating's claims
13 about the Federal Home Loan Bank Board?

14 A No, he did not.

15 Q Did you ever investigate any of Mr. Keating's
16 claims, make any independent inquiry to determine if what
17 you were being told by Mr. Keating and Mr. Grogan was
18 correct?

19 A No, I did not.

20 Basically the information that we would have
21 needed to make such a judgment is confidential and
22 prohibited by Bank Board regulations from being disclosed to
23 staff.

24 In general it is not disclosed to the Banking
25 Committee except by subpoena.

1 So in these situations--and we had numerous
2 situations like this--there were many S&Ls complaining about
3 the exact same thing that the Keating people were
4 complaining about.

5 So in general across the country there were just
6 lots of S&Ls up in arms over these same issues.

7 There is no way an office can make substantive
8 judgments about what these guys are doing or not doing
9 unless they had access to their examination reports, which
10 we do not by law have any access to.

11 And even if we had them, they are very technical
12 documents.

13 It would be very difficult for staff, or
14 Senators--I mean, these are things that lawyers litigate
15 over.

16 They are not the kinds of things that Senators
17 are going to be able to just make a cursory reading of and
18 make a judgment about.

19 So we tended not to try to say who is right and
20 wrong.

21 What we try to do is massage the process so these
22 people could work out these difficulties, and that is really
23 what you are seeing here.

24 Q Just so the record is absolutely clear, you are
25 saying the reason you did not make those inquiries is that

1 you did not have access to the confidential type information
2 which you would have had to have to make a meaningful
3 judgment?

4 A The regulator is going to tell you his side.

5 The constituent is going to tell you his side.

6 You cannot ever get your hands on enough information to
7 judge who is right or who is wrong.

8 There are many nuances to these arguments.

9 Part of it involves the public policy in terms of
10 enforcing laws that the Congress has written, and there is a
11 great deal of disagreement over those policies.

12 These very same issues were the subject of
13 numerous hearings before the House, the very same issues
14 that Mr. Keating was having his conversations with the Bank
15 Board about.

16 So these are not matters that can typically be
17 resolved by memos, or staff people calling the regulators.
18 You try to get as much information as you can, but you
19 really cannot get enough evidentiary information to say,
20 well, he's absolutely right.

21 You can never be sure of that.

22 Q You are saying that the United States Senate
23 could not have gotten that information to have a meaningful
24 opportunity to evaluate Mr. Keating and Mr. Grogan's
25 complaints against the Board?

1 A Mr. Bennett, to this very day the Banking
2 Committee is attempting to get examination reports given to
3 the committee on a monthly basis and we have not been able
4 to do that.

5 That has long been a problem in the Banking
6 Committee. It is a problem today.

7 So to get that information you would have to
8 convene an investigation of the committee.

9 You would have to issue a subpoena. You would
10 have to hire staff who have the technical ability to analyze
11 examination reports of numbers of these institutions.

12 By the time the committee would have entered into
13 doing something like that, it would have been a year later
14 and too late to address any of the issues these people are
15 negotiating over.

16 Q Well what, if anything, did you do to determine
17 whether or not what you were being told by Mr. Keating and
18 his people, and Mr. Grogan, was accurate? That their
19 complaints were based in fact? Or did you just accept--

20 A In general, when you call a regulator and you say
21 my constituent is saying this, they will tell you that your
22 constituent is wrong, that this is what we're doing.

23 You have to rely on what they tell you.

24 In the case of Mr. Keating, we did not have the
25 Bank Board ever saying that he was wrong, or that they were

1 wrong.

2 These people were constantly negotiating over how
3 they were going to resolve this.

4 It was never put to us by the Bank Board in terms
5 of in black and white.

6 These issues are not black and white issues.
7 They are policy issues where there are pros and cons on each
8 side of them.

9 Q Did you ever call any of Mr. Gray's support staff
10 and ask them if the complaints were valid? Did you ever
11 call any of the staff people at the Federal Home Loan Bank
12 Board, or the folks out in San Francisco, and ask them, hey,
13 Mr. Keating, Mr. Grogan are saying A B C and D, what can you
14 tell me about it? Did you ever do that?

15 A No, I did not call Mr. Gray's staff.

16 It was well known what Mr. Gray's position was on
17 this matter from numerous news reports, so really we weren't
18 going to get very much from doing that.