

REPRESENTATIVE LAURA RICHARDSON

Representative Laura Richardson (D-CA) is a two-term member of Congress, representing California's 37th congressional district. Rep. Richardson's ethics issues stem from accepting favorable loans, and failing to properly report a loan on her financial disclosure statements. Rep. Richardson was included in CREW's 2008 congressional corruption report.

Falling into Foreclosure

In May 2008, it was reported that Rep. Richardson's Sacramento home had been sold at a public foreclosure auction.¹ She claimed that this happened without her knowledge and contrary to an agreement with her lender.² Rep. Richardson had failed to make mortgage payments on the property for nearly a year and had defaulted on other home loans as well.³ According to press reports, Rep. Richardson has defaulted on loans at least eight times on properties she owns in Long Beach, San Pedro, and Sacramento.⁴ She also failed to pay approximately \$9,000 in property taxes on her Sacramento residence.⁵ James York, the owner of Red Rock Mortgage, bought the Sacramento home for \$388,000 at a foreclosure auction on May 7, 2008.⁶

On June 2, 2008, Washington Mutual Bank, Rep. Richardson's lender, filed a notice of rescission of the foreclosure sale.⁷ By that time, Mr. York had already invested money cleaning up the house and preparing it for resale.⁸ As a result, Mr. York filed suit against Rep. Richardson and Washington Mutual, alleging that Rep. Richardson received preferential treatment from Washington Mutual.⁹ Mr. York claimed Washington Mutual would never have rescinded the sale, but for the fact that Rep. Richardson is a member of Congress.¹⁰ In July 2008 it was reported that Mr. York's suit against Rep. Richardson and the bank had been dropped, thereby allowing Rep. Richardson to reclaim her home.¹¹

During June and July of 2007, while Rep. Richardson was missing payments and failing to pay her taxes, she made three loans totaling \$77,500 to her congressional campaign.¹²

¹ Anthony York, Debate Intensifies Over Richardson Home Default, *Capitol Weekly*, May 22, 2008 (Exhibit 1).

² Erica Werner, California Congresswoman Says Home Sale Improper, *Associated Press*, May 24, 2008 (Exhibit 2).

³ Gene Maddaus, Broker Alleges Loan Favoritism, *Press-Telegram*, June 9, 2008 (Exhibit 3).

⁴ Jared Allen and Jackie Kucinich, Dem, GOP Leaders Say Richardson's Housing Troubles Warrant Scrutiny, *The Hill*, June 18, 2008 (Exhibit 4).

⁵ Maddaus, *Press-Telegram*, Jun. 9, 2008.

⁶ Allen and Kucinich, *The Hill*, Jun. 18, 2008.

⁷ Maddaus, *Press-Telegram*, Jun. 9, 2008.

⁸ Id.

⁹ Gene Maddaus, Rep. Richardson Can Get Sacramento House Back, *Press-Telegram*, July, 25, 2008 (Exhibit 5).

¹⁰ Maddaus, *Press-Telegram*, Jun. 9, 2008.

¹¹ Maddaus, *Press-Telegram*, Jul. 25, 2008.

¹² Richardson for Congress, FEC Form 3, Pre-Runoff Report 2007, August 10, 2007, pp. 38-40 (Exhibit 6).

Press reports also indicated Rep. Richardson had been late in paying car bills to mechanics and to a printer for a campaign-related invoice for invitations.¹³

Rep. Richardson also had failed to include the mortgage on her Sacramento home on her personal financial disclosure statements.¹⁴

Gift Rule Violation

Rule 25, clause 5(1)(A)(I) of the House Rules states “a Member, Delegate, Resident Commissioner, officer, or employee of the House may not knowingly accept a gift except as provided in this clause.”¹⁵ The Rules define “gift” to mean “a gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. The term includes gifts of services, training, transportation, lodging and meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.”¹⁶

Rule 25, clause 5(a)(3)(R)(v) allows Members, officers, and employees to accept opportunities and benefits that are available to a wide group, specifically providing that they may accept “loans from banks and other financial institutions on terms generally available to the public.”¹⁷

Given that “loans” are included in the definition of “gifts,” if Washington Mutual Bank rescinded its foreclosure of Rep. Richardson’s house and renegotiated her mortgage on terms that differed from the terms the bank offered to any other similarly situated individual in default on their mortgage, Rep. Richardson may have received an improper gift in violation of House Rules.

The House Ethics Committee also should inquire into whether Rep. Richardson has received other favorable treatment from lenders in the past. According to press reports, Rep. Richardson has defaulted at least eight times on loans on properties she owns in Long Beach, San Pedro, and Sacramento.¹⁸ Because it is unusual for someone with such a deplorable credit history to be repeatedly approved for mortgages, Rep. Richardson may have traded on her other elected positions in order to receive those loans.

¹³ Paul Eakins, U.S. Rep. Laura Richardson Late on Car Bills, *Daily Breeze*, June 6, 2008 (Exhibit 7).

¹⁴ Rep. Laura Richardson, Personal Financial Disclosure Statement for Calendar Year 2007, filed May 19, 2008; Rep. Laura Richardson, Amended Personal Financial Disclosure Statement for Calendar Year 2007, filed June 13, 2008; Rep. Laura Richardson, Amended Financial Disclosure Statement for Calendar Year 2007, filed June 27, 2008 (Exhibit 8).

¹⁵ Rules of the House of Representatives, 110th Congress, p. 41.

¹⁶ House Rules 25, clause 5 (a)(2)(A).

¹⁷ House Rules, p. 42.

¹⁸ Allen and Kucinich, *The Hill*, Jun. 18, 2008.

Failure to Report Loan on Financial Disclosure Statements

The House Ethics Committee should consider whether Rep. Richardson's failure to include the mortgage violates House Rules.

Personal obligations aggregating over \$10,000 owed to one creditor at any time during the calendar year, regardless of repayment terms or interest rates, must be included on personal financial disclosure statements.¹⁹ Although mortgages secured by a personal residence need not generally be disclosed, there is an exception if the indebtedness exceeds the purchase price.²⁰ Rep. Richardson purchased the house in January 2007 and by the end of the year, she owed \$575,000 to the bank after failing to make payments on her initial \$535,000 mortgage.²¹ Thus, because Rep. Richardson owed \$40,000 more than the initial purchase price of the house, she was required to include the debt on her personal financial disclosure statement. It is also possible that given her history of defaulting on loans, Rep. Richardson may owe more than the initial purchase price on the Long Beach and San Pedro homes as well—meaning that those loans, too, ought to have been included on the congresswoman's financial disclosure statements.

The Ethics in Government Act authorizes the Attorney General to seek a penalty of up to \$11,000 against an individual who knowingly and willfully falsifies or fails to file or report any required information.²² In addition, knowingly and willfully falsifying a report or concealing a material fact is a crime punishable by up to five years in jail.²³

Conduct that Does Not Reflect Creditably on the House

In addition, the committee should examine the timing of Rep. Richardson's most recent default as well as the \$77,500 she loaned her congressional campaign committee. Members of the House are required to conduct themselves "at all times in a manner that reflects creditably on the House."²⁴ This ethics standard is considered to be "the most comprehensive provision of the code."²⁵ By funneling money that should have gone to pay her mortgage and property taxes to her congressional campaign, Rep. Richardson clearly engaged in conduct that does not reflect "creditably on the House."

¹⁹ House Ethics Manual, p. 258 (*citing* 5 U.S.C. App. 4 § 102(a)(4)).

²⁰ *Id.*

²¹ Jared Allen, Mortgage Non-Disclosure is Trouble for Richardson, *The Hill*, June 3, 2008 (Exhibit 9).

²² *Id.* at 265 (*citing* 5 U.S.C. App. 4 § 104(a)).

²³ 18 U.S.C. § 1001.

²⁴ Rule 23, clause 1.

²⁵ House Ethics Manual, p. 12.

2009 UPDATE

Falling into Foreclosure

In October 2008, Rep. Richardson shared her personal financial records with her hometown paper in order to show she was up-to-date on previously defaulted home loans.²⁶ She claimed the loans for her Long Beach, Sacramento, and San Pedro homes had been modified and that her finances were in order.²⁷

Rep. Richardson's amended 2007 and 2008 personal financial disclosures failed, however, to include the mortgage loans for her properties in Long Beach, Sacramento, and San Pedro.²⁸

Rep. Richardson's housing issues have continued to plague the Sacramento neighborhood where one of her homes is located. In 2008, the Sacramento Code Enforcement Department declared her home a "public nuisance."²⁹ After visits to the home, city inspectors reported they found junk and debris in the driveway and rotting fruit in the backyard, attracting rodents.³⁰ In May 2009, after neighbors complained about the home's overgrown yard, the city posted another violation requiring that the lawn be mowed.³¹ The lawn was mowed but issues with the upkeep of the house did not end.³² Neighbors e-mailed and wrote letters complaining about the state of the home to Rep. Richardson and to House Speaker Nancy Pelosi, to no avail.³³ Eventually, neighbors began taking care of the house themselves: paying gardeners to mow the lawn, water plants, and rake leaves.³⁴

Office of Congressional Ethics Investigation

In July 2009, it was reported that the Office of Congressional Ethics (OCE) had launched an investigation into the circumstances around the temporary foreclosure of Rep. Richardson's Sacramento home and whether House gift rules were violated when neighbors spent money to

²⁶ John Canalis, Richardson Says Her Bills Are Paid Up, *Press Telegram*, October 31, 2008 (Exhibit 10)

²⁷ Id.

²⁸ See Rep. Laura Richardson, Amended Personal Financial Disclosure Statement for Calendar Year 2007, filed June 13, 2008; See Rep. Laura Richardson, Amended Personal Financial Disclosure Statement for Calendar Year 2007, filed June 27, 2008; Rep. Laura Richardson, Personal Financial Disclosure Statement for Calendar Year 2008, filed May 15, 2009 (Exhibit 11)

²⁹ Jeff Gottlieb, Long Beach Congresswoman's Problems With Houses Continues, *Los Angeles Times*, May, 5, 2009 (Exhibit 12).

³⁰ Id.

³¹ Id.

³² Id.

³³ Jeff Gottlieb, Congresswoman's Abandoned House Angers Neighbors, *Los Angeles Times*, June 12, 2009 (Exhibit 13).

³⁴ Id.

clean up her property.³⁵ The OCE contacted Mr. York and interviewed neighbors about the expenses they incurred cleaning up Rep. Richardson's yard.³⁶

Legal Fees

Rep. Richardson's campaign committee's amended July 2009 quarterly report indicated the committee paid \$6,000, and owed \$36,474.43, in legal fees.³⁷ In the campaign committee's original July 2009 quarterly report, there was an additional \$10,000 reported for legal services, but that was removed in the amended July quarterly report.³⁸

³⁵ Jeff Gottlieb, Rep. Richardson's Home is Focus of House Ethics Probe, *Los Angeles Times*, July 29, 2009 (Exhibit 14).

³⁶ Id.

³⁷ Richardson for Congress Committee, FEC Form 3, Amended July Quarterly Report 2009, July 15, 2009, pp. 16, 17, 34 (Exhibit 15).

³⁸ Richardson for Congress Committee, FEC Form 3, July Quarterly Report 2009, July 15, 2009, p. 16 (Exhibit 16).