



ECONOMY

FULL MEASURE WITH SHARYL ATTKISSON

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30 min.

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The CEO of Wells Fargo was recently grilled on Capitol Hill over a multi-year scheme that enriched the bank by illegally opening two million sham accounts without customers' permission. It seems to be an ongoing theme: big banks behaving badly. A few years back it was Lehman Brothers, the world's fourth largest bank until it got caught up in the mortgage crisis.

Now, we hear the disturbing story of what happened to three women who worked for Lehman Brothers and were calling the crash eleven years ago. These are the allegations from their court case.

Linda Weekes: "Greed is what happened. It's the almighty dollar and once that comes into play, people lose all consciousness and sense of right."

What these women saw coming was the mortgage crisis that would plunge America into a deep recession in 2008. But their story starts three years earlier at BNC Mortgage in Sacramento, California. Starting in 2005, Linda Weekes noticed something fishy. She says loan officers from other companies began submitting loan applications to BNC with documents that were obviously doctored.

Linda Weekes: "I found five in one day from the same company."

Sharyl Attkisson: "Five notices that you thought fraud had been committed?"

Linda Weekes: "Five loans that had falsified documentation in the loans in reference to income, bank statements and job information."

Linda Weekes: "One of the five files, they used the same W-2, just changed the information on it."

Coleen Colombo says she saw the same thing.



Coleen Colombo: "Information was whited out and then retyped in and copied."

Linda Weekes: "They ended up taking bank statements and instead of showing the actual deposit, maybe it was \$1,000, it was now \$11,000, or whatever they needed to do."

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They didn't know it then, but it was happening nationwide. Loan officers allegedly falsifying documents to qualify people for loans they probably couldn't afford.

The Big Short movie clip: "Banks have conditioned us to trust them."

The story was told in "The Big Short", a movie released last December.

The Big Short movie clip: "The whole housing market is propped up by these bad loans. They will fail. The housing market is rock solid. It's a time bomb."

Sharyl Attkisson: "When someone's income is exaggerated, it's not doing them a favor, because it just means they're going to have a house they can't really afford the payments on?"

Linda Weekes: "Correct."

Cheryl McNeil: "Exactly."

Linda Weekes: "Correct."

It was their duty as reviewers of the loan applications to sound the alarm and they did so over and over again, they allege in a lawsuit, to their bosses and to BNC's parent company: Wall Street giant Lehman Brothers.

Coleen Colombo: "We would bring it to corporate office attention and they started pushing us away, telling us to quit calling them and bothering them."

Cheryl McNeil claims in the lawsuit higher-ups retaliated by steering work to other employees.



Cheryl McNeil: “I was closing like 25, 30 loans a month and that’s really good. When I started finding the fraud in the file and questioning it, the branch manager started retaliating against me. And because I was finding the fraud, then he started taking the files back slowly and giving it to another account manager.”

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Sharyl Attkisson: “Does that affect your income? Are you paid by the file?”

Cheryl McNeil: “It affects my income. It affects my production. Management starts looking at me, ‘cause my numbers are going down. Each time I complained, nothing happened. Then, you just get this feeling, like it’s, it’s not right.”

Coleen Colombo: “I remember, at one point, just actually thinking, ‘Why on Earth? I just cannot believe they are allowing this to happen. These people are not going to be able to make the payments on these home(s). This is not good for the company in the long run. It’s not good for the homeowners in the long run’. And then it clicked, ‘Oh, they don’t care’. It’s greed. It’s the bottom line. If they closed \$10 million last month, let’s do \$15 million this month and if you can’t do it, you’re out.”

Too many people in the mortgage industry were getting rich off the questionable loans. The women say the more they resisted what they saw as fraud, the more insistent their superiors became.

Sharyl Attkisson: “So you guys were made into the bad guy, when you were actually trying to help the company and the people and flag the fraud?”

Colleen Colombo: “Yes. We were the troublemakers.”

Linda Weekes: “But we thought we were protecting our company by sounding the alarms. We really thought that they would embrace us and be happy and like, ‘Oh, thank you!’ No.”

With matters coming to a head, the women allege in their complaint, BNC brought in a mysterious account manager named “Daniel”, who began stealing their files at night, they say, and harassing them mercilessly by day.



Linda Weekes: *“He walked past my office regularly with his hands in his pocket, simulating masturbation. I thought it was all in my mind.”*

Cheryl McNeil: *“We didn’t know what Daniel’s role was in the office. He just walked around stimulating masturbation. So one day, I remember, he just came over to my desk and he just scooted up against me. He started breathing down my neck and made sexual references to me, like he would like to be with a black woman. Just a really, really creepy guy.”*

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We were unable to reach Daniel, who’s a named defendant in the case. Lehman Brothers wouldn’t agree to an interview or address claims about Daniel. In the past, the company has said it hired an outside investigator to review the women’s complaints about fraud but found no evidence BNC employees were slipping falsified documents into loan files.

In the lawsuit, Weekes says a manager brushed her off her concerns about Daniel.

Linda Weekes: *“I reported him. He did racial slurs to me. I reported those and I said, ‘This is what Daniel did’. And he says, ‘Oh well, we call him Chester the Molester’ and he dismissed it all.”*

Sharyl Attkisson: *“Did you come to the conclusion that Daniel was sent there to harass you and make you uncomfortable so that you would leave?”*

Coleen Colombo: *“Yes, because when we even went to corporate office asking, “Who is this person and what is his position here? What does he do? We can’t understand why he is here, and we were told, you know, basically not to worry about it and, ‘do your job and close your loans’.”*

If the goal was to make the women quit: it worked. McNeil was first to go.

Sharyl Attkisson: *“What did you say was the reason you were quitting?”*

Cheryl McNeil: *“Just couldn’t take it anymore. You know, it wasn’t a good environment. It wasn’t good on my health, you know, and it was very, very stressful. Every day, you would just cry. It’s, ‘cause you didn’t know what was going to be happening to you.”*



Weekes was soon behind her after a final close encounter with Daniel alleged in the lawsuit.

Linda Weekes: “Daniel’s in back of me with his hand on my shoulder, breathing down my neck, asking me, ‘can he help me’ and at the same time, he’s pushing his genitals against my backside. Well I lost it, because I had an immediate panic attack, immediately, and I just, I thought I screamed, but they tell me I didn’t. They just saw me run out of the office.”

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By September of 2005, six women had resigned from BNC.

Linda Weekes: “We refused to participate. We refused to turn a blind eye, and we have a conscience. I have a conscience. If I say that this is a good loan, I want it to be good for my company. More importantly, I want it to be good for the homeowner, and that’s what got lost.”

Before long, the ceiling began to collapse on the mortgage industry. Certainly not all foreclosures involved fraud.

But here’s one example of how homeowners got in way over their heads. In 2002, this California home sold for \$301,000. In 2005, at the height of the bubble, it sold for more than double (\$650,000) and BNC financed the entire cost, according to public records. By 2006, it was in foreclosure.

BNC had made so many bad loans, Lehman Brothers shut it down in 2007 and then filed for bankruptcy protection itself in 2008. Just like the women had feared and warned about, the chickens had come home to roost.

Coleen Colombo: “And it was happening, and now look what it’s done. It was almost surreal. It was like, this is, this is really happening.”

They sued Lehman Brothers claiming wrongful termination, but the bankruptcy stalled their day in court. And so the very women who worked so hard to make sure people could keep their homes, lost their own.

Coleen Colombo: “You become labeled as a whistle blower, and mortgage companies don’t want to hire you because you’re a risk. I wasn’t able to find work, and that affected my whole life. I lost everything.”



Cheryl McNeil: "I lost my apartment. I lost my car. I was unable to, you know, send my son off to college."

Gary Gwilliam is the attorney representing the women in their lawsuit.

Sharyl Attkisson: "It sounds like these women were unknown players in 'The Big Short'?"

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Gary Gwilliam: "Well they were, but nobody paid any attention to them. It's now been over 10 years, almost 11, and their cases have languished in the largest bankruptcy in the history of the United States."

In an appearance before Congress in 2008, former Lehman Brothers Chairman Richard Fuld took responsibility for the collapse of Lehman Brothers and BNC, but denied misleading investors.

Rep. Henry Waxman, D-CA, House Oversight and Government Reform Committee: "Your company is now bankrupt. Our economy is in a state of crisis, but you get to keep \$480 million?"

Richard Fuld: "I believe my cash compensation was close to \$60 million, which you have indicated here, and I believe the amount that I took out of the company over and above that was, I believe a little bit less than \$250 million, still a large number though."

Today, Fuld is reported to have a mansion in Greenwich, Connecticut, and posh digs on Florida's Jupiter Island. His Sun Valley, Idaho estate sold at auction for \$20 million dollars.

Linda Weekes: "They still have their vacation homes. Nothing has been upset for them. They're not being punished. We have been punished. We are still being punished. So I don't see why they should get off the hook when we tried to help them. This was the most devastating thing that could've happened to a great country such as this. It brought us to our knees. It collapsed our financial structure. They just wrote a whole new book and have been allowed to operate out of it. So I think it's unfair."



Today, the country is recovering from the recession, and the women are hoping to reach a settlement with what's left of a liquidated Lehman Brothers. But life has taken a permanent turn.

Coleen Colombo: "It's devastated me, my self-esteem. I used to be a very competent, resourceful and good underwriter, and I just don't have the confidence anymore. I don't, I can't remember how, the strength of that person that I used to be is gone."

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Linda Weekes: (crying) "It's, it's so devastating, and people don't really realize, but to know her before and to know her now, and to hear her say that, it's kind of painful. It, it's very painful, because it's so unfair. It makes no sense to us."

Lehman Brothers, still negotiating debts in bankruptcy court, has said in the past that it denies the women's complaints and intended to fight them. So far, settlement talks in this case have been unsuccessful.



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It began with a gas station in Afghanistan that should have cost less than \$500,000 but reportedly cost \$43 million U.S. tax dollars. The deal was cut by a federal agency that has spent \$800 million tax dollars to date. When the Inspector General who polices all that spending started to dig in—he became the target of a campaign to discredit his work.

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John Sopko: Part of this was to develop a market in Afghanistan for compressed natural gas automobiles.

John Sopko is talking about this \$43 million dollar compressed natural gas station in Afghanistan. Impractical and overpriced, he found, by about \$42 and a half million dollars.

Sopko: They really didn't do any market surveys. They really didn't see if there was enough liquefied natural gas or compressed natural gas.

It's one of the most notorious boondoggles Sopko has uncovered as the Inspector General policing the billions of U.S. tax money spent to rebuild Afghanistan. He's shown here on a recent inspection in Kabul.

The gas station, it turns out, was the brainstorm of an arcane federal agency: The Defense Department's Task Force on Business and Stability Operations—or TFBSO. It spent an astounding \$800 million American tax dollars over five years to kick start the Afghan economy.

Sopko: We received more allegations about TFBSO than we have about any other government entity. We heard allegations that uh they didn't do any due diligence they wasted the money and basically the program didn't succeed.

Appointed by President Obama, Sopko—a former mafia prosecutor—is widely-considered an effective watchdog of a government culture resistant to oversight. Which may be why he's now been targeted by efforts to discredit him and his work.



One sign came earlier this year. On the eve of a Congressional hearing about the gas station, the Defense Department gave Congress and select reporters – entirely new figures on the supposed cost and suggested Sopko’s team had it all wrong.

Sopko: The night before, the Defense Department said oh, by the way, all those data all that data is wrong. Which it may have been but -- we got it from them.

At the hearing, the Defense Department’s Brian McKeon claimed the true cost of their military funded gas station was far less than \$43 million dollars. As proof, he referred to a new memo supposedly written by military consultant Robert Schraven.

Brian McKeon: The consulting firm that conducted the assessment has also reviewed its work, and we have sent a copy of their memo to the committee staff indicating that total costs of the station are likely well under \$10 million.

And the hearing on government misspending... suddenly seemed to put Inspector General Sopko, the IG, in the hot seat.

Sen. Tim Kaine: There are also some questions about the IG...

Senator Tim Kaine challenged Sopko’s accounting methods and accused him of waffling on the gas station’s price tag.

Sen. Kaine: But the fact that the IG is putting out material with two different numbers is something that I definitely want to dig into today and understand.

Sharyl Attkisson: When you were sitting there and hearing the Defense Department redefine the numbers they had given you, and in essence blaming your agency as some dishonest broker, what was going through your mind?

Sopko: Welcome to Washington. (laughs) I’ve seen this before.

Sopko vigorously defended his work.



Sopko: I would remind all of the members, our requirement is to report the best number available. We do not make numbers up. In the end, whether it is \$43 million or \$20 million or \$10 million, it is still a lot more than should have been spent in Afghanistan.

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Sopko: So if they're now claiming it's wrong well then, what's going on with your recordkeeping?

Attkisson: I watched that hearing to me it was remarkable. They made it look like you were the guy that got everything wrong. That you had some axe to grind.

Sopko: But I felt certain we had the right numbers we were right. As long as you're right the truth will come out. And I think a number of members on the committee also realized that this totally unfair and totally bogus.

Senator Claire McCaskill wasn't buying the military's new memo on the gas station's lower cost.

Sen Claire McCaskill: The argument that has been put forth in the press that somehow the figures in this are not correct, I mean frankly, all you did was fan the flames that somehow it was not \$43 million when you cannot even say where the \$30 million went. This is a terrible waste of taxpayer money when we have so many other uses for it.

After the hearing, Sopko continued his investigation of TFBSO—and he remained in the crosshairs. Some in the press advanced the theme that he's "overzealous" and "sloppy." Stories quoted anonymous critics at the federal agencies where he's found waste, fraud and abuse.

Attkisson: This is the Politico article that I know you've seen that talked about you as if you were the guy that made all the mistakes.

Sopko: Yep. There was one where they referred to me as the Donald Trump of Inspectors General.

Sharyl: Meaning what?



Sopko: Well I think back then they thought it was a criticism, but in light of the election it may not be a criticism.

Sopko’s critics— usually quoted anonymously— appear to come from the ranks of those he’s overseeing. One anonymous ex-military official told reporters “Sopko has turned his office into a cheap media operation that does real damage to due process and U.S. policy.” None of the critics we contacted would speak with us for this report.

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Neil Gordon of the watchdog Project on Government Oversight says Sopko is exactly what the public needs.

Neil Gordon: Certainly Sopko is fairly aggressive, very outspoken, but we think that aggressiveness is important in an inspector general because they need to safeguard taxpayer money in this case tens of billions of dollars that have been spent in Afghanistan. He says if the military is engaged in PR warfare to undermine Sopko, it’s not the first time.

In 2014, USA Today obtained inside evidence of an “aggressive spin campaign” by the military against Sopko. The “Plan of Action” reportedly involved the Pentagon going public to blunt Sopko’s findings before he could release them.

Gordon: It was likened to a duck hunt where they said that the military will be out bagging its share of ducks while Sopko was still waking up and putting his boots on.

There are lots of reasons why federal agencies and contractors would be unhappy with Sopko’s work. He exposed \$150 million tax dollars spent on luxury villas in Afghanistan to house a handful of workers who could have lived at a military base or the Embassy for next to nothing. He uncovered \$36 million dollars wasted on a giant US military headquarters in Afghanistan that generals on the ground said they didn't want or need. And he unearthed \$600 million dollars spent on a fleet of Afghan airplanes that never flew and were scrapped for pennies on the pound.

As Sopko continued his probe into the overpriced military funded gas station, he discovered a new surprise. Shraven, the consultant whose



name was on the memo the Defense Department gave Congress, claiming the gas station really didn't cost that much...said he didn't write the memo.

Sopko: We took a look at it and we actually talked to the person who had allegedly, I say allegedly (quotes) wrote the report because the person denied authoring it We didn't really find out who did author that report. But you know nobody likes an IG who is trying to find out the truth. I won't say nobody. There are a lot of people in town who don't like it because a lot of people in town made their careers or made a lot of money on some of these stupid programs.

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Sopko says he now has a host of new questions about TFBSO.

Sopko: We have now been asked by Senator Grassley and Senator Ayotte and others to do a full blown audit of the entire 800-million-dollar program. And what we are basically finding is the records are horrible. They didn't keep records. And so we're finding waste, fraud and probably abuse throughout the program.

As for that compressed natural gas station, Senator McCaskell

Sen. McCaskill: No metrics, no cost-benefit analysis, no sustainability analysis, a program that is dumb on its face. The average person in Afghanistan, their annual income is \$690. It costs \$800 to convert a car to natural gas. Did anybody in the room sit there and say, is there anybody in Afghanistan that can afford this?

Sopko: Inspectors Generals are nonpartisan. I was appointed by President Obama to ferret out fraud waste and abuse and I will continue doing that job under President Trump. The way I view it is: fraud is not Republican or Democrat, it's not red or blue, but we're talking about green. You know I'm here to protect the taxpayers' green. The taxpayers' money. And we'll continue doing that.