



January 27, 2010

**Via FedEx**

Ms. Denise Voigt Crawford  
Commissioner  
Texas Securities Board  
208 East 10th Street  
Fifth Floor  
Austin, TX 78701

Phil Angelides  
*Chairman*

Hon. Bill Thomas  
*Vice Chairman*

Brooksley Born  
*Commissioner*

Byron S. Georgiou  
*Commissioner*

Senator Bob Graham  
*Commissioner*

Keith Hennessey  
*Commissioner*

Douglas Holtz-Eakin  
*Commissioner*

Heather H. Murren, CFA  
*Commissioner*

John W. Thompson  
*Commissioner*

Peter J. Wallison  
*Commissioner*

Thomas Greene  
*Executive Director*

**Re: Financial Crisis Inquiry Commission Hearing on  
January 14, 2010**

Dear Commissioner Crawford:

On January 20, 2010, Chairman Angelides and Vice Chairman Thomas sent you a letter thanking you for testifying at the January 14, 2010 hearing and informing you that the staff of the FCIC might be contacting you to follow up on certain areas of your testimony and to submit written questions and requests for information related to your testimony. During the hearing, some of the Commissioners asked you to answer certain questions in writing. Please answer the questions listed below and provide any additional information requested by February 26, 2010.

1. Please provide any data that you have on the pervasiveness of mortgage fraud from 2000 to present. Please provide any data or studies that would assist the Commission in assessing the dimension of fraud in subprime lending.
2. Please provide information/statistics, if available, that would give the Commission further insight into the universe of current foreclosures and assist in classifying borrowers into four categories: 1) victims (people who were defrauded into taking out a loan that they never should have taken; 2) borrowers who knew they were taking a risk; 3) speculators or gamblers; and 4) fraudulent borrowers.
3. Please provide a list of lessons learned from the Canadian regulatory system and its handling of the financial crisis
4. Please provide data on the number of cases that you referred to federal regulators when the state was preempted from taking action. What action did the federal agency pursue in those cases?

The Commissioners and staff of the FCIC sincerely appreciate your continued cooperation with this investigation. If you have any questions or concerns, please do not hesitate to contact Chris Seefer at (202) 292-2799, or [cseefer@fcic.gov](mailto:cseefer@fcic.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas Greene", with a long horizontal flourish extending to the right.

Thomas Greene  
Executive Director

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission

Bill Thomas, Vice Chairman, Financial Crisis Inquiry Commission



NASAA

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April 7, 2010

Mr. Thomas Greene  
Executive Director  
Financial Crisis Inquiry Commission  
1717 Pennsylvania Avenue NW, Suite 800  
Washington, DC 20006

Dear Mr. Greene:

Thank you for your January 27 letter containing follow-up questions to my testimony before the Commission on January 14. I understand the relevance of these questions to your ongoing investigation and my responses reflect available information based on the authority of state and provincial securities regulators.

1. Please provide any data that you have on the pervasiveness of mortgage fraud from 2000 to present. Please provide any data or studies that would assist the Commission in assessing the dimension of fraud in subprime lending.

**Response:** Because the jurisdiction of state securities administrators does not extend to banks or mortgage brokers, we regret that we cannot provide the Commission with any data or studies related to the pervasiveness of mortgage fraud. We believe the Commission may obtain such data via requests to those state regulatory agencies having jurisdiction over banks and/or mortgage brokers.

2. Please provide information/statistics, if available, that would give the Commission further insight into the universe of current foreclosures and assist in classifying borrowers into four categories: 1) victims (people who were defrauded into taking out a loan that they never should have taken; 2) borrowers who knew they were taking a risk; 3) speculators or gamblers; and 4) fraudulent borrowers.

**Response:** As in question 1, the jurisdiction of state securities administrators does not reach the subject of the Commission's inquiry. We believe that the Commission may be able to obtain the information/statistics it seeks via requests to those state regulatory agencies whose jurisdiction encompasses banks and/or mortgage brokers.

3. Please provide a list of lessons learned from the Canadian regulatory system and its handling of the financial crisis.

**Response:** There were a number of factors that played a role in Canada's ability to handle the effects of the crisis differently than its international peers. These factors include advantages going into the crisis such as the fiscal responsibility of a balanced budget and prior government surpluses, and a monetary policy that promoted financial stability and a conditional commitment to keep interest rates low. The Canadian banking system performed well throughout the crisis due to its

general conservatism and prudent lending practices that left the Canadian system less vulnerable to high-risk ventures and sub-prime lending practices. Another contributing factor was the Canadian financial services regulatory framework. Canada has a single, tough federal regulator – the Office of the Superintendent of Financial Institutions (OSFI) for federally-regulated banks, insurance companies, and pension plans. The Canada Mortgage and Housing Corporation (CMHC), Canada’s housing agency, is a “Crown Corporation,” meaning that it is owned by the Canadian government. This regulatory system is well coordinated with the provincial securities regulators and kept the banking industry in check.

In terms of governmental policies, Canada’s housing laws are significantly different than those in the U.S. There was not as much speculation, leveraging, and exotic financing in Canada’s housing market. In Canada, mortgages are insured, minimum down-payments are required, mortgage interest is not deductible, lenders have recourse on the borrower’s assets and income if their mortgage payments are not made, and almost all mortgage payments are made by automatic debit, making it difficult for the borrower to default on a payment. Plus, there is significant government support for low-income rental housing. All of these policies affect the culture and perspective of homeownership in Canada, which is quite different than that in the U.S.

It was a combination of the above factors that contributed to the relative stability of Canada’s housing markets and its overall economic system.

4. Please provide data on the number of cases that you referred to federal regulators when the state was preempted from taking action. What action did the federal agency pursue in those cases?

**Response:** State securities regulators may refer a case to the SEC when it involves multistate offerings or the issuer is in another jurisdiction, because a state investigation would require the use of its limited resources that are better spent on fraud that occurs within their state. The SEC may pursue a civil action against such issuers.

The law does not preempt states from taking enforcement action. Preemption creates challenges to enforcement because it permits people with regulatory or criminal histories to participate in unregistered offerings. In order to take action a state must investigate and find evidence of fraud before taking action.

Preemption prohibits a state from being able to scrutinize private offerings and those who market them. States review certain types of private offerings where they are not preempted, but in regard to preempted offerings states are prohibited from conducting any level of review and no conditions may be imposed on their offering documents.

In closing, I hope that these responses have provided you with information that will assist you in your ongoing investigation of the financial crisis. I am pleased that I can be a resource to you and hope you’ll continue to call on me to be of assistance in the future.

Sincerely,



Denise Voigt Crawford  
NASAA President  
Texas Securities Commissioner