

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

November 22, 2016

The Honorable David A. Montoya
Inspector General
Department of Housing and Urban Development
451 7th St SW
Washington, D.C. 20410

The Honorable Michael E. Horowitz
Inspector General
Department of Justice
950 Pennsylvania Avenue NW, Suite 4760
Washington, D.C. 20530

The Honorable Eric M. Thorson
Inspector General
Department of the Treasury
500 Pennsylvania Avenue NW
Washington, D.C. 20220

Fred W. Gibson
Acting Inspector General
Federal Deposit Insurance Corporation
3501 Fairfax Drive
Arlington, VA 22226

The Honorable Laura S. Wertheimer
Inspector General
Federal Housing Finance Agency
400 7th Street SW, Suite 3.201
Washington, D.C. 20024

James Hagen
Inspector General
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Carl Hoecker
Inspector General
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System
20th and Constitution Avenue NW
Washington, D.C. 20551

Dear Inspectors General:

President-elect Donald Trump will begin his term with more potential conflicts of interest and less transparency about his personal finances than any president in recent history.¹ The American people have been given little assurance about how he will manage his extensive network of businesses and financial holdings.

Once Donald Trump takes office, he will have incredible influence over a wide range of policies. While federal ethics rules require nearly all government employees to recuse themselves from matters that affect their outside financial interests, these rules do not apply to

¹ Richard Rubin, *Donald Trump's Complex Businesses Bring Potential Conflicts of Interest*, WALL ST. J. (Nov. 15, 2016), <http://www.wsj.com/articles/donald-trumps-complex-businesses-bring-potential-conflicts-of-interest-1479221276>

the President or Vice-President.² Accordingly, Trump will have ample opportunity to make and influence policy decisions that benefit his personal business and financial interests.

One area of particular concern stems from Donald Trump's deep, ongoing relationship with Deutsche Bank. Trump has turned to Deutsche repeatedly to finance his real estate investments. Deutsche has been the only major Wall Street bank to continue to lend to Donald Trump and his entities in the wake of six Trump-business bankruptcies.³ Over the past two decades, Deutsche has been a lender or co-lender in at least \$2.5 billion in loans to Donald Trump or his companies.⁴ The businesses within Trump's network currently owe Deutsche Bank nearly \$360 million in outstanding principal, including \$125 million for his Florida golf course, Trump National Doral; up to \$69 million for his Chicago high-rise, Trump International Hotel and Tower; and a \$170 million line of credit used to fund the development of his new hotel in Washington, DC, the Trump International Hotel in Washington.⁵

Deutsche Bank has been the subject of multiple federal agency investigations in recent years, including one that resulted in a \$1.925 billion settlement with the Federal Housing Finance Agency over claims that the bank defrauded two U.S. government-controlled companies in the sale of mortgage-backed securities⁶ and another that concluded with a \$1.575 billion settlement with the Department of Justice and the Commodities Futures Trading Commission for the bank's alleged manipulation of benchmark interest rates.⁷ Currently, Deutsche Bank is engaged in settlement discussions with the U.S. Department of Justice, which is seeking \$14 billion dollars in fines from the bank for its role in the toxic mortgage crisis. This settlement could endanger Deutsche Bank's financial health, which could strain the bank's ability to lend future capital to Trump's real estate projects and, thus, threaten his business interests.⁸ As President, Donald Trump will be granted influence over the outcome of Deutsche Bank's settlement negotiations with the Justice Department through his ability to appoint and direct the Attorney General, which will give him the opportunity to advance his business interests at the expense of the best outcome for the American people.

Another major concern is Present-elect Trump's unwillingness to take the traditional measures to mitigate potential conflicts of interest. Most recent presidents, including Presidents Ronald Reagan, George H. W. Bush, Bill Clinton, and George W. Bush, put their assets into a blind trust during their terms in office. Thus far, Trump has failed to take any action to address

² 18 U.S.C. § 208

³ Drew Harrell, *Trump's unusual conflict: Millions in debts to German bank now facing federal fines*, WASH. POST (Sept. 30, 2016), <https://www.washingtonpost.com/news/work/wp/2016/09/30/trumps-unthinkable-conflict-millions-in-debts-to-german-bank-now-facing-federal-fines/>

⁴ *Id.*

⁵ *Id.*

⁶ See News Release, FHFA Announces \$1.9 Billion Settlement With Deutsche Bank (Dec. 20, 2013), [http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-\\$1-9-Billion-Settlement-With-Deutsche-Bank.aspx](http://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-$1-9-Billion-Settlement-With-Deutsche-Bank.aspx).

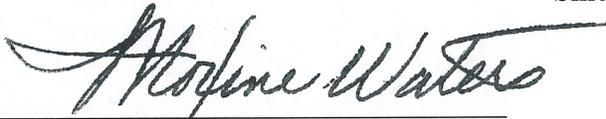
⁷ Katrina Bishop, *Deutsche Bank hit with \$2.5B fine due to rate rigging*, CNBC (Apr. 23, 2015), <http://www.cnbc.com/2015/04/23/ny-deutsche-bank-to-pay-25b-fine-fire-some-employees-for-rate-manipulation.html>.

⁸ Harrell, *supra* note 3.

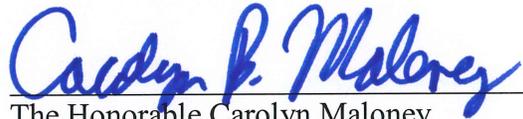
his financial conflicts of interest. While he has stated that he intends to use a “blind trust” to sequester himself from his business concerns, he has also stated that he will place his children in charge of managing this trust.⁹ This arrangement fails to meet the standard of a conventional blind trust, which is typically managed by an independent third party,¹⁰ rather than by immediate family members over whom Trump has ready access and influence. Donald Trump’s blind trust would be neither blind nor trustworthy. Further, Donald Trump has destroyed any notion that his children would be able to effectively segregate the Trump business interests from his political interests when he announced that his children would also serve on the executive committee of his presidential transition team.¹¹

President-elect Trump’s questionable ethical principles may influence who he appoints to lead our federal agencies and, ultimately, influence the culture within these federal agencies. As a result, the work that you perform will become especially integral to upholding the ethical standards of the Executive branch. In light of these unprecedented circumstances, we ask that you take immediate and proactive steps to ensure that any new political appointees at your respective agencies are held to the highest possible ethical standards and that you commit to diligently and constantly monitoring the actions of such appointees and mitigating conflicts of interest when they inevitably arise. We further ask that you continue to be vigilant in holding your agencies accountable to the American public and ensuring that waste, fraud and abuse is eradicated. Thank you for the excellent work you do, especially in this time of unprecedented change and challenge.

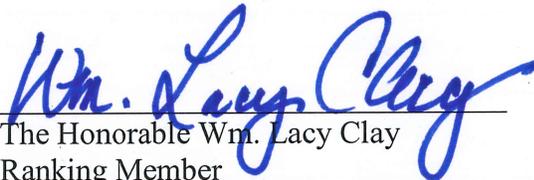
Sincerely,



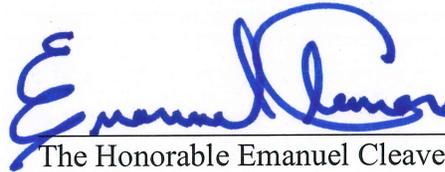
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services



The Honorable Carolyn Maloney
Ranking Member
Subcommittee on Capital Markets, and
Government Sponsored Enterprises



The Honorable Wm. Lacy Clay
Ranking Member
Subcommittee on Financial Institutions
and Consumer Credit



The Honorable Emanuel Cleaver
Ranking Member
Subcommittee on Housing and Insurance

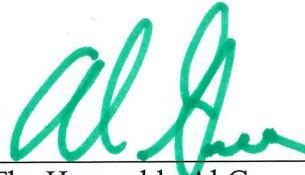
⁹ Ben Brody, *Trump Says Kids Will Help Run His Company If He Wins Election*, BLOOMBERG (Sept. 15, 2016), <http://www.bloomberg.com/politics/articles/2016-09-15/trump-says-kids-will-help-run-his-company-if-he-wins-election>

¹⁰ JACK MASKELL, CONG. RESEARCH SERV., RS21656, *THE USE OF BLIND TRUSTS BY FEDERAL OFFICIALS* (2005)

¹¹ Carlo Allegri, *Three Trump children seen managing president-elect's company*, REUTERS (Nov. 11, 2016), <http://www.reuters.com/article/us-usa-election-trump-organization-idUSKBN13629W>



The Honorable Gwen Moore
Ranking Member
Subcommittee on Monetary Policy
and Trade



The Honorable Al Green
Ranking Member
Subcommittee on Oversight and
Investigations

cc:

The Honorable Jeb Hensarling, Chairman, Committee on Financial Services
The Honorable Scott Garrett, Chairman, Subcommittee on Capital Markets, and Government
Sponsored Enterprises
The Honorable Randy Neugebauer, Chairman, Subcommittee on Financial Institutions and
Consumer Credit
The Honorable Blaine Luetkemeyer, Chairman, Subcommittee on Housing and Insurance
The Honorable Bill Huizenga, Chairman, Subcommittee on Monetary Policy and Trade
The Honorable Sean Duffy, Chairman, Subcommittee on Oversight and Investigations