

S&L probe has possible CIA links

Authorities target Houston developer

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Federal authorities are investigating Houston developer Robert L. Corson in connection with several failed financial institutions where fraud contributed to their demise. The Houston Post has learned that Corson, who already has been barred from having any dealings with federally insured financial institutions, is the former son-in-law of Houston businessman and political power broker Walter M. Mischeer Sr., who heads the fraud division of the U.S. Attorney John Houston said, "there are currently no ongoing intensive investigations" that focus on Corson.

During an eight-month investigation into the role of fraud in the nation's savings and loan crisis, the Post has found evidence suggesting a possible link between the Central Intelligence Agency and organized crime in the failure of at least 22 thrifts, including 16 in Texas.

Corson purchased one of these thrifts, Vision Banc Savings in Kingsville, which had assets of \$70 million, in early 1986.

Four months later, the thrift was insolvent, in part because of \$20 million in loans that were made to help finance a Florida land deal. Corson is identified in federal law enforcement records as a "known money launderer." One former CIA operative told The Post that Corson frequently acted as a "mule" for the agency, meaning that he would carry large sums of cash from country to country. The CIA would neither confirm nor deny whether Corson had a relationship with the agency. One of the people who helped arrange the Florida land transaction was Miami lawyer Lawrence Freeman, a convicted money launderer with ties to CIA agents and organized crime figures. Hill 77

Financial Savings Fund Hill 1 Partners put up \$80 million to help pay for the deal.

S&L: Investigation of Houston developer turns up links to CIA

From A-1



ROBERT L. CORSON: Target in the 1986 Florida transaction.

The Justice Department's investigations into Corson's dealings, but did say one of the probes involves prosecutors in Texas, Florida and Pennsylvania.

The Post was unable to reach Corson for comment. The telephone in his Houston office has been disconnected. He is said to be staying in San Diego, Calif., and phone calls to his residence there were not returned.

St. Joe Paper Co. sold 21,000 acres of prime Gulf Coast property for \$200 million to a consortium of investors that included several organized crime figures and CIA operatives.

The Post learned that \$80 million went directly to St. Joe Paper Co., and about \$7 million was written to a company tied to narcotics smugglers and drug money launderers in the Isle of Jersey, a tax haven in the English Channel.

About \$3 million and a 23-acre parcel of prime waterfront property — land that was part of the original St. Joe Paper Co. tract — was diverted back to Corson.

During the same year, sources told The Post, Corson rolled up more than \$150,000 in gambling debts at Las Vegas casinos, spending more than \$250,000 of auto-

biles, including \$120,000 for an Aston Martin, bought a high-speed cigarette boat for \$150,000, spent around \$100,000 on thoroughbred race horses, and had a huge steel walk-in vault installed in his Houston home.

In 1988, the Federal Home Loan Bank Board barred Corson from owning or operating any federally insured financial institution because of his role in the collapse of Vision Banc Savings.

And in 1989, Corson's mother, B.J. Garman, received similar sanctions from the Treasury Department's Office of Thrift Supervision for her part in the Vision Banc failure.

In a news release announcing the sanctions against Garman, the Office of Thrift Supervision said "examiners discovered a number

of large, speculative loans that were tainted with conflicts of interest and other violations of law and regulations."

Further investigation by OTS revealed that Vision Banc insiders had received financial benefit from loans made by Vision Banc that resulted in substantial loss to the thrift, the OTS release said.

Insiders also arranged to have proceeds of significant dollar amount loans made by Vision Banc diverted through the borrowers' and others back to themselves, the OTS said.

Said John Smith, head of the fraud division in the U.S. Attorney's Houston office: "The allegations that have been made are serious allegations. They are being actively investigated."

Evidence finds CIA, organized crime may be implicated in failure of 22 S&Ls

S&L FRAUD

That failures will possible links to organized crime and CIA operatives.

Name	City	Assets	Estimated cost to taxpayers
Continental Savings	Houston	\$355 million	\$200 million
Marland Savings	Houston	1 billion	400 million
United Savings	Houston	120 million	140 million
F&I Savings of East Texas	Houston	—	87 million
Victory Savings	Victoria Falls	800 million	40 million
Bank of Houston Savings	Cameron	250 million	60 million
Western Savings	Dallas	1.8 billion	133 million
Shephard Savors	Dallas	3.4 billion	2 billion
Independent American Savings	Dallas	300 million	300 million
Vernon Savings	Dallas	1.5 billion	1.3 billion
State Savings	Urboco	720 million	55 million
Data Savings	Ahlin	220 million	130 million
Republic Savings	Llano	170 million	20 million
Lamar Savings	Austin	2 billion	1 billion
Summit Savings	Dallas	186 million	130 million
Vison Banc Savings	Kingsville	70 million	50 million
Central Savings	Boynon Beach	1.5 billion	81 million
HB Financial Savings	Red Hill, Pa.	27 billion	1.9 billion
State Federal Savings	Albuquerque, N.M.	1.3 million	45 million
Peoples Heritage Savings	Salina, Kan.	30 million	375 million
Victory Federal Savings	Weslaco, La.	138 million	20 million
Sierrado Savings	Denver	2.3 billion	1 billion

Estimated total cost of covering federally insured deposits: \$13.13 billion. Source: The Houston Post, based on government documents, sworn testimony and interviews with key government investigators and prosecutors.

That would be a violation of U.S. laws, and we do not violate U.S. laws.

—Mark Mansfield, CIA spokesman

responsible for the fact that a substantial amount of suspected fraud has gone unprosecuted. Lloyd Monroe, a former prosecutor with the Justice Department's organized crime strike force, said the federal agencies responsible for investigating S&L fraud are not in the position to investigate wrongdoing, and are being precluded from investigating wrongdoing that is possibly being conducted in the name of national security.

Monroe, now a fellow at Brown University, asked rhetorically: "How do you expect the government to investigate itself?"

Richard Brenneke, a former CIA contract agent, testified in September 1988 during a federal court trial in Denver that the CIA had set up a systematic program to raise money for the Contras.

Support for the Contras first became a point of controversy in 1984, when the Democratic-controlled Congress cut off aid to the Contras after revelations that the CIA had helped mine Nicaraguan harbors. Yet there were allegations that CIA aid continued despite the

ban. The late William Casey, then director of the CIA, and Lt. Col. Oliver North, then a White House aide, had wanted to set up self-sustaining operations that would not be dependent on Congress for approval and funding. One of these was the program to sell arms to Iran and divert the profits to the Contras, a scheme that led to North's resignation and subsequent prosecution for his role in the affair.

Brenneke said the CIA effort to raise money for covert operations involved a number of schemes to siphon funds from financial institutions "at the expense of an insurance company," meaning the federal deposit insurance program.

After the trial, Brenneke told The Post that the banking and S&L officials involved in such schemes were required to sign "secrecy agreements" with the CIA.

The Post in 1988 reported that a number of failed Texas S&Ls had connections to reputed organized crime figures: Memo Renda and Herman K. Beebe, who both later pleaded guilty to bank fraud in separate cases.

Since then, The Post has found possible links between the CIA and S&L fraud, as well as additional evidence of connections between organized crime figures and failed banks.

The 22 collapsed S&Ls not only include large institutions such as Marland Savings in Houston and Sunbelt Savings in Dallas, but tiny thrifts such as Vision Banc Savings in Kingsville.

In each case, the institution made substantial loans to people with links to organized crime, the CIA or both. Eighteen of the 22 were either owned or controlled by people with links to organized crime, the CIA or both. And in each institution's failure, fraud was a key factor.

All told, their demise could eventually cost taxpayers for estimated \$13 billion to cover federally insured deposits.

Monroe, who successfully prosecuted Renda in Kansas City, said although he is convinced the CIA either masterminded or condoned a certain amount of S&L fraud, proving it would be extremely difficult.

"To get to the bottom of it would take 10 times the effort," it took to put Renda behind bars, Monroe said.

"It's like trying to grab smoke," said Bruce Mallico, former special prosecutor with the Justice Department's Organized Crime Strike Force in Brooklyn.

Congress has done little to spotlight the full scope of S&L fraud, with the possible exception of the House Banking Committee under U.S. Rep. Henry B. Gonzalez, D-Texas. His committee has been investigating Charles Keating and the failure of his Lincoln Savings in California.

"The absence of more intense scrutiny is despite reports by the staff of a congressional subcommittee and the General Accounting Office that fraud was a key factor in most of the nation's S&L failures.

"Most of the money lost in S&L failures has yet to be traced to its ultimate destination. The celebrated cases of S&L officials' wanton spending on cars, boats, planes, condos and lavish entertainment account for only a tiny percentage of the money lost. Federal and congressional investigators who have the subpoena power to trace the money have shown little apparent interest in doing so.

Monroe, the former prosecutor, said he suspects that Congress and federal regulatory agencies have not been more aggressive because high government officials were aware of what he believes was the CIA's involvement in S&L fraud.

As matters now stand, Monroe said, CIA and high government officials who might have had ties to people involved in S&L fraud can maintain the facade of "plausible deniability" that they ordered or condoned anything improper.

At the same time, Monroe said, "the CIA knows that these people are going to use their financial institutions (for CIA purposes) and are going to come to the CIA when they get in trouble."