Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, Federal Bureau of Investigation

DATE: May 14, 1954

FROM : Warren Olney III, Assistant Attorney General
Criminal Division

WO:mab

SUBJECT: Enterprise Construction Companies
Fraud Against the Government
Federal Housing Administration
Title 1, National Housing Act

130-12-4450

Reference is made to your memorandum dated May 12, 1954. In the second paragraph on page 2 thereof reference is made to the instructions forwarded to your San Diego and Los Angeles offices. These instructions are not at variance with the investigation requested by the Criminal Division particularly in our memoranda of April 15, April 27, and May 4. The last sentence of this paragraph states:

> "These offices were instructed to institute immediate investigation regarding these specific allegations and that such investigation would include a determination if the officials of the Enterprise Construction Companies, officials of the lending institutions, and employees of the Federal Housing Administration engaged in activities in violation of any substantive or conspiracy statutes within the Bureau's jurisdiction."

In the absence of any other statement in your memorandum we would understand from the foregoing language that the Bureau was proceeding with the investigation requested in my memorandum of April 15, April 27, and May 10. Language appearing elsewhere in your memoranda still leaves doubt as to the extent to which the request of the Criminal Division is being complied with. In the first paragraph of page 3 of your memorandum it is said of the investigation being conducted by the Bureau:

> "It will not include any exploratory investigation of the Enterprise Construction Companies nor an administrative inquiry regarding Federal Housing Administration personnel as called for in your April 15, 1954, memorandum and reiterated in your May 4, 1954 memorandum."

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and elsewhere you refer to the request of the Criminal Division as including "a sweeping request," "an over-all exploratory investigation" and "an administrative inquiry." With respect to these aspects of the matter you point out that the Bureau must necessarily take the position that you have neither the manpower nor the money to engage in such investigative activities.

I find the foregoing characterization of the investigation requested in my memorandum of April 15 and May 4 inapplicable and confusing. All investigations are "exploratory" and many of them are "sweeping," depending on the nature of the case, and the fact that a request is both exploratory and sweeping would not appear to be any reason for refusing to undertake it. There appears to me to be no ground whatever for the assertion that my memoranda of April 15 and May 4 requested an "administrative inquiry." The reference to Federal Housing Administration personnel is for an investigation of possible violations by them of Title 18 USC 371, 201, and 202, all of which are criminal offenses within the investigative jurisdiction of the FBI.

I want to point out that my memorandum of April 15 sets out as specifically as possible the investigation requested and is quite in line with other requests regularly made by the Criminal Division. In some eight pages the memorandum sets forth the organization, persons and activities to be investigated, details what is known of the background and past history of these subjects, points out the statutes which may possibly have been violated, and develops the applicable law. The request is definite and specific and includes no matter foreign to FBI jurisdiction.

My memorandum of May 4 relates principally to the initiation of the investigation previously requested in the light of discussions with Messrs. [redacted] and Courtney Evans of the Bureau and in no respect alters the specific nature of the investigation requested in my memorandum of April 15.

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It has, of course, been apparent from the beginning that the development of the case against the Enterprise Construction Companies and others referred to in my request must necessarily be based upon a foundation of specific loan and insurance transactions in which fraud and violations of Section 1010 of Title 18 are involved. It should be equally apparent that the development of possible violations of Section 371, 201 and 202 of Title 18 USC will require carrying the investigation far beyond inquiry into these individual transactions and specific complaints.

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It clearly requires the more extensive type of investigation clearly outlined and specifically requested in my memoranda of April 15 and May 4. It will not be enough to investigate merely a series of individual transactions and specific complaints and endeavor to determine from them alone whether conspiracy and bribery are apparent from the results thereof. The type of investigation which is needed and requested is not unlike that which the Bureau is accustomed to making in antitrust cases. An investigation of whether a particular group of companies is engaged in a conspiracy to restrain trade may include but certainly is not limited to the development of evidence concerning specific individual complaints and transactions. It ordinarily includes an examination of the methods and modes of doing business, the relationships of the companies, their officers and stockholders with one another and with such public agencies as may have them under supervision. The same type of investigation is needed and requested of the Enterprise Construction Companies in order to develop the evidence which it is believed will establish that these companies and their affiliates were organized to carry on, with the knowledge of their principal officers, directors, and stockholders, a construction and construction-financing business based on fraudulent, high-pressure, sales methods of which repeated violation of Section 1010 of the Federal Criminal Code was a contemplated, regular, and established part.

I want to express my concern over the Bureau's lack of assent in undertaking this investigation. Present indications are that the Enterprise group is in all probability one of the largest and most important groups in the country engaged in the field of Title I racketeering.

On March 12, 1954 a meeting was held in Mr. Bernard Shanley's office in the White House, attended by Messrs. Shanley, Warren Olney representing the Criminal Division, J. Edgar Hoover representing the FBI, and Mr. William Finan and J. M. Dodge of the Budget Bureau, as well as Mr. Albert Cole, Administrator of HHFA. A program for the HHFA organization and operation problem was agreed upon at that time which was to include a request from the HHFA Administrator to the Department of Justice to take jurisdiction over investigation of all criminal cases arising out of FHA programs and an announcement by the Department of Justice that it was moving on certain cases and broadening its investigation. The Enterprise Construction Companies matter was specifically mentioned at that meeting and in this connection. In the tentative work schedule drawn up as a result of the aforesaid meeting, copies of which were supplied to the Director of the FBI as well as to the participants in the meeting, Item 5 is "Selection of certain cases for immediate presentation to grand juries." On April 15, 1954 a formal

request for investigation of the Enterprise matter was submitted to the FBI which outlined as specifically as possible the type of investigation required and which included only matters within the investigative jurisdiction of the FBI as it existed on that date. In view of these circumstances, and the numerous memoranda which have been sent back and forth on this subject since, and the conferences on this subject between FBI and Criminal Division personnel, it is disturbing to find at this late date that there is any misunderstanding as to the scope, nature, or propriety of the investigation requested by the Criminal Division.

This must be brought to a head & at once. This is making it look like FBI is obstructing action. Stop writing memos & get it settled by conference with Dept.

H.