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# FBI probes 14 firms for possible subprime fraud

**The investigation, in cooperation with the SEC, looks at companies from mortgage lenders to financial firms that bundle home loans into securities sold to investors.**

January 29 2008: 7:04 PM EST

WASHINGTON (AP) -- The Federal Bureau of Investigation on Tuesday said it is investigating 14 companies for possible fraud or insider trading violations in connection with loans made to risky borrowers - and investments spun off of those loans.

Agency officials did not identify the companies under investigation but said the wide-ranging probe, which began in spring 2007, involves companies across the industry - from mortgage lenders to financial firms that bundle home loans into securities sold to investors.

The FBI is working in conjunction with the Securities and Exchange Commission, Neil Power, chief of the FBI's economic crimes unit in Washington, said during a briefing with reporters.

The development comes as authorities in New York and Connecticut investigate whether Wall Street banks hid crucial information about high-risk loans bundled into securities that were sold to investors.

Power said federal authorities are looking into the practices of so-called subprime lenders, as well as potential accounting fraud committed by financial firms that hold these loans on their books or securitize them and sell them to other investors.

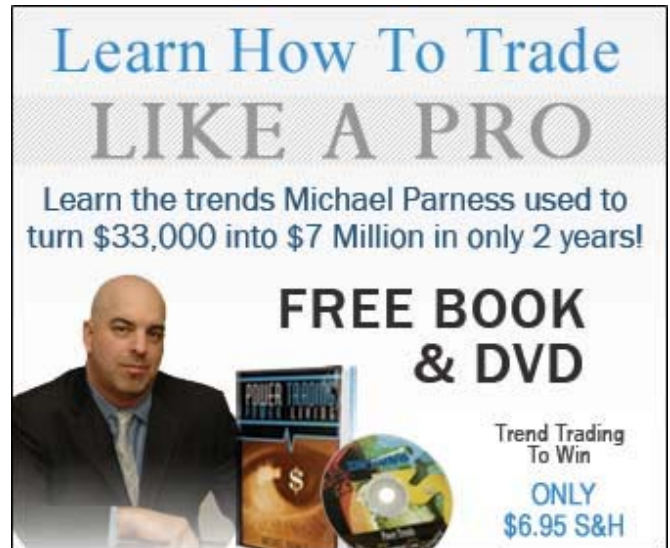
Referring to certain unnamed bankrupt subprime lenders, Power said there are "some irregularities there that we're looking into," including the timing of stock sales by executives. Dozens of subprime lenders have filed for bankruptcy in the past year, most prominently New Century Financial Corp.

Power also said law enforcement officials are looking at whether homebuilders manipulated financial statements to inflate revenues.

An SEC spokesman declined to comment. The agency has said about three dozen investigations related to the mortgage market meltdown are ongoing.

Defaults on subprime loans have risen over the past 12 months and are primarily responsible for the credit crunch that has disrupted global financial markets.

Morgan Stanley ([MS](#), [Fortune 500](#)), Goldman Sachs Group ([GS](#), [Fortune 500](#)) and Bear Stearns ([BSC](#), [Fortune 500](#)) all disclosed in regulatory filings Tuesday that they are cooperating with requests for information from various, but unspecified,



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regulatory and government agencies. Officials at the companies either declined to comment or could not immediately be reached. ■