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Citigroup Hires Mr. Inside

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ALL of the nation's major banks have a raft of Washington lobbyists, and with good reason. For people accustomed to dealing with numbers on Wall Street, the nation's capital can seem impossibly complex.

The nettle of rules and regulations, the web of agencies and regulators, and, of course, the harsh realities of politics combine to make Washington a confounding place. And with legislators looking to redraw the rules for financial institutions to prevent a repeat of the [credit crisis](#), having an advocate in Washington is a must.

Few banks can use advice about navigating the federal government more than [Citigroup](#), a company so hobbled by the crisis that it has essentially become a ward of the state, kept alive through multiple infusions of taxpayer funds.

Still, people inside and outside the bank say they were stunned when [Richard D. Parsons](#), Citigroup's chairman, enlisted the services last spring of Richard F. Hohlt, a longtime Washington insider with a history of aggressive advocacy for the banking industry.

Critics say that as a top lobbyist for the [savings and loan](#) industry in the 1980s, Mr. Hohlt blocked regulation of these institutions and played a pivotal role helping to prolong dubious industry practices that cost taxpayers \$150 billion to clean up.

After that crisis passed, he faded from the public eye but continued advising clients, cementing his contacts in the news media and even surfacing as one among a handful of Washington insiders involved in the public outing of [Valerie Wilson](#) as a [C.I.A.](#) agent.

Five former regulators who encountered Mr. Hohlt during the savings and loan fiasco expressed dismay and surprise that he had been hired by the chairman of a bank that has received tens of billions of dollars of taxpayer assistance, and voiced concerns about what exactly he had been hired to do.

"Mr. Hohlt has a track record as a behind-the-scenes, Republican influence peddler who caused severe damage to U.S. citizens by helping to delay and weaken the crackdown on the S.& L. control frauds," says William K. Black,

a former regulator and a top investigator for the definitive Congressional report on the S. & L. crisis.

“It is singularly obscene that any recipient of taxpayer assistance through the TARP program during the current financial crisis would hire one of the most infamous lobbyists in the world to represent them,” says Mr. Black, who now is a professor of law at the [University of Missouri](#) at Kansas City.

IN the 1980s, Mr. Hohlt’s tactics as a lobbyist for the United States League of Savings Institutions — which he acknowledges included renegeing on a promise to support legislation to recapitalize the industry — so enraged regulators that two government officials say they banned him from their offices.

Mr. Hohlt, 61, says he was simply the messenger for the S. & L.’s in their dealings with regulators. “Yeah, mistakes were made,” he said in an interview last week. Of his current client, Citigroup, he says it has retained him as an adviser to provide strategic counsel on Washington matters related to the bank, and not as a lobbyist (meaning that he doesn’t communicate with members of Congress, the White House or regulatory agencies regarding Citigroup).

“I would classify myself as the worker bee that knows what I think would be of interest to him,” he says of his work for Mr. Parsons. “I feed him through the e-mail system quite a bit and give him my advice and counsel.”

As for Mr. Black and his other critics, Mr. Hohlt says that his work with the league was “prehistoric” and that in the years since then he has built a reputation as an honest and experienced resource.

“I wish that everyone would comprehend that because of these past experiences, mistakes made, some problems that were created because of those mistakes, I can maybe offer more candid advice,” he said. “There has to be something said that a person who’s been in the operating room and watched 13 surgeries may be a good person to watch the 14th. That makes me valuable because I can say: ‘Don’t do it! Don’t let these guys come in and say they want to change the accounting.’”

Mr. Hohlt says that he has never been investigated by any government agency and that his record, lobbying activities and political dealings are transparent.

Mr. Parsons says he hired Mr. Hohlt simply as a political adviser who provides information and counsel, and doesn’t focus on particular legislation. “He is an old Washington hand,” Mr. Parsons said in a interview on Friday. “I hired him to keep me in touch with what’s going on in Washington and what the mood and tenor of the town is.”

Mr. Hohlt’s role is to solve problems and help Mr. Parsons communicate more effectively, but not to lobby on Citigroup’s behalf. “I don’t bring him to meetings,” he said. “He is a useful source of information.”

A spokesman said that Citigroup was paying Mr. Hohlt's fees, and that because he hadn't been retained as a lobbyist, his assignment did not need to be publicly disclosed.

The savings and loan industry hasn't been Mr. Hohlt's only controversial client. He was the longtime lobbyist for [Washington Mutual](#), arranging Capitol Hill meetings for the chief executive, Kerry K. Killinger, and advising the bank on regulatory matters that related to the Federal Home Loan Bank, according to Mr. Hohlt and a former associate. Washington Mutual collapsed in 2008, becoming the biggest bank failure in history. Mr. Hohlt said he wasn't aware of the bank's many problems.

"I thought Kerry Killinger was a guy from Iowa who played in the band," said Mr. Hohlt, who said he lost thousands of dollars on WaMu stock when the bank failed. "Maybe I should have done due diligence on things like that."

Mr. Hohlt has also represented the mortgage finance giant [Fannie Mae](#), which was taken over by the government in September 2008 because of billions in mortgage losses. Once Fannie Mae went into federal receivership, it was banned from hiring lobbyists, including Mr. Hohlt.

Mr. Hohlt, an insider's insider who creates and executes political strategies, said he had known Mr. Parsons since 1989. Back then, Mr. Parsons was running Dime Savings Bank, an institution that, like others in the field, had been hurt by mortgage losses.

Since then, Mr. Hohlt has lobbied for [Time Warner](#), the media company that Mr. Parsons led from 2002 until 2008. He called Mr. Parsons "a personal 20-year friend that appreciates that I will be candid and maybe tell him things that others will not and give him safe advice." He added that Mr. Parsons reached out to him because he "didn't want to get in the cocoon."

One of his first assignments: At Mr. Parsons's request, Mr. Hohlt spent a Sunday in New York sitting in the back of the company's auditorium watching its executives and directors practice for the annual shareholder meeting on April 21.

"I just sat and listened, and he asked, 'What do you think?' And I sent him a message saying what I thought," Mr. Hohlt says.

But two people briefed on Mr. Hohlt's engagement with Citigroup, who requested anonymity because speaking publicly about the situation would jeopardize their jobs, say Mr. Hohlt was also hired to advise

Mr. Parsons on ways to blunt the demands of the [Federal Deposit Insurance Corporation](#), one of the bank's primary regulators. The F.D.I.C. agreed to insure some \$300 billion of Citigroup's troubled assets in a loss-sharing arrangement last year and has been at loggerheads with the bank's management over stewardship of the sprawling enterprise.

Mr. Hohlt said that it was a "fabrication" that he was hired to jockey with the F.D.I.C. "I've never contacted anybody at the F.D.I.C.," he said.

A spokesman for the F.D.I.C. declined to comment on Mr. Hohlt's hiring because the agency does not discuss specific institutions. "Generally speaking, we expect banks to adhere to high ethical and reputational standards," said Andrew Gray, an agency spokesman.

Citigroup does not show up in lobbying records as a client of Hohlt & Associates, Mr. Hohlt's Washington-based firm. And Mr. Hohlt said that he was "not really" advising Mr. Parsons on regulatory matters.

"My contract prohibits me from any kind of lobbying, and I'm fired if I do," he said of his assignment from Mr. Parsons.

A HOOSIER by birth and a former aide to Senator [Richard G. Lugar](#), the Indiana Republican, Mr. Hohlt parlayed his connections and experience into a lucrative lobbying business. He is also a founding member of an informal Washington salon, known as the Off-the-Record Club, where prominent Republicans, including Vin Weber and [Karl Rove](#), gather for dinner to trade strategy. Mr. Hohlt is also a well-known background source for Washington journalists.

He surfaced in 2007 during the perjury trial of [I. Lewis Libby Jr.](#), an aide to former Vice President [Dick Cheney](#). Mr. Hohlt had a cameo role in the leak that identified Valerie Wilson as a Central Intelligence Agency operative. The journalist who broke the story, [Robert Novak](#), testified during the trial that he had given the column to Mr. Hohlt, a longtime source, before it was published. Mr. Hohlt said he gave the column to Mr. Rove, who was the White House's political director at the time.

For the 2008 election, Mr. Hohlt gave about \$108,700 in campaign contributions, nearly all to Republicans. During the 2004 re-election campaign of President [George W. Bush](#), Mr. Hohlt was among the "Super Rangers" who raised more than \$200,000.

Mr. Hohlt began working for Mr. Parsons at a time when Citigroup was increasingly reliant on the public's largess to remain viable.

The bank received two injections totaling \$45 billion from the [Troubled Asset Relief Program](#) last year. It has also raised \$45 billion in debt using the backing of the F.D.I.C. and, through its subsidiaries, had an additional \$28 billion in [commercial paper](#) and interbank deposits backed by the F.D.I.C. While other banks have weaned themselves from the program, Citi has continued to issue debt under it.

But the government is also on the hook for future losses at Citi. Late last year, regulators struck a loss-sharing deal with the bank covering a pool of assets that totaled \$267 billion in the most recent financial statement.

Under the terms of the arrangement, Citi will swallow the first \$29.5 billion in losses on this pool; 90 percent of any additional losses will be borne by the government and the other 10 percent by Citi.

During the last decade, Mr. Hohlt and his firm also have done work for [JPMorgan Chase](#) and [Sallie Mae](#), the [student loan](#) financing company. Mr. Hohlt was appointed to Sallie Mae's board by [George H. W. Bush](#) in 1991.

Beginning in 2007, Fannie Mae hired Mr. Hohlt's firm, even though as a savings and loan lobbyist two decades earlier, he had opposed the agency. "We fought against Fannie Mae," Mr. Hohlt recalled. "I made sure we got an amendment in a bill that prohibited them from having a PAC," or political action committee.

Hohlt & Associates has been paid more than \$7 million in lobbying fees in the last decade, according to the Center for Responsive Politics. From 2000 to 2006, it made \$400,000 to \$700,000 in lobbying fees each year. In 2007 and 2008, the business took off, exceeding \$1 million annually. In 2008, the year the credit crisis began in earnest, more than half of the firm's increased business came from financial services firms. His clients also include [Altria](#), the cigarette maker formerly known as Philip Morris; [Bristol-Myers Squibb](#); [Chevron](#); and the Nuclear Energy Institute.

WHILE Mr. Hohlt's lobbying business appears vigorous, it is not nearly as high-profile as it was in his heyday as point man for the savings and loan industry and its lobbying group, the United States League of Savings Institutions. He reported to the president of the organization at the time, William O'Connell, and worked with a fellow lobbyist, James Freeman, to make sure that the industry's views were heard on Capitol Hill.

Mr. Hohlt cultivated a close friendship with M. Danny Wall, a top aide to Jake Garn, the Utah Republican who was chairman of the Senate Banking Committee.

For decades, savings and loan associations were sleepy institutions that operated under tight restrictions on the loans they made and the interest rates they paid to depositors. But in 1982, with interest rates rocketing, the industry persuaded Congress to relax these restrictions. The Garn-St. Germain legislation (also named for Fernand J. St. Germain, Democrat of Rhode Island) freed savings and loans to make more-risky loans

and eliminated the caps on interest rates that they could pay on deposits.

Almost immediately, S. & L.'s were bought by high-rolling entrepreneurs who saw the opportunities in taking deposits that were insured by the government and lending them out to real estate developers.

Once this mania was under way, lobbyists for the industry worked hard to keep regulators at bay, former officials recall. "The U.S. League was very active in trying to water down the capital requirements for S. & L.'s," recalled Kenneth McLean, former staff director to William Proxmire, the late Wisconsin Democrat who headed the Senate Banking Committee in 1987 and 1988.

Two former officials, a banking regulator and an under secretary of the [Treasury](#), said they banned Mr. Hohlt from their offices. "He wasn't my style," said Richard T. Pratt, the Federal Home Loan Bank Board president in the early 1980s. "He was very aggressive I thought, kind of the caricature of a lobbyist."

Mr. Hohlt said his actions should be considered in the context of the times. He said there were fears that "draconian" regulatory action could set off a run on banks and even a depression.

Mr. Hohlt noted the significant parallels between the savings and loan mess and today's financial crisis, only this time he says he is wiser.

"The mistake I did was follow the policy of the trade association," he said.

Former regulators said they don't regard Mr. Hohlt's tenure as so benign.

"The fact is, when it came to thrift matters in Congress, the U.S. League and many of its affiliates were the de facto government," said Edwin J. Gray, former head of the Federal Home Loan Bank, testifying before Congress in 1989. "What the league wanted, it got. What it did not want from Congress, it had killed."

In an interview last week, Mr. Gray laughed when he heard that Mr. Hohlt continued as a paid advocate for financial institutions. "He's a creature of Washington special interests and has been since I have known him, so I'm not surprised," he said. "Memories are short when money is involved."

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