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## HUD Fires Financial Adviser

*By Jennifer Rothacker*  
Associated Press Writer  
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WASHINGTON (AP) -- The federal housing department fired one of its top financial advisers after discovering the company made an error that resulted in a \$3.8 million loss.

Hamilton Securities Advisory Services Inc. said Monday it was "extremely proud of its work" for the Department of Housing and Urban Development and hoped to reach an amicable resolution.

Hamilton was hired to be a chief financial adviser for a mortgage note sales auction program that earns HUD millions of dollars a year.

When a property owner defaults on a mortgage insured by the Federal Housing Administration, HUD then becomes owner of the mortgage. The auction program takes these mortgages out of HUD's hands by selling them to the private sector.

Because HUD does not have the expertise to value notes, it hired financial advisers -- including Hamilton -- to optimize the government's profits.

An investigation ordered by HUD Secretary Andrew Cuomo to ferret out abuse and fraud throughout all of HUD concluded that Hamilton "failed to provide accurate financial advisory services to the mortgage note sales program" since its contract started in 1992, HUD said in a news release.

HUD did not specify how the company failed, but The Washington Times reported Monday that Hamilton made "erroneous instructions" for a computer model used to optimize a dozen sales of these mortgages. HUD has not suggested that Hamilton intentionally made the mistakes.

That failure resulted in a \$3.8 million loss for HUD, the department said.

HUD wrote C. Austin Fitz, chief executive of Hamilton, on Friday, demanding reimbursement and terminating the company's contract.

In a release issued Monday, Hamilton defended its work for HUD, arguing that it has given taxpayers an "extraordinary return" of billions of dollars through its work in the auction program.

HUD said it is reviewing all work performed by Hamilton and may make additional claims.

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