

## PM-HUD Firing,370

### Financial firm fired after HUD discovers \$3.8 million error

By JENNIFER ROTHACKER

Associated Press Writer

WASHINGTON (AP) — A computing error the government says cost it \$3.8 million has led to the firing of the financial services firm accused of making the mistake.

The Department of Housing and Urban Development has ordered Hamilton Securities Advisory Services Inc. to reimburse the money and suggested it may order further retribution pending an investigation.

The Washington, D.C.-based firm defended its work for HUD, and claimed the department owed it \$1.6 million for work successfully completed.

HUD hired Hamilton in 1993 as a financial adviser for a mortgage note 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 becomes the owner of the mortgage. The auction program takes the 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 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.

The 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.

AP-ES-10-21-97 0240EDT