

For most of us, getting a loan on a car or a house means lots of pain and paperwork. Imagine a bank that would make millions of dollars in loans without checking basic fact. A News 8 investigation has discovered a federal agency that's made dozens of loans without checking basic facts....using Texas companies and products that often don't even exist. Simple Google or MapQuest checks might have stopped big rip-offs. But now taxpayers often are footing the bill. Byron Harris reports as News 8 investigates.

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sound: 53.42: Basically it's the taxpayers' dollars. And these people stole hundreds of millions of dollars. And they're living a big fat life, and the government's not doing anything about it.

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Clifton Bradshaw is rock tough Texan who built his business by dotting his I's and crossing his T's.

He's angry that the Federal Government is not doing the same.

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(Bradshaw) 57.04: Evidently, ahh, there's no due diligence, period. That's the whole problem. You've got a bureaucratic organization that's not doing the due diligence.

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At issue is this little known federal agency called the Export Import Bank of the United States. It's supposed to help businesses in places like Texas...sell products to businesses in places like Mexico...by giving loans to Mexican companies.

But a News 8 investigation has discovered nearly 200 bad loans the Export Import Bank made along the border. Loans gone to default because the Export Import Bank didn't do the diligence private business routinely does.

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sound (Bradshaw) 1 exim 56:20 This is not any of our documentation, it's all falsified.

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Unknown to Bradshaw, his company was used in the scheme.

News 8 showed Bradshaw loan documents that say his company supplied nearly 20 million dollars of equipment in Export Import Bank loans to Mexican companies.

But he doesn't even sell the tractor trailers and cement mixers listed on the documents.

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sound: 56.15: We were never involved in this deal. They really don't even say who the customer is, It just goes to a forwarding agent.

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In some cases, that was CTR Forwarding in Brownsville, according to Ex-Im paperwork. But we checked the address, and no such company exists now, nor has it in the past.

Here's more dubious data:

Texas Crushing and Screening, connected to a nearly two million dollar loan for heavy construction equipment, supposedly to a Mexican company. .

The invoice from the Ex-Im Bank says Texas Crushing is located on Highway 10 in Dallas. No specific address, an erroneous zipcode, no phone number.

But a simple MapQuest search would show there is no Highway 10 in Dallas.

The loan is now in default.

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News 8 asked the U.S. Ex-Bank for all its paperwork on defaulted medium-term, low-interest loans to Mexican companies.

From 2003 through 2005, we found 243 million dollars worth of loans gone bad.

According to the bank's own statistics, that amounts to nearly 20 per cent of its loans in 2003 and nearly 19 per cent in 2004.

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sound: (Tom Schatz) 15.45.33: Any bank's portfolio that has a 20 per cent default rate says the bank has not done what it's supposed to do.

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Citizens Against Taxpayer Waste director Tom Schatz was troubled after shown the loan documents.

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sound 15:43:42 "Smaller loans appear to have been thrown out there without much oversight.
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Here's a four-and-a-half-million-dollar Ex-Im loan for 14 luxury buses.

The manufacturer's model numbers don't match the invoices.

That could have been caught with a phone call that apparently was never made.

Invoices say the buses were shipped by EP Logistics - at this address in Laredo - bound for a company in central Mexico.

No EP Logistics here. Never has been. And there's no room for 14 buses on the premises.

Here's an 8 million dollar Ex-Im transaction for 39 Freightliner buses.

Thomas Bus of Houston was supposed to be the supplier to a Mexican company.

Thomas Bus told News 8:

"That transaction never occurred. The buses don't cost that much and ... and we don't export to Mexico." (Gregg Peterson, Thomas Bus general manager)

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Burton Equipment in Pharr, paperwork says, exported air compressors to Mexico.

Didn't happen, Burton says.
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sound 16:45 We don't find that model number which doesn't exist, or that customer.
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At this address a couple of miles away, Cherokee Tools is named as the forwarding point for more equipment bound for Mexico.

This time more than six million dollars worth of refuse system equipment.

But Cherokee Trucks is at that address, not Cherokee Tools.
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sound: (Cherokee Tools Owner) 21.01: That is not my signature and that is not my business name. I don't know what is going on with this.
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Andrew Parker may know what's going on.

Documents show his company was the middle-man in the money.

The San Antonio Trade Group is run from this historic mansion in San Antonio.

Parker shows up as the "exporter" for much of equipment that was supposed to be sent to Mexico.

News 8 has learned Parker is now under investigation for 145 million dollars of defaulted loans, most to Mexico.

The government suspects he may have pocketed the money gain through fraudulent invoices and dummy companies.

He drives a Ferrari and a Bentley.

And resides in this three and a half million dollar house.

The government wants to seize some of his luxury cars and is suing him for them.

He declined to talk us.

And despite the fact that it's funded with taxpayer money, neither would the export import bank in Washington.
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Harris on camera in front of Ex-Im bank: We had an interview scheduled here (with Ex-Im Bank). We wanted to talk about the bank's procedures and how many loans go bad. The bank cancelled the interview. The loan default rate remains essentially secret.
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sound: 16:30:59 It's not easy to get detailed answers as far as their operations go. You just have to take their word for it when they say "Things are going well."
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Ian Vasquez with the Cato Institute says the Ex-Im Bank has a history of secrecy and questionable loans.
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sound: 16.34.55: In the public sector that kind of thing can go on for a long time, especially if it's not know to the public. And Washington bureaucracies are pretty good at keep that hid under the

table.

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Across the border in Mexico, many of the companies that supposedly got loans were impossible to find.

One loan was supposed to go to a firm called "Deep Clean".

No such place.

More than two million dollars were loaned to a car rental company near a border airport.

Doesn't exist. .

Back in Texas, Clifton Bradshaw is chapped that no one was watching it all.

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sound: 1.10.50: I was surprised that it could be done. I wasn't surprised that it was tried. I was surprised that it went through the system.

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For the first time in its 73 year history, the Export Import bank has appointed an inspector general to review possible loan fraud and abuse.

But the bank lends 12 billion dollars a year. And says it is expanding its loans to small business.
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A Dallas congressman is calling for a congressional inquiry as a result of a news 8 investigation.

Our probe of nearly a quarter of a billion dollars of bogus loans is drawing attention in Washington.

Byron Harris has this continuing News 8 investigation.

Byron: The loans were financed by American taxpayers. Made by a little known federal agency called the Export-Import Bank.

As we reported last month, scores of loans went to Mexican businesses went to companies that don't even exist or never got the money.

243 million dollars worth have gone bad.

And at least one congressman wants something done about it.

sound: 2.36: (Jeb Hensarling): It is an outrage on top of an outrage.

Congressman Jeb Hensarling is a long time opponent of the Export Import Bank. The Ex Im bank, as its known, is supposed to help American firms export their products by giving foreign businesses loans.

After Hensarling saw News 8's findings of bad loans, he is now calling for an investigation.

sound: 5.15: There are so many reasons that this agency has to be investigated. And this is one of em. I thought this was just in issue of waste. I didn't know that there was the potential of fraud and criminal activity in this agency as well.

In the session that ended this week, Congress voted to give the Ex Im bank 146 million dollars to stay in business. This, despite the objections of long time critics.

Opponents point out that Enron got more than 800 million in Ex Im loans. Most of that money lost.

And that big companies like Boeing use the bank to sell jets to companies that could get loans elsewhere.

sound: 15.39.42: It is one of the many corporate welfare programs in the federal government.

Tom Schatz is director of Citizens Against Taxpayer Waste in Washington.

sound: 15.42.20: The ex im bank suffers from a lack of oversight by Congress.

The bank just got its first inspector general this year.

After 73 years in business.

Not soon enough, says Ian Vasquez of the Cato Institute.

He says the bank's loans are often used to make the powerful more powerful.

sound: 16.29.31: The ExIm Bank's beneficiaries are politically connected companies, mostly in the United States.

Andrew Parker of San Antonio is one of the beneficiaries of Ex Im loans.

From this manor house, he runs the San Antonio Trade Group, which took part in 94 million dollars of Ex Im loans that have now gone bad.

Federal records show Parker spent a hundred thousand dollars on lobbyists in Washington in 2005 and 2006. (Graphic)

To gain "congressional recognition" for his company.

To push for his company's candidate for the banks new inspector general.

And to help the bank get continued funding from Congress.

Congressman Hensarling wants all of that looked into.

sound: 4.20: I would hope that the oversight committee in Congress, chaired by Henry Waxman

of California, who although he is not a member of my party. I hope he would take a great interest and call for an investigation.

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Harris on camera: Hensarling says he hopes to get that done next month when congress reconvenes.

Meanwhile, the Export Import Bank has declined to be interviewed.
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It's one thing to waste taxpayers money.

It's another to use taxpayer funds to support criminal activity.

A News 8 investigation finds that a little known government agency may have unwittingly done both, as part of 243 million dollars worth of bad loans made to help trade with Mexico.

The discovery comes as part of our probe into the federally funded Export Import Bank of the United States.

Byron Harris has the story as news 8 investigates.

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Harris on camera:

We've told you about small business loans the export import bank sponsored, made to companies that don't exist. For equipment that doesn't exist.

Now we've discovered that some of the people who got those loans may have drug connections.

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Links to the Juarez drug cartel, known for its brutal murders. The cartel killed a dozen people and buried them in a suburban back yard across the border from El Paso.

Another loan link: the Sinaloa drug cartel. Their business is smuggling heroin into the United States.

The federally funded Export Import bank of the United States apparently backed loans to people affiliated with both cartels and the Mexican drug trade.

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Harris on camera: : Here's how we found out.

Under the freedom of information act, last summer we asked for all documentation on defaulted small business loans to Mexico from 2002 to 2005.

Although there were nearly 200 bad loans, so far we've received information on thirty four.

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But the bank did give us a list of the defaulted loans and the names and addresses of the people who got them in Mexico.

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sound: (Phil Jordan) tape 11: 2.33.31: They have drug connections. Which is very disheartening to think that the U.S. government is lending money to documented traffickers in the drug trade that are tied into the cartels in Mexico.

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Phil Jordan is the former head of the El Paso Intelligence Center for the DEA and Border Patrol in El Paso.

He ran background checks of the borrowers with two federal sources. He found borrowers from Juarez and Sinaloa with criminal ties to money laundering, organized crime or drugs in Mexico.

He is surprised the Export Import bank didn't do a similar check before guaranteeing the loans.

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sound: 2.34.29: To lend them millions of dollars and then to not be a fail safe system of checks and balances is just throwing money away.

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We gave that information to Dallas Congressman Jeb Hensarling.

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sound:5.39: tape 9: Certainly there's enough evidence to warrant an investigation to see if American taxpayers dollars are funneled into phony Mexican companies that end up in the hands of phony drug cartels It's almost the stuff of a spy novel.

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Harris on camera: Out of 243 million dollars in medium sized loans the Export Import bank backed in Mexico from 2003 thru 2005, less than 25 million dollars was ever repaid. The bank, a federal agency, has declined to be interviewed by news 8 on camera. . bhch8n.

Common sense says that when a bank loans money..say on a car...it checks on the borrower, the car, and whether the selling price makes sense.

But when it comes to dollars and cents, it appears that a federal agency, the export import bank, did not do those things. And it cost the taxpayers tens of millions of dollars.

Last month a news 8 investigation found that the ex-im bank guaranteed nearly two hundred loans to companies in Mexico without basic checks.

Now, after our story, the bank's issued guidelines on how to do deals. News 8's Byron Harris has the story.

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A plant to remove salt from ocean water.

Machinery tools to manufacture products.

Lumber processing equipment.

Millions of dollars worth of gear that was supposed to be shipped to Mexico under loan guarantees from the Export Import Bank in Washington.

But equipment, like this machinery in south Texas, that was never sold at all, sold to phony Mexican companies, or shipped through non-existent addresses.

Even Mexican drug cartels may have ended up with some of 230 million dollars in transactions that went bad.

Now the Export Import Bank has issued a "best practices" manual saying it has uncovered instances of fraud in its portfolio.

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Harris on camera: The nine-page document is a new supplement to the bank's other lending rules.

It suggests that individuals doing business with the bank make loans with "reasonable assurance of repayment."

That they be aware of the potential for bribery and money laundering. And that background checks are advised.

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sound: This is not rocket science at all.

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Nationally known banking expert Bert Ely questions why the bank would even put such obvious suggestions on paper.

Not on the list, he says, is something more important.

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sound: (Ely) The key ought to be the borrower's capacity to repay.

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News 8 called the bank asking to talk about the guidelines.

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Recording of Phil Cogan, spokesman, export import bank:

" No one from the export import bank will be available for an interview as you requested."

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sound: Bert Ely: It sounds to me like they're trying to stonewall you and they don't want to talk about this. Because basically you've uncovered some very serious problems.

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