



Subprime Cabinet

The New Addition To Obama's Economic Team Is Another Political Ally With A History Of Controversial Business Practices

Today, Obama Will Nominate Penny Pritzker To Be Secretary Of Commerce. "President Barack Obama will round out his second-term Cabinet nominations on Thursday as he announces the long-awaited pick of Penny Pritzker for commerce secretary and also taps Michael Froman to be the next U.S. trade representative." (Jennifer Epstein and Kevin Cirilli, "President Obama To Nominate Penny Pritzker, Michael Froman," [Politico](#), 5/2/13)

- **Pritzker Was National Co-Chair Of OFA 2012.** "Pritzker, who was national co-chair of the president's re-election campaign - Obama for America 2012 - said in a phone interview on Wednesday that the president had told her his top priority after the election was resolving the fiscal cliff problem - a \$600 billion package of federal spending cuts and tax increases set to begin in January that could push the U.S. into a new recession." (Paritosh Bansal, "Obama Backer Pritzker Sees 'Fiscal Cliff' Deal Taking Time," [Reuters](#), 11/8/12)

PRITZKER WAS CO-OWNER OF A FAILED BANK THAT MADE SUBPRIME LOANS AND MORTGAGES

The Pritzker Family Co-Owned Superior Bank FSB. "Ms. Pritzker, who declined to be interviewed, has confronted other challenges, including the 2001 collapse of Superior Bank FSB, which the Pritzker family co-owned, resulting in a \$460-million payment to federal regulators, and a rift over family assets that settled out of court in 2005. She oversees the Pritzker family's non-hotel real estate interests and chairs its TransUnion LLC credit bureau." (Steven R. Strahler, "Penny Pritzker," [Chicago Crain's Business](#), 5/7/07)

Superior Bank Was A "Subprime Lender That Made Risky Mortgage And Auto Loans To People With Poor Credit Histories." "Auditors Ernst & Young...agreed to pay the FDIC \$40 million in restitution in connection with the collapse of the bank, a subprime lender that made risky mortgage and auto loans to people with poor credit histories. It had about \$2 billion in assets when it was shuttered." (Kathy Bergen, "Millions For Pritzkers In Settlement," [Chicago Tribune](#), 12/28/04)

In July 2001, Superior Bank Failed. "While customers of the failed Superior Bank FSB lined up to ask questions and withdraw money...fingerpointing began among the bank's investors and regulators over why it failed. The multibillionaire Pritzker family, which had owned half of Oakbrook Terrace-based Superior, says a plan announced in May to salvage the bank collapsed after the family learned it would cost significantly more than members expected, and more than they could even predict. Sources close to

the Pritzkers said the family offered other deals to regulators, but members were told to stick to the first plan.” (Melissa Allison, “Blame Flies Over Demise Of Superior,” *Chicago Tribune*, 7/31/01)

After Superior Bank Failed, The Federal Deposit Insurance Corp. Took Control Of The Bank. “The bank reopened...as Superior Federal FSB under the control of the Federal Deposit Insurance Corp., which is looking to sell the bank.” (Melissa Allison, “Blame Flies Over Demise Of Superior,” *Chicago Tribune*, 7/31/01)

- **“Superior Bank's Failure Cost The FDIC About \$700 Million, Making It Then One Of The Largest Federally Insured Financial Institutions To Fail In A Decade.”** (“Pritzkers To Get Millions From Superior Bank Failure Settlement,” *The Associated Press*, 12/28/04)

In 2004, The Pritzker Family Received Millions In A Settlement With Federal Regulators Even Though 1,400 Uninsured Depositors Lost \$24.7 Million. “Chicago's Pritzker family, which co-owned a controversial bank that failed three years ago amid allegations of mismanagement, stands to reap millions of dollars through a highly unusual settlement crafted with federal regulators. The payment is being directed to one of Chicago's wealthiest families even though some 1,400 underinsured depositors have yet to recover the \$24.7 million of losses they sustained in the collapse of Superior Bank FSB.” (Kathy Bergen, “Millions For Pritzkers In Settlement,” *Chicago Tribune*, 12/28/04)

Regulators And Banking Professionals Harshly Criticized Superior's Banking Practices

Federal Regulators Closed Superior Bank Due To “Poor Oversight By Its Board” Among Other Reasons. “Regulators, who say they requested and never received a formal revised plan, closed the institution late...saying it was critically undercapitalized, suffering from loan losses, accounting problems and poor oversight by its board.” (Melissa Allison, “Blame Flies Over Demise Of Superior,” *Chicago Tribune*, 7/31/01)

According To An Official With The Office Of Thrift Supervision (OTS), Superior Failed Because Of Poor Lending And Bookkeeping. “Bad lending practices and improper bookkeeping led to the failure of the \$ 2.3 billion institution, according to Scott Albinson, head of supervision for the federal Office of Thrift Supervision, the federal agency that regulated the bank until handing it over to the FDIC to be closed.” (Kathleen Day, “Regulators Probe Bank Loan To Co-Owner,” *The Washington Post*, 7/31/01)

According To OTS, The Bank Also Failed Because It Overvalued “High-Risk Home And Auto Loans.” “The bank company's directors failed to properly oversee its business, allowing its managers to vastly overvalue high-risk home and auto loans the bank originated, packaged into large bundles and sold to investors, said Albinson.” (Kathleen Day, “Regulators Probe Bank Loan To Co-Owner,” *The Washington Post*, 7/31/01)

According To The FDIC, Superior's Board “Ignored Sound Risk-Management Principles And Failed To Adequately Oversee Superior's Operations.” “Obama's national finance chairwoman, Penny Pritzker, was chairwoman of the board of a Chicago-area bank in 1993 when it adopted a subprime business strategy that regulators say ultimately led it to collapse in 2001. Superior's board and managers ‘ignored sound risk-management principles and failed to adequately oversee Superior's operations,’ the Federal Deposit Insurance Corporation's (FDIC) Inspector General concluded in 2002.” (Ken Dilanian, “Lending Woes Seep Onto Campaign Trail,” *USA Today*, 4/3/08)

The Pritzker Family Had To Pay A Settlement Following The Bank's Collapse

In 2001, The Pritzkers Agreed To A \$460 Million Settlement As Part Of The Bank's Failure Which Cleared Them From Action By The Federal Government. “The Pritzkers agreed to a \$460 million voluntary settlement in 2001 that barred government action against the owners. The owners admitted no liability. In exchange, the family would receive 25 percent of anything the FDIC recovered from Ernst &

Young, and 50 percent of any punitive damages.” (“Pritzkers To Get Millions From Superior Bank Failure Settlement,” *The Associated Press*, 12/28/04)

Like Pritzker, Obama's New Treasury Secretary Also Has Deep Ties To Subprime Lending

At Citigroup, Jack Lew – Obama's New Treasury Secretary – “Oversaw A Unit That Lost Money But Also Profited From Betting Against The Subprime Mortgage Market.” “If Mr. Lew gets the Treasury job, the business world will not be unhappy. He is not a creature of Wall Street, but before joining the Obama administration, he spent three years in high-level (and high-paying) jobs at Citigroup, where he oversaw a unit that lost money but also profited from betting against the subprime mortgage market. Mr. Lew was chief operating officer; in testimony before Congress, he has said he did not make investment decisions.” (Sheryl Gay Stolberg, “Trusted Aide To Obama Faces Test In Budget Showdown,” *The New York Times*, 12/1/12)

- **“After Citigroup Received Its \$45 Billion Taxpayer Bailout, Lew — Two Weeks Before Joining The Obama Administration — Received Another \$900,000 From Citigroup As A Bonus.”** “For his work at Citigroup, work that included betting on the housing collapse, Lew received a salary of \$1.1 million. After Citigroup received its \$45 billion taxpayer bailout, Lew — two weeks before joining the Obama administration — received another \$900,000 from Citigroup as a bonus. This was revealed only in 2010; in 2009, when Lew first joined the administration as a State Department official, both he and the administration refused to say if he had received a post-bailout bonus from Citigroup (at the time, there was a huge political scandal over Wall Street executives receiving large bonuses despite needing taxpayer bailouts).” (Glenn Greenwald, “The New WH Chief Of Staff And Citigroup,” *Salon*, 1/10/12)

THE PRITZKER FAMILY USED OFFSHORE BANK ACCOUNTS – A TAX STRATEGY OBAMA HAS PREVIOUSLY ATTACKED

The Pritzkers Used Havens In The Bahamas And The Caymans To Avoid Paying Taxes On Their International Properties. “The Pritzker family of Chicago is using a chain of offshore companies in the Caribbean to invest in one of the Hyatt hotel group's international properties, a financial structure that allows the billionaire family to avoid paying some U.S. taxes. Court documents filed in the Cayman Islands detail the use of three companies in the Bahamas and the Caymans to hold the stock of the Park Hyatt hotel in remote Baku, Azerbaijan. People familiar with the situation acknowledge that the arrangement has potential tax benefits for the Pritzker interests.” (Glenn R. Simpson, “Court Papers Show Pritzker Family Uses Offshore Haven To Hold Hyatt,” *The Wall Street Journal*, 5/13/02)

FLASHBACK: Obama Used Gov. Mitt Romney's Investments In The Cayman Islands As The Content For An Attack Ad. (Obama For America, [Television Ad](#), “Firms,” 7/14/12)

FLASHBACK: In 2009, Obama Criticized The Legality Of Tax Havens In The Tax Code, Saying “That Makes It Perfectly Legal For Companies To Avoid Paying Their Fair Share.” OBAMA: “And yet, even as most American citizens and businesses meet these responsibilities, there are others who are shirking theirs. And many are aided and abetted by a broken tax system, written by well-connected lobbyists on behalf of well-heeled interests and individuals. It's a tax code full of corporate loopholes that makes it perfectly legal for companies to avoid paying their fair share. It's a tax code that makes it all too easy for a number -- a small number of individuals and companies to abuse overseas tax havens to avoid paying any taxes at all. And it's a tax code that says you should pay lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York.” (President Barack Obama, [Remarks By The President On International Tax Policy Reform](#), Washington, D.C., 5/4/09)

PRITZKER'S TIES TO CONTROVERSIAL BUSINESS PRACTICES HAVE MADE HER A TARGET OF UNIONS

A Pritzker Company, Transunion, Became The Target Of A Labor And Civil Rights Campaign

Pritzker Was National Finance Chairwoman For Obama In 2008, But Took On Less Of A Role After His Election Due In Part To Obama's "Harsh Criticism Of The Rich And His Policies Toward Businesses..." "She was the national finance chairman for Obama during his 2008 presidential bid but took on a smaller role in his re-election campaign. Media reports cited the president's harsh criticism of the rich and his policies toward businesses as part of the reason for her pullback." (Paritosh Bansal, "Obama Backer Pritzker Sees 'Fiscal Cliff' Deal Taking Time," [Reuters](#), 11/8/12)

A Company Owned By Pritzker Was The Target Of A Labor And Civil Rights Campaign. "Top Obama fundraiser and White House Jobs Council member Penny Pritzker is the target of a new campaign by labor and civil rights groups aimed at topping a company she chairs from selling credit reports to employers." (Ben Smith, "Union Targets Another Pritzker Company," [Politico](#), 10/11/11)

- **A Labor Union Official Called Pritzker's Business Practices "Reprehensible."** "It's a problem that a member of the president's job council is selling a product that has a discriminatory impact on job seekers,' said the union's Tom Snyder, who said they were targeting TransUnion because of the 'reprehensible' practices, not just the Hyatt connection." (Ben Smith, "Union Targets Another Pritzker Company," [Politico](#), 10/11/11)

Pritzker Has Wanted To Be Commerce Secretary Since 2008, But Some People Say Obama "Had No Interest In A Confirmation Fight At A Time Of Public Anger Over The Advantages Of Wealth," So She Withdrew Her Name From Consideration. "She wanted to be commerce secretary, friends say. But shortly after Election Day, while she was still raising money for Mr. Obama — more than \$53 million for his inauguration, on top of the \$745 million for the campaign — she withdrew from consideration. (She and campaign officials say it was her choice; others say the president-elect had no interest in a confirmation fight at a time of public anger over the advantages of wealth.)" (Jodi Kantor and Nicholas Confessore, "Leading Role In Obama '08, But Backstage '12," [The New York Times](#), 7/15/12)

Pritzker Has Been Targeted For Protests By Unions In Chicago

Pritzker Was The Target Of A Chicago Teacher Union Protest In September 2012. "Thousands of striking teachers and their supporters were marching down Michigan Avenue on Thursday, after rallying outside a hotel owned by the billionaire family of a Chicago Board of Education member. On the fourth day of the teachers' strike, protesters targeted school board member Penny Pritzker, whose family owns the Hyatt hotel chain." ("Teachers' March Targets Pritzker Family; Disrupts Traffic Downtown," [CBS Local](#), 9/13/12)

Unite Here! – A Chicago Hospitality Union – Has Targeted The Pritzker Family For Their Routine Requests For Property Tax Reductions. "A group of Chicago homeowners, hospitality workers and community leaders is calling on Chicago's wealthiest family to pay their fair share of property taxes. Unite Here, a hospitality union representing over 15,000 hotel and food service workers in Chicago, released a report Thursday titled 'Tax Relief for Billionaires' that accuses members of the Pritzker family of routinely soliciting and obtaining local property tax reductions on their multi-million dollar Chicago homes." ("Pritzker Tax Protest: Activists Target Chicago's Richest Family's Property Tax Bill," [The Huffington Post](#), 3/1/12)

- **Unite Here!:** "Scions of the billionaire Pritzker clan, Chicago's richest family and the fifth

wealthiest family in America, have routinely obtained local property tax reductions on their multi-million dollar Chicago residences, availing themselves of legal loopholes to lower their property assessments by as much as 62 percent.” (Elliott Mallen, “Tax Relief For Billionaires: Property Taxes And The Pritzker Family,” [Unite Here!](#), 3/1/12)

- **Unite Here! Claims That Pritzker’s Efforts To Lower Her Property Tax Bill Have “Yielded Reduced Assessments Every Year From 2006 To 2009, Including A 62 Percent Reduction In 2006 And A 42 Percent Reduction In 2009.”** “Penny Pritzker began developing her modernist Lincoln Park mansion, which the Chicago Tribune described as a ‘rectangular slab of tobacco-colored stucco stacked between two boxes of glass’ with a “frontage the width of half a football field’ ten years ago. She assembled four parcels in Lincoln Park in 2002 and 2003 at a cost of \$7.05 million. The existing structures were torn down, and a 8,422 square foot house was built at a reported estimated cost of \$3.4 million, bringing the total cost of the new home completed in 2007 to at least \$10.4 million. The property is held in the name of Orchard Street Land, LLC, which is registered at the Hyatt Center and managed by Pritzker family insider Ron Wray. Property tax bills have been sent to her business associate John Kevin Poorman. Penny Pritzker and her family are registered to vote at the property. Attorneys fought to lower the assessments ten times from 2006 to 2010 at all three levels of the appeals process, including filing appeals every year with the Assessor from 2006 to 2009, and every year with the Board of Review from 2007 to 2010. Such persistence has yielded reduced assessments every year from 2006 to 2009, including a 62 percent reduction in 2006 and a 42 percent reduction in 2009 (see chart below). An examination of the property’s 2009 appeals demonstrates how persistence can pay off.” (Elliott Mallen, “Tax Relief For Billionaires: Property Taxes And The Pritzker Family,” [Unite Here!](#), 3/1/12)