

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

MICHAEL BLOMQUIST, Case No. CV-07-4108-JF
Plaintiff, RESPONSE TO ORDER TO SHOW
CAUSE

The following is in response to the Court's ORDER TO SHOW CAUSE. We are at a 37 year high in foreclosures amidst the backdrop of historically low unemployment and interest rates. The videos below are of Senator Dodd, Chairman of the Senate banking committee, available at <http://www.michaelblomquist.com/Dodd.htm> (short clip) <http://dodd.senate.gov/index.php?q=taxonomy/term/40&from=100>. (both links last visited January 8, 2008) Plaintiff had the recent opportunity to speak with Senator Dodd during his Presidential campaign at Google. Senator Dodd confirmed he would continue to request more information from defendant, Henry Paulson for Goldman Sach's role in the current mortgage crisis, available at <http://www.bloomberg.com/apps/news?pid=20601087&sid=aFeBwUOMAek&refer=home>. (last visited January 8, 2008). The article by Ben Stein which was referenced in the Bloomberg article is available at, <http://www.nytimes.com/2007/12/02/business/02every.html? r=>

1 [1&oref=slogin](#) (last visited January 8, 2008). Despite the
2 Plaintiff's allegations and numerous concerns addressed in
3 these articles, Defendant Hank Paulson is still in charge
4 of finding solutions for the mortgage crisis. On January
5 8, 2008 Defendant Hank Paulson was a guest on CNBC,
6 embedded videos available at
7 <http://www.cnbc.com/id/22555235> (last visited January 8,
8 2008). During the interviews Defendant Hank Paulson
9 finally admitted that the seriousness of our current crisis
10 had spread well beyond the sub-prime markets. Less than
11 one year ago Defendant Hank Paulson made a variety of
12 claims to the contrary. Since Defendant Hank Paulson's
13 original comments his former employer Goldman Sachs
14 purchased substantial amounts of securities that would
15 benefit the company in the event of a market collapse.

16 Goldman Sachs was the only investment banker to escape
17 substantial losses for the quarter ending September 30,
18 2007 for mortgage related securities. Many of Goldman
19 Sachs's competitors experienced their first ever (emphasis
20 added) losses. Morgan Stanley posts 1st loss in 73 year
21 history and is triple what they warned about in November
22 2007. China buys stake, available at
23 [http://www.michaelblomquist.com/complaint/NewsStories/Morga
24 nStanleyPosts1stLossin73yearsChinaBuysStake.html](http://www.michaelblomquist.com/complaint/NewsStories/MorganStanleyPosts1stLossin73yearsChinaBuysStake.html) (last
25 visited on January 8, 2008). Bear Sterns reported its
26 first quarterly loss in its eight decade history; China has

1 a stake, available at

2 [http://www.michaelblomquist.com/complaint/NewsStories/Bears](http://www.michaelblomquist.com/complaint/NewsStories/BearsTearnsLossPresagesMoreTurmoilNewYorkTimes.htm)
3 [tearnsLossPresagesMoreTurmoilNewYorkTimes.htm](http://www.michaelblomquist.com/complaint/NewsStories/BearsTearnsLossPresagesMoreTurmoilNewYorkTimes.htm)

4 As illustrated in prior CNBC video; Defendant Hank
5 Paulson is now proposing to temporarily (emphasis added)
6 increase loan limits at Fannie Mae and Freddie Mac
7 (government sponsored entities). Current conforming loan
8 limits are \$417,000 and rumors of newly proposed loan
9 amounts could exceed \$700,000. The prudent American
10 taxpayer should not be required to bail out lenders for
11 their criminal activities. In addition, this would
12 paralyze our free-market system and not allow prices to
13 return to sustainable levels.

14 Plaintiff alleges that in addition to securities fraud
15 an actual concealment of fraud and illegal bail out between
16 Washington Mutual and Providian Financial occurred upon the
17 paid merger recommendation by Goldman Sachs. Let it be
18 noted that Goldman Sachs played a crucial role in
19 underwriting for Providian Financial prior to Providian
20 Financial's collapse.

21 Plaintiff has alleged that fraud, unfair and deceptive
22 business practices have unlawfully restrained him from his
23 real estate/mortgage profession as an agent and a managing
24 broker. Plaintiff also alleges that Santa Clara and
25 surrounding counties are particularly vulnerable to this
26 fraud. Santa Clara County has one of the lowest housing

1 affordability indexes in the state, available at

2 <http://www.car.org/index.php?id=MzY0ODU> . Low supply and
3 fraudulent loans provided a lethal mix and unsustainable
4 and mostly fraudulent appreciation.

5 Plaintiff has an interview scheduled with a manager
6 from a local non-profit, Project Sentinel, on January 9,
7 2008 at 9:00 am available at <http://www.projsen.org/> (last
8 visited on January 8, 2008). Plaintiff will have a video
9 taped recording of the interview available for the court on
10 January 18, 2008. Project Sentinel is primarily funded by
11 HUD and the representative confirms Plaintiff's allegations
12 of rampant fraud. An extremely small percentage of
13 borrowers are able to be helped through the existing plan.
14 Existing plan requires borrowers to provide income
15 documentation. Representative stated, "How is someone
16 going to qualify for a loan with an annual income of
17 \$30,000 per year when they need and previously stated
18 \$100,000".

19 A huge concern of the Plaintiff is that the limited
20 borrowers who do qualify with income documentation will be
21 enslaved to an extremely over-priced home. After a
22 refinance loan the anti-deficiency protection provided in
23 California Code of Civil Procedure § 580b will be revoked.

24 Additional allegations by the Plaintiff consist of
25 Antitrust violations. Predatory pricing is one such issue.
26 In this embedded video Countrywide founder and CEO Angelo

1 Mozilo ratifies that Option ARM loans are below market rate
2 loans, available at <http://www.msnbc.msn.com/id/22103383>.
3 Angelo Mozilo claimed in the video that Countrywide was
4 well funded. Senator Schumer, questioned the source of
5 funding in a letter to the Federal Home Loan Bank of
6 Atlanta, available at
7 <http://www.michaelblomquist.com/complaint/Links/SchumerCFC>.
8 [htm](#)

9 Plaintiff has been raising concerns of antitrust,
10 unfair competition, securities fraud and other issues for
11 many years one such letter is, available at
12 <http://www.usdoj.gov/atr/public/workshops/rewcom/212859.htm>
13 Not surprisingly there were 361 respondents to the DOJ's
14 Competition Policy. Unfortunately, none of the Plaintiff's
15 associates were as concerned about the terrible decline in
16 lending standards as evidenced in exhibit A, available at
17 <http://www.michaelblomquist.com/complaint/complaint%20exhib>
18 [its.htm](#). Many of these respondents have now stopped doing

19 business with mortgage brokers in an attempt to make
20 mortgage brokers to take the fall for most everyone's
21 terrible business practices. Bank of American and named
22 Defendant Wells Fargo are two banks that are no longer
23 doing business with brokers. This boycotting of business
24 and public slander is very reminiscent of Wilk v. AMA, 719
25 F. 2d. 207(7th cir. 1983). Let it be noted that I have sent
26 and made hundreds of letters, emails and phone calls to

1 representatives, regulators, law enforcement agencies and
2 the media. It was not my intention to single out any
3 particular agency or representative in my exhibits. In
4 fact, the letters shown in exhibits B & C were of the few
5 responses I ever received. I don't want to discourage
6 anyone from acknowledging their constituents. Clearly this
7 problem is much bigger than a handful of people.

8 I apologize for not being present at the November 30,
9 2007 case management hearing I believe I misunderstood a
10 phone conversation. I have yet to serve the defendants,
11 but I know have the funds available to do so. I am
12 confident the amount of discovery will be very limited,
13 especially if loan files continue to disappear, available
14 at
15 [http://www.click2houston.com/investigates/14450151/detail.h](http://www.click2houston.com/investigates/14450151/detail.html)
16 [tml](http://www.click2houston.com/investigates/14450151/detail.html)

17 /s

18 Date: January 8, 2008

Michael Blomquist

19 Plaintiff / Pro Se
20
21
22
23
24
25
26