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4 Plaintiff Pro Se

5 **IN THE UNITED STATES DISTRICT COURT**
6 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**
7 **SAN JOSE DIVISION**

8 MICHAEL BLOMQUIST,

9 Plaintiff,

10 vs.

11 WASHINGTON MUTUAL, a Washington
corporation; KERRY K. KILLINGER;
12 JOSEPH W. SAUNDERS;
COUNTRYWIDE HOME LOANS, INC. a
13 Delaware corporation; ANGELO
14 MOZILO; WACHOVIA
CORPORATION, a North Caroline
15 corporation; KEN THOMPSON;
16 CITIGROUP, a Delaware corporation;
SANFORD WEILL; CHARLES PRINCE;
17 GOLDMAN SACHS GROUP, INC., a
Delaware corporation; HENRY PAULSON;
18 BEAR STEARNS COMPANIES, INC., a
Delaware corporation; JAMES CAYNE; THE
19 MCGRAW HILL COMPANY, INC., A
Delaware corporation; HAROLD MCGRAW
20 III; WELLS FARGO & COMPANY, a
21 Delaware corporation; PATRICIA R.
CALLAHAN; HERBERT M. SANDLER;
22 ROCK HOLDINGS, INC., a Delaware
corporation; EXPERIAN CORPORATION, a
23 Delaware corporation; FIMALAC, INC., a
24 Delaware corporation; MOODYS
CORPORATION, a Delaware corporation;
25 JAMES E. GILLERAN; JOHN M. REICH;
26 JOHN D. HAWKE JR.; JOHN C. DUGAN;
SUSAN SCHMIDT BIES; DONALD E.
27 POWELL; SHEILA C. BAIR,

28 Defendants.

) CASE NO. C07-04108 JF

) PLAINTIFF'S JOINT CASE
) MANAGEMENT STATEMENT

) Date: May 30, 2007

) Time: 10:30 a.m.

) Place: Courtroom 3

) Hon. Jeremy Fogel

1 All named defendants have been served summons and complaint since the last Case
2 Management Conference (“CMC”) on February 29, 2008.

3 All named defendants have acknowledged proof of service with the exception of: Henry
4 Paulson and defendants sued under the Administrative Procedure Act (“APA”). Henry Paulson
5 was/is named in complaint for securities fraud, antitrust and unfair competition. APA defendants
6 are: James E. Gilleran, John M. Reich, John D. Hawke Jr., John C. Dugan, Susan Schmidt Bies,
7 Donald E. Powell and Sheila C. Bair.

8 During the next Case Management Conference scheduled for May 30, 2008 Plaintiff,
9 Michael Blomquist (“MB”) will request leave to file second amended complaint (“SAC”). SAC
10 will remove all claims and defendants in violation of APA. Henry Paulson was not alleged to
11 have violated the APA and will remain listed as a defendant in the SAC pertaining to charges
12 listed above. MB respectfully requests that proposed hearing for motions to dismiss be delayed
13 until defendants have received SAC.

14 Drafting of SAC will be completed by hired counsel or assisted by reference of recently
15 discovered, related case. Related case has met heightened pleading standard of securities fraud,
16 trial date is pending. Related cases provide an excellent reference for Pro Se litigant, MB and
17 essentially apply to all claims against all defendants. In order to pursue efficient use of Court’s
18 time, MB requests leave to draft SAC until after related, pending case status conference.

19 Request for status conference was filed on May 19, 2008 and is available at,
20 <http://michaelblomquist.com/casespending/07CV06923MRP/Document154.pdf>. Docket and
21 additional links to documents can be found at,
22 <http://michaelblomquist.com/casespending/07CV06923MRP/Docket.htm>.

23 It should be noted that all related cases reference the guidance on non-traditional
24 mortgage products. MB was instrumental in the ANPR for Nontraditional mortgage products by
25 persistent phone calls, emails and letters to the agencies, legislators, law enforcement and media.
26 MB was the only broker of potentially millions who should have addressed the fraud and decline
27 in lending standards. MB presented one of the only dissenting comments on Nontraditional
28 mortgage products. The proliferation of these products does not bode well for agents’ desire or

1 regulators ability to uphold fiduciary duties. MB's comments can, found at,

2 <http://www.fdic.gov/regulations/laws/federal/2005/05comguide.html>

3 Ironically, one of Countrywide's defenses in related securities fraud case above is the
4 "Truth-on-the-Market" stating that investors knew the true facts concerning Countrywide's
5 unsound lending practices, available at p. 34,

6 <http://michaelblomquist.com/casespending/07CV06923MRP/Document120.pdf>

7 In this same document a former Countrywide loan processor in Alaska explained that
8 branch managers pushed low or no documentation loans... borrowers were often approved for
9 loans based on patently ridiculous stated incomes, including a cab driver who claimed to earn
10 \$13,000 per month, available at p. 49,

11 <http://michaelblomquist.com/casespending/07CV06923MRP/Document120.pdf>

12 This defense and employee's statement raises questions as to how S&P, Moodys, Fitch or
13 investment bankers could properly rate and underwrite debt offerings which aided and abetted
14 original loan fraud, see *Aiello v. Lehman* 471 F. 3d 977 also available at,

15 <http://michaelblomquist.com/case-law/aiello-v-lehman/>

16 In support of SAC, MB references document No. 10 of related case. Document No. 10 is
17 a standing order file by Judge John F. Walter and states,

18 Even after a Complaint has been amended or a responsive pleading has been
19 served, the Federal Rules provide that leave to amend should be "freely given when
20 justice so requires." Fed.R.Civ.P. 15(a). The Ninth Circuit requires that this policy
21 favoring amendment be applied with "extreme liberality." *Morongo Band of Mission*
22 *Indians v. Rose*, 893 F.2d 1074, 1079 (9th Cir. 1999).

23 Available at,

24 <http://www.michaelblomquist.com/casespending/07CV06923MRP/Document10.pdf>

25 Related case was discovered by MB after publication of an article written by Gretchen
26 Morgensen in the New York Times, available at,

27 <http://www.nytimes.com/2008/05/15/business/15countrywide.html>

28 (last viewed on May 20, 2008).

1 MB has had prior conversations with Morgensen regarding lending practices. MB is
2 hopeful Morgensen will write an article about MB's case, which should help MB find legal
3 representation. Although interviewed counsel no longer questions MB's allegations of rampant
4 fraud, many conflicts still exist. In addition, most large plaintiff firms are now committed to
5 multi-billion dollar class actions. Small firms are still willing to accept on a non-contingent
6 basis, but MB cannot afford their services.

7 Additional, related articles by Morgensen are available at,
8 <http://www.nytimes.com/2008/05/18/business/18gret.html> and
9 <http://www.nytimes.com/2008/04/06/business/06gret.html?scp=1&sq=4506+gretchen&st=nyt>
10 (last viewed on May 20, 2008)

11 MB is confident that the majority of discovery can be limited to review and verification
12 of incomes within defendants' "Nontraditional" and traditional loan files. The benefits of this
13 evidence are that there will be no need for interpretation of data or expert testimony; numbers
14 don't lie. In addition, the verification of incomes is easily accomplished through the use of IRS
15 forms 4506 and 4506-T. At the CMC on May 30, 2008, MB will request for initial discovery of
16 "Lender" defendants' loan files. Receipt and verification of said loan files should be sufficient to
17 grant a summary judgment on all claims.

18 Defendant Henry Paulson ("Paulson") has stated on numerous occasions that "laxed
19 lending guidelines" and "market complexities" are the issues behind the credit crisis. MB
20 alleges that rampant fraud is the foundation of this epic crisis and such statements by Paulson are
21 false and misleading. Paulson's false statements do nothing to help homeowners or solve the
22 crisis. Paulson's statements only further conceal fraud and attempt to distance him from these
23 unconscionable crimes.

24 A brief glance at the following chart supports MB's allegations and refutes Paulson's
25 statements. <http://michaelblomquist.com/images/RateResets.png> (last visited May 20, 2008).
26 Option ARMs are considerably more dangerous and destructive than subprime loans. Option
27 ARM payment resets will often cause payment increases of 300% versus a subprime payment
28 increase of 30-50%. Given that we are already at historic highs in the number of foreclosures

1 with a back drop of low unemployment and low interest rates the crisis will get much worse
2 (emphasis added). We are at historic highs in foreclosures, but we have yet to peak in subprime
3 resets. The bulk of Option ARMs will not recast until mid to late 2011.

4 Another concern regarding the accuracy and future of foreclosures are that many lenders
5 have delayed foreclosure proceedings. Lenders could be waiting to foreclose for a variety of
6 reasons; maintain better debt ratings in order to access more debt; knowledge that foreclosures
7 will lead to additional write downs, wait and see what type of bail out programs congress passes.

8 MB knows of numerous borrowers who have not made payments for almost one year and the
9 lenders have yet to file a notice of default. As more borrowers become aware of this fact the
10 problem could create a snow ball effect.

11 MB is confident that the most inflated incomes (egregious violations of loan fraud) are
12 associated with leveraged, "unqualified borrowers" in Santa Clara and San Mateo Counties
13 during relevant periods. A majority of these unqualified borrowers were deceived by extremely
14 low payments found in option ARMs. Studies have found that 36% of loan originations during
15 2006 in the San Jose Metro were option ARMs.

16 After 20 years of experience in the industry MB is highly seasoned and familiar with
17 buyer personalities. MB alleges that unqualified borrowers are most susceptible to predatory,
18 deceptive and coercion to commit fraud. These unqualified borrowers were often encouraged to
19 over-bid on homes. Over-bids would often include seller credits in order to provide
20 exceptionally high commissions to loan agents. In some cases the loan agents would refund
21 some of the proceeds to the borrowers. Unqualified borrowers were not concerned with fees or
22 payments as long as they could purchase a home.

23 During the recent house oversight committee hearing on CEO compensation lending
24 practices and compensation were discussed. Congressman Kanjorski questioned defendant
25 Mozilo as to why 18% of mortgages in a one particular pool had experienced a first payment
26 default. Available at, <http://oversight.house.gov/documents/20080422110749.pdf>. Many of
27 these mortgage pools were sold to foreign investors, insurance companies and pension funds as
28 evidenced in the related case above.

1 MB reaffirms allegations that all Defendants were making fraudulent and misleading
2 statements similar to related, consolidated, multi-billion dollar derivatives cases found at,
3 <http://michaelblomquist.com/casespending/07CV06923MRP/Document41.pdf> and
4 <http://michaelblomquist.com/casespending/07CV05295MRP/Document186.pdf>. Additional
5 related case information involving a Countrywide employee can be found at,
6 <http://www.michaelblomquist.com/casespending/08CV00214LNH/Document15.pdf>

7 MB respectfully requests that the court allow a similar, but delayed prosecution to that of
8 the case listed above. Regardless if MB is able to find representation, MB is confident the
9 procedural guidelines learned from the case above will be extremely helpful, just, and an
10 inexpensive use of the Court's time.

11 MB has been cooperative and hopes to receive the same courtesy from defendants. On
12 Friday April 18, 2008 MB sent an email in hopes of discussing ADR, text found at,
13 <http://michaelblomquist.com/email-1/> to defendants' counsel. Not one response or
14 acknowledgment of email was received by MB. MB had previously granted stipulation to
15 enlargement to respond.

16 Motions to dismiss were filed on time on May 12, 2008. Recent joint case management
17 statement drafted by Experian eludes a level of cooperation that existed for a matter of hours.
18 Email thread can be found at, <http://michaelblomquist.com/email-1/#comment-5>. (To protect
19 against spam email addresses were removed) Defendants' joint case management statement can
20 be found at, <http://www.michaelblomquist.com/Docket/Document76.pdf>

21
22 DATED: May 21, 2008

23 Respectfully submitted,
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