

Thomas T. Demery and Robert E. Rohlwing

Between 1981 and 1986, Thomas T. Demery was President of Income Property Services, Inc. The company specialized in the brokerage, syndication, and finance of multifamily properties and was also retained by the US Department of Housing and Urban Development to serve as a private sector real estate consultant in the area of collecting delinquent debt owed the Department. Private sector consultants were new to HUD. They reported to the Assistant Secretary for Housing Philip Winn. They were known as Demmon's Demons. Roy Demmon was an assistant to the Deputy Assistant Secretary for Multifamily Housing. Thomas Demery, Ron Middleton, Robert E. Rohlwing and Truman Holland were four. As the properties were foreclosed, sold or made current, the "Demmon's Demons" were retired with the exception of Ron Middleton who took over the duties throughout the country.

Mr. Rohlwing became a partner of Tom Demery and Bill Wortley in Income Property Services of Illinois, their new company. Questioned by The Washington Post about his relationship with Rohlwing, "Demery said he was in partnership with Rohlwing in 1984 in a company called Income Property Services of Illinois, which was intended to do mortgage work, he said. It generated no income, Demery said and he left the partnership after three months."

However, in a letter found on Demery's diskettes dated February 22, 1988, Demery states:

"To whom it may concern: I have known William E. Wortley for the last eight years. In 1983, he joined my company, Income Property Services, and served in the capacity of president.

"Prior to Bill's involvement, we did approximately \$3.5 million in loan placements in a three year period. In less than one year, under Bill's direction we placed over \$30 million in Michigan and opened up a similar corporation in Illinois that did over \$100 million in loan placements in eight months.

"In late 1984, Bill bought out the partners in both the Michigan and Illinois operations....."

Mr. Demery failed to mention that prior to its incorporation in Illinois as Income Property Services of Illinois, the same company was known as the Thirty Four Hundred Corp. and had been in business since December 9, 1983.

And Mr. Rohlwing and Mr. Demery retained close ties when they were no longer affiliated in Income Property

Services. After Tom Demery became Assistant Secretary, Mr. Rohlwing was involved with the Flexible Subsidy Program, the Loan Management Set-Aside Program, the Moderate Rehabilitation Program, the Section 202 Program, the Property Disposition Program and acquired a contract with the Department to manage defaulted properties in Region VI, through his new company National Property Services (NPS).

At the same time, Assistant Secretary Demery transferred decision making authority for the Flexible Subsidy Program (Flex-Sub), the Loan Management Set-Aside Program (LMSA), and the Moderate Rehabilitation Program (Mod Rehab) to his immediate Office. The SES Directors in charge of the loan management functions, including the property disposition functions, Don Meyers and Morris Bourne, were transferred (in protest) and replaced by people who were familiar to the Assistant Secretary from his days as a consultant. Whether Mr. Demery had any role in the decision to hire National Property Services for the property management contract in Region VI was the subject of an IG investigation and a Comptroller General investigation, and is at the heart of a law suit brought by a career civil servant in Houston, Roy Santos, who claims to have been transferred involuntarily because of his objections to National Property Services. The Justice Department is still in negotiation with the former employee. It is important to note that each one of these programs (with the exception of Property Disposition) has been the subject of an IG Audit which found that there were examples of mismanagement and excess cost to the Department because of preferential treatment. Examples of Demery's involvements with Rohlwing's HUD projects are set out below:

Item: Demery's phone logs show that Rohlwing was somehow associated with the acquisition or financing of The Granite Properties, Packages 3 and 4a. The Granites are a development in Boston which consists of 1600 units and which were refinanced during the Reagan Administration with political support from Massachusetts. There is, however, controversy about the cost (144% of FMR) and the influence used on certain of the packages. Rohlwing was involved with the Package that went to Benchmark Financial and Israel Roizman.

6/23/87 TL Margaret McCulla (Dem spec asst) re: asking me to schedule a meeting with you, Jim S. Hunter, Courtland & McCulla re: Boston Granite 3 meeting w/Kohen. (Did you talk w/Rohlwing--who wants you to cancel meeting)\*

Sec note: \* Bernie Shriber from Boston HUD called and asked me about a "rumor" that mtg be cancelled-I told him I knew a request was in to you but didn't know anything further.

Note: Kohen in message is Cohen, head of Benchmark Financial.

Item: The Washington Post reported that two of the properties singled out in the IG audit of the Loan Management

Set-Aside (LMSA) Program were owned by Robert Rohlwing. The IG auditors stated that the projects selected for funding directly by Demery did not even qualify for the Program and that, as a result, other projects that should have received the emergency funds went into foreclosure - costing the Government millions of dollars. The investigators said that they could find no documentation to support Demery's decisions.

Item: On 5/29/87, Robert Rohlwing called Tom Demery to ask for a meeting to be set up with a career Division Director and members of the PHA of Green Bay, Wisconsin, who wished to ask for vouchers for their State.

Item: On 9/08/87, Robert Rohlwing called to request consideration of two section 202 grants for Bobby Wright Housing (40 units) and Burrell Brown Housing (40 units). He assured Demery that a request was also coming in from the Governor of Illinois' office.

Item: On June 16-17, 1987 Tom Demery visited Milwaukee, WI. His stated purpose was to "address senior staff of Region V and meet with MGIC (Roger Martin)." But Demery's itinerary shows that he was met by Robert Rohlwing and that Demery, Rohlwing and Martin (introduced to Demery by Sandy Sanders) met with Richard Longabaugh and staff of WEDA. Dinner followed.

On 8/20/87, the Selection Committee (Demery, Dorsey, Covitz) funded 55 units of Mod Rehab for WEDA. In Demery's subsequent memo to Pierce, he describes the reason for funding as "Action as a result of meeting with PHA Directors in June and reviewing their overall State."

In Demery's memorandum of 11/01/87 found on his diskettes; request number 10. was for an additional 55 units for WEDA. The attached page shows that number 10. corresponds to the initials RER, presumably Robert E. Rohlwing.

Also relating to the Moderate Rehabilitation Program, a HUD civil servant, Joel Balsham has stated that Israel Roizman confided to him that Tom Demery had urged him to hire Robert Rohlwing if Mr. Roizman was interested in obtaining Mod Rehab units and that indeed Mr. Roizman did eventually pay Mr. Rohlwing a fee of \$10,000. Israel Roizman had done several Mod Rehab projects in Pennsylvania, New Jersey, and Louisiana and became a close friend of Tom Demery and a key fundraiser for FOOD for Africa. Mr Rohlwing also supported FOOD.

Item: Mr. Demery's actions regarding the 2 million dollar management contract awarded to National Property Services in Region VI are best set forth in the IG Investigation and in a letter to Ms Kelsey Meek of the House Banking Committee from Mr. Santos' lawyer, Mr. Pena. Mr. Pena points out bluntly what many regard as the single most blatant

example of abuse of office ever seen at HUD. Demery  
Phone logs, Calendars, and Diskettes released through the  
Freedom of Information Act (FOIA) show the following:

10/23/86	CAL	Middleton and Rohlwing
12/09/86	TL	Rohlwing
12/18/86	TL	Rohlwing
1/05/87	TL	Rohlwing: needs to see you on 20th: will bring in Pepper and Larry Helmich
1/20/87	CAL	Rohlwing with Cong Pepper and Helmich
4/03/87	TL	Rohlwing
5/04/87	CAL	Coyle/Mosely re: Houston
5/20/87	TL	Bob Rohlwing - Pls call
5/29/87	TL	Rohlwing: Requesting a Meeting with the Green Bay Housing People and Jerry Benoit at TD's convenience discuss Vouchers for Green Bay.
6/10/87	TL	David Kohen re: Benchmark Financial Group -re: Granite properties #3 in Boston. He met you in Philadelphia and is requesting a meeting.
6/11/87	TL	David Cohen of Benchmark Financial Services -re: Granite Properties #3 - Boston. request for a mtg. Dem note: Set it up
6/16/87	CAL	Drives from Chicago to Milwaukee with Rohlwing
6/18/87	TL	Bob Rohlwing re: said you left a message for him to call "Ed Klopfer at (614) 224-1985" - there's no one at that number; it's a recording. Please advise Dem note: Lieberman Note: L. Lieberman tel # (614) 224-1860
6/23/87	TL	Margaret McCulla (Dem spec asst) re: asking me to schedule a meeting with you, Jim S, Hunter, Courtland & McCulla re: Boston Granite 3 meeting w/Kohen. (Did you talk w/ Rohlwing--who wants you to cancel meeting)* Sec note: * Bernie Shriber from Boston HUD called and asked me about a "rumor" that mtg be cancelled-I told him I knew a request was in to you but didn't know anything further.
6/29/87	TL	Bob Rohlwing (312) 695-3015 - Retd your call of Friday afternoon.
7/23/87	TL	Bob Rohlwing - pls call.
9/08/87	TL	Bob Rohlwing - re: (2) 202 requests: 1. Bobby Wright Housing (40 units) 2. Burrell Brown Housing (40 units) request being made from the Governor's office (IL)
9/22/87	TL	Bob Rohlwing -pls call.
10/20/87	CAL	Mtg: Rohlwing
11/2/87	TL	Bob Rohlwing -pls call.
12/1/87	TL	Sam Mosely (Regional Admin)- pls call Dem note: National Properties - illegible - 42 contracts; 41 not prior approval

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		\$200,00-3:00pm
2/29/88	TL	Rohlwing: ret'd your call.
3/02/88	TL	Rohlwing
3/25/88	TL	Rohlwing
4/06/88	TL	Rohlwing twice
4/18/88	TL	Rohlwing
4/27/88	TL	Rohlwing
6/14/88	TL	Bob Rohlwing - pls call