

MORE ON CHRISTIE'S BELOW-MARKET LOAN GIFT TO A PROSECUTOR IN HIS OFFICE

Update: Here's the document the IRS would use to weigh whether this would count as a below-market loan. I'm trying to figure out precisely where Brown's loan will fall, but given the short term of the loan (10 years) it appears it would not count as a below-market loan. (h/t Duncan)

NYT has a version of the Chris Christie loan story with some details that seem to confirm prostratedragon's suggestion earlier: that the loan Christie gave to the Executive Assistant AUSA (and now First AUSA) in his office, Michele Brown, would probably count as a below-market loan (and therefore a gift) for someone in her financial position.

Mr. Christie said he received a second mortgage on Ms. Brown's home, which was in her name only, and had been receiving regular payments ever since. County records show the loan was dated Oct. 22, 2007, and **carried a 5.5 percent yearly interest rate**, with monthly payments of \$499.22 over 10 years. [my emphasis]

As prostratedragon pointed out, given the reported financial circumstances of Brown and her husband, there's little possibility she could have gotten that rate from a bank.

I get a farthing under 5.5% p.a. using a standard 17B II. From the story, the loan sounds like a second mortgage which under the AUSA's family circumstances especially, would be priced more like a subprime loan –higher.

By 2007 sometime, both seconds and subprimes dried up abruptly and haven't

really recovered since, making the effective interest rate on one a very large number.

Which would make this a gift. A gift that keeps on giving, you might say, particularly since both are now in a position where their potential mutual interest in influencing one another would make this a big ethics no-no. And keeps on giving because Christie hasn't been declaring this source of income on his disclosure forms.

Mr. Christie did not list the loan on his June 21, 2008, personal financial disclosure form as a member of the federal executive branch, which requires the detailing of any assets (like loans or receivables) worth more than \$1,000, and any sources of income of more than \$100 a year. Ms. Comella confirmed that Mr. Christie's final disclosure as a prosecutor also omitted the loan.

Nor did he include the loan on his candidate's disclosure with the New Jersey Election Law Enforcement Commission in April 2009. One of its catchall categories of unearned income requires the detailing of "other income (including interest)" of more than \$100 when the total in that category exceeds \$1,000. Mr. Christie listed Pfizer and three government bonds as the sources of such income, but made no mention of the loan to Ms. Brown.

Golly. You'd think someone trying to sell himself to New Jersey as a big foe of ethically challenged politicians wouldn't make this kind of mistake.

Update: Peterr pointed out this, from Christie's site:

Change ethics laws to require strict disclosure

Under our current legislative ethics

policy, members of the Legislature are allowed to have private sector and outside income that create conflicts of interest – apparent or justified – when they vote on or sponsor legislation that directly affects the source(s) of their income. Lawmakers who have private land developer clients, for example, are allowed to sponsor and vote on land use legislation. Legislators who are paid by organized labor unions are allowed to sponsor and vote on legislation that directly affects organized labor.

It is important to maintain a citizen-legislature, legislative ethics policy should be strengthened to include a requirement that members either recuse themselves from actions that affect their private sector interests, or that they publicly disclose these conflicts when they occur.

The new policy will be tailored to affect those occasions when the legislator knowingly has a private sector interest affected by the legislative matter at hand.

With these disclosures, the public would be able to accurately monitor whether legislators' private income is affected by their actions as members of the Legislature. The public should not have to rely solely on law enforcement agencies to uncover these ties in connection with the occasional criminal investigation. Christie will strengthen ethics laws by ensuring the transparency necessary to restore confidence in the legislative branch of government is in place.

Mind you, Christie is focused on legislative transparency, not executive branch transparency. But I do wonder whether Christie recused himself from discussions about Brown's promotion?