

RE: HEATHER FOLEY/CONSTITUENT SERVICE/FOLEY' PERSONAL POLITICAL POWER  
(SEE: LETTER/PHONE CALL BY FOLEY/KOREAGATE)

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(PAGE 1 OF 2 PAGES)

FILE: \_\_\_\_\_

"DID PRESSURE FROM LAWMAKER'S WIFE RESULT IN LOAN APPROVAL?" *Clipping*

by Dean Katz  
Times Washington bureau

WASHINGTON — When a congressman gets a call from the

home district to help resolve a constituent problem, what starts out as an attempt to help cut through government red tape

sometimes can turn into pressure politics.

A case involving Heather Foley, the wife of Representative Tom Foley, Spokane Democrat, straddles the fine line between inquiry and interference.

Mrs. Foley made repeated telephone calls to federal officials on behalf of a group of constituents trying to get a \$1.4 million loan

guarantee from the Farmers Home Administration. The money was to be used to establish a ski resort called Bluewood in the Blue Mountains in Southeastern Washington.

The group called Foley's office for help after state F.H.A. officials expressed concern whether the project could make it financially.

Mrs. Foley, who doubles as the congressman's administrative assistant, said: "I don't think we did anything you don't normally do as a congressional office."

She said the partnership seeking the loan guarantee thought the director of the state F.H.A. office then, Mike Horan, "was prejudiced against them. All I did was get them a hearing."

But Foley is chairman of the House Agriculture Committee and wields significant power over the budget and programs of the federal Agriculture Department, which counts among its agencies the F.H.A.

Horan, now an orchardist in Wenatchee, said the loan guarantee was rejected three times by his office but, each time, was "resurrected" by officials in Washington, D.C., after they received phone calls from Foley's office.

"It was the most politically influenced loan during the 9½ years I was state director," Horan said. "There was a lot of political pressure out of Congressman Foley's office."

Horan said the state F.H.A. office's "analysis was that there wouldn't be enough business generated to make it profitable. Even today, I don't think it was a good loan."

Horan said there is "no doubt" that the national office bent under the pressure of the repeated inquiries.

"The national office didn't like

6 20 80

(PAGE 2 OF 2 PAGES)

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the loan, either," he said. "Nobody did, except the 400 people who invested."

Horan was appointed under the Republican administration of Richard Nixon, and his father, Walter Horan, was the incumbent Republican congressman whom Foley defeated in 1964 when he first was elected to the House.

But Horan dismissed any suggestion that politics was at play in his comments, noting that he stayed on for nearly two years after President Carter took office.

Foley responded: "If he thought my office was exercising improper pressure on the loan, I think he had an obligation to report it to me. Why didn't he bring it up then?"

As for Horan's suggestion of excessive political pressure, Foley said: "That's a value judgment. I remember that the matter had come back here a couple of times for a review. I was aware that the loan had gone to Washington for review, but that's not unusual."

Keith Sattler, a Democratic Party chairman in Walla Walla County who was appointed as Horan's replacement in late 1978, said that on December, 6, 1976, the state office sent a letter to Washington, D.C., which said, in part:

"We still have many reservations concerning the project but feel that using an outside consultant to advise us on how to proceed should be followed, and his recommendation is that the loan guarantee should be approved."

On December 20, the national office wrote back, authorizing processing of the loan guarantee, Sattler said.

After the application had been rejected by the state office three times and sent back by Washington, D.C., for yet another review, Horan said his office set preconditions for the loan guarantee that "we thought no bank would agree with, but they did, so we approved it on the fourth try."

Sattler, who was appointed to the state F.H.A. post with Foley's blessing, during an interview read only a selected part of one letter in the Bluewood file.

A review of the 4-inch-thick file in federal F.H.A. headquarters shows that Horan and other F.H.A. officials at the national office expressed repeated concern about and opposition to the project.

Heather Foley said that when the Bluewood group contacted her she called F.H.A. and "asked them to give the application a fair review. I called various people at the F.H.A., at the most 10 times. It may have been five times. But never, ever did we ask for them to make a decision they didn't consider in their best judgment."

Mrs. Foley said that putting pressure on federal agencies "has never been Tom's style and I wouldn't be in the office if I did something like that."

Foley said he hopes his position as chairman of the Agriculture Committee "carries a little extra special weight, or I'd be disappointed."

"As chairman, I have vigorously pursued requests with this and previous administrations and been turned down. I have made some strong representations with some departments — right to the point of introducing special bills, and I don't make any apologies for that — but never anything that could be construed as excessive pressure."

"On loans, we have always been extremely careful to not ask an agency to make any loan they do not feel is an appropriate loan."

"I still don't understand, frankly, what the fuss is all about . . . As far as we were concerned, we were trying to help the economy of a depressed area. I have no connection with any of the people who were supporting this."

Sattler said the business- and industrial-loan guarantee program is used only if a bank already has agreed to make a loan to the business involved.

Although the key government approval was granted in 1976, Bluewood has not yet met all the conditions necessary to obtain the loan guarantee, Sattler said. Final approval is expected from state F.H.A. officials before the end of the month.