Politics

How Donald Trump inflated his net worth to lenders and investors

By David A. Fahrenthold and Jonathan O'Connell March 28, 2019

When Donald Trump wanted to make a good impression — on a lender, a business partner, or a journalist — he sometimes sent them official-looking documents called "Statements of Financial Condition."

These documents sometimes ran up to 20 pages. They were full of numbers, laying out Trump's properties, debts and multibillion-dollar net worth.

But, for someone trying to get a true picture of Trump's net worth, the documents were deeply flawed. Some simply omitted properties that carried big debts. Some assets were overvalued. And some key numbers were wrong.

Trump's 'statements of financial condition'

See the full documents here

- 2011 statement
- 2012 statement
- 2013 statement

For instance, Trump's financial statement for 2011 said he had 55 home lots to sell at his golf course in Southern California. Those lots would sell for $3 million or more, the statement said.

But Trump had only 31 lots zoned and ready for sale at the course, according to city records. He claimed credit for 24 lots — and at least $72 million in future revenue — he didn't have.

He also claimed his Virginia vineyard had 2,000 acres, when it really has about 1,200. He said Trump Tower has 68 stories. It has 58.

Gives incorrect number of home lots in California

At that point, only 36 lots were actually approved for sale, and by this point 5 had already been sold. That left 31 – not 55 – available for sale. Since Trump

was promising he could sell them for at least $3 million each, there was a $72 million gap between his claims and reality.

Adds 10 stories to Trump Tower

Trump Tower only has 58 stories, but Trump re-numbered the floors to make it seem taller.

Now, investigators on Capitol Hill and in New York are homing in on these unusual documents in an apparent attempt to determine whether Trump's familiar habit of bragging about his wealth ever crossed a line into fraud.

The statements are at the center of at least two of the inquiries that continue to follow Trump, unaffected by the end of special counsel Robert S. Mueller III's investigation. On Wednesday, the House Committee on Oversight and Reform said it had requested 10 years of these statements from Trump's accounting firm, Mazars USA.

And earlier this month, the New York state Department of Financial Services subpoenaed records from Trump's longtime insurer, Aon. A person familiar with that subpoena, who spoke on the condition of anonymity to describe an ongoing investigation, said "a key component" was questions about whether Trump had given Aon these documents in an effort to lower his insurance premiums.

Both inquiries stemmed from testimony last month by Trump's former lawyer Michael Cohen, who told Congress that Trump had used these statements to inflate his wealth — and then sent them to his lenders and his insurers.

Michael Cohen, former personal attorney to President Trump, testified before the House Oversight Committee on Feb. 27 and submitted some of Trump's financial statements as exhibits. (Matt McClain/The Washington Post)

"Mr. Trump is a cheat," Cohen said, in describing what the statements showed.

Cohen told Congress that statements were given to Deutsche Bank, as Trump sought a loan to buy the NFL's Buffalo Bills. Since then, Deutsche Bank and another Trump lender have also received subpoenas, from the New York State attorney general.

The statements may additionally draw the interest of the House Financial Services Committee, which is scrutinizing Deutsche. A committee spokesman declined to comment.

The White House declined to comment for this report.

The Trump Organization also declined to comment about the statements or answer questions about specific errors the statements contained. Donald Trump Jr. and Eric Trump, the president's sons who are running his business, noted on social media that Cohen has provided false testimony about other topics.

Mazars USA, the accounting firm, issued a brief statement Wednesday after the House Oversight letter became public, saying that it "believes strongly in the ethical and professional rules and regulations that govern our industry, our work and our client interactions." It declined to comment further about Trump.

The Washington Post reviewed copies of these documents for 2002, 2004, 2011, 2012 and 2013 — obtaining them from court files, from people who received them from Trump's company, and from Cohen. Cohen also provided copies of documents from 2011, 2012 and 2013 to Congress.

Since the 1980s, Trump has defined himself by his wealth, but he has often avoided providing proof to back up his boasts or provided documents that inflated the real values. As president, Trump has declined to release his tax returns, unlike every president since Jimmy Carter.

Trump is far from the first real estate developer to inflate his projects or wealth. But there are laws aainst defrauding insurers and lenders with false information. Financial and legal experts said it's unclear at this point whether Trump will face any legal consequences. They said it depends on whether Trump intended to mislead or whether the misstatements caused anyone to give him a financial benefit.

"How much would [the errors] impact an investor?" said Kyle Welch, an assistant professor of accountancy at George Washington University. "If it's systematic and it's across the board, and it's all in one direction, that's where you have a problem."

Welch said Trump could be protected by disclaimers that his own accountants added to the statements, warning readers that they weren't seeing the full picture. And in an odd way, Welch said, Trump could be helped by the sheer scale of the exaggerations. They were so far off from reality, Welch wondered whether any real bank or insurer could have been fooled.

Welch said he'd never seen a document stretch so far past the normal conventions of accounting.

"It's humorous," Welch said. "It's a humorous financial statement."

Investigators for the New York State Department of Financial Services, which sent subpoenas to Aon, and the New York State attorney general — who subpoenaed Deutsche Bank — declined to comment. Aon and Deutsche Bank also declined to comment, beyond saying they plan to cooperate with investigators.

The story of Trump's "statements of financial condition" — in essence, sales brochures for Trump the man, given out by Trump the company — goes back to the early 1980s, according to past testimony from Trump's accountants and staffers.

In 2007, a Trump lawyer named Michelle Lokey said she had sent these statements out to Trump's lenders, for projects in Chicago and Las Vegas, because Trump had personally guaranteed those loans. That meant that if Trump's company defaulted on its obligations, the lenders could come after Trump's personal assets.

"Therefore they'd want information on his net worth?" an attorney asked Lokey.

"I assume," she said.

The statements were prepared by Trump's longtime accountants, a firm now called Mazars. In other contexts — such as when one of Trump's companies was seeking to secure a federal contract — this firm prepared rigorously audited financial statements.

This was a different sort of job.

When compiling these statements of financial condition, those accountants have said they did not verify or audit the figures in the statements. Instead, when Trump provided them data, they wrote it down without checking to see whether it was accurate.

"In the compilation process, it is not the role of the accountant to assess the values," said Gerald J. Rosenblum, one of the accountants. "The role is to accept those values and move them forward."

An attorney asked: Do the values have to be logical?

"The value per se does not have to be logical," Rosenblum said. He and Lokey were deposed as part of a lawsuit in which Trump sued a New York Times reporter for allegedly lowballing his net worth. Trump's suit against the reporter was later dismissed.

In 2014, Trump used the same accounting firm to prepare financial information

for his most expensive development project in decades, his $200 million transformation of the historic Old Post Office Pavilion in downtown Washington into a Trump International Hotel.

But in that case, Mazars vouched for the accuracy of the information, writing that the firm “is responsible for the preparation and fair presentation of these financial statements” using industry standard accounting rules. This was a formal audit of finances related just to Trump’s D.C. hotel, rather than a summation of all of his assets based on Trump’s own estimates.

The statements Cohen provided to The Post — and to Congress — begin in 2011. Two of them are 20-page “Statements of Financial Condition” signed by Trump’s accountants.

In his testimony to Congress, Cohen said these statements included Trump’s self-appraisals of his buildings’ value — which aimed to impress, instead of aiming for reality. Cohen said Trump would take real measures of value, such as the amount of money his tenants paid in rent, and simply inflate it until he got a number he liked.

“If you’re going off of your rent roll, you go by the gross rent roll times a multiple,” Cohen said. “And you make up the multiple.”

The documents begin with two-page disclaimers, warning of various ways in which the statements don’t follow normal accounting rules. The accountants note that Trump is the source of many buildings’ valuations — and that, contrary to normal accounting rules, he had inflated them by counting future income that wasn’t guaranteed.

Accountant's warning

Trump calls this a "statement of financial condition." But right away, his accounting firm is warning readers that it hasn't checked anything in this document to be sure it's accurate.

The accountants also note that Trump had told them to simply omit two of his major hotels, in Chicago and Las Vegas. Both buildings were carrying mortgages. That omission means that some of Trump’s actual debt load was hidden from anyone reading the statement.

“Users of this financial statement should recognize that they might reach different conclusions about the financial condition of Donald J. Trump” if they had more information, the statement concludes.

Legal experts interviewed by The Post said that sort of broad disclaimer might shield Trump from allegations that he misled his lenders and insurers. After all, his own accountants told readers they weren't getting the full story.

"The transparent disclaimers — even if frustrating — typically wipe out a basis" for bringing charges of fraud, said Jacob Frenkel, a former federal prosecutor who is now a private attorney at Dickinson Wright.

In 2012, Trump's statement said he owned a 2,000-acre vineyard in Virginia. But land records in Virginia show the Trump family owns about 1,200 acres. The Trump winery's own website says 1,300 acres.

Exaggerates size of vineyard

The vineyard sits on a 1,205 acre property, of which only about 227 acres are planted with grapes.

In 2011, the statements said that Trump's Seven Springs estate in Westchester County, N.Y., was "zoned for nine luxurious homes." In the statement, Trump said those homes would yield significant cash flow as he built them and sold them. That led him to value the property at $261 million — far more than the roughly $20 million value assigned by local assessors.

Exaggerates value of Westchester County estate

At the time, local officials assessed the land's value at about $20 million, a fraction of the value Trump assessed.

At the time, Trump had received preliminary "conceptual approval" to build homes on the site. But local officials said he never finished the last step in the approval process to build the homes or sell the lots.

None of the homes was built.

The 2013 statement that Cohen provided — and which he said was also given to Deutsche Bank, in pursuit of a loan to buy the Bills — is different from the other two.

It is just two pages long, with a slightly different title: "Summary of Net Worth." It does not include the usual disclaimer from Trump's accountants, so readers aren't told that the debts from Trump's Chicago and Las Vegas hotels are missing.

Two buildings are missing

Here, Trump is exaggerating his wealth by leaving two major parts of his portfolio out. His buildings in Las Vegas and Chicago -- both of which had loans attached to them -- are simply left out of this statement. Without them, readers can't get a full picture of how much he owes, and to whom.

This document also includes a new “asset” that wasn’t there before.

It says that Trump’s brand value — his name, essentially — was worth $4 billion, and that it ought to be counted among his assets as if it were a building or a resort. With his brand included, Trump’s net worth jumped from $4.6 billion to $8.6 billion.

Trump’s $4 billion asset

Trump added “brand value” as an asset in 2013, valued at $4 billion, doubling his net worth from previous years.

Total assets in 2013:

$9.2B

$9B

Brand

value

$6B

Total assets

Properties

under

development

Club facilities and

related real estate

$3B

Commercial

properties

Residential

properties

Real estate

licensing

Joint ventures

Other assets

0

Cash/

securities

2011

2012

2013

For Trump, the Bills would have been a financial prize far larger than any he had won in the recent past: Bids were expected to be around $1 billion.

In public, Trump had bragged that he was ready to pay $1 billion in cash. But privately, one of his lieutenants told a business contact that they were struggling with the bid.

"We are looking at the Bills but Allen and I are having trouble making the numbers work!!!" wrote Ron Lieberman, an executive vice president at the Trump Organization, in an email to a contact in the New York City parks department. "Allen" likely meant Allen Weisselberg, Trump's longtime chief financial officer.

Lieberman's email was released this year in response to a public-records request from a nonprofit group, NYC Park Advocates. Lieberman and Weisselberg did not respond to requests for comment this week.

Whatever Trump sent to Deutsche Bank, it seems to have been enough: The New York Times reported that Deutsche Bank agreed to vouch for Trump's bid for the Bills, citing an unnamed executive. But Trump lost a bidding war, and somebody else bought the team.