The New York Times
nytimes.com

September 30, 1999

Fannie Mae Eases Credit To Aid Mortgage Lending

By STEVEN A. HOLMES

In a move that could help increase home ownership rates among minorities and low-income consumers, the Fannie Mae Corporation is easing the credit requirements on loans that it will purchase from banks and other lenders.

The action, which will begin as a pilot program involving 24 banks in 15 markets -- including the New York metropolitan region -- will encourage those banks to extend home mortgages to individuals whose credit is generally not good enough to qualify for conventional loans. Fannie Mae officials say they hope to make it a nationwide program by next spring.

Fannie Mae, the nation's biggest underwriter of home mortgages, has been under increasing pressure from the Clinton Administration to expand mortgage loans among low and moderate income people and felt pressure from stock holders to maintain its phenomenal growth in profits.

In addition, banks, thrift institutions and mortgage companies have been pressing Fannie Mae to help them make more loans to so-called subprime borrowers. These borrowers whose incomes, credit ratings and savings are not good enough to qualify for conventional loans, can only get loans from finance companies that charge much higher interest rates -- anywhere from three to four percentage points higher than conventional loans.

''Fannie Mae has expanded home ownership for millions of families in the 1990's by reducing down payment requirements,'' said Franklin D. Raines, Fannie Mae's chairman and chief executive officer. ''Yet there remain too many borrowers whose credit is just a notch below what our underwriting has required who have been relegated to paying significantly higher mortgage rates in the so-called subprime market.''

Demographic information on these borrowers is sketchy. But at least one study indicates that 18 percent of the loans in the subprime market went to black borrowers, compared to 5 per cent of loans in the conventional loan market.

In moving, even tentatively, into this new area of lending, Fannie Mae is taking on significantly more risk, which may not pose any difficulties during flush economic times. But the government-subsidized corporation may run into trouble in an economic downturn, prompting a government rescue similar to that of the savings and loan industry in the 1980's.

''From the perspective of many people, including me, this is another thrift industry growing up around us,'' said Peter Wallison a resident fellow at the American Enterprise Institute. ''If they fail, the government will have to step up and bail them out the way it stepped up and bailed out the thrift industry.''

Under Fannie Mae's pilot program, consumers who qualify can secure a mortgage with an interest rate one percentage point above that of a conventional, 30-year fixed rate mortgage of less than $240,000 -- a rate that currently averages about 7.76 per cent. If the borrower makes his or her monthly payments on time for two years, the one percentage point premium is dropped.

Fannie Mae, the nation's biggest underwriter of home mortgages, does not lend money directly to consumers. Instead, it purchases loans that banks make on what is called the secondary market. By expanding the type of loans that it will buy, Fannie Mae is hoping to spur banks to make more loans to people with less-than-stellar credit ratings.

Fannie Mae officials stress that the new mortgages will be extended to all potential borrowers who can qualify for a mortgage. But they add that the move is intended in part to increase the number of minority and low income home owners who tend to have worse credit ratings than non-Hispanic whites.

Home ownership has, in fact, exploded among minorities during the economic boom of the 1990's. The number of mortgages extended to Hispanic applicants jumped by 87.2 per cent from 1993 to 1998, according to Harvard University's Joint Center for Housing Studies. During that same period the number of African Americans who got mortgages to buy a home increased by 71.9 per cent and the number of Asian Americans by 46.3 per cent.

In contrast, the number of non-Hispanic whites who received loans for homes increased by 31.2 per cent.

Despite these gains, home ownership rates for minorities continue to lag behind non-Hispanic whites, in part because blacks and Hispanics in particular tend to have on average worse credit ratings.

In July, the Department of Housing and Urban Development proposed that by the year 2001, 50 percent of Fannie Mae's and Freddie Mac's portfolio be made up of loans to low and moderate-income borrowers. Last year, 44 percent of the loans Fannie Mae purchased were from these groups.

The change in policy also comes at the same time that HUD is investigating allegations of racial discrimination in the automated underwriting systems used by Fannie Mae and Freddie Mac to determine the credit-worthiness of credit applicants.

Congress of the United States
Washington, DC 20515

June 28, 2004

The Honorable George W. Bush
President of the United States
The White House
Washington, DC 20050

Dear Mr. President:

We urge you to reconsider your Administration's criticisms of the housing-related government sponsored enterprises (the "GSEs") and instead work with Congress to strengthen the mission and oversight of the GSEs.

We write as members of the House of Representatives who continually press the GSEs to do more in affordable housing. Until recently, we have been disappointed that the Administration has not been more supportive of our efforts to press the GSEs to do more. We have been concerned that the Administration's legislative proposal regarding the GSEs would weaken affordable housing performance by the GSEs, by emphasizing only safety and soundness. While the GSEs' affordable housing mission is not in any way incompatible with their safety and soundness, an exclusive focus on safety and soundness is likely to come, in practice, at the expense of affordable housing.

We have been led to conclude that the Administration does not appreciate the importance of the GSE's affordable housing mission, as evidenced by its refusal to work with the House and Senate on this important legislation. It now appears that, because Congress has not been willing to jeopardize the GSE's mission, the Administration has turned to attacking the GSEs publicly. We are very concerned that the Administration would work to foster negative opinions in the financial markets regarding the GSEs, raising their cost of financing. If the intent is to get pro-housing members of Congress to weaken their support of the GSEs' mission, it is a mistaken strategy.

Our position is not based on institutional loyalty, but on concern for the GSE's affordable housing function. We appeal to you to agree to work on legislative proposals that foster sound oversight and vigorous affordable housing efforts instead of mounting assaults in the press. We also ask you to support our efforts to push the GSEs to do more affordable housing. Specifically, join us in advocating for more innovative loan products and programs for people who desire to buy manufactured housing, similar products to preserve as affordable and rehabilitate aging affordable housing, and more meaningful GSE affordable housing goals from HUD.

The President
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For example, as a President that has a sincere appreciation for rural America, we urge you to direct the Rural Housing Service to place a high priority on working with the GSEs to close as many loans as possible this year to preserve the Section 515 rural housing stock, which is home to some of this country's poorest citizens.

In closing, we reiterate that an exclusive emphasis on safety and soundness, without an appropriate balance in focus on the affordable housing mission of the GSEs, is misplaced. Strong safety and soundness regulation and a vigorous affordable housing mission are not only compatible, but will reinforce each other. We ask you to work with us to craft legislation that achieves the proper balance in both areas.

Sincerely,

REP. BARNEY FRANK

REP. NANCY PELOSI

REP. PAUL E. KANJORSKI

REP. STENY H. HOYER

REP. MAXINE WATERS

REP. JOHN D. DINGELL

REP. CAROLYN B. MALONEY

REP. TOM LANTOS

REP. LUIS V. GUTIERREZ

REP. J.

REP. MELVIN L. WATT

REP. LUCILLE ROYBAL-ALLARD

REP. GEORGE MILLER

REP. CHARLES B. RANGEL

REP. DARLENE HOOLEY

REP. ROBERT T. MATSUI

REP. RUBEN HINOJOSA

REP. EARL BLUMENAUER

REP. SANFORD D. BISHOP, JR.

REP. JULIA CARSON

REP. GREGORY MEEKS

REP. MICHAEL CAPUANO

REP. EDOLPHUS TOWNS

REP. BENNIE G. THOMPSON

REP. DANNY K. DAVIS

REP. BRAD MILLER

REP. RAUL M. GRIJALVA

REP. MARCY KAPTUR

REP. ELEANOR HOLMES NORTON

REP. DONALD M. PAYNE

REP. BRAD SHERMAN

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REP. Wm. LACY CLAY

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REP. DONNA M. CHRISTENSEN

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REP. PATRICK KENNEDY

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REP. JIM McDERMOTT

REP. MARTIN T. MEEHAN

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REP. MICHAEL M. HONDA

REP. ROBERT MENENDEZ

REP. MIKE ROSS

REP. JIM MARSHALL

REP. GARY L. ACKERMAN

REP. DAVID E. PRICE

REP. NICK J. RAHALL, II

Bank Mess *Started* With Gov't Intervention

By THOMAS SOWELL | Posted Monday, July 21, 2008 4:30 PM PT

In one of those front-page editorials disguised as "news" stories, the New York Times blames "the lucrative lending practices" of banks and other financial institutions for helping create the current financial crisis of millions of borrowers and of the financial system in general.

It must take either a willful determination to believe whatever they want to believe or a cynical desire to propagandize their readers for the New York Times to call "lucrative" the lending practices that have caused many lenders to lose millions of dollars, some to lose billions and some to go bankrupt themselves.

Blaming the lenders is the party line of congressional Democrats as well. What we need is more government regulation of lenders, they say, to protect the innocent borrowers from "predatory" lending practices.

Before going further down that road, it may be useful to look back at what got us into this mess in the first place.

It was not that many years ago when there was moral outrage ringing throughout the media because lenders were reluctant to lend in certain neighborhoods and because banks did not approve mortgage loan applications from blacks as often as they approved mortgage loan applications from whites.

All this was an opening salvo in a campaign to get Congress to pass laws forcing lenders to lend to people they would not otherwise lend to and in places where they would not otherwise put their money.

Banks' Dilemma

The practice of not lending in some neighborhoods was demonized as "redlining" and the fact that minority applicants were approved for mortgages only 72% of the time, while whites were approved 89%, was called "overwhelming" evidence of discrimination by the Washington Post.

Some people are more easily overwhelmed than others, especially when they find statistics that seem to fit their preconceptions. But if we do what politicians and the media seldom bother to do — stop and think — an entirely different picture emerges.

In our own personal lives, common sense leads us to avoid some neighborhoods. If you want to call that "redlining," so be it. But places where it is dangerous to go are often also places where it is dangerous to send your money.

As for racial differences in mortgage loan application approval rates, that does not tell you much if you are comparing apples and oranges. Income, credit history and net worth are just some of the things that are very different from one group to another.

More important, in the same ways that blacks differ from whites, whites differ from Asian Americans. The fact that whites are turned down for conventional mortgage loans, and resort to subprime loans, more often than Asian Americans do is seldom reported in "news" stories about lending practices, even though such data are readily available.

Shocking as it may be to some, lenders are in the business of making money, and they don't much care whose money it is, so long as they get paid. Politicians, on the other hand, are in the business of getting votes, and they don't much care whose votes it is — or what they have to say or do in order to get those votes.

It was government intervention in the financial markets, which is now supposed to save the situation, that created the problem in the first place.

Laws and regulations pressured lending institutions to lend to people that they were not lending to, given the economic realities.

Forced Lending

The Community Reinvestment Act forced them to lend in places where they didn't want to send money, and where neither they nor politicians wanted to walk.

Now that this whole situation has blown up in everybody's face, the government intervention that brought on this disaster in is supposed to save the day.

Politics is largely the process of taking credit and putting the blame on others — regardless of what the facts may be. Politicians get away with this to the extent that we gullibly accept their words and look to them as political messiahs.

Obama Sued Citibank Under CRA to Force it to Make Bad Loans

Posted by: Dr. Richard Swier | 10/04/2008 4:53 PM

Do you remember how we told you that the Democrats and groups associated with them leaned on banks and even sued to get them to make bad loans under the Community Reinvestment Act which was a factor in causing the economic crisis (see HERE and HERE) ... well look at what some fellow bloggers have dug up while researching Obama's legal career. Looks like a typical ACORN lawsuit to get banks to hand out bad loans.

In these lawsuits, ACORN makes a bogus claim of Redlining (denying poor people loans because of their ethnic heritage). They protest and get the local media to raise a big stink. This stink means that the bank faces thousands of people closing their accounts and get local politicians to lobby to stop the bank from doing some future business, expansions and mergers. If the bank goes to court, they will win, but the damage is already done because who is going to launch a big campaign to get the bank's reputation back?

It is important to understand the nature of these lawsuits and what their purpose is. ACORN filed tons of these lawsuits and ALL of them allege racism.

Case Name
Buycks-Roberson v. Citibank Fed. Sav. Bank Fair Housing/Lending/Insurance
Docket / Court 94 C 4094 (N.D. Ill.) FH-IL-0011
State/Territory Illinois

Case Summary
Plaintiffs filed their class action lawsuit on July 6, 1994, alleging that Citibank had engaged in redlining practices in the Chicago metropolitan area in violation of the Equal Credit Opportunity Act (ECOA), 15 U.S.C. 1691; the Fair Housing Act, 42 U.S.C. 3601-3619; the Thirteenth Amendment to the U.S. Constitution; and 42 U.S.C. 1981, 1982.

Plaintiffs alleged that the Defendant-bank rejected loan applications of minority applicants while approving loan applications filed by white applicants with similar financial characteristics and credit histories. Plaintiffs sought injunctive relief, actual damages, and punitive damages.

U.S. District Court Judge Ruben Castillo certified the Plaintiffs' suit as a class action on June 30, 1995. Buycks-Roberson v. Citibank Fed. Sav. Bank, 162 F.R.D. 322 (N.D. Ill. 1995). Also on June 30, Judge Castillo granted Plaintiffs' motion to compel discovery of a sample of Defendant-bank's loan application files. Buycks-Roberson v. Citibank Fed. Sav. Bank, 162 F.R.D. 338 (N.D. Ill. 1995).

The parties voluntarily dismissed the case on May 12, 1998, pursuant to a settlement agreement.

Plaintiff's Lawyers Alexis, Hilary I. (Illinois)
FH-IL-0011-7500 | FH-IL-0011-7501 | FH-IL-0011-9000
Childers, Michael Allen (Illinois)
FH-IL-0011-7500 | FH-IL-0011-7501 | FH-IL-0011-9000
Clayton, Fay (Illinois)
FH-IL-0011-7500 | FH-IL-0011-7501 | FH-IL-0011-9000
Cummings, Jeffrey Irvine (Illinois)
FH-IL-0011-7500 | FH-IL-0011-7501 | FH-IL-0011-9000
Love, Sara Norris (Virginia)
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Miner, Judson Hirsch (Illinois)
FH-IL-0011-7500 | FH-IL-0011-9000
Obama, Barack H. (Illinois)
FH-IL-0011-7500 | FH-IL-0011-7501 | FH-IL-0011-9000
Wickert, John Henry (Illinois)
FH-IL-0011-9000

IBDeditorials.com

The Real Culprits In This Meltdown

By INVESTOR'S BUSINESS DAILY | Posted Monday, September 15, 2008

Big Government: Barack Obama and Democrats blame the historic financial turmoil on the market. But if it's dysfunctional, Democrats during the Clinton years are a prime reason for it.

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Obama in a statement yesterday blamed the shocking new round of subprime-related bankruptcies on the free-market system, and specifically the "trickle-down" economics of the Bush administration, which he tried to gig opponent John McCain for wanting to extend.

But it was the Clinton administration, obsessed with multiculturalism, that dictated where mortgage lenders could lend, and originally helped create the market for the high-risk subprime loans now infecting like a retrovirus the balance sheets of many of Wall Street's most revered institutions.

Tough new regulations forced lenders into high-risk areas where they had no choice but to lower lending standards to make the loans that sound business practices had previously guarded against making. It was either that or face stiff government penalties.

The untold story in this whole national crisis is that President Clinton put on steroids the Community Reinvestment Act*, a well-intended Carter-era law designed to encourage minority homeownership. And in so doing, he helped create the market for the risky subprime loans that he and Democrats now decry as not only greedy but "predatory."

Yes, the market was fueled by greed and overleveraging in the secondary market for subprimes, vis-a-vis mortgaged-backed securities traded on Wall Street. But the seed was planted in the '90s by Clinton and his social engineers. They were the political catalyst behind this slow-motion financial train wreck.

And it was the Clinton administration that mismanaged the quasi-governmental agencies that over the decades have come to manage the real estate market in America.

As soon as Clinton crony Franklin Delano Raines took the helm in 1999 at Fannie Mae, for example, he used it as his personal piggy bank, looting it for a total of almost $100 million in compensation by the time he left in early 2005 under an ethical cloud.

Other Clinton cronies, including Janet Reno aide Jamie Gorelick, padded their pockets to the tune of another $75 million.

Raines was accused of overstating earnings and shifting losses so he and other senior executives could earn big bonuses.

In the end, Fannie had to pay a record $400 million civil fine for SEC and other violations, while also agreeing as part of a settlement to make changes in its accounting procedures and ways of managing risk.

But it was too little, too late. Raines had reportedly steered Fannie Mae business to subprime giant Countrywide Financial, which was saved from bankruptcy by Bank of America.

At the same time, the Clinton administration was pushing Fannie and her brother Freddie Mac to buy more mortgages from low-income households.

The Clinton-era corruption, combined with unprecedented catering to affordable-housing lobbyists, resulted in today's nationalization of both Fannie and Freddie, a move that is expected to cost taxpayers tens of billions of dollars.

And the worst is far from over. By the time it is, we'll all be paying for Clinton's social experiment, one that Obama hopes to trump with a whole new round of meddling in the housing and jobs markets. In fact, the social experiment Obama has planned could dwarf both the Great Society and New Deal in size and scope.

There's a political root cause to this mess that we ignore at our peril. If we blame the wrong culprits, we'll learn the wrong lessons. And taxpayers will be on the hook for even larger bailouts down the road.

But the government-can-do-no-wrong crowd just doesn't get it. They won't acknowledge the law of unintended consequences from well-meaning, if misguided, acts.

Obama and Democrats on the Hill think even more regulation and more interference in the market will solve the problem their policies helped cause. For now, unarmed by the historic record, conventional wisdom is buying into their blame-business-first rhetoric and bigger-government solutions.

While government arguably has a role in helping low-income folks buy a home, Clinton went overboard by strong-arming lenders with tougher and tougher regulations, which only led to lenders taking on hundreds of billions in subprime bilge.

Market failure? Hardly. Once again, this crisis has government's fingerprints all over it.

**In the original version of this editorial, the Community Reinvestment Act was mistakenly listed as the "Community Redevelopment Act".*

From the Newport News, Va., Daily Press

Blame the Dems

September 28, 2008

When will the bailouts stop? It is simple math. You can't continue to bail out bad behavior.

Politicians in Congress know that Fannie Mae and Freddie Mac needed reforming years ago. Twelve times since 2001 the Bush administration tried to regulate these agencies to no avail, and the last couple of years Republicans have tried, but the media and Democrats say no. I say no to this bailout.

The root of these problems started with the Carter administration and went into overdrive with Clinton. Attorney General Janet Reno threatened to sue financial institutions that were redlining and made these institutions make loans to people who were not financially worthy or capable of making these payments. When the subprime loan adjustments went in effect, it was no way to pay the piper. Fannie Mae and Freddie Mac, two quasi-government entities, were pushing the subprime mortgages. What were the other financial institutes going to do to stay in business? Yes, jump into the subprime mortgages with both feet.

When liberalism causes a problem, by all means, don't allow the natural equalizer of the free market to cure it. Insist on more government intervention under the theory that the problem is a result of too little government. It's kind of reminiscent of the Marxist promise of the withering away of the state, is it not?

Mark P. Cernak Sr.

Chesapeake

The Federal Reserve Board

Community Reinvestment Act

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The Community Reinvestment Act is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations. It was enacted by the Congress in 1977 (12 U.S.C. 2901) and is implemented by Regulation BB (12 CFR 228). The regulation was substantially revised in May 1995, and was most recently amended in August 2005.

Carter Administration

Clinton Administration

Evaluation of CRA Performance

The CRA requires that each depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities.

Neither the CRA nor its implementing regulation gives specific criteria for rating the performance of depository institutions. Rather, the law indicates that the evaluation process should accommodate an institution's individual circumstances. Nor does the law require institutions to make high-risk loans that jeopardize their safety. To the contrary, the law makes it clear that an institution's CRA activities should be undertaken in a safe and sound manner.

CRA examinations are conducted by the federal agencies that are responsible for supervising depository institutions. Information on this page is related to depository institutions that are examined by the Federal Reserve, mainly state-chartered banks that are members of the Federal Reserve. CRA information on other depository institutions is available from the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS). Interagency information about the CRA is available from the Federal Financial Institutions Examination Council (FFIEC).

Last update: July 10, 2008

SUNDAY, SEPTEMBER 21, 2008

Bush Called For Reform of Fannie Mae & Freddie Mac 17 Times in 2008 Alone... Dems Ignored Warnings

For many years the President and his Administration have not only warned of the systemic consequences of financial turmoil at a housing government-sponsored enterprise (GSE) but also put forward thoughtful plans to reduce the risk that either Fannie Mae or Freddie Mac would encounter such difficulties. **President Bush publicly called for GSE reform 17 times in 2008 alone before Congress acted.**

Unfortunately, **these warnings went unheeded,** as the President's repeated attempts to reform the supervision of these entities were thwarted by the legislative maneuvering of those who emphatically denied there were problems.

The White House released this list of attempts by President Bush to reform Freddie Mae and Freddie Mac since he took office in 2001.
Unfortunately, Congress did not act on the president's warnings:

***** 2001***

April: The Administration's FY02 budget declares that the size of Fannie Mae and Freddie Mac is "a potential problem," because "financial trouble of a large GSE could cause strong repercussions in financial markets, affecting Federally insured entities and economic activity."

***** 2002***

May: The President calls for the disclosure and corporate governance principles contained in his 10-point plan for corporate responsibility to apply to Fannie Mae and Freddie Mac. (OMB Prompt Letter to OFHEO, 5/29/02)

***** 2003***

January: Freddie Mac announces it has to restate financial results for the previous three years.

February: The Office of Federal Housing Enterprise Oversight (OFHEO) releases a report explaining that "although investors perceive an implicit Federal guarantee of [GSE] obligations," "the government has provided no explicit legal backing for them." As a consequence, unexpected problems at a GSE could immediately spread into financial sectors beyond the housing market. ("Systemic Risk: Fannie Mae, Freddie Mac and the Role of OFHEO," OFHEO Report, 2/4/03)

September: Fannie Mae discloses SEC investigation and acknowledges OFHEO's review found earnings manipulations.

September: Treasury Secretary John Snow testifies before the House Financial Services Committee to recommend that Congress enact "legislation to create a new Federal agency to regulate and supervise the financial activities of our housing-related government sponsored enterprises" and set prudent and appropriate minimum capital adequacy requirements.

October: Fannie Mae discloses $1.2 billion accounting error.

November: Council of the Economic Advisers (CEA) Chairman Greg Mankiw explains that any "legislation to reform GSE regulation should empower the new regulator with sufficient strength and credibility to reduce systemic risk." To reduce the potential for systemic instability, the regulator would have "broad authority to set both risk-based and minimum capital standards" and "receivership powers necessary to wind down the affairs of a troubled GSE." (N. Gregory Mankiw, Remarks At The Conference Of State Bank Supervisors State Banking Summit And Leadership, 11/6/03)

***** 2004***

February: The President's FY05 Budget again highlights the risk posed by the explosive growth of the GSEs and their low levels of required capital, and called for creation of a new, world-class regulator: "The Administration has determined that the safety and soundness regulators of the housing GSEs lack sufficient power and stature to meet their responsibilities, and therefore...should be replaced with a new strengthened regulator." (2005 Budget Analytic Perspectives, pg. 83)

February: CEA Chairman Mankiw cautions Congress to "not take [the financial market's] strength for granted." Again, the call from the Administration was to reduce this risk by "ensuring that the housing GSEs are overseen by an effective regulator." (N. Gregory Mankiw, Op-Ed, "Keeping Fannie And Freddie's House In Order," Financial Times, 2/24/04)

June: Deputy Secretary of Treasury Samuel Bodman spotlights the risk posed by the GSEs and called for reform, saying "We do not have a world-class system of supervision of the housing government sponsored enterprises (GSEs), even though the importance of the housing financial system that the GSEs serve demands the best in supervision to ensure the long-term vitality of that system. Therefore, the Administration has called for a new, first class, regulatory supervisor for the three housing GSEs: Fannie Mae, Freddie Mac, and the Federal Home Loan Banking System." (Samuel Bodman, House Financial Services Subcommittee on Oversight and Investigations Testimony, 6/16/04)

***** 2005***

April: Treasury Secretary John Snow repeats his call for GSE reform, saying "Events that have transpired since I testified before this Committee in 2003 reinforce concerns over the systemic risks posed by the GSEs and further highlight the need for real GSE reform to ensure that our housing finance system remains a strong and vibrant source of funding for expanding homeownership opportunities in America... Half-measures will only exacerbate the risks to our financial system." (Secretary John W. Snow, "Testimony Before The U.S. House Financial Services Committee," 4/13/05)

***** 2007***

July: Two Bear Stearns hedge funds invested in mortgage securities collapse.

August: President Bush emphatically calls on Congress to pass a reform package for Fannie Mae and Freddie Mac, saying "first things first when it comes to those two institutions. Congress needs to get them reformed, get them streamlined, get them focused, and then I will consider other options." (President George W. Bush, Press Conference, The White House, 8/9/07)

September: RealtyTrac announces foreclosure filings up 243,000 in August – up 115 percent from the year before.

September: Single-family existing home sales decreases 7.5 percent from the previous month – the lowest level in nine years. Median sale price of existing homes fell six percent from the year before.

December: President Bush again warns Congress of the need to pass legislation reforming GSEs, saying "These institutions provide liquidity in the mortgage market that benefits millions of homeowners, and it is vital they operate safely and operate soundly. So I've called on Congress to pass legislation that strengthens independent regulation of the GSEs – and ensures they focus on their important housing mission. The GSE reform bill passed by the House earlier this year is a good start. But the Senate has not acted. And the United States Senate needs to pass this legislation soon." (President George W. Bush, Discusses Housing, The White House, 12/6/07)

***** 2008***

January: Bank of America announces it will buy Countrywide.

January: Citigroup announces mortgage portfolio lost $18.1 billion in value.

February: Assistant Secretary David Nason reiterates the urgency of reforms, says "A new regulatory structure for the housing GSEs is essential if these entities are to continue to perform their public mission successfully." (David Nason, Testimony On Reforming GSE Regulation, Senate Committee On Banking, Housing And Urban Affairs, 2/7/08)

March: Bear Stearns announces it will sell itself to JPMorgan Chase.

March: President Bush calls on Congress to take action and "move forward with reforms on Fannie Mae and Freddie Mac. They need to continue to modernize the FHA, as well as allow State housing agencies to issue tax-free bonds to homeowners to refinance their mortgages." (President George W. Bush, Remarks To The Economic Club Of New York, New York, NY, 3/14/08)

April: President Bush urges Congress to pass the much needed legislation and "modernize Fannie Mae and Freddie Mac. [There are] constructive things Congress can do that will encourage the housing market to correct quickly by ... helping people stay in their homes." (President George W. Bush, Meeting With Cabinet, the White House, 4/14/08)

May: President Bush issues several pleas to Congress to pass legislation reforming Fannie Mae and Freddie Mac before the situation deteriorates further.

"Americans are concerned about making their mortgage payments and keeping their homes. Yet Congress has failed to pass legislation I have repeatedly requested to modernize the Federal Housing Administration that will help more families stay in their homes, reform Fannie Mae and Freddie Mac to ensure they focus on their housing mission, and allow State housing agencies to issue tax-free bonds to refinance sub-prime loans." (President George W. Bush, Radio Address, 5/3/08)

"[T]he government ought to be helping creditworthy people stay in their homes. And one way we can do that – and Congress is making progress on this – is the reform of Fannie Mae and Freddie Mac. That reform will come with a strong, independent regulator." (President George W. Bush, Meeting With The Secretary Of The Treasury, the White House, 5/19/08)

"Congress needs to pass legislation to modernize the Federal Housing Administration, reform Fannie Mae and Freddie Mac to ensure they focus on their housing mission, and allow State housing agencies to issue tax-free bonds to refinance subprime loans." (President George W. Bush, Radio Address, 5/31/08)

June: As foreclosure rates continued to rise in the first quarter, the President once again asks Congress to take the necessary measures to address this challenge, saying "we need to pass legislation to reform Fannie Mae and Freddie Mac." (President George W. Bush, Remarks At Swearing In Ceremony For Secretary Of Housing And Urban Development, Washington, D.C., 6/6/08)

July: Congress heeds the President's call for action and passes reform of Fannie Mae and Freddie Mac as it becomes clear that the institutions are failing.
In 2005-- Senator John McCain partnered with three other Senate Republicans to **reform the government's involvement in lending**.
Democrats blocked this reform, too.

More... Not only did democrats not act on these warnings but Barack Obama put one of the **major Sub-Prime Slime players on his campaign** as finance chairperson.

UPDATE: The media is not reporting that the failed financial institutions are **big Obama donors**.
Hat Tip Larwyn

Labels: Campaign08

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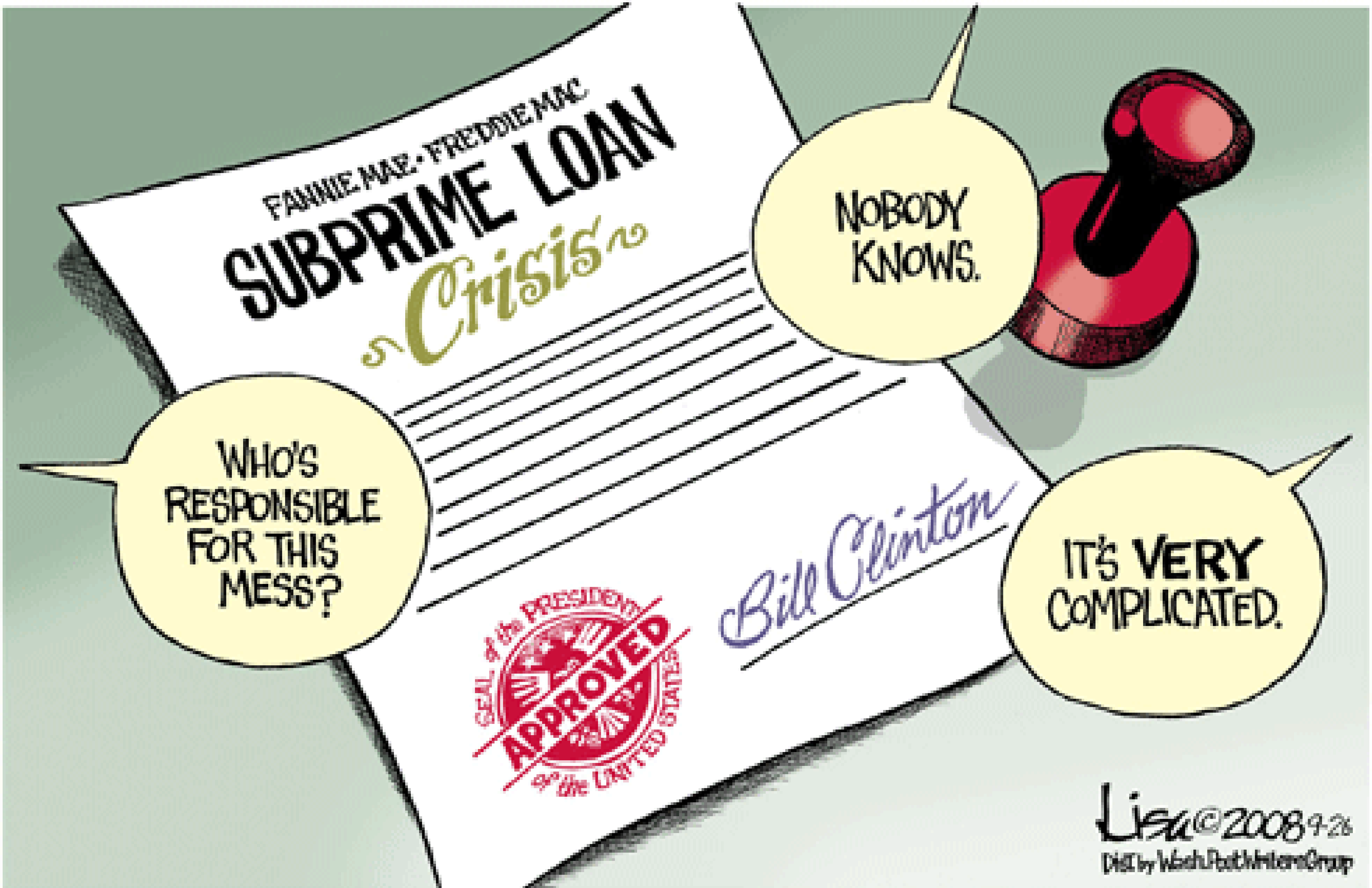
FANNIE MAE • FREDDIE MAC
SUBPRIME LOAN
Crisis
SEAL of the PRESIDENT of the UNITED STATES
APPROVED
Bill Clinton
WHO'S RESPONSIBLE FOR THIS MESS?
NOBODY KNOWS.
IT'S VERY COMPLICATED.
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Three Men who Brought Down Wall Street

Date: Tue, 30 Sep 2008 11:03:22 -0500

Here is a quick look into 3 former Fannie Mae executives who have brought down Wall Street.

IF Obama plans on cleaning up the mess - his advisors have the expertise - They made the mess in the first place. Would you trust the men who tore Wall Street down to build the New Wall Street?

Franklin Raines

Franklin Raines was a Chairman and Chief Executive Officer at Fannie Mae. Raines was forced to retire from his position with Fannie Mae when auditing discovered severe irregularities in Fannie Mae's accounting activities. At the time of his departure The Wall Street Journal noted, Raines, who long defended the company's accounting despite mounting evidence that it wasn't proper**,** issued a statement late Tuesday conceding that mistakes were made' and saying he would assume responsibility as he had earlier promised. News reports indicate the company was under growing pressure from regulators to shake up its management in the wake of findings that the company's books ran afoul of generally accepted accounting principles for four years.' Fannie Mae had to reduce its surplus by $9 billion.

Raines left with a 'golden parachute valued at $240 Million in benefits. The Government filed suit against Raines when the depth of the accounting scandal became clear. http://housingdoom.com/2006/12/18/fannie-charges/ .

The Government noted, '*The 101 charges reveal how the individuals improperly manipulated earnings to maximize their bonuses, while knowingly neglecting accounting systems and internal controls, misapplying over twenty accounting principles and misleading the regulator and the public. The Notice explains how they submitted six years of misleading and inaccurate accounting statements and inaccurate capital reports that enabled them to grow Fannie Mae in an unsafe and unsound manner.* These charges were made in 2006. The Court ordered Raines to return $50 Million Dollars he received in bonuses based on the miss-stated Fannie Mae profits.

WHERE IS HE NOW? - Franklin Raines works for the Obama Campaign as Chief Economic Advisor

http://boards.msn.com/MSNBCboards/thread.aspx?ThreadID=786951

Tim Howard

Tim Howard was the Chief Financial Officer of Fannie Mae. Howard 'was a strong internal proponent of using accounting strategies that would ensure a 'stable pattern of earnings' at Fannie. *In everyday English - he was cooking the books*. The Government Investigation determined that, 'Chief Financial Officer, Tim Howard, failed to provide adequate oversight to key control and reporting functions within Fannie Mae.'

On June 16, 2006, Rep. Richard Baker, R-La., asked the Justice Department to investigate his allegations that two former Fannie Mae executives lied to Congress in October 2004 when they denied manipulating the mortgage-finance giant's income statement to achieve management pay bonuses**.** Investigations by federal regulators and the company's board of directors since concluded that management did manipulate 1998 earnings to trigger bonuses. Raines and Howard resigned under pressure in late 2004.

Howard's Golden Parachute was estimated at $20 Million!

WHERE IS HE NOW? - Tim Howard is also a Chief Economic Advisor to Obama

http://www.usatoday.com/money/companies/regulation/2004-09-24-fannie-cfo_x.htm

Jim Johnson

A former executive at Lehman Brothers and who was later forced from his position as Fannie Mae CEO. A look at the Office of Federal Housing Enterprise Oversight's May 2006 report on mismanagement and corruption inside Fannie Mae, and you'll see some interesting things about Johnson. Investigators found that Fannie Mae had hidden a substantial amount of Johnson's 1998 compensation from the public, reporting that it was between $6 million and $7 million when in fact it was $21 million. Johnson is currently under investigation for taking illegal loans from Countrywide while serving as CEO of Fannie Mae.

Johnson's Golden Parachute was estimated at $28 Million.

WHERE IS HE NOW? - Jim Johnson hired as a Senior Obama Finance Advisor and was selected to run Obama's Vice Presidential Search Committee

http://www.minnpost.com/stories/2008/06/03/2078/obama

Phoenix Business Journal - September 30, 2008
http://phoenix.bizjournals.com/phoenix/stories/2008/09/29/daily29.html

PHOENIX Business Journal
Tuesday, September 30, 2008

Financial crunch leads to calls to revise accounting rule

Phoenix Business Journal

An accounting rule called “mark to market” that was mandated by the 2002 Sarbanes-Oxley corporate governance law is being blamed for a substantial part of the U.S. banking, mortgage and credit crisis.

Mark to market requires banks, businesses and mortgage holders to assign current market values to assets, investments and other holdings, including real estate and mortgages.

Banks and lenders’ balance sheets are bloodied by mark to market assignments of bad mortgages and real estate. That is forcing banks to tighten lending to businesses, consumers and other financial institutions and take other emergency actions to stay afloat, critics of mark to market contend.

Those bad mortgages, banks’ bludgeoned balance sheets and the ensuing impact on lending, credit, consumers and business has the U.S. economy teetering on the brink of a severe recession.

The **U.S. Securities & Exchange Commission** issued a ruling Tuesday that gives businesses and financial institutions some more leeway in assessing asset and holdings’ values. The SEC said Tuesday that asset, investment and finance values can also take into account other factors including expected values and cash flows, not just the current market value.

Mark to market worriers also want a revamped Wall Street bailout or rescue plan in Washington to temporarily or permanently nix mark to market mandates.

Randy Pullen, chief executive of **Wage Watch**, a Scottsdale-based business consulting firm, contends mark to market accounts for as much as 80 percent of some banks’ financial troubles. He said that valuation model does not reflect the true, long-term value of the assets since housing sector is in the tanks.

Pullen said getting rid or liberalizing mark to market rules will help give banks the confidence and ability to lend to each other as well as consumers and businesses.

Another proposal would use a three-year running average of asset values to assess current value. Pullen, who is also the chairman of the **Arizona Republican Party**, also wants to see the Federal Reserve set up credit facilities and loan money to banks to help them stay above water instead of the Bush administration bailout plan which has the feds buying bad mortgages from banks.

Mark to market revisions could be part of revamped Wall Street bailout efforts after Monday’s vote nixed the White House plan.

Sarbanes-Oxley was approved in 2002 in the wake of the Enron, WorldCom and other corporate scandals. But now some economists and businesses worry SOX needs to be loosened to help encourage more credit and investments.

Jay Lohman, a CPA and head of the **Lohman Company PLLC** in Mesa, said a temporary relaxation of mark to market could help ease the financial and credit morass.

“There could be some merit,” Lohman said.

But he would want to make sure such valuations were legitimate.