

SHOT IN THE FANNIE MAE

The History of a Financial Disaster

1997

- Fannie Mae is a GSE (Govt. Sponsored Entity) regulated by Congress.
- Fannie Mae buys mortgages from other companies.
- It is backed by the taxpayers for all losses, but keeps all profits.
- President Clinton loosens Home Loan Requirements.

1998

- Banks begin making thousands of bad loans, 0 down, no documentation, for 120%! (1998 – 2008).
- Executives at Fannie receive huge bonuses if loan targets are met.
- Franklin Raines and Jamie Garelick from the Clinton Administration are appointed to run Fannie Mae.

2003

- President Bush proposes a new oversight committee to clean up Fannie Mae, but Democrats derail the effort.



- Rep. Melvyn Watt, (D-NC) Committee on Financial Institutions & Consumer Credit. stated, “I don’t see much other than weakening the bargaining power poorer families to get affordable housing.”

1999 - 2004

- Raines earns \$100 million in bonuses.
- Garelick earns \$75 million in bonuses.
- In 2004, Enron collapses, congress investigates, Executives Skilling & Lay go to jail, for fraudulent bookkeeping.
- Congress responds with the Sorbanes-Oxley Act, more heavy regulation of corporations.

2004

- An OMB investigation finds massive fraudulent bookkeeping at Fannie Mae.
- False numbers triggered executive bonuses every year.
- Congress holds **no** hearings, **no** one goes to jail, or is punished.
- **WHY NOT?**

1999 -2005

- Fannie Mae gives millions to Democratic causes, examples: Jesse Jackson & ACORN.
- Fannie Mae pays millions to 354 congressmen and senators, from both parties.
- Who got the most money?

Top 4 Recipients



#1 Sen. Christopher Dodd, (D-CT)
Chairman of the Banking, Housing,
& Urban Affairs Committee



#2 Sen. Barack Obama, (D-IL)
Federal Financial Management
Committee

Top 4 Recipients



#3 Sen. Chuck Schumer, (D-NY)

Chairman of the Finance
Committee



#4 Rep. Barney Frank, (D-MA)

Chairman of the House Financial
Services Committee

2005

- Franklin Raines & top execs are forced to resign from Fannie Mae.
- They do not go to jail.
- There is no media “perp. walk.”
- They keeps all of their bonuses
- They finally pay \$31.4 million in civil fines.

2005

- The Federal Housing Enterprise Regulatory Reform Act is sponsored by:



#325 Sen. John McCain, (R-AZ)

Armed Services, & Commerce,
Science, & Transportation

“If Congress does not act, American taxpayers will continue to be exposed to the enormous risk that Fannie Mae and Freddie Mac pose to the housing market, the overall financial system, and the economy as a whole.”

2005

- **None** of the top 4 recipients support the legislation.
- The reform act is blocked by Democrats, never even making it out of committee.
- **None** of the politicians return any of the money, tainted by fraud.

2008

- Fannie Mae & Freddie Mac go bankrupt and the govt. takes them over completely.
- Lehman Brothers, goes bankrupt from investing in bad mortgages.
- AIG get \$85 million in loan guarantees, after insuring bad loans & projects.
- Taxpayers will ultimately pay **BILLIONS.**

2008

- Franklin Raines is now an advisor to the Obama Campaign which wants the govt. to take over more of the economy.
- Did government involvement in the mortgage market work out?
- How will even MORE government involvement make it better? Do you want to be Sweden?
- McCain favors revising regulations & loan standards, selling off Fannie & Freddie.

SOURCES

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