



Fannie's Cozy Ties to Countrywide

by Valerie Richardson ([more by this author](#))

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The Obama Administration managed to move financial regulatory reform in July with almost no mention of Fannie Mae and Freddie Mac, a feat that could be likened to cracking down on fast food without mentioning McDonald's. But the latest revelations about the federally backed mortgage giants could give even the most hardened everyone-deserves-a-house-they-can't-afford Democrat pause.

It turns out that Fannie Mae officials weren't just doing business with the execs at Countrywide Home Loans, they were actively schmoozing them. An internal Fannie Mae "Customer Engagement Plan" issued in 2004 outlines strategies designed to "deepen our relationship at all levels with Countrywide," including squeezing into the same foursome at golf tournaments.

Under "Fannie Mae's Top Strategic Business Objectives with Lender," the memo lists as its second priority, "Create barriers to exit partnership." The document then lists 15 Countrywide executives, starting with Chairman Angelo Mozilo, with suggestions on where to "meet and greet" him and "desired outcomes."

"We will be successful when Angelo influences the industry or his organization on our behalf," according to the document, obtained by HUMAN EVENTS/Fox Business.

What's ironic in retrospect is that Countrywide was all too happy to sell its subprime mortgages to Fannie, whether or not its top executives bonded on the back nine. The mortgage finance behemoth bought more loans from Countrywide than any other lender—Countrywide accounted for 28% of Fannie's mortgage purchases in 2007,

and Fannie's eagerness to soak up those high-risk loans enabled Countrywide to sell even more shaky mortgages.

None of this came as much of a surprise to House Republicans like California Rep. Darrell Issa, ranking minority member of the House Oversight and Government Reform Committee, which has been investigating Fannie and Freddie for over a year.

"It is staggering and yet unsurprising that the efforts to legislate the aftermath of the financial crisis have ignored the role that Fannie and Freddie played in cultivating the environment that resulted in the subprime mortgage meltdown," said Mr. Issa in a statement to HUMAN EVENTS. "In the fact of this looming catastrophe that brought our economy to the brink of collapse, we now find that there was a too-cozy relationship between government enterprises and private industry. Is it any wonder that there has been such resistance and delay at addressing Fannie and Freddie when it was their executives who were accepting Countrywide VIP loans while concurrently developing a strategy aimed at forming a strategic partnership with Countrywide?"

Meanwhile, Alabama Rep. Spencer Bachus, ranking Republican on the House Financial Services Committee, has called for an investigation into charges that Fannie mismanaged an Obama Administration fund designed to help struggling homeowners.

Former Fannie consultant Caroline Herron claims in a lawsuit she was fired after bringing up problems with Fannie's administration of the \$50 billion Home Affordable Modification Program. She says Fannie officials bungled the job by, among other things, steering homeowners to certain aid packages in order to receive incentive payments.

"If true, it would help explain why HAMP has been such a failure," said Bachus in an Aug. 6 statement. "It would mean that thanks to Fannie Mae's executives' misfeasance, particularly a preoccupation with short-term financial gain, HAMP

was only able to permanently modify about 230,000 mortgages, instead of the 3 million modifications that the Obama Administration promised.”

The din is well-timed. The Obama Administration is convening its Conference on the Future of Housing Finance Aug. 17 as it prepares to release its housing finance reform proposal in January 2011, and early indications are that the Fannie and Freddie fiasco may finally be on the agenda.

Check out the guest list. No Fannie and Freddie officials have been invited, while Mark Calabria, the Cato Institute's director of financial studies and longtime Fannie scourge, has. He acknowledges that his invitation could be chiefly for appearances, but on the other hand, maybe not.

"On the one hand, it's clearly politically driven from behind," said Calabria. "They know people are asking, 'What about Fannie and Freddie?' But they also know that they got no boost from Dodd-Frank because it looked like they just carved out their friends."

Even now, he said, the conversation is shifting, and not in Fannie's favor. For example, certain previously sacred cows, such as Fannie's portfolio, are under discussion for reform.

"They've always had Fannie and Freddie executives in the room before," said Mr. Calabria. "I don't think Fannie and Freddie have a veto any more over their own future."

Valerie Richardson has covered the Western United States for the Washington Times for 20 years.

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