Fannie and Freddie in Good Hands with Mel Watt

By Stephen Lendman
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On May 1, Obama nominated Watt to head the Federal Housing Finance Agency (FHFA).

It replaced the Federal Housing Finance Board (FHFB), the Office of Federal Housing Enterprise Oversight (OFHEO), and the Department of Housing and Urban Development (DHUD).

It did so following their statutory merger. FHFB regulates Fannie Mae, Freddie Mac, and 12 Federal Home Loan Banks.

If approved, Watt will replace Edward DeMarco. Since August 2009, he's been acting director. Change.org called him the "single biggest obstacle to meaningful economic recovery."

He blocked reducing the burden of underwater homeowners. Fire DeMarco, urged Change.org.

In January 2013, Public Citizen headlined "Bank of America Settlement Needs Another Look," saying:

It should be investigated to assure proper oversight. It questioned DeMarko's $3.5 billion FHFA settlement. He claimed it's "in the best interest of taxpayers."

It's "restitution for bad loans leading up to the financial crisis." It represents "a quarter of a percent of the $1.4 trillion original value of the loans."

According to Public Citizen's financial policy advocate Bartlett Naylor:

> "Obviously there is a huge disconnect between the amount Bank of America is paying as part of the settlement and the financial harm caused to taxpayers by the bad mortgages the bank was selling."
>
> "The deal needs closer scrutiny so we can be sure we don't just create an incentive for banks to engage in the same kind of bad behavior in the future."

On July 31, 2012, Paul Krugman called for DeMarko's firing. He "just rejected a request from the Treasury Department (to) offer debt relief to troubled homeowners."

> "(D)eciding whether debt relief if a good policy for the nation as a whole is not (his) jobâ€¦.This guy needs to go."

In March 2012, Naked Capitalism called DeMarko a convenient scapegoat. It was to divert attention from the "abject failure" of Obama and key Democrats "to come up with remotely adequate solutions to the housing mess."

Complicit with congressional Republicans, they refused to get tough on banks. Failure prevents recovery. If Obama wanted to help underwater homeowners, he "could have used the hundreds of billions of dollars available under TARP to do so."

No congressional authorization is required. Instead of doing the right thing, he yielded to monied interests. He's done so throughout his tenure.

He consistently threw troubled homeowners under the bus. If he's approved, they'll remain there with Watt. Naked Capitalism calls him "a prototypical bank-friendly Democrat."

For over a decade, Goldman Sachs lobbyist Joyce Brayboy was his chief of staff. His former legislative Counsel, Hilary West, now lobbies for JPMorgan Chase. Watt was absent during its "London Whale" hearings.

On June 27, 2012, the Charlotte Observer headlined "Mel Watt lies low on banking, finance issues; 'they are not listening.' "

> "Since Dodd-Frank, all quiet on finance front for Charlotte Democrat." As other House Financial Services Committee members questioned JP Morgan Chase CEO Jamie Dimon, Watt attended another meeting.
>
> When he arrived, it was too late. "He left early, without speaking". At a time when banks have found themselves in political firestorms, Watt has made fewer floor speeches on banking and introduced fewer bills on the subject."
>
> "And he hasn't issued a single public statement on banking in the two years since Dodd-Frank passed."

Commercial banks are among his largest donors. On May 2, the Center for Public Integrity headlined "Mel Watt enjoys close ties to financial industries," saying:

He "has plenty of friends in the financial services industry." He's gotten "more campaign money from financial interests than any other industry or special interest."

Since entering Congress in 1992, he got "$1.33 million in campaign contributions from the finance, real estate and insurance industries."

Commercial banks are his biggest donors. Among others they include Bank of America, Goldman Sachs and Wells Fargo.

Fannie Mae and Freddie Mac buy and securitize about 90% of all new mortgages. They guarantee these loans. They're a crucial part of the housing market. They're vital to banks' profitability.

Fannie and Freddie contributed to Watt's campaigns from 2004 until they collapsed in 2008. According to Public Citizen's Bartlett Naylor:

Watt's "neither a champion nor a source of frustration. He is not somebody that we can count on to lead the charge" for responsible reform.

He "represents thousands of constituents who work for Bank of America. And that complicates his responsibility to ensure that Bank of America does not jeopardize the health of the nationâ€¦."

Appointing Watt may replace one Wall Street favorite with another. He helped get Dodd-Frank legislation passed. Wall Street lobbyists wrote the bill. It masqueraded as reform. It was business as usual.

Bill Black called it "notable for its incoherence and complexity." It's easy for clever lawyers to undercut reform. Doing so "further weakens an Act that begins weak."

America experiences "recurrent intensifying financial crises." It shows past lessons aren't learned. Policies adopted "produced even more criminogenic environments."

Real financial reform "could have been written in three pages." One sentence could restore Glass-Steagall. Another could abolish the 2000 Commodities Futures Modernization Act.

It legitimized swap agreements and other hybrid instruments. Doing so opened a pandora's box of trouble. It prevented regulatory oversight of derivatives and leveraging. It turned Wall Street sharks loose on unwary investors. Until it collapsed, it let Enron fleece investors.

It sailed through the House and Senate. Clinton signed it into law. He did so a month before leaving office.

Dodd-Frank fell far short of reform. Banks and other financial enterprises operate like before. Watt helped facilitate business as usual.

On October 30, 2009, Bloomberg headlined "Federal Reserve Policy Audit Legislation 'Gutted,' Paul says."

Ron Paul introduced legislation several times to abolish the Fed. On February 26, 2009, he sponsored HR 1207: Federal Reserve Transparency Act of 2009.

Despite 320 co-sponsors, it died in committee. Paul was a House Financial Services Committee member. Watt chaired a domestic monetary policy and technology subcommittee panel.

Paul said he eliminated "just about everything" while preparing legislation for formal consideration. At the time, his spokesman didn't comment. He said Watt wasn't available to be interviewed.

He represents North Carolina's 12th district. It includes Charlotte. It's Bank of America's headquarters. It's the "biggest US lender," said Bloomberg.

Naked Capitalism believes House Republicans will block his nomination. "And given that (he'd) be highly unlikely to do more than make symbolic policy changes and would likely trade meaningful putback settlements for that, we should count ourselves lucky."

On May 5, Charles Johnson headlined "Housing nominee Mel Watt helped create the subprime crisis," saying:

He helped "borrowers with poor credit buy homes with no down payment."

In 2002, Watt, Freddie Mac, Fannie Mae, BB&T, and UJAMMA "announce(d) Pathways to Homeownership." Doing so downplayed risks. They should have been highlighted.

Watt's role in deregulating Fannie and Freddie came after they "spent billions in his congressional district." In 2002, an estimated 82,000 Charlotte-area residents got risky loans.

They and others nationwide "led to the housing bubble and financial crisis." Charlotte was one of the hardest hit cities.

In 2001, Watt helped initiate "With Ownership, Weath (WOW)." It "sought to add one million black households to the ranks of America's homeowners by 2005."

It set low standards to obtain mortgages. It let recipients buy homes they couldn't afford. In July 2012, Bloomberg said over 1.5 million Americans aged 50 or older lost homes since the housing market collapse. So did many younger ones.

Many others teeter on foreclosure. The housing crisis is far from over. Low-income households are hardest hit. They remain most vulnerable. Instead of avoiding a irresponsible policy maker, Obama wants him as Federal Housing Finance Agency head.

In announcing his nomination, he said:

> "Mel has led efforts to rein in unscrupulous mortgage lenders. He's helped protect consumers from the kind of reckless risk-taking that led to the financial crisis in the first place."
>
> "And he's fought to give more Americans in low-income neighborhoods access to affordable housing."

Others think Obama's choice lets a fox guard the hen house. He's beholden to financial interests that control him.

Whether the Senate accepts or rejects him remains to be seen. It may not matter. If rejected, Obama can install him by recess appointment.

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