

The Home Mortgage Meltdown: The Real Reasons for the Fannie Mae/Freddie Mac Takeover

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Fannie Mae and Freddie Mac, the twin giants of the home mortgage industry, own or guarantee assets of \$5.3 trillion, almost half of the \$12 trillion housing market in the U.S. These assets have been disappearing in value due to the collapse of the housing bubble.

Fannie and Freddie are government-chartered corporations. They are shareholder-owned companies required by their charters to provide low-cost capital to the mortgage industry, supposedly to further the American dream of home ownership. In recent years, as the housing bubble inflated and the mortgage industry extended more and more credit to marginal purchasers through the use of “exotic” lending instruments, Fannie and Freddie followed suit.

Many in Congress were skeptical they were overextending themselves. So they hired lobbyists. According to a September 9 report by Allan Chernoff, CNN senior correspondent, they spent \$174 million in the last ten years lobbying Congress “to ensure the political climate would remain friendly.” That averages out at \$297,435 per senator and representative. No wonder Greg Palast titled one of his books, *The Best Democracy Money Can Buy*.

Under the takeover being engineered by Secretary of the Treasury Henry Paulson, the government will oversee operations through a “conservatorship.” It’s a fancy name for bankruptcy. Taxpayer money will be used to inject new capital into Fannie and Freddie’s operations, since, having lost so much on bad loans, they are broke.

How will it work? According to the *Washington Post*’s Steven Pearlstein:

“Under the deal they could not refuse, Fannie and Freddie directors and top executives will lose their jobs. Shareholders will lose their dividends, voting rights, and most of their ownership stake, while agreeing to pay dearly for the government’s money and backing. Left unharmed will be holders of trillions of dollars in Fannie and Freddie debt — or securities backed by mortgages that Fannie and Freddie have insured against default — who will get all their money back, with interest.”

Protection of debt holders is the key, because this includes foreign governments like China, as well as sovereignty funds, mutual funds, and pension funds worldwide. If these international investment sources dry up, the U.S. could no longer finance its enormous fiscal and trade deficits. It’s the Armageddon scenario.

Thus within the overall context of the debt-based financial system run by the Federal Reserve, Fannie Mae and Freddie Mac are the most important business entities in the

U.S.—more so than Exxon-Mobil, Microsoft, General Motors, GE, or IBM.

Big companies like Exxon-Mobil at least have tangible assets they use to produce real goods and services. But the financial industry—including Fannie and Freddie—have only pieces of paper that represent someone's ability to make payments in an economy going downhill, with thousands of people losing their jobs daily.

For the last decade, the U.S. economy has been built on a foundation of housing debt as its financial engine. It's a foundation of sand. The lunacy has been a long time coming, though the "rest of the story" is little known, even to experts.

You see, decades ago, the international financial elite which runs the Western world decided that the U.S. would no longer be allowed to maintain its status as the world's greatest industrial democracy.

Because the planners have always worked in secrecy through such groups as the Council on Foreign Relations, The Trilateral Commission, and the Bilderberg Group, sources are sketchy. But the information is there if you look.

The roots of the plan go back to post-World War I days, when the U.S. was making money hand-over-fist by collecting on loans made to the European World War I combatants. The financial elite, including the American Rockefellers, financed the Bolshevik Revolution in Russia. They also began to lay plans to eventually merge the U.S. with the Soviet Union in a one-world communist government.

To prepare the American mind, such non-profit groups as the Carnegie Institute, the Rockefeller Foundation, the Ford Foundation, and the Guggenheim Foundation sought to influence the U.S. educational system in favor of collectivist ideals rather than those based on the Declaration of Independence and the U.S. Constitution. The blueprint for dumbing down the masses through collectivist propaganda was provided by the Tavistock Institute of Great Britain.

Necessary for the changes in store for mankind was an environment of perpetual warfare as the only way people would accept state terrorism as "normal." In other words, there always had to be an enemy to frighten people into voluntarily giving up their rights and accepting the legitimacy of a slave society. Key to slavery was a financial system based on debt, because, after all, it was the financiers who were the architects and expected beneficiaries of the planned system.

During the 1930s and 1940s, in order to defeat Nazi Germany in World War II, the United States built an economic powerhouse that resulted in full employment and a high standard of living. But by the 1960s and 1970s, the industrial economy was being dismantled.

The 1970s was the critical decade. The financial elite, working through the OPEC nations as their instruments of change, wildly inflated the worldwide price of oil, driving the U.S. economy into stagflation. To combat the stagflation which they themselves had created, the elite, working through the Federal Reserve and its chairman, Paul Volcker, raised interest rates through the roof, causing the economy to crash.

The U.S. lost much of its producing economy during the recession of 1979-83. Since then, every period of economic growth has been a financial bubble. We had the merger-

acquisition bubble of the 1980s, the dot.com bubble of the 1990s, and Alan Greenspan's housing bubble of the 2000s.

The purpose of the housing bubble was to allow George W. Bush to fight his wars of conquest in the Middle East. According to mortgage industry insiders I have interviewed, soon after Bush became president the word went out to begin the wholesale falsification of mortgage applications so people could buy houses who had no business doing so. A push by state attorneys-general to investigate the mortgage fraud was blocked by Bush's Treasury Department.

The bubble resulted in the tremendous inflation of housing and real estate prices that today is unraveling. Housing is still so overpriced, however, that many people can no longer afford to buy a home or can no longer get credit because financial institutions have become so reluctant to lend.

Housing inflation is what has powered the U.S. economy for the last decade. In its heyday it accounted for fifty percent of all economic growth. Take away the housing bubble, and the U.S. economy is dead in the water. That is why the government has taken over Fannie Mae and Freddie Mac. Unfortunately, there are no further bubbles waiting in the wings. When they gave up their homes to debt, the American people gave up the last thing they owned of value.

Obviously the takeover of Fannie and Freddie is a stopgap, probably to keep the economy afloat until after the November presidential election.

What comes next? I cover these and other issues in greater detail in a Special Report entitled, "Election 08: Crime Family Food Fight or Threat to Mankind?" which is available by subscription.

To receive this report, contact EconomicSanity@gmail.com.

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