

Jack Venrick

From: "Jack Venrick" <jacksranch@skynetbb.com>
Sent: Friday, October 10, 2008 1:16 PM
Subject: The Three Former Fannie Mae Executives Who Brought Down Wall Street

Thank you Deb for this piece. Here is the "denial" or "politically corrected versions" of the stories FYI also.

1. Snopes analysis <http://www.snopes.com/politics/obama/fanniemae.asp>
2. <http://www.truthorfiction.com/rumors/o/Obama-fannie-mae-advisors.htm>
3. <http://www.alltheinternet.com/texis/open/alltb?q=%33%20former%20Fannie%20Mae%20executives%20who%20have%20brought%20down%20>

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

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.

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, 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 !

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 compensation from the public, reporting that it was between \$6 million and \$7 million when it 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 ARE THEY NOW?

Franklin Raines works for the Obama Campaign as Chief Economic Advisor

TIM HOWARD Howard is also a Chief Economic Advisor to Obama

JIM JOHNSON Johnson hired as a Senior Obama Finance Advisor and was selected to run Obama's Vice Presidential Search Committee

IF OBAMA PLANS ON CLEANING UP THE MESS - HIS ADVISORS HAVE THE THE EXPERTISE - THEY

MADE THE MESS IN THE FIRST PLACE.