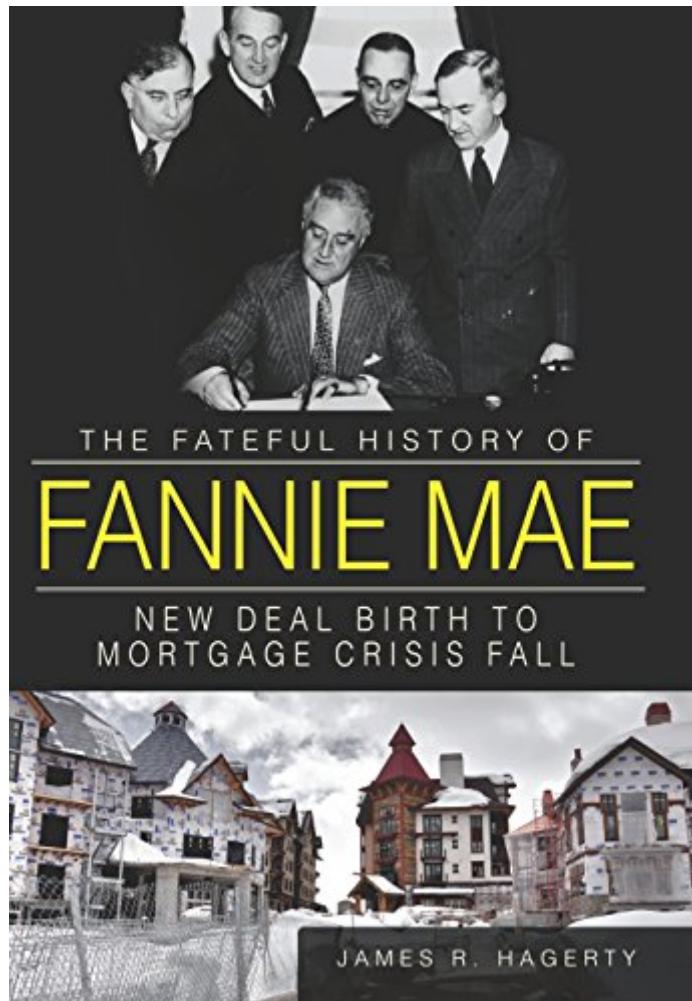


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# Fateful History Of Fannie Mae, The: New Deal Birth To Mortgage Crisis Fall



## Synopsis

In 1938, the administration of Franklin Delano Roosevelt created a small agency called Fannie Mae. Intended to make home loans more accessible, the agency was born of the Great Depression and a government desperate to revive housing construction. It was a minor detail of the New Deal, barely recorded by the newspapers of the day. Over the next seventy years, Fannie Mae evolved into one of the largest financial companies in the world, owned by private shareholders but with its nearly \$1 trillion of debt effectively guaranteed by the government. Almost from the beginning, critics repeatedly warned that Fannie was an accident waiting to happen. Then, in 2008, the housing market collapsed. Amid a wave of foreclosures, the company's capital began to run out, and the U.S. Treasury seized control. From the New Deal to the administration of President Obama, author James R. Hagerty explains this fascinating but little-understood saga. Based on his reporting for the Wall Street Journal, personal research and interviews with executives, regulators and congressional leaders, Hagerty charts the course of Fannie Mae. With *The Fateful History of Fannie Mae*, he explains the politics, economics and human frailties behind seven decades of missed opportunities to prevent a financial disaster.

## Book Information

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## Customer Reviews

There have been several books published recently on the Fannie Mae/Freddie Mac scandals. "The Fateful History of Fannie Mae" is the first one researched on a level and so well written that it qualifies as the definitive text on the subject. My hope is that business school professors will become aware of this book and make it required reading in their courses. As Deputy Director and later Acting Director of OFHEO, I was in charge of the Special Examinations of Fannie Mae and Freddie Mac. I think I have read every book published on the scandals in the last few years. One is a glorified fluff piece, a transparent attempt to curry favor with Fannie Mae, that is little more than an expanded magazine article. Most of the others begin with a bias or conclusion and spend the rest of the time making the argument for that position. James R. Hagerty is a Wall Street Journal reporter and he tells the story he covered for several years with an accuracy that is equal to anyone actually involved in the examinations and production of the government reports. He also manages to capture and properly portray the impropriety of the political efforts of Fannie Mae to undercut its regulator and special examination, and the venality of the political figures of both parties in supporting that effort. Mr. Hagerty understands that the political animals who lead Fannie Mae (Maxwell, Johnson, and Raines) and as company policy fought their regulator at every step and every effort to require Fannie to carry more capital are the people who, ultimately, are responsible for its destruction. They secured their high salaries and bonuses by maximizing the advantages of implicit government guarantees, minimal capital, and heavy weight lobbying.

Books on current events and their issues tend to fall into two categories. One is academic, with the author exploring various hypotheses, usually favoring one, and doing so by presenting a good deal of data, often quantitative and often in tabular or graphic form. Such a book is usually organized thematically. The other type is journalistic, usually presenting a chronological narrative, with emphasis on the words and actions of a few key decisionmakers at each step in the narrative. Each has its merits and shortcomings. This book is a perfect example of the latter category. The author, a Wall Street Journal reporter who appears to have covered Fannie Mae for many years, has a firm command of the subject, a good perspective that enables him to distinguish myth from fact, and, as far as I can tell, has carried out his research and writing with the high standards you would expect a veteran of an elite news organization. There aren't any anonymous sources, reporting is separated from opinion quite overtly, multiple perspectives on the truth are noted, and so forth. The history of Fannie Mae is told crisply and in straightforward chronological fashion, in a Dragnet-style, "just the facts, ma'am" authorial voice. Each chapter tends, although not exclusively, to focus on a few key

decisionmakers or other persons of influence and tells the story by reference to their decisions and statements. It is very similar to the kind of journalism that is done all the time for a daily paper like the WSJ. Sentences are short and rarely complex. So as an example of a journalistic account of the history of Fannie, it is a very good product. Of course that type of product has its limitations.

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