

**Fannie Mae Faces New Criticism
In Debate Over Predatory Loans**

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Criticism of Fannie Mae continued to spread, as housing advocates made new complaints that the government-sponsored mortgage company has been working to undermine legislation to crack down on predatory lending.

The broadest objections came from Rep. Jan Schakowsky , D-Ill., who sent a testy letter to Fannie Mae Chairman Franklin D. Raines on Thursday. In it, she said she felt "a sense of personal betrayal" after learning the company had asked to be left out of predatory-lending laws in California and Georgia. The company later rescinded its request in Georgia and offered support for the state's effort, but it was exempted in California. "You should immediately instruct your lobbyist to support efforts to end predatory lending, not stand in the way of reform," she wrote.

Rep. Schakowsky's letter also cited other states where she says the company has sought or may seek such exemptions, including Florida, New York and New Jersey. A Fannie Mae spokeswoman said that while the company's loans were in fact exempted from liability in Florida, she said the company isn't "actively seeking exemptions," including in New York or New Jersey. "We're a national leader in this fight against predatory lending. We have the same goals as the Congresswoman, and we will work with her" to continue finding ways to crack down on unfair loans. Fannie Mae already has in-house rules against certain predatory loans, although some housing advocates think it doesn't go far enough.

Publicly traded, Fannie Mae is a government-sponsored enterprise, meaning it operates under a government charter, which investors interpret as a sign that the company has the implicit backing of the federal government. Fannie Mae has been under fire from housing advocates who are questioning the company's commitment to rein in predatory loans, which are loans with excessive fees or high interest rates. Those recent complaints come on top of renewed debates over whether Fannie Mae and its cousin Freddie Mac are growing too fast; and lawmakers have introduced a bill that would require the pair to register their securities with the Securities and Exchange Commission as part of a bid to ensure the GSEs are as transparent to shareholders as are other companies are.

Separately, one of the Federal Reserve's private-sector advisory groups has placed GSEs on the agenda of its next quarterly meeting, set for next Friday in Washington. The agenda was set by the Fed and executives of the banks who serve on the committee, people familiar with the matter said, though they refused to say what specific questions will be discussed. The so-called GSEs have frequently been on the agenda of the group in the past, and it isn't clear if the tone

is any different than before. A Fed spokesman refused to comment on the agenda for the coming meeting.

Monday, Fed Chairman Alan Greenspan suggested that investors might be underestimating the risk associated with the companies' derivatives holdings. Concerns also were raised by former Fed chief Paul Volcker Thursday during an appearance before the Bond Market Association. In response to a question about the recent criticism of the GSEs, Mr. Volcker said, "originally they were not meant to dominate the mortgage market but to facilitate" its efficient operation. "They've gone way beyond that over the years," he said.

Despite the mounting criticism and added scrutiny, it is unlikely that Congress or regulators will take any adverse action against Fannie Mae in the immediate future. And while Mr. Greenspan often has influence over the political debate, he has no regulatory authority over Fannie and Freddie, and can't change any policies by himself. But the letter from Rep. Schakowsky , as well as the complaints from other housing advocates, suggest a small crack in the foundation of the companies' support among liberal Democrats.