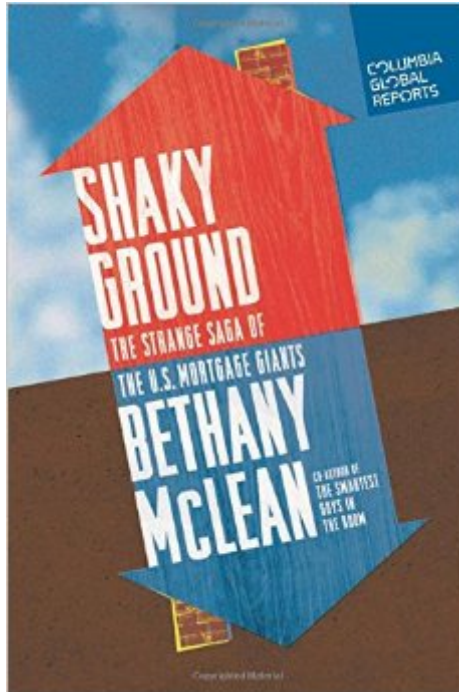


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# Shaky Ground: The Strange Saga Of The U.S. Mortgage Giants



## Synopsis

Fannie Mae and Freddie Mac were created by Congress to serve the American Dream of homeownership. By the end of the century, they had become extremely profitable and powerful companies, instrumental in putting millions of Americans in their homes. So why does the government now want them dead? In 2008, the U.S. Treasury put Fannie and Freddie into a life-support state known as "conservatorship" to prevent their failure--and worldwide economic chaos. The two companies, which were always controversial, have become a battleground. Today, Fannie and Freddie are profitable again but still in conservatorship. Their profits are being redirected toward reducing the federal deficit, which leaves them with no buffer should they suffer losses again. China and Japan are big owners of Fannie and Freddie securities, and they want to ensure the safety of their investments--which helps explain why the government is at an impasse about what to do. But the current state of limbo is unsustainable. Based on comprehensive reporting and dozens of interviews, *Shaky Ground* by bestselling author Bethany McLean, chronicles the story of Fannie and Freddie seven years after the meltdown, and tells us why homeownership finance is now one of the biggest unsolved issues in today's global

## Book Information

Paperback: 159 pages

Publisher: Columbia Global Reports (September 14, 2015)

Language: English

ISBN-10: 0990976300

ISBN-13: 978-0990976301

Product Dimensions: 5 x 0.5 x 7.4 inches

Shipping Weight: 12.6 ounces (View shipping rates and policies)

Average Customer Review: 4.3 out of 5 stars Â Â See all reviews Â (62 customer reviews)

Best Sellers Rank: #82,854 in Books (See Top 100 in Books) #22 in Â Books > Business & Money > Industries > Financial Services #26 in Â Books > Business & Money > Real Estate > Mortgages #67 in Â Books > Business & Money > Processes & Infrastructure > Government & Business

## Customer Reviews

I was disappointed with this book, because I think that her earlier work, *All the Devils are Here*, co-authored by Joe Nocera, is probably the best journalistic account of the run-up to the financial crisis. NOTE: after corresponding with the author, I have edited this review. On "*Shaky Ground*," here are my thoughts: 1. This book might have been titled "*Sympathy for the Devils*." There is way

too much sympathy expressed for the hedge funds that bought preferred stock in Freddie and Fannie. They were making a bet that the political process would come out a certain way, and they lost that bet, fair and square. End of story, as far as I am concerned. I should note that on several occasions representatives of the hedge funds have felt me out about doing some "research" or writing an article to support their position. I would not have done it for any amount of money. I am not saying accusing McLean of having succumbed to this.<sup>2</sup> The other devil who gets a ton of sympathy is former Fannie Mae executive Tim Howard. McLean endorses all of his self-serving views, which include a claim that he did nothing wrong in Fannie's giant accounting scandal. Also, his view is that had the Fannie management not been replaced, his team would have averted the crisis. Both claims may be true. In my opinion, Freddie and Fannie were better managed before both of their management teams fell in accounting scandals. But I think that more journalistic skepticism is in order. Regardless of who was in charge, there was pressure on Freddie and Fannie management to dive into high-risk lending, with shareholders seeing profits and regulators seeing a mission to expand home ownership opportunity.<sup>3</sup> Her treatment of Ed DeMarco left me confused.

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