

## **Obama advisors received millions instead of jail terms**

*Vincent Gioia  
BrookesNews.Com  
Monday 6 October 2008*

It used to be when some stole or embezzled money the amount was usually measured in thousands of dollars but that was before the Clinton years. Since then emboldened thieves protected by the Democrat Party measure their booty in millions and tens of millions. Want some examples, how about the managers of Fannie Mae and Freddie Mac.

Three former Fannie Mae executives who contributed to the current financial system debacle are Franklin Raines who was Chairman and Chief Executive Officer at Fannie Mae, Tim Howard who was the Chief Financial Officer of Fannie Mae and Jim Johnson who also was a CEO of Fannie Mae. Franklin Raines was forced to retire from his position with Fannie Mae after an audit discovered severe irregularities in Fannie Mae's accounting activities. According to the *Wall street Journal* at the time of his departure:

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.

Saying mistakes were made is like saying about Hitler's killing millions of people that he made a mistake; not of course equating the heinousness of Hitler's savagery against people with Raines savagery of our financial system but only the absurdity of the characterization. Reports in the press indicate the company was under growing pressure from regulators to shake up its management in the wake of findings that the company's books were cooked over a four year period and not in accordance with generally accepted accounting principles. Fannie Mae had to reduce its recorded surplus by \$9 billion.

How was Raines penalized for this inexcusable rape of public money; Raines left with a "golden parachute valued at \$240 Million in benefits. The Government filed suit against Raines when the depth of his thievery and the accounting scandal became clear. Among the charges made, 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 when the Court ordered Raines to return \$50 Million Dollars he received in bonuses based on the miss-stated Fannie Mae profits; thus leaving Raines with only \$190 million in misbegotten gains.

Tim Howard, one of the former Chief Financial Officers of Fannie Mae, "was a strong internal proponent of using accounting strategies that would ensure a "stable pattern of earnings" at Fannie, but he too was cooking the books. The Government Investigation determined that, "Chief Financial Officer, Tim Howard, failed to provide adequate oversight to key control and reporting functions within Fannie Mae," another mild characterization of what Johnson actually did.

Richard Baker, R-La., on June 16, 2006, 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; thus obviously lying in their testimony. Was Johnson marched out in hand cuffs like a perp; no Howard was rewarded with a Golden Parachute estimated at \$20 Million!

Jim Johnson, another Chief Executive Officer of Fannie Mae, later performed as an executive at failed Lehman Brothers. Johnson too was forced out as Fannie Mae CEO. According to the Office of Federal Housing Enterprise Oversight's May 2006 report on mismanagement and corruption inside Fannie Mae says that Fannie Mae had hidden a substantial amount of Johnson's 1998 compensation from the public.

Fannie Mae said Johnson's compensation was between \$6 million and \$7 million when in fact it was \$21 million." Johnson is currently under investigation for taking illegal loans from Countrywide while serving as CEO of Fannie Mae. Again, how was Johnson penalized, Johnson received a Golden Parachute estimated at \$28 Million?

Who might ask where Raines, Howard and Johnson are now; Raines works for the Obama Campaign as Chief Economic Advisor, Howard is also a Chief Economic Advisor to Obama and Johnson was hired as a Senior Obama Finance Advisor and was selected to run Obama's Vice Presidential Search Committee?

When deciding who to vote for as President of the United States, why would you vote for the man who hired the people who abused the trust of the American

people and walked away with millions of dollars instead of receiving the jail terms they deserved?

*Vincent Gioia is a retired patent attorney living in Palm Desert, California. His articles may be read at [www.vincentgioia.com](http://www.vincentgioia.com) and he may be contacted at [gioia@gte.net](mailto:gioia@gte.net).*