

It was such a great program that helped establish a great American Middle Class. Homeownership was elusive to the masses until after World War II and through the concept of subdivisions homeownership became part of the American Dream. The millions of veterans started enjoying the new GI Bill of Rights including the VA home mortgage. Each and every veteran (with decent credit) can now get a mortgage through the Veteran Administration for one time during his/her life. I still have mine in reserve but probably will never use it as the dollar threshold for mortgage sizes is too small for my family right now. But for a young vet or one returning from a battle zone it is very attractive.

The Federal National Mortgage Association, AKA Fannie Mae, was founded in 1938 as part of the New Deal (under President Franklin Delano Roosevelt). In the beginning it was a Government Sponsored Enterprise. But in 1968 it turned public and started acting like a private business entity. That was the beginning of a new “monster” as it no longer was acting with juris prudence and slowly started to take risks. As time went on the risks grew in size.

The Federal Home Loan Mortgage Corporation, AKA Freddie Mac, was founded in 1970 to meet the rising demands for mortgages as housing costs significantly rose, even faster than inflation. Together with Fannie Mae these entities jump started the greatest growth in home ownership that has ever been known to the world.

Freddie and Fannie operate in the secondary market. They buy mortgages from the generators of these loans such as banks, mortgage houses, financial houses, the VA, etc. They buy the mortgages and that allows the generators to transfer their risks or free up their debt and continue to generate more mortgages. When I was in real estate it was important to follow the rules so that the initial paper will be accepted by Freddie or Fannie. The first thing you did was evaluate the customer. Is his credit history acceptable to the bank? The best way was to pre-approve a prospective homeowner through whichever entity was going to provide the loan. You find him eligible for a mortgage at a fixed price. The fixed price was the “bar” and you could not go over it. If a customer qualifies for a \$200,000 mortgage than you shopped for homes priced at \$200,000 or less.

There would be a requirement of some down payment so that you started immediate equity usually between 10% - 20% of the price of the home. Equally important was the cost/salary ratio. The actual cost of the mortgage, property taxes included, should not exceed 33% of the total income of the buyer or 25% of the take home pay. That was especially important in order to sell that mortgage off to the secondary market such as Fannie Mae and Freddie Mac. This

was basic real estate brokering. No one could get around that back then and it made the housing industry strong and constantly reaching new levels.

Something happened along the way after I left the real estate business. Together Fannie and Freddie had assets of about \$1.7 trillion dollars and somehow those assets started getting compromised. The executives of the Government Sponsored Enterprises started taking bonuses and salaries like they were Fortune 100 corporations. The worst thing became the waving of the credit requirements. Mortgage brokers started easing back credit standards and the secondary markets were allowing it to happen. Freddie and Fannie had a fiduciary responsibility to this great nation of ours and they arrogantly decided to ignore it.

The great process which we created to make the American Dream a reality was being compromised in a way that has left our economy in tatters. African Americans as a whole have lost over 35% of our total net worth. It will take generations to come back. Our unemployment is triple that of the national average and no one overseeing Fannie and Freddie seems to know how to right this listing “ship”. Executives at Fannie and Freddie seem to be doing all right though. They have gotten to keep the big bucks they raked in while deceiving the American economy. Why haven’t we gone after them as it is clearly malfeasance and, in fact, criminal recklessness?

There has been a massive fleecing of millions of Americans and justice should be served. What assurances do we have that the perpetrators can no longer sit at the “switch” to cause more harm?

What action have we taken to prevent a repeat of this historical theft and financial harm to America’s middle class? We need efficient prosecution and “perp walks” all over the place. It has been Enron, MCI and the “Dot Com” scandal all wrapped into one. Let’s act accordingly.

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