

PAUL MCMORROW

# Mitt Romney, the rewrite man

By Paul McMorrow    SEPTEMBER 09, 2011



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**GOP Presidential candidate and former Massachusetts Governor Mitt Romney.**

MITT ROMNEY apparently doesn't know Angelo Mozilo, the disgraced former CEO of Countrywide Financial. He's never met a bonus-crazed investment banker or a mortgage broker looking to pad his commission or a board of directors greedily eyeing the competition's quarterly earnings reports. Because when he was asked about the three-year old downturn this week, Romney insisted that Barney Frank and Chris Dodd, "as much as anyone I know in this country, were responsible for the meltdown that we had." The only way Romney could credibly claim that the two Democratic

congressmen were the most responsible for the financial meltdown would be if he knew of no one who'd ever worked on Wall Street.

Of course, the former Massachusetts governor is plenty familiar with Wall Street - he even cashed a fat check from Mozilo once. And Romney should be well aware that private-sector greed, not public-sector politics, caused the 2008 financial collapse. So it's troubling when even Romney, a businessman who's campaigning for president as the adult in a roomful of Republican hucksters, would rather whitewash the financial crisis than admit the private sector's fallibility. Romney wants to be the sober voice in the Republican crowd. That's why, after reversing his retreat from the Tea Party and appearing on Monday at a forum hosted by South Carolina Senator Jim DeMint, he made a point of saying clearheaded things like, "We don't want to tell the world Republicans are against all regulation."

The problem is, Romney also felt compelled to unleash a stream of gibberish and outright falsehoods. He said the Community Reinvestment Act, a 1977 law combating racially based bank redlining, had been "a disaster from the get-go" that weakened banks' loan books. He implied that Fannie Mae and Freddie Mac were ringleaders of the busted subprime mortgage enterprise. And he said Frank and Dodd, who had pushed Fannie and Freddie to increase their affordable housing commitments, caused the recession.

All those claims were proven false months ago by the Financial Crisis Inquiry Commission. The independent, congressionally-chartered commission pointedly said the Community Reinvestment Act, Fannie and Freddie, and federal affordable housing targets had little to do with the root causes of the financial crisis.

The FCIC found, for instance, that only 6 percent of subprime loans had any connection to CRA, and that CRA loans in low-income urban neighborhoods were half as likely to fall into default as non-CRA mortgage from those same neighborhoods.

The commission also found that Fannie Mae and Freddie Mac (current owners of a \$141 billion bailout tab) loosened their lending standards because they coveted Wall Street's record mortgage profits, not because anyone in Washington pushed them into risky lending. The two companies deserve plenty of blame for

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using their government clout to aggressively enter the market for bad loans, but they were latecomers to the subprime mortgage game.

All things being equal, the commission said, Fannie and Freddie's mortgages were still sounder than Wall Street's. Likewise, Fannie and Freddie didn't gorge themselves on subprime Wall Street mortgage bonds to meet Congress's affordable housing goals. As a former Fannie exec told the FCIC, toxic bond-buying "was a moneymaking activity. It was all positive economics."

Back to Mozilo. From 2004 until the mortgage market collapsed in 2007, Mozilo's firm, Countrywide, wrote more junk mortgages than any lender in the country. Privately, Mozilo called his company's mortgage products "toxic," "poison," and "the most dangerous product in existence," but he still sold the poison to investors and pocketed the profits. In September 2010, Mozilo told the FCIC that Countrywide had meant more "to the integrity of our society than any company in the history of America." Three weeks later, he agreed to swallow the largest fine in the Securities and Exchange Commission's history. Today, Bank of America's continued existence is in question, just because it had the bad sense to scoop up Countrywide at a fire sale.

Countrywide was just one of the subprime era's bad actors. All of Wall Street was in on the act; when those bonds soured, they brought the economy down with them. Romney's rewriting of the financial crisis's history may fit a popular political narrative in which government is the cause of all society's ills, but the world is a lot messier than that - a fact any adult in the room should be able to recognize.

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