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Cuomo And Geithner Skated

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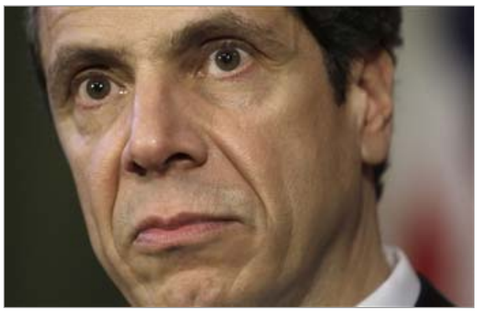

Cuomo, affirmative-action lender. AP View Enlarged Image

Subprime Scandal: The left is unhappy that no high-profile bankers have gone to jail in the financial crisis. But the real culprits were — and still are — in Washington. They've gotten off scot-free.

A growing chorus is complaining that federal prosecutors have dragged their feet in the aftermath of the mortgage mess. Despite a raft of referrals against financial giants alleging securities fraud and "predatory lending," no senior bank executives have been charged or imprisoned.

The media elite demand to know why it is that almost three years after the meltdown, Goldman Sachs CEO Lloyd Blankfein, ex-AIG CEO Hank Greenberg and other Wall Street honchos aren't rotting behind bars.

The New York Times, for one, is directing its venom at Wall Street enforcers and regulators like Timothy Geithner and Andrew Cuomo. The paper says the former New York Fed chief and New York attorney general cut a deal in 2008 to go easy on Wall Street firms to focus on "stabilizing world financial markets."

But what they did or didn't do to investigate the mess is not the issue. The real controversy is why they weren't investigated for their own role in the mess. Geithner and Cuomo no doubt worried that if they leaned too hard on bankers, their own guilt in the crisis would be exposed in court showdowns.

Before the crisis hit, Geithner was well aware of the risk building in the system. Yet he sat on his hands. The New York Fed had more oversight responsibilities for more institutions that failed or came under stress than any other agency. Yet the Financial Crisis Inquiry Commission, chaired by ex-California State Treasurer Phil Angelides, never investigated Geithner's office.

Angelides, a Democratic operative rumored to be Geithner's heir apparent at Treasury, failed to hold a single hearing focusing on the New York Fed. Nor did he order a case study on its role in the crisis — unlike the scores of case studies his investigators conducted putting banks in a bad light.

And he sandwiched Geithner into an unrelated hearing, during which the Treasury secretary managed to avoid any questions about his role as head of the New York Fed. His testimony was confined to the economy and when it might be coming back.

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Angelides also let fellow Democrat Cuomo off the hook, though the historical record is clear that Clinton's housing secretary plunged Fannie Mae and Freddie Mac into the dangerous subprime market — while insisting they ease their "rigid" credit requirements.

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HUD's own documents show that Cuomo prodded Fannie and Freddie to dominate what had been a risky fringe industry, arguing that they'd find their "goals-qualifying" mortgages there.

Just before leaving office in 2001, Cuomo required that the now-failed mortgage giants for the first time devote fully half their business to loans tailored to minority borrowers with poor credit. His quotas remained in effect through the Bush years.

Cuomo argued that Fannie and Freddie's "expanded presence in the subprime market could be of significant benefit to lower-income families, minorities, and families living in underserved areas." So he directed them to "play a significant role in the subprime market."

Cuomo admitted that "there'll be a higher default rate on those mortgages." But he didn't care, because as he put it, this was "affirmative action" lending — and he wanted more of it. "It will help reduce the huge homeownership gap dividing whites from minorities and suburbs from cities," he said.

Cuomo also pushed Fannie and Freddie to buy subprime securities to earn credits against his drastic affordable-housing goals. They in turn drove Wall Street demand for subprime investment. In 2004, HUD credited Cuomo's policies for "increasing (Fannie and Freddie's) business in the subprime market."

But even before the subprime bubble burst, Fannie and Freddie strained under the tougher mandates, absorbing some $200 million in annual costs just to subsidize the risky political loans HUD freighted them with.

Though a prime suspect in the financial crisis, Cuomo managed to escape scrutiny by the Angelides commission during his successful run for New York governor last year.

Instead of clamoring for indictments against bankers, the media should hold these policymakers accountable for their own hand in the crisis. Bankers simply complied all too well with their reckless social mandates.

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Nothing will be done. The Democrat Party is nothing but a national organized crime family.

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Posted By: LostinSpace(95) on 5/11/2011 | 7:56 PM ET

What about the other political whores like Franks, Dodd, Rangel, Clinton (Glass-Stegall) Rubin, Greenspan, et al.?

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