



# Free Market Project

Auditing the media's coverage of the free market system



## Fannie Mae Scandal Grows and Networks Do Nothing

ABC, CBS, NBC skip \$40-billion catastrophe at mortgage giant.

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Network news continues to ignore the ongoing \$40-billion crisis at mortgage giant Fannie Mae, despite new accounting problems and a recent one-day stock drop of 11 percent.

Print media, led by The Wall Street Journal, have pointed out the many flaws in the Fannie Mae operation. A September 29 Journal piece said that investigators had “found new accounting violations, including evidence that the company may have overvalued assets, underreported credit losses and misused tax credits...”

That report and others received no network news attention. In the six months from April 5 to Oct. 5, 2005, the three broadcast networks combined mentioned Fannie Mae just twice even though the stock has dropped almost \$30 billion in value during 2005. One of those reports was a passing mention of Fannie Mae mortgages and the other was a spirited defense of the company by liberal Rep. Barney Frank (D-Mass.) complaining that “you have the administration in an ideologically driven attack on Fannie Mae and Freddie Mac.” In the June 12 report from “This Week With George Stephanopoulos,” Frank went on to criticize “free market fundamentalism going after the two institutions that have done a great deal to make the 30-year mortgage possible through the secondary mortgage market.”

Frank's comments were an attempt to camouflage the massive wrongdoings at Fannie Mae, including \$10.8 billion in overstated earnings – and that doesn't count the new accounting problems. During the six months that the networks ignored the firm, it has been the subject of congressional hearings, appointed a new chief executive and twice failed to meet deadlines for its earnings reports. In addition, Fed Chairman Alan Greenspan warned that the size of Fannie Mae posed a threat to the economy.

None of that was aired on the network news shows.

This is consistent with findings of an April 4, 2005, Free Market Project study about Fannie Mae media coverage entitled “[Government-Sponsored Enron](#).” That analysis found broadcast news covered the Enron debacle far more than the crisis at the mortgage leader, even though Fannie Mae's accounting problems were 19 times the amount of Enron's. Fannie Mae, a Government-Sponsored Entity, has a special congressional charter, special tax breaks and an implied taxpayer-funded bailout if things go wrong.

In fact, the networks are still discussing Enron far more than Fannie Mae. The Enron fiasco has become network shorthand for business corruption, cropping up at least 33 times in six months.

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Enron has been linked consistently with every kind of corporate misconduct. New York Times reporter Judith Miller went even further on the July 6 "Good Morning America," saying, "From Watergate to the financial scandals of Enron, to the abuses that took place in Abu Ghraib prison, all of these stories required confidential sources." The August 3 "CBS Morning News" also told viewers of "another settlement for investors burned by the Enron collapse." None of these stories discussed the more current – and more expensive – catastrophe of Fannie Mae.

Unlike the broadcast networks, both Fox News and CNN acknowledged the Fannie Mae problem. Fox was the only network to do a complete story on the issue. CNN addressed the topic twice, once in a brief about Greenspan's criticism of the company. The other time was in a June 15 "Judy Woodruff's Inside Politics" story about "the revolving door between key White House jobs and big business." Rather than use that opportunity to point to the huge controversy at Fannie Mae, where several key Clinton staffers once found a home, reporters Suzanne Malveaux and Dana Bash downplayed that and highlighted problems for Bush.

Malveaux simply said, "Clinton budget director Franklin Raines left the White House for Fannie Mae, a private mortgage giant backed by the government." According to the October 5 Washington Post, Raines and former chief financial officer J. Timothy Howard are being sued by Fannie Mae shareholders after "they were forced from Fannie Mae last year amid allegations that they flouted accounting rules to boost earnings, which in turn triggered millions of dollars in bonuses for themselves and other top executives."

However, the reporters didn't mention that. Instead, Bash followed Malveaux's mention of Raines with this: "But energy ties of Mr. Bush and of the vice president has created a perception problem from day one here about the president's environmental policy."

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