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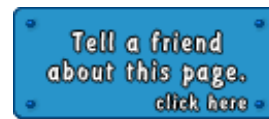
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## AMERICA'S FANNIE HAS BEEN SPANKED-BUT ITS' NAME IS MUDD!



by [Alex S Gabor](#)

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SOROS AND ME! PART VII

AMERICA'S FANNIE HAS BEEN SPANKED-BUT ITS' NAME IS MUDD!

By: Alex S. Gabor

My great adopted uncle George Soros has been accused of all kinds of wrong doing, and like me, he may have a few streaks of mischief left in his acute mind. Soros actually means "sharp" in Hungarian and he has always lived up to his name as have I to mine.

If not being criticized for "breaking the bank of England", condemned for "causing the Asian financial crisis", or being attacked by Neocon Nazi far right fundamentalist Christian fascist political forces for donating millions to the causes of open society, he might soon add the collapse of the US real estate market as the final feather in his long capped track record of making billions from the misfortunes of others' miscalculations and misperceptions of the reality in financial markets.

Soros, earlier this year predicted a total meltdown in the real estate markets

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beginning some time in 2007. This author on the other hand published his article "The Real Estate Bust of 2006" last December.

The stages for those perceptions have been set as America's Fannie has been spanked with \$400 million in fines, only the beginnings of turning inside out the entire ponzi scheme of American real estate finance.

Criticism levied at the mortgage finance giant after an \$11 billion accounting scandal is fair and remains ongoing into the far foreseeable future as the onion is peeled away by Congressional investigators and greater public scrutiny. By the time real honest accounting is done, Fannie will be trading in the pennies. That idea scares many in Congress.

The Fannie Mae of years past may have made substantial changes and may not appear what it once was, but it continues to operate a massive ponzi scheme using funds from foreign investors to maintain its' illusions of profits for its stockholders.

The only difference between Fannie and Enron is that the international markets perceived the truth about Enron far too quickly but is yet to discover the whole truth about America's Fannie, which is still encrusted with the dark forces of fraud.

On the surface, America's Fannie has a new face, as its' new Chief Executive Officer Daniel Mudd attempted to sweet talk Congressional leaders during his appearance on Capitol Hill.

Redirecting attention away from the truth is one way in which criminals are able to perpetuate their schemes that ultimately wind up being exposed by those who know better and can profit from shorting FNM and the entire real estate industry during the next several years.

George Soros didn't hire me to write this blistering article, nor am I being paid to do it. I write it because in my honest opinion it is time for the global finance people and those central bankers who keep feeding the Octodragon that is destroying our planet to wake up and realize that they too are being conned by a system that is nothing more or less than the greatest ponzi scheme ever invented in the history of man.

A Ponzi scheme that happens to be poetically known as the Fannie of America which is now headed up by a man whose name is literally Mudd. The company has gone to great lengths to lower its profile and take a more humble tone. America is trying to hide its Fannie from the rest of the world, but its nakedness is about to be exposed and laid bare for the entire planet to scorn and laugh at because in truth, the entire system is a complete fakery and mockery of the American dream, while America continues to sleep at the wheel, the rest of the world sees the light of a new dawn, and the American nightmare is foisted upon us all.

The bubble has already popped. The gas being let out of America's Fannie,

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like some embarrassing moment at the global trough of abundance, is being sidestepped with political rhetoric and doublespeak, and although many politicians are blushing, it is those who see the real opportunity that will be laughing all the way to their foreign bank accounts.

Individual Americans' collective wealth has ballooned to \$54 trillion according to the Bernankeular of the Federal Reserve. What's a few trillion vanishing dollars to a pump and dump scheme so sophisticated it takes an axe to peel away the rubric that poses as facts before the global financial markets? America as a sovereign entity owes \$10 trillion to foreign banks and investors. But its' homeowners, who think they live the American dream, owe another \$10 trillion in real estate loans, 50% of which is controlled by America's Fannie and her nightmarish brother Freddie, the one that has no Krugerands.

According to the stats reported by the U.S. Treasury Department, America's first 42 Presidents, from George Washington (1789) to Bill Clinton (2000), borrowed a combined total of \$1.01 trillion from foreign governments and financial institutions. From 2000 to 2006, the Bush White House has borrowed \$1.05 trillion alone. We as a nation have borrowed in the last 5 years what we had previously borrowed in the first 211 years of our country.

Those stats in fact are false and misleading. The real number is closer to \$10 trillion, while the national debt was around \$6 trillion and budget surpluses were on the horizon when Bush took office; it is now close to \$9 trillion, with the debt ceiling having been raised twice, meaning that Bush has already borrowed about \$3 trillion to finance his "war on terror".

That means the American Ponzi scheme has mushroomed and is now at its peak. The interest paid to prior investors on Treasury Bills was funded by simply borrowing more and more each year from foreign investors. But foreign investors are realizing that the Ponzi scheme cannot go on forever, and despite the negative impacts to their own economies, foreign governments, aside from their distaste at America's arrogance in military matters, are beginning to tighten their belts.

China is now taking steps to rein in its' hyper inflationary annual growth rate of 30% by cutting off the supply of money to its banking system and the construction industry that fueled the double digit growth rates of the past decade.

The impact of this will limit the amount of money available by the Chinese to keep fueling the American ponzi engines, namely Fannie, Freddie and the Treasury bond markets, driving the US dollar ever lower, and pushing Treasury bond prices toward junk bond status.

Foreign perceptions are now coming around to realizations that it is very risky to invest in an America that cannot keep its Fannie clean.

Some readers may be asking, what does this all have to do with the writer

and George Soros?

In 1993, when I first read about Soros and how he made a billion dollars in one day, I realized that he may have taken his profits in a certain week after the Bank of England managed to persuade the British Parliament not to join the European Monetary Union, but that the planning and strategic decision to short the British Pound had to have been made months, perhaps even years before, and the amount of money necessary to amass to make that kind of short sale took tremendous confidence in a single money manager who had already proven his track record numerous times in prior trades.

For the next ten years I studied how this one man, as a result of his financial prowess, had funneled billions of dollars into organizations which helped topple repressive governments, and bring about greater freedoms in societies which had previously been closed.

America is and continues to be run by a repressive government that is so closed and secretive, that anything it does wrong is hidden behind the guise of national security.

As a result of my research I began to develop a prospectus based on the European model of issuing bearer shares and allocated a large portion of those shares to Soros himself.

After two 10 for 1 forward stock splits and hundreds of variations later on the development of that prospectus, if a market had developed for those shares, both Soros and I would have been the world's first trillionaires.

The goal of the business plans and operations were to create a financial system that didn't bear interest, not out of some religious context, but from a sound economic basis going forward; it was plainly self evident that any system which kept borrowing to keep alive was doomed to failure.

Oddly enough, the financial markets could still make money without charging interest, but that is not the subject of this article.

The plan included gradually replacing America's Fannie with not for profit international organizations organized in 50 states, 10 provinces, and 32 foreign countries that lend money for housing at zero interest, changing the Federal income tax laws to encourage rapid debt repayment instead of mortgage interest deductions, and generally building a "free and clear" global society.

The main argument for such an endeavor being the answer to the simple question; why would any rational human being borrow money from himself and then charge interest to himself when the money was created out of thin air to begin with?

Most people who had read and understood the prospectus agreed

wholeheartedly and went so far as to enter into agreements with my organizations to further their own and society's best interests.

But it became such a great threat to the current financial system, despite its proposed solutions that would have limited any damage to the stake holders, namely America's homeowners, that I personally became the target of the very government I was seeking to assist.

While the House Financial Services Committee Chairman Michael Oxley appropriately called Fannie "the Enron of the financial services industry," and the U.S. Treasury Department is currently ramping up its public campaign to push the Senate to act quickly to deal with the implosion of Fannie, the prospectus, which is lost in obscurity somewhere in cyberspace, had called for a merger between Fannie and Freddie and a subsequent decriminalization and a gradual deprofitization of the mortgage operations of America.

In true Christian parlance, this was known as "throwing the money changers out of our homes".

Unfortunately, certain vested interests got hold of the prospectus and the SEC, on the very same day that it went after an illiterate visionary who actually filed a prospectus for TOKS with that regulatory agency, a company whose business plan included a plan to consolidate the entire Fortune 500 into one company, filed a civil action against me and my company, Penny King Holdings Corporation that left me both emotionally and financially devastated. Another chapter to be dealt with later.

Three years later, I am writing this column called "Soros and Me!" still in hopes that somehow, George Soros, whom I have never met face to face or spoken with, will contact me and discuss how we might together still co-create an open free and clear American society.

Perhaps hope in me springs eternal.

In the book Buffettology, about Warren Buffett's approach to investing, a passage illuminates clearly Fannies problems when compared to another troubled company in America: "The phenomenon of a company growing only because money is being borrowed can be seen in the financial records of the General Motors Company, which indicate that between the beginning of 1985 and the end of 1994 it earned in total, approximately \$17.92 a share and paid out in dividends approximately \$20.60 a share.

"During this same time period the company spent approximately \$102.34 a share on capital improvements.

"The question that should be running through your mind is, if Generals Motors' earnings during this time period totaled \$17.92 a share and it paid out as dividends \$20.60, where did the extra \$2.68 that it paid out in dividends and the \$102.34 that it spent on capital improvements come

from?"

The answer: GM borrowed over a hundred billion dollars during the same period and has never paid it back, probably never will.

Smart investors who seriously delve into Fannies deeper crevices will be able to discern a similar pattern of behavior, the only difference being that Fannies product is annually inflated paper assets sold to foreign and domestic institutional investors.

Since December of 2000, Fannie's stock price has lost almost half of its value, falling from \$90 to \$47, dividends have been cut in half from a high of .52 per share in October of 2004 to .26 in the latest quarter, and the number of institutional investors holding the stock for the long term continues to diminish.

Mudd keeps saying that Fannie is not "unethical." "I don't think as a broad characterization that this is an unethical company. I think it's a highly ethical company that's motivated by a lot of different things that include a valuable and important mission."

It is mainly motivated by money because that is its' product. Affordable money to the housing markets in America, but if that product is artificially inflated, it becomes a very destructive product in the long run.

Its' mission is supposed to be affordable housing for 300 million Americans. In that mission it has utterly failed.

Instead, America's Fannie has lined the pockets of a few former managers, all of whom have not been held to account like those at Enron, all the while maintaining the front that it is a good ethical company, much like Ken Lay who "didn't do anything wrong".

Mudd said Fannie has rebuilt its management team and that 44 of 55 of the most senior managers are in new positions or are entirely new to the company. It has overhauled staffing in its finance division and hired thousands of contract employees to conduct the earnings restatement.

It didn't take thousands of accounting professionals to pierce the veil at Enron, in fact thousands of accounting professionals lost their jobs because of Enron and it is highly likely that thousands more will lose them because of Fannie.

Yes, I am predicting the collapse of America's Fannie.

Fannie also paid close to \$100 million in bribes and political contributions to various political consultants, lobbyists, and political organizations over the past decade to keep their Ponzi scheme from being overly exposed. So sue me for exposing America's Fannie? The prospectus did in fact do that.

Fannie, according to its own false public statements, has apparently restored its capital and improved its relationship with regulators, agreeing to a \$400 million fine and a cap on growth in its investment holdings.

This cap basically is the trigger that cuts off the limitless spigot of growth that has fueled real estate prices in America for the past four decades. A major shift in policy. When the dust finally settles, remember this article and the others written on the same subject by the same author.

Mudd has disagreed with a memo from an analyst with the Republican Policy Committee which said the CEO himself was at the center of a "corporate strategy" to misrepresent Fannie Mae. Mudd is protecting his position and future earnings. He gets paid a base salary of \$2 million a year, not counting stock options and other perks.

Fannie, like Freddie, is owned by shareholders but charged by Congress with supporting housing by keeping money flowing in the mortgage market. Congress didn't realize that by allowing Fannie to operate as a for profit enterprise that greed would eventually take over and cause America to increasingly pay more and more for housing and ultimately bring about the demise of the entire housing industry. They should have known better.

Fannie and Freddie have strayed from their missions. The companies do not lower mortgage rates for homebuyers, if at all. They both act as a monopoly on rates when rates on housing finance could conceivably be zero, regardless of what the Federal Reserve Discount rate is. Both companies do not reach enough low- to medium-income buyers and by raising loan limits almost every year, they maintain their monopoly and false manipulation of housing prices by continuously raising their loan limits.

Fannie and Freddie are focused on using what Wall Street sees as government backing to cheaply take on risk and boost profits for shareholders. The only problem is, now that the shareholders have been betrayed, how long will it take for Fannie to become America's largest casualty of a fraudulent financial system?

A big write up in the Wall Street Journal about Enron's troubles started the bear raid that eventually destroyed Enron's stock prices. Just like Enron, Fannies' use of accounting tricks caused it to lose investor faith and credit, Fannie is faced with a vote of no confidence and we should expect some criminal indictments to be coming forward fairly soon.

Fannie's "profits" continue to be illusions created through accounting tricks which may be more than a year away from full disclosure to the overall market. The real numbers are six years behind in factual reporting.

In Fannie's case, those profits were manipulated to trigger maximum bonuses for executives, but the chickens have yet to come home to roost. It is too late for Fannie to be forced to refocus on its core mission. It must be

merged with Freddie and taken over by the Treasury department so the false face can be lifted and America can wipe its' Fannie clean, otherwise, America's name will continue to remain mud in the eyes and perceptions of global investors.

Treasury Under Secretary for Domestic Finance Randal Quarles has said that restricting Fannie and Freddie to guaranteeing mortgages, and reducing their ability to make investments, would not hurt the housing market.

The Securities and Exchange Commission has recommended limiting the amount of time Fannie Mae has to file up-to-date financial statements before it is dropped from the New York Stock Exchange, SEC Chairman Christopher Cox said in testimony before the Senate Banking Committee.

Fannie has not produced timely financial reports since 2004 and is in the midst of restating earnings following its \$11 billion accounting scandal. Under NYSE rules, Fannie Mae was in danger of being "delisted" from the exchange, a step that could undermine confidence in the company and pressure on its stock. The NYSE says that it made an exception for Fannie Mae to avoid disrupting the market. It didn't for Enron and confidence is already undermined so NYSE's decision is moot. It has only delayed the inevitable.

So why make exceptions when fraud is clearly self-evident and the worst financial disaster in the history of the world is teetering and looming right before our eyes? Fear is the answer.

Perhaps it is a matter of national security that America's Fannie is allowed to stay in business and remain listed on the NYSE. But to the outside world, this is even more damaging. It further erodes confidence in the bond and stock markets.

If foreign governments cut off the supply of money to the bond markets of America, it can no longer finance its war efforts around the globe. It may be damaging to US Security, but it would eventually lead to greater global security.

Allowing Fannie to continue to trade tells the rest of the world that the corruption is not yet over. America still has a very dirty Fannie. America has gotten so fat it cannot reach around and clean up its own messes without keeling over.

SEC Chairman Cox, who comes from a career that spanned 17 years in Congress, said in his prepared statement that his agency has "encouraged the NYSE to amend its rule to put an expiration date on the exception." He did not recommend a specific deadline.

In prepared testimony Mudd pledged that by the end of the year, Fannie would finish restating its financial reports for the period from 2001 through 2004.

It still needs to file reports for 2005 and the current year to be in compliance with SEC rules requiring publicly traded companies to file timely financial statements.

This double standard only shows investors that while the real issues of fraud, corruption and scandal at the highest levels of Wall Street are clearly out in the open, the rest of the world must move its money elsewhere for it to be safe and sound.

It is already too late to stem the tide of capital flowing away from the United States markets. The latest statistics show that Foreign Investment in America dropped by 34% in one month alone just two months ago, a trend that is likely to continue.

Foreigners bought a net \$46.7 billion in U.S. securities in April, the lowest level in more than a year, according to the latest data from the Treasury Department. April's buying was down 34 percent from March's foreign net purchases of U.S. securities at \$70.4 billion, the Treasury said in its monthly international capital report.

Merging Fannie and Freddie into the Federal Housing Administration would not further damage the industry, but by allowing both institutions to continue to exist in their current form would in the long run eventually cause the collapse of the housing market.

The Mudd solution has been repeatedly iterated that Congress should pass a bill to create a stronger regulator. Mudd is asking for further regulation. Congress created the FHA; it also created the OFHEO, the Office of Federal Housing Enterprise Oversight. We have HUD, the SEC, and the Treasury Department.

Neither Congress, HUD, the Treasury Department, FHA, OFHEA, the SEC or Fannie can undo the harm that has already been done to American home buyers and owners without telling the truth, the whole truth and nothing but the truth.

But if they all did that, America's name would really be mud.

And the risk of shorting America's Fannie by the Soros Funds would be minimalized.

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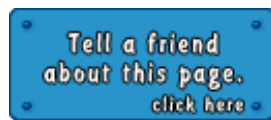
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