

An Open Letter to the President



March 13, 2016

Dear Mr. President:

In some of your speeches and remarks to the press of late (as recently as Thursday), you have chided a number of folks for not adhering to the Rule of Law¹

Really?

Have you read <http://www.hoover.org/research/grand-theft-treasury?>

or <http://howardonmortgagefinance.com/2016/02/23/the-takeover-and-the-terms/>?

No? How about this one: http://www.gselinks.com/pdf/Govt_Perfidy_Angel.pdf?
(Your senior staff has had copies of all three articles for quite some time now.)

Mirroring what unfortunately goes on every day in the political world, opponents and critics of **Fannie Mae** and **Freddie Mac** have been able to get enough of their advocates to repeat a totally fictitious account of the financial crisis so often and so emphatically that large numbers of otherwise sensible and objective people have fallen for The Big Lie, a false narrative that has no basis in fact and is easily and convincingly refutable. (Unfortunately, it has also become entrenched in most media reporting.) But you, sir, by now know better. The GSEs never needed a bailout. And it was not a 'rescue' made amidst the 'fog of war'; it was a well-planned and meticulously executed strategy by the Bush Treasury to nationalize two publicly-traded companies without compensating their owners. Treasury took the twins over not because they were weak, but because they were strong. Indeed, Secretary Paulson let the cat out of the bag in his book: referring to the frozen credit markets in the late summer of 2008, he wrote "they (Fannie and Freddie) were the engine we needed to get through the problem." Treasury needed Fannie and Freddie to help keep the financial system afloat, and it simply took them, under the pretense of a rescue. But it was a robbery, pure and simple. Since then, your Administration has become complicit in and compounded your predecessor's unlawful conduct by proceeding to

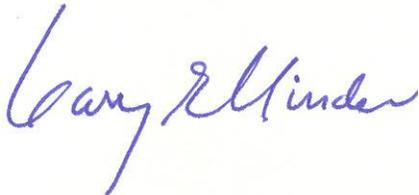
¹From Wikipedia: "The *rule of law* is the legal principle that [law](#) should govern a [nation](#), as opposed to being governed by arbitrary decisions of [individual](#) government officials. It primarily refers to the influence and authority of [law](#) within society, particularly as a [constraint upon behavior](#), including [behavior of government officials](#). The phrase can be traced back to 16th century [Britain](#), and in the following century the Scottish theologian [Samuel Rutherford](#) used the phrase in his argument against the [divine right of kings](#). The *rule of law* was further popularized in the 19th century by British jurist [A. V. Dicey](#). The concept, if not the phrase, was familiar to ancient philosophers such as [Aristotle](#), who wrote "*Law should govern*."

loot Fannie Mae and Freddie Mac (using their money to avoid hitting the Debt Ceiling limit) – to the extent that just a couple of weeks ago, FHFA Director Watt sounded the alarm that these two companies – *among the most profitable in the world, no less* – soon will have no equity capital left! Zero! (A prediction – and veiled warning, perhaps – that in order to keep them solvent, before too much longer, Treasury might actually have to put back some of the money it has stolen.)

I'll cut you a break, Mr. President, on your speech in April of 2015 when you parroted the GOP and Treasury's shopworn lies and fabrications calling the twins "*failed business models*" and for your repetition of the shibboleth "*private gains and public losses*". But please, no more. Treasury keeps defending its actions because it claims that taxpayers took "enormous risk" in "rescuing" the companies, and points to its investment of \$187 billion in senior preferred stock (unnecessary, as it turns out, but nonetheless repaid with over \$50 billion in profit to the taxpayer) as proof of that risk. But as you must surely know by now, that explanation does not withstand factual scrutiny.

Mr. President, you taught Constitutional Law at U.C. for what, a dozen years or so? If forcibly depriving Fannie and Freddie shareholders of the ownership of their companies – and then confiscating all of the companies' profits *in perpetuity* (as well as the entirety of their net worths) – is not a fifth-amendment 'taking', then what, pray tell, is?

Wake up, Professor!



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March 13, 2016
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P.S. (March 29): Here's another one that your staff has had since November of 2014:
<http://gselinks.com/pdf/letter-from-concerned-parent-and-patriot.pdf>.

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