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On the Outside Now, Watching Fannie Falter

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In the four years since he stepped down as [Fannie Mae](#)'s chief executive under the shadow of a \$6.3 billion accounting scandal, [Franklin D. Raines](#) has been quietly constructing a new life for himself. He has shaved eight points off his golf handicap, taken a corner office in [Steve Case](#)'s D.C. conglomeration of finance, entertainment and health-care companies and more recently, taken calls from [Barack Obama](#)'s presidential campaign seeking his advice on mortgage and housing policy matters.

And he's privately smoldered over the events of the past week, when Fannie Mae and [Freddie Mac](#) were portrayed as being on the brink of disaster, prompting steep drops in their stocks and a federal intervention.

In his first interview in two years, Raines remained insistent that the mortgage finance giant's problems are not rooted in the company but stem from a time when the Bush administration and the [Fed](#) insisted the government-sponsored enterprise carried no explicit federal backing.

Treasury Secretary [Henry M. Paulson](#) Jr. has since shifted gears on that stance to prop up the company, drawing praise from Raines, but Raines said more needs to be done to restore confidence in their future.

"The future is what investors care about -- not today -- not just a press release," Raines said.

Watching from outside the limelight has been frustrating, said Raines, who has not spoken publicly about Fannie Mae since being charged by federal regulators with manipulating Fannie Mae's earnings in 2006. Rising from the working-class streets of Seattle to the highest levels of political and corporate life, Raines for more than a decade enjoyed a bully pulpit in Washington, first as head of the [White House Office of Management and Budget](#) under [President Clinton](#) and then as chief executive of Fannie Mae, where he was the first African American chief executive of a Fortune 500 company.

Raines settled charges brought by the [Office of Federal Housing Enterprise Oversight](#) by agreeing this spring to pay \$2 million and forfeiting \$22.7 million in stock and other benefits. And though none of it will come out of his pocket -- the payment was covered by insurance -- he has not emerged unscathed. He and his wife of more than 25 years,

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Wendy, are separated. Their house, a 1910 colonial in Northwest Washington, is for sale. An old friend, former [Time Warner](#) chairman [Richard Parsons](#), describes him as being "in strong recovery mode."

Which is, perhaps, more than Fannie Mae can say. Its employees have watched the value of their stock holdings drop precipitously, and it is not clear whether the company has reached bottom. Many resent Raines and others who left in better times.

The current Fannie Mae crisis unfolded even faster for the company than it did for Raines.

In October 2003, even as Raines was invited to the Bush [White House](#) to receive a leadership award on behalf of Fannie Mae, investigators were about to look into the company's accounting books. A year later, Congress held a hearing on accounting irregularities at the company. By the end of 2004, Raines was forced out by the board, accused by regulators of overseeing accounting manipulations to bolster his compensation.

Even today, some think he contributed to Fannie Mae's slide.

"It's like a Dickensian novel," Raines said, who insisted he broke no laws in settling with the government last April.

He now finds himself in that peculiar limbo of having been accused and the charges dropped -- but forever footnoted.

He's lunched with Lawrence Small, the [Smithsonian](#) head who resigned last year after questions were raised about his salary and spending habits. He's engaging in charities and new projects like the [Mall](#) restoration and African American history museum. He's taken to repeating an old saw, "If you want a friend in Washington, get a dog."

[Ted Leonsis](#), who has known Raines for 15 years from when Raines served on [AOL](#)'s board, describes him as "unflappable" and "focused," particularly in his involvement with Revolution Money. The company, which Leonsis and Case launched last fall, is an online credit card company. It combines a Paypal-like money transfer service with a credit card that can also be linked like a debit card to a bank account.

Raines is an investor and board member in Revolution Money and Revolution Health, a health-care business launched two years ago by Case, the former chairman of AOL. Raines has an office in Revolution's modern steel, glass and wood-paneled offices on Rhode Island Avenue Northwest and, unlike other board members and investors, is in the office several days a week.

Case said he asked Raines to come on board at the end of 2004, just a week after he stepped down from Fannie Mae, because he considers him "terrifically thoughtful and intelligent."

Raines is active in both companies and switches easily from talking about debt markets and margins to the impacts of inaccessible and costly health care on poor working families.

Raines's personal experience colors his perspective, but he has lived longer now in the world of power and privilege. He drives a sleek [BMW](#) sedan ("I buy one every 10 years, whether I need one or not," he quipped) and has been trying to clear his name through the courts.

When Daniel H. Mudd stepped in to succeed Raines after his ouster, Mudd promised a House committee that the days "of arrogant, defiant, 'my way' Fannie Mae" would end. Congress has recently moved forward on legislation that would create stronger federal oversight of Fannie Mae and Freddie Mac.

As investor confidence in Fannie Mae and Freddie Mac has waned, Raines discussed with his lawyers several months ago his desire to re-engage in public policy debates.

"I finally got pushed by my friends to do it," he said. It was important to get Fannie Mae and Freddie Mac "back to doing what they have been doing and not spending all their time fighting for their lives in Washington."

Aside from his work with Revolution, Raines gives no hints of future ambitions. But he heeds the advice of Small, with whom he once worked at Fannie Mae in an earlier stint at the company.

"He's very good at reminding people that whatever happened, you're not dead," Raines said. "Get up, go out and do stuff."

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