



08/05/2008

Freddie Mac failed to heed internal warnings

The current financial state that Freddie Mac is in could have been thwarted if its chief executive had heeded internal warnings that were brought to his attention years ago. This is the consent among more than two dozen current and former high-ranking executives and others.

In 2004, chief executive Richard F. Syron was given a memo by Freddie Mac's chief risk officer warning him the firm was financing problematic loans. According to The New York Times former chief risk officer at Freddie Mac, David Andrukonis, remembers informing Syron in mid-2004 of the dangers of underwriting further high-risk loans. Andrukonis warned that the practice "would likely pose an enormous financial and reputational risk to the company and the country."

Richard Syron was also warned the firm needed to increase its safety net, yet it shrank. Mr. Syron was also warned to slow the firm's purchase of mortgages, yet they accelerated.

In his defense, Syron told The New York Times "If I had better foresight, maybe I could have improved things a little bit," he said. "But frankly, if I had perfect foresight, I would never have taken this job in the first place."

Freddie Mac, being the second largest mortgage vendor in the U.S. next to Fannie Mae, has experienced losses of billions of dollars in the current housing and credit crisis.

Some outsiders are now saying that Mr. Syron and the top executive at Fannie Mae, despite their high profile positions, should be replaced.