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Bill Clinton: The Brass Standard

Politics takes a lot of brass. And Bill Clinton is a master politician. His rousing speech at the Democrats' convention told the delegates that Republicans "want to go back to the same old policies that got us into trouble in the first place."

That is world class brass. Bill Clinton's own administration, more than any other, promoted an unsustainable housing boom, which eventually and inevitably led to a housing bust that brought down the whole American economy.

Behind all the complex financial processes that reached to Wall Street and beyond, there is one fundamental fact: many people stopped making their mortgage payments.

Why did that happen? Because mortgage loans were made to people who did not meet the long-established qualification standards for getting a mortgage loan. And why did that happen? Because the Clinton administration threatened lawsuits against lenders who did not approve mortgage loans to minority applicants as often as to white applicants.

In other words, racial quotas replaced credit qualifications. A failure to have racial statistics on mortgage approvals that fit the government's preconceptions was equated with discrimination.

Attorney General Reno said that lenders who "closely examine their lending practices and make necessary changes to eliminate discrimination" would "fare better in this department's stepped-up enforcement effort than those who do not." She said: "Do not wait for the Justice Department to come knocking."

Clinton's Department of Housing and Urban Development (HUD) had similar racial quota policies, and began taking legal actions against banks that turned down more minority applicants than HUD thought they should.

HUD said that it was breaking down "racial and ethnic barriers" so as to create more "access" to home ownership. It established "goals" — political Newspeak for quotas — for Fannie Mae and Freddie Mac to buy mortgages that the original lenders had made to "the underserved population." In other words, the original lenders could pass on the increasingly risky mortgages to Fannie Mae and Freddie Mac — and, ultimately, to the taxpayers.

Other federal agencies warned mortgage lenders against having credit standards that these agencies considered too high. And these agencies had many powers to use against banks and other lenders who did not heed their warnings.

The Federal Reserve Bank of Boston, for example, issued guidelines for "non-discriminatory" lending which warned lenders against "unreasonable measures of creditworthiness." Lenders should have standards "appropriate to the economic culture of urban lower-income and nontraditional consumers" and consider "extenuating circumstances." In other words, when some people don't come up to the lending standards, then the lending standards should be brought down to them.

What was the evidence for all the lending discrimination that the government was supposedly trying to prevent? Statistics.

In the year 2000, for example, black applicants for conventional mortgage loans were turned down at twice the rate for white applicants. Case closed, as far as the media and the government were concerned. Had they bothered to look a little deeper, they would have found that whites were turned down at nearly twice the rate for Asian Americans.

Had they bothered to check out average credit scores, they would have discovered that whites had higher average credit scores than blacks, and Asian Americans had higher average credit scores than whites.

Such inconvenient facts would have undermined the whole moral melodrama, reducing it to a case of plain economics, with lenders more likely to lend to those who were more likely to pay them back. Once lending standards were lowered, in order to meet racial quotas, they were lowered for everybody. Deadbeats of any race could get mortgage loans, and most were probably not minorities.

Democrats like to blame the "greed" of business, rather than the policies of government, for problems. But lenders don't make money by lending to individuals who don't pay them back. That is what government forced lenders to do, beginning under the Clinton administration. And the eventual collapse took down the economy.

It takes brass to defy the facts. And Bill Clinton has brass.

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