Déjà vu All Over Again

May 30, 2018

One of the stand-bys of the post-2008 mortgage finance bust, at least from left-of-center policy mavens, has been to ask: why has no banker gone to prison? They played a game of fraud and got rich. What a protected class — Cronyism! Plutocracy! Capitalism!

The why is much easier to understand if you read up on Round Two of the aughts’ boom-bust scenario, as in Prashant Gopal’s coverage in Bloomberg, “Getting Rich on Government-Backed Mortgages.” Gopal spotlights a non-bank mortgage broker, Angelo Christian, who

Gopal spotlights a non-bank mortgage broker, Angelo Christian, who is making a killing selling houses to people with horrible credit, just as happened before 2008.

Christian can do this kind of deal because he is, in effect, making the loan on behalf of the federal government through its most important affordable housing program,” Gopal writes. “It’s a sweet deal: He gets his nearly risk-free commission. [His client] puts no money down. If things go south, the government ultimately bears the risk.”

So, should he go to jail?

Not really. He’s merely doing Congress’s bidding.

Gopal notes that it is not banks that dominate this round. They are under too much scrutiny. But non-banking loan intermediaries like Mr. Christian are swarming like flies on a cow’s behind.

There’s a problem in Gopal’s account though. “No one is saying the system is close to another collapse.”

Well, plenty of people are saying that.

The Cassandras are just not being heeded.

Of course, they don’t know when the bust will happen.

They just know it will.

This is Common Sense. I’m Paul Jacob.