FSOC'S 15 MINUTES TO SAVE THE WORLD

As I noted, the Financial Stability Oversight Council is meeting today. As announced, they discussed foreclosure fraud and securitization.

For less than 15 minutes.

And then they moved on, without once raising the issue of whether or not the banks' exposure due to securitization problems posed a systemic risk to our financial system.

As the first order of business in the public session (the Council had an hour of private business before the public session), the departing Michael Barr reviewed what the "foreclosure working group" was doing about the problem. He noted that there seemed to be problems, but described that onsite examiners were collecting information and would not be done doing that until the end of the year; they'd issue a substantive report in January. He did, however, say that there had been significant putbacks and he expected them to continue.

And that was it. Timmeh Geithner asked if anyone had questions. And no one did. No one asked, "What do you expect will happen between now and January?" No one asked, "Do you think this is systemic?" No one asked, "What kind of exposure are we talking about here? Are the banks insolvent?"

No one even pointed out that existing home sales were sliding again, at least partly because the banksters couldn't sell their foreclosures and partly because consumers weren't stupid enough to buy them. So no one mentioned that waiting until January may not be so smart, as nothing is getting fixed in the meantime.

Now perhaps they did ask these questions during the hour of private business before the cameras started rolling. Perhaps they spent the hour before we got to watch screaming "hair's on fire, hair's on fire, hair's on fire," before taking a sip of tea, and then performing a complete lack of concern about this. Perhaps they talked about how serious this might be before we were allowed to watch, not wanting to concern the markets (which are busy freaking out, in any case, about a run on Europe's banks).

But the optics of it—this apparent lack of concern about the way the banks will postpone admitting to their own insolvency by degrading the private property system in this country at the expense of real people—suck. They sure provide zero confidence that the FSOC intends to do its job to prevent this from becoming a systemic crisis.

Update: Felix Salmon has a good article describing where Michael Barr thinks this is all going.

Me? I'm w/Salmon. This isn't going to fix things. Note, particularly, that Barr (who is probably one of the more aggressive folks at Treasury on this, at least for the next two weeks) is still just talking about fines, not prison.