

take on this issue." But, adds Toni G. Wolfman of Bentley College Women's Leadership Institute, "Catalyst has to earn its reputation.... Somebody has to keep the pressure on, and disclosure is part of the solution."

Lang believes the best way to promote women is to reward companies that do so. Catalyst honors efforts through annual awards; four were handed out this year to Goldman Sachs, PepsiCo, PricewaterhouseCoopers, and Scotiabank. The chief executive of each company came to New York's Waldorf-Astoria on Mar. 21 to pick up the honor, while more than 60 peers and 1,600 others looked on.

After so many years of giving multiple awards, it's worth asking if it's getting more difficult for Catalyst to find groundbreaking work. Lang says the bar just gets higher.

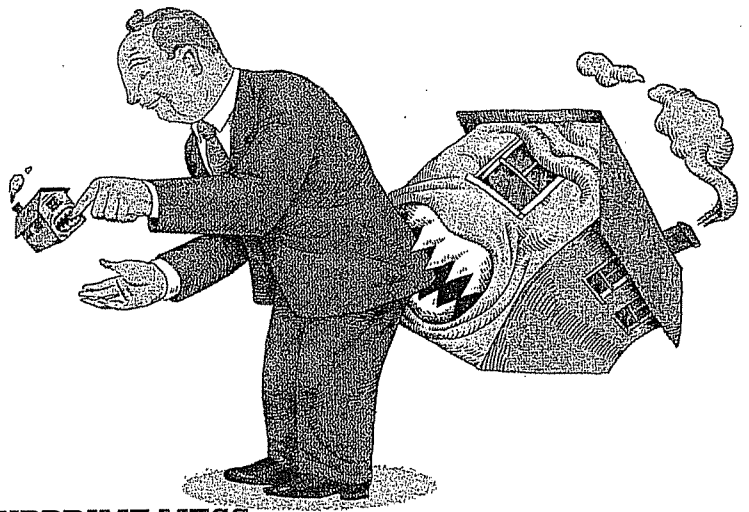
If dozens of companies have done so much, though, why do so few have women at the top? It's not like women haven't been flooding into law schools

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and MBA programs for decades. And Catalyst has been drawing record crowds at its events. But it's hard for a company to look cutting-edge with a corporate lineup that evokes the 1950s. Newell Rubbermaid Inc., which sells such staples as Goody hair products and Graco

baby goods, has a 13-member leadership team composed of white men. That lack of diversity was clear in Catalyst's 2005 Census. Last year, it hired two senior-level women to lead diversity and organizational development programs. "We're taking action to ensure that our employee base better reflects our diverse consumer base," says spokesman David Doolittle.

Would Newell Rubbermaid have bothered if nobody had highlighted the dearth of women at the top? Maybe. Lang notes that Catalyst is about to post a list of the 58 companies with no female directors. As for the tougher job of advancing women into the top ranks, she says, "there's a lot of power in looking at the overall numbers." Sure. But former Catalyst President Sheila Wellington points out that when it comes to looking for top women at each company, "there's a lot of power in the word 'none.'" ■



THE SUBPRIME MESS

HOW BIG IS THE BITE ON FANNIE AND FREDDIE?

The mortgage giants' exposure to risky loans could be bigger than they say

BY DAWN KOPECKI

COULD THE SUBPRIME mortgage flu spread to Freddie Mac and Fannie Mae? These giant financial companies, which keep the mortgage market liquid by buying loans from banks and selling them to investors, are also heavily invested in subprime. In fact, they're the biggest buyers of securities backed by loans to risky borrowers. Freddie says it owns \$124 billion, while Fannie reports \$56 billion.

Some analysts suggest the two may even be underplaying their exposure. Part of the problem is that definitions of subprime can differ. The biggest quibble is over Freddie and Fannie's investments in securities created from pools of mortgages not issued or guaranteed by the two agencies. These so-called private-label loans total some \$235 billion and \$114 billion, respectively, for Freddie and Fannie. The companies include roughly half of that category in their subprime totals. But Paul Miller, an equity analyst at Friedman Billings Ramsey, says they should include more: "Subprime is in the eye of the beholder."

Taking a step back, industry-wide data show subprime and other risky loans account for the bulk of private-label issues. According to data tracker

Inside Mortgage Finance, 74% of the \$1.15 trillion private-label, mortgage-backed securities issued last year were not considered regular or "prime."

Still, in either calculation, subprime is only a small piece of their overall business. Freddie's total portfolio tops \$2.2 trillion; Fannie's, \$2.6 trillion. Both also mitigate their risk by primarily owning the highest-rated securities in the subprime group and then adding credit enhancements, extra insurance against potential losses. "The nature and scale of our participation in the subprime market should insulate us from material losses," Fannie chief executive Daniel Mudd said in a February conference call. "Having [a lot of] size doesn't mean having [a lot of] risk," says Freddie financial chief Anthony Pizsel. Even Miller admits they own the "safest pieces."

Even so, problems can pop up in unlikely places. Freddie and Fannie's earnings took a hit in 2003—\$212 million and \$511 million, respectively—when assets backed by mobile-home loans soured. Fannie owned roughly \$10 billion worth of such debt; Freddie, \$2 billion.

Meanwhile, Congress is pushing the two to extend more credit to low-income borrowers. But doing so means making a deeper dive into subprime. ■

—With Mara Der Hovanesian
in New York