

DARRELL E. ISSA, CALIFORNIA
CHAIRMAN

DAN BURTON, INDIANA
JOHN L. MICA, FLORIDA
TODD RUSSELL PLATTS, PENNSYLVANIA
MICHAEL R. TURNER, OHIO
PATRICK McHENRY, NORTH CAROLINA
JIM JORDAN, OHIO
JASON CHAFFETZ, UTAH
CONNIE MACK, FLORIDA
TIM WALBERG, MICHIGAN
JAMES LANKFORD, OKLAHOMA
JUSTIN AMASH, MICHIGAN
ANN MARIE BUERKLE, NEW YORK
PAUL A. GOSAR, D.D.S., ARIZONA
RAUL R. LABRADOR, IDAHO
PATRICK MEEHAN, PENNSYLVANIA
SCOTT DesJARLAIS, M.D., TENNESSEE
JOE WALSH, ILLINOIS
TREY GOWDY, SOUTH CAROLINA
DENNIS A. ROSS, FLORIDA
FRANK C. GUINTA, NEW HAMPSHIRE
BLAKE FARENTHOLD, TEXAS
MIKE KELLY, PENNSYLVANIA

LAWRENCE J. BRADY
STAFF DIRECTOR

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
FACSIMILE (202) 225-3974
MINORITY (202) 225-5051
<http://oversight.house.gov>

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

EDOLPHUS TOWNS, NEW YORK
CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
DENNIS J. KUCINICH, OHIO
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
STEPHEN F. LYNCH, MASSACHUSETTS
JIM COOPER, TENNESSEE
GERALD E. CONNOLLY, VIRGINIA
MIKE QUIGLEY, ILLINOIS
DANNY K. DAVIS, ILLINOIS
BRUCE L. BRALEY, IOWA
PETER WELCH, VERMONT
JOHN A. YARMUTH, KENTUCKY
CHRISTOPHER S. MURPHY, CONNECTICUT
JACKIE SPEIER, CALIFORNIA

November 8, 2011

The Honorable Darrell E. Issa
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing to request that you invite Edward DeMarco, the Acting Director of the Federal Housing Finance Agency (FHFA), to testify at the Committee's hearing on "Pay for Performance: Should Fannie and Freddie Executives Be Receiving Millions in Bonuses?," which is scheduled for November 16, 2011.

To date, you have invited Charles E. Haldeman, Jr. and Michael J. Williams, the CEOs of Freddie Mac and Fannie Mae, respectively. In your invitation letters, you explained that the hearing will examine "executive compensation approved by the Federal Housing Finance Agency for officers at the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)."¹ In order to properly examine these compensation packages, the Committee should hear from the official who approved them, Mr. DeMarco.

In 2008, Fannie Mae and Freddie Mac were placed into conservatorship under FHFA, after which Mr. DeMarco announced new executive compensation programs for their top executives. In a press release issued on December 24, 2009, Mr. DeMarco noted that "it will be essential that the Enterprises continue to perform their current role," and he explained that executive compensation would consist of three elements: base salary, a performance-based incentive opportunity, and deferred salary. Although he reported that compensation levels were "down 40 percent from pre-conservatorship levels," he justified the compensation packages by stating that Fannie and Freddie "must attract and retain the talent needed to accomplish these objectives."²

¹ See, e.g., Letter from Chairman Darrell E. Issa, House Committee on Oversight and Government Reform, to Charles E. Haldeman, Chief Executive Officer, Federal Home Loan Mortgage Corporation (Nov. 3, 2011).

² Federal Housing Finance Agency, *Press Release: Fannie Mae, Freddie Mac Executive Compensation Significantly Reduced from Pre-Conservatorship Levels* (Dec. 24, 2009) (online at www.fhfa.gov/webfiles/15332/Exec_Comp_12_24_09.pdf).

In 2010, FHFA reportedly “approved \$12.79 million in bonus pay” for ten Fannie Mae and Freddie Mac executives.³ Earlier this year, however, the FHFA Inspector General issued a report concluding that FHFA “lacks key controls necessary to monitor the Enterprises’ ongoing executive compensation decisions,” has not “developed written procedures to evaluate the Enterprises’ recommended compensation levels,” has not “required Agency staff to verify and test the means by which the Enterprises calculate their recommended compensation levels,” and “does not provide sufficient transparency to the public of the Enterprises’ executive compensation programs.”⁴

For these reasons, in addition to inviting Mr. DeMarco to testify, I request that you ask FHFA to produce to the Committee, by November 14, copies of all compensation packages for the top executives at Fannie Mae and Freddie Mac.

Without testimony from the head of the agency responsible for approving executive compensation at Fannie Mae and Freddie Mac, and without copies of the compensation packages we are supposed to review at the hearing, the Committee’s oversight efforts will be inadequate and incomplete. Thank you for your consideration of these requests.

Sincerely,


Elijah E. Cummings
Ranking Member

³ *Fannie, Freddie Dole Out Big Bonuses*, Politico (Oct. 31, 2011) (online at <http://dyn.politico.com/printstory.cfm?uuid=3F6F3E67-28BB-4317-89DE-51308102BDE0>).

⁴ Federal Housing Finance Agency, Office of Inspector General, *Evaluation of Federal Housing Finance Agency’s Oversight of Fannie Mae’s and Freddie Mac’s Executive Compensation Program* (March 31, 2011) (online at www.fhfaig.gov/Content/Files/Exec%20Comp%20DrRpt%2003302011%20final,%20signed.pdf).