

FRENCH HILL
2ND DISTRICT, ARKANSAS

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON CAPITAL MARKETS AND
GOVERNMENT SPONSORED ENTERPRISES
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS



Congress of the United States
House of Representatives
Washington, DC 20515

July 30, 2015

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The Honorable Mel Watt
Director
Federal Housing Finance Agency
400 7th St SW
Washington, DC 20024-2585

Dear Director Watt:

I write today to inform you of my recent Golden Fleece Award to the Federal Housing Finance Agency (FHFA) for its approval of approximately \$4 million in raises for each of the CEOs of the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac.

Since being placed in voluntary conservatorship by FHFA in 2008, Fannie Mae and Freddie Mac have received almost \$200 billion in government assistance, by far the costliest taxpayer bailout resulting from the financial crisis. This is also not the first time since the GSEs were placed in conservatorship that FHFA has been scrutinized for awarding increased pay to their CEOs. In 2009, FHFA approved \$42 million in pay packages to the GSEs' top 12 executives. In 2011, FHFA approved \$12.79 million in bonus pay for some of the top executives at Fannie and Freddie. Largely in response to this criticism, the GSEs' CEO compensation was capped in 2012 at \$600,000.

Both the U.S. Treasury Department and the White House have also opposed FHFA's decision to raise Fannie and Freddie CEOs' salaries. Specifically, Treasury recommended that "existing limits on compensation continue given the taxpayers' ongoing backstop of both enterprises," while White House Press Secretary Josh Earnest stated that "the reason that these entities are different than some of the financial entities that you see in the private sector is they benefit significantly from a backstop that's provided by that taxpayers. And because of that taxpayer assistance, I think it is entirely legitimate for the executives of those institutions to be subject to compensation limits." Additionally, Treasury Secretary Jack Lew stated in his June 17, 2015 testimony before the House Financial Services Committee that "the risk is being borne by taxpayers on an ongoing basis and the conservatorship is not over." Despite this opposition, FHFA has once again raised these salaries to \$4 million.

While the recovery of the housing market has helped Fannie and Freddie repay the federal government, and I fully support the private sector compensating its executives as it sees fit, Fannie and Freddie still have taxpayer backing, are not private companies, and should not be compensated as such.

The Honorable Mel Watt
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While Congress still must work to enact necessary reforms to our GSEs, FHFA must be accountable and responsible for ensuring the protection of our hardworking taxpayers' dollars. I am committed to eradicating this type of inefficient and ineffective policy and regulation by our federal agencies, and today's Golden Fleece highlights the clear lack of judgement by FHFA in approving these raises. I invite your immediate attention to this issue, and please keep me apprised of your efforts at improvement.

Sincerely,

A handwritten signature in blue ink, appearing to read "French Hill". The signature is fluid and cursive, with the first name "French" being larger and more prominent than the last name "Hill".

French Hill
Member of Congress

cc: Donald Layton, CEO, Freddie Mac
Timothy Mayopoulos, President and CEO, Fannie Mae