

Congress of the United States
Washington, DC 20515

January 13, 2010

The Honorable Timothy Geithner
Secretary, Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner:

On Christmas Eve, we were deeply troubled to learn that the Treasury Department decided to remove all limits on the amount of taxpayer funding that could be put at risk in Fannie Mae and Freddie Mac. Before this decision, the two failed government sponsored enterprises had already cost the American people more than \$110 billion and put taxpayers explicitly on-the-hook for over \$2 trillion in potential losses through various federal programs. Now, the Treasury Department has given them a blank check, without presenting any proposals for their reform.

Considering these facts, we were also shocked to learn that the Treasury Department and the Federal Housing Finance Agency (FHFA) approved compensation packages that permit the chief executive officers at these companies to receive as much as \$6 million each, with millions more to be distributed to other senior executives. Awarding lavish pay packages with hefty bonuses to government owned entities while still lacking a comprehensive plan for reform demonstrates a disconcerting lack of judgment on the part of the Treasury Department and the FHFA.

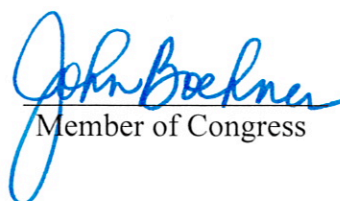
We share Chairman Frank's sentiment expressed March 19, 2009 in a letter to former FHFA Director James B. Lockhart asking him to cancel retention bonuses for Fannie Mae and Freddie Mac executives. Chairman Frank stated, "The public, having provided significant support for the purpose of restoring trust and confidence in our country's financial system, rightfully insists that large bonuses such as these awarded by institutions receiving public funds at a time of a serious economic downturn cannot continue."

As conservator, the federal government – and the taxpayers – have unlimited exposure to the GSEs' books of business and the losses they continue to incur. Awarding millions of dollars in bonuses on the taxpayers' dime is unconscionable. These two institutions, explicitly backed by the government, have even been shielded from the executive compensation restrictions that apply to Troubled Asset Relief Program recipients. Unfortunately, the pattern of preferential treatment that got us into this Fannie and Freddie mess seems to have been perpetuated in their conservatorship.

We are writing to request your justification for approving these packages, and your plan to reform these entities that now pose unlimited risk to the American taxpayer. Nothing is more urgent than restructuring Fannie Mae and Freddie Mac and putting a stop to the taxpayer funded bonuses and bailouts.

Yours respectfully,


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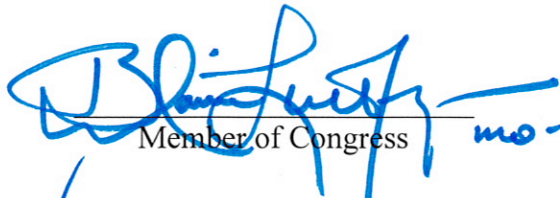
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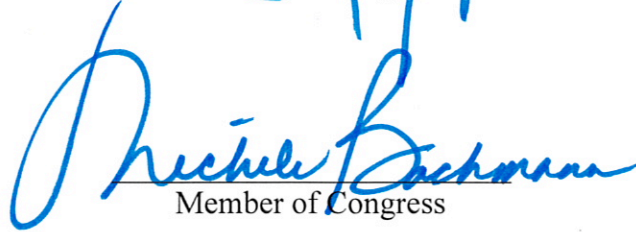
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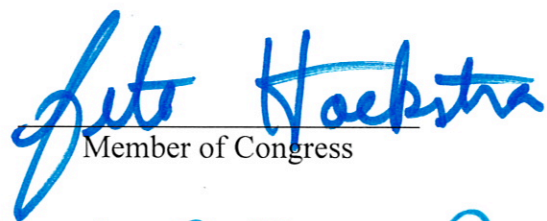

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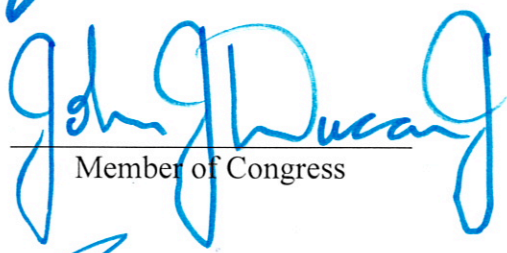

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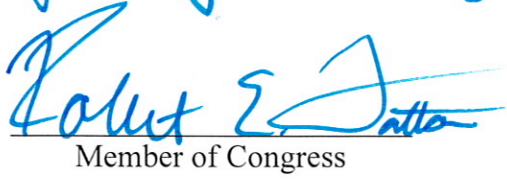

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