

111TH CONGRESS
2D SESSION

H. R. 4476

To suspend the current compensation packages for the senior executives of Fannie Mae and Freddie Mac and establish compensation for such positions in accordance with rates of pay for senior employees in the Executive Branch of the Federal Government, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 20, 2010

Mr. BACHUS (for himself, Mrs. BIGGERT, Mrs. CAPITO, Mr. GARRETT of New Jersey, Mr. HENSARLING, Mr. NEUGEBAUER, and Mr. PAUL) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To suspend the current compensation packages for the senior executives of Fannie Mae and Freddie Mac and establish compensation for such positions in accordance with rates of pay for senior employees in the Executive Branch of the Federal Government, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Equity in Government
5 Compensation Act of 2010”.

1 **SEC. 2. CONGRESSIONAL FINDINGS.**

2 The Congress finds that—

3 (1) the Federal National Mortgage Association
4 (known as Fannie Mae) and the Federal Home Loan
5 Mortgage Corporation (known as Freddie Mac),
6 which are both privately owned but publicly char-
7 tered government-sponsored enterprises (GSEs),
8 were at the center of the mortgage market meltdown
9 that caused the financial crisis that commenced in
10 2008;

11 (2) the failures of Fannie Mae and Freddie
12 Mac helped precipitate the deepest economic decline
13 since World War II and the loss of 7,500,000 jobs;

14 (3) in September 2008, the Treasury Depart-
15 ment, Federal Reserve Board, and Federal Housing
16 Finance Agency (FHFA) exercised authority grant-
17 ed by the Congress to place the two GSEs in con-
18 servatorship, a form of nationalization that puts the
19 regulators firmly in control of the GSEs' daily oper-
20 ations;

21 (4) in September 2008, the Administration es-
22 tablished a \$200 billion facility to purchase senior
23 preferred stock in the enterprises to backstop their
24 losses;

1 (5) in February 2009, the Obama Administra-
2 tion raised the senior preferred stock purchase com-
3 mitment to \$400 billion;

4 (6) on Christmas Eve 2009, the Obama Admin-
5 istration removed any limits on the use of Federal
6 funds to cover losses at the enterprises, significantly
7 expanding a commitment that has already resulted
8 in the expenditure of more than \$110 billion in tax-
9 payer funds to purchase senior preferred stock in
10 the two enterprises;

11 (7) as a result of the Government's actions, the
12 taxpayers of the United States now own at least 80
13 percent of the two GSEs;

14 (8) the Administration is using Fannie Mae and
15 Freddie Mac as instruments of Federal housing pol-
16 icy, making it less likely that they will ever be re-
17 turned to private ownership;

18 (9) the Congressional Budget Office has con-
19 cluded that Fannie Mae and Freddie Mac have ef-
20 fectively become government entities whose oper-
21 ations should be included in the Federal budget;

22 (10) the GSEs are expected to be a long-term
23 drain on the taxpayers as a result of market condi-
24 tions and the political and public policy mandates

1 imposed on them by the Administration and the
2 Congress;

3 (11) in spite of these liabilities, at the end of
4 2009, the Treasury Department and the FHFA ap-
5 proved compensation packages for 2010 for the chief
6 executive officers of Fannie Mae and Freddie Mac of
7 \$6,000,000 each, including incentive pay of
8 \$2,000,000 each, which is 15 times more than the
9 annual compensation of the President and 30 times
10 more than the annual compensation of a Cabinet
11 Secretary;

12 (12) the Treasury Department and the FHFA
13 also approved multi-million dollar compensation
14 packages for a number of the GSEs' top executives,
15 payable in cash rather than in the type of stock op-
16 tions that have characterized compensation arrange-
17 ments at other large financial institutions that have
18 received extraordinary government assistance;

19 (13) on September 17, 2008, FHFA deter-
20 mined that no executive officer of Fannie Mae or
21 Freddie Mac would be entitled to receive a cash
22 bonus or long-term incentive awards for 2008;

23 (14) FHFA's five-year Strategic Plan for
24 Fannie Mae and Freddie Mac includes a commit-

1 ment that the GSEs will operate in a safe and sound
2 manner; and

3 (15) section 1318(c) of the Federal Housing
4 Enterprises Financial Safety and Soundness Act of
5 1992 (12 U.S.C. 4518(c), as added by section
6 1113(a)(4) of the Housing and Economic Recovery
7 Act of 2008 (Public Law 110–289; 122 Stat.
8 2678)), permits the Director of FHFA to “withhold
9 any payment, transfer, or disbursement of com-
10 pensation to an executive officer, or to place such
11 compensation in an escrow account, during the re-
12 view of the reasonableness and comparability of com-
13 pensation”.

14 **SEC. 3. REASONABLE COMPENSATION.**

15 (a) SUSPENSION OF CURRENT COMPENSATION
16 PACKAGES.—The Director of the Federal Housing Fi-
17 nance Agency shall immediately upon the enactment of
18 this Act suspend the compensation packages approved for
19 2010 for the executive officers (as such term is defined
20 in section 1303 of the Federal Housing Enterprises Fi-
21 nancial Safety and Soundness Act of 1992 (12 U.S.C.
22 4502)) of the Federal National Mortgage Association and
23 the Federal Home Loan Mortgage Corporation and, in lieu
24 of such packages, establish a compensation system for the
25 executive officers of such enterprises in accordance with

1 the rates of pay for positions in the Executive Schedule
2 and the Senior Executive Service of the Federal Govern-
3 ment.

4 (b) CLAWBACK OF 2009 COMPENSATION.—

5 (1) SENSE OF THE CONGRESS.—It is the sense
6 of the Congress that each executive officer (as such
7 term is defined in section 1303 of the Federal Hous-
8 ing Enterprises Financial Safety and Soundness Act
9 of 1992 (12 U.S.C. 4502)) of the Federal National
10 Mortgage Association and the Federal Home Loan
11 Mortgage Corporation should return to the Sec-
12 retary of the Treasury any compensation earned in
13 2009 that was in excess of the maximum annual
14 rate of basic pay authorized for a position in level
15 I of the Executive Schedule.

16 (2) USE TO REDUCE NATIONAL DEBT.—The
17 Secretary of the Treasury shall transfer any
18 amounts referred to in paragraph (1) that are re-
19 turned to the Secretary to the special account estab-
20 lished by section 3113(d) of title 31, United States
21 Code (relating to reducing the public debt).

○