

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

October 13, 2011

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW - 4th Floor
Washington, DC 20552

Dear Mr. DeMarco,

It has come to my attention that Fannie Mae and Freddie Mac sent eighty seven employees to a conference that the Mortgage Bankers Association held this week in Chicago, from October 9 to 12. I am writing because I am concerned that the expenditures that Freddie and Fannie made in connection with the conference bear no relation to furthering the actual purposes of the conservatorship.

As you know, the Federal Housing Finance Agency ("FHFA") has broad authority to direct, as conservator, the ongoing operations of Freddie Mac and Fannie Mae. I therefore respectfully request that you answer the following questions within 7 days from the date of this letter:

- (1) Please detail the process by which the decision was made to sponsor the Mortgage Bankers Association and to send representatives of the Enterprises to the Chicago conference. FHFA, as conservator, exercises the rights and responsibilities of the Enterprises' directors and officers. Please explain the policies and procedures that FHFA has in place to assess and review decisions of the type that Freddie and Fannie made in connection with the Mortgage Bankers conference. If those policies and procedures did not require Freddie and Fannie to consult with FHFA in this instance, please detail the circumstances in which Freddie and Fannie would have to consult with FHFA before spending Enterprise funds.
- (2) What was the list price for a registration fee for the Mortgage Bankers Association conference? How much money did Freddie and Fannie pay to register each officer, director, employee, or other individual, as a conference attendee? If Fannie and Freddie paid a registration fee that was less than the list price, please explain why the Enterprises were able to secure a discount.
- (3) The Mortgage Bankers Association conference was held in Chicago. Please detail any travel-related expenses, including any hotel expenses and per diem expenses, which Freddie and Fannie incurred in connection with the conference. In addition, please detail any other expenses as to which Freddie or Fannie have reimbursed, or plan to reimburse, a conference attendee. In responding to this question, please itemize each expense by conference attendee and state the nature of the expense with particularity.
- (4) The Mortgage Bankers Association identifies Fannie and Freddie as "Gold" and "Platinum" sponsors, respectively. Apparently, sponsors may choose one of nine different sponsorship levels, and "Gold" and "Platinum" are the fourth and third highest levels of sponsorship. What were the list prices for "Gold" and "Platinum" sponsorships, and how much money did Fannie and Freddie actually pay to secure

their respective sponsorships? To the extent that it was appropriate at all for Freddie and Fannie to pay for sponsorships, on what basis did Freddie and Fannie conclude that it was necessary to pay for any sponsorship other than the least expensive level of sponsorship? Please set forth the Enterprises' rationale in this regard with particularity.

- (5) Companies and organizations other than the conference organizer sometimes hold events for conference attendees that are independent of the conference itself. For example, the organizer of such an event may invite conference attendees to socialize at a restaurant or similar venue. Did Freddie or Fannie organize any such event? If so, how much money did Freddie or Fannie spend in connection with the event? Finally, on what basis did Freddie or Fannie conclude that it was necessary to organize an event of this type? Please set forth the rationale in support of this decision with particularity.

This past September, you stated that Freddie and Fannie "will not be able to earn their way back to a condition that allows them to emerge from conservatorship." Taking into account that Freddie and Fannie evidently will remain in a severely distressed condition, the scope of participation by their employees at the Mortgage Bankers Association conference, together with the Enterprises' apparent sponsorship of the Association, is, at first blush, very troubling. Moreover, given the Enterprises' prominence in the marketplace, I question whether the marginal benefit that Freddie and Fannie derive from such large-scale "networking" justifies their costs. FHFA must proactively and critically assess each and every expense that Freddie and Fannie incur. I look forward to your response.

Sincerely,



RANDY NEUGEBAUER

Chairman

Subcommittee on Oversight and Investigations