

U. S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515  
January 20, 2010

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn Office Building  
Washington, D.C. 20515

Dear Chairman Frank:

I am writing to express my disappointment in your decision to reject my request, as conveyed through our respective staffs, that Edward DeMarco, the Acting Director of the Federal Housing Finance Agency (FHFA), be invited as the Republican witness at Friday's full committee hearing on compensation practices at financial firms.

In light of the Christmas Eve announcement that the FHFA had approved 2010 compensation packages of \$6 million each for the chief executive officers of Fannie Mae and Freddie Mac, Mr. DeMarco's participation at Friday's hearing is critical to understanding the underlying issues that will be addressed. As you know, these institutions were at the center of the mortgage market meltdown that caused the financial crisis, which resulted in the deepest economic decline since World War II and the loss of 7.5 million jobs.

The FHFA also approved multi-million dollar compensation packages for a number of Fannie and Freddie's top executives, payable in cash rather than in the type of stock options that have characterized compensation arrangements at other large financial institutions that have received extraordinary government assistance.

If, as you have indicated, an important purpose of this hearing is to examine how the incentive compensation structures of financial firms may have contributed to excessive risk-taking, there is no better example of misaligned incentives than those that were, and continue to be, in place at Fannie Mae and Freddie Mac.

The decision to deny my request to invite Mr. DeMarco as the Minority Party's witness raises serious questions about the motivation for the hearing, the commitment to transparency in the operations of two government entities, and this Administration's track record in addressing the complex issue of executive compensation at firms that have received extraordinary government assistance. While I appreciate your pledge to invite Mr. DeMarco to testify at a compensation hearing that the Committee plans to hold in late February, taxpayers who have contributed over \$110 billion to the GSE bail-out deserve answers regarding the Christmas Eve bonuses *now*, not five weeks from now.

Sincerely,



SPENCER BACHUS  
Ranking Member

SB:vrag