



Alan Grayson  
Congress of the United States  
8th District, Florida

September 9, 2009

Acting Director Edward DeMarco  
Federal Housing Finance Board  
1625 Eye Street, NW  
Washington, DC 20006-4001

Dear Acting Director DeMarco,

In Director Lockhart's June 3, 2009 testimony to the House Financial Services Committee, you stated that Fannie Mae is continuing to pay for the legal defense fees in shareholder actions against former Fannie Mae Chairman and CEO Franklin Raines, former Vice-Chair and CEO Timothy Howard, and former Controller Leanne Spencer. As Fannie Mae is now owned by the Government, this means that the taxpayer is paying an uncapped sum to defend the people who cost taxpayers billions of dollars, so that these people can retain the compensation they received for defrauding the company.

According to Section 1114(e)(1) and 1114(e)(2) of the Housing and Economic Recovery Act of 2008, the Director of the FHFA has the authority to prohibit or limit indemnification payments. The law provides that factors you may take into account when deciding upon this prohibition include:

- Whether there is a "reasonable basis to believe that the affiliated party has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the regulated entity that has had a material effect on the financial condition of the regulated entity."
- Whether there is a "reasonable basis to believe that the affiliated party has materially violated any applicable provision of Federal or State law or regulation that has had a material effect on the financial condition of the regulated entity."
- That "the affiliated party was in a position of managerial or fiduciary responsibility."

According to the *New York Times*, these three executives caused Fannie Mae to manipulate “its results to hit earnings targets and generate \$115 million in bonus compensation. Fannie had to restate its financial results by \$6.3 billion.” These three executives paid \$31.4 million to settle the litigation with Fannie Mae, without admitting wrongdoing. It seems as though there is a “reasonable” legal basis upon which to prohibit further indemnification payments.

Given the billions upon billions of dollars that the Government pumped into Fannie Mae in the last few years, it is simply an insult to taxpayers to expend further amounts of public monies to protect the illicit gains of these individuals. I would petition that you prohibit the further expenditure of taxpayer money on their behalf.

Sincerely,

A handwritten signature in black ink that reads "Alan Grayson". The signature is written in a cursive, flowing style.

Rep. Alan Grayson  
Member of Congress