

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

August 20, 2010

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to endorse and reinforce the views in the letter sent to you recently by my colleagues on the House Committee on Financial Services. As conservator of Fannie Mae and Freddie Mac, the Federal Housing Finance Agency (FHFA) has the power to pursue legal claims against private companies that shifted losses on to Fannie and Freddie. The FHFA must use this power aggressively. I am pleased that they have begun to do so, and I will be monitoring to make sure this continues.

The losses suffered by Fannie and Freddie have created great cost for the taxpayers – almost \$150 billion to date. These losses largely result from business decisions during the bubble years that were honest but flawed. Taxpayers have continued to suffer anew for poor underwriting by these companies during the bubble years.

However, some of these losses result from deception. Private companies sold Fannie and Freddie loans or securities based on fraudulent documents. These transactions created private profits at public expense, and they should be fought with every tool at the companies' and the agency's disposal. These deals must not be allowed to get lost in the shuffle.

I have been pleased at the steps both the FHFA and the companies have taken so far, but it must continue. The extraordinary measures taken to stabilize the financial system over the last two years were done for the benefit of ordinary Americans. We owe it to them to make every effort to make sure that the money is not diverted instead into the pockets of others. I hope you will continue to keep this in mind as you chart the future of FHFA and these companies.


BARNEY FRANK
Chairman