

Congress of the United States
Washington, DC 20515

August 13, 2010

The President
The White House
Washington, DC

Dear Mr. President:

We are writing to urge that any new Director of the Federal Housing Finance Agency ("FHFA") vigorously pursue all available legal claims as conservator of Fannie Mae and Freddie Mac to limit losses to taxpayers.

In consultation with Secretary of the Treasury Henry Paulson, FHFA placed Fannie Mae and Freddie Mac in conservatorship on September 6, 2008. According to a letter dated February 2, 2010, from Edward DeMarco, Acting Director of FHFA, to the chairmen and ranking members of the relevant congressional committees, Fannie Mae and Freddie Mac had then suffered losses of \$164 billion under the conservatorship. The enterprises' losses had exhausted shareholder equity and the enterprises had drawn more than \$110 billion in taxpayer funds. The two enterprises have now drawn \$145 billion in taxpayer funds, and undoubtedly will draw much more. This week Freddie Mac requested an additional \$1.8 billion.

FHFA has pursued two kinds of legal claims to limit taxpayer losses. First, FHFA has demanded that lenders from which the enterprises purchased mortgages buy back mortgages that did not satisfy contractual representations and warranties. As of March of this year, Freddie Mac had demanded that lenders repurchase \$4.8 billion in mortgages.

In addition, the two enterprises own approximately \$255 billion in "private-label" or "non-agency" mortgage-backed securities. The enterprises have suffered significant losses on those private-label mortgage-backed securities.

Last month FHFA issued 64 subpoenas to obtain information needed "to determine whether losses sustained by the enterprises on [private-label securities] are the legal responsibilities of others." The documents subpoenaed include "the contents of loan files, which include documents used in the underwriting process, such as loan applications and property appraisals." FHFA issued the subpoenas after trying for months to obtain the documents voluntarily.

FHFA appears to be considering claims similar to the claims asserted by private mortgage investors against issuers of private-label mortgage-backed securities, generally Wall Street firms and the largest banks. Many private mortgage investors are pension funds upon which working and middle-class families depend for retirement. The efforts by private investors to pursue those claims have been largely stymied by the inability to obtain the kind of information sought by the

FHFA subpoenas. Trustees and servicers required to act on private investors' behalf are often affiliates of the firms that issued the securities in question, a questionable alignment of interests.

FHFA must vigorously pursue all available legal claims for losses sustained from the conservatorship of Fannie Mae and Freddie Mac. It is critically important to protect taxpayer funds. It is equally important that the American people know that their government is acting on their behalf, not on behalf of powerful financial institutions. The failure to pursue legitimate legal claims to limit losses to taxpayers would be another indirect subsidy for an industry that has received too many such subsidies already.

As you consider the nomination of a permanent FHFA Director, we ask that you take appropriate steps to assure that efforts to investigate and assert legal claims to limit taxpayer losses from the enterprises' conservatorship will continue to be pursued vigorously.

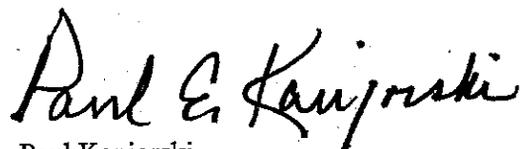
Sincerely,



Brad Miller
Member of Congress



Jackie Speier
Member of Congress



Paul Kanjorski
Member of Congress