



May 7, 2019

The Honorable Thom Tillis
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Elizabeth Warren
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

Dear Senators Tillis and Warren,

On behalf of National Taxpayers Union (NTU), the nation's oldest taxpayer advocacy organization, I write to express our support for S. 1171, the Respect the Caps Act. Your legislation would address a glaring loophole in federal law that allows the CEOs at Fannie Mae and Freddie Mac to evade Congressionally-mandated caps on salary. We are proud to support this bipartisan legislation and urge all Senators to call for its swift passage into law.

As stipulated by a law enacted in 2015 with bipartisan support, the salary for the CEO at Fannie or Freddie cannot exceed \$600,000. However, officials at the GSEs have skirted the pay ceiling by transferring responsibilities from the CEO position to the president position, which does not have similar cap on compensation. As a result, Fannie and Freddie have paid their CEOs \$4.2 million and \$3.85 million in annual salary, respectively. This amounts to a salary that is seven and five times greater, respectively, than the statutory cap, and is far higher than any salary at an agency in the federal government. Such a generous compensation package is irresponsible for an entity that still enjoys a backstop of support from taxpayers and would be more suited for an organization with private shareholders.

Taxpayers are rightfully frustrated about this scheme and we are pleased you share the same sentiment. Thankfully, your common-sense proposal would address these concerns by codifying that neither GSE can transfer any responsibility of the CEO to any other position. It was also includes language that permits the FHFA director to be removed if they approve compensation greater than the cap of \$600,000 per year. Unlike shareholders of private companies, taxpayers have no say in the management decisions of Fannie Mae and Freddie Mac. Public officials therefore have a special responsibility to protect taxpayers, through all possible means, unless and until the GSEs are made purely private entities.

As you know, NTU has long expressed worry about the potential risks to taxpayers posed by GSEs. Their continued questionable behavior—whether it be blurring their activities in the primary mortgage market or operating pilot programs without comment periods or stakeholder input—has left many wondering if their policies will contribute to another housing crisis. This compensation news is no doubt troubling, yet not necessarily surprising, and is just the latest example for why comprehensive GSE reform should remain a priority.

We are pleased to support this bipartisan proposal and NTU looks forward to helping you and your colleagues to achieve enactment of S. 1171.

Sincerely,

Pete Sepp, President
National Taxpayers Union