112TH CONGRESS 1ST SESSION

H. R. 1221

To suspend the current compensation packages for the senior executives of Fannie Mae and Freddie Mac and establish compensation for such positions in accordance with rates of pay for senior employees in the Executive Branch of the Federal Government, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

March 29, 2011

Mr. Bachus (for himself, Mr. Garrett, Mr. Hensarling, Mr. Pearce, and Mrs. Biggert) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Oversight and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To suspend the current compensation packages for the senior executives of Fannie Mae and Freddie Mac and establish compensation for such positions in accordance with rates of pay for senior employees in the Executive Branch of the Federal Government, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "Equity in Government
- 5 Compensation Act of 2011".

1 SEC. 2. CONGRESSIONAL FINDINGS.

2	The Congress finds that—
3	(1) the Federal National Mortgage Association
4	(known as Fannie Mae) and the Federal Home Loan
5	Mortgage Corporation (known as Freddie Mac),
6	which are both privately owned but publicly char-
7	tered Government-sponsored enterprises (GSEs),
8	were at the center of the mortgage market meltdown
9	that caused the financial crisis that commenced in
10	2008;
11	(2) the failures of Fannie Mae and Freddie
12	Mac helped precipitate the deepest economic decline
13	since World War II;
14	(3) in September 2008, the Treasury Depart-
15	ment, Federal Reserve Board, and Federal Housing
16	Finance Agency (FHFA) exercised authority grant-
17	ed by the Congress to place the two GSEs in con-
18	servatorship, a form of nationalization that puts the
19	regulators firmly in control of the GSEs' daily oper-
20	ations;
21	(4) in September 2008, the Administration es-
22	tablished a \$200 billion facility to purchase senior
23	preferred stock in the enterprises to backstop their

losses;

- 1 (5) in February 2009, the Obama Administra-2 tion raised the senior preferred stock purchase com-3 mitment to \$400 billion;
 - (6) on Christmas Eve 2009, the Obama Administration removed any limits on the use of Federal funds to cover losses at the enterprises, significantly expanding a commitment that has resulted in the expenditure of so far nearly \$150 billion in taxpayer funds to purchase senior preferred stock in the two enterprises;
 - (7) as a result of the Government's actions, the taxpayers of the United States now own nearly 80 percent of the two GSEs;
 - (8) the Congressional Budget Office has concluded that Fannie Mae and Freddie Mac have effectively become Government entities whose operations should be included in the Federal budget;
 - (9) the GSEs are expected to be a long-term drain on the taxpayers as a result of market conditions and the political and public policy mandates imposed on them by the Administration and the Congress;
 - (10) in spite of these liabilities, the Treasury Department and FHFA approved compensation packages for the chief executive officers of Fannie

- Mae and Freddie Mac in 2009 and 2010 that were nearly 15 times greater than the annual compensation of the President of the United States and 30
- 4 times greater than the annual compensation of a
- 5 Cabinet Secretary;

- also approved multi-million dollar compensation packages for a number of the GSEs' 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;
 - (12) on September 17, 2008, FHFA determined that no executive officer of Fannie Mae or Freddie Mac would be entitled to receive a cash bonus or long-term incentive awards for 2008;
 - (13) FHFA's five-year Strategic Plan for Fannie Mae and Freddie Mac includes a commitment that the GSEs will operate in a safe and sound manner; and
 - (14) section 1318(c) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4518(c), as added by section 1113(a)(4) of the Housing and Economic Recovery Act of 2008 (Public Law 110–289; 122 Stat.

1	2678)), permits the Director of FHFA to "withhold
2	any payment, transfer, or disbursement of com-
3	pensation to an executive officer, or to place such
4	compensation in an escrow account, during the re-
5	view of the reasonableness and comparability of com-
6	pensation".
7	SEC. 3. DEFINITIONS.
8	In this Act:
9	(1) DIRECTOR.—The term "Director" means
10	the Director of the Federal Housing Finance Agen-
11	cy.
12	(2) Employee.—The term "employee" means
13	an employee of an enterprise, except that such term
14	does not include any employee who would be defined
15	as a prevailing rate employee (as defined in section
16	5342(2) of title 5, United States Code) if such em-
17	ployee were employed by an agency (as defined in
18	paragraph (1) of such section).
19	(3) Enterprise.—The term "enterprise"
20	means—
21	(A) the Federal National Mortgage Asso-
22	ciation and any affiliate thereof; and
23	(B) the Federal Home Loan Mortgage
24	Corporation and any affiliate thereof.

- 1 (4) EXECUTIVE OFFICER.—The term "executive 2 officer" has the same meaning as is given such term 3 in section 1303(12) of the Federal Housing Enter-4 prises Financial Safety and Soundness Act of 1992 5 (12 U.S.C. 4502(12)).
- 6 SEC. 4. REASONABLE PAY FOR EXECUTIVE OFFICERS.
- 7 (a) Suspension of Current Compensation
- 8 Packages.—The Director shall suspend the compensa-
- 9 tion packages approved for 2011 for the executive officers
- 10 of an enterprise and, in lieu of such packages, establish
- 11 a compensation system for the executive officers of such
- 12 enterprise in accordance with the rates of pay for positions
- 13 in the Executive Schedule and the Senior Executive Serv-
- 14 ice of the Federal Government.
- 15 (b) Clawback of 2010 Compensation.—
- 16 (1) Sense of the congress.—It is the sense
- of the Congress that each executive officer per-
- forming services for an enterprise on the date of the
- enactment of this Act whose compensation package
- is suspended under this subsection should return to
- 21 the Secretary of the Treasury any compensation
- earned in 2010 that was in excess of the maximum
- annual rate of basic pay authorized for a position in
- level I of the Executive Schedule.

1	(2) USE TO REDUCE NATIONAL DEBT.—The
2	Secretary of the Treasury shall transfer any
3	amounts referred to in paragraph (1) that are re-
4	turned to the Secretary to the special account estab-
5	lished by section 3113(d) of title 31, United States
6	Code (relating to reducing the public debt).
7	SEC. 5. COMPENSATION RATE OF EMPLOYEES OF FANNIE
8	MAE AND FREDDIE MAC.
9	(a) In General.—During any period that an enter-
10	prise is federally chartered under the Federal National
11	Mortgage Association Charter Act (12 U.S.C. 1716 et
12	seq.) or the Federal Home Loan Mortgage Corporation
13	Act (12 U.S.C. 1451 et seq.), the compensation of the po-
14	sitions held by employees shall be in accordance with this
15	section.
16	(b) Conversion of Compensation Rate for Cur-
17	RENT EMPLOYEES.—
18	(1) In general.—Except for as provided in
19	section 4, effective for pay periods beginning after
20	the date of the enactment of this Act, the Director
21	shall fix the rate of basic compensation of positions
22	held by employees performing services for an enter-
23	prise as of the date of the enactment of this Act in

accordance with the General Schedule set forth in

1	section 5332 of title 5, United States Code. In f	ixing
2	such rate—	

- (A) if the employee is receiving a rate of basic compensation that is less than the minimum rate of basic compensation of the appropriate grade of the General Schedule in which his or her position is placed, such employee's rate of basic compensation shall be increased to such minimum rate;
- (B) if the employee is receiving a rate of basic compensation that is equal to a rate of basic compensation of the appropriate grade of the General Schedule in which his or her position is placed, such employee's rate of basic compensation shall be equal to that rate of basic compensation of the appropriate grade of the General Schedule;
- (C) if the employee is receiving a rate of basic compensation that is between 2 rates of basic compensation of the appropriate grade of the General Schedule in which his or her position is placed, such employee's rate of basic compensation shall be at the higher of those 2 rates under the General Schedule; and

- D) if the employee is receiving a rate of basic compensation that is in excess of the maximum rate of basic compensation of the appropriate grade of the General Schedule in which his or her position is placed, such employee's rate of basic compensation shall be reduced to such maximum rate.
 - (2) Not considered transfers or promotions.—The conversion of positions and employees to the appropriate grades of the General Schedule and the initial adjustment of rates of basic compensation of those positions and employees provided for by this subsection, shall not be considered to be transfers or promotions within the meaning of section 5334(b) of title 5, United States Code, and the regulations issued thereunder.
 - (3) CREDIT FOR INCREASE IN COMPENSATION BEFORE ADJUSTMENT.—Each employee performing services for an enterprise on the date of the enactment of this Act whose position is converted under this subsection to the General Schedule and who prior to the initial adjustment of his or her rate of basic compensation under paragraph (1) has earned, but has not been credited with, an increase in that rate, shall be granted credit for such increase before

- his or her rate of basic compensation is initially adjusted under such paragraph.
- 3 (4) Service Performed Since Last Com-PENSATION INCREASE.—Each employee performing 5 services for an enterprise on the date of the enact-6 ment of this Act whose position is converted under 7 this subsection to the General Schedule shall be 8 granted credit, for purposes of his or her first step 9 increase under the General Schedule, for all satisfac-10 tory service performed since his or her last increase 11 in compensation prior to the initial adjustment of 12 his or her rate of basic compensation under para-13 graph (1).
 - (5) Compensation increase under this section.—An increase in the rate of basic compensation by reason of the enactment of paragraph (1) shall not be considered to be an equivalent increase with respect to step increases for employees whose positions are converted to the General Schedule under authority of this subsection.
- 21 (c) NEW EMPLOYEES.—Except for as provided in 22 section 4, the grade and rate of basic pay of any individual 23 beginning employment with an enterprise after the date 24 of enactment of this Act shall be fixed in accordance with

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- 1 the General Schedule set forth in section 5332 of title 5,
- 2 United States Code.

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