

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
24 losses;

1 (5) in February 2009, the Obama Administra-
2 tion raised the senior preferred stock purchase com-
3 mitment to \$400 billion;

4 (6) on Christmas Eve 2009, the Obama Admin-
5 istration removed any limits on the use of Federal
6 funds to cover losses at the enterprises, significantly
7 expanding a commitment that has resulted in the ex-
8 penditure of so far nearly \$150 billion in taxpayer
9 funds to purchase senior preferred stock in the two
10 enterprises;

11 (7) as a result of the Government's actions, the
12 taxpayers of the United States now own nearly 80
13 percent of the two GSEs;

14 (8) the Congressional Budget Office has con-
15 cluded that Fannie Mae and Freddie Mac have ef-
16 fectively become Government entities whose oper-
17 ations should be included in the Federal budget;

18 (9) the GSEs are expected to be a long-term
19 drain on the taxpayers as a result of market condi-
20 tions and the political and public policy mandates
21 imposed on them by the Administration and the
22 Congress;

23 (10) in spite of these liabilities, the Treasury
24 Department and FHFA approved compensation
25 packages for the chief executive officers of Fannie

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

6 (11) the Treasury Department and the FHFA
7 also approved multi-million dollar compensation
8 packages for a number of the GSEs' top executives,
9 payable in cash rather than in the type of stock op-
10 tions that have characterized compensation arrange-
11 ments at other large financial institutions that have
12 received extraordinary government assistance;

13 (12) on September 17, 2008, FHFA deter-
14 mined that no executive officer of Fannie Mae or
15 Freddie Mac would be entitled to receive a cash
16 bonus or long-term incentive awards for 2008;

17 (13) FHFA's five-year Strategic Plan for
18 Fannie Mae and Freddie Mac includes a commit-
19 ment that the GSEs will operate in a safe and sound
20 manner; and

21 (14) section 1318(c) of the Federal Housing
22 Enterprises Financial Safety and Soundness Act of
23 1992 (12 U.S.C. 4518(c), as added by section
24 1113(a)(4) of the Housing and Economic Recovery
25 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
17 of the Congress that each executive officer per-
18 forming services for an enterprise on the date of the
19 enactment of this Act whose compensation package
20 is suspended under this subsection should return to
21 the Secretary of the Treasury any compensation
22 earned in 2010 that was in excess of the maximum
23 annual rate of basic pay authorized for a position in
24 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
24 accordance with the General Schedule set forth in

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

3 (A) if the employee is receiving a rate of
4 basic compensation that is less than the min-
5 imum rate of basic compensation of the appro-
6 priate grade of the General Schedule in which
7 his or her position is placed, such employee's
8 rate of basic compensation shall be increased to
9 such minimum rate;

10 (B) if the employee is receiving a rate of
11 basic compensation that is equal to a rate of
12 basic compensation of the appropriate grade of
13 the General Schedule in which his or her posi-
14 tion is placed, such employee's rate of basic
15 compensation shall be equal to that rate of
16 basic compensation of the appropriate grade of
17 the General Schedule;

18 (C) if the employee is receiving a rate of
19 basic compensation that is between 2 rates of
20 basic compensation of the appropriate grade of
21 the General Schedule in which his or her posi-
22 tion is placed, such employee's rate of basic
23 compensation shall be at the higher of those 2
24 rates under the General Schedule; and

1 (D) if the employee is receiving a rate of
2 basic compensation that is in excess of the max-
3 imum rate of basic compensation of the appro-
4 priate grade of the General Schedule in which
5 his or her position is placed, such employee's
6 rate of basic compensation shall be reduced to
7 such maximum rate.

8 (2) NOT CONSIDERED TRANSFERS OR PRO-
9 MOTIONS.—The conversion of positions and employ-
10 ees to the appropriate grades of the General Sched-
11 ule and the initial adjustment of rates of basic com-
12 pensation of those positions and employees provided
13 for by this subsection, shall not be considered to be
14 transfers or promotions within the meaning of sec-
15 tion 5334(b) of title 5, United States Code, and the
16 regulations issued thereunder.

17 (3) CREDIT FOR INCREASE IN COMPENSATION
18 BEFORE ADJUSTMENT.—Each employee performing
19 services for an enterprise on the date of the enact-
20 ment of this Act whose position is converted under
21 this subsection to the General Schedule and who
22 prior to the initial adjustment of his or her rate of
23 basic compensation under paragraph (1) has earned,
24 but has not been credited with, an increase in that
25 rate, shall be granted credit for such increase before

1 his or her rate of basic compensation is initially ad-
2 justed under such paragraph.

3 (4) SERVICE PERFORMED SINCE LAST COM-
4 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).

14 (5) COMPENSATION INCREASE UNDER THIS
15 SECTION.—An increase in the rate of basic com-
16 pensation by reason of the enactment of paragraph
17 (1) shall not be considered to be an equivalent in-
18 crease with respect to step increases for employees
19 whose positions are converted to the General Sched-
20 ule 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

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

