

EQUITY IN GOVERNMENT COMPENSATION ACT OF 2015

NOVEMBER 16, 2015.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services,
submitted the following

R E P O R T

[To accompany H.R. 2243]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 2243) 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, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Equity in Government Compensation Act of 2015”.

SEC. 2. DEFINITIONS.

In this Act:

(1) DIRECTOR.—The term “Director” means the Director of the Federal Housing Finance Agency.

(2) ENTERPRISE.—The term “enterprise” means—

(A) the Federal National Mortgage Association and any affiliate thereof;

and

(B) the Federal Home Loan Mortgage Corporation and any affiliate thereof.

(3) EXECUTIVE OFFICER.—The term “executive officer” has the same meaning as is given such term in section 1303(12) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4502(12)).

SEC. 3. REASONABLE PAY FOR CHIEF EXECUTIVE OFFICERS.

(a) SUSPENSION OF CURRENT COMPENSATION PACKAGE AND LIMITATION.—The Director shall suspend the compensation packages approved for 2015 for the chief executive officers of each enterprise and, in lieu of such packages, subject to the limitation under subsection (b), establish the compensation and benefits for each such

chief executive officer at the same level in effect for such officer as of January 1, 2015, and such compensation and benefits may not thereafter be increased.

(b) LIMITATION ON BONUSES.—Subsection (a) may not be construed to affect the applicability of section 16 of the STOCK Act (12 U.S.C. 4518a) to the chief executive officer of each enterprise.

SEC. 4. FANNIE AND FREDDIE EXECUTIVE OFFICERS NOT FEDERAL EMPLOYEES.

Any executive officer affected by any provision under section 3 shall not be considered a Federal employee.

PURPOSE AND SUMMARY

Introduced by Representative Royce, H.R. 2243, the “Equity in Government Compensation Act of 2015,” as reported by the Financial Services Committee with an amendment, eliminates recent increases in compensation and benefits for the chief executive officers of the government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac and provides that such officers shall be compensated at levels that were in place on January 1, 2015.

BACKGROUND AND NEED FOR LEGISLATION

Since entering federal conservatorship in September 2008, Fannie Mae and Freddie Mac have received nearly \$187.5 billion in government funds, making their conservatorship by far the costliest of all taxpayer bailouts arising from the financial crisis. Despite their unprecedented government assistance, the Treasury Department announced on Christmas Eve of 2009 that it would grant top executives at Fannie Mae and Freddie Mac multi-million dollar bonuses. Accordingly, the Federal Housing Finance Agency (FHFA) ratified \$42 million worth of pay packages for the GSEs’ 12 top executives. In 2010, the FHFA approved pay packages similar to the ones it approved in 2009. Thus, Fannie Mae paid its top six executives \$15.4 million in salaries and bonuses, and its CEO, Michael Williams, received \$5.6 million. Freddie Mac paid its top five executives nearly \$18.5 million, and its CEO, Charles E. Haldeman, Jr., received \$5.4 million. On November 1, 2011, the FHFA approved \$12.79 million in bonus pay for 10 GSE executives.

In 2012, then-FHFA Director Ed DeMarco capped the compensation for the GSEs’ chief executives at \$600,000. In early 2015, however, FHFA Director Mel Watt allowed the GSEs to raise their CEO pay to as much as the twenty-fifth percentile of comparable companies. This ultimately allowed both GSEs to increase their CEO pay from the previous cap of \$600,000 to \$4 million annually.

Director Watt’s decision provoked bipartisan disapproval, both in Congress and the Administration. Notably, both the Treasury Department and the White House opposed the FHFA’s decision to raise the GSEs’ CEO pay. The Treasury Department recommended that “existing limits on compensation continue given the taxpayers’ ongoing backstop of both enterprises.” Additionally, White House press secretary Josh Earnest stated that “the reason that these entities are different than some of the financial entities that you see in the private sector is they benefit significantly from a backstop that’s provided by the taxpayers. And because of that taxpayer assistance, I think it is entirely legitimate for the executives of those institutions to be subject to compensation limits.”

Despite claims that the GSEs should be able to pay salaries commensurate with the private sector, these arguments fail to consider that the GSEs continue to function in ways unlike private industry.

As noted by Treasury Secretary Jack Lew in testimony before the Financial Services Committee on June 17, 2015, “[their] risk is being borne by taxpayers on an ongoing basis and the conservatorship is not over.”

HEARINGS

The Committee on Financial Services did not hold any hearings on H.R. 2243 in the 114th Congress.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on July 28, 2015 and July 29, 2015, and ordered H.R. 2243 to be reported favorably to the House as amended by a recorded vote of 57 yeas to 1 nay (Record vote no. FC-47), a quorum being present. An amendment offered by Mr. Royce was agreed to by voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. The sole vote in committee was a motion by Chairman Hensarling to report the bill favorably to the House as amended. The motion was agreed to by a recorded vote of 57 yeas to 1 nay (Record vote no. FC-47), a quorum being present.

Record vote no. FC-47

| Representative | Yea | Nay | Present | Representative | Yea | Nay | Present |
|-------------------------|-----|-----|---------|----------------------------|-----|-----|---------|
| Mr. Hensarling | X | | | Ms. Waters (CA) | X | | |
| Mr. King (NY) | X | | | Mrs. Maloney (NY) | X | | |
| Mr. Royce | X | | | Ms. Velázquez | X | | |
| Mr. Lucas | X | | | Mr. Sherman | X | | |
| Mr. Garrett | X | | | Mr. Meeks | X | | |
| Mr. Neugebauer | X | | | Mr. Capuano | X | | |
| Mr. McHenry | X | | | Mr. Hinojosa | X | | |
| Mr. Pearce | X | | | Mr. Clay | X | | |
| Mr. Posey | X | | | Mr. Lynch | | X | |
| Mr. Fitzpatrick | X | | | Mr. David Scott (GA) | X | | |
| Mr. Westmoreland | X | | | Mr. Al Green (TX) | X | | |
| Mr. Luetkemeyer | X | | | Mr. Cleaver | | | |
| Mr. Huizenga (MI) | X | | | Ms. Moore | X | | |
| Mr. Duffy | X | | | Mr. Ellison | X | | |
| Mr. Hurt (VA) | X | | | Mr. Perlmutter | X | | |
| Mr. Stivers | X | | | Mr. Himes | X | | |
| Mr. Fincher | X | | | Mr. Carney | | | |
| Mr. Stutzman | X | | | Ms. Sewell (AL) | X | | |
| Mr. Mulvaney | X | | | Mr. Foster | X | | |
| Mr. Hultgren | X | | | Mr. Kildee | X | | |
| Mr. Ross | X | | | Mr. Murphy (FL) | X | | |
| Mr. Pittenger | X | | | Mr. Delaney | X | | |
| Mrs. Wagner | X | | | Ms. Sinema | X | | |
| Mr. Barr | X | | | Mrs. Beatty | X | | |
| Mr. Rothfus | X | | | Mr. Heck (WA) | X | | |
| Mr. Messer | X | | | Mr. Vargas | X | | |
| Mr. Schweikert | X | | | | | | |
| Mr. Guinta | X | | | | | | |
| Mr. Tipton | X | | | | | | |
| Mr. Williams | X | | | | | | |
| Mr. Poliquin | X | | | | | | |
| Mrs. Love | X | | | | | | |
| Mr. Hill | X | | | | | | |
| Mr. Emmer | X | | | | | | |

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 2243 as amended will provide for compensation levels for the chief executive officers of Fannie Mae and Freddie Mac that are appropriate in light of the fact that both entities remain in taxpayer-backstopped conservatorships.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 25, 2015.

Hon. JEB HENSARLING,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2243, the Equity in Government Compensation Act of 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Aurora Swanson.

Sincerely,

KEITH HALL.

Enclosure.

H.R. 2243—Equity in Government Compensation Act of 2015

H.R. 2243 would direct the Federal Housing Finance Agency (FHFA) to roll back increases in compensation and benefits for

Fannie Mae's and Freddie Mac's chief executive officers (CEO) to the levels that were in place on January 1, 2015. CBO estimates that enacting the legislation would not have a significant effect on the federal budget because while the bill would limit amounts paid for certain compensation, it would not directly change the income of Fannie Mae and Freddie Mac nor would it restrict how those entities could spend amounts realized by reducing such compensation. Because the legislation would affect direct spending pay-as-you-go procedures apply. CBO estimates, however, that any decrease in direct spending would be insignificant. Enacting the bill would not affect revenues.

Based on information from FHFA and Fannie Mae's and Freddie Mac's quarterly financial reports, the compensation for the two CEOs was capped at \$600,000 annually beginning in 2013. On July 1, 2015, FHFA increased each of the CEO's total compensation to \$4 million to move the compensation levels closer to those in the financial industry and to align CEO compensation with the compensation levels of Fannie Mae's and Freddie Mac's eight Executive Vice Presidents, whose annual salaries range between \$2 million and \$3.5 million. Under the bill, the total compensation for each CEO would be reduced to \$600,000 annually. The bill also would indefinitely prohibit any increases in compensation and benefits for those CEOs.

H.R. 2243 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Aurora Swanson. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

H.R. 2243 establishes compensation levels for the chief executive officers of Fannie Mae and Freddie Mac. The bill is narrow in scope to ensure that such individuals' compensation is appropriate given that the GSEs remain in conservatorship and therefore the bill does not apply to the legislative branch. The Committee finds that H.R. 2243 does not otherwise relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

H.R. 2243 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to section 3(g) of H. Res. 5, 114th Cong. (2015), the Committee states that no provision of H.R. 2243 establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

DISCLOSURE OF DIRECTED RULEMAKING

Pursuant to section 3(k) of H. Res. 5, 114th Cong. (2015), the Committee states that H.R. 2243 contains no directed rulemaking.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section: cites H.R. 2243 as the “Equity in Government Compensation Act of 2015.”

Section 2. Definitions

This section: defines the terms “director,” “enterprise,” and “executive officer.”

Section 3. Reasonable pay for executive officers

This section requires the FHFA Director to suspend the compensation packages approved for 2015 for the chief executive officers of Fannie Mae and Freddie Mac and, in lieu of such packages, to establish compensation and benefits at the same level as was in effect as of January 1, 2015. This section prohibits compensation and benefits from being increased thereafter and further provides that nothing in the section may be construed to affect the applicability of Section 16 of the STOCK Act (12 U.S.C. 4518a) to the chief executive officer of each GSE.

Section 4. Fannie and Freddie executive officers not Federal employees

This section provides that an executive officer affected by Section 3 shall not be considered a Federal employee.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 2243 does not amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report contemplated by clause 3(e)(1)(B) of rule XIII of the House of Representatives.

JASON CHAFFETZ, UTAH
CHAIRMAN

ONE HUNDRED FOURTEENTH CONGRESS

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

TELEPHONE: (202) 225-5204
FACSIMILE: (202) 225-6081
<http://oversight.house.gov>

November 16, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

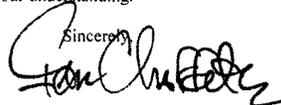
Dear Mr. Chairman:

I write concerning H.R. 2243, the Equity in Government Compensation Act of 2015. As you know, the Committee on Financial Services received an original referral and the Committee on Oversight and Government Reform a secondary referral when the bill was introduced on May 8, 2015. I recognize and appreciate your desire to bring this legislation before the House of Representatives in an expeditious manner, and accordingly, the Committee on Oversight and Government Reform will forego action on the bill.

The Committee takes this action with our mutual understanding that by foregoing consideration of H.R. 2243 at this time, we do not waive any jurisdiction over the subject matter contained in this or similar legislation. Further, I request your support for the appointment of conferees from the Committee on Oversight and Government Reform during any House-Senate conference convened on this or related legislation.

As you know, I introduced H.R. 1577, the Fannie Mae and Freddie Mac Transparency Act of 2015, which makes those entities subject to the Freedom of Information Act when in conservatorship or receivership. The bill shares the same goal as H.R. 2243 in that it aims to ensure accountability, transparency and fairness within our Government-sponsored enterprises. The Committee appreciates your willingness to examine my bill and work towards its consideration by the full House.

I would ask that a copy of our exchange of letters on H.R. 2243 be included in the bill report filed by the Committee on Financial Services, as well as in the *Congressional Record* during floor consideration, to memorialize our understanding.

Sincerely,


Jason Chaffetz
Chairman

cc: The Honorable Paul Ryan, Speaker
The Honorable Elijah E. Cummings
The Honorable Maxine Waters
The Honorable Thomas J. Wickham, Parliamentarian

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

MAXINE WATERS, CA, RANKING MEMBER

November 16, 2015

The Honorable Jason Chaffetz
Chair
Committee on Oversight and Government Reform
2157 Rayburn House Office Building
Washington, D.C., 20515

Dear Chairman Chaffetz:

Thank you for your November 16th letter regarding H.R. 2243, the "Equity in Government Compensation Act of 2015."

I am most appreciative of your decision to forego action on H.R. 2243 so that it may move expeditiously to the House floor. I acknowledge that although you are waiving action on the bill, the Committee on Oversight and Government Reform is in no way waiving its jurisdictional interest in this or similar legislation. In addition, if a conference is necessary on this legislation, I will support any request that your committee be represented therein.

Finally, I shall be pleased to review H.R. 1577, the "Fannie Mae and Freddie Mac Transparency Act of 2015," for potential action by the Financial Services Committee. I will also include your letter and this letter in the Committee's report on H.R. 2243 and in the *Congressional Record* during floor consideration of the same.

Sincerely,



JEB HENSARLING
Chair
Committee on Financial Services

CC: The Honorable Maxine Waters, Ranking Member
The Honorable Paul D. Ryan
The Honorable Elijah Cummings
Mr. Thomas J. Wickham, Jr.