

FM Policy Focus - Chaired by J.C. Watts - Featured in Politico Article

J.C. Watts, Jr. has been Chairman of FM Policy Focus for the past four years, beginning in May 2003. FM Policy Focus is a coalition of financial services and housing-related trade associations working with affordable housing and consumer advocates, taxpayer groups and financial institutions. FM Policy Focus is dedicated to monitoring the activities of two government-subsidized enterprises (GSEs), Fannie Mae and Freddie Mac. As Chairman, Watts brings his passion for affordable home ownership, community revitalization, and more efficient government to the position, while overseeing the implementation of a new, more policy-intensive focus. This focus has allowed the organization to turn its attention to specific solutions, ensuring that GSEs stay within their chartered bounds, do not impose an undue risk to consumers, operate on a level playing field and put people before profits.

Below is an article detailing FM Policy Focus' recent accomplishments.

Regulation comes to those who wait

By: [Jeanne Cummings](#)

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Lobbyists use all sorts of tools to get their way on Capitol Hill. But sometimes the best lobbying strategy turns out to be patience -- and a bit of scandal.

Those are the key ingredients that bring FM Policy Focus and its key allies on Capitol Hill, including Louisiana's Republican Rep. Richard Baker, to the brink of success today.

For nearly eight years, the organization of bankers, consumer advocates and financial houses has been pushing for greater scrutiny on mortgage lending giants Fannie Mae and Freddie Mac. To that end, it spent millions lobbying Congress, producing reports and rounding up allies in both the Clinton and Bush Treasury departments, including former Federal Reserve Board Chairman Alan Greenspan.

None of that seemed enough to best the well-oiled, well-financed and well-connected lobbying armada built by the two quasi-governmental lending offices in the 1990s. But FM Policy Focus and its key allies didn't go away. When Fannie and Freddie stumbled two years ago, the groups struck hard and fast -- even when faced with threatened legal action by the lending firms' then-newest high-powered lobbyist: Kenneth Starr.

Earlier this year, the House passed legislation creating a new regulatory office to watch over Fannie, Freddie and a dozen other government home loan banks, equipping it with enhanced enforcement and oversight powers. The proposal now awaits action in the Senate, and Banking Committee Chairman Chris Dodd (Conn.) says it is a top priority.

The story of FM Policy Focus' success, thus far, is as much about the organization's persistence as it is a cautionary tale about how hubris contributed to the unraveling of two of Washington's biggest corporate lobbying giants.

Originally called FM Watch, the group was founded in 1999 amid growing concerns that Fannie and Freddie were overextended and had moved well beyond their mandates to make mortgages available to minority and low-income borrowers. Their expanded lending portfolio -- which included expensive second homes -- was crowding private lenders' turf.

But when they first ventured onto Capitol Hill to make their case, "nobody really wanted to talk about it," said William Michael House, the group's executive director and a partner at Hogan & Hartson.

The reason was clear. The two quasi-governmental institutions had spent years nurturing relationships with lawmakers. They had spent a combined \$15 million lobbying Congress since 1998, and Freddie had donated nearly \$9 million to candidates and committees during the same period. In 2000 alone, Fannie Mae gave \$2.4 million in campaign donations, including \$1.1 million in now-banned "soft money" checks delivered in \$100,000 and \$50,000 chunks to party committees. They also developed a rep for playing hardball with their opponents, threatening to withhold foundation money from local housing programs and labeling their critics as the enemies of poor homeowners.

FM Policy Focus concentrated its early efforts on re-educating its audience, said House. Baker was among a handful of lawmakers who were willing listeners. He'd been around during the savings and loan collapse of the 1980s and wanted Congress to be proactive if a similar financial crisis loomed. The bookkeeping secrecy around Fannie and Freddie -- which finance two out of every five U.S. home loans -- seemed to him to be just the sort of dangerous mix that needed to be corrected.

He introduced legislation in 2000 aimed at shedding light on their finances. Next thing Baker knew, Fannie was holding forums in his Baton Rouge district to promote its homeownership programs -- and build a grass-roots base of allies to use later to apply pressure on him. Fannie used similar tactics on other lawmakers. Baker's bill went nowhere.

The collapse of Enron a year later prompted more lawmakers to question the lending giants' ability to operate without more aggressive oversight. In 2002, Rep. Christopher Shays (R-Conn.) and Rep. Ed Markey (D-Mass.) introduced a bill requiring Freddie and Fannie to comply with the same Securities and Exchange Commission disclosure requirements as private firms. But Freddie and Fannie did an end run around the legislation by announcing they would voluntarily comply with most SEC requirements.

When those first reports came due, however, the bottom fell out of Freddie, forcing officials to acknowledge a history of accounting irregularities that led to a \$4.5 billion correction in its earnings, a wholesale firing of its management team and a \$125 million fine.

Fannie Mae denied that it rigged its books in a similar way. Its defiant position allowed it to escape greater scrutiny until the fall of 2004, when the SEC confirmed a government report accusing Fannie of accounting irregularities. That's when Baker used his most potent weapon.

For nearly a year, the congressman had been in possession of Fannie Mae's executive salary data. In October, he called a meeting of his Capital Markets Subcommittee, and word spread he was going to release the compensation figures. On the eve of the hearing, Starr met briefly with the House Financial Services Committee's Republican staff and warned that publication of the list could lead to civil lawsuits, people in the meeting later recalled.

The committee hearing was jammed as Baker unveiled his poster-sized list of compensation packages for Fannie Mae's top 22 executives, 20 of whom received more than \$1 million in 2002. Of that group, a dozen collected more than \$2 million; nine received more than \$3 million.

The sums outraged lawmakers. Fannie Mae's chairman, Franklin D. Raines, retired, clinging to a severance package that included a \$1.4 million annual paycheck and \$30 million in stock options.

In 2005, news of Fannie Mae's accounting practices worsened, but Congress still didn't pass legislation mandating that the two agencies comply with SEC regulations.

Rep. Barney Frank (D-Mass.) had witnessed Baker's battles as ranking member of the House Financial Services Committee. When he became chairman this year, he moved swiftly and pushed the bill through the chamber in May with a 313-104 vote. The Frank legislation is significantly tougher than the one Fannie and Freddie fought so bitterly in 2000, an irony that pleases Baker.

"With every iteration, it got stronger. It's to the point where I didn't know what else there was to put in it," the congressman chuckled.

The measure still faces some challenges. Members of the House of Representatives attached a controversial affordable housing fund -- which the White House doesn't like -- that could reopen negotiations in the Senate.

And the lending giants, while chastened, are not inactive. Sharon McHale, a Freddie Mac spokeswoman, said the organization is hoping to adjust language in the bill as it moves through the Senate. That said, she says Freddie "very much wants to see reform legislation enacted." Asked why, after such a long fight, she replied: "It's a perception issue."

Pit Boss is a weekly column that explores the intersection of lobbying and politics. Please send any tips for tracking Washington's most lucrative industry to pitboss@politico.com.

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