



AMERICANS FOR LIMITED GOVERNMENT

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April 8th, 2010

The Honorable Scott Garrett
Congressman of New Jersey's 5th Congressional District
137 Cannon House Office Building
Washington, DC 20515

Dear Representative Garrett:

As you are well aware, Treasury Secretary Timothy Geithner has seen fit to exclude Fannie Mae and Freddie Mac's \$6.3 trillion balance sheet, including \$1.6 trillion in debt, from the current \$12.6 trillion national debt despite 2008 testimony from a federal agency that the government was providing "an explicit guarantee" to the mortgage giants when they were nationalized.

I am writing to publicly urge you to demand that the House majority immediately convene hearings to investigate these discrepancies, and to urge the President appoint a special prosecutor to examine this matter.

[In his letter to you, Secretary Geithner wrote that the](#) "corporate debt of the GSEs is not the same as U.S. Treasuries, nor should it be considered sovereign debt." The letter continued, "By statute, all obligations and securities issued by the GSEs must include a statement that makes clear that such obligations and securities are not guaranteed by the United States and do not constitute a debt or obligation of the United States."

Unfortunately, Secretary Geithner's letter directly contradicts then-Federal Housing Finance Agency director James Lockhart's 2008 Congressional testimony that "the conservatorship and the access to credit from the U.S. Treasury provide an explicit guarantee to existing and future debt holders of Fannie Mae and Freddie Mac," [as reported by Bloomberg News](#).

At the time, the agency distinguished between "an explicit guarantee" and the "full faith and credit of the United States", and Lockhart clarified that he meant "an effective guarantee because there's \$100 billion backing their equity provided by the U.S. Treasury... That does give them effectively a guarantee of the U.S. government."

Adding complexity to this issue, [according to the New York Federal Reserve's website](#), the Federal Reserve is not guaranteeing the securities nor Fannie Mae and Freddie Mac by extension either with its purchase of \$1.25 trillion of mortgage-backed securities from investors: "Assets purchased under this program are fully guaranteed as to principal and interest by Fannie Mae, Freddie Mac, and Ginnie Mae, so the Federal Reserve's exposure to the credit risk of the underlying mortgages is minimal."

Fannie Mae and Freddie Mac were placed under conservatorship by Congress in 2008 under the administration of the newly-created Federal Housing Finance Agency (FHFA). The GSEs combined portfolios included \$1.6 trillion of debt and \$4.7 trillion in mortgage-backed securities, \$1.5 trillion of which were sold throughout the world. But the debt and other obligations were not added to the national debt, despite the fact that the GSEs were nationalized.

Whether an “explicit” or “effective” guarantee, as you know, since the debt of Fannie Mae and Freddie Mac have not been included in the national debt, either then-Director Lockhart was misleading Congress in 2008, Secretary Geithner is misleading Congress today, or the Federal Reserve really is guaranteeing the GSEs’ debts and obligations.

Either taxpayers are backing up Fannie Mae and Freddie Mac, or they are not. If the Federal Reserve is not vouching for the GSEs’ debts and obligations, then only taxpayers can be. In short, somebody has lied, and he must be held accountable for misleading the American people.

As such, Americans for Limited Government urges you to demand that House leadership convene Congressional hearings, and to urge the President to appoint a special prosecutor to investigate the Treasury, the FHFA, and the New York Federal Reserve at the earliest convenience to ascertain the truth.

Sincerely,

A handwritten signature in cursive script that reads "William A. Wilson".

William Wilson
President
Americans for Limited Government

CC: The Honorable John Boehner, House Republican Leader