

No Benefit, No Improper Action, No Failure to  
Disclose, No One Influenced: No Case

In the matter of Representative  
Maxine Waters

# The Basics

- National Bankers Association or OneUnited?
- Benefit?
- Assistance?
- Failure to Instruct?
- Appearance?



September 6, 2008

The Honorable Henry M. Paulson, Jr.  
Secretary  
United States Department of the Treasury  
Office of the Treasurer  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

**Re: National Bankers Association – Comments Regarding Impact on Minority Banks in Connection with Conservatorship of Fannie Mae and Freddie Mac**

Dear Mr. Secretary:

I am writing this letter on behalf of the National Bankers Association ("NBA"), the largest and oldest trade organization in the United States representing minority and women-owned banks and thrifts, founded in 1927, to among other roles, serve as an advocate on legislative and regulatory matters.

We are writing this letter urgently regarding your pending resolution of the situation regarding Fannie Mae and Freddie Mac (collectively, the "GSEs"). We want to ensure that the interests of minority banks are properly protected in any such resolution. To be clear, we are not asking for minority banks to receive any windfall from this resolution. Rather, we simply are seeking a return of the money we invested in the GSEs. In other words, each minority bank would demonstrate the amount of funds it invested into the preferred stock of the GSEs, and be assured of receiving that amount in return as part of any resolution you develop. At a bare minimum, we urge the GSE resolution to include a provision that any minority bank that will fall due to its investment in GSE preferred stock would simply have its investment returned.

We understand why you are acting to preserve the GSEs. The GSEs serve an important role in the fabric of US home ownership, making home ownership more available to the citizenry of the United States. These social benefits, as well as the economic calamity that would follow were the GSEs to collapse, more than warrant government action on their behalf.

## **Bob Cooper**

---

**From:** Mr. Michael Grant [REDACTED]  
**Sent:** Tuesday, September 09, 2008 12:18 PM  
**To:** Bob Cooper  
**Subject:** Restructuring

Bob,  
How's your meeting going with the feds? I understand Congresswoman Maxine Waters is leading the charge? Do you have any ideas of how we can compile an aggregate impact of Freddie and Fannie's introducing on NBA members? Could I have your cell number?  
Please call me today at your convenience.

Michael Grant, JD  
President  
National Bankers Association



**Bob Cooper**

---

**From:**  
**Sent:**  
**To:**

fweekes [REDACTED]@BANKCBN.com]  
Tuesday, September 09, 2008 10:08 AM

[REDACTED]



**Cc:**  
**Subject:**

Fannie & Freddie

Please see attached article in today's Washington Post. Rep. Maxine Waters (D-Calif.) request to the Treasury Department was initiated by discussions with Rep Waters over the weekend by the association. Bob Cooper (Chair Elect) is in attendance at the meeting with Treasury representing the membership and all minority banks, and we will send an update on the outcome.

## **Mortgage Giants' Rescue Imperils Some Banks**

By Binyamin Appelbaum  
Washington Post Staff Writer  
Tuesday, September 9, 2008; A01

The bailout of Fannie Mae and Freddie Mac threatens the financial health of several dozen of the banks that bought shares in the two companies, regulators say, including some institutions active in the Washington region and banks focused on less-profitable community development lending.

Executives at some of those banks say they felt encouraged to invest in the companies because a federal agency, the Office of the Comptroller of the Currency, had classified shares in Fannie Mae and Freddie Mac as extremely low-risk investments.

Stock in the two companies has now lost most of its value. Banks that held the shares as part of their reserves, the cushion of money that regulators require banks to keep on hand, must now raise money to replace the lost funds. With banks already hard-pressed to find investors, analysts said some banks that bet on Fannie Mae and

**banks raise replacement capital. At her request, Treasury Department officials agreed to meet with some bank executives today.**

Some Washington area banks are also affected, including Gateway Financial Holdings of Virginia Beach, which bought \$40 million in shares that were worth only \$5 million at the end of trading yesterday, and Central Virginia Bank of Richmond, which said it would be "on the bubble" of needing to raise more capital if its holdings lose all of their value.

Fannie Mae and Freddie Mac were created by the federal government to increase the supply and reduce the cost of mortgage loans. The companies borrowed money at a low cost because the government involvement gave investors a sense of security. Fannie Mae and Freddie Mac used that money to buy loans from banks and other lenders, allowing those companies to make more loans.

Instead of relying on government funding, the companies sold stock to investors. The vast majority of those shares were common stock, the basic building blocks of a public corporation. But as Fannie Mae and Freddie Mac needed more money, they resorted to selling "preferred shares," which offered investors a higher dividend and greater bankruptcy protection.

Under the takeover, the value of both kinds of shares was sharply reduced. Shareholders now own only 20 percent of each company. If the companies continue to lose money, that stake could keep shrinking to the point of being completely worthless. And there will be no more dividend payments.

On Sunday, various regulatory agencies issued a joint statement saying they were aware of the banks' problems and would work try to help them raise additional capital if necessary.

Members of the banking industry say they interpreted the statement as an indication that regulators would show special mercy. One executive compared the situation to Hurricane Katrina, when banks were afforded leniency.

If regulators are inclined to do so again, there are tools at their disposal. They could give banks more time to raise money. They could also waive standard restrictions on banks that need to raise money, allowing them to use more aggressive strategies, such as gathering deposits through third-party brokers.

But it is not clear that the regulators intend to be lenient. An OCC official said the agency was inclined to help banks that were otherwise healthy. But other regulators said they could not describe any special plans to help banks. Treasury officials say they will simply help connect the banks with the right people at regulatory agencies.

Larger banks can more easily absorb the losses. J.P. Morgan Chase owns shares with a face value of \$1.2 billion. A complete loss would erase a month or two of its profits but do no lasting damage. M&T Bank, a Buffalo company with branches in Maryland and the District, owns about \$120 million of shares in the two companies.

"If you assume for a minute that we write off 100 percent of that investment, even if you did that, it would just have minimal impact on our capital. We have enough to be able to offset the negative impact," M&T Chief Financial Officer Rene Jones said during a presentation to industry analysts in New York yesterday.

For smaller banks, however, even smaller holdings can cause large problems.



FOR IMMEDIATE RELEASE

Contact: Michael Grant

(202) 588- [REDACTED]

[REDACTED]@nationalbankers.org

## PRESS RELEASE

The Board of Directors of the National Bankers Association (NBA) at its 2009 Legislative/Regulatory Conference being held in Washington, DC from March 17-19 reviewed the events previously reported by the Boston Globe on March 14, 2009 regarding actions taken by the Association's then Chair-Elect and Chairperson of its Legislative Committee, Robert P. Cooper.

The Board determined that actions taken by Mr. Cooper were consistent with practices and authority granted him by the Association.

For over 80 years, the National Bankers Association has served as the voice of minority banks. As that voice, the NBA's overarching goal is to protect, preserve and promote minority banks. As minority banks face many unique challenges in this difficult economic environment, the Association will continue to solicit the support and the strong advocacy from the White House Administration, members of Congress and regulatory bodies to aid in its mission.



**CONFIDENTIAL**

September 10, 2008

The Honorable Anthony W. Ryan  
Acting Under Secretary for Financial Institutions Policy  
United States Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

**Re: National Bankers Association – Minority Bank Capital Restoration Program**

Dear Mr. Ryan:

As a follow-up to our meeting yesterday, we sincerely appreciated the opportunity to discuss with you, Senior Treasury representatives and bank regulatory agency officials the impact of the recent conservatorship of Fannie Mae and Freddie Mac (collectively, the "GSEs") on minority depository institutions ("MDIs"). We emphasized that Treasury should provide appropriate protection on an urgent basis to avert possible failure of one if not several of our institutions, a situation that would undoubtedly reverberate through the entire minority banking sector, causing irreparable harm to the inner-city communities we serve. Unlike with a typical "majority" bank, no bank will step in to save our inner-city communities should one of our banks fail.

As a result of the discussions at the meeting and subsequently, we have refined our proposal consistent with our immediate need to protect minority banks from failure or significant adverse impact due to the decline in the GSE preferred stock. Accordingly, we would propose the following Minority Bank Capital Restoration Program:

As a part of the resolution to the takeover of the GSEs, Treasury should...

## Alleged Benefit : Preservation of Stock via \$12 Million (TARP)

- “Respondents Chief of Staff provided continued assistance to OneUnited in their efforts to obtain legislation that ultimately resulted in OneUnited receiving funding from Treasury. (SAV, 42)”
- “The Preservation of the Value of the Respondents husbands investment in OneUnited would personally benefit respondent.” (SAV, 44)

- SAV alleges that COS facilitated TARP funding.
- SAV Alleges that OneUnited, received TARP funds, because of Section 103(6) of Emergency Economic Stabalization Act, drafted by Barney Frank
- SAV alleges that TARP Funding “preserved” OneUnited

# How Did OneUnited receive TARP funding?

- Capital Purchase Program
  - Multi step process
    - Raised Private Capital (20 Million)
    - Tax Deferment
    - Approval by Federal Regulator (FDIC)
    - Approval by Treasury Department
    - No role for Congress in the Approval Process
- Did not benefit from section 103(6)

# Sandra Thompson's Testimony



Q After that meeting occurred, did you have any further contact with OneUnited Bank or Treasury officials?

A Treasury officials, no.

OneUnited Bank, they were protest -- well, they were appealing the report of examination, and we were in the process of placing a formal enforcement order -- action -- on that institution; and they were trying to -- there were a couple of things going on with OneUnited.

They were critically undercapitalized. They were trying to raise capital, and they -- also, we wanted to make sure that corrective action took place that corrected some of the issues that our examiners identified.

So we were working on an order, and the people in our Boston office were working on that; and they also asked to work -- have them work on a capital plan, how they were going to raise capital, because all the banking regulators had issued a statement saying that they would work with institutions that were impacted negatively by the placement of the GSEs into conservatorship.

And so Robert -- not Robert -- Kevin Cohee, I think he -- he had come up with a -- an agreement with State Street Bank to put \$17 million, I believe, into the institution, and he needed a waiver of deferred tax assets, and these were assets that could be considered capital.

Now, there's a rule -- and I'm not an accountant, but I'll try to explain this as best I can -- where only a portion of your

# Sandra Thompson's Testimony



deferred tax asset can count as capital, and what he wanted was a waiver so that the entire amount could be counted as capital; and the only way that his institution would be able to come up to the -- a capital level that was above critically undercapitalized was to have this waiver and to have the capital infusion from a private company.

And then there was a lot of discussion about TARP money, and so we had to put together a case for our board of directors, because that's not a decision that I could make on my own. So we presented a case to the board of directors, and we basically said -- asked for -- we recommended that they get the deferred tax asset waiver for -- they asked for like 48 months, and we said 12 months. Actually, they asked for 24 and we said 12, and then State Street was going to put their money in, and the money had to be in by October 30 because banks file their call report at the end of the quarter, and then they've got 30 days after the filing to get all their data in.

And so State Street said they would put the money in under the condition that the bank was adequately capitalized; and in order for them to be adequately capitalized, they had to get their waiver so that the entire amount could count towards capital. So that was not a decision that was within my delegated authority, and so we took it to our board of directors.

Q Were you in favor of this waiver decision? I understand that, you know, that it wasn't --



# Sandra Thompson's Testimony

A Yeah. It was my recommendation as the division director -- and we do have a responsibility to promote and protect financial institutions, minority institutions in particular, but I'm also in favor of protecting depositors, which is the total mission of the FDIC. And so they had some issues that we had been having discussions with them on, like compensation and other things that were brought to our attention, and I wanted them to stipulate to an order to cease and desist, and this order was public. So we worked through those issues; and my primary concern as an FDIC official is to make sure that the bank is run in a safe and sound manner, and then there is a law that we are to do whatever we can to promote and protect minority institutions, so -- but I cannot make that decision.

I can make a recommendation, and when I make a recommendation to our board and we provide them with a case, we brief them, and then there's a board meeting and they decide; but I'm not the final decision-maker on such a significant matter.

Q The cease and desist order that you referred to, I would assume that the negotiations or discussions of that final stipulation had been ongoing at least prior to the fall or maybe even the spring of 2008?

A Yeah. Well, 2008 -- there's a couple different things that kind of tie together. You have a report of examination, and they didn't necessarily agree with our findings and our rating, and so there is an appeals process; so any bank that has issues

**From:** Bettinger, Lori  
**Sent:** Tuesday, January 13, 2009 4:31 PM  
**To:** McLaughlin, Brookly; McLellan, Don; Lambright, James  
**Cc:** Kashkari, Neel; Abdelrazek, Rawan  
**Subject:** RE: One United

Hi,

We don't classify transactions under those subsections. They qualified for the December investment under the established CPP terms, which are used for all applicants.

(b)(4), (b)(5)

Brookly, we'll give you a call.

Lori

---

**From:** McLaughlin, Brookly  
**Sent:** Tuesday, January 13, 2009 4:06 PM  
**To:** Bettinger, Lori; McLellan, Don; Lambright, James  
**Cc:** Kashkari, Neel; Abdelrazek, Rawan  
**Subject:** One United  
**Importance:** High

The WSJ was told by a federal regulator, a state regulator, and Barney Frank that One United qualified for the December investment under section 103.6.

(b) (5)

Do we actually classify each transaction under one of those subsections? Or are they there more as guidance?

**Brookly McLaughlin**  
Deputy Assistant Secretary for Public Affairs  
U.S. Treasury Department  
1500 Pennsylvania Avenue, NW  
Washington, D.C.  
(202) 622-2920-office

:\_DL\_Communications  
**subject:** FW: NYT Request

Just heard from the AP on OneUnited and Waters –  
 So far, I have pointed out that:

- 1) This happened in the previous administration
- 2) TARP provides funds under two conditions
  - a. The institution meets the qualifications defined in statute
  - b. Bank regulators declare the bank viable.
- 3) TARP is insulated from outside influence.

Below are Neel's initial responses to Eric Lipton's questions, we did deep background with him

Neel, can you give us something we can use on:

(b) (5)

Thanks,  
 Andrew

---

**From:** Abdelrazek, Rawan  
**Sent:** Thursday, February 26, 2009 11:57 AM  
**To:** Kashkari, Neel; Schaffer, Laurie  
**Cc:** Baker, Isaac; Williams, Andrew  
**Subject:** RE: NYT Request

Laurie-

(b) (5)

thanks

---

**From:** Kashkari, Neel  
**Sent:** Thursday, February 26, 2009 11:53 AM  
**To:** Schaffer, Laurie  
**Cc:** Baker, Isaac; Abdelrazek, Rawan  
**Subject:** RE: NYT Request

id like to speak with the reporter on background. here are my answers

a) Do you know the date of this meeting and who actually attended other than Tony Ryan, Stafford Via and Steve Lineberry from Treasury. If you had a list of attendees that would be helpful. Others there were from OTS, FDIC, OCC and the Fed. But I do not have their names.

i never knew this meeting took place until now

b) Did the meeting in September related to GSE related losses play any role in the decision by Treasury to provide OneUnited \$12 million in CPP funds on Dec. 19?  
 ot at all. we didn't even know about it and Tony wasn't involved in the decision

c) Did that meeting or the appeal by OneUnited contribute to the fact that it was the first Community Development Financial Institution to receive CPP funds and one of only three in the country?  
not at all. we didn't even know about it and Tony wasn't involved in the decision

d) Did requests by any member of Congress related to OneUnited's CPP application accelerate its consideration or play any role in the decision?  
not at all at Treasury

e) Is there anyone that wants to talk to me about this meeting and any impact it might have had on the CPP decision? I understand that most of the Treasury folks involved are now gone.

me

f) Can I get a copy of any correspondence (without having to go through a formal FOIA process) related to OneUnited and its CPP application--any letters from any members of Congress related to this bank?

g) For my story, I am describing this September 2008 meeting, which I was told took place in conference room known as the Management Conference room, next to the assistant secretary's office, on the second floor. But I have never been in this room. Could I come over Thursday and just look at the empty room to describe it accurately?

---

**From:** Schaffer, Laurie  
**Sent:** Thursday, February 26, 2009 11:49 AM  
**To:** Kashkari, Neel  
**Subject:** FW: NYT Request

See below.

**Laurie Schaffer**

---

**From:** Shaw, Aloma  
**Sent:** Thursday, February 26, 2009 11:28 AM  
**To:** Schaffer, Laurie; Bieger, Peter  
**Cc:** Williams, Andrew  
**Subject:** RE: NYT Request

Laurie or Peter:

Can you assist Andrew with this request?

Aloma

---

**From:** Williams, Andrew  
**Sent:** Thursday, February 26, 2009 11:22 AM  
**To:** Shaw, Aloma  
**Subject:** NYT Request

Aloma, I need your help in finding who best can address this question. What should I do?

anks,  
drew

# Graves Case

- Moreover, Representative Graves' putative interest was not an interest unique to him but was instead an interest that he held as part of a large class of investors...As such, even if Mr. Hurst's testimony benefited only the two companies in which Mrs. Graves was invested, Representative Graves' or Mrs. Graves' personal financial interest in either investment would have been affected as members of a class of investors and not as individuals. (Graves, 18-19)

# Failure to Instruct and Timing of Conversation with Chairman Frank

- In all of the transcripts, the committee never asked Rep. Waters nor her COS the question directly whether Rep. Waters instructed the COS to refrain
- Rep. Waters testified that the conversation happened sometime after TARP (on or around September 20<sup>th</sup>)
- COS testified the conversation happened in late September, early October.
- COS testified twice to being made aware of the conversation, and being clear that Chairman Frank would evaluate the suggested problem.

# Testimony before Standards Committee Waters

Q At any point when you were looking at that legislative solution, did you view that to be something that would assist minority banks in particular, or was that all small banks?

A I don't remember exactly how the legislation was formulated. That was Barney Frank's legislation.

Q Did he have discussions about that legislation with you?

A No. At the point that I understood that they were now later on interested in TARP, I just said to Barney, that is your home. They are headquartered over there. You need to look at this. I can't look at it.

Q When you say "they", are you referring to OneUnited Bank?

A Yes.

Q Why did you view that to be something that Chairman Frank was responsible for?

A I think that when you start to look at something like TARP, which is brand new, that the chairman has more experience, it was his -- it was headquartered -- you know, they had branches all over in my area, but it was headquartered in his district. So because he was the chairman, because he knew more about maybe TARP than we did, I -- you know, I just said to him, this is something that I can't be involved with.

Q At any point did you consider your husband's ownership of stock in the bank as a reason to not be involved in OneUnited's --

A Well, I think at the point that we started to talk about TARP and them actually asking for money, I think that might have

# Testimony before Standards Committee Waters

been one of my motivations in talking to Barney Frank, too, that I shouldn't be involved with that.

Q Why not?

A Well, as you said, several reasons. TARP was new, they were asking for money, and I didn't know or understand the implications of that. And it was at that point that I realized that if they were asking for money that I perhaps should take a distance from that. I would not be involved in that.

Q And did you take a distance from it, not be involved with it?

A I told Barney, Barney, I can't deal with that. I am not going to be involved in that.

Q At some point after this incident in February or March of 2009, there were some press articles about your involvement with the Secretary of Treasury meeting. And do you recall those?

A Some of those. There were a lot of press articles. And I think it was one in the New York Times and the Wall Street Journal in particular. Yeah, I remember those articles, basically.

Q Did you ever discuss those articles or the substance of them with Robert Cooper?

A No, not that I know of.

Q What about with Kevin Cohee?

A Not that I know of. I think -- I put something on my -- I responded at one point. I didn't talk with them when they were putting them together. But at some point I wrote a rather I think

# Testimony before Standards Committee Moore

A No, because I think at that time Michael Grant wasn't even hired, so Cooper was my -- you know, my main contact for the NBA.

Q You mentioned that one member of Representative Frank's staff was at the September 9 meeting.

A Sure.

Q Had you had any interactions with that particular staff member before?

A Yeah. Yeah. We worked together all the time. She is kind of the point of contact on Mr. Frank's office for minority bank issues and minority inclusion issues, et cetera, so we've worked together.



Q At some point during the fall of 2008, did you become aware of a conversation that the Congresswoman had with Representative Frank?

A About?

Q About OneUnited Bank.

A At some point, yes.

Q Can you tell us a little bit about the circumstances surrounding how you became aware of that conversation?

A Yeah. I believe the Congresswoman -- they have several kind of fly-by conversations. They talk to each other often about issues that are going on.



I think that what happened after the meeting, based on communications, et cetera, and by the fact that we hadn't gotten

# Testimony before Standards Committee Moore



results from the survey back, et cetera, that at that time no other banks had basically stepped up and said, look, you know, there's a -- we have an issue with this Fannie and Freddie piece. And so I think the conversation that the Congresswoman had was basically, look, you know, we were approached by the NBA about this, but at this point it seems like OneUnited has a problem. I don't want to get involved with this on this level. Can you do it? And Barney kind of said, stay out of it, I'll take over, or something like that.

Q Do you recall when that conversation took place between Representative Frank and the Congresswoman?

A Yeah. It was sometime late September, early October.

Q And it was after you received -- I can't remember what exhibit it was, but the one that documented OneUnited GSE shares.

A What's the date on this? September 23rd. I'm not quite sure of the date, but I know it was a significant amount of time after the meeting, and, again, after we hadn't got survey results back, and we couldn't pinpoint that there were several other banks that were getting -- that were challenged by this. I think that's when the conversation happened.

Q What do you mean by "fly-bys"?

A Oh, so they -- so Barney is not a guy who sits down and has a long conversation. He says, Max, we're going to do this, da, da, da, da, da. So they may have five or six of those in a day that could be like, you know, monumental issues that you're

# Testimony before Standards Committee Moore



involved?

A That I'm not sure of.

Q Did Representative Waters express any concern after her conversations with Chairman Frank to you?

A Concern?

Q Yes.

A No, no concern. I mean, I think she -- I think that she -- she appeared to be very, you know, comfortable that, you know, whatever the issue was, if there was to be a resolution, that Barney would take, you know -- would take a look at it and make a decision, you know, as the Chairman, whether or not it was something he wanted to get involved with.

Q And from what you remember, that was sometime in September or October of 2008?

A Yeah.

Q After that time did you notice any increased level from Representative Frank on his side or with his staff related to this OneUnited or NBA issue?

A I don't -- I'm not -- I don't work in their offices, so I don't know what their internal conversations were around this issue.

Q Or just even calls to you or your offices about OneUnited or the NBA issue on Freddie and Fannie shares.

A It was an ongoing -- there was an ongoing conversation about NBA and Fannie and Freddie. I mean, both Chairman Frank and

# Excerpts of Moore's Testimony to OCE

Maxine Waters recalls that the following non-administration persons were present at the meeting: a representative of Senator John Kerry; a representative of Representative Barney Frank; George Lyons, counsel to the NBA; Bob Cooper; Kevin Cohee; and Terry Williams, President of OneUnited. In the Chief of Staff to Representative Maxine Waters's opinion, the meeting was a "high priority" or "high-concern" meeting.

8. The September meeting lasted for about 45 minutes to an hour. Mr. Cooper revealed that he represented both the NBA and OneUnited, but said that at the meeting he was representing NBA. Mr. Cooper then presented his concerns to Treasury Department officials and a dialogue about the impact of the actions with regard to Fannie Mae and Freddie Mac on minority-owned banks and potential remedies ensued. The Chief of Staff to Representative Maxine Waters does not remember any specific potential remedies discussed, but does remember that one potential remedy that was discussed at the meeting was a transfer of funds from the Treasury Department to minority-owned banks. The Chief of Staff to Representative Maxine Waters stated that Mr. Cohee spoke using OneUnited as an exemplar of the impact the Treasury Department actions would have on minority-owned banks. Mr. Cohee also expressed similar concerns at the meeting.

9. Representative Waters' office's interactions with OneUnited occur mostly through the NBA. The Chief of Staff to Representative Maxine Waters interacted with the NBA "very often" through contact with Bob Cooper and Michael Grant, President of the NBA. Cooper and Grant were often cc'd on e-mails involving minority-bank issues. Mr. Cohee also may have been cc'd on e-mails involving discussions about potential remedies for minority-owned banks.

10. The Chief of Staff to Representative Maxine Waters is only aware of one conversation between Representative Waters and Representative Barney Frank. He became aware of this conversation when, as he went through his tasks with Representative Waters one day following the September meeting, she indicated that he need not work on the minority-bank matters because, as she said, "I spoke to Barney. Don't worry about it." The Chief of Staff to Representative Maxine Waters interpreted this to mean that he need not work on the NBA matters that day. The Chief of Staff to Representative Maxine Waters does not remember Representative Waters making any reference to Representative Frank instructing her to not get involved in NBA matters.

**TO ALL NBA MEMBERS!**

**THANKS FOR YOUR PROMPT RESPONSE!**

To: ALL NBA Members

From: Michael A. Grant, J.D.  
President

Date: September 17, 2008

Re: **Alert Concerning Fannie Mae and Freddie Mac**

Last week, in response to concerns raised by Members of Congress and the media, this office sent out an "Alert" trying to ascertain the impact of the U.S. Treasury Department's decision to restructure Fannie Mae and Freddie Mac.

**Specifically, we wanted empirical data to demonstrate how much preferred stock of the mortgage grants was held by NBA Member banks.**

The office received 15 responses by e-mail and one by telephone by Friday, September 12<sup>th</sup>. None of the banks who responded to our office had been adversely impacted by the Treasury Department's decision.

**This update is not meant as a representation of all our member banks or all minority banks. It is only a representation of those who responded.**

We are attempting to serve all of our member banks. And while we are mindful of your very demanding schedules, in the future, please remember that we are attempting to represent you by putting forth our best efforts.

**We will never survey you about frivolous matters!**

# Email From Frank's Staff

To: [REDACTED]  
Sent: Mon Sep 22 11:55:02 2008  
Subject: RE: memo for BF

Note that we have heard concern from one of our minority members this morning about this particular issue – come talk to me please

---

From: [REDACTED]  
Sent: Monday, September 22, 2008 11:45 AM  
Subject: memo for BF

I'll drop the attached memo in BF's box.

E



# Assistance?

- *Sikes* is what compelled the adoption of the SAV
  - Worked for seven years to establish a bank Charter
  - Wrote official correspondence on behalf of bank to federal and state regulators
  - Instructed staff to follow-up on charter
  - Purchased and sold shares for \$10,000 profit
  - Did not disclose his holdings

# Memo From Frank's Staff

## MEMORANDUM

To: Barney  
 From: [redacted]  
 Date: September 15, 2008  
 Re: Draft Letter to Treasury about OneUnited Bank

\*\*\*\*\*

Attached is a draft letter to Treasury expressing support for the National Bankers Association's proposal to redeem the preferred GSE stock of minority-owned financial institutions. OneUnited Bank discussed the bank's problems in detail with Rep. Capuano last week and [redacted] with Rep. Capuano, told me that her boss is closely monitoring the situation and wants to be helpful. OneUnited also met with Rep. Lynch's office but told me that they did not discuss the bank's problems in depth with that office. **Please advise on whether you want me to ask either of those offices to sign onto the letter with you.**

I have attached for your information a chart developed by OneUnited Bank, that contains nonpublic information, and specifies that amount of money involved in the buy-back to ensure the bank remains well-capitalized. As it is currently drafted, the letter does not reference a specific amount of money needed. Given the sensitive nature of this information, it may be a good idea to provide it orally to Secretary Paulson as a follow-up to the letter.

- OneUnited Bank representatives:
- Bob Cooper, Chairman-elect of NBA and General Counsel of OneUnited Bank, [redacted] (cell)
  - Kevin Cohee, Chairman and CEO of OneUnited Bank, [redacted]

yes - BOTH

# Letter From Frank's Office

\*\*\*\*\*DRAFT\*\*\*\*\*DRAFT\*\*\*\*\*DRAFT\*\*\*\*\*DRAFT\*\*\*\*\*DRAFT\*\*\*\*\*

The Honorable Henry Paulson, Jr.  
Secretary  
United States Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Paulson:

As you know, the National Bankers Association (NBA) has submitted a proposal to Treasury to redeem GSE preferred stock held by minority-owned depository institutions in an amount equal to the lesser of: (1) the amount the minority-owned financial institution paid for the preferred stock; or (2) the amount necessary to return the minority-owned financial institution to "well-capitalized" status. The NBA has represented that the capital situation of minority-owned financial institutions does not pose a systemic risk due to the decline in their holdings of GSE preferred stock at the date of conservatorship. [We] are concerned about the future viability of an important African-American owned bank-- OneUnited Bank of Boston, Massachusetts-- without a firm commitment from Treasury to pursue the NBA's proposal. As such, [we] are writing to express our support for NBA's proposal and to request that Treasury act on the proposal as soon as possible. In doing so, [we] believe it is both a matter of fairness for Treasury to support minority-owned financial institutions that may have been put at risk due to the government's conservatorship of the GSEs and consistent with the statutory goals of Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) that directs Treasury to consult with the Office of Thrift Supervision and the Federal Deposit Insurance Corporation (FDIC) on the best methods to promote and preserve minority-owned financial institutions.

As you may know, OneUnited Bank is unique, being that it is the largest African-American owned financial institution in the country, serving low- and moderate-income and urban communities in Boston, Massachusetts, Los Angeles, California, and Miami, Florida. It is also one of the few African-American owned banks that is certified as a Community Development Financial Institution. OneUnited Bank invested in GSE preferred stock because the bank's leadership believed the GSEs' mission of promoting affordable housing and increasing the homeownership rate of minorities was consistent with the community development mission of the bank.

[We] urge you to contact the NBA and the FDIC for specific information on the amount of any assistance that would be required to ensure that OneUnited Bank remains in operation and is able to recapitalize, and [we] will help facilitate this exchange of information.

Sincerely,

# Email From Frank's Staff

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Friday, September 19, 2008 1:47 PM  
**To:** [REDACTED]  
**Subject:** RE:

Thanks -- I'll ask Eric to help prod treasury on this

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Friday, September 19, 2008 1:32 PM  
**To:** [REDACTED]  
**Subject:** RE:

Eric Spittler, with FDIC, indicated FDIC does not have authority to implement NBA proposal. From what he knows, Treasury was "looking underneath sofa cushions" to see if they had authority through one of their programs, which may be one of the reasons that they haven't closed the loop with us on how they can be supportive to date. As of yesterday, Eric said Treasury had not been in contact with Sandra Thompson, with FDIC, with a conclusion on it. FDIC is willing to work with institution on capital restoration plan but that does not go to implementation of proposal.

[REDACTED]

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Friday, September 19, 2008 12:44 PM  
**To:** [REDACTED]  
**Subject:** Re:

Sounds perfect--thanks

Press for answer on whether FDIC and/or Treasury cld provide needed assist NBA looking for under existing auth. We can't miss CR opportunity if that's our only option

----- Original Message -----

**From:** [REDACTED]  
**To:** [REDACTED]  
**Sent:** Fri Sep 19 12:40:59 2008  
**Subject:** RE:

I think National Association of Securities Professional was particularly interested in Sec. 1216(c) "solicitation of contracts" for minorities. I told them that I wasn't working on the Bernanke-HP proposal directly but, if they had specific proposal/language on the issue, that I would forward it to the appropriate staff.

[REDACTED]

-----Original Message-----

# Email From Frank's Staff

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 8:29 PM  
**To:** [REDACTED]  
**Subject:** Re: GSE Preferred

Treas also talking about tax assist. Let's talk tmrw

----- Original Message -----

**From:** [REDACTED]  
**To:** [REDACTED]  
**Sent:** Mon Sep 22 20:15:55 2008  
**Subject:** Re: GSE Preferred

Even if reg willing to be flexible on cap restoration plan, still asking for some reasonable plan from affected banks on how will raise cap, which in the best of circumstances is difficult for min banks and given current mkt situation bank is very pessimistic about finding possible sources to recap. Also, given min character of bank, they have expressed limitations on ability to raise cap from outside sources and still retain min character of institution. .

----- Original Message -----

[REDACTED]  
**Sent:** Mon Sep 22 19:50:23 2008  
**Subject:** Fw: GSE Preferred

----- Original Message -----

**From:** Spitler, Eric J. <BSpitler@FDIC.gov>  
**To:** [REDACTED]  
**Sent:** Mon Sep 22 13:54:26 2008  
**Subject:** GSE Preferred

[REDACTED]  
The press release we put out is below. Also, under PCA, the institution has 90 days to submit a capital restoration plan. It is my understanding there is no statutory time limit on the length of the plan and we plan to be very flexible with institutions on these plans.

Eric

Press Releases

# Email From Frank's Staff

In 2129. Where r u?

Page 1 of 1

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 11:49 AM  
**To:** [REDACTED]  
**Subject:** FW: In 2129. Where r u?  
fyi

---

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 11:49 AM  
**To:** 'King.Mueller@do.treas.gov'  
**Cc:** 'Kevin.Fromer@do.treas.gov'  
**Subject:** RE: In 2129. Where r u?

I know you folks are going under for third time but I really need some guidance on what can be done about the National Bankers Association proposal. It is a huge priority for our minority caucuses who have had other major concerns not to date accommodated in pending bill. We are talking here about the potential failure of minority institutions that Treasury has a statutory responsibility to promote. BF and HP spoke personally and the Secretary indicated he was committed to being helpful. I just need to know what that means. If the issue can be dealt with administratively - - and will be - that would be very helpful to know. Otherwise there will be recommendations for provisions for this bill.

---

**From:** King.Mueller@do.treas.gov [mailto:King.Mueller@do.treas.gov]  
**Sent:** Sunday, September 21, 2008 8:19 PM  
**To:** [REDACTED]  
**Subject:** In 2129. Where r u?

# Email From Frank's Staff

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 12:12 PM  
**To:** [REDACTED]  
**Subject:** RE: memo for BF

;) )

But this time Hank needs to communicate the agreement more aggressively to his staff!

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 12:01 PM  
**To:** [REDACTED]  
**Subject:** Re: memo for BF

Just talked to BF. He said to have me step into the mtgng with paulson and hopefully we can some commitment from them today.

----- Original Message -----

[REDACTED]

**Sent:** Mon Sep 22 11:55:02 2008  
**Subject:** RE: memo for BF

Note that we have heard concern from one of our minority members this morning about this particular issue -- come talk to me again please

---

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 11:45 AM  
**To:** [REDACTED]  
**Subject:** memo for BF

I'll drop the attached memo in BF's box.

# Memo From Frank's Staff

## MEMORANDUM

To: Barney

From: [REDACTED]

Date: September 22, 2008

Re: Update on National Bankers Association's Proposal re: Preferred GSE Stock Buy-back

\*\*\*\*\*

I have called over to Treasury congressional staff a number of times and [REDACTED] has reached out directly to Frommer, Secretary Paulson's COS, but we have not been able to get a firm commitment from them about whether they will pursue National Bankers Association's (NBA) proposal to redeem the GSE preferred stock held by minority depository institutions (MDI) in an amount equal to the lesser of: (1) the amount the MDI paid for the stock; or (2) the amount necessary to return the MDI back to "well-capitalized" status. Frommer told [REDACTED] that while Paulson wants to be supportive, Frommer is not completely sure if Treasury has the administrative authority to implement the exact NBA proposal. [REDACTED] and I have not been able to get an answer from Treasury about what regulatory barriers they may think exists to prevent them from implementing the proposal. [REDACTED] is going to raise the issue again with Frommer when she meets with him this afternoon.

Banks' call report data is due on September 30. FDIC congressional staff indicates a willingness to work with affected institutions on their capital restoration plans but, without a firm commitment from Treasury to redeem the GSE preferred stock, OneUnited believes the bank will be shut down at the end of the month. OneUnited estimates that it would take about \$41 million to keep OneUnited at well-capitalized status through the NBA's buy-back preferred stock proposal. ICBA has now raised similar concerns to NBA that some community banks may be considered undercapitalized because of their significant write-downs of GSE preferred stock.

Do you want to try to include a specific reference in the CR to address the NBA's proposal or continue to have staff try to get Treasury to issue a firm commitment to implement the proposal?

# Email From Frank's Staff

In 2129. Where r u?

Page 1 of 1

---

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 11:49 AM  
**To:** [REDACTED]  
**Subject:** FW: In 2129. Where r u?  
fyi

---

**From:** [REDACTED]  
**Sent:** Monday, September 22, 2008 11:49 AM  
**To:** 'King.Mueller@do.treas.gov'  
**Cc:** 'Kevin.Fromer@do.treas.gov'  
**Subject:** RE: In 2129. Where r u?

I know you folks are going under for third time but I really need some guidance on what can be done about the National Bankers Association proposal. It is a huge priority for our minority caucuses who have had other major concerns not to date accommodated in pending bill. We are talking here about the potential failure of minority institutions that Treasury has a statutory responsibility to promote. BF and HP spoke personally and the Secretary indicated he was committed to being helpful. I just need to know what that means. If the issue can be dealt with administratively - - and will be - that would be very helpful to know. Otherwise there will be recommendations for provisions for this bill.

---

**From:** King.Mueller@do.treas.gov [mailto:King.Mueller@do.treas.gov]  
**Sent:** Sunday, September 21, 2008 8:19 PM  
**To:** [REDACTED]  
**Subject:** In 2129. Where r u?

## Mr. Michael Grant

---

**From:** Mr. Michael Grant [redacted]@nationalbankers.org]  
**Sent:** Tuesday, September 23, 2008 3:57 PM  
**To:** [redacted]@bankcbn.com  
**Subject:** Firrea 308 ammendment (2) 9-23  
**Attachments:** Firrea 308 ammendment (2) 9-23.doc

Floyd, I've read the documents you sent me and have edited appropriately. I've also read Bob Coopers' language. He is suggesting that we ask our members to call Members of Congress and request that they consider minority banks as they deliberate proposed passage of Treasury's \$700 billion bailout.

I'm also mindful of your desire to poll the membership about how much money they have received from Treasury's voluntarily MBDP.

What are your suggestions for how the national office should proceed in these matters?

**MICHAEL A. GRANT, J.D.**

President

National Bankers Association



# ICBA

**From:** [REDACTED]  
**Sent:** Wednesday, September 24, 2008 3:06 PM  
**To:** [REDACTED]  
**Subject:** FW: Community Banks Proposal From [REDACTED]

Wouldn't this lending approach below help with NBA issues?

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Wednesday, September 24, 2008 1:30 PM

**Subject:** Community Banks Proposal From [REDACTED]

-----Original Message-----

**From:** [REDACTED]  
**Sent:** Wednesday, September 24, 2008 1:28 PM

**Subject:** Fwd: Fw: Proposal for Community Banks

[REDACTED] asked me to forward this proposal and his thoughts on it to you. Let me know if you have any further thoughts on the idea.

-----Original Message-----

**T** [REDACTED]  
**C** [REDACTED]  
**Sent:** Wed Sep 24 11:11:52 2008  
**Subject:** RE: Proposal for Community Banks

[REDACTED] let's make sure [REDACTED] sees this.

[REDACTED] Excellent thoughts. I will get them to the Committee. An initial reaction we received was that we should not discriminate among lenders. (Of course, that ignores the fact that, on balance, this mess was caused by the big banks, not the small ones.) Have you gotten the various bank lobbying groups involved? [REDACTED]

**From:** [REDACTED]  
**Sent:** Wednesday, September 24, 2008 10:27 AM  
**Subject:** Re: Proposal for Community Banks

[REDACTED]  
Responding to your email from yesterday, the best case I see for the loan approach to community banks to fund their "illiquid" or non-performing assets is as follows:

1. Should the bail-out bill for larger banks go forward as proposed, the real estate market will be saturated with cheap assets, thus decimating the value of a community bank's real estate portfolio.
2. The proposed loan for community banks allows the affected banks time to get through the resulting real estate chaos and dispose of their assets in something less than a fire sale environment.
3. The loans would be collateralized by the real property assets of the

# Email From Frank's Staff

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Tuesday, September 23, 2008 8:00 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** FW: Preferred Stock/MA Bank Issue  
**Attachments:** CDFI Redemption\_Draft Text.doc

If you have a chance, please take a look at the draft language and give us any suggestions you have for improving it. Thanks.

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** Tuesday, September 23, 2008 4:17 PM  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Preferred Stock/MA Bank Issue

[REDACTED] BF confirmed this afternoon that he wants to address this in the rescue bill. Here's our draft language for your review and comment.

## Draft Legislative Language For Section 11.

The Secretary may establish a procedure to purchase the preferred stock of the entities under conservatorship under the manner set forth in the Housing and Economic Recovery Act of 2008 from individual institutions that are certified as community development financial institutions as defined under section 103(5) of the Riegle Community Development and Regulatory Improvement Act of 1994 with total assets of less than \$750 million as of the date of the enactment of the Act in which the institutions capitalization rating has been materially impacted by the conservatorship at a sum that shall be determined by the Secretary. In establishing such a procedure, the Secretary shall include a requirement that the financial institution provide nonvoting stock as equity in exchange for the redemption.



September 24, 2008

**BY HAND**

The Honorable Christopher J. Dodd  
448 Russell Building  
Washington, DC 20515

The Honorable Barney Frank  
4th Congressional District  
2252 Rayburn House Office Building  
Washington, DC 20515

**Re: National Bankers Association – Position Statement Regarding Legislative Proposal for Treasury Authority to Purchase Mortgage Related Assets (“Crisis Proposal”)**

Dear Senator Dodd and Congressman Frank:

The National Bankers Association (“NBA”) recognizes the need for Congress to keep America open for business and remain the world’s best example of a strong free market system with the ability to adjust and create an economic system for the future. It is imperative that all facets of the financial system are considered. In particular, Congress must consider the ultimate victims in this crisis, those people who own homes in the communities with a high rate of foreclosures—the people on Main Street.

Many community banks and, more specifically, minority banks have historically made sub-prime loans, but not “sub-rosa loans” (loans unable to withstand public scrutiny) as defined by the current mortgage crisis. For the communities they serve, minority banks are integral and vital institutions and have shown that their expertise to safely and soundly lend to the socially or economically disadvantaged of Main Street. Therefore, as the rescue plan unfolds, the need to ensure that those that are a representative and stabilizing force for Main Street are also considered. The NBA proposes the following be included in the text of the Crisis Proposal:

*“Notwithstanding any other provision of law, the Secretary shall purchase, administer, and dispose of mortgage-related assets purchased under this Act in a manner consistent with the purposes of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 regarding preserving minority depository institutions and their minority character and preventing insolvency of such institutions and also consistent with the purposes of Title I of the Riegle Community Development and Regulatory Improvement Act of 1994 to promote economic revitalization and community development through Community Development Financial Institutions.”*

Senator Christopher J. Dodd  
Congressman Barney Frank  
September 24, 2008  
Page 2

In addition, as Congress looks to purchase the troubled assets of principally Wall Street financial institutions, the NBA and its constituent minority banks ask that Congress also look to strengthen Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), which provides for the preservation of minority banks by establishing within Section 308 of FIRREA that:

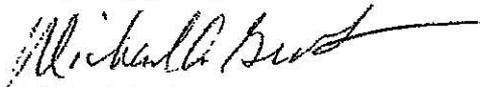
- The Treasury's Minority Bank Deposit Program ("MBDP") becomes a requirement of participation for all federal agencies and any state, local government or private sector institution that receives funds from the federal government;
- All federal agencies establish an Office of Minority Economic Impact to manage, monitor and report on the results of the agency's MBDP;
- That the MBDP provides for a minimum of \$5 billion in deposits; and
- That the results of the program be reported to Congress at a time period to be determined.

Minority banks have shown that they have the understanding and expertise to lend to the economically disadvantaged communities with safe and sound practices. The above proposals, in addition to providing liquidity to those on Main Street who have been hardest hit by the mortgage crisis, are designed to preserve an important source of community development capital and encourage economic opportunity in these communities.

\* \* \* \*

The NBA and its constituency are determined to support and be a significant part of the solutions to this crisis. We thank you for your consideration of our proposals and appreciate your efforts on behalf of the homeowners, neighbors and communities who have suffered and will suffer most in this financial crisis.

Very truly yours,



Michael A. Grant  
President

[Redacted]

**From:** [Redacted] s@icba.org]  
**Sent:** Wednesday, September 24, 2008 4:11 PM  
**To:** [Redacted]  
**Cc:** [Redacted]  
**Subject:** Community Banks Holding GSE Preferred Stock

**Importance:** High

**Attachments:** Banks that dropped to undercapitalized 092408.doc; Banks dropped to adeq capitalized 092408.doc; GSE tables all banks 092408.doc



Banks that dropped to undercap... Banks dropped to adeq capital... GSE tables all banks 092408.doc

[Redacted] ke asked me to forward the attached information you requested. Note, we are still receiving surveys back from our members. So far, of about 640 reponses, more than 22% of respondents hold GSE preferred stock. The attached charts show the asset breakdown, percentage of capital lost, and lost earnings for three classes of bank: 1) the responding banks banks that dropped to undercapitalized; 2) the responding banks that dropped from well-capitalized to adequately capitalized; and 3) all responding banks owning GSE preferred. The last chart illustrates that even those banks that remain well-capitalized have sustained significant hits that will impair their ability to lend and serve their communities.

Best,

[Redacted]

Executive Vice President, Government Relations Independent Community Bankers of America

[Redacted]

Please consider your enviromental responsibility before printing this e-mail

# Testimony From Frank's Staff

107

Q Right, no. I understand that.

A So I would direct you to talk to Treasury, to talk to the SIGTARP, or to talk to GAO.

Q But to your knowledge, do you know if any -- I know you were working on this issue.

A Right. I was working on this issue, but I haven't worked as closely with the follow-up as to who may or may not be getting TARP assistance or other issues that I am currently working on.

Q I am just wondering if you had any other figures you know, at OneUnited, for example, approximately? Do you have any other banks that you could just list that stuck in your mind as they received TARP funds, and approximately how much?

A Right. Not that stuck in my mind. At the time that we were drafting the provision that you referenced earlier, we thought that there were up to 40 institutions that were of that size that may have been exposed because of the conservatorship that could have been impacted by the provision.

Q Okay. Do you know if there was anybody else on the Financial Services Committee that dealt with ICBA issues other than yourself? Was there an ICBA person or, you know, somebody kind of in charge of that component?

A Not -- I don't think that there is. There are people who were handling GSEs in particular, and so they were monitoring more closely the conservatorship. There's a, you know, number of staff that was involved in the TARP legislation. There's a number of

# Alleged Assistance of COS

- 2 sent emails to Frank Staffer
  - OU is in Trouble
- 1 sent email Chairman-elect of the NBA
  - Call in the Office
- 1 Sent email to Kevin Cohee,
  - Copy of widely available TARP first Draft
- 2 unsolicited emails received from Cohee with no response

**Moore, Mikael**

---

**From:** Moore, Mikael  
**Sent:** Saturday, September 20, 2008 3:44 PM  
**To:** 'kcohee@oneunited.com'  
**Subject:** Draft  
**Attachments:** TreasuryDraft).pdf

**Mikael Moore**  
**Chief Of Staff**  
**Congresswoman Maxine Waters (CA-35)**  
**o: 202-225-2201**  
**c. 202-821-2377**  
**f: 202-225-7854**

---

**From:** Moore, Mikael  
**Sent:** Saturday, September 20, 2008 3:11 PM  
**To:** Harwitz, Jonathan; Ouertatani, Charia  
**Subject:** FW: Bailout Memo - Waters

LEGISLATIVE PROPOSAL FOR TREASURY AUTHORITY  
TO PURCHASE MORTGAGE-RELATED ASSETS

Section 1. Short Title.

This Act may be cited as \_\_\_\_\_.

Sec. 2. Purchases of Mortgage-Related Assets.

(a) Authority to Purchase.--The Secretary is authorized to purchase, and to make and fund commitments to purchase, on such terms and conditions as determined by the Secretary, mortgage-related assets from any financial institution having its headquarters in the United States.

(b) Necessary Actions.--The Secretary is authorized to take such actions as the Secretary deems necessary to carry out the authorities in this Act, including, without limitation:

(1) appointing such employees as may be required to carry out the authorities in this Act and defining their duties;

(2) entering into contracts, including contracts for services authorized by section 3109 of title 5, United States Code, without regard to any other provision of law regarding public contracts;

(3) designating financial institutions as financial agents of the Government, and they shall perform all such reasonable duties related to this Act as financial agents of the Government as may be required of them;

(4) establishing vehicles that are authorized, subject to supervision by the Secretary, to purchase mortgage-related assets and issue obligations; and

(5) issuing such regulations and other guidance as may be necessary or appropriate to define terms or carry out the authorities of this Act.

Sec. 3. Considerations.

In exercising the authorities granted in this Act, the Secretary shall take into consideration means for--

(1) providing stability or preventing disruption to the financial markets or banking system; and

# Appearance

- “The Standards Committee found that no relevant House rule or other standard of conduct prohibits the creation of an appearance of a conflict of interest...” (Graves, V)
- The committee does not identify a House Rule or other standard of conduct that prohibits the creation of an *appearance* that a Member is taking official action for respondents personal benefit.
- The Ethics Manual states that “appearance of conflict of interest is only precluded in very narrow circumstances.”

# *Biaggi*

- The committee misrepresents this case to justify its appearance standard. They left out half of the Cite.
- The Committee believes that the circumstances giving rise to Representative Biaggi's *Acceptance of Gifts...clearly and convincingly establish that his efforts on behalf of Coastal were received under circumstances which could be construed by reasonable persons as influencing his representational duties.*

# Charges

- XXIII, Clause 1
- The Spirit of XXIII, Clause 3
- Code of Conduct, Clause 5
- All of these charges depend on the receipt of a benefit and identifiable and actionable assistance.

No Benefit, No Improper Action, No Failure to  
Disclose, No One Influenced: No Case