



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

AUG 31 2005

Mr. Daniel Mudd
President and Chief Executive Officer
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Dear Mr. Mudd:

By separate letters to Fannie Mae dated July 9, 2004, and March 25, 2005, the Department of Housing and Urban Development (the Department) requested information and follow-up documentation on Fannie Mae's Partnership Offices.¹ Fannie Mae responded to the first information request on August 16, 2004, and provided the follow-up documentation on April 21, 2005.

I am writing to inform you that the Department has completed its review of Fannie Mae's Partnership Offices. Based on the documentation provided by Fannie Mae through April 2005, the Department has concluded that Fannie Mae is authorized under its Charter Act to establish Partnership Offices and to operate such offices for the purposes of carrying out its statutory authorities as set forth in the Charter Act. Fannie Mae provided information that described affordable housing initiatives as key objectives for the Partnership Offices. The Department concludes that such objectives are within Fannie Mae's charter authority.

However, the Department's review indicates that Fannie Mae's Partnership Offices also engage in activities that are not directly related to affordable housing objectives. For example, it appears that Partnership Office directors are also assigned the duty of assisting in outreach efforts to Members of Congress. Further, based upon information provided by Fannie Mae, many offices are located and staffed based on criteria related to the congressional districts represented by various Members of Congress, including party affiliation and the committee assignments of the representative in these districts. Collectively, this information indicates that a central purpose of the Partnership Offices is to engage in activities primarily designed to obtain access to or influence Members of Congress. This information contradicts Fannie Mae's public characterization of the Partnership Office's purposes as intended to promote affordable housing.

¹ Fannie Mae recently informed the Department that it had changed the name of its Partnership Offices to Community Business Centers. However, because this review was undertaken and completed prior to the name change, the offices are referred to herein as Partnership Offices.

The Department will, from time-to-time, continue to review the activities of the Partnership Offices to ensure that the Offices are being operated in a manner that is consistent with Fannie Mae's charter authorities. In the interim, I would urge Fannie Mae to conduct an internal assessment of the Partnership Offices' activities in order to ensure that all activities undertaken by each Office serve to advance Fannie Mae's statutory purposes and are otherwise consistent with the Charter Act and with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Montgomery". The signature is stylized and cursive.

Brian D. Montgomery
Assistant Secretary for Housing-
Federal Housing Commissioner