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July 7, 2003

BY HAND DELIVERY

General Counsel's Office
Federal Election Commission
ATTN: Michael E. Scurry, Esq.
999 E Street, NW
Washington, DC 20463

Re: MUR 5197

Dear Mr. Scurry:

Respondent Federal Home Loan Mortgage Corporation ("Freddie Mac") respectfully submits this response to the reason-to-believe finding of the Federal Election Commission in the above-captioned matter under review ("MUR") received on June 23, 2003.

The Commission found reason to believe that a violation of 2 U.S. C. § 441b(a) occurred based on two donations made by Freddie Mac: (i) a \$250,000 donation designated for the Republican National Committee Eisenhower Building Fund in December 2001 and (ii) a \$3,000 donation to the National Republican Congressional Committee Building Fund in May 2000. While Freddie Mac is prohibited by Section 441b(a) from making contributions in connection with any election, the Federal Election Campaign Act ("FECA") permitted Freddie Mac to donate to so-called "building funds." These included the following:

any gift, subscription, loan, advance, or deposit of money or anything of value to a national or a State committee of a political party specifically designated to defray any cost for construction or purchase of any office facility not acquired for the purpose of influencing the election of any candidate in any particular election for Federal office.

2 U.S.C. § 431(8)(B)(viii).

Neither donation at issue violated Section 441b(a). In each case, Freddie Mac intended the donation to go only to permissible political party building funds. Indeed, in the case of the \$3,000 donation, we understand that the Commission has a sworn statement in the record from the NRCC that the donation was, in fact, deposited in the intended building fund. The Commission should promptly close this MUR with respect to Freddie Mac.

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8920-704-40-42

General Counsel's Office
Federal Election Commission
ATTN: Michael E. Scurry, Esq.
July 7, 2003
Page 2

The \$250,000 Donation for the RNC Eisenhower Building Fund

The \$250,000 donation in the reason-to-believe was not part of the original MUR. It was made in December 2001, six months after Freddie Mac responded to the original MUR in June 2001. The Commission did not contact Freddie Mac during its investigation about this donation, so the company has not previously had an opportunity to respond.

The Commission's reason-to-believe finding is based entirely on an RNC disclosure report indicating that it deposited a \$250,000 donation from Freddie Mac into a state election account instead of a building fund account. In fact, Freddie Mac designated the donation to a building fund account and expressly conveyed this designation in writing to the RNC. This donation was made by Freddie Mac to the Eisenhower Building Fund of the Republican National Committee ("RNC") in response to an RNC solicitation. See Attachment A (Republican Regents solicitation instructing Freddie Mac to "make check payable to the Eisenhower Building Fund"). As shown in Attachment B, Freddie Mac made the check payable to the Eisenhower Building Fund (as instructed by the RNC) and included a cover letter dated December 6, 2001, designating the check for the Eisenhower Building Fund. The cover letter also included the following further designation:

It is our understanding that the enclosed check will be deposited into a separate fund specifically designated to defray any cost for construction or purchase of any office facility not acquired for the purpose of influencing the election of any candidate for any particular election for local, state or federal office.

See Attachment B. As yet another procedural safeguard, Freddie Mac had Bruce Oliver, an Associate General Counsel in Freddie Mac's Legal Division, review the letter prior to its transmittal to the RNC to ensure compliance with the FECA. See Affidavit of Bruce S. Oliver, Esq. included as Attachment C.

Freddie Mac first learned of the possibility that the RNC may not have adhered to its instructions with respect to this donation when it received the Commission's reason-to-believe finding on June 23, 2003. See Oliver Declaration in Attachment C. If the RNC deposited the check into another account, it did so contrary to the instructions of Freddie Mac in the cover letter and contrary to the payee on the check. Freddie Mac wrote to the RNC on July 3, 2003, and requested that the RNC promptly investigate this matter and resolve any error. A copy of this letter is included as Attachment D.

Regardless of any mistake that the RNC may have made, Freddie Mac intended for the RNC to deposit this donation into a permissible building fund and reasonably expected it to do so. Accordingly, Freddie Mac did everything required of it under the FECA with respect to this donation.

6920-204-10-42

General Counsel's Office
Federal Election Commission
ATTN: Michael E. Scurry, Esq.
July 7, 2003
Page 3

The \$3,000 Contribution to the NRCC Building Fund

24-04-404-10-42

The reason-to-believe finding also states that a \$3,000 donation by Freddie Mac to the NRCC building fund on May 12, 2000 may have violated Section 441b(a) because the donation did not include Freddie Mac's standard cover letter. The cover letter, however, is a procedural safeguard adopted by Freddie Mac, not a requirement of the FECA. Freddie Mac does not "concede" as the Commission states in its findings that the \$3,000 donation to the NRCC building fund was not designated for business fund purposes at the time it was made. Consistent with prior practice and an explicit understanding with the NRCC, Freddie Mac intended this donation to be made to the NRCC's building fund and understood that all of its donations to the NRCC would be deposited to a permissible building fund regardless of whether the standard cover letter accompanied the check. Indeed, in this particular case, we understand that the NRCC has provided the Commission a sworn statement that the \$3,000 check was deposited into a permissible building fund consistent with all previous and subsequent donations from Freddie Mac to the NRCC

• * •

Under these circumstances, there is no basis for finding that Freddie Mac violated the FECA, and the company respectfully requests that the Commission dismiss the MUR with no further action against Freddie Mac.

Sincerely,



Bobby R. Burchfield
Thomas O. Barnett
Counsel for Freddie Mac

Attachments

24-04-407-0271

Governor James S. Gilmore, III
 Chairman
 Ar. Wagner
 Co. Irwin
 Al Hoffman
 Finance Chairman



REGENTS MEMBERSHIP STATEMENT

December 5, 2001

Member Name: Mr. Mitchell Delk
 Senior Vice President, Government Relations
 Freddie Mac
 401 9th St. NW.
 Washington, DC 20004

2001 REGENTS Non-Federal Contribution Amount Due: \$250,000*
 (This is an early renewal and the Regents membership will now be active through 2004)

*Please make check payable to the Eisenhower Building Fund.

TOTAL ENCLOSED

\$ _____

Please return this statement with your REGENTS contribution(s).

If you prefer to pay by credit card, please see below:

Credit Card Payment Option: ☐ VISA ☐ Master Card ☐ American Express

Amount: \$ _____

Name (as on card): _____

Card #: _____ Exp. Date: _____

Name of Issuing Bank: _____ Signature: _____

Contributions or gifts to the Republican National Committee are not deductible as charitable contributions for federal income tax purposes. Contributions from foreign nationals are prohibited.

Federal law requires that we report the following information:

Occupation: _____ Employer: _____

☐ Please check if self-employed

310 FIRST STREET, SOUTHEAST * WASHINGTON, D.C. 20003 * TEL: (877) 898-3053 * FAX: (202) 863-8690

Paid for by the Republican National Committee and Republican National State Elections Committee. Only those contributions which do not fall under the limitations and prohibitions to the Federal Election Campaign Act will be used by the Republican National State Elections Committee.

24-04-407-0272

24-04-407-0273



Dec-07-01 04:32am From-

Attachment B

T-048 P.004/004 F-165

Mitchell Delk
Senior Vice President
Government Relations
(202) 434-8600

401 9th Street N.W., Suite 600
Washington, DC 20004

December 6, 2001
**Freddie
Mac** Governor James S. Gilmore, III
Chairman
310 First Street, SE
Washington, DC 20003
We Open Doors

Dear Chairman Gilmore:

Enclosed is a check in the amount of \$250,000, made payable to the Eisenhower Building Fund.

It is our understanding that the enclosed check will be deposited into a separate fund specifically designated to defray any cost for construction or purchase of any office facility not acquired for the purpose of influencing the election of any candidate for any particular election for local, state or federal office. This is important because the Federal Election Campaign Act prohibits a federally chartered institution such as Freddie Mac or a national bank from making a contribution or expenditure in connection with any election to any local, state or federal office. See 2 U.S.C. § 441b; 11 C.F.R. § 114.2. Funds donated for deposit into such a fund, however, are not a "contribution" or "expenditure" prohibited under the Act. See 2 U.S.C. § 431(8)(B)(viii), (9)(A); 11 C.F.R. § 114.1(a)(2)(ix).

If you have any questions, please do not hesitate to call.

Sincerely,


Mitchell Delk

*This letter complies
with corp. Proc. 7-114
John S. Gilmore
James S. Gilmore
Dec. 10, 2001*

24-04-407-0274



24-04-407-0277

AFFIDAVIT OF BRUCE S. OLIVER


BRUCE S. OLIVER, after being duly sworn, deposes and says as follows:

1. I am Bruce S. Oliver, Esq. I am an Associate General Counsel in the Legal Division of the Federal Home Loan Mortgage Corporation ("Freddie Mac"). I have been an Associate General Counsel since August 1997, and have been employed by Freddie Mac since June 1993. I make this affidavit in support of Freddie Mac's response to the reason-to-believe finding issued by the Federal Election Commission in MUR 5197. Except where otherwise noted, I have personal knowledge of the facts set forth herein.
2. As part of my responsibilities as Associate General Counsel, I review officer and employee requests to approve the use of corporate funds that could arguably involve the Federal Election Campaign Act ("FECA"). The purpose of my review is to ensure that Freddie Mac complies with FECA. Freddie Mac has an internal corporate procedure governing such requests. Under Freddie Mac Corporate Procedure No. 7-114, all such requests are reviewed by the Legal Department for compliance with FECA and any approved payments are accompanied by a cover letter confirming that the recipient will treat the funds in a manner that complies with FECA.
3. It is Freddie Mac's policy and procedure to adhere to FECA. In compliance with FECA, Freddie Mac does not approve requests for "contributions or expenditures" in connection with any federal, state or local election. Pursuant to Corporate Policy 7-114, Freddie Mac did, on occasion, make donations to political organizations that we understood the recipient would deposit into segregated funds to help defray the costs of construction or purchase of office facilities not acquired for the purpose of influencing the election of any candidate for any particular local, state or federal office.
4. In December 2001, pursuant to Corporate Policy 7-114, I reviewed a donation of \$250,000 that Freddie Mac was considering making to the Republican National Committee ("RNC"). Because the cover letter and the check expressly designated the donation to the Eisenhower Building Fund, a permissible building fund, I concluded that the donation complied with the FECA and I approved it. My approval is indicated on the copy of the cover letter included as Attachment B to Freddie Mac's response.

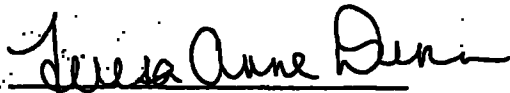
24-04-407-0278

5. I first learned on June 23, 2003, from the Commission's reason-to-believe finding, that the RNC may not have abided by Freddie Mac's instructions for this donation. I initiated an investigation and determined that the RNC may have improperly deposited these funds into another account. Accordingly, Freddie Mac has written to the RNC requesting that it promptly resolve any error it may have made in connection with this donation.

The above is true and correct to the best of my knowledge, information, and belief.


BRUCE S. OLIVER, ESQ.

Commonwealth of Virginia
County of Fairfax
Sworn and subscribed before me
this 21st day of July 2003.


Notary Public

My Commission Expires: 11-30-2005

24-04-407-0279

24-04-407-0280

Freddie
Mac

8200 Jones Branch Drive • McLean, VA • 22102-3110

July 3, 2003

Michael L. Retzner
Treasurer
Republican National Committee
310 First Street SE
Washington, DC 20003

Re: Donation to Eisenhower Building Fund

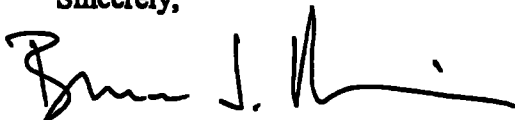
Dear Mr. Retzner:

In December 2001, the Federal Home Loan Mortgage Corporation ("Freddie Mac") donated \$250,000 to the Eisenhower Building Fund of the Republican National Committee ("RNC") in response to your solicitation for donations to this fund. The check (No. 80002119, dated December 11, 2001) was made payable to the Eisenhower Building Fund and was accompanied by a cover letter expressly designating the donation to this fund. Further, the cover letter reiterated that this donation, as with all donations from Freddie Mac, was to go to the building fund as required by the Federal Election Campaign Act. A copy of the cover letter is attached for your reference.

The Federal Election Commission recently brought to our attention that the RNC reported this donation as having been made to the RNC's state election committee account. If so, the RNC failed to abide by Freddie Mac's express designation of this donation to the building fund. We request that the RNC determine how it handled this donation. If this donation was not handled properly, we request that you promptly take all appropriate steps to resolve the mistake.

Thank you for your attention to this matter.

Sincerely,



Bruce S. Oliver
Associate General Counsel

Enclosure

cc: Charles Spies, Esq.

24-04-407-0281