

JAN 29 2004

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BEFORE THE FEDERAL ELECTION COMMISSION

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In the Matter of

Federal National Mortgage Association
Federal Home Loan Mortgage Corporation
National Republican Congressional Committee
and Christopher J. Ward, as treasurer
National Republican Senatorial Committee and
Stan Huckaby, as treasurer
Republican National Committee and
Michael L. Retzer, as treasurer

MUR 5197

SENSITIVE

GENERAL COUNSEL'S REPORT #2

I. ACTIONS RECOMMENDED

Accept the attached signed conciliation agreements with the Federal National Mortgage Association ("Fannie Mae"), the National Republican Senatorial Committee ("NRSC") and the Republican National Committee ("RNC"); take no further action against the Federal Home Loan Mortgage Corporation ("Freddie Mac") and send a letter of admonishment; take no further action against the National Republican Congressional Committee ("NRCC"); and close the file.

II. DISCUSSION

On June 10, 2003, the Commission found reason to believe that Fannie Mae, Freddie Mac, the NRSC, the NRCC and the RNC violated 2 U.S.C. § 441b(a) in connection with contributions that appeared to fall outside the "building fund exemption" in 2 U.S.C. § 431(8)(B)(viii). The Commission also found reason to believe that the RNC violated 11 C.F.R. § 104.8(e) for misreporting a contribution received from Fannie Mae.¹ The Commission entered into pre-probable cause conciliation with these respondents and approved conciliation agreements for each of them.

¹ On that same date, the Commission made findings of no reason to believe with respect to seven other national party committee respondents and closed the file as to them.

A. FANNIE MAE

This Office recommends that the Commission accept the attached signed counter-proposal with Fannie Mae.

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B. FREDDIE MAC

The Commission found reason to believe that Freddie Mac violated 2 U.S.C. § 441b(a) by failing to designate a \$250,000 contribution to the RNC and a \$3,000 contribution to the NRCC. This Office stated in the First General Counsel's Report that if, during pre-probable cause conciliation, Freddie Mac provided sufficient information that it had designated the \$250,000 to the RNC's building fund, this Office would recommend that the Commission take

1 no further action and send an admonishment letter to Freddie Mac as to the \$3,000 contribution.

2 In its response to the reason to believe findings, Freddie Mac established that the
3 \$250,000 it contributed to the RNC in 2001 was specifically designated for the Eisenhower
4 Building Fund, the RNC's building fund account, by producing copies of the following
5 documents: the Regents Membership Statement, dated December 5, 2001, indicating that checks
6 should be made payable to the Eisenhower Building Fund; Freddie Mac's cover letter to the
7 RNC which expressly stated that the enclosed check, made payable to the Eisenhower Building
8 Fund, was to be used exclusively for building fund purposes; and the \$250,000 check, dated
9 December 11, 2001, made out to the Eisenhower Building Fund.

10 Given that Freddie Mac has established that the December 2001 \$250,000 donation was
11 specifically designated for building fund purposes, this Office recommends that the Commission
12 take no further action against Freddie Mac and send an admonishment letter relating to its failure
13 to properly designate the \$3,000 contribution to the NRCC

14 C. THE NRCC

15 The Commission found reason to believe that the NRCC violated 2 U.S.C. § 441b(a)
16 based on disclosures in its 2002 July Quarterly Report indicating that the NRCC had deposited a
17 \$25,000 contribution from Fannie Mae into a nonfederal account other than its building fund
18 account. There was no information at that time suggesting that the NRCC had either
19 redesignated this contribution to a building fund or refunded the \$25,000 to Fannie Mae.

20 In its response to the reason to believe finding, the NRCC provided documentation
21 establishing that Fannie Mae's \$25,000 contribution was specifically designated for and
22 deposited into the NRCC's building fund. The NRCC submitted a copy of Fannie Mae's check,

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1 dated April 29, 2002, which was made payable to the "National Republican Congressional
2 Committee Building Fund." The response also included an affidavit signed by the NRCC's
3 treasurer, Christopher Ward, in which Mr. Ward stated that Fannie Mae's \$25,000 check was
4 deposited into the NRCC's building fund and in which he also authenticated the First Union
5 Bank slip reflecting the check's deposit.⁴

6 Given that the NRCC has established that the \$25,000 Fannie Mae contribution was
7 deposited into its building fund, this Office recommends that the Commission take no further
8 action against this respondent.

9 **D. THE NRSC**

10 This Office recommends that the Commission accept the attached signed conciliation
11 agreement that it has negotiated with the NRSC and close the file as to this respondent.

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E. THE RNC

This Office recommends that the Commission accept the attached signed counterproposal from the RNC.

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III. RECOMMENDATIONS

1. Accept the attached conciliation agreement with the Federal National Mortgage Association.
2. Take no further action against the Federal Home Loan Mortgage Corporation and send a letter of admonishment.
3. Take no further action against the National Republican Congressional Committee.
4. Accept the attached conciliation agreement with the National Republican Senatorial Committee.
5. Accept the attached conciliation agreement with the Republican National Committee.
6. Approve the appropriate letters.
7. Close the file.

Lawrence H. Norton
General Counsel

1/29/04
Date

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2 **Attachments:**

- 3
4 1. Conciliation Agreement with Fannie Mae
5 2. Conciliation Agreement with the NRSC
6 3. Conciliation Agreement with the RNC

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