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June 11, 2001

BY HAND

General Counsel's Office
Federal Election Commission
Attn: Ms. Elizabeth F. Williams
999 E Street, N.W.
Washington, D.C. 20463

Re: MUR 5197

Dear Ms. Williams:

Pursuant to 11 C.F.R. § 111.6, Respondent Federal Home Loan Mortgage Corporation ("Freddie Mac"), respectfully submits this response to the Complaint filed by the National Taxpayers Union ("NTU") on April 13, 2001.

The Complaint Lacks Any Foundation in Law or Fact.

The Complaint warrants no action because Freddie Mac's donations were specifically designated for building funds. Under the Federal Election Campaign Act ("FECA"), 2 U.S.C. § 431(8)(B)(viii); 11 C.F.R. § 114.1(a)(2)(ix), Freddie Mac is permitted to make donations designated to defray construction and purchase costs for office facilities not acquired for the purpose of influencing the election of any candidate for any particular election for local, state or federal office. Such donations are not contributions or expenditures prohibited by FECA.

To ensure compliance with FECA, Freddie Mac has had in place since August 1, 1994, Corporate Procedure No. 7-114 "Political Expenditures and Contributions." See Exhibit 2. This procedure requires that requests by officers or employees for corporate donations that could

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arguably fall under FECA must be submitted to Freddie Mac's Senior Vice President, Government & Industry Relations, for approval. Upon approval, the request is forwarded to the Legal Division to determine whether the request for funds complies with FECA. If the request complies, the funds are accompanied by a cover letter that notifies the recipient that the funds are to be used only for building fund purposes in accordance with FECA. The Freddie Mac cover letter specifically cites and quotes 2 U.S.C. § 431(8)(B)(viii) and 11 C.F.R. § 114.1(a)(2)(ix).

Bruce S. Oliver, Esq., Associate General Counsel for Freddie Mac, is the designated compliance officer responsible for reviewing requests under Corporate Procedure No. 7-114 to ensure compliance with FECA. His affidavit is attached hereto as Exhibit 1. Mr. Oliver states that it is Freddie Mac's policy and practice to adhere to FECA. Exhibit 1, Oliver Aff., ¶ 3.

In its Complaint, the NTU states its belief that Freddie Mac made "non-building soft money donations total[ing] slightly in excess of \$400,000." The NTU based its belief on a printout of reports to the FEC that it compiled by searching the FEC's internet website. While most of the accounts listed in this printout contain titles such as "DSCC NON-FEDERAL BUILDING FUND," and "1999 REP S H DINNER NON-FED BUILDING FUND," the fourth page of this printout shows accounts listed as "NRCCC [sic] - NON FED ACT" and "NRSC - NONFEDERAL." The amounts listed in these accounts total \$403,000.

NTU appears to assume that the donations listed under NRCCC [sic] - NON FED ACT and NRSC - NONFEDERAL are *not* building fund accounts. This assumption is erroneous. For each of the account names that the NTU challenges, it appears that "BUILDING FUND" was merely inadvertently omitted from the title by the reporting entity.

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We have researched each of the individual donations that NTU has questioned and have determined that in every case, Freddie Mac directed that in accordance with federal law, the funds could be used only for the purchase or construction of office facilities not acquired for the purpose of influencing the election of any candidate. See Exhibits 3-7¹; see also Exhibit 1, Oliver Aff. ¶¶ 5-6. The following chart summarizes the donations at issue:

Check or Approval Date	Report Date	Report Amount	Check Amount	Cover Letter?
NRCC				
04/11/1997	04/24/1997	100,000	100,000	Yes
09/09/1998	09/23/1998	10,000 + 90,000	100,000	Yes
03/31/1999	04/15/1999	25,000 + 75,000	100,000	Yes
04/05/2000	05/12/2000	3,000	3,000	Yes*
NRSC				
09/29/1999	10/14/1999	100,000	100,000	Yes
TOTAL			403,000	

Only one of the donations in question - - a \$3,000 check to the NRCC - - was not accompanied by the standard cover letter when it was sent. Upon becoming aware of the missing letter, Freddie Mac provided a follow-up letter to the NRCC regarding the use of those funds. See Exhibit 6. In addition, we understand that the NRCC has provided a sworn affidavit to the Commission that *all amounts* given by Freddie Mac to the NRCC, including the \$3,000 check, were placed in an NRCC Building Fund. All other donations listed in the NTU Complaint were

¹ For item 98033653444 (9/23/98) there are two entries totaling \$100,000. There was only one check and Exhibit 4 (9/9/98) covers this amount. For item 99034642158 (4/15/99) there are two entries totaling \$100,000. There was only one check and Exhibit 5 (3/16/99) covers this amount.

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accompanied by a contemporaneous cover letter notifying the recipient that the funds could be used only for appropriate building fund purposes.

The NTU Complaint warrants no further action because it has no basis either in fact or law. NTU simply relied upon an erroneous assumption arrived at by examining the names of donee account entries found through an internet search. For whatever reason, several entries did not include the words "Building Fund." In fact, in every case, Freddie Mac designated that its donations were for building funds - - a proper purpose under federal law. Therefore, Respondent respectfully requests that the Commission dismiss the NTU Complaint and take no action against Freddie Mac.

Respectfully submitted,



Bobby R. Burchfield
Timothy J. Keefer
Counsel for Freddie Mac

Attachments

24-04-493-0455

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 complaint filed with the Federal Election Commission by the National Taxpayer's Union ("NTU") on April 13, 2001. 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 Procedure 7-114, Freddie Mac does, on occasion, make donations to political organizations that we understand the

recipient will 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. I have reviewed all of the donations in question in the Complaint filed with the Federal Election Commission by NTU. My review indicates that all of the donations were made for building fund purposes.
5. All of the donations, with one exception, were accompanied by a cover letter informing the recipient that the donations were for building fund purposes and were to be deposited into separate building fund accounts.
6. One donation, a \$3,000 check to the National Republican Congressional Committee ("NRCC"), was sent without a cover letter. The lack of a cover letter for this one check was the result of an inadvertent failure to follow Freddie Mac corporate procedures. However, this does not change the nature of the donation, which was intended for building fund purposes. Upon becoming aware of the missing letter, Freddie Mac provided a follow-up letter to the NRCC regarding the use of those funds. I have spoken with Don McGahn, General Counsel for the NRCC who assured me that the \$3,000 donation was, in fact, deposited in a segregated building fund.
7. In order to assure continued compliance with FECA, Freddie Mac has recently required affected employees to participate in mandatory training on FECA and Corporate Procedure 7-114.

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



BRUCE S. OLIVER, ESQ.

Commonwealth of Virginia
Fairfax County
Sworn and subscribed before me
this 7 day of June 2001

Bethel Gallahan
Notary Public

My Commission Expires: 12/31/04

24 04 43 01 53

C O R P O R A T E

[] Policy [X] Procedure

Effective Date: August 1, 1994

New

Change No. _____

Replaces _____

Index No: 7-114

Control Point: Sr. Dep. Gen. Counsel

Series: VII - Legal & Regulatory Approval Authority: SVP & Gen. Counsel

Subject: Political Expenditures and Contributions

GENERAL

Purpose

To assure that any use of Freddie Mac funds, particularly expenditures or contributions used in connection with Freddie Mac's participation in political events, or provided to entities that have some relationship to candidates for political office or to political organizations, complies fully with the Federal Election Campaign Act (the "Act").

Scope

This procedure applies to any Freddie Mac officer or employee who requests Freddie Mac funds for any expenditure or contribution in connection to:

- Any political event,
- Any election of any candidate for local, state or federal political office,
- Any primary election or political convention or caucus held to select candidates for any political office, including any local, state or federal office,
- Any political organization,
- Any entity related, directly or indirectly, to a candidate for local, state or federal political office or to a political organization, or
- Any other expenditure or contribution that might fall within the scope of the Act.

The above terms are intended to include any expenditure or contribution that might arguably fall within the scope of this Act, so any doubts as to whether an expenditure or contribution falls within the scope of this corporate procedure should be resolved in favor of including the expenditure or contribution within the scope of this procedure.

Scope
Continued)

For example, expenditures for a President's or Congressional Dinner, a ("leadership political action committee" or a get-out-the-vote drive should fall within the scope of this procedure.

The procedure also applies to any Freddie Mac officer or employee who has authority to grant any such request for Freddie Mac funds.

BACKGROUND

Prohibited
Corporate
Contributions/
Expenditures
under the Act

Under the Act, it is unlawful for "any corporation organized by authority of any law of Congress, to make a contribution or expenditure in connection with any election to any political office, or in connection with any primary election or political convention or caucus held to select candidates for any political office." This prohibition is the same as that applicable to national banks, and it is broader than the more limited prohibition that applies to corporations generally under the Act.

"Contributions or expenditures" under the Act do not include contributions to certain building funds of political organizations, to certain limited types of get-out-the-vote activities and to certain other enumerated exceptions.

Prohibited contributions and expenditures are those "in connection with election to any political office, including local, State or Federal offices, or in connection with any primary election or political convention or caucus held to select candidates for any political office, including any local, State or Federal office."

Penalties for
Violations

Willful violations of the Act can be penalized by civil money penalties of up to \$10,000 or two times the amount of the contribution or expenditure involved. Knowing and willful violations can be punished by criminal fines of up to \$30,000 or three times the amount involved and/or up to one year in prison.

PROCEDURES

Requests for
Funds

Whenever any Freddie Mac officer or employee intends to request Freddie Mac funds for any expenditure or contribution described above, that

Requests for
Funds
(Continued)

officer or employee shall submit the proposed request to the Vice President, Government & Industry Relations, for approval.

If the Vice President, Government & Industry Relations, approves the request, he/she or the requesting officer or employee shall forward the request and appropriate supporting documentation to the Senior Deputy General Counsel, Corporate Affairs.

Compliance
Determination

The Senior Deputy General Counsel, Corporate Affairs, or his/her designee, shall review the request to determine whether it complies with the Act.

Preparation of
Cover Letter
to Recipient

If the Senior Deputy General Counsel, Corporate Affairs, or his/her designee, determines that the request complies with the Act, a cover letter shall be prepared for the signature of the Vice President, Government & Industry Relations, confirming that the recipient will treat the funds in a manner that complies with the Act.

Approval
Authority

Any Freddie Mac officer or employee with authority to approve a request for Freddie Mac funds that falls within the scope of this procedure shall approve such request only after determining that the procedures described above have been followed.

Forwarding
Cover Letter

The Freddie Mac officer or employee who made the request shall ensure that the above-described cover letter to the recipient of the funds accompanies any such expenditure or contribution.

vice President
Government and Industry Relations
(202) 434-8600

1101 Pennsylvania Ave., NW Suite 950
PO Box 37347
Washington, DC 20007-7347

April 9, 1997

Freddie
Mac

Chairman John Linder
National Republican Congressional Committee
320 First Street, SE
Washington, DC 20003

Dear Representative Linder:

Enclosed is a check in the amount of \$100,000, made out to "National Republican Congressional Committee-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); 11 C.F.R. §114.1(a)(2)(ix).

If you have any question, please don't hesitate to call.

Sincerely,



Mitchell Delk

*OK for check made out
to Building Fund.
Bruce Sill
4/11/97*

September 9, 1998

Freddie
Mac

John Linder, Chairman
National Republican Congressional Committee
320 First Street, SE
Washington, DC 20003

Dear Mr. Linder:

Enclosed is a check in the amount of \$100,000, made out to "NRCC: "Operation
Breakout"--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

Mitchell Delk

LETTER COMPLETES
WITH POLICE 7-114
Bruce S. Oliver
9/9/98

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

1101 Pennsylvania Ave., NW Suite 950
PO Box 37347
Washington, DC 20077-7347

March 16, 1999

**Freddie
Mac**

Chairman Tom Davis
National Republican Congressional Committee
1501 Lee Highway, Suite 201
Arlington, VA 22209

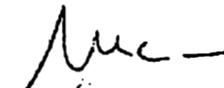
Dear Chairman Davis:

Enclosed is a check in the amount of \$100,000.

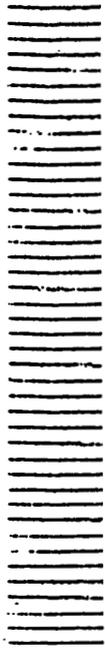
As you know, under the Federal Election Campaign Act, Freddie Mac, like national banks and other federally chartered institutions, is prohibited from making a contribution or expenditure in connection with an election to any local, state or federal office. 2 U.S.C. §441b; 11C.F.R. §114.2. Therefore, it is our understanding that the enclosed check, which is made out to "NRCC Trust-Building Fund," will be deposited into a separate fund that is 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, which is not a "contribution" under the Act. 2 U.S.C. §431(8)(B)(viii); 11 C.F.R. §114.1(a)(2)(ix).

If you have any questions, please don't hesitate to call.

Sincerely,


Mitchell Delk

*This letter complies with
Corp. Proc. 7-114
BRUCE S. ORLICK
John S. [Signature]
ASSOC. GEN. COUNSEL
3/25/99*



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

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

March 29, 2001

**Freddie
Mac**
Phyllis M. McGovern
NRCC
38-A G Street, SW
Washington, DC 20024

We Open Doors

RE: Contribution in Connection with May 8, 2000 Golf Tournament

Dear Phyllis:

This letter is to clarify Freddie Mac's understanding as to a \$3,000 contribution we made in connection with the NRCC Golf Tournament on May 8, 2000 and to ask that you ensure that your treatment of those funds and your records accurately reflect that understanding.

For that contribution, as with all other contributions we have made to the NRCC, it has been our understanding that the funds would 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 building 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).

To ensure that our understanding as to the use of the funds is correct, it has been our practice to accompany each contribution to the NRCC with a cover letter explaining the law and our express understanding that the funds will be deposited into a separate building fund, and to make the check payable to your building fund. While the \$3,000 contribution described above was not accompanied by such a cover letter and was not expressly made out to your building fund, our understanding as to the use of the funds nevertheless was no different from that for all of our other contributions to the NRCC -- that the funds would 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.

Sincerely,

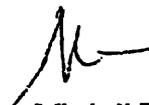

Mitchell Delk

Exhibit 6

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

1101 Pennsylvania Avenue, N.W.
Suite 950
Washington, DC 20004

October 6, 1999

Freddie
Mac

Senator Mitch McConnell
Chairman
National Republican Senatorial Committee
425 2nd Street, N.E.
Washington, DC 20002

Dear Senator McConnell:

Enclosed is a check in the amount of \$100,000, made out to the National Republican Senatorial Committee.

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