

Received(Date): 11 OCT 2002 10:18:10
From: Diana E. Furchtgott-Roth (CN=Diana E. Furchtgott-Roth/OU=CEA/O=EOP [CEA])
To: Brett M. Kavanaugh (CN=Brett M. Kavanaugh/OU=WHO/O=EOP@EOP [WHO])
Cc: Jan E. Williams (CN=Jan E. Williams/OU=WHO/O=EOP@EOP [WHO]), Matthew Kirk (CN=Matthew Kirk/OU=WHO/O=EOP@EOP [WHO])
Bcc: Barbara Ledeen (Barbara Ledeen [UNKNOWN])
Subject: : Today's American Banker Article

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)
CREATOR:Diana E. Furchtgott-Roth (CN=Diana E. Furchtgott-Roth/OU=CEA/O=EOP [CEA])
CREATION DATE/TIME:11-OCT-2002 10:18:10.00
SUBJECT:: Today's American Banker Article
TO:Brett M. Kavanaugh (CN=Brett M. Kavanaugh/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN
CC:Jan E. Williams (CN=Jan E. Williams/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN
CC:Matthew Kirk (CN=Matthew Kirk/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN
BCC:Barbara Ledeen (Barbara Ledeen [UNKNOWN])
READ:UNKNOWN
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FYI--Here's the latest American Banker article from today, mentioning the second letter that I sent. The reporter said sources were puzzled about why it was sent--the answer is that Senator Gramm said (via Tom Korologos) that if I had that letter up by 2:00 p.m. this past Tuesday, he would get me voted out with the others. The letter was up there, but I wasn't voted out.

----- Forwarded by Diana E. Furchtgott-Roth/CEA/EOP on
10/11/2002 10:11 AM -----

Keya Sanders <ksanders@cfhlb.org>
10/11/2002 08:44:37 AM
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To: See the distribution list at the bottom of this message
cc:
Subject: Finance Board Fracas Has Letters Flying

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October 11, 2002, Friday

SECTION: NEWS; Pg. 1

LENGTH: 887 words

HEADLINE: Finance Board Fracas Has Letters Flying

BYLINE: BY ROB GARVER

DATELINE: WASHINGTON

BODY:

Two prominent Democrats are demanding investigations into a political fund-raiser involving Federal Housing Finance Board Chairman John T. Korsmo.

Mr. Korsmo has been in lawmakers' sights since Oct. 1, when he appeared as a "special guest" at a \$500-a-head reception in support of Rick Clayburgh, a Republican candidate for Congress in North Dakota.

Senate Banking Committee Chairman Paul Sarbanes and others have been especially critical because invitations highlighting Mr. Korsmo's expected appearance were sent to the presidents of several Federal Home Loan banks, which he regulates.

Meanwhile, the prospects for a nominee to the Finance Board appeared to darken Thursday. Diana Furchtgott-Roth, who faced a contentious nomination hearing last week, sent a second letter to top Democrats on the Senate Banking Committee, who had asked her in light of the Korsmo controversy to clarify her stand on regulators' participation in fund-raising. Ms.

Furchtgott-Roth's Oct. 8 letter consisted of just one sentence, that she "will not do any fund-raising activities for any entity that is regulated by the Federal Housing Finance Board."

Senate sources said they were puzzled by the response, because she had not been asked about raising money for the Federal Home Loan banks but about fund-raisers for political candidates.

Critics' sentiments about Mr. Korsmo were clearer, however.

In letters dated Oct. 9 and released Thursday, Sen. Sarbanes, D-Md., asked the General Accounting Office and the Finance Board's inspector general to conduct detailed investigations of Mr. Korsmo's fund-raising activities.

In a third letter, sent directly to Mr. Korsmo, Sen. Sarbanes criticized him for failing to meet requirements for ethical behavior that the Finance Board chairman himself had codified in a set of "Standards of Conduct" only a few weeks before.

"In my view, your conduct ... raises serious questions as to whether you have lived up to the standard you set for yourself, your fellow board members, and the staff of the FHFB," wrote Sen. Sarbanes, citing a front-page story in American Banker on Oct. 1.

Mr. Korsmo was expected to send a written response late Thursday. "The chairman's letter will address all of the questions raised in Senator Sarbanes' letter," a spokesman for Mr. Korsmo said.

California Rep. Henry A. Waxman, the top Democrat on the House Committee on Government Reform, has called for his panel to launch a probe as well.

In a letter to Committee Chairman Dan Burton, R-Ind., Rep. Waxman noted that in 1997 several congressional committees targeted then-Comptroller of the Currency Eugene Ludwig in a series of similar investigations. Mr. Ludwig was faulted for attending an event at the White House, organized by Democratic National Committee fund-raising staff, to which bank executives were invited.

"Prominent Republicans investigating these allegations insisted that it was highly unethical to ask a banking regulator to meet with bankers at a political event, even if fund-raising did not occur," Rep. Waxman wrote, drawing a distinction with the Oct. 1 event, which carried a \$500 entry fee.

The fight over Mr. Ludwig's appearance at the White House was drawn out over several months and ended with President Clinton expressing regret that Mr. Ludwig had been invited. At this stage observers are doubtful that Mr.

Korsmo's travails will rise to anything near that level.

"This isn't a pleasant experience for Chairman Korsmo, but with Congress headed toward adjournment I don't know if any of this will amount to much," said Karen Shaw Petrou, managing director of Federal Financial Analytics, a consulting firm here.

Still, Sen. Sarbanes' requests are likely to make the board chairman uncomfortable.

In largely identical letters to the GAO and the inspector general, Sen. Sarbanes asked for answers to detailed questions about the fund-raiser. Among other things, he asked for information about any involvement Mr. Korsmo or his staff may have had in organizing the fund-raiser, soliciting sponsors, or supplying campaign staff with names or contact information for potential invitees.

He asked whether Mr. Korsmo or his staff sought or obtained information about political contributions made by Home Loan bank presidents, or contacted bank officials directly about attending the event. He also wanted to know if any invited bank officials, or their institutions, had been subject to recent enforcement, supervisory, or examination matters.

Sen. Sarbanes also requested that investigators look into communication between Mr. Korsmo and his staff about fund-raising. "To this end, I would ask you to review any letters, memoranda, e-mails, notes, or other written materials written to or by Mr. Korsmo, the FHFB general counsel, or other staff, that may shed light on any possible discussions of fund-raising undertaken by the chairman or his staff."

Rep. Waxman appears to have focused his attention more on Mr. Clayburgh's campaign than on the board chairman.

"Mr. Korsmo's appearance at this event raises questions that Mr. Clayburgh used Mr. Korsmo's position in government to help solicit contributions from banking executives subject to his regulation," he wrote.

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