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To: Brett M. Kavanaugh (CN=Brett M. Kavanaugh/OU=WHO/O=EOP@EOP [WHO])
Subject: : Korsmo Probe Could Move Beyond Ethics

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CREATION DATE/TIME: 6-NOV-2002 14:40:43.00
SUBJECT:: Korsmo Probe Could Move Beyond Ethics
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Subject: Korsmo Probe Could Move Beyond Ethics

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November 6, 2002, Wednesday

SECTION: WASHINGTON; Pg. 1

LENGTH: 777 words

HEADLINE: Korsmo Probe Could Move Beyond Ethics

BYLINE: BY ROB GARVER

DATELINE: WASHINGTON

BODY:

An investigation of Federal Housing Finance Board Chairman John T. Korsmo began with questions about the ethics of his involvement in a political fund-raiser, but it could end up raising serious legal issues.

Mr. Korsmo said last week that he sought and received information about the political donations made by Federal Home Loan Bank officials, and investigators are now examining data taken from computers belonging to Mr. Korsmo and members of his staff. If they discover that Finance Board employees gathered information about donations on his behalf, Mr. Korsmo faces a no-win situation.

If he claims that the information was gathered as part of his job as the

lead regulator of the Home Loan banks, the question would be why he believed such political information was necessary for him to perform his duties as a supervisor. On the other hand, if he claims that the information was gathered for a nonregulatory purpose, Mr. Korsmo could leave himself and members of his staff open to the accusation that they violated federal law by engaging in political activity that is prohibited for certain government employees.

A Finance Board spokesman would not comment on the probe Tuesday, except to say that Mr. Korsmo's written answers to questions by Senate Banking Committee Chairman Paul Sarbanes "speak for themselves."

Since early last month Sen. Sarbanes has been asking pointed questions about the extent of Mr. Korsmo's political activity while in office. In an Oct. 9 letter, the senator asked whether Mr. Korsmo or any of the Finance Board staff had "obtained records regarding the political contributions of Home Loan bank executives."

In a response two days later, Mr. Korsmo did not answer the question. The senator followed up on Oct. 18 by reiterating his question in more detail. He asked, in part, whether Mr. Korsmo or any of his staff, "have acquired, directly or indirectly, information regarding the political contributions of Home Loan bank executives, officers, or employees."

He also asked if Mr. Korsmo or his staff had acquired such data about the political contributions of "executives, officers, or employees of Home Loan bank member institutions."

On Oct. 28 investigators for the Finance Board's inspector general entered the agency's offices and temporarily seized about a dozen computers, including Mr. Korsmo's and those being used by members of his staff and general counsel. They made copies of the data on the computers and then returned the machines.

Two days later Mr. Korsmo sent another letter to Sen. Sarbanes. In that letter, he responded to the question about obtaining information about Home Loan bank employee contributions by saying that, while he could not speak for all Finance Board employees, "in my own case, however, and in the case of members of my immediate staff, I can answer the question easily: Of course.

"For many years, in anticipation of meeting or working with individuals or organizations, I have sought information regarding such individuals or organizations available from public sources," he told Sen. Sarbanes. "Such information has routinely included news articles, writings, promotional materials, and, on occasion, public information concerning political contributions readily available on the Internet."

This admission in the Oct. 30 letter raises a delicate legal issue. Mr. Korsmo is subject to the Hatch Act, which regulates the political activity of government workers.

Though she offered no opinion on the specifics of Mr. Korsmo's conduct, Anna Galindo-Marrone, the lead attorney for the Hatch Act Unit of the U.S. Office of Special Counsel, said that most Senate-confirmed presidential appointees are not barred from gathering information for political purposes while on the job. However, a presidential appointee who asked staff members to gather information for a political purpose could be open to charges that he or she violated the Hatch Act's prohibition on using official authority to coerce any person to participate in political activity, she said.

The act defines political activity as "an activity directed toward the success or failure of a political party, candidate for partisan political office, or partisan political group."

Sen. Sarbanes had called for investigations by both the General Accounting Office and the inspector general after it was revealed that invitations to

a fund-raiser for a Republican candidate for the House, Rick Clayburgh, prominently featured Mr. Korsmo's name, and were sent to the presidents of several Home Loan banks.

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GRAPHIC: photo, Korsmo

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GRAPHIC: photo, Korsmo

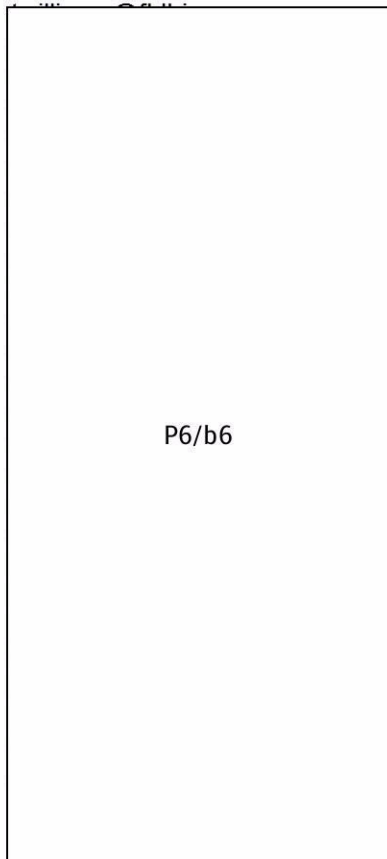
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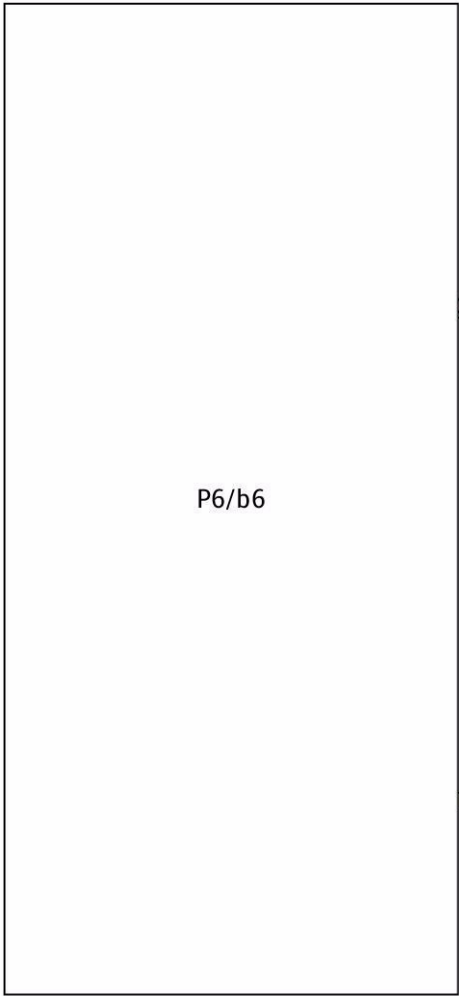
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