

of Congress and the redesignation of subsec. (f) as (g) by Pub. L. 110-289, § 1105(a)(4). See below.

Pub. L. 110-289, § 1105(a)(4), redesignated subsec. (f) as (g).

Subsec. (h). Pub. L. 110-289, § 1105(b), added subsec. (h).

Subsec. (i). Pub. L. 110-289, § 1105(e), added subsec. (i).

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective on the transfer date, see section 351 of Pub. L. 111-203, set out as a note under section 906 of Title 2, The Congress.

§ 4518. Prohibition and withholding of executive compensation

(a) In general

The Director shall prohibit the regulated entities from providing compensation to any executive officer of the regulated entity that is not reasonable and comparable with compensation for employment in other similar businesses (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities.

(b) Factors

In making any determination under subsection (a), the Director may take into consideration any factors the Director considers relevant, including any wrongdoing on the part of the executive officer, and such wrongdoing shall include any fraudulent act or omission, breach of trust or fiduciary duty, violation of law, rule, regulation, order, or written agreement, and insider abuse with respect to the regulated entity. The approval of an agreement or contract pursuant to section 1723a(d)(3)(B) of this title or section 1452(h)(2) of this title shall not preclude the Director from making any subsequent determination under subsection (a).

(c) Withholding of compensation

In carrying out subsection (a), the Director may require a regulated entity to withhold any payment, transfer, or disbursement of compensation to an executive officer, or to place such compensation in an escrow account, during the review of the reasonableness and comparability of compensation.

(d) Prohibition of setting compensation

In carrying out subsection (a), the Director may not prescribe or set a specific level or range of compensation.

(e) Authority to regulate or prohibit certain forms of benefits to affiliated parties

(1) Golden parachutes and indemnification payments

The Director may prohibit or limit, by regulation or order, any golden parachute payment or indemnification payment.

(2) Factors to be taken into account

The Director shall prescribe, by regulation, the factors to be considered by the Director in taking any action pursuant to paragraph (1), which may include such factors as—

(A) whether there is a reasonable basis to believe that the affiliated party has committed any fraudulent act or omission,

breach of trust or fiduciary duty, or insider abuse with regard to the regulated entity that has had a material effect on the financial condition of the regulated entity;

(B) whether there is a reasonable basis to believe that the affiliated party is substantially responsible for the insolvency of the regulated entity, the appointment of a conservator or receiver for the regulated entity, or the troubled condition of the regulated entity (as defined in regulations prescribed by the Director);

(C) whether there is a reasonable basis to believe that the affiliated party has materially violated any applicable provision of Federal or State law or regulation that has had a material effect on the financial condition of the regulated entity;

(D) whether the affiliated party was in a position of managerial or fiduciary responsibility; and

(E) the length of time that the party was affiliated with the regulated entity, and the degree to which—

(i) the payment reasonably reflects compensation earned over the period of employment; and

(ii) the compensation involved represents a reasonable payment for services rendered.

(3) Certain payments prohibited

No regulated entity may prepay the salary or any liability or legal expense of any affiliated party if such payment is made—

(A) in contemplation of the insolvency of such regulated entity, or after the commission of an act of insolvency; and

(B) with a view to, or having the result of—

(i) preventing the proper application of the assets of the regulated entity to creditors; or

(ii) preferring one creditor over another.

(4) Golden parachute payment defined

(A) In general

For purposes of this subsection, the term “golden parachute payment” means any payment (or any agreement to make any payment) in the nature of compensation by any regulated entity for the benefit of any affiliated party pursuant to an obligation of such regulated entity that—

(i) is contingent on the termination of such party’s affiliation with the regulated entity; and

(ii) is received on or after the date on which—

(I) the regulated entity became insolvent;

(II) any conservator or receiver is appointed for such regulated entity; or

(III) the Director determines that the regulated entity is in a troubled condition (as defined in the regulations of the Director).

(B) Certain payments in contemplation of an event

Any payment which would be a golden parachute payment but for the fact that

such payment was made before the date referred to in subparagraph (A)(ii) shall be treated as a golden parachute payment if the payment was made in contemplation of the occurrence of an event described in any subclause of such subparagraph.

(C) Certain payments not included

For purposes of this subsection, the term “golden parachute payment” shall not include—

- (i) any payment made pursuant to a retirement plan which is qualified (or is intended to be qualified) under section 401 of title 26, or other nondiscriminatory benefit plan;
- (ii) any payment made pursuant to a bona fide deferred compensation plan or arrangement which the Director determines, by regulation or order, to be permissible; or
- (iii) any payment made by reason of the death or disability of an affiliated party.

(5) Other definitions

For purposes of this subsection, the following definitions shall apply:

(A) Indemnification payment

Subject to paragraph (6), the term “indemnification payment” means any payment (or any agreement to make any payment) by any regulated entity for the benefit of any person who is or was an affiliated party, to pay or reimburse such person for any liability or legal expense with regard to any administrative proceeding or civil action instituted by the Agency which results in a final order under which such person—

- (i) is assessed a civil money penalty;
- (ii) is removed or prohibited from participating in conduct of the affairs of the regulated entity; or
- (iii) is required to take any affirmative action to correct certain conditions resulting from violations or practices, by order of the Director.

(B) Liability or legal expense

The term “liability or legal expense” means—

- (i) any legal or other professional expense incurred in connection with any claim, proceeding, or action;
- (ii) the amount of, and any cost incurred in connection with, any settlement of any claim, proceeding, or action; and
- (iii) the amount of, and any cost incurred in connection with, any judgment or penalty imposed with respect to any claim, proceeding, or action.

(C) Payment

The term “payment” includes—

- (i) any direct or indirect transfer of any funds or any asset; and
- (ii) any segregation of any funds or assets for the purpose of making, or pursuant to an agreement to make, any payment after the date on which such funds or assets are segregated, without regard to whether the obligation to make such payment is contingent on—

(I) the determination, after such date, of the liability for the payment of such amount; or

(II) the liquidation, after such date, of the amount of such payment.

(6) Certain commercial insurance coverage not treated as covered benefit payment

No provision of this subsection shall be construed as prohibiting any regulated entity from purchasing any commercial insurance policy or fidelity bond, except that, subject to any requirement described in paragraph (5)(A)(iii), such insurance policy or bond shall not cover any legal or liability expense of the regulated entity which is described in paragraph (5)(A).

(Pub. L. 102–550, title XIII, § 1318, Oct. 28, 1992, 106 Stat. 3949; Pub. L. 110–289, div. A, title I, §§ 1113(a), 1114, July 30, 2008, 122 Stat. 2678, 2679.)

Editorial Notes

AMENDMENTS

2008—Pub. L. 110–289, § 1113(a)(1), substituted “and withholding of executive” for “of excessive” in section catchline.

Subsec. (a). Pub. L. 110–289, § 1113(a)(2), substituted “regulated entity” for “enterprise” and “regulated entities” for “enterprises”.

Subsecs. (b) to (d). Pub. L. 110–289, § 1113(a)(3), (4), added subsecs. (b) and (c) and redesignated former subsec. (b) as (d).

Subsec. (e). Pub. L. 110–289, § 1114, added subsec. (e).

Statutory Notes and Related Subsidiaries

EQUITY IN GOVERNMENT COMPENSATION

Pub. L. 114–93, Nov. 25, 2015, 129 Stat. 1310, provided that:

“SECTION 1. SHORT TITLE.

“This Act may be cited as the ‘Equity in Government Compensation Act of 2015’.

“SEC. 2. DEFINITIONS.

“In this Act:

“(1) DIRECTOR.—The term ‘Director’ means the Director of the Federal Housing Finance Agency.

“(2) ENTERPRISE.—The term ‘enterprise’ means—

“(A) the Federal National Mortgage Association and any affiliate thereof; and

“(B) the Federal Home Loan Mortgage Corporation and any affiliate thereof.

“SEC. 3. REASONABLE PAY FOR CHIEF EXECUTIVE OFFICERS.

“(a) SUSPENSION OF CURRENT COMPENSATION PACKAGE AND LIMITATION.—The Director shall suspend the compensation packages approved for 2015 for the chief executive officers of each enterprise and, in lieu of such packages, subject to the limitation under subsection (b), establish the compensation and benefits for each such chief executive officer at the same level in effect for such officer as of January 1, 2015, and such compensation and benefits may not thereafter be increased.

“(b) LIMITATION ON BONUS.—Subsection (a) shall not be construed to affect the applicability of section 16 of the STOCK Act (12 U.S.C. 4518a) to the chief executive officer of each enterprise.

“(c) APPLICABILITY.—Subsection (a) shall only apply to a chief executive officer of an enterprise if the enterprise is in conservatorship or receivership pursuant to section 1367 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4617).

“SEC. 4. FANNIE AND FREDDIE CHIEF EXECUTIVE OFFICERS NOT FEDERAL EMPLOYEES.

“Any chief executive officer affected by any provision under section 3 shall not be considered a Federal employee.”

§ 4518a. Limitation on bonuses to executives of Fannie Mae and Freddie Mac

Notwithstanding any other provision in law, senior executives at the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation are prohibited from receiving bonuses during any period of conservatorship for those entities on or after April 4, 2012.

(Pub. L. 112-105, § 16, Apr. 4, 2012, 126 Stat. 303.)

Editorial Notes

CODIFICATION

Section was enacted as part of the Representative Louise McIntosh Slaughter Stop Trading on Congressional Knowledge Act, also known as the STOCK Act, and not as part of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 which comprises this chapter.

§ 4519. Authority to provide for review of regulated entities

The Director may, on such terms and conditions as the Director deems appropriate, contract with any entity to conduct a review of the regulated entities.

(Pub. L. 102-550, title XIII, § 1319, Oct. 28, 1992, 106 Stat. 3950; Pub. L. 109-291, § 4(b)(4), Sept. 29, 2006, 120 Stat. 1337; Pub. L. 110-289, div. A, title I, § 1105(d), July 30, 2008, 122 Stat. 2668; Pub. L. 111-203, title IX, § 939(b), July 21, 2010, 124 Stat. 1886.)

Editorial Notes

AMENDMENTS

2010—Pub. L. 111-203 struck out “that is a nationally recognized statistical rating organization, as such term is defined in section 78c(a) of title 15,” after “entity”.

2008—Pub. L. 110-289 substituted “regulated entities” for “enterprises by rating organization” in section catchline and “regulated entities” for “enterprises” in text.

2006—Pub. L. 109-291 substituted “that is a nationally recognized statistical rating organization, as such term is defined in section 78c(a) of title 15” for “effectively recognized by the Division of Market Regulation of the Securities and Exchange Commission as a nationally recognized statistical rating organization for the purposes of the capital rules for broker-dealers”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 2 years after July 21, 2010, see section 939(g) of Pub. L. 111-203, set out as a note under section 24a of this title.

§ 4520. Minority and women inclusion; diversity requirements

(a) Office of Minority and Women Inclusion

Each regulated entity shall establish an Office of Minority and Women Inclusion, or designate an office of the entity, that shall be responsible for carrying out this section and all matters of the entity relating to diversity in management, employment, and business activities in accordance with such standards and requirements as the Director shall establish.

(b) Inclusion in all levels of business activities

Each regulated entity shall develop and implement standards and procedures to ensure, to the

maximum extent possible, the inclusion and utilization of minorities (as such term is defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note)) and women, and minority- and women-owned businesses (as such terms are defined in section 1441a(r)(4)¹ of this title) (including financial institutions, investment banking firms, mortgage banking firms, asset management firms, broker-dealers, financial services firms, underwriters, accountants, brokers, investment consultants, and providers of legal services) in all business and activities of the regulated entity at all levels, including in procurement, insurance, and all types of contracts (including contracts for the issuance or guarantee of any debt, equity, or mortgage-related securities, the management of its mortgage and securities portfolios, the making of its equity investments, the purchase, sale and servicing of single- and multi-family mortgage loans, and the implementation of its affordable housing program and initiatives). The processes established by each regulated entity for review and evaluation for contract proposals and to hire service providers shall include a component that gives consideration to the diversity of the applicant.

(c) Applicability

This section shall apply to all contracts of a regulated entity for services of any kind, including services that require the services of investment banking, asset management entities, broker-dealers, financial services entities, underwriters, accountants, investment consultants, and providers of legal services.

(d) Inclusion in annual reports

Each regulated entity shall include, in the annual report submitted by the entity to the Director pursuant to section 1723a(k) of this title, section 1456(c) of this title, and section 1440 of this title, as applicable, detailed information describing the actions taken by the entity pursuant to this section, which shall include a statement of the total amounts paid by the entity to third party contractors since the last such report and the percentage of such amounts paid to businesses described in subsection (b) of this section.

(e) Outreach

Each regulated entity shall establish a minority outreach program to ensure the inclusion (to the maximum extent possible) in contracts entered into by the enterprises of minorities and women and businesses owned by minorities and women, including financial institutions, investment banking firms, underwriters, accountants, brokers, and providers of legal services.

(f) Diversity in Agency workforce

The Agency shall take affirmative steps to seek diversity in its workforce at all levels of the agency consistent with the demographic diversity of the United States, which shall include—

(1) heavily recruiting at historically Black colleges and universities, Hispanic-serving in-

¹ See References in Text note below.