

**UNITED STATES DISTRICT COURT
DISTRICT OF COLUMBIA**

<p>BERKLEY INSURANCE CO., et al.,</p> <p style="text-align: center;"><i>Plaintiffs,</i></p> <p style="text-align: center;">v.</p> <p>THE FEDERAL HOUSING FINANCE AGENCY, et al.,</p> <p style="text-align: center;"><i>Defendants.</i></p>	<p>Case No. 1:13-cv-1053-RCL</p>
<p>IN RE FANNIE MAE/FREDDIE MAC SENIOR PREFERRED STOCK PURCHASE AGREEMENT CLASS ACTION LITIGATIONS</p> <hr/> <p>This document relates to: ALL CASES</p>	<p>Case No. 1:13-mc-1288-RCL</p>

**JOINT SUBMISSION OF DEPOSITION DESIGNATIONS
AS PLAYED DURING TRIAL**

The parties hereby submit the transcripts of the video testimony presented to the jury by deposition designation at trial. The transcripts attached are the following:

Played in Plaintiffs' Case-in-Chief

1. Joseph Cacciapalle (Exhibit A)
2. Mukarram Attari, Ph.D. (Exhibit B)
3. Mario Ugoletti (Exhibit C)
4. David Benson (Exhibit D)
5. Timothy Mayopoulos (Exhibit E)
6. James Lockhart (Exhibit F)

Played in Defendants' Case-in-Chief

7. James Lockhart (Exhibit G)
8. Timothy Mayopoulos (Exhibit H)
9. Donald Layton (Exhibit I)

The parties hereby submit the transcript of the video testimony presented to the jury during the cross-examination of Mr. DeMarco at trial. The following transcript is attached:

10. Edward DeMarco (Exhibit J)

Dated: August 10, 2023

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EXHIBIT A

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
5:04 - 5:11	Cacciapalle, Joseph 2021-01-28 5:04 THE VIDEOGRAPHER: Good morning. We're going 5:05 on the record at 9:30 a.m. on January 28, 2021. This 5:06 is media unit one of the remote recorded deposition of 5:07 Mr. Joseph Cacciapalle in the matter of in re Fannie 5:08 Mae, Freddie Mac Senior Preferred Stock Purchase 5:09 Agreement, Class Action Litigation, filed in the 5:10 United States District Court, District of Columbia, 5:11 Case No. 13-MC-1288 RCO.	00:00:35	Cacciapalle_New. 1
9:04 - 9:07	Cacciapalle, Joseph 2021-01-28 9:04 Q. Please state your full name and address for 9:05 the record. 9:06 A. Joseph Cacciapalle. 100 Glenbrook Road, 9:07 Freehold Township, New Jersey.	00:00:11	Cacciapalle_New. 2
9:08 - 9:16	Cacciapalle, Joseph 2021-01-28 9:08 Q. Mr. Cacciapalle, give me a background of your 9:09 education after high school, please. 9:10 A. I attended Lawrence Tech for one year, and 9:11 after that I started working for Merrill Lynch. And I 9:12 went to night school, Allen Park Junior College for a 9:13 while. Years later I came to New York, and I went to 9:14 Pace University, a couple of courses through Merrill 9:15 Lynch. All together I may have two years' worth of 9:16 college credits.	00:00:34	Cacciapalle_New. 3
10:13 - 11:20	Cacciapalle, Joseph 2021-01-28 10:13 Q. Walk me through your professional career 10:14 please, again, after high school, what jobs you've 10:15 had. 10:16 A. Let's see. After high school I probably -- I 10:17 worked in a couple of supermarkets, stock boy or 10:18 something like that. I went to work for Merrill Lynch 10:19 in 1961. I stayed there for about five years. I got 10:20 accepted into a training program. I came to New York. 10:21 I think it was '66. I was dropped out of the program 10:22 to be assigned immediately to Grand Rapids, Michigan. 11:01 I spent a couple years in Grand Rapids. 11:02 I left there in, I think, 1968. Transferred 11:03 to New York to assist in a training department. I 11:04 spent a couple years working in training. Then I	00:02:17	Cacciapalle_New. 4

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	11:05 transferred over. I had the -- we had a group called		
	11:06 the operations service handlers. Basically they went		
	11:07 around to all the offices and audited them to see --		
	11:08 to make sure they were doing things properly.		
	11:09 After that, I was assigned to Rockefeller		
	11:10 Center office. I was in Rockefeller Center for about		
	11:11 five years. After that I think I worked on a couple		
	11:12 projects in the home office. One was -- Merrill Lynch		
	11:13 was considering -- they were toying with the idea of		
	11:14 maybe having a discount brokerage firm, and I was		
	11:15 involved with helping to create that. It never went		
	11:16 anywhere. It was started, but it never went anywhere.		
	11:17 I believe after that I went to -- I think I		
	11:18 transferred to the marketing division. And basically		
	11:19 that's where I wound up for the rest of my career with		
	11:20 getting involved with operational matters.		
12:18 - 13:02	Cacciapalle, Joseph 2021-01-28	00:00:25	Cacciapalle_New.
	12:18 Q. Okay. Let me just go back and make sure I		5
	12:19 follow this. So in 1961 you started at Merrill Lynch.		
	12:20 What type of job was that?		
	12:21 A. Well, probably the lowest thing you could		
	12:22 become. I was a runner. In the old days you had		
	13:01 ticker tapes. I took care of the ticker tape.		
	13:02 Duplication. Take care of -- stuff like that.		
12:01 - 12:08	Cacciapalle, Joseph 2021-01-28	00:00:24	Cacciapalle_New.
	12:01 Q. Okay. Thank you, sir. Did you spend your		6
	12:02 entire career at Merrill Lynch?		
	12:03 A. Yes.		
	12:04 Q. When did you leave Merrill Lynch?		
	12:05 A. I can't remember. I think it was October of		
	12:06 2000. They were downsizing and moving people to		
	12:07 different parts of the country. I was one of the		
	12:08 people that was downsized.		
31:03 - 31:14	Cacciapalle, Joseph 2021-01-28	00:00:51	Cacciapalle_New.
	31:03 Q. Describe for me, just generally, your		7
	31:04 investment activities and broadly. I know you --		
	31:05 obviously you bought some Fannie Mae and Freddie Mac		
	31:06 securities, but more broadly, what are your investment		
	31:07 activities?		
	31:08 A. I'm not a trader. I tend to buy something.		

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	31:09 I'm a holder. I'm not in and out on stocks or bonds		
	31:10 or anything like that. When I bought the Freddie and		
	31:11 Fannie, I believe what made me look at them was I had		
	31:12 some bonds maturing and I wanted to replace them with		
	31:13 something that was -- that was paying dividends or		
	31:14 interest.		
31:15 - 31:16	Cacciapalle, Joseph 2021-01-28	00:00:09	Cacciapalle_New.
	31:15 Q. Do you work with a broker?		8
	31:16 A. I did at -- yes, I do. I do, yes.		
32:01 - 32:18	Cacciapalle, Joseph 2021-01-28	00:01:01	Cacciapalle_New.
	32:01 I believe at the time she was with UBS, at		9
	32:02 the time.		
	32:03 BY MR. BERGMAN:		
	32:04 Q. How long have you worked with her?		
	32:05 A. As long as -- a little longer than I've had		
	32:06 the -- I don't remember the exact year. 2006,		
	32:07 something like that.		
	32:08 Q. Is she an investment adviser?		
	32:09 A. Right. Yes.		
	32:10 Q. Does she manage your accounts?		
	32:11 A. She's the broker for it, yes.		
	32:12 Q. Does she have discretion over the accounts?		
	32:13 Can she make a trade for you without your specific		
	32:14 sign-off?		
	32:15 A. No.		
	32:16 Q. So describe for me the relationship in terms		
	32:17 of -- again, not focused yet on the Fannie Mae and		
	32:18 Freddie Mac, but generally what is your relationship		
32:19 - 33:05	Cacciapalle, Joseph 2021-01-28	00:00:36	Cacciapalle_New.
	32:19 in terms of deciding what kind of		64
	32:20 investment to pursue and transactions to make?		
	32:21 A. I think all the years that I've been with		
	32:22 her -- excuse me -- she may have recommended three,		
	33:01 four, five times a recommendation. I maybe bought		
	33:02 something she recommended two or three times. I tend		
	33:03 to do my own stuff. And I don't -- I'll listen to		
	33:04 her, but I'm not necessarily buy or sell. I kind of		
	33:05 do my own thing.		
34:03 - 34:11	Cacciapalle, Joseph 2021-01-28	00:00:44	Cacciapalle_New.

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	34:03 Q. What are the sources that you rely upon		10
	34:04 generally when making a decision about an investment?		
	34:05 A. I might get an idea just by something in a		
	34:06 newspaper or something on television. I tend to use		
	34:07 Morningstar a lot because most of my investments are		
	34:08 going to be in mutual funds. I have a few stocks, but		
	34:09 like I said, I don't necessarily go looking for stuff.		
	34:10 I maybe see something and I do a little checking in		
	34:11 and then I decide not to or I will, I will or I won't.		
36:16 - 36:21	Cacciapalle, Joseph 2021-01-28	00:00:32	Cacciapalle_New.
	36:16 Q. And besides Morningstar, what are the other		11
	36:17 major sources of information you rely upon for		
	36:18 investing?		
	36:19 A. Oh, I might scan something on Ameriprise's		
	36:20 site. I might just check a little bit in the		
	36:21 newspaper. That's about it really.		
38:08 - 38:10	Cacciapalle, Joseph 2021-01-28	00:00:05	Cacciapalle_New.
 P346.1	38:08 MR. BERGMAN: Mac, can you pull this up for		12
	38:09 the group and we'll introduce this as Cacciapalle		
	38:10 Exhibit 1.		
38:20 - 39:01	Cacciapalle, Joseph 2021-01-28	00:00:14	Cacciapalle_New.
	38:20 Q. Mr. Cacciapalle, can you just, for		13
	38:21 the record, identify what this document is?		
	38:22 A. These are copies of my trade confirmation		
	39:01 when I purchased the preferred shares.		
37:17 - 37:19	Cacciapalle, Joseph 2021-01-28	00:00:05	Cacciapalle_New.
	37:17 Q. Okay. You purchased these shares and you		63
	37:18 continue to hold them?		
	37:19 A. Yes, I do.		
39:02 - 39:09	Cacciapalle, Joseph 2021-01-28	00:00:41	Cacciapalle_New.
	39:02 Q. And just to confirm, these represent your		14
	39:03 only trades, purchases or sales or anything in		
	39:04 securities issued by Fannie Mae and Freddie Mac?		
	39:05 A. Yes.		
	39:06 Q. Okay. Let's walk through each of these		
	39:07 transactions, please. We'll start on the first page.		
	39:08 Can you tell me -- am I right, this is a purchase of a		
	39:09 Fannie Mae preferred securities		
39:11 - 40:12	Cacciapalle, Joseph 2021-01-28	00:01:25	Cacciapalle_New.

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	39:11 A. Yes.		65
 OLDP346.1.2	39:12 Q. Series S?		
	39:13 A. Right.		
	39:14 Q. Why did you make this purchase?		
	39:15 A. I don't recall which ones they were, but		
	39:16 basically I had bonds that were maturing. And I		
	39:17 wanted to replace it with something that had a nice		
	39:18 dividend. And if I recall correctly, these preferreds		
	39:19 were better than average in what they paid as a		
	39:20 dividend. So I basically had something coming due and		
	39:21 I needed to reinvest it.		
	39:22 Q. How did you decide that this particular		
	40:01 security was the right one for you?		
	40:02 A. I think the reason I looked at it would have		
	40:03 been the dividend it was paying was a nice kind of		
	40:04 dividend, given what the current interest rates were,		
	40:05 I think, at the time. When you think of Fannie and		
	40:06 Freddie Mac and stuff like that, you kind of think		
	40:07 this is -- it's government related. So I thought,		
	40:08 well, it sounds safe. It was basically a good yield,		
	40:09 so I'm going to buy it.		
	40:10 Q. Was this something you found --		
	40:11 A. I believe also the rating on it was good,		
	40:12 Moody's rating.		
48:08 - 48:11	Cacciapalle, Joseph 2021-01-28	00:00:14	Cacciapalle_New.
 OLDP346.2	48:08 Q. Let's turn to the next page of the		18
	48:09 exhibit, the page Bates stamped 002. It looks like,		
	48:10 am I right, this is a purchase of Freddie Mac		
 OLDP346.2.1	48:11 securities preferred stock?		
48:12 - 48:12	Cacciapalle, Joseph 2021-01-28	00:00:02	Cacciapalle_New.
	48:12 A. Yeah. Okay.		19
48:13 - 49:18	Cacciapalle, Joseph 2021-01-28	00:01:35	Cacciapalle_New.
	48:13 Q. Same question. How did it come about that		20
	48:14 you decided to make this purchase in Freddie Mac		
	48:15 preferred stock?		
	48:16 A. Again, I don't recall exactly, but I think in		
	48:17 all the cases I had bonds coming due, and I wanted to		
	48:18 reinvest the money.		
	48:19 Q. Okay. Was this the first time you had		
	48:20 purchased preferred stock?		

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	48:21 A. Yes.		
	48:22 Q. And have you since purchased any preferred		
	49:01 stock?		
	49:02 A. No.		
	49:03 Q. What is your understanding of preferred stock		
	49:04 as distinct from common stock or bonds?		
	49:05 A. Common stock has preference in a lot of		
	49:06 matters, but I think the preferred had the preference		
	49:07 on the income, the profits. I believe this one was		
	49:08 not -- this one is -- what do you call it? It doesn't		
	49:09 accumulate. I think once it's done, past, you don't		
	49:10 go back and get it.		
	49:11 Q. Did you buy these securities on the secondary		
	49:12 market or at issuance?		
	49:13 A. New issue?		
	49:14 Q. Yeah, was it a new issue or did you buy it on		
	49:15 the secondary market?		
	49:16 A. No. I bought it on secondary.		
	49:17 Q. That's true for all of the purchases?		
	49:18 A. Yes. Right.		
50:06 - 50:08	Cacciapalle, Joseph 2021-01-28	00:00:08	Cacciapalle_New. 23
	50:06 Q. Is that correct? Was that the same process		
	50:07 and reasoning again?		
 Clear	50:08 A. Right. Yes, same.		
53:08 - 53:19	Cacciapalle, Joseph 2021-01-28	00:00:37	Cacciapalle_New. 26
	53:08 Q. When did you first learn that the government		
	53:09 was considering putting Fannie Mae and Freddie Mac in		
	53:10 conservatorship?		
	53:11 A. I don't recall when.		
	53:12 Q. Did you hear about the possibility of		
	53:13 conservatorship before it happened?		
	53:14 A. No.		
	53:15 Q. Okay. So it was -- when conservatorship was		
	53:16 announced publicly, is that, to the best of your		
	53:17 recollection, when you understood that it was		
	53:18 happening?		
	53:19 A. Yes.		
53:20 - 54:05	Cacciapalle, Joseph 2021-01-28	00:00:30	Cacciapalle_New. 27
	53:20 Q. And what was your reaction to the		
	53:21 conservator?		

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	53:22 A. Well, I just -- it sounded like it was		
	54:01 probably a necessary thing to do, if for no other		
	54:02 reason than to keep the public and keep the nation,		
	54:03 keep everybody kind of, you know, mellow them down a		
	54:04 little bit. I don't think probably in the beginning I		
	54:05 had any problem with it.		
54:06 - 54:08	Cacciapalle, Joseph 2021-01-28	00:00:11	Cacciapalle_New. 28
	54:06 Q. Okay. But you understood that once the		
	54:07 conservator was appointed, your own holdings were		
	54:08 worthless; right?		
54:11 - 54:18	Cacciapalle, Joseph 2021-01-28	00:00:30	Cacciapalle_New. 29
	54:11 THE WITNESS: That was my feeling, that they		
	54:12 were worthless. I didn't immediately think that, but		
	54:13 not too long after I did. I think I read somewhere		
	54:14 where, you know, even though this was happening, that		
	54:15 they allowed the common -- you know preferred		
	54:16 shareholders to exist, to continue to exist. I		
	54:17 couldn't understand that, but -- I couldn't figure it		
	54:18 out.		
54:21 - 55:05	Cacciapalle, Joseph 2021-01-28	00:00:26	Cacciapalle_New. 30
	54:21 Do you recall, in September 2008 when the		
	54:22 conservator was appointed, making any efforts to		
	55:01 understand how the conservator intended to operate the		
	55:02 enterprises going forward?		
	55:03 A. No. I didn't really go very deep into it. I		
	55:04 just understood that the conservator was basically		
	55:05 going to take charge of management.		
55:06 - 55:09	Cacciapalle, Joseph 2021-01-28	00:00:12	Cacciapalle_New. 31
	55:06 Q. Okay. Is it fair to say your attitude at		
	55:07 that time was sort of, this is a loss, I'm not going		
	55:08 to sell it, but I'm washing my hands of it; is that		
	55:09 correct?		
55:12 - 55:17	Cacciapalle, Joseph 2021-01-28	00:00:28	Cacciapalle_New. 32
	55:12 THE WITNESS: No, I -- it just -- it was too		
	55:13 new. You had to give time for it to all play-out, I		
	55:14 think. I understood what had to be done at the time,		
	55:15 I think. Although I, in my mind, considered it a		
	55:16 loss, I was still hoping for the best in the future.		
	55:17 And that's probably all I thought about at the time.		

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
58:15 - 58:17	Cacciapalle, Joseph 2021-01-28	00:00:10	Cacciapalle_New.
58:15	Q. Did you make a point of reading press coverage of the conservatorships?		34
58:16			
58:17	A. Not really, no.		
50:09 - 50:17	Cacciapalle, Joseph 2021-01-28	00:00:37	Cacciapalle_New.
50:09	Q. Did you do anything in June 2008 to try to better understand the financial condition of Fannie Mae at that time?		66
50:10			
50:11			
50:12	A. No, not really. I mean, I kind of understood the idea of why a conservator was necessary given what was going on in the world at the time, to add stability or security to people's mind. That was probably the only thing I thought of. I didn't go any deeper than that.		
50:13			
50:14			
50:15			
50:16			
50:17			
44:10 - 44:14	Cacciapalle, Joseph 2021-01-28	00:00:17	Cacciapalle_New.
44:10	Q. Okay. Did you read up on the conservator and what the conservator's practices were intended to be and the appointment of the conservator and the like? Did you read up on that at the time?		67
44:11			
44:12			
44:13			
44:14	A. I don't think so, no.		
47:05 - 48:07	Cacciapalle, Joseph 2021-01-28	00:01:38	Cacciapalle_New.
47:05	Q. Do you know anything about the terms governing Treasury's purchase of preferred stock in the enterprises?		68
47:06			
47:07			
47:08	A. They gave them the money. They gave them stock. I believe -- as they needed more money, the Treasury was going to give it to them to keep them solvent. That's about it.		
47:09			
47:10			
47:11			
47:12	Q. Okay. How did you develop that understanding?		
47:13			
47:14	A. Probably from some of the material Kessler sent me, but that was -- at the time -- that's about it. I really don't recall how I got into them, you know, studying all this. I didn't get into a lot of detail about this stuff.		
47:15			
47:16			
47:17			
47:18			
47:19	Q. Okay. And so is it fair to say that much of what you learned was either after the lawsuit was filed or in contemplation of joining the lawsuit; is that right?		
47:20			
47:21			
47:22			
48:01	A. Yes.		

Cacciapalle_New - As of 07/26/2023

DESIGNATION	SOURCE	DURATION	ID
	48:02 Q. And before the lawsuit you were not following		
	48:03 closely what was happening with the enterprises or its		
	48:04 financial arrangements with Treasury; is that correct?		
	48:05 A. No. I wasn't following up on the detail. I		
	48:06 was just trying to find somebody who understood that		
	48:07 there was a problem.		
58:19 - 58:22	Cacciapalle, Joseph 2021-01-28	00:00:14	Cacciapalle_New.
	58:19 You did not read the		35
	58:20 preferred -- Senior Preferred Stock Agreement between		
	58:21 Treasury and FHFA and the enterprises; correct?		
	58:22 A. No, I never did. No.		
92:11 - 92:18	Cacciapalle, Joseph 2021-01-28	00:00:28	Cacciapalle_New.
	92:11 Q. Mr. Cacciapalle, do you believe that you have		69
	92:12 been harmed by the third amendment to the Senior		
	92:13 Preferred Stock Purchase Agreement?		
	92:14 A. Yes, I do.		
	92:15 Q. What do you believe is the harm you have		
	92:16 suffered?		
	92:17 A. I bought a security from someone who was		
	92:18 receiving an A-plus percent dividend.		
92:20 - 92:21	Cacciapalle, Joseph 2021-01-28	00:00:07	Cacciapalle_New.
	92:20 And it appears that the amendment has		70
	92:21 pretty much taken all that away.		

<u>Our Designations</u>	<u>00:19:09</u>
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TOTAL RUN TIME	00:19:09
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Documents linked to video:

OLDP346

P346

EXHIBIT B

Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

Designation List Report



Attari, Mukarram

2022-02-14

[Our Designations](#)

00:03:39

TOTAL RUN TIME

00:03:39



Documents linked to video:
OLDP375



Attari_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
233:19 - 236:11	Attari, Mukarram 2022-02-14	00:02:50	Attari_New.1
 OLDP375.1	<p>233:19 (Deposition Exhibit 21 was marked 233:20 for identification.) 233:21 MS. VARMA: Is this Exhibit 21? 233:22 MR. BARNES: Yes. I'm sorry, Asim. 234:01 Yes, it's Exhibit 21. 234:02 MS. VARMA: Okay. 234:03 BY MR. BARNES: 234:04 Q. When was the last time you saw this 234:05 document? 234:06 A. Relatively recently. 234:07 Q. And how did you consider this 234:08 document when formulating your opinions in this 234:09 case? 234:10 A. It was a piece of analysis that we 234:11 had done early on in this case. 234:12 Q. Okay. And I think the document 234:13 makes reference to an underlying statistical 234:14 regression. 234:15 Does that sound familiar to you? 234:16 A. Probably. I am just looking for 234:17 where because --</p>		
 OLDP375.14	<p>234:18 Q. Yeah. I'm sorry. I don't have the 234:19 exact slide number. I think it's on Page 13. 234:20 The title there is: "Dates With Significant 234:21 Excess Returns." 234:22 A. Yes. 235:01 Q. And I think this is -- this looks 235:02 like it was a statistical analysis of excess 235:03 returns associated with Fannie and Freddie 235:04 common and junior preferred stock; is that 235:05 right? 235:06 A. Yes. 235:07 Q. And in preparing your opinions in 235:08 this case, did you consult the underlying 235:09 regression model that is being referred to 235:10 here? 235:11 A. Not really, no. I mean, when you 235:12 say in preparing my opinions in this case, at 235:13 some point over the last two years or whenever,</p>		

Attari_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	235:14 this -- this is what -- yeah. So at some point		
	235:15 between when this was done and now, I probably		
	235:16 looked at the statistical model --		
	235:17 Q. Okay --		
	235:18 A. -- or knew about the statistical		
	235:19 model.		
	235:20 Q. And when we are talking about the		
	235:21 statistical model, I -- I assume -- tell me if		
	235:22 I've got this wrong -- what we are talking		
	236:01 about is some kind of Excel spreadsheet; is		
	236:02 that correct?		
	236:03 A. It would depend on who ran it. It		
	236:04 would be -- I -- I would not have looked at the		
	236:05 actual model itself. I would have looked at		
	236:06 the results from the model, a description of		
	236:07 the model.		
	236:08 Q. Okay. It would have been something		
	236:09 other than just this -- this Slide 13, though;		
	236:10 is that right?		
	236:11 A. Probably, yes.		
237:11 - 238:08	Attari, Mukarram 2022-02-14	00:00:50	Attari_New.2
 OLDP375.1	237:11 Q. Okay. And to the extent you know,		
	237:12 can you specifically identify the people who		
	237:13 were involved in preparing this document we are		
	237:14 looking at now.		
	237:15 A. It -- it would be members of the CRA		
	237:16 team. I don't know who specifically worked on		
	237:17 this.		
	237:18 Q. Okay. Okay. And who was the --		
	237:19 A. Sorry. Can I -- can you ask that		
	237:20 question again just so I make sure I answer it.		
	237:21 Q. Sure. Of course. So I am asking		
	237:22 for the specific names of the people who helped		
	238:01 prepare this document we are looking at.		
	238:02 A. One of those people would be me --		
	238:03 Q. Okay.		
	238:04 A. -- and then other members of the		
	238:05 team.		
	238:06 Q. Other than -- other than you, you		
	238:07 don't know; is that right?		

Attari_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	238:08 A. Sitting here, I don't know.		

Our Designations 00:03:39

TOTAL RUN TIME **00:03:39**


 Documents linked to video:
OLDP375

EXHIBIT C

Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

Designation List Report



Ugoletti, Mario

2015-05-15

[Our Designations](#)

00:12:01

TOTAL RUN TIME

00:12:01



Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
13:01 - 13:02	Ugoletti, Mario 2015-05-15 13:01 MARIO UGOLETTI, 13:02 having been first duly sworn, testified as follows:	00:00:08	Ugoletti_New.1
16:04 - 16:13	Ugoletti, Mario 2015-05-15 16:04 All right. So let's start with your 16:05 educational background. Where did you go to college? 16:06 A. Starting in undergraduate, I -- 16:07 Q. Yes, sir. 16:08 A. -- assume. 16:09 Yes, I went to undergraduate at Mercyhurst 16:10 College in Erie, Pennsylvania. 16:11 Q. Okay. And what did you major in? 16:12 A. My major was hotel/restaurant management 16:13 at that time.	00:00:20	Ugoletti_New.2
17:10 - 18:06	Ugoletti, Mario 2015-05-15 17:10 Q. Okay. Great. Then -- so and what year 17:11 did you graduate from college? 17:12 A. 1984. 17:13 Q. Okay. And then when did you cease being a 17:14 golf pro? 17:15 A. Well, after those two years in Ohio, it 17:16 sounds like a very exciting job and very fun job, but 17:17 I think when you're actually in the business, you -- 17:18 you realize that you work very long hours, you don't 17:19 play much golf, and it's not a very -- not that great 17:20 of a job. And so I kind of got tired of being a golf 17:21 professional and decided that, well, I think I need 17:22 to go back to school. 18:01 Q. Okay. 18:02 A. And somehow over that time period, I mean, 18:03 I got interested in economics. 18:04 Q. Okay. 18:05 A. And so I decided I wanted to go back to 18:06 school either for economics or an MBA.	00:00:47	Ugoletti_New.3
18:19 - 19:05	Ugoletti, Mario 2015-05-15 18:19 A. Accepted into Penn State's Master's Degree 18:20 program in Economics. I did quite well there for a 18:21 couple years, and they asked me, do you want to get a 18:22 Ph.D., I'm like, do you want to join the Ph.D.	00:00:23	Ugoletti_New.4

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	19:01 program. I said, Well, if you guys can find some 19:02 funding, get me in the Ph.D. program, I'll gladly 19:03 try, so they got -- put me on a stipend, and I ended 19:04 up getting a Ph.D. from Penn State in 1995 in 19:05 Economics.		
20:13 - 20:21	Ugoletti, Mario 2015-05-15	00:00:10	Ugoletti_New.5
	20:13 Q. Okay. Now, when you got your Ph.D. from 20:14 Penn State, then you went to work at the Treasury 20:15 Department -- 20:16 A. I did -- 20:17 Q. -- is that right? 20:18 A. -- yeah. 20:19 Q. And what was your job title when you got 20:20 there? 20:21 A. Financial economist.		
26:18 - 26:20	Ugoletti, Mario 2015-05-15	00:00:06	Ugoletti_New.6
	26:18 Q. All right. So what -- and you stayed at 26:19 Treasury until 2009; is that right? 26:20 A. I did.		
31:07 - 33:13	Ugoletti, Mario 2015-05-15	00:02:22	Ugoletti_New.7
	31:07 Q. Now, at some point, you switched over to 31:08 being an employee of FHFA; is that right? 31:09 A. I did, yes. 31:10 Q. And when was that? 31:11 A. September of 2009. 31:12 Q. Okay. Were you a detailee at any point 31:13 from Treasury to FHFA? 31:14 A. It was the other way around. 31:15 Q. Okay. 31:16 A. So I became a full-time employee at FHFA 31:17 in September of 2009. Treasury requested that I 31:18 detail back initially for a six-month period, and 31:19 then that was extended. 31:20 Q. Why did Treasury want you back for six 31:21 months? 31:22 A. Well, I mean, at the time, so you have a 32:01 new administration that came in, well, about nine 32:02 months prior to that, I knew pretty much all the 32:03 people pretty well: you know, they had Secretary 32:04 Geithner; Neal Wolin, I worked with Neal Wolin back		

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
32:05	in the Clinton administration; my direct report		
32:06	Michael Barr, I worked with him back in the Clinton		
32:07	administration; Lee Sachs was there somewhere as a		
32:08	counselor, I worked with him in the Clinton		
32:09	administration. So they all knew me quite well. I		
32:10	think they valued my perspective and what I did, and		
32:11	given that I did have really the historical knowledge		
32:12	of 15, 16 years of Treasury policy and Treasury --		
32:13	what Treasury had been doing on this wide range of		
32:14	issues, including the GS -- especially the GSE, that		
32:15	they felt that it was a -- it would have been		
32:16	difficult to just cut, cut it off immediately, so		
32:17	they, they wanted me to help them out a little more.		
32:18	BY MR. THOMPSON:		
32:19	Q. Okay. And sorry again for being ignorant,		
32:20	I don't know how this works, but you're an FHFA		
32:21	employee starting in September --		
32:22	A. Yeah.		
33:01	Q. -- 2009, but do you go to work at the		
33:02	Treasury Department if you're in --		
33:03	A. I split my time.		
33:04	Q. Okay.		
33:05	A. Because we were actually -- it was much		
33:06	easier then because our office was right on the other		
33:07	side of the White House, so a half a day at Treasury		
33:08	and a half a day at FHFA.		
33:09	Q. Okay. And how long did that last for?		
33:10	A. I said, it was six months, and then it was		
33:11	extended, I think it was extended for another six		
33:12	months, but it might have been shorter than that, I		
33:13	don't recall, but there was another extension.		
37:06 - 37:09	Ugoletti, Mario 2015-05-15	00:00:10	Ugoletti_New.8
37:06	Q. Now, while you were at Treasury, you		
37:07	participated in the creation and imple- --		
37:08	implementation of the PSPAs; is that right?		
37:09	A. Yes.		
45:08 - 45:15	Ugoletti, Mario 2015-05-15	00:00:34	Ugoletti_New.9
45:08	Q. Okay. And who was, on Treasury, who was		
45:09	involved in working on the PSPAs?		
45:10	A. Well, of course, there were various people		

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	45:11 involved. But I would say on a day-to-day basis, the		
	45:12 primary people involved in working on coming up with		
	45:13 the substance and then what became the actual PSPA		
	45:14 document would have been Dan Jester and Jeremiah		
	45:15 Norton and myself.		
55:04 - 56:04	Ugoletti, Mario 2015-05-15	00:00:47	Ugoletti_New.10
	55:04 Q. Let -- before we get to the others --		
	55:05 A. Yeah.		
	55:06 Q. -- now, the payment-in-kind feature,		
	55:07 though, it would allow the companies to preserve		
	55:08 their funding commitment; is that right?		
	55:09 In a quarter in which they didn't make		
	55:10 enough to pay a cash dividend, if they decided to do		
	55:11 a payment in kind rather than a circular draw, they		
	55:12 maintained their funding commitment; isn't that		
	55:13 right?		
	55:14 A. I'm not sure if that's correct.		
	55:15 Q. You're not sure if --		
	55:16 A. I'm not a re- --		
	55:17 Q. -- that's correct?		
	55:18 A. -- I'm not a legal expert, but I'm -- I'm		
	55:19 not sure if that's correct.		
	55:20 Q. Did -- so you don't have an opinion on		
	55:21 that?		
	55:22 A. Yeah, I'm -- I'm not a legal expert.		
	56:01 Q. I'm not asking for a legal opinion. I'm		
	56:02 saying, on -- when you were thinking about the third		
	56:03 amendment, did you have an opinion as to whether the		
	56:04 funding commitment would be unaffected -- -		
56:06 - 56:07	Ugoletti, Mario 2015-05-15	00:00:01	Ugoletti_New.19
	56:06 BY MR. THOMPSON:		
	56:07 Q. -- by a payment in kind?		
56:11 - 56:20	Ugoletti, Mario 2015-05-15	00:00:21	Ugoletti_New.21
	56:11 THE WITNESS: Yeah, as I said, I'm not a		
	56:12 legal expert on this; and the -- and the primary		
	56:13 issue, as I stated earlier, about the payment in kind		
	56:14 was the difference in cost. I mean, that -- that's		
	56:15 the issue that everybody was thinking about, 10 and		
	56:16 12 -- percent. Right?		
	56:17 BY MR. THOMPSON:		

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	56:18 Q. Yeah.		
	56:19 A. Right. So it doesn't make economic sense		
	56:20 to pay in kind when you can pay in cash.		
58:02 - 58:06	Ugoletti, Mario 2015-05-15	00:00:12	Ugoletti_New.11
	58:02 And on the eve of the third amendment, did		
	58:03 you have an understanding as to whether -- if a		
	58:04 payment-in-kind dividend had been paid, as to whether		
	58:05 that would affect the amount of the funding		
	58:06 commitment?		
58:10 - 58:14	Ugoletti, Mario 2015-05-15	00:00:12	Ugoletti_New.20
	58:10 THE WITNESS: I certainly may have had a		
	58:11 thought about that, but it was not a factor that went		
	58:12 into the decision, I mean, about whether you would		
	58:13 pay in kind or not pay in kind. I mean, that was all		
	58:14 based on the -- that was based on the economics.		
132:05 - 132:12	Ugoletti, Mario 2015-05-15	00:00:27	Ugoletti_New.12
	132:05 Q. Do you know whether the Federal		
	132:06 Reserve ever was consulted on this topic?		
	132:07 A. Again, I had left Treasury by time -- by		
	132:08 the time they were potentially thinking about this,		
	132:09 because it wasn't to be set until after if I left;		
	132:10 but I do not recall any discussions with Treasury or		
	132:11 the Federal Reserve on the topic of what to set the		
	132:12 periodic commitment fee at.		
135:22 - 136:04	Ugoletti, Mario 2015-05-15	00:00:21	Ugoletti_New.13
	135:22 Q. Have you ever attempted to calculate any		
	136:01 periodic commitment fee in any context?		
	136:02 A. I'm not aware of where that calculation		
	136:03 would occur.		
	136:04 Q. So that's a no, you haven't done that?		
136:07 - 137:17	Ugoletti, Mario 2015-05-15	00:01:24	Ugoletti_New.22
	136:07 BY MR. THOMPSON:		
	136:08 Q. Any commitment fee. Have you ever		
	136:09 attempted to calculate what a com- -- any commitment		
	136:10 fee should be in any context?		
	136:11 A. I'm not in the business of calculating		
	136:12 commitment fees.		
	136:13 Q. And have you --		
	136:14 A. And I'm not aware of where they exist, so		

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	136:15 I guess the answer is no.		
	136:16 Q. You know, but you say in terms of where		
	136:17 they exist. I mean, if you go and you get a line of		
	136:18 credit, I mean, aren't there fees that people are		
	136:19 charged for getting a line of credit?		
	136:20 A. Yeah, I, I agree. I'm --		
	136:21 Q. Yeah.		
	136:22 A. -- I'm not sure it's the same concept as		
	137:01 this, but there's a fee that you get for a line of		
	137:02 credit, that's -- that's, that's true.		
	137:03 Q. Well, I understand the magnitude of this		
	137:04 is bigger.		
	137:05 A. Yeah, that's what I'm saying, yeah. Sure,		
	137:06 yeah, you, you charge a fee for somebody willing to		
	137:07 provide you some amount of credit. Yeah, that's		
	137:08 clearly one, yeah.		
	137:09 Q. Okay. Have you ever done such a valuation		
	137:10 yourself of a commitment fee?		
	137:11 A. No.		
	137:12 Q. Okay. And have you ever read a valuation		
	137:13 of a commitment?		
	137:14 A. Not that I recall.		
	137:15 Q. Okay. Isn't it true that commitment fees		
	137:16 are calculated typically as a percentage of the		
	137:17 amount that the borrower is willing to extend?		
137:20 - 138:01	Ugoletti, Mario 2015-05-15	00:00:09	Ugoletti_New.23
	137:20 THE WITNESS: Yeah, I can't, I can't		
	137:21 speculate. I'm, I'm not the expert on commitment		
	137:22 fees, so I can't speculate on how they're typically		
	138:01 calculated.		
169:02 - 169:07	Ugoletti, Mario 2015-05-15	00:00:16	Ugoletti_New.14
	169:02 With respect to the periodic commitment		
	169:03 fee, do you know if anyone at FHFA ever tried to		
	169:04 calculate what the value of it would be?		
	169:05 A. No.		
	169:06 Q. Okay. And do you know if anyone at		
	169:07 Treasury ever tried to calculate the value of it?		
169:10 - 169:10	Ugoletti, Mario 2015-05-15	00:00:01	Ugoletti_New.24
	169:10 THE WITNESS: Not that I'm aware of.		

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
170:07 - 170:13	Ugoletti, Mario 2015-05-15 170:07 Q. Did you discuss your view that it was an 170:08 incalculably large fee or would have been with anyone 170:09 at Treasury? 170:10 A. Not that I recall. 170:11 Q. Anyone at FHFA? 170:12 A. Not that I recall. The issue did not -- 170:13 wasn't coming up.	00:00:14	Ugoletti_New.15
175:06 - 175:21	Ugoletti, Mario 2015-05-15 175:06 Was the option of preserving the funding 175:07 commitment -- 175:08 A. Yeah. 175:09 Q. -- by having the companies pay a 175:10 12 -- percent payment-in-kind dividend, was that 175:11 something that was discussed at FHFA, you know, in 175:12 the leadup to the Net Worth Sweep? 175:13 A. Not that I recall and for the reasons that 175:14 we talked about. I mean, one of them was the basic 175:15 10 -- percent versus 12 percent, that it just -- that 175:16 had been -- unless there was some economic aspect 175:17 that would make that an economic transaction, it 175:18 wasn't even part of the discussion. 175:19 So that's -- that's one that I would point 175:20 to at FHFA. So it really wasn't -- it just never was 175:21 on the table.	00:00:45	Ugoletti_New.16
271:15 - 271:18	Ugoletti, Mario 2015-05-15 271:15 Q. Was there ever any discussion about not 271:16 doing the Net Worth Sweep for Freddie, just doing it 271:17 for Fannie? 271:18 A. No.	00:00:11	Ugoletti_New.17
359:17 - 360:12	Ugoletti, Mario 2015-05-15 359:17 Q. Now, you, in 2008, were working on the 359:18 PSPAs on the Treasury side of the table? 359:19 A. Um-hmm. 359:20 Q. And then in 2012 you're on the opposite 359:21 side of the table, same transaction, it's an 359:22 amendment, that same -- representing the other party, 360:01 right? 360:02 A. Right. 360:03 Q. Did you go to your ethics officer and say,	00:00:52	Ugoletti_New.18

Ugoletti_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	360:04 Look, am I allowed to participate in the same 360:05 transaction? 360:06 A. No, nobody ever said that that would have 360:07 been a necessary issue because I no longer have any 360:08 affiliation with Treasury, I'm working on an issue 360:09 for FHFA. 360:10 Q. But you were working on that issue 360:11 standing in the shoes of the companies, right? 360:12 A. As FHFA, as conservator.		
360:15 - 360:20	Ugoletti, Mario 2015-05-15	00:00:11	Ugoletti_New.25
	360:15 BY MR. THOMPSON: 360:16 Q. Did -- did you have an understanding of 360:17 the conflict-of-interest rules, that if you had 360:18 rotated out to Fannie or Freddie you couldn't have 360:19 negotiated against Treasury on the PSPAs, could you 360:20 have?		
361:01 - 361:14	Ugoletti, Mario 2015-05-15	00:00:37	Ugoletti_New.26
	361:01 THE WITNESS: I do not understand that 361:02 rule completely, but I don't understand what the 361:03 conflict-of-interest rule would apply between two 361:04 government agencies. 361:05 BY MR. THOMPSON: 361:06 Q. Well, you weren't acting -- were you 361:07 acting in your capacity as conservator and standing 361:08 in the shoes of the companies or were you acting in 361:09 your capacity as a government employee when you 361:10 negotiated the third amendment? 361:11 A. I am a government employee that works for 361:12 FHFA, and this was a transaction that was done as 361:13 part of a conservatorship. And I do not sign the 361:14 documents.		

Our Designations00:12:01**TOTAL RUN TIME****00:12:01**

EXHIBIT D

Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

Designation List Report



Benson, David

2013-11-07

[Our Designations](#)

[00:22:41](#)

TOTAL RUN TIME

00:22:41



Documents linked to video:

OLDP196

OLDP213

OLDP216

OLDP253

P167

P211



Benson_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
12:05 - 12:07	Benson, David 2020-02-28 12:05 Q. And, Mr. Benson, would you just state your 12:06 name for the record? 12:07 A. David Benson.	00:00:05	Benson_New.1
14:04 - 14:13	Benson, David 2020-02-28 14:04 Can you just kind of give me a 14:05 thumbnail sketch of your education and professional 14:06 career? 14:07 A. Sure. Graduated Harvard Medical School. 14:08 The following year, I was a medical intern. And from 14:09 there, I went to Stanford Business School and 14:10 received an MBA. From there, I went to Merrill 14:11 Lynch, where I was -- had a 14-year career there, 14:12 through 2002. And then I came to Fannie Mae in 2002, 14:13 where I've been since that time.	00:00:36	Benson_New.2
15:08 - 17:02	Benson, David 2020-02-28 15:08 Q. And how did you end up taking the job at 15:09 Fannie Mae? Sort of what transpired that got you to 15:10 make that move? 15:11 A. I was contacted when the firm was looking 15:12 for an assistant treasurer, somebody who had deep -- 15:13 deep experience in the various products that Fannie 15:14 Mae used to manage its liability profile, its risk 15:15 management process. And so I was contacted, and then 15:16 I showed an interest, and we went from there. 15:17 Q. And why were you interested? What made 15:18 you want to work at Fannie Mae? 15:19 A. The firm was one of the, if not the 15:20 largest participants in the fixed income market in 15:21 many of the markets that I knew -- you know, knew 15:22 well. And so I knew of their involvement from the 16:01 other side of the equation, from the sell side. And 16:02 as -- you know, I knew them as a very, you know, 16:03 important part of the marketplace. And it was very 16:04 attractive to me to sort of, you know, be able to 16:05 kind of look at things from that perspective, and to 16:06 come in with that level of import, you know, and try 16:07 to make a difference. 16:08 Q. And can you now give me sort of the same 16:09 type of thumbnail sketch of the different positions	00:02:24	Benson_New.3

Benson_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	16:10 you've had at Fannie Mae up to present?		
	16:11 A. Sure. So I came in as the assistant		
	16:12 treasurer. I was promoted to treasurer a few years		
	16:13 after that. And then within a couple of years, I was		
	16:14 promoted to executive vice president of capital		
	16:15 markets. And I also served as treasurer during, you		
	16:16 know, part of that time.		
	16:17 As the executive vice president of capital		
	16:18 markets, I think over a period of about five years, I		
	16:19 took on additional roles, you know, that came into		
	16:20 that, including strategy and some other things. But		
	16:21 the primary role was to run our balance sheet. And		
	16:22 then I became the CFO, and was CFO for about five		
	17:01 years. And then about two years ago, or a year and a		
	17:02 half ago, I became president.		
75:22 - 76:03	Benson, David 2020-02-28	00:00:11	Benson_New.4
	75:22 And I guess the first thing I'd like to ask is,		
	76:01 meetings of the Fannie Mae executive management		
	76:02 committee, would those be meetings that typically		
	76:03 somebody from FHFA would attend?		
76:06 - 76:07	Benson, David 2020-02-28	00:00:05	Benson_New.5
	76:06 THE WITNESS: Since the inception of the		
	76:07 conservatorship, yes.		
79:11 - 80:15	Benson, David 2020-02-28	00:01:00	Benson_New.6
	79:11 Q. Okay. And are you familiar with the		
	79:12 preferred stock purchase agreements that FHFA and		
	79:13 Treasury signed at the beginning of Fannie Mae's		
	79:14 conservatorship?		
	79:15 A. Yes.		
	79:16 Q. Are you familiar with a provision of the		
	79:17 original preferred stock purchase agreement that		
	79:18 calls for Fannie to, I think, gradually over time,		
	79:19 reduce the size of its retained mortgage portfolio?		
	79:20 A. Yes.		
	79:21 Q. Do you happen to recall the rate at which		
	79:22 Fannie was required to reduce the size of its		
	80:01 retained mortgage portfolio?		
	80:02 A. Yes.		
	80:03 Q. And what was the rate?		
	80:04 A. Initially, 10 percent per year.		

Benson_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	80:05 Q. Okay, and you say initially. Did that		
	80:06 rate change?		
	80:07 A. Yes.		
	80:08 Q. When did it change?		
	80:09 A. 2012.		
	80:10 Q. And it changed as part of the third		
	80:11 amendment to the preferred stock purchase agreements,		
	80:12 does that sound right?		
	80:13 A. The amendment of the summer of 2012, if		
	80:14 that's what you call the third amendment, that's the		
	80:15 amount that -- it increased to 15 percent per year.		
81:01 - 81:13	Benson, David 2020-02-28	00:00:44	Benson_New.7
	81:01 Q. As Fannie is reducing the size of		
	81:02 its retained mortgage portfolio, what effect, if any,		
	81:03 would you expect that to have on the net revenues		
	81:04 that Fannie is bringing in?		
	81:05 A. Net revenues, it would go down.		
	81:06 Q. Okay. And what effect -- what would be		
	81:07 the marginal effect on net revenues or the change in		
	81:08 net revenue in moving from a 10 percent rate of		
	81:09 reduction to a 15 percent rate of reduction?		
	81:10 A. More.		
	81:11 Q. You would expect it to go down faster, is		
	81:12 that correct?		
	81:13 A. Faster, correct.		
136:17 - 136:21	Benson, David 2020-02-28	00:00:11	Benson_New.8
	136:17 (Benson Exhibit No. 11 was		
	136:18 marked for identification.)		
	136:19 BY MR. BARNES:		
 P167.2	136:20 Q. This will be Benson 11. The Bates stamp		
	136:21 on this one is FNM-Fairholme-0022595. And this is a		
142:14 - 143:10	Benson, David 2020-02-28	00:01:09	Benson_New.9
	142:14 Q. And can you say a little more about the		
	142:15 kind of progress that had been made as of March of		
	142:16 2012?		
	142:17 A. Well, as is noted in this document, the		
	142:18 firm was expecting at some point that year to		
	142:19 become -- potentially to become profitable with some		
	142:20 various categories in the income statement that were		
	142:21 somewhat unknowable, but it was at least seeing its		

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DESIGNATION	SOURCE	DURATION	ID
	142:22 way through that. So that was a change from what had 143:01 been going on in the previous few years. 143:02 And, you know, there was a recognition of 143:03 the book of business that had been generated since 143:04 2009 as becoming, you know, the larger part of the 143:05 assets on the balance sheet, which were of much 143:06 higher quality and were expected to perform, you 143:07 know, well going forward. And that much of the 143:08 damage that had been created in the crisis up to that 143:09 point had been reflected in the financial statements 143:10 already. So I think that's what the changes were.		
 Clear			
143:11 - 144:07	Benson, David 2020-02-28	00:01:10	Benson_New.10
	143:11 Q. And early on in that answer, you made 143:12 reference to various categories in the income 143:13 statement that were unknowable. 143:14 A. Uh-huh. 143:15 Q. What categories do you have in mind there? 143:16 A. Fair value, gains and losses, the 143:17 amortization -- amortization income from the GSE 143:18 book. At the time, I think the expectation was that 143:19 the credit-related income would become -- would begin 143:20 to -- would have stabilized, which had been very, 143:21 very negative for quite some time, would stabilize 143:22 and go positive. But that's an unknowable also, 144:01 meaning it's dependent upon a number of factors. 144:02 So, you know, interest rates are not 144:03 knowable, in terms of the direction they're going to 144:04 head, and that impacts a number of these items as 144:05 well. Home price appreciation or depreciation in any 144:06 given period is unknowable, and would have impact on 144:07 credit-related income.		
144:08 - 144:14	Benson, David 2020-02-28	00:00:18	Benson_New.11
	144:08 Q. And I think you also mentioned that the 144:09 book of business that Fannie had from 2009 forward 144:10 was better or more profitable. Do I have that right? 144:11 A. Correct. 144:12 Q. And can you just kind of explain the 144:13 difference between the 2009 and thereafter book of 144:14 business versus the earlier book of business?		
144:17 - 145:05	Benson, David 2020-02-28	00:00:40	Benson_New.12

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DESIGNATION	SOURCE	DURATION	ID
	144:17 THE WITNESS: Underwriting standards were 144:18 tightened, so the loans that were originated during 144:19 those periods were, on average, and in the tails, 144:20 meaning in their worst components, better than what 144:21 had been the case. Many of the kinds of products 144:22 that had been problematic that created losses in the 145:01 prior periods no longer existed even in the 145:02 marketplace at all. So there were just very 145:03 significant changes in the industry and at Fannie to 145:04 generate what was expected to be a very, you know, 145:05 profitable book.		Benson_New.12
158:16 - 158:17	Benson, David 2020-02-28	00:00:11	Benson_New.13
 P211.1	158:16 Q. And this will be Benson 14, and it's Bates 158:17 number FHFA-00047951. And, Mr. Benson, again, you're		
158:22 - 159:04	Benson, David 2020-02-28	00:00:19	Benson_New.14
	158:22 Q. And the date on this document is July 9th, 159:01 And I guess, as an initial matter, can you 159:02 give me a sense for the trajectory of Fannie's 159:03 expectations with respect to credit expenses in the 159:04 summer of 2012?		
159:06 - 159:15	Benson, David 2020-02-28	00:00:28	Benson_New.15
	159:06 THE WITNESS: That they would improve. 159:07 BY MR. BARNES: 159:08 Q. And what was the reason for thinking that 159:09 they would improve? 159:10 A. Home prices were starting to recover, and 159:11 the overall credit environment was recovering with 159:12 them. 159:13 Q. And was the expectation that that would 159:14 make an appreciable difference, in terms of Fannie's 159:15 profitability?		
159:17 - 159:17	Benson, David 2020-02-28	00:00:02	Benson_New.16
	159:17 THE WITNESS: Over time, yes.		
160:04 - 160:05	Benson, David 2020-02-28	00:00:09	Benson_New.17
 OLDP196.1	160:04 Q. And this is Benson 15, Bates number 160:05 FHFA-00073824.		
160:18 - 161:06	Benson, David 2020-02-28	00:00:35	Benson_New.18
	160:18 Q. Okay. And the author of the email -- this 160:19 is an internal FHFA email -- suggests that Fannie		

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DESIGNATION	SOURCE	DURATION	ID
 OLDP196.1.11	160:20 could see a roaring recovery fueled in large part by 160:21 drawing down on approximately \$70 billion allowance 160:22 for loan loss reserves and 03-3 loans. Do you see 161:01 that? 161:02 A. Uh-huh. 161:03 Q. In May of 2012, was it your expectation 161:04 that Fannie would experience a roaring recovery as a 161:05 result of the recognition of money coming out of the 161:06 loan loss reserve?		
161:08 - 161:18	Benson, David 2020-02-28	00:00:33	Benson_New.19
 OLDP196.1.12	161:08 THE WITNESS: I can't recall specifically, 161:09 you know, May of 2012. But in the period, in 2012, 161:10 when we returned to profitability, all -- you know, 161:11 the factors that would -- that we discussed, which 161:12 were improving home prices and better credit 161:13 conditions, and all of that, were playing into a 161:14 better profile for our profitability. I think those 161:15 trends continued. So we've already really discussed 161:16 what I think our -- you know, how we were thinking 161:17 about things in that early period, when we had just 161:18 begun to be profitable.		
173:07 - 173:10	Benson, David 2020-02-28	00:00:12	Benson_New.20
 OLDP216.1	173:07 Q. Mr. Benson, have you seen this document 173:08 before? It's Bates stamped FNM-Fairholme-0039749. 173:09 A. Yes, I have. 173:10 Q. When was the last time you saw it?		
173:12 - 174:10	Benson, David 2020-02-28	00:01:04	Benson_New.21
 OLDP216.1.1	173:12 THE WITNESS: I saw this in preparation 173:13 for this deposition. 173:14 BY MR. BARNES: 173:15 Q. And did you have a role in preparing this 173:16 document? 173:17 A. Yes. 173:18 Q. And the title of the document is strategic 173:19 planning session. What is that referring to, 173:20 strategic planning session? 173:21 A. Each July, the board of directors 173:22 typically would reserve two to three hours a time to 174:01 talk about what they would call strategic planning. 174:02 Strategic planning, in the context of being a GSE in		

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DESIGNATION	SOURCE	DURATION	ID
	174:03 conservatorship, might have a slightly different feel		
	174:04 to it than in a normal commercial corporate setting,		
	174:05 but nevertheless, it was to discuss, you know,		
	174:06 matters of long-term, you know, import to the		
	174:07 company.		
	174:08 Q. And in the course of these strategic		
	174:09 planning sessions, would one thing that you would		
	174:10 look at be the financial projections for the company?		
174:12 - 174:13	Benson, David 2020-02-28	00:00:03	Benson_New.22
	174:12 THE WITNESS: The answer is sometimes, but		
	174:13 not necessarily.		
174:15 - 175:18	Benson, David 2020-02-28	00:02:01	Benson_New.23
 OLDP216.14	174:15 Q. Okay. And if you would flip to slide 13		
	174:16 of this document. And there is a bar chart here, and		
	174:17 it looks like it's got some projections about		
	174:18 Fannie's dividend payments to the Treasury		
	174:19 Department, is that right?		
	174:20 A. Correct.		
	174:21 Q. And it appears that there is a -- the		
 OLDP216.14.1	174:22 chart -- the bars associated with 2020 are circled.		
	175:01 Can you explain for me why those years are circled?		
	175:02 A. Sure. There's two bars. The lighter bar		
	175:03 is dividend payments that have been made to Treasury.		
	175:04 And many of these years, they're showing are		
	175:05 obviously a stylized estimate of the future, because		
	175:06 I think this has been published in 2012. So you have		
	175:07 maybe four years of actuals, and then the rest is		
	175:08 some form of estimate or forecast of the type.		
	175:09 And then the right gray bar, darker bar,		
	175:10 is the -- it's the aggregate amount of draws that had		
	175:11 been taken. And so -- and then the circled bar is		
	175:12 where the dividend payments on a cumulative basis		
	175:13 that have gone to Treasury exceeded the cumulative		
	175:14 draws. And this is a combination of both Fannie and		
	175:15 Freddie, so it's an estimate of both GSEs combined.		
	175:16 Q. And to what extent, if any, did you think		
	175:17 the GSEs making combined dividend payments in excess		
	175:18 of Treasury's investment was a significant event?		
175:20 - 176:14	Benson, David 2020-02-28	00:00:58	Benson_New.24
	175:20 THE WITNESS: It was a -- I would consider		



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DESIGNATION	SOURCE	DURATION	ID
	175:21 this to have been in the category of a marketing 175:22 issue of representing the benefits that the 176:01 government had received versus the commitment or the 176:02 actual amounts that they had had to put in. So using 176:03 this as sort of a marketing spin on trying to put 176:04 success on that wrapper. 176:05 BY MR. BARNES: 176:06 Q. And who was the target of the marketing? 176:07 A. Well, this was a presentation to the board 176:08 of directors, and offering to them ideas of how one 176:09 might position, from a marketing standpoint, the 176:10 potential -- basically, the potential, you know, 176:11 success factors of how the GSEs could be looked at, 176:12 at some point in the future, potentially. 176:13 Q. Looked at in the future by whom? 176:14 A. The public.		
176:15 - 176:21  OLDP216.15	Benson, David 2020-02-28 176:15 Q. And if you look at the next page, slide 176:16 14, it looks like there are some more detailed 176:17 financial projections for Fannie and Freddie both. 176:18 Do I have that right? 176:19 A. Correct. 176:20 Q. And why was Fannie preparing financial 176:21 projections for Freddie Mac?	00:00:17	Benson_New.25
177:01 - 177:08	Benson, David 2020-02-28 177:01 THE WITNESS: Well, this is not -- this 177:02 wouldn't have been information -- this would come 177:03 from public information, so it would be information 177:04 that -- we didn't have Freddie's internal. So this 177:05 would have been our attempt to be able to frame, in 177:06 the same way that we would do for yourselves, to do 177:07 the best we could to try to estimate what their 177:08 position might be. And that's what that is.	00:00:24	Benson_New.26
177:22 - 178:02  OLDP216.15	Benson, David 2020-02-28 177:22 Q. Do these projections reflect Fannie's best 178:01 and most honest assessment of how it expected to 178:02 perform in the future at the time?	00:00:08	Benson_New.27
178:04 - 179:07	Benson, David 2020-02-28 178:04 THE WITNESS: This was intended as a	00:01:20	Benson_New.28

Benson_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	178:05 strategic thought piece, as opposed to an audited		
	178:06 financial statement. So these would be, you know,		
	178:07 estimates using information that came from our		
	178:08 finance group with a lens on the various assumptions		
	178:09 also that were -- I believe some of those assumptions		
	178:10 were listed in a previous page -- to really		
	178:11 illustrate what could be -- assuming that those		
	178:12 assumptions were reasonable. Of course, the		
	178:13 actuality of events going forward were going to be		
	178:14 highly sensitive to many of those assumptions and		
	178:15 whether they were correct or not.		
	178:16 You've asked if it was the best estimate.		
	178:17 It wasn't -- the purpose of this wasn't necessarily		
	178:18 to go through the kind of rigor that one would		
	178:19 typically go through, in terms of the way we would do		
	178:20 our official forecast. This was more of a -- call it		
	178:21 an unofficial, long-term forecast, which by the way		
	178:22 is not usual for us to do a 10-year forecast. That's		
	179:01 outside the bounds of what we would typically do for		
	179:02 our own purposes. Typically, that's more of a		
	179:03 five-year forecast that we do.		
	179:04 So, again, it was -- it was a reasonable		
	179:05 estimate in the context of what we were trying to		
	179:06 demonstrate for the purposes of this particular		
	179:07 session.		
182:15 - 182:21	Benson, David 2020-02-28	00:00:30	Benson_New.29
 OLDP213.1	182:15 Q. So this is Benson 19, FHFA-00047889.		
	182:16 Mr. Benson, have you seen this document before?		
	182:17 A. I have not.		
 OLDP213.1.5	182:18 Q. It purports to be a set of notes from a		
	182:19 Fannie Mae executive management meeting on July 9th,		
	182:20 2012.		
	182:21 A. Uh-huh.		
182:22 - 183:02	Benson, David 2020-02-28	00:00:07	Benson_New.30
 OLDP213.1.19	182:22 Q. And if you would, read for me the		
	183:01 paragraph of text that is under GSE strategy update.		
	183:02 A. Okay. Okay.		
183:03 - 183:08	Benson, David 2020-02-28	00:00:19	Benson_New.31
 OLDP213.1.18	183:03 Q. Mr. Benson, did you say at a meeting of		
	183:04 the executive management team on July 9th, 2012 that		

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DESIGNATION	SOURCE	DURATION	ID
	183:05 the next eight years were likely to be the golden		
	183:06 years of GSE earnings?		
	183:07 A. That sounds like something I might have		
 Clear	183:08 said. I don't recall.		
186:18 - 186:18	Benson, David 2020-02-28	00:00:02	Benson_New.32
 OLDP253.1	186:18 Q. This is Benson 22.		
186:21 - 187:02	Benson, David 2020-02-28	00:00:10	Benson_New.33
	186:21 And the first page here		
 OLDP253.1.1	186:22 is an email -- it looks like an email you sent to Tim		
	187:01 Bowler. Does that look right?		
	187:02 A. Tim Bowler.		
187:05 - 187:10	Benson, David 2020-02-28	00:00:17	Benson_New.34
	187:05 Q. Who was or is Tim Bowler?		
	187:06 A. Tim Bowler, at the time, was working at		
	187:07 the Treasury Department. I believe he was a Deputy		
	187:08 Assistant Secretary. I believe that was the title.		
	187:09 Q. And did you routinely interact with		
	187:10 Mr. Bowler or --		
187:12 - 187:13	Benson, David 2020-02-28	00:00:06	Benson_New.35
	187:12 THE WITNESS: I would say it was		
	187:13 reasonably frequent.		
188:04 - 188:05	Benson, David 2020-02-28	00:00:04	Benson_New.36
	188:04 Q. Would you have sent Mr. Bowler a set of		
	188:05 financial projections that you thought were wrong?		
188:07 - 188:07	Benson, David 2020-02-28	00:00:00	Benson_New.37
	188:07 THE WITNESS: No.		
188:10 - 188:10	Benson, David 2020-02-28	00:00:02	Benson_New.38
	188:10 THE WITNESS: No.		
189:19 - 189:21	Benson, David 2020-02-28	00:00:09	Benson_New.39
	189:19 Q. And the financial projections we've been		
	189:20 looking at, would these be projections that FHFA also		
	189:21 would have had access to?		
190:01 - 190:10	Benson, David 2020-02-28	00:00:20	Benson_New.40
 Clear	190:01 THE WITNESS: Yes.		
	190:02 BY MR. BARNES:		
	190:03 Q. Do you recall during this period anyone		
	190:04 from FHFA suggesting that Fannie's projections were		


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DESIGNATION	SOURCE	DURATION	ID
	190:05 too optimistic?		
	190:06 A. I don't recall.		
	190:07 Q. Do you recall anyone from the Treasury		
	190:08 Department suggesting that Fannie Mae's projections		
	190:09 were too optimistic?		
	190:10 A. I don't recall that either.		
191:20 - 192:08	Benson, David 2020-02-28	00:00:30	Benson_New.41
	191:20 Q. Do you recall any discussion within Fannie		
	191:21 Mae before August 16th, 2012, around whether Fannie		
	191:22 would have taxable income in the future?		
	192:01 A. I don't.		
	192:02 Q. Do you recall any discussions within		
	192:03 Fannie Mae about whether it would be necessary to		
	192:04 reverse the valuation allowance on the deferred tax		
	192:05 assets?		
	192:06 A. By when? At what time?		
	192:07 Q. Before August 16th, 2012.		
	192:08 A. I don't.		
198:16 - 198:18	Benson, David 2020-02-28	00:00:09	Benson_New.42
	198:16 Q. Can you give me a sense for how Fannie's		
	198:17 financial condition had changed between September		
	198:18 2011 and August 2012?		
198:20 - 199:05	Benson, David 2020-02-28	00:00:21	Benson_New.43
	198:20 THE WITNESS: I just don't have the data		
	198:21 in front of me to represent -- give you much of a		
	198:22 representation on that, other than improving.		
	199:01 BY MR. BARNES:		
	199:02 Q. Things were getting better?		
	199:03 A. Things were getting better.		
	199:04 Q. And as things got better, would that have		
	199:05 an effect on projections of comprehensive income?		
199:08 - 199:08	Benson, David 2020-02-28	00:00:04	Benson_New.44
	199:08 THE WITNESS: As a general matter, yes.		
205:09 - 205:14	Benson, David 2020-02-28	00:00:11	Benson_New.45
	205:09 Q. Do you recall when you first learned of		
	205:10 the change to the preferred stock purchase agreements		
	205:11 that was made in August?		
	205:12 A. I don't.		
	205:13 Q. Do you remember if you were surprised by		

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DESIGNATION	SOURCE	DURATION	ID
	205:14 it?		
205:16 - 206:05	Benson, David 2020-02-28	00:00:41	Benson_New.46
	205:16 THE WITNESS: I do.		
	205:17 BY MR. BARNES:		
	205:18 Q. Were you surprised?		
	205:19 A. Yes, I was.		
	205:20 Q. What surprised you about it?		
	205:21 A. The -- I mean, all -- you know, all of the		
	205:22 terms were surprising, just meaning they hadn't --		
	206:01 had not -- in many of its terms, had not really		
	206:02 occurred to me as a possibility, or would happen, or		
	206:03 any of that, meaning they were just -- they were		
	206:04 surprising. We were like, oh, that's interesting.		
	206:05 Not expected. Just, oh, okay.		
212:11 - 212:12	Benson, David 2020-02-28	00:00:04	Benson_New.47
	212:11 Q. Do you think it would be a good thing if		
	212:12 Fannie Mae exited from conservatorship?		
212:14 - 213:08	Benson, David 2020-02-28	00:01:13	Benson_New.48
	212:14 THE WITNESS: My opinion? Yes.		
	212:15 BY MR. BARNES:		
	212:16 Q. Why?		
	212:17 A. I come from a commercial background		
	212:18 originally. It's -- I believe that commercial		
	212:19 practices supported by private capital is a good		
	212:20 thing for our economy, and for good corporate		
	212:21 governance and practices. I believe it leads to		
	212:22 better outcomes overall for society, in general,		
	213:01 for -- if, you know -- so, you know, I just naturally		
	213:02 am constituted to want to favor that form of		
	213:03 structure, as opposed to, you know, having the		
	213:04 government be involved in various matters that		
	213:05 perhaps are better left to the private sector to deal		
	213:06 with.		
	213:07 Q. And in order to exit conservatorship, is		
	213:08 it necessary for Fannie to build capital?		
213:10 - 213:10	Benson, David 2020-02-28	00:00:02	Benson_New.49
	213:10 THE WITNESS: Yes.		

Our Designations	00:22:41
TOTAL RUN TIME	00:22:41

 Documents linked to video:

OLDP196

OLDP213

OLDP216

OLDP253

P167

P211

EXHIBIT E

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Designation List Report



Mayopoulos, Timothy

2020-03-10

[Our Designations](#)

[00:24:38](#)

TOTAL RUN TIME

00:24:38



Documents linked to video:

OLDP308

P167



P216




Mayopoulos_New - Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
14:04 - 15:20	Mayopoulos, Timothy 2020-03-10	00:02:05	Mayopoulos_Ne w.1
14:04	Q. Okay. And I guess maybe to start, I'll		
14:05	ask you to just sort of, at a high level, sketch out		
14:06	sort of your professional background up to the time		
14:07	when you came to Fannie Mae.		
14:08	A. I was educated at Cornell University.		
14:09	Graduated in 1980. Went to law school at New York		
14:10	University School of Law, graduated in 1984. Upon		
14:11	graduation I clerked in the Southern District of New		
14:12	York. After that I joined the law firm Davis Polk &		
14:13	Wardwell in New York. I was there until 1994. When		
14:14	I left, joined the Whitewater Investigation in		
14:15	Little Rock, Arkansas, was there for 18 months.		
14:16	Came back to New York. I worked in three		
14:17	investment banks, Donaldson, Lufkin & Jenrette,		
14:18	Credit Suisse First Boston, and Deutsche Bank, and		
14:19	then -- as an in-house lawyer and then moved to		
14:20	Charlotte, North Carolina, where I was the general		
14:21	counsel of Bank of America for five years, and then		
14:22	in early 2009, I joined Fannie Mae.		
15:01	Q. And what was your first job at Fannie		
15:02	Mae? What was your role at the start?		
15:03	A. I was the general counsel.		
15:04	Q. And I think you were eventually promoted		
15:05	from that position. Do I have that right?		
15:06	A. I served as the general counsel		
15:07	exclusively for the first 18 months or so, and then		
15:08	I was made the chief administrative officer, and		
15:09	served in that capacity for another 18 months and		
15:10	then was named the CEO in June 2012.		
15:11	Q. And can you describe for me generally		
15:12	what your responsibilities were as chief		
15:13	administrative officer?		
15:14	A. It included the general counsel function,		
15:15	but also included oversight over things such as		
15:16	human resources and communications and marketing, a		
15:17	variety of kind of nonbusiness, but functional		
15:18	roles.		
15:19	Q. And when were you promoted to CEO?		
15:20	A. June 2012.		



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DESIGNATION	SOURCE	DURATION	ID
83:04 - 83:15	Mayopoulos, Timothy 2020-03-10	00:00:47	Mayopoulos_Ne
 P167.1	83:04 Q. And this will be Exhibit 7.		w.3
	83:05 FNM-Fairholme-0022594, and at least the way it pops		
	83:06 up on my document review platform, I've also		
	83:07 included a document that I think was separately		
 P167.2	83:08 produced, which is just the sequential Bates number,		
	83:09 which is FNM-Fairholme-0022595.		
 P167.1.1	83:10 And, if you would, just read the cover		
	83:11 e-mail for me, and I'm actually -- this is a draft.		
	83:12 I'm mostly going to ask you questions about the		
	83:13 final version of the document rather than the draft,		
	83:14 but just wanted to -- to kind of show you the draft		
	83:15 as an initial matter.		
83:16 - 84:11	Mayopoulos, Timothy 2020-03-10	00:01:14	Mayopoulos_Ne
	83:16 And I ask you, sir, if you've seen these		w.4
	83:17 documents before.		
	83:18 A. I have.		
	83:19 Q. When was the last time you saw them?		
	83:20 A. I think I saw them yesterday.		
	83:21 Q. And do you recall the circumstances of --		
	83:22 of sort of what prompted the drafting of this		
	84:01 letter?		
	84:02 A. I don't have a detailed recollection, but		
	84:03 I do recall that the board of directors had		
	84:04 expressed desire to communicate with Director		
	84:05 DeMarco in writing about steps that might be taken		
	84:06 to publicize the progress that Fannie Mae had made		
	84:07 and to help market and policymakers understand the		
	84:08 current state of the company.		
	84:09 Q. And would this have been a common way for		
	84:10 the board to communicate with Director DeMarco, or		
	84:11 was this a little unusual?		
84:13 - 85:02	Mayopoulos, Timothy 2020-03-10	00:00:37	Mayopoulos_Ne
 Clear	84:13 If your question is did the		w.5
	84:14 board write many letters to Director DeMarco, it		
	84:15 wrote some, but it didn't write many.		
	84:16 --		
	84:17 Q. Okay. And what were the circumstances		
	84:18 under which the board would opt to write a letter to		
	84:19 the director of FHFA?		

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DESIGNATION	SOURCE	DURATION	ID
	84:20 A. I believe it was in those circumstances		
	84:21 where it had things it wanted to convey that were		
	84:22 longer than, you know, a short conversation, and		
	85:01 typically involved things that the board -- the		
	85:02 board felt strongly about.		
86:01 - 86:01	Mayopoulos, Timothy 2020-03-10	00:00:03	Mayopoulos_Ne
	86:01 Q. And this is I guess, Exhibit 8.		w.6
86:04 - 87:15	Mayopoulos, Timothy 2020-03-10	00:02:06	Mayopoulos_Ne
	86:04 This is the		w.7
 OLDP308.1.2	86:05 version that I believe went to FHFA, but it was not		
	86:06 sent until September 14th, 2012, and I'm curious.		
	86:07 Do you recall sort of what explains the		
	86:08 length of the process that was involved in preparing		
	86:09 the letter?		
	86:10 A. I don't remember all of the circumstances		
	86:11 that might have contributed to that passage of time.		
	86:12 I think some of it was getting feedback from the		
	86:13 board, which consists of a dozen or so people,		
	86:14 consists of incorporating those comments. It		
	86:15 consists -- I think there were also events that may		
	86:16 have occurred in that period that may have		
	86:17 influenced what the board wanted to put in the		
	86:18 letter, but I don't remember. I can't account for		
	86:19 the six months that it took to -- to finalize the		
	86:20 draft.		
	86:21 Q. Do you recall what any of the events		
	86:22 might have been that would have contributed to the		
	87:01 delay?		
	87:02 A. My recollection is that one of the things		
	87:03 that happened was that -- my recollection is that at		
	87:04 some point FHFA put out some further guidance as to		
	87:05 the strategic plan for -- for the enterprises, and I		
	87:06 think that might have influenced this. But that's		
	87:07 just my vague recollection.		
	87:08 Q. Okay. So you think there was a strategic		
	87:09 plan from FHFA that may have influenced the contents		
	87:10 of the letter; is that right?		
	87:11 A. Maybe. I -- I just -- I can't		
	87:12 remember -- I just remember there was something that		
	87:13 was going on with respect to FHFA that influenced		

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DESIGNATION	SOURCE	DURATION	ID
	87:14 this, and it might have been the strategic plan, but 87:15 I don't remember.		
87:16 - 87:18	Mayopoulos, Timothy 2020-03-10	00:00:08	Mayopoulos_Ne w.8
	87:16 Q. Okay. And what would the board have been 87:17 trying to accomplish in sending a letter like this 87:18 to FHFA?		
87:19 - 88:05	Mayopoulos, Timothy 2020-03-10	00:00:30	Mayopoulos_Ne w.9
 OLDP308.1.1	87:19 A. I think it's captured here on the first 87:20 page of the letter, where the board says that the 87:21 board feels a strong obligation to work with FHFA to 87:22 inform policymakers, industry participants, and the 88:01 public at large about developments of Fannie Mae in 88:02 the housing finance market. 88:03 I think this was an attempt to encourage 88:04 Director DeMarco to share this information with 88:05 those constituencies.		
88:20 - 89:06	Mayopoulos, Timothy 2020-03-10	00:00:22	Mayopoulos_Ne w.10
 OLDP308.1	88:20 Q. And do you have any recollection of how 88:21 FHFA responded to this letter? Did it implement any 88:22 of the suggestions? 89:01 A. My recollection is that there were 89:02 discussions about this. Director DeMarco 89:03 attended -- regularly attended meetings of the board 89:04 of directors in executive session, and my 89:05 recollection is that there were discussions about 89:06 the content of this letter.		
90:16 - 91:16	Mayopoulos, Timothy 2020-03-10	00:01:09	Mayopoulos_Ne w.11
	90:16 Q. And I think you mentioned one of the 90:17 themes in this letter is -- I don't recall how you 90:18 put it, but sort of Fannie's return to 90:19 profitability. 90:20 Is that a fair characterization? 90:21 A. I think what I characterized it was 90:22 progress had been made at Fannie Mae on a number of 91:01 fronts, yeah. 91:02 Q. Okay. And would Director DeMarco have 91:03 been aware of that progress even before receiving 91:04 this letter in September of 2012? 91:05 A. I'm sure he was.		

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DESIGNATION	SOURCE	DURATION	ID
	91:06 Q. Okay. And why are you sure?		
	91:07 A. The senior representatives of FHFA were		
	91:08 on site at Fannie Mae every day. They sat in on all		
	91:09 of our senior management meetings. They sat in all		
	91:10 of our board meetings. They -- they had complete,		
	91:11 open access to everything that was happening at		
	91:12 Fannie Mae, and I'm aware that they gave regular		
	91:13 reports to Director DeMarco and others at FHFA.		
	91:14 So I don't think there was anything going		
	91:15 on at Fannie Mae, progress or otherwise, that they		
	91:16 weren't aware of.		
93:18 - 94:01	Mayopoulos, Timothy 2020-03-10	00:00:16	Mayopoulos_Ne
 OLDP308.5.4	93:18 Q. And now if you would jump ahead to page		w.12
	93:19 5, and I'll ask you to read the section under		
	93:20 heading No. 4, "Fannie Mae Has Built a Demonstrably		
	93:21 Strong New Book of Business."		
	93:22 Do you see that?		
	94:01 A. Yes.		
94:02 - 94:05	Mayopoulos, Timothy 2020-03-10	00:00:08	Mayopoulos_Ne
	94:02 Yes, I've read it.		w.13
	94:03 Q. And what is the board saying in this		
	94:04 section? What is the point they are trying to		
	94:05 convey to FHFA?		
94:07 - 94:22	Mayopoulos, Timothy 2020-03-10	00:00:51	Mayopoulos_Ne
	94:07 A: I think the gist of this is		w.14
	94:08 that while the company had a very challenged book of		
	94:09 business of loans that had been acquired in the		
	94:10 years leading up to the crisis, many of those loans		
	94:11 were either being paid off or otherwise resolved,		
	94:12 and of course every day the company was acquiring		
	94:13 new loans, making new guarantees on loans more		
	94:14 recently originated that had higher credit quality,		
	94:15 and that the mix of the old, more troubled		
	94:16 population of loans and the newer, higher performing		
	94:17 loans, was steadily changing over time.		
	94:18 --		
	94:19 Q. And that's an accurate description of		
	94:20 Fannie's situation as of September 2012; is that		
	94:21 right?		
	94:22 A. Yes.		

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DESIGNATION	SOURCE	DURATION	ID
95:01 - 95:16	Mayopoulos, Timothy 2020-03-10 95:01 Q. And sometimes I've heard people talk 95:02 about this concept use the word "vintages." Is that 95:03 a familiar term to you? 95:04 A. Yes. 95:05 Q. And can you just sort of explain that as 95:06 a concept? 95:07 A. So we would categorize different eras of 95:08 loans by vintage, typically by a year, and so 2005 95:09 would be a vintage and 2006 would be a vintage, and 95:10 we often tracked many of our risk management 95:11 measures by vintage to show what the delinquency 95:12 rate or the loss rate was for 2005 loans versus 2006 95:13 loans or 2008 loans versus 2012 loans. 95:14 Q. Okay. And what did that sort of vintage 95:15 analysis imply about Fannie's profitability going 95:16 forward as of September 2012?	00:00:53	Mayopoulos_Ne w.15
95:18 - 96:20	Mayopoulos, Timothy 2020-03-10 95:18 You know, looking at it 95:19 over the long term we expected that as the mix of 95:20 older vintages running off and newer vintages 95:21 replacing them, that the company would eventually 95:22 return to profitability, and I think actually by 96:01 this point we were profitable for at least a quarter 96:02 or so, that we expected over the long term for that 96:03 to be the case. 96:04 It didn't mean that we would be 96:05 profitable in every financial reporting period, but 96:06 over time the company would -- would -- would return 96:07 to profitability. 96:08 -- 96:09 Q. And this letter, the final version of the 96:10 letter, is dated September 2012, but was that 96:11 Fannie's expectation in July and August of 2012 as 96:12 well? 96:13 A. Yes. We -- we -- we expected that to 96:14 happen so that we expected that over time we would 96:15 get sustained profitability. Again, assuming no 96:16 major changes in the macroeconomic environment or 96:17 sudden changes in our own business practices.	00:01:05	Mayopoulos_Ne w.16

 OLDP308.1.2

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DESIGNATION	SOURCE	DURATION	ID
	96:18 Q. And Fannie Mae was right about that, 96:19 wasn't it? 96:20 A. That turned out to be accurate, yes.		
96:21 - 97:04  OLDP308.6	Mayopoulos, Timothy 2020-03-10 96:21 Q. All right. So flipping ahead, I'd now 96:22 like to ask you to read the balance of page 6. 97:01 There's not a new heading when you get to page 7, 97:02 but you can stop at the end of page 6, and, you 97:03 know, if you need to read more to answer my 97:04 questions, that's okay. But --	00:00:16	Mayopoulos_Ne w.17
97:05 - 97:14  OLDP308.6.3	Mayopoulos, Timothy 2020-03-10 97:05 A. Okay. I've read that. 97:06 Q. Okay. And there's a reference in the 97:07 first paragraph to, quote, A widespread 97:08 misperception among many policymakers and taxpayers 97:09 that Fannie Mae will continue to experience losses 97:10 indefinitely into the future. 97:11 Do you see that? 97:12 A. Yes. 97:13 Q. Was FHFA burdened by that misperception 97:14 when this letter was sent in September of 2012?	00:00:26	Mayopoulos_Ne w.18
97:17 - 99:15  OLDP308.6.4	Mayopoulos, Timothy 2020-03-10 97:17 A: I don't know what FHFA 97:18 thought, and FHFA was made up of hundreds of people, 97:19 if not thousands of people, and so I -- 97:20 -- 97:21 Q. Okay. How about Mr. DeMarco? 97:22 A. I don't know what Mr. DeMarco thought as 98:01 of this moment in time. I don't know. He certainly 98:02 had access to this information and lots of other 98:03 information that showed that conditions were 98:04 improving in the company. 98:05 Q. Okay. And then -- and I guess the third 98:06 paragraph in this section, the paragraph that starts 98:07 with the word "Second," the last -- the last 98:08 sentence reads, "Taking steps to reduce Fannie Mae's 98:09 role in the near term would only hurt troubled 98:10 homeowners, destabilize neighborhoods, and increase 98:11 taxpayer losses, as there are still nearly 500,000 98:12 seriously delinquent loans in our legacy books that	00:02:28	Mayopoulos_Ne w.19

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DESIGNATION	SOURCE	DURATION	ID
	98:13 require aggressive actions."		
	98:14 I wanted to ask you to, I guess, kind of		
	98:15 take this sentence clause by clause. What is the		
	98:16 board saying when it says that taking steps to		
	98:17 reduce Fannie Mae's role in the near term would hurt		
	98:18 troubled homeowners?		
	98:19 A. Well, Fannie Mae was devoting		
	98:20 considerable energy to providing assistance to		
	98:21 homeowners who were unable to make their mortgage		
	98:22 payments, either in the form of loan modifications		
	99:01 or refinancings or, in the case where turning over		
	99:02 the home there's really no alternative to it,		
	99:03 facilitating ways of doing that that had less		
	99:04 detrimental impact on -- on the borrower.		
	99:05 So I think what the board is saying here		
	99:06 is that if Fannie Mae were to be quickly wound down,		
	99:07 those kinds of activities would likely be negatively		
	99:08 impacted.		
	99:09 Q. And why would they be negatively		
	99:10 impacted?		
	99:11 A. Well, if this were done to both Fannie		
	99:12 and Freddie, there were -- there really weren't any		
	99:13 other obvious players to go and conduct those		
	99:14 activities in the absence of Fannie and Freddie, at		
	99:15 least in the immediate term.		
 Clear			
115:17 - 116:22	Mayopoulos, Timothy 2020-03-10	00:01:25	Mayopoulous_Ne w.26
	115:17 Q. And you mentioned in there that		
	115:18 profitability gives policymakers a broader menu of		
	115:19 options.		
	115:20 Did I catch that right?		
	115:21 A. Yes. I think that's right. I think it		
	115:22 enabled -- once Fannie and Freddie got back to		
	116:01 sustained profitability, I think that the range of		
	116:02 options that policymakers were willing to consider		
	116:03 because they could see that the taxpayers were no		
	116:04 longer deeply in the hole, it opened up a range of		
	116:05 possibilities for -- for policymakers to consider		
	116:06 that was broader than they would have considered in		
	116:07 2008 or '09 or '10.		
	116:08 Q. And what were the new potential policies		

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DESIGNATION	SOURCE	DURATION	ID
	116:09 that people could consider?		
	116:10 A. Well, one of them would be ending the		
	116:11 conservatorships, having -- having the companies		
	116:12 exit, raise new capital, become privately		
	116:13 capitalized companies again, very few people --		
	116:14 privately capitalized companies again. Virtually		
	116:15 nobody was talking about that in 2009 or 2010.		
	116:16 Q. That became a viable option for		
	116:17 policymakers when Fannie returned to profitability;		
	116:18 is that right?		
	116:19 A. When Fannie and Freddie both returned to		
	116:20 profitability, yes.		
	116:21 Q. And remind me again when Fannie returned		
	116:22 to profitability.		
117:03 - 117:10	Mayopoulos, Timothy 2020-03-10	00:00:31	Mayopoulos_Ne w.27
	117:03 THE WITNESS: I think we posted a profit		
	117:04 in -- I forget whether it was the first or second		
	117:05 quarter of 2012. So that was the first time we were		
	117:06 profitable since 2008, so that was the first quarter		
	117:07 profitability. Whether that was the first or second		
	117:08 quarter, I don't exactly remember, and then we		
	117:09 became sustainably profitable in the quarters after		
	117:10 that.		
128:12 - 128:12	Mayopoulos, Timothy 2020-03-10	00:00:07	Mayopoulos_Ne w.28
 P216.15	128:12 Q. And if we could, let's		
128:13 - 129:16	Mayopoulos, Timothy 2020-03-10	00:01:28	Mayopoulos_Ne w.43
	128:13 flip to I guess slide 14. And I apologize. The		
	128:14 print is rather small here that we're dealing with.		
	128:15 But if you see, this is a set of financial		
	128:16 projections broken out separately for Fannie Mae and		
	128:17 Freddie Mac, and there's a line in the Fannie		
 P216.15.1	128:18 projections that says, "Remaining funding under		
	128:19 PSPA."		
	128:20 Do you see that?		
	128:21 A. Yes.		
	128:22 Q. And can you tell me, how much does this		
	129:01 suggest there would still be in 2022 of Treasury		
	129:02 funding under the funding commitment?		
	129:03 A. Under this estimate, it appears that as		
	129:04 of 2022 there would be \$118.3 billion left in		

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DESIGNATION	SOURCE	DURATION	ID
	129:05 funding under the PSPA.		
	129:06 Q. And is that generally consistent with		
	129:07 your expectations in July of 2012 about roughly how		
	129:08 much funding would remain available, you know, ten		
	129:09 years into the future under the existing arrangement		
	129:10 with Treasury?		
	129:11 A. I don't know that I had any independent		
	129:12 view of how much funding I thought would be		
	129:13 available ten years out.		
	129:14 Q. Okay. Would this -- would that be		
	129:15 consistent with kind of the considered judgment of		
	129:16 the Fannie management team?		
129:19 - 130:12	Mayopoulos, Timothy 2020-03-10	00:00:55	Mayopoulos_Ne w.29
	129:19 THE WITNESS: I don't know whether that		
	129:20 management team as a whole -- by management team,		
	129:21 I'm saying what we used to call as the executive		
	129:22 committee, whether that group as a group came to a		
	130:01 consensus view. I think the management team		
	130:02 reviewed these projections and thought that they		
	130:03 were reasonable, but I think we all understood that		
	130:04 this was highly dependent on a number of		
	130:05 assumptions.		
	130:06 It was dependent on certain expectations		
	130:07 about the macro environment, and that the right way		
	130:08 to think about this and every other estimate or		
	130:09 projection we made was that it was part of a range		
	130:10 of outcomes that could occur, but for ease of		
	130:11 presentation, we typically presented it as a, you		
	130:12 know, particular point estimate.		
131:11 - 131:16	Mayopoulos, Timothy 2020-03-10	00:00:16	Mayopoulos_Ne w.44
	131:11 Q. Okay. So when I see a financial		
	131:12 projection from this period from Fannie Mae and it		
	131:13 provides a point estimate, is it fair for me to		
	131:14 assume that this is sort of suggesting that there		
	131:15 might be a range of possibilities, some better, some		
	131:16 worse?		
131:19 - 132:14	Mayopoulos, Timothy 2020-03-10	00:01:00	Mayopoulos_Ne w.45
	131:19 THE WITNESS: I think -- I think what		
	131:20 this represents is that this is an estimate. We		
	131:21 were fond of saying that virtually every estimate we		

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DESIGNATION	SOURCE	DURATION	ID
	131:22 made we knew was not going to be accurate. Like, as		
	132:01 I said earlier, the chances that any particular		
	132:02 estimate, especially one going out ten years, would		
	132:03 be exactly correct, you know, it would line up with		
	132:04 what ultimately happened, the chance of that		
	132:05 happening was virtually zero.		
	132:06 So in many ways, this was not -- you		
	132:07 know, while we carried out here numbers to a decimal		
	132:08 point, in my view, the right way to read this was		
	132:09 that this was directionally the way one should think		
	132:10 about things, not that any one of these numbers		
	132:11 particularly was accurate or should represent what		
	132:12 was highly likely to happen. It's actually highly		
	132:13 likely the numbers would be different than		
	132:14 whatever's on the piece of paper.		
136:04 - 136:12	Mayopoulos, Timothy 2020-03-10	00:00:31	Mayopoulos_Ne w.30
	136:04 Q. Sure. Looking at these financial		
	136:05 projections we've been talking about for Fannie Mae,		
	136:06 do they imply a near-term threat that Fannie is		
	136:07 going to make draws so large on Treasury's funding		
	136:08 commitment that it will exhaust the available funds?		
	136:09 A. No. As we discussed earlier, under this		
	136:10 set of assumptions, the model indicates that the		
	136:11 company would still have \$118.3 billion in available		
	136:12 funding as of 2020.		
	 Clear		
143:13 - 144:18	Mayopoulos, Timothy 2020-03-10	00:01:24	Mayopoulos_Ne w.31
	143:13 Q. And how frequent of an occurrence		
	143:14 was it for you to meet with people from the Treasury		
	143:15 Department?		
	143:16 A. We had a standing quarterly meeting with		
	143:17 Treasury. Typically several members of senior		
	143:18 management would go to Treasury and meet with one or		
	143:19 two senior people at Treasury and then a number of		
	143:20 staffers. Meetings typically lasted an hour to an		
	143:21 hour and a half.		
	143:22 Q. Mm-hmm. And do you recall the general		
	144:01 topics that would be discussed, or was there		
	144:02 anything routinely that was on the agenda?		
	144:03 A. We typically reviewed most-recent		
	144:04 financial results, any view we had about upcoming		

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DESIGNATION	SOURCE	DURATION	ID
	144:05 financial results, overall market conditions, and 144:06 then any particular topics that Treasury wanted to 144:07 discuss or we thought were particularly timely. 144:08 Q. And as part of these meetings, would you 144:09 typically present a set of financial projections to 144:10 people from Treasury? 144:11 A. There was usually some form -- you know, 144:12 condensed form of financial projections. 144:13 Q. Mm-hmm. And am I right in assuming that 144:14 when you brought a set of financial projections to 144:15 the Treasury Department, they reflected Fannie Mae's 144:16 best thinking about what it expected to happen in 144:17 the future? 144:18 A. Yes.		
187:14 - 188:10	Mayopoulos, Timothy 2020-03-10 187:14 Q. And I think you expressed that 187:15 concern in terms of sort of political consequences 187:16 of draws. Did you worry about the financial 187:17 consequences of draws? 187:18 A. Not in any immediate way, because there 187:19 was still plenty of capacity left in the PSPA 187:20 commitment. We assumed that at some point if -- if 187:21 Fannie and/or Freddie needed to continue to draw on 187:22 the PSPA commitment, that at some point market 188:01 participants might start to wonder whether there was 188:02 sufficient capital there, thinking about what was on 188:03 balance sheet and what was virtually available to be 188:04 able to continue to do business with us. 188:05 But we didn't think we were anywhere 188:06 close to that risk, but we also assumed that market 188:07 participants, if they were going to get nervous 188:08 about it, would get nervous about it long before 188:09 that number dropped to zero, but we didn't know 188:10 exactly what would be the tipping point.	00:00:55	Mayopoulos_Ne w.37
247:08 - 247:12	Mayopoulos, Timothy 2020-03-10 247:08 Q. In general, at the time that this letter 247:09 was being drafted and throughout the ensuing months 247:10 into the summer of 2012, did you feel relatively 247:11 optimistic about the ability of Fannie Mae to return 247:12 to long-term sustainable profitability?	00:00:18	Mayopoulos_Ne w.38

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DESIGNATION	SOURCE	DURATION	ID
247:15 - 247:18	Mayopoulos, Timothy 2020-03-10 247:15 THE WITNESS: In the summer of 2012 was I 247:16 optimistic that Fannie Mae could achieve sustainable 247:17 profitability? I thought that was -- that was a 247:18 clear possibility, yes.	00:00:12	Mayopoulos_Ne w.39
264:22 - 265:05	Mayopoulos, Timothy 2020-03-10 264:22 Q. Do you think it's important 265:01 for the public to understand that the enterprises 265:02 have paid tens of billion dollars more to the 265:03 Treasury than the Treasury advanced to the 265:04 enterprises? 265:05 A. Yes.	00:00:13	Mayopoulos_Ne w.42

Our Designations**00:24:38****TOTAL RUN TIME****00:24:38**

Documents linked to video:

OLDP308

P167

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EXHIBIT E

Per Plfs Pretrial Statement "Played in Plaintiffs' Case"

Designation List Report



Mayopoulos, Timothy

2020-03-10

[Our Designations](#)

00:24:38

TOTAL RUN TIME

00:24:38



Documents linked to video:

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DESIGNATION	SOURCE	DURATION	ID
14:04 - 15:20	Mayopoulos, Timothy 2020-03-10	00:02:05	Mayopoulos_Ne w.1
14:04	Q. Okay. And I guess maybe to start, I'll		
14:05	ask you to just sort of, at a high level, sketch out		
14:06	sort of your professional background up to the time		
14:07	when you came to Fannie Mae.		
14:08	A. I was educated at Cornell University.		
14:09	Graduated in 1980. Went to law school at New York		
14:10	University School of Law, graduated in 1984. Upon		
14:11	graduation I clerked in the Southern District of New		
14:12	York. After that I joined the law firm Davis Polk &		
14:13	Wardwell in New York. I was there until 1994. When		
14:14	I left, joined the Whitewater Investigation in		
14:15	Little Rock, Arkansas, was there for 18 months.		
14:16	Came back to New York. I worked in three		
14:17	investment banks, Donaldson, Lufkin & Jenrette,		
14:18	Credit Suisse First Boston, and Deutsche Bank, and		
14:19	then -- as an in-house lawyer and then moved to		
14:20	Charlotte, North Carolina, where I was the general		
14:21	counsel of Bank of America for five years, and then		
14:22	in early 2009, I joined Fannie Mae.		
15:01	Q. And what was your first job at Fannie		
15:02	Mae? What was your role at the start?		
15:03	A. I was the general counsel.		
15:04	Q. And I think you were eventually promoted		
15:05	from that position. Do I have that right?		
15:06	A. I served as the general counsel		
15:07	exclusively for the first 18 months or so, and then		
15:08	I was made the chief administrative officer, and		
15:09	served in that capacity for another 18 months and		
15:10	then was named the CEO in June 2012.		
15:11	Q. And can you describe for me generally		
15:12	what your responsibilities were as chief		
15:13	administrative officer?		
15:14	A. It included the general counsel function,		
15:15	but also included oversight over things such as		
15:16	human resources and communications and marketing, a		
15:17	variety of kind of nonbusiness, but functional		
15:18	roles.		
15:19	Q. And when were you promoted to CEO?		
15:20	A. June 2012.		



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DESIGNATION	SOURCE	DURATION	ID
83:04 - 83:15	Mayopoulos, Timothy 2020-03-10	00:00:47	Mayopoulos_Ne
 P167.1	83:04 Q. And this will be Exhibit 7.		w.3
	83:05 FNM-Fairholme-0022594, and at least the way it pops		
	83:06 up on my document review platform, I've also		
	83:07 included a document that I think was separately		
 P167.2	83:08 produced, which is just the sequential Bates number,		
	83:09 which is FNM-Fairholme-0022595.		
 P167.1.1	83:10 And, if you would, just read the cover		
	83:11 e-mail for me, and I'm actually -- this is a draft.		
	83:12 I'm mostly going to ask you questions about the		
	83:13 final version of the document rather than the draft,		
	83:14 but just wanted to -- to kind of show you the draft		
	83:15 as an initial matter.		
83:16 - 84:11	Mayopoulos, Timothy 2020-03-10	00:01:14	Mayopoulos_Ne
	83:16 And I ask you, sir, if you've seen these		w.4
	83:17 documents before.		
	83:18 A. I have.		
	83:19 Q. When was the last time you saw them?		
	83:20 A. I think I saw them yesterday.		
	83:21 Q. And do you recall the circumstances of --		
	83:22 of sort of what prompted the drafting of this		
	84:01 letter?		
	84:02 A. I don't have a detailed recollection, but		
	84:03 I do recall that the board of directors had		
	84:04 expressed desire to communicate with Director		
	84:05 DeMarco in writing about steps that might be taken		
	84:06 to publicize the progress that Fannie Mae had made		
	84:07 and to help market and policymakers understand the		
	84:08 current state of the company.		
	84:09 Q. And would this have been a common way for		
	84:10 the board to communicate with Director DeMarco, or		
	84:11 was this a little unusual?		
84:13 - 85:02	Mayopoulos, Timothy 2020-03-10	00:00:37	Mayopoulos_Ne
 Clear	84:13 If your question is did the		w.5
	84:14 board write many letters to Director DeMarco, it		
	84:15 wrote some, but it didn't write many.		
	84:16 --		
	84:17 Q. Okay. And what were the circumstances		
	84:18 under which the board would opt to write a letter to		
	84:19 the director of FHFA?		

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DESIGNATION	SOURCE	DURATION	ID
	84:20 A. I believe it was in those circumstances		
	84:21 where it had things it wanted to convey that were		
	84:22 longer than, you know, a short conversation, and		
	85:01 typically involved things that the board -- the		
	85:02 board felt strongly about.		
86:01 - 86:01	Mayopoulos, Timothy 2020-03-10	00:00:03	Mayopoulos_Ne
	86:01 Q. And this is I guess, Exhibit 8.		w.6
86:04 - 87:15	Mayopoulos, Timothy 2020-03-10	00:02:06	Mayopoulos_Ne
	86:04 This is the		w.7
 OLDP308.1.2	86:05 version that I believe went to FHFA, but it was not		
	86:06 sent until September 14th, 2012, and I'm curious.		
	86:07 Do you recall sort of what explains the		
	86:08 length of the process that was involved in preparing		
	86:09 the letter?		
	86:10 A. I don't remember all of the circumstances		
	86:11 that might have contributed to that passage of time.		
	86:12 I think some of it was getting feedback from the		
	86:13 board, which consists of a dozen or so people,		
	86:14 consists of incorporating those comments. It		
	86:15 consists -- I think there were also events that may		
	86:16 have occurred in that period that may have		
	86:17 influenced what the board wanted to put in the		
	86:18 letter, but I don't remember. I can't account for		
	86:19 the six months that it took to -- to finalize the		
	86:20 draft.		
	86:21 Q. Do you recall what any of the events		
	86:22 might have been that would have contributed to the		
	87:01 delay?		
	87:02 A. My recollection is that one of the things		
	87:03 that happened was that -- my recollection is that at		
	87:04 some point FHFA put out some further guidance as to		
	87:05 the strategic plan for -- for the enterprises, and I		
	87:06 think that might have influenced this. But that's		
	87:07 just my vague recollection.		
	87:08 Q. Okay. So you think there was a strategic		
	87:09 plan from FHFA that may have influenced the contents		
	87:10 of the letter; is that right?		
	87:11 A. Maybe. I -- I just -- I can't		
	87:12 remember -- I just remember there was something that		
	87:13 was going on with respect to FHFA that influenced		

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DESIGNATION	SOURCE	DURATION	ID
	87:14 this, and it might have been the strategic plan, but 87:15 I don't remember.		
87:16 - 87:18	Mayopoulos, Timothy 2020-03-10	00:00:08	Mayopoulos_Ne w.8
	87:16 Q. Okay. And what would the board have been 87:17 trying to accomplish in sending a letter like this 87:18 to FHFA?		
87:19 - 88:05	Mayopoulos, Timothy 2020-03-10	00:00:30	Mayopoulos_Ne w.9
 OLDP308.1.1	87:19 A. I think it's captured here on the first 87:20 page of the letter, where the board says that the 87:21 board feels a strong obligation to work with FHFA to 87:22 inform policymakers, industry participants, and the 88:01 public at large about developments of Fannie Mae in 88:02 the housing finance market. 88:03 I think this was an attempt to encourage 88:04 Director DeMarco to share this information with 88:05 those constituencies.		
88:20 - 89:06	Mayopoulos, Timothy 2020-03-10	00:00:22	Mayopoulos_Ne w.10
 OLDP308.1	88:20 Q. And do you have any recollection of how 88:21 FHFA responded to this letter? Did it implement any 88:22 of the suggestions? 89:01 A. My recollection is that there were 89:02 discussions about this. Director DeMarco 89:03 attended -- regularly attended meetings of the board 89:04 of directors in executive session, and my 89:05 recollection is that there were discussions about 89:06 the content of this letter.		
90:16 - 91:16	Mayopoulos, Timothy 2020-03-10	00:01:09	Mayopoulos_Ne w.11
	90:16 Q. And I think you mentioned one of the 90:17 themes in this letter is -- I don't recall how you 90:18 put it, but sort of Fannie's return to 90:19 profitability. 90:20 Is that a fair characterization? 90:21 A. I think what I characterized it was 90:22 progress had been made at Fannie Mae on a number of 91:01 fronts, yeah. 91:02 Q. Okay. And would Director DeMarco have 91:03 been aware of that progress even before receiving 91:04 this letter in September of 2012? 91:05 A. I'm sure he was.		

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DESIGNATION	SOURCE	DURATION	ID
	91:06 Q. Okay. And why are you sure?		
	91:07 A. The senior representatives of FHFA were		
	91:08 on site at Fannie Mae every day. They sat in on all		
	91:09 of our senior management meetings. They sat in all		
	91:10 of our board meetings. They -- they had complete,		
	91:11 open access to everything that was happening at		
	91:12 Fannie Mae, and I'm aware that they gave regular		
	91:13 reports to Director DeMarco and others at FHFA.		
	91:14 So I don't think there was anything going		
	91:15 on at Fannie Mae, progress or otherwise, that they		
	91:16 weren't aware of.		
93:18 - 94:01	Mayopoulos, Timothy 2020-03-10	00:00:16	Mayopoulos_Ne
 OLDP308.5.4	93:18 Q. And now if you would jump ahead to page		w.12
	93:19 5, and I'll ask you to read the section under		
	93:20 heading No. 4, "Fannie Mae Has Built a Demonstrably		
	93:21 Strong New Book of Business."		
	93:22 Do you see that?		
	94:01 A. Yes.		
94:02 - 94:05	Mayopoulos, Timothy 2020-03-10	00:00:08	Mayopoulos_Ne
	94:02 Yes, I've read it.		w.13
	94:03 Q. And what is the board saying in this		
	94:04 section? What is the point they are trying to		
	94:05 convey to FHFA?		
94:07 - 94:22	Mayopoulos, Timothy 2020-03-10	00:00:51	Mayopoulos_Ne
	94:07 A: I think the gist of this is		w.14
	94:08 that while the company had a very challenged book of		
	94:09 business of loans that had been acquired in the		
	94:10 years leading up to the crisis, many of those loans		
	94:11 were either being paid off or otherwise resolved,		
	94:12 and of course every day the company was acquiring		
	94:13 new loans, making new guarantees on loans more		
	94:14 recently originated that had higher credit quality,		
	94:15 and that the mix of the old, more troubled		
	94:16 population of loans and the newer, higher performing		
	94:17 loans, was steadily changing over time.		
	94:18 --		
	94:19 Q. And that's an accurate description of		
	94:20 Fannie's situation as of September 2012; is that		
	94:21 right?		
	94:22 A. Yes.		

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DESIGNATION	SOURCE	DURATION	ID
95:01 - 95:16	Mayopoulos, Timothy 2020-03-10 95:01 Q. And sometimes I've heard people talk 95:02 about this concept use the word "vintages." Is that 95:03 a familiar term to you? 95:04 A. Yes. 95:05 Q. And can you just sort of explain that as 95:06 a concept? 95:07 A. So we would categorize different eras of 95:08 loans by vintage, typically by a year, and so 2005 95:09 would be a vintage and 2006 would be a vintage, and 95:10 we often tracked many of our risk management 95:11 measures by vintage to show what the delinquency 95:12 rate or the loss rate was for 2005 loans versus 2006 95:13 loans or 2008 loans versus 2012 loans. 95:14 Q. Okay. And what did that sort of vintage 95:15 analysis imply about Fannie's profitability going 95:16 forward as of September 2012?	00:00:53	Mayopoulos_Ne w.15
95:18 - 96:20	Mayopoulos, Timothy 2020-03-10 95:18 You know, looking at it 95:19 over the long term we expected that as the mix of 95:20 older vintages running off and newer vintages 95:21 replacing them, that the company would eventually 95:22 return to profitability, and I think actually by 96:01 this point we were profitable for at least a quarter 96:02 or so, that we expected over the long term for that 96:03 to be the case. 96:04 It didn't mean that we would be 96:05 profitable in every financial reporting period, but 96:06 over time the company would -- would -- would return 96:07 to profitability. 96:08 -- 96:09 Q. And this letter, the final version of the 96:10 letter, is dated September 2012, but was that 96:11 Fannie's expectation in July and August of 2012 as 96:12 well? 96:13 A. Yes. We -- we -- we expected that to 96:14 happen so that we expected that over time we would 96:15 get sustained profitability. Again, assuming no 96:16 major changes in the macroeconomic environment or 96:17 sudden changes in our own business practices.	00:01:05	Mayopoulos_Ne w.16

 OLDP308.1.2

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DESIGNATION	SOURCE	DURATION	ID
	96:18 Q. And Fannie Mae was right about that, 96:19 wasn't it? 96:20 A. That turned out to be accurate, yes.		
96:21 - 97:04  OLDP308.6	Mayopoulos, Timothy 2020-03-10 96:21 Q. All right. So flipping ahead, I'd now 96:22 like to ask you to read the balance of page 6. 97:01 There's not a new heading when you get to page 7, 97:02 but you can stop at the end of page 6, and, you 97:03 know, if you need to read more to answer my 97:04 questions, that's okay. But --	00:00:16	Mayopoulos_Ne w.17
97:05 - 97:14  OLDP308.6.3	Mayopoulos, Timothy 2020-03-10 97:05 A. Okay. I've read that. 97:06 Q. Okay. And there's a reference in the 97:07 first paragraph to, quote, A widespread 97:08 misperception among many policymakers and taxpayers 97:09 that Fannie Mae will continue to experience losses 97:10 indefinitely into the future. 97:11 Do you see that? 97:12 A. Yes. 97:13 Q. Was FHFA burdened by that misperception 97:14 when this letter was sent in September of 2012?	00:00:26	Mayopoulos_Ne w.18
97:17 - 99:15  OLDP308.6.4	Mayopoulos, Timothy 2020-03-10 97:17 A: I don't know what FHFA 97:18 thought, and FHFA was made up of hundreds of people, 97:19 if not thousands of people, and so I -- 97:20 -- 97:21 Q. Okay. How about Mr. DeMarco? 97:22 A. I don't know what Mr. DeMarco thought as 98:01 of this moment in time. I don't know. He certainly 98:02 had access to this information and lots of other 98:03 information that showed that conditions were 98:04 improving in the company. 98:05 Q. Okay. And then -- and I guess the third 98:06 paragraph in this section, the paragraph that starts 98:07 with the word "Second," the last -- the last 98:08 sentence reads, "Taking steps to reduce Fannie Mae's 98:09 role in the near term would only hurt troubled 98:10 homeowners, destabilize neighborhoods, and increase 98:11 taxpayer losses, as there are still nearly 500,000 98:12 seriously delinquent loans in our legacy books that	00:02:28	Mayopoulos_Ne w.19

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DESIGNATION	SOURCE	DURATION	ID
	98:13 require aggressive actions."		
	98:14 I wanted to ask you to, I guess, kind of		
	98:15 take this sentence clause by clause. What is the		
	98:16 board saying when it says that taking steps to		
	98:17 reduce Fannie Mae's role in the near term would hurt		
	98:18 troubled homeowners?		
	98:19 A. Well, Fannie Mae was devoting		
	98:20 considerable energy to providing assistance to		
	98:21 homeowners who were unable to make their mortgage		
	98:22 payments, either in the form of loan modifications		
	99:01 or refinancings or, in the case where turning over		
	99:02 the home there's really no alternative to it,		
	99:03 facilitating ways of doing that that had less		
	99:04 detrimental impact on -- on the borrower.		
	99:05 So I think what the board is saying here		
	99:06 is that if Fannie Mae were to be quickly wound down,		
	99:07 those kinds of activities would likely be negatively		
	99:08 impacted.		
	99:09 Q. And why would they be negatively		
	99:10 impacted?		
	99:11 A. Well, if this were done to both Fannie		
	99:12 and Freddie, there were -- there really weren't any		
	99:13 other obvious players to go and conduct those		
	99:14 activities in the absence of Fannie and Freddie, at		
	99:15 least in the immediate term.		
 Clear			
115:17 - 116:22	Mayopoulos, Timothy 2020-03-10	00:01:25	Mayopoulous_Ne w.26
	115:17 Q. And you mentioned in there that		
	115:18 profitability gives policymakers a broader menu of		
	115:19 options.		
	115:20 Did I catch that right?		
	115:21 A. Yes. I think that's right. I think it		
	115:22 enabled -- once Fannie and Freddie got back to		
	116:01 sustained profitability, I think that the range of		
	116:02 options that policymakers were willing to consider		
	116:03 because they could see that the taxpayers were no		
	116:04 longer deeply in the hole, it opened up a range of		
	116:05 possibilities for -- for policymakers to consider		
	116:06 that was broader than they would have considered in		
	116:07 2008 or '09 or '10.		
	116:08 Q. And what were the new potential policies		

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DESIGNATION	SOURCE	DURATION	ID
	116:09 that people could consider?		
	116:10 A. Well, one of them would be ending the		
	116:11 conservatorships, having -- having the companies		
	116:12 exit, raise new capital, become privately		
	116:13 capitalized companies again, very few people --		
	116:14 privately capitalized companies again. Virtually		
	116:15 nobody was talking about that in 2009 or 2010.		
	116:16 Q. That became a viable option for		
	116:17 policymakers when Fannie returned to profitability;		
	116:18 is that right?		
	116:19 A. When Fannie and Freddie both returned to		
	116:20 profitability, yes.		
	116:21 Q. And remind me again when Fannie returned		
	116:22 to profitability.		
117:03 - 117:10	Mayopoulos, Timothy 2020-03-10	00:00:31	Mayopoulos_Ne w.27
	117:03 THE WITNESS: I think we posted a profit		
	117:04 in -- I forget whether it was the first or second		
	117:05 quarter of 2012. So that was the first time we were		
	117:06 profitable since 2008, so that was the first quarter		
	117:07 profitability. Whether that was the first or second		
	117:08 quarter, I don't exactly remember, and then we		
	117:09 became sustainably profitable in the quarters after		
	117:10 that.		
128:12 - 128:12	Mayopoulos, Timothy 2020-03-10	00:00:07	Mayopoulos_Ne w.28
 P216.15	128:12 Q. And if we could, let's		
128:13 - 129:16	Mayopoulos, Timothy 2020-03-10	00:01:28	Mayopoulos_Ne w.43
	128:13 flip to I guess slide 14. And I apologize. The		
	128:14 print is rather small here that we're dealing with.		
	128:15 But if you see, this is a set of financial		
	128:16 projections broken out separately for Fannie Mae and		
	128:17 Freddie Mac, and there's a line in the Fannie		
 P216.15.1	128:18 projections that says, "Remaining funding under		
	128:19 PSPA."		
	128:20 Do you see that?		
	128:21 A. Yes.		
	128:22 Q. And can you tell me, how much does this		
	129:01 suggest there would still be in 2022 of Treasury		
	129:02 funding under the funding commitment?		
	129:03 A. Under this estimate, it appears that as		
	129:04 of 2022 there would be \$118.3 billion left in		

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DESIGNATION	SOURCE	DURATION	ID
	129:05 funding under the PSPA.		
	129:06 Q. And is that generally consistent with		
	129:07 your expectations in July of 2012 about roughly how		
	129:08 much funding would remain available, you know, ten		
	129:09 years into the future under the existing arrangement		
	129:10 with Treasury?		
	129:11 A. I don't know that I had any independent		
	129:12 view of how much funding I thought would be		
	129:13 available ten years out.		
	129:14 Q. Okay. Would this -- would that be		
	129:15 consistent with kind of the considered judgment of		
	129:16 the Fannie management team?		
129:19 - 130:12	Mayopoulos, Timothy 2020-03-10	00:00:55	Mayopoulos_Ne w.29
	129:19 THE WITNESS: I don't know whether that		
	129:20 management team as a whole -- by management team,		
	129:21 I'm saying what we used to call as the executive		
	129:22 committee, whether that group as a group came to a		
	130:01 consensus view. I think the management team		
	130:02 reviewed these projections and thought that they		
	130:03 were reasonable, but I think we all understood that		
	130:04 this was highly dependent on a number of		
	130:05 assumptions.		
	130:06 It was dependent on certain expectations		
	130:07 about the macro environment, and that the right way		
	130:08 to think about this and every other estimate or		
	130:09 projection we made was that it was part of a range		
	130:10 of outcomes that could occur, but for ease of		
	130:11 presentation, we typically presented it as a, you		
	130:12 know, particular point estimate.		
131:11 - 131:16	Mayopoulos, Timothy 2020-03-10	00:00:16	Mayopoulos_Ne w.44
	131:11 Q. Okay. So when I see a financial		
	131:12 projection from this period from Fannie Mae and it		
	131:13 provides a point estimate, is it fair for me to		
	131:14 assume that this is sort of suggesting that there		
	131:15 might be a range of possibilities, some better, some		
	131:16 worse?		
131:19 - 132:14	Mayopoulos, Timothy 2020-03-10	00:01:00	Mayopoulos_Ne w.45
	131:19 THE WITNESS: I think -- I think what		
	131:20 this represents is that this is an estimate. We		
	131:21 were fond of saying that virtually every estimate we		

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DESIGNATION	SOURCE	DURATION	ID
	131:22 made we knew was not going to be accurate. Like, as		
	132:01 I said earlier, the chances that any particular		
	132:02 estimate, especially one going out ten years, would		
	132:03 be exactly correct, you know, it would line up with		
	132:04 what ultimately happened, the chance of that		
	132:05 happening was virtually zero.		
	132:06 So in many ways, this was not -- you		
	132:07 know, while we carried out here numbers to a decimal		
	132:08 point, in my view, the right way to read this was		
	132:09 that this was directionally the way one should think		
	132:10 about things, not that any one of these numbers		
	132:11 particularly was accurate or should represent what		
	132:12 was highly likely to happen. It's actually highly		
	132:13 likely the numbers would be different than		
	132:14 whatever's on the piece of paper.		
136:04 - 136:12	Mayopoulos, Timothy 2020-03-10	00:00:31	Mayopoulos_Ne w.30
	136:04 Q. Sure. Looking at these financial		
	136:05 projections we've been talking about for Fannie Mae,		
	136:06 do they imply a near-term threat that Fannie is		
	136:07 going to make draws so large on Treasury's funding		
	136:08 commitment that it will exhaust the available funds?		
	136:09 A. No. As we discussed earlier, under this		
	136:10 set of assumptions, the model indicates that the		
	136:11 company would still have \$118.3 billion in available		
	136:12 funding as of 2020.		
	 Clear		
143:13 - 144:18	Mayopoulos, Timothy 2020-03-10	00:01:24	Mayopoulos_Ne w.31
	143:13 Q. And how frequent of an occurrence		
	143:14 was it for you to meet with people from the Treasury		
	143:15 Department?		
	143:16 A. We had a standing quarterly meeting with		
	143:17 Treasury. Typically several members of senior		
	143:18 management would go to Treasury and meet with one or		
	143:19 two senior people at Treasury and then a number of		
	143:20 staffers. Meetings typically lasted an hour to an		
	143:21 hour and a half.		
	143:22 Q. Mm-hmm. And do you recall the general		
	144:01 topics that would be discussed, or was there		
	144:02 anything routinely that was on the agenda?		
	144:03 A. We typically reviewed most-recent		
	144:04 financial results, any view we had about upcoming		

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DESIGNATION	SOURCE	DURATION	ID
	144:05 financial results, overall market conditions, and 144:06 then any particular topics that Treasury wanted to 144:07 discuss or we thought were particularly timely. 144:08 Q. And as part of these meetings, would you 144:09 typically present a set of financial projections to 144:10 people from Treasury? 144:11 A. There was usually some form -- you know, 144:12 condensed form of financial projections. 144:13 Q. Mm-hmm. And am I right in assuming that 144:14 when you brought a set of financial projections to 144:15 the Treasury Department, they reflected Fannie Mae's 144:16 best thinking about what it expected to happen in 144:17 the future? 144:18 A. Yes.		
187:14 - 188:10	Mayopoulos, Timothy 2020-03-10 187:14 Q. And I think you expressed that 187:15 concern in terms of sort of political consequences 187:16 of draws. Did you worry about the financial 187:17 consequences of draws? 187:18 A. Not in any immediate way, because there 187:19 was still plenty of capacity left in the PSPA 187:20 commitment. We assumed that at some point if -- if 187:21 Fannie and/or Freddie needed to continue to draw on 187:22 the PSPA commitment, that at some point market 188:01 participants might start to wonder whether there was 188:02 sufficient capital there, thinking about what was on 188:03 balance sheet and what was virtually available to be 188:04 able to continue to do business with us. 188:05 But we didn't think we were anywhere 188:06 close to that risk, but we also assumed that market 188:07 participants, if they were going to get nervous 188:08 about it, would get nervous about it long before 188:09 that number dropped to zero, but we didn't know 188:10 exactly what would be the tipping point.	00:00:55	Mayopoulos_Ne w.37
247:08 - 247:12	Mayopoulos, Timothy 2020-03-10 247:08 Q. In general, at the time that this letter 247:09 was being drafted and throughout the ensuing months 247:10 into the summer of 2012, did you feel relatively 247:11 optimistic about the ability of Fannie Mae to return 247:12 to long-term sustainable profitability?	00:00:18	Mayopoulos_Ne w.38

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DESIGNATION	SOURCE	DURATION	ID
247:15 - 247:18	Mayopoulos, Timothy 2020-03-10 247:15 THE WITNESS: In the summer of 2012 was I 247:16 optimistic that Fannie Mae could achieve sustainable 247:17 profitability? I thought that was -- that was a 247:18 clear possibility, yes.	00:00:12	Mayopoulous_Ne w.39
264:22 - 265:05	Mayopoulos, Timothy 2020-03-10 264:22 Q. Do you think it's important 265:01 for the public to understand that the enterprises 265:02 have paid tens of billion dollars more to the 265:03 Treasury than the Treasury advanced to the 265:04 enterprises? 265:05 A. Yes.	00:00:13	Mayopoulous_Ne w.42

Our Designations	00:24:38
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TOTAL RUN TIME	00:24:38
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Documents linked to video:

OLDP308

P167

P216

EXHIBIT F

Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

Designation List Report



Lockhart, James

2021-01-13

[Our Designations](#)

00:32:42

TOTAL RUN TIME

00:32:42



Documents linked to video:

OLDP2B

OLDP2C

P515

P520




Lockhart_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
10:16 - 10:18	Lockhart, James 2021-01-13 10:16 Can you just go ahead and state your name for 10:17 the record, please, your full name. 10:18 A. James Bicknell Lockhart III.	00:00:08	Lockhart_New.1
26:03 - 27:21	Lockhart, James 2021-01-13 26:03 Can you just give me a brief overview of your 26:04 employment history, starting from when you graduated 26:05 and any post-secondary school. I really mean just an 26:06 overview. 26:07 A. I went to Yale. Worked for a bank for a year 26:08 in the credit department, and then spent three years 26:09 in the Navy as a supply officer on a nuclear 26:10 submarine. Then Harvard Business School. Gulf Oil 26:11 for about nine years, where I ended up as an assistant 26:12 treasurer. Treasurer of Alexander & Alexander 26:13 thereafter, which was the second largest broker and 26:14 risk manager in the world. 26:15 After that, I went to run the Pension Benefit 26:16 Guarantee Corporation for George -- H.W. Bush, No. 41. 26:17 After he was defeated, I went to Smith Barney and was 26:18 a managing director in their insurance investment 26:19 banking practice, then for a year was senior 26:20 vice-president of finance of a reinsurance company, 26:21 National Re, then started a risk management firm, 26:22 advising financial institutions on credit interest 27:01 rate and operational risk, enterprise risk. 27:02 And then I got the call to go back in 27:03 government, and for about four years I was the No. 2 27:04 chief operating officer Social Security, deputy 27:05 commissioner. And after that I was asked to join 27:06 OFHEO in April or May of '06, and was confirmed, I 27:07 think, in June or so. But I was there starting in 27:08 April. 27:09 And then when HERA was passed end of July 27:10 '08, I became the executive director of FHFA, which 27:11 continued to be the regulator of Fannie and Freddie, 27:12 but also, I was a regulator of federal loan home 27:13 banks. 27:14 And after that I stayed there through August 27:15 of '09, then joined a private equity firm -- WL Ross	00:02:34	Lockhart_New.2



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DESIGNATION	SOURCE	DURATION	ID
	27:16 is a private equity firm -- as a vice chairman and ran 27:17 their financial services practice. We invested in a 27:18 whole series of banks in the U.S. and Europe, and 27:19 probably five different mortgage companies in the 27:20 U.S., most single family and multi-family and 27:21 advisory. And I retired a couple years ago.		
27:22 - 28:14	Lockhart, James 2021-01-13	00:00:41	Lockhart_New.3
	27:22 Q. Thank you. That was very helpful. I'm 28:01 seeing reference to the fact that you are a senior 28:02 fellow at something called the Bipartisan Policy 28:03 Center. 28:04 A. Yes. 28:05 Q. Can you describe what that is? 28:06 A. Yeah, that's correct. The Bipartisan Policy 28:07 Center was started by former ex-Senate majority 28:08 leaders, two Republicans, two Democrats. And their 28:09 mission is to bring Republicans and Democrats together 28:10 to come up with solutions to problems. 28:11 I co-chaired a communication there with 28:12 ex-senator Conrad on retirement security and personal 28:13 savings, and that report came out about three or four 28:14 years ago.		
29:06 - 29:18	Lockhart, James 2021-01-13	00:00:46	Lockhart_New.4
	29:06 Q. What was your degree in at Yale? 29:07 A. American studies. 29:08 Q. Do you have any degrees or professional 29:09 certifications that you believe were particularly 29:10 relevant to your work at OFHEO and FHFA? 29:11 A. Well, certainly Harvard Business School. 29:12 Most of my courses were in finance. I'm also a fellow 29:13 of the corporate treasurer's organization in the UK, 29:14 but now it's worldwide. 29:15 Q. And what was your degree from Harvard 29:16 Business School? 29:17 A. They -- just the master's of business 29:18 administration. They don't have specific majors.		
29:19 - 30:16	Lockhart, James 2021-01-13	00:01:20	Lockhart_New.5
	29:19 Q. Can you describe briefly how it came 29:20 about that you were asked to go to OFHEO? 29:21 A. Yes. I was leading President Bush's,		

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DESIGNATION	SOURCE	DURATION	ID
	29:22 No. 43's, social security reform efforts at the agency 30:01 and had done that for several years. It became 30:02 apparent by the end of '05 that it was not going to go 30:03 anywhere, and it was time for me to go back to 30:04 civilian life. 30:05 What they asked me, given the issues at 30:06 Fannie and Freddie, was to take over as the director 30:07 there. They probably asked me six months before I 30:08 made the decision to do it. And in that time, 30:09 actually spent a lot of time just reading up and 30:10 understanding some of the issues at Fannie and 30:11 Freddie. 30:12 And I was really parachuted in. I had 30:13 already been Senate confirmed. So it was easy to move 30:14 me in. And the first order of business was the 30:15 examination report on the accounting standards at 30:16 Fannie Mae and doing a settlement with them.		
45:22 - 46:12	Lockhart, James 2021-01-13	00:00:50	Lockhart_New.6
	45:22 Q. And a few minutes ago you said something to 46:01 the effect of that you forced Fannie and Freddie to 46:02 raise capital, I think in '07, late '07. 46:03 A. Right. 46:04 Q. Can you describe what you mean when you say 46:05 you "forced" them to do it? 46:06 A. Well, we put out regular reports, quarterly 46:07 and semiannual reports, of the health of Fannie and 46:08 Freddie -- they were significant concerns to us -- and 46:09 we told them that they needed to raise more capital. 46:10 We discussed it with the boards. They were somewhat 46:11 reluctant, but they agreed. And as I said, they were 46:12 able to raise capital in November, December of '07.		
46:19 - 47:07	Lockhart, James 2021-01-13	00:00:35	Lockhart_New.7
	46:19 BY MR. COLATRIANO:  P515.1 46:20 Q. It should be loading right now. Exhibit 5. 46:21 Let me know when you have it. 46:22 A. I got it. 47:01 Q. Exhibit 5 is a March 19 document. 47:02 A. That's right. 47:03 Q. I'm sorry.  P515.1.1 47:04 A March 19, 2008 news release from OFHEO		

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DESIGNATION	SOURCE	DURATION	ID
	47:05 Bates stamped LOCKHART-DDC-000050. Have you reviewed		
	47:06 this document in preparing for this deposition?		
	47:07 A. Yes.		
48:01 - 48:15	Lockhart, James 2021-01-13	00:00:56	Lockhart_New.8
 P515.1.2	48:01 Q. It then goes on to say the "key part of this		
	48:02 initiative, both companies announced that they begin		
	48:03 the process to raise significant capital," and that		
	48:04 "Both companies also said they would maintain overall		
	48:05 capital levels well in excess of requirements."		
	48:06 Did you have a view around this time about		
	48:07 the company's ability to raise capital in the markets?		
	48:08 A. We thought they could. That's why we		
	48:09 required it, and, you know, we were hearing from		
	48:10 investment bankers that it was possible, Treasurywise		
	48:11 in particular as well. Treasury was involved in these		
	48:12 negotiations with the two CEOs.		
	48:13 Q. Okay.		
	48:14 A. And Fannie did raise capital, as you know, in		
 Clear	48:15 May of '08. Freddie did not.		
60:16 - 61:13	Lockhart, James 2021-01-13	00:01:29	Lockhart_New.9
	60:16 Q. What was your understanding of the		
	60:17 difference between conservatorship and receivership?		
	60:18 A. Receivership set up an LL -- whatever that		
	60:19 means. It set up a separate company that the good		
	60:20 assets would be transferred into, and conservatorship		
	60:21 was keeping the companies in place, but with the		
	60:22 conservator, the agency, myself in particular, having		
	61:01 the powers of the board and the management of the		
	61:02 companies to conserve their assets.		
	61:03 Q. Okay. And so would it be fair to say that		
	61:04 conservatorship and receivership had different		
	61:05 objectives, different purposes?		
	61:06 A. Yes.		
	61:07 Q. And how would you describe that difference?		
	61:08 A. Well, the receivership was much more		
	61:09 draconian. It effectively had the impact of moving		
	61:10 the assets to another vehicle and -- that would be		
	61:11 capitalized. While conservatorship was an attempt to		
	61:12 work through their issues and -- over time and		
	61:13 potentially keep the companies in place.		

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DESIGNATION	SOURCE	DURATION	ID
61:14 - 62:04	Lockhart, James 2021-01-13	00:00:37	Lockhart_New.10
61:14	Q. So that suggests that receivership and		
61:15	conservatorship had different sort of end results in		
61:16	mind; correct?		
61:17	A. End results and different market		
61:18	implications, which was one of the reasons we were		
61:19	having a big debate about receivership and		
61:20	conservatorship.		
61:21	Q. What do you mean by "market implications"?		
61:22	A. I think receivership would have panicked the		
62:01	market pretty dramatically. The market was already		
62:02	very thin at that point, and I'm talking about the		
62:03	mortgage market in particular, but also the overall		
62:04	market.		
62:05 - 62:19	Lockhart, James 2021-01-13	00:00:57	Lockhart_New.11
62:05	Q. Was receivership more of a liquidation type		
62:06	of vehicle for the companies?		
62:07	A. Well, it was closer to liquidation but not		
62:08	liquidation itself. In theory, they could have still		
62:09	written some business, I guess. I can't remember the		
62:10	details of the receivership So I can't speculate. At		
62:11	the time we looked at it, but because it was rejected,		
62:12	I haven't really re-looked at it since then.		
62:13	Q. When you say, "at the time" you looked at it,		
62:14	do you mean at around this time in '08 you were		
62:15	looking at receivership?		
62:16	A. I would say it was in August, mid-August on		
62:17	really, probably. So later than this. It was again,		
62:18	after HERA was passed because -- which was on July 30.		
62:19	We couldn't look at receivership until we had HERA.		
63:06 - 63:14	Lockhart, James 2021-01-13	00:00:33	Lockhart_New.12
63:06	Q. How would you describe the agency powers in		
63:07	the conservatorship?		
63:08	A. As we said in an announcement, we put them in		
63:09	a conservatorship, that the agency and the director of		
63:10	the agency as conservator had all the powers of -- to		
63:11	run effectively if the board wanted to. They didn't		
63:12	even have to have board. We decided to keep the board		
63:13	and the management so it was under the control of the		
63:14	agency.		

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DESIGNATION	SOURCE	DURATION	ID
64:14 - 65:01	Lockhart, James 2021-01-13 64:14 What was your understanding of how the 64:15 conservator role differed from your role as regulator? 64:16 The safety and soundness regulator. 64:17 A. It was different. We actually set up a 64:18 separate group to be the conservator, if you will, and 64:19 we kept the regulator and the examination teams in 64:20 place as well. And the conservator's job was to 64:21 ensure that they kept supporting their mission and 64:22 that they were safe and sound and that they conserved 65:01 assets as well.	00:00:41	Lockhart_New.13
65:02 - 65:09	Lockhart, James 2021-01-13 65:02 Q. It sounds like there's at least some overlap 65:03 between the roles because you talked about the 65:04 conservator's job was to make sure the institutions 65:05 were kept safe and sound, which obviously, is 65:06 something that's relevant to the regulator's role as 65:07 the safety and soundness regulator. So those concepts 65:08 are similar; is that correct? 65:09 A. That's correct, yes.	00:00:22	Lockhart_New.15
65:10 - 65:22	Lockhart, James 2021-01-13 65:10 Q. And when you say the conservator's job is in 65:11 part to conserve assets, what do you mean by that? 65:12 A. Well, I meant that over the long term, the 65:13 idea was that we wanted to work to provide that they 65:14 could grow their assets, or at least not dissipate 65:15 their assets dramatically over that period. 65:16 Obviously, as when we did put them in 65:17 conservatorship, the market was quite a bit different 65:18 than even in July where we're talking about here. But 65:19 certainly it became much worse after September, after 65:20 the Lehman bankruptcy, the next week after 65:21 conservatorship and all the other actions that were 65:22 taken.	00:00:54	Lockhart_New.16
66:01 - 66:09	Lockhart, James 2021-01-13 66:01 Q. Was one of the objectives, at least, of 66:02 conservatorship, as you understood it, was to try to 66:03 restore the companies to financial health? 66:04 A. The objective was to definitely restore the 66:05 companies, and therefore, the mortgage market, because	00:00:37	Lockhart_New.18

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DESIGNATION	SOURCE	DURATION	ID
	66:06 they worked the mortgage market at that point to 66:07 financial health. You could not restore them to 66:08 financial health without restoring the mortgage 66:09 market.		
90:21 - 91:13	Lockhart, James 2021-01-13	00:00:56	Lockhart_New.19
	90:21 Q. And I'm going to show you that Q&A in 90:22 a little bit, but, you know, you referred to it a 91:01 couple times already. I just want to make sure I 91:02 understand. What was the purpose of that? Why did 91:03 you feel you needed to prepare that type of Q&A? 91:04 A. Well, Fannie was the biggest financial 91:05 institution in the country at that point. Freddie was 91:06 probably the third largest. They were such a major 91:07 part of the financial markets, and as I said before, 91:08 the mortgage markets that we needed to be as clear as 91:09 we could about what was happening and why it was 91:10 happening, and more importantly, that Treasury was 91:11 backing them with the preferred, and therefore, Fannie 91:12 and Freddie would survive despite their major 91:13 problems.		
96:17 - 96:19	Lockhart, James 2021-01-13	00:00:23	Lockhart_New.20
 OLDP2B.1	96:17 Q. Exhibit 8 is a document with the Bates		
 OLDP2B.1.1	96:18 FHFA-DDC-0090764. It's a September 7, 2008 statement 96:19 from FHFA director, James B. Lockhart.		
96:20 - 96:22	Lockhart, James 2021-01-13	00:00:07	Lockhart_New.21
	96:20 I assume this is one of the documents you 96:21 reviewed in preparing for this deposition? 96:22 A. That's correct.		
97:01 - 97:06	Lockhart, James 2021-01-13	00:00:09	Lockhart_New.22
	97:01 Q. I assume, as well, that you were heavily 97:02 involved in the drafting of this statement; is that 97:03 correct? 97:04 A. That is correct. 97:05 Q. Why don't you turn to Page 5 of the document. 97:06 A. Okay.		
97:07 - 97:11	Lockhart, James 2021-01-13	00:00:21	Lockhart_New.23
 OLDP2B.5.2	97:07 Q. At the bottom of Page 5 there's a description 97:08 of "Conservatorship," where you say, "That is a 97:09 statutory process designed to stabilize a troubled		

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DESIGNATION	SOURCE	DURATION	ID
	97:10 institution with the objective of returning the 97:11 entities to normal business operations."		
97:12 - 97:20	Lockhart, James 2021-01-13	00:00:39	Lockhart_New.24
	97:12 What was your understanding of what "normal 97:13 business operations" would be for Fannie and Freddie? 97:14 A. That was difficult because they were not 97:15 normal businesses. They were GSEs and they had a 97:16 government charter, and so part of the view was did 97:17 that mean returning them back to just the way they 97:18 were, or would there be some changes. I think many of 97:19 us thought that there would have to be some 97:20 Congressional action.		
97:21 - 98:03	Lockhart, James 2021-01-13	00:00:18	Lockhart_New.25
	97:21 But "normal business operations" meant that 97:22 they had the capital. They had the systems. They had 98:01 the risk management and the ability to serve their 98:02 mission of providing stability, liquidity, and 98:03 affordability to the mortgage market.		
98:04 - 98:08	Lockhart, James 2021-01-13	00:00:17	Lockhart_New.26
	98:04 Q. And I take it from that response that 98:05 normal business operations would mean, at least in 98:06 part, safe and sound business operations? 98:07 A. Yes. That's the risk management, the capital 98:08 and other things I mentioned.		
98:09 - 98:12	Lockhart, James 2021-01-13	00:00:13	Lockhart_New.27
	 Clear 98:09 Q. So can a company with no capital -- can 98:10 financial institutions with no capital be considered 98:11 to be normal business operation? 98:12 A. No.		
98:18 - 98:22	Lockhart, James 2021-01-13	00:00:16	Lockhart_New.28
	98:18 THE WITNESS: In fact, a company with no 98:19 capital shouldn't be operating. Obviously, Fannie and 98:20 Freddie had no capital, but they did have preferred 98:21 stock that effectively kept them above negative net 98:22 worth.		
99:07 - 99:14	Lockhart, James 2021-01-13	00:00:28	Lockhart_New.29
	99:07 Q. I think I know the answer to this 99:08 based on our earlier discussion, but at this time, 99:09 September 20, '08, did you have an expectation about		

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	99:10 how long it would be before the companies could be 99:11 returned to normal business operations? 99:12 A. No, I didn't. There was too many other 99:13 things going on in the financial markets at that point 99:14 to have an idea of what it would take.		
99:15 - 100:21	Lockhart, James 2021-01-13	00:01:52	Lockhart_New.30
	99:15 Q. Turn to Page 10 of this document. Let me 99:16 know when you're there.		
 OLDP2B.9.1	99:17 A. I'm on Page 10. That's the final page? 99:18 Q. Yes. Yes, it is. Actually, at the very top, 99:19 it's the continuation of the paragraph that begins at 99:20 the bottom of Page 9 where you're talking about FHFA 99:21 continued to work on new regulations, including		
 OLDP2B.9.2	99:22 minimum capital standards. You then say, "It is 100:01 critical to complete these regulations so that any new 100:02 investor will understand the investment proposition." 100:03 What were you referring to there with 100:04 reference to "any new investor"?		
	100:05 A. To return to normal operations, they would 100:06 have to have capital, and the only way they could get 100:07 new capital is from new investors. So that's what I 100:08 was referring to, that anybody that was going to 100:09 invest in them would want to know what the capital 100:10 requirements were, what the other -- as I mentioned, 100:11 the other issues, what their regulations were, what 100:12 their risk management practices were. 100:13 So that's what I was referring to, that they 100:14 would need to raise more capital to get out of 100:15 conservatorship.		
 Clear	100:16 Q. And just so I understand it, the companies 100:17 could also build capital through earnings; right? 100:18 A. Well, at that point I didn't think they were 100:19 going to have earnings to build capital. 100:20 Q. I'm just talking as a general proposition, 100:21 that that's a way to build capital.		
100:22 - 101:10	Lockhart, James 2021-01-13	00:00:43	Lockhart_New.31
	100:22 A. Yes. But they also had to repay the 101:01 preferred before they could rebuild capital, and that 101:02 was -- it turned out to be a very big number. 101:03 Q. Okay. Well, through earnings, they could		

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DESIGNATION	SOURCE	DURATION	ID
	101:04 build capital on their balance sheet, whether or not		
	101:05 they used it to pay Treasury; correct?		
	101:06 A. Yeah. In fact, they did have that		
	101:07 capability. They didn't have the ability to repay		
	101:08 Treasury, but yes, they did have the ability, if they		
	101:09 became profitable. But at that point there was no		
	101:10 sign they would be profitable in the near future.		
101:11 - 102:10	Lockhart, James 2021-01-13	00:01:06	Lockhart_New.32
	101:11 Q. When you said they didn't have the ability to		
	101:12 repay -- to pay Treasury, you mean to pay down the		
	101:13 stock, to redeem the stock? Is that what you're		
	101:14 talking about when you said, "They didn't have the		
	101:15 ability" to pay Treasury?		
	101:16 A. Yeah. Liquidation preference of stock,		
	101:17 preferred stock.		
 OLDP2B.9.2	101:18 Q. Returning to the sentence, is it fair to say		
	101:19 that, you know, at least in your mind, the objective		
	101:20 was to get these companies to a point where there		
	101:21 could be new investment in them?		
	101:22 A. Over the long term, yes, whether -- I always		
	102:01 thought -- and I'll put this right on the table. I		
	102:02 always thought that the only way they could figure it		
	102:03 out was with Congressional action. There had to be		
	102:04 some action on Congress about the future structure of		
	102:05 Fannie and Freddie because their hybrid structure did		
	102:06 not work and failed.		
	102:07 And so it was not only getting new investors,		
	102:08 but it was also Congressional action, and I thought		
	102:09 the Congressional action probably had to happen before		
	102:10 they could get new investors.		
102:19 - 102:21	Lockhart, James 2021-01-13	00:00:14	Lockhart_New.33
 OLDP2C.1	102:19 Q. Exhibit 9 is a document marked		
 OLDP2C.1.5	102:20 FHFA-DDC-0017202. It's an FHFA "FACT SHEET,		
	102:21 "QUESTIONS AND ANSWERS ON CONSERVATORSHIP."		
104:02 - 104:15	Lockhart, James 2021-01-13	00:00:45	Lockhart_New.34
 OLDP2C.1.3	104:02 Q. And on the first page there is discussion		
	104:03 about what is conservatorship, and the answer talks		
	104:04 about a "legal process in which a person or entity is		
	104:05 appointed to establish control and oversight of a		
	104:06 Company to put it in a sound and solvent condition."		

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	104:07 Is that another way of saying safe and sound, 104:08 basically? 104:09 A. Yes. 104:10 Q. And presumably "solvent" implies some type of 104:11 positive net worth; correct? 104:12 A. Well, more than some sort of. A significant 104:13 positive net worth, especially if you're writing -- at 104:14 that point I think they had \$5-1/2 trillion worth of 104:15 mortgages that they were splitting.		
104:16 - 105:07	Lockhart, James 2021-01-13	00:00:47	Lockhart_New.35
 OLDP2C.1.4	104:16 Q. The second page of the 104:17 document there's the first answer, which the question 104:18 is actually on Page 1, which is "What are the goals of 104:19 this conservatorship?" 104:20 Part of the answer is, "The goals of the 104:21 conservatorship are to help restore confidence in the 104:22 Company, enhance its capacity to fulfill its mission, 105:01 and mitigate systemic risk that has contributed 105:02 directly to the instability in the current market." 105:03 When you're talking about helping to restore 105:04 confidence, whose confidence are you talking about? 105:05 The market confidence? 105:06 A. Yeah. The buyers of their debt and 105:07 mortgage-backed securities in particular.		
105:08 - 106:01	Lockhart, James 2021-01-13	00:01:12	Lockhart_New.36
 OLDP2C.2.4	105:08 Q. The next question is "When will the 105:09 conservatorship period end?" 105:10 And we've already talked about what your 105:11 expectations were around this time about how long the 105:12 conservatorship might last, but did you have any 105:13 discussions with Treasury, with the GSEs themselves, 105:14 analysts, anybody else in the weeks after the 105:15 conservatorship was instituted about the expected 105:16 duration? 105:17 A. No specific. We were, you know, working on 105:18 trying to solve the mortgage market problems, and it 105:19 was, again, premature. You know that 105:20 Secretary Paulson called it the time out, which meant 105:21 that it was, in his mind, certainly not the 12 years 105:22 it's been. But also, in his and my mind, the end		

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DESIGNATION	SOURCE	DURATION	ID
	106:01 would really be when Congress acted.		
106:14 - 106:16	Lockhart, James 2021-01-13	00:00:09	Lockhart_New.37
 OLDP2C.3.2	106:14 Q. It's on Page 3. It's the second question on 106:15 Page 3, "What happens to the Company's stock during 106:16 the conservatorship?"		
106:17 - 106:19	Lockhart, James 2021-01-13	00:00:10	Lockhart_New.50
 Clear	106:17 A. I think it was a legitimate question that the 106:18 shareholders both preferred and commonly asked, if 106:19 that's what you're asking.		
120:02 - 120:19	Lockhart, James 2021-01-13	00:01:19	Lockhart_New.38
	120:02 Q. So obviously these PSPAs were entered into 120:03 more or less concurrently with the imposition of the 120:04 conservatorships; correct? 120:05 A. Yes. 120:06 Q. And you signed the PSPAs in your capacity as 120:07 conservator for Fannie and Freddie; correct? 120:08 A. That is correct. 120:09 Q. Can you briefly explain how you became 120:10 involved in the -- in heading negotiations or 120:11 discussions concerning the PSPAs, whether they made 120:12 sense or the specific terms of them. 120:13 A. Yes, obviously, Treasury was the driver. 120:14 They were the provider of the funding for the PSPA, 120:15 and as a result, they did most of the drafting. We 120:16 would occasionally comment on earlier drafts, but 120:17 frankly, I don't remember what our comments were, and 120:18 we had our lawyers looking at it as well, obviously, 120:19 since it's a legal document.		
145:16 - 146:01	Lockhart, James 2021-01-13	00:00:31	Lockhart_New.40
 P520.1	145:16 Q. Exhibit 16 is a hearing report, including a		
 P520.1.1	145:17 transcript for a hearing before the House Committee on 145:18 Financial Services on September 25, 2008. 145:19 Have you reviewed this document in preparing 145:20 for your deposition? 145:21 A. In preparing my book, yes. Parts of it. I'm 145:22 not sure if I read the whole document, but parts of 146:01 it, at least, yes.		
146:02 - 146:04	Lockhart, James 2021-01-13	00:00:13	Lockhart_New.51
 P520.18	146:02 Q. If you could turn to Page 14. 14, the number		

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DESIGNATION	SOURCE	DURATION	ID
	146:03 at the top of the page.		
	146:04 A. The top of the page. Okay.		
146:05 - 146:09	Lockhart, James 2021-01-13	00:00:07	Lockhart_New.53
	146:05 Q. It could also be Page 52 of 170 would work		
	146:06 too.		
	146:07 A. Okay. I'm looking at the wrong set of		
	146:08 numbers.		
	146:09 (Pause in proceedings.)		
146:10 - 147:12	Lockhart, James 2021-01-13	00:01:19	Lockhart_New.52
	146:10 BY MR. COLATRIANO:		
	146:11 Q. Are you there?		
	146:12 A. I'm getting there. I have a slow finger.		
	146:13 Q. That's okay.		
	146:14 A. Here we are.		
	146:15 Q. All right.		
	146:16 A. Kanjorski.		
 P520.18.1	146:17 Q. Yeah. The second question on that page from		
	146:18 Mr. Kanjorski -- I'm not so interested in the question		
	146:19 as your answer. You say in your answer, "Certainly,		
	146:20 the housing market hurt all lenders, and in reality		
	146:21 they probably had better books than many other		
	146:22 lenders."		
	147:01 I'm assuming by "they," you're referring to		
	147:02 Fannie and Freddie; right?		
	147:03 A. Yes.		
	147:04 Q. And so what did you mean when you said, "They		
	147:05 probably had better books than many other lenders"?		
	147:06 A. I meant that if they had less delinquencies,		
	147:07 then certainly FHA is an example, but many of the		
	147:08 certain -- the private label mortgage-backed		
	147:09 securities was much better. They had probably more		
	147:10 prime mortgages than some other lenders, and certain		
	147:11 more prime mortgages than, for instance, the private		
	147:12 label mortgage-backed securities.		
147:13 - 147:15	Lockhart, James 2021-01-13	00:00:08	Lockhart_New.41
 P520.37	147:13 Q. If you'd turn to page, at the very top, 71 of		
	147:14 170.		
	147:15 A. Okay.		
147:16 - 149:02	Lockhart, James 2021-01-13	00:02:00	Lockhart_New.42

Lockhart_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
 P520.37.1	<p>147:16 Q. All right. About two-thirds of the way down</p> <p>147:17 on this page, you give an answer where you say, "They</p> <p>147:18 were not doing things that other people didn't. In</p> <p>147:19 fact, their underwriting standards, frankly, were</p> <p>147:20 higher than any other people's standards."</p> <p>147:21 Again, in context, by "they," you're</p> <p>147:22 referring to Fannie and Freddie; right?</p> <p>148:01 A. Correct.</p> <p>148:02 Q. And so could you elaborate a bit when you</p> <p>148:03 say, "Their underwriting standard were higher than</p> <p>148:04 many other people's"?</p> <p>148:05 A. Well, what I just said. They had more prime</p> <p>148:06 mortgages than many other people did. They obviously</p> <p>148:07 couldn't do jumbo mortgages. They did a lot of</p> <p>148:08 mortgages and some subprime, but on average, I think</p> <p>148:09 they were less than many other lenders, and again, in</p> <p>148:10 private label mortgage-backed securities.</p> <p>148:11 Now, there were buyers of those private label</p> <p>148:12 mortgage-backed securities. They bought the AAA in</p> <p>148:13 tranches, which turned out not to be AAA, but the</p> <p>148:14 overall -- and I think if you look back at their books</p> <p>148:15 historically, they had less defaults on average than</p> <p>148:16 many other lenders.</p> <p>148:17 Q. Would that suggest that, all else equal, that</p> <p>148:18 you would expect Fannie and Freddie to have a lower</p> <p>148:19 rate on loss on those types of assets than other</p> <p>148:20 financial institutions?</p> <p>148:21 A. Yes, I would. Obviously, as the second part</p> <p>148:22 of that answer, as they didn't have enough capital for</p> <p>149:01 even their lower losses and other financial</p> <p>149:02 institutions that had significantly more capital.</p>		Lockhart_New.42
 Clear			
224:07 - 224:19	Lockhart, James 2021-01-13	00:00:43	Lockhart_New.48
	<p>224:07 Q. Earlier today you testified about Fannie Mae</p> <p>224:08 and Freddie Mac raising capital in the period of late</p> <p>224:09 2007 and early 2008. Do you recall that?</p> <p>224:10 A. They raised capital in late 2007.</p> <p>224:11 Q. And they did that by selling preferred stock</p> <p>224:12 to private investors; correct?</p> <p>224:13 A. That's correct.</p> <p>224:14 Q. Were they able to raise as much capital as</p>		

Lockhart_New - Per Plfs Pretrial Statement 2023 "Played in Plaintiffs' Case"

DESIGNATION	SOURCE	DURATION	ID
	224:15 they needed at that time by selling that preferred 224:16 stock?		
	224:17 A. I'm not sure if they tried to raise more than 224:18 that, but they did raise a reasonably significant 224:19 amount of capital.		
224:20 - 225:20	Lockhart, James 2021-01-13	00:01:17	Lockhart_New.49
	224:20 Q. You also testified earlier today about the 224:21 decision to place Fannie and Freddie into 224:22 conservatorship. Do you recall that?		
	225:01 A. Yes.		
	225:02 Q. When FHFA became the conservator of the 225:03 enterprises, FHFA had the authority at that time to 225:04 cancel the junior preferred and common stock; correct?		
	225:05 A. I really don't remember whether we did or 225:06 not, actually. So I don't remember considering it for 225:07 sure, but I don't know if I had the legal right or 225:08 not. I don't know.		
	225:09 Q. Well, you anticipated my next question. 225:10 Did FHFA, either as regulator or as 225:11 conservator, give any consideration to canceling the 225:12 junior preferred and common stock?		
	225:13 A. Well, when we were going through the 225:14 decision -- the three scenarios I mentioned before, if 225:15 we had gone through receivership, that might have 225:16 canceled them. So there might have been consideration 225:17 there.		
	225:18 But when we were talking about 225:19 conservatorship, as far as I know, we were not talking 225:20 about cancelling the junior preferred or the common.		

Our Designations 00:32:42

TOTAL RUN TIME 00:32:42



Documents linked to video:

OLDP2B

OLDP2C

P515

 P520

EXHIBIT H

Mayopoulos

Designation List Report



Mayopoulos, Timothy

2020-03-10

Defense Designations

00:11:27

TOTAL RUN TIME

00:11:27



Documents linked to video:

D490



Mayopoulos

DESIGNATION	SOURCE	DURATION	ID
15:01 - 15:03	Mayopoulos, Timothy 2020-03-10 15:01 Q. And what was your first job at Fannie 15:02 Mae? What was your role at the start? 15:03 A. I was the general counsel.	00:00:05	Mayopoulos.13
15:19 - 15:20	Mayopoulos, Timothy 2020-03-10 15:19 Q. And when were you promoted to CEO? 15:20 A. June 2012.	00:00:07	Mayopoulos.14
78:19 - 81:15	Mayopoulos, Timothy 2020-03-10 78:19 Q. Shareholder -- or stockholders' 78:20 equity, was that one of the things that you were 78:21 generally supposed to take into account when you're 78:22 making decisions for Fannie Mae, or was that not -- 79:01 not one of the relevant considerations? 79:02 A. I wouldn't say that we ran the company 79:03 with an eye towards promoting stockholder equity 79:04 over everything else, if that's the question. 79:05 Q. That's not the question. The question 79:06 is: Is -- maintaining a positive stockholders' 79:07 equity, was that one of the things that you were 79:08 told to take into account when you were managing 79:09 Fannie Mae? 79:10 A. Well, at the time I joined the company, 79:11 we did not have a positive shareholder equity. It 79:12 was only through capital infusions from Treasury 79:13 that we got to zero at the end of every quarter, and 79:14 we didn't get to positive shareholder equity for 79:15 quite some time. So it was certainly, I think, an 79:16 objective to have the company have positive 79:17 shareholder equity and to get to long-term 79:18 profitability, but for the first few years that I 79:19 was at the company, I don't think anybody thought 79:20 that that was something that was likely to happen. 79:21 Q. And I guess to back up there, you made 79:22 reference to -- I think you made reference to draws 80:01 on the Treasury funding commitment. 80:02 Did I hear that right? 80:03 A. Yes. 80:04 Q. And what's the connection between making 80:05 draws on Treasury's funding commitment and 80:06 stockholders' equity?	00:03:49	Mayopoulos.1

Mayopoulos

DESIGNATION	SOURCE	DURATION	ID
	80:07 A. Fannie Mae was required to maintain 80:08 stockholder equity -- positive stockholder equity 80:09 of, you know, at least a dollar as of the end of 80:10 every quarter, and so in those quarters in which we 80:11 lost substantial amounts of money, and we had 80:12 already consumed all of the capital of the company, 80:13 the only way we could get to -- back to a net 80:14 balance that was positive was to make a draw on the 80:15 Treasury commitment under the PSPA. 80:16 Q. Well, and so maybe I can ask the question 80:17 in a slightly different way. Was minimizing the 80:18 draws on Treasury's funding commitment among the 80:19 goals that FHFA gave you when you're managing Fannie 80:20 Mae as the CEO? 80:21 A. I think that FHFA expected us to manage 80:22 the business prudently so as not to incur 81:01 unnecessary losses, but we were balancing, and I 81:02 think FHFA was balancing many different factors in 81:03 terms of what to pursue at any given time. But 81:04 overall, we were trying to do things that were good 81:05 for the company and good for the market and good for 81:06 borrowers and good for taxpayers. So we were 81:07 balancing all of those things. 81:08 Q. Mm-hmm. And when you say good for the 81:09 company, what -- what do you mean by that? 81:10 A. You know, that it would enable the 81:11 company to continue to operate, continue to be 81:12 viable. The company played an important role in the 81:13 housing finance system, and one of our directives 81:14 was to make sure that it was operationally 81:15 effective.		
101:14 - 101:18	Mayopoulos, Timothy 2020-03-10  D490.1 101:14 Q. Okay. So this will be Exhibit 9, and 101:15 what it is, is excerpts from Fannie Mae's second 101:16 quarter 2012 10-Q. I didn't print the entire thing 101:17 but -- 101:18 A. The trees thank you.	00:00:18	Mayopoulos.2
101:19 - 102:04	Mayopoulos, Timothy 2020-03-10  D490.13 101:19 Q. And what I want to look at is page 12. 101:20 There's the paragraph that carries over from page 12	00:00:21	Mayopoulos.12

Mayopoulos

DESIGNATION	SOURCE	DURATION	ID
 D490.13.1	101:21 to 13. It's got a subheading of "Uncertainty 101:22 Regarding Our Future Status and Ability to Pay 102:01 Dividends to Treasury." 102:02 Do you see that? 102:03 A. Yes. 102:04 Q. If you could read that for me.		
102:05 - 102:19	Mayopoulos, Timothy 2020-03-10	00:00:30	Mayopoulos.3
 D490.13.2	102:05 A. Okay. I've read that. 102:06 Q. Okay. And there's a sentence in there 102:07 that says, "Although we may experience 102:08 period-to-period volatility in earnings and 102:09 comprehensive income, we do not expect to generate 102:10 that income or comprehensive income in excess of our 102:11 annual dividend obligation to Treasury over the long 102:12 term." 102:13 Did you see that sentence? 102:14 A. Yes. 102:15 Q. And is this saying that there might be 102:16 some quarters in the future when Fannie doesn't earn 102:17 enough to pay the 10 percent dividend? Is that the 102:18 thrust of the sentence? 102:19 A. That's one of the conclusions, yes.		
103:03 - 103:05	Mayopoulos, Timothy 2020-03-10	00:00:08	Mayopoulos.4
	103:03 Q. Okay. And what was Fannie's expectation 103:04 at this time about whether it would earn enough to, 103:05 over the long run, pay the 10 percent?		
103:07 - 103:08	Mayopoulos, Timothy 2020-03-10	00:00:02	Mayopoulos.5
	103:07 THE WITNESS: When you say at this time, 103:08 you mean as of?		
103:10 - 103:19	Mayopoulos, Timothy 2020-03-10	00:00:34	Mayopoulos.6
	103:10 Q. As of the summer of 2012. 103:11 A. I think it was unclear whether we would 103:12 be able to earn enough money to pay the dividend 103:13 every quarter. We certainly knew that our earnings 103:14 had a certain amount of volatility to them and that 103:15 quarters in which we did not make enough money to 103:16 pay the dividend, we'd have to take an additional 103:17 draw from Treasury, which would only increase the 103:18 amount outstanding, which means that the subsequent		

Mayopoulos

DESIGNATION	SOURCE	DURATION	ID
 Clear	103:19 dividends would have to be higher.		
104:02 - 105:12	Mayopoulos, Timothy 2020-03-10	00:01:45	Mayopoulos.7
	104:02 Q. Putting yourself back in the shoes you		
	104:03 were in at the end of June of 2012, would you have		
	104:04 said then it was possible that Fannie would earn		
	104:05 enough over the long run to pay the 10 percent		
	104:06 dividend?		
	104:07 A. I think it was possible. We just		
	104:08 couldn't say with confidence that we'd be able to.		
	104:09 Q. Right. And we can look at the other		
	104:10 pages of this filing if need be, but I think I		
	104:11 noticed that this statement was specifically		
	104:12 identified as what's called a forward-looking		
	104:13 statement.		
	104:14 Does that make sense to you that Fannie		
	104:15 would have identified it as such?		
	104:16 A. Yes.		
	104:17 Q. And what are the implications of		
	104:18 identifying a statement as a forward-looking		
	104:19 statement in an SEC filing?		
	104:20 A. Well, as a general matter, it's to		
	104:21 indicate to the reader that these are judgments that		
	104:22 are being made by management and that they are		
	105:01 subject to certain uncertainty and, while it might		
	105:02 represent the best estimate of management,		
	105:03 management cannot assure or guarantee the reader		
	105:04 that that will actually come to be.		
	105:05 Q. You're basically saying here's what we		
	105:06 expect. It could be wrong. It could be better. It		
	105:07 could be worse, but here's what we expect.		
	105:08 Is that kind of the thrust of it?		
	105:09 A. The gist of it is we're saying we are		
	105:10 making a prediction and, you know, accurate		
	105:11 predictions are difficult to make, especially those		
	105:12 about the future, to quote Yogi Berra.		
145:12 - 146:08	Mayopoulos, Timothy 2020-03-10	00:01:24	Mayopoulos.8
	145:12 Q. Do you recall how you first learned about		
	145:13 the third amendment?		
	145:14 A. I don't recall exactly when or how I		
	145:15 first learned of the third amendment.		

Mayopoulos

DESIGNATION	SOURCE	DURATION	ID
	145:16 Q. Do you remember whether it happened over 145:17 the telephone or in person? 145:18 A. I don't. 145:19 Q. Okay. 145:20 A. I don't remember. 145:21 Q. Do you remember if the substance of the 145:22 third amendment, whether that was something that was 146:01 communicated to you by someone from FHFA or someone 146:02 from Treasury? 146:03 A. I don't remember. 146:04 Q. Okay. And am I right in assuming you 146:05 also wouldn't remember how the third amendment was 146:06 described to you for the first time or what anyone 146:07 said about it when you first learned about it? 146:08 A. Correct.		
146:09 - 146:14	Mayopoulos, Timothy 2020-03-10	00:00:20	Mayopoulos.9
	146:09 Q. Okay. Do you remember what your first 146:10 reaction was when you heard about the third 146:11 amendment? 146:12 A. No, I don't remember what my reaction 146:13 was. 146:14 Q. Do you recall whether you were surprised?		
146:17 - 146:18	Mayopoulos, Timothy 2020-03-10	00:00:02	Mayopoulos.10
	146:17 THE WITNESS: I don't remember being 146:18 surprised.		
146:20 - 148:12	Mayopoulos, Timothy 2020-03-10	00:02:02	Mayopoulos.11
	146:20 Q. Was it consistent with what you expected 146:21 would happen? 146:22 A. I don't know that I had any particular 147:01 expectations about what would happen. I was aware 147:02 that there had been discussion about the possibility 147:03 of there being a third amendment to the PSPA. I 147:04 think I understood at least some of the issues that 147:05 people were trying to address by the amendment. In 147:06 my view, there were a number of ways that those 147:07 issues could be addressed, and it seemed that the 147:08 third amendment -- I don't remember the first time I 147:09 heard about the third amendment or exactly what 147:10 context that was, but my recollection is I thought 147:11 that what the third amendment was, was in line with		

Mayopoulos

DESIGNATION	SOURCE	DURATION	ID
147:12	what I thought what could be in the range of		
147:13	possibilities.		
147:14	It's like you were talking about earlier		
147:15	about, you know, was the -- is the estimate		
147:16	somewhere within the range? The third amendment was		
147:17	somewhere in the range of what I thought could		
147:18	happen.		
147:19	Q. And you referenced a number of ways that		
147:20	something could be addressed. I guess, first of		
147:21	all, what is the something that you were referring		
147:22	to there?		
148:01	A. Well, I think it was trying to preserve		
148:02	as much of the amount of the Treasury commitment		
148:03	under the PSPA as possible and trying to reduce the		
148:04	possibility that future draws might -- especially		
148:05	future draws for dividend payments, might diminish		
148:06	the amount that was available under the PSPA to the		
148:07	enterprises.		
148:08	So that had been a discussion of some		
148:09	concern to people that that was something that -- if		
148:10	there was going to be an amendment to the PSPA, that		
148:11	was something that people were talking about trying		
148:12	to address.		

Defense Designations

00:11:27

TOTAL RUN TIME

00:11:27



Documents linked to video:

D490

EXHIBIT I

Layton

Designation List Report



Layton, Donald

2021-01-07

Defense Designations

00:34:31

TOTAL RUN TIME

00:34:31



Documents linked to video:

D408

D527

P261



Layton

DESIGNATION	SOURCE	DURATION	ID
11:17 - 12:10	Layton, Donald 2021-01-07	00:00:51	Layton.1
11:17	Q. Okay. And let me start just by		
11:18	asking you to describe a little bit of		
11:19	your professional background leading up		
11:20	to the time that you joined Freddie Mac.		
11:21	A. At the time I joined Freddie		
11:22	Mac, I had been in banking and finance		
12:01	for a long time. The bulk of my career		
12:02	was almost 30 years at the bank, the		
12:03	banks that became J.P. Morgan Chase		
12:04	through all the mergers.		
12:05	I then retired for a while. I		
12:06	then went back to work as chairman and		
12:07	then CEO of E*Trade for several years.		
12:08	Retired from that at the end of 2009 and		
12:09	was doing board work when I then became		
12:10	CEO of Freddie Mac.		
33:19 - 35:02	Layton, Donald 2021-01-07	00:01:19	Layton.2
33:19	Q. Let me ask you a few other kind		
33:20	of general questions about Freddie Mac's		
33:21	business model, if I could.		
33:22	A. Sure.		
34:01	Q. One feature of what Freddie		
34:02	does is it maintains this retained		
34:03	mortgage portfolio, do I have that right?		
34:04	A. Well, it's usually called		
34:05	retained portfolio, retained investment		
34:06	portfolio, but I know what you mean, yes.		
34:07	Q. And what is that, the retained		
34:08	investment portfolio?		
34:09	A. On the balance sheet of Freddie		
34:10	Mac, on the asset side, the vast majority		
34:11	of the assets are mortgages, are the		
34:12	ownership of mortgage loans which are		
34:13	then securitized through pass through		
34:14	MBS. However, there is a small portion,		
34:15	small when I got there, not necessarily		
34:16	historically, of just assets owned and		
34:17	funded by via unsecured debt. And most		
34:18	of those are in the category called the		

Layton

DESIGNATION	SOURCE	DURATION	ID
	34:19 retained investment portfolio, which is, 34:20 in fact, the investment in 34:21 mortgage-related assets as opposed to 34:22 non-mortgage-related assets. It was 35:01 historically a mostly discretionary 35:02 additional investment activity.		
35:08 - 36:15	Layton, Donald 2021-01-07	00:01:29	Layton.3
	35:08 Q. And how did the size of the 35:09 retained mortgage portfolio or investment 35:10 portfolio change over time? 35:11 A. The PSPA at its origin back in 35:12 the rescue of the company, or putting the 35:13 company in conservatorship and the PSPA 35:14 being put in, had a clause requiring the 35:15 shrinkage of the retained investment 35:16 portfolio over time. 35:17 Q. And did the rate at which 35:18 Freddie was required to reduce the size 35:19 of its portfolio change? 35:20 A. Yes, it changed -- to my 35:21 recollection, the only time it changed is 35:22 the Third Amendment, it was slightly 36:01 speeded up, although it was much smaller 36:02 at the time. 36:03 Q. And did that change have any 36:04 practical effect on the rate at which 36:05 Freddie was reducing the size of its 36:06 portfolio? 36:07 A. Well, obviously the limit was 36:08 decreasing faster, but the numbers were 36:09 not that large at that point. I want to 36:10 distinguish in your question, the 36:11 requirements were in percentage terms as 36:12 opposed to dollar terms. So by the time 36:13 2012 and '13 -- '13 and '14 were around, 36:14 it was a smaller denominator applied to 36:15 it.		
38:22 - 42:15	Layton, Donald 2021-01-07	00:04:00	Layton.4
	38:22 Q. I wanted to ask you also about 39:01 the guarantee business. Can you just, I		

Layton

DESIGNATION	SOURCE	DURATION	ID
		39:02	guess, explain what you mean by that?
	A.	39:03	The phrase "guarantee business"
		39:04	is a shorthand for the core function of
		39:05	the company in terms of its role in the
		39:06	housing finance markets. I am going to
		39:07	refer to the single-family business to
		39:08	appoint the complexity of the smaller
		39:09	multifamily, which doesn't operate in the
		39:10	exact same way.
		39:11	The core function is to
		39:12	purchase mortgage loans from primary
		39:13	market lenders and then issue
		39:14	mortgage-backed securities against pools,
		39:15	meaning an aggregation of many individual
		39:16	loans that are structured on what are
		39:17	called pass-throughs. That is the
		39:18	principal and interest and payments or,
		39:19	repayments upon, say, sale of a home, all
		39:20	of the cash flows that came from the
		39:21	mortgage to the servicer, that was sent
		39:22	from the servicer to us. And we would
		40:01	then put those in, package these properly
		40:02	to which mortgage-backed security they
		40:03	were related and send the monies on to
		40:04	the mortgage-backed security investors
		40:05	minus a guarantee fee, which we kept for
		40:06	our account.
		40:07	And because the core premise of
		40:08	the business model was that those
		40:09	investors only wished to take interest
		40:10	rate risk, not credit risk, that we would
		40:11	guarantee the credit at all aspects of
		40:12	credit that might impact them so that
		40:13	they can see a virtually no credit risk
		40:14	instrument, which is what they wanted and
		40:15	which is necessary for the operation of
		40:16	the market, since the interest rate risk
		40:17	is quite complex, and that's what
		40:18	investors are investing in.
		40:19	For this business model to
		40:20	work, the guarantee by the GSE or Freddie

Layton

DESIGNATION	SOURCE	DURATION	ID
40:21	Mac in this case, has to be perceived as		
40:22	not having any material counterparty		
41:01	risk, that is the credit quality of		
41:02	Freddie Mac might be in question.		
41:03	Because then our guarantee would not,		
41:04	would leave credit risk on Freddie Mac		
41:05	with the investor. And so the business		
41:06	models always had directly or indirectly		
41:07	Government support to that guarantee.		
41:08	Q. And you mentioned a guarantee		
41:09	fee. Is that the principal way in which		
41:10	Freddie is compensated for the		
41:11	securitization process you just		
41:12	described?		
41:13	A. Yes.		
41:14	Q. And how did the guarantee fees		
41:15	that Freddie charges change over time		
41:16	during your tenure as CEO at Freddie?		
41:17	A. The guarantee fee during my		
41:18	time was mainly controlled by the FHFA,		
41:19	which had certain policies under Ed		
41:20	DeMarco as acting director and different		
41:21	policies under Mel Watt as director after		
41:22	him. So the fees were ordered to be		
42:01	increased.		
42:02	I want to stop and say I will		
42:03	talk about the fees just like they are		
42:04	the same for everyone, but they're not.		
42:05	Within a total and an average level,		
42:06	there is risk adjustment for the quality		
42:07	of the loans being purchased, for		
42:08	example. And much of that risk		
42:09	adjustment is also controlled by the		
42:10	FHFA. Although we had some modest room		
42:11	in terms of competitiveness for certain		
42:12	lenders and such.		
42:13	So it's largely controlled by		
42:14	the FHFA with a little bit of variation		
42:15	under the control of the Freddie Mac.		
49:04 - 50:15	Layton, Donald 2021-01-07	00:01:33	Layton.5

Layton

DESIGNATION	SOURCE	DURATION	ID
	49:04 Q. And I think I've seen somewhere		Layton.5
	49:05 you wrote about, maybe a mote around the		
	49:06 business models of Fannie and Freddie,		
	49:07 does that sound familiar?		
	49:08 A. Yes, that's a different topic		
	49:09 than what we were just talking about,		
	49:10 however.		
	49:11 Q. And tell me about the mote.		
	49:12 A. There is confusion I find on		
	49:13 many people's parts, either intentional		
	49:14 or otherwise, that Fannie and Freddie are		
	49:15 just normal securitizers participating in		
	49:16 the market as if they had no Government		
	49:17 advantages. That is not true. They are		
	49:18 stockholder-owned companies with charters		
	49:19 from Congress giving them a public		
	49:20 mission, giving them advantages and		
	49:21 giving them restrictions. Therefore,		
	49:22 they are economically advantaged versus		
	50:01 normal private market competitors.		
	50:02 That was the public policy to		
	50:03 help the broad middle class get better		
	50:04 access to the classic 30-year fixed rate		
	50:05 mortgage, which is not something that is		
	50:06 automatic. And that provided a mote		
	50:07 against the private sector, which had no		
	50:08 similar Government type support.		
	50:09 I will note that the Government		
	50:10 support to Fannie and Freddie is		
	50:11 therefore greater than the more		
	50:12 traditional private sector competitors.		
	50:13 It is however less Government support		
	50:14 than given to FHA and the VA in their		
	50:15 mortgage activities.		
53:03 - 53:10	Layton, Donald 2021-01-07	00:00:22	Layton.38
 D408.1	53:03 Q. Well, welcome back, Mr. Layton.		
	53:04 I have put on the Exhibit Share site what		
	53:05 I think is the conservatorship scorecard		
	53:06 we were talking about a moment ago. And		
	53:07 I think we've now put up the first page		

Layton

DESIGNATION	SOURCE	DURATION	ID
	53:08 of that document. Does this look like 53:09 the scorecard you were referring to 53:10 earlier?		
53:20 - 53:21	Layton, Donald 2021-01-07	00:00:03	Layton.39
	53:20 A. Yes, this is a page from the 53:21 scorecard.		
53:22 - 54:02	Layton, Donald 2021-01-07	00:00:08	Layton.6
	53:22 Q. I wanted to ask you about the 54:01 contract goal that we were talking about 54:02 a moment ago.		
55:09 - 55:16	Layton, Donald 2021-01-07	00:00:37	Layton.7
	55:09 Q. And what specifically were you, 55:10 as Freddie's CEO, directed to do in 55:11 furtherance of the contract goal in 55:12 FHFA's strategic plan? 55:13 A. The 2012 strategic plan, and 55:14 these were annual, list from my 55:15 perspective, one, two, three, four, five 55:16 general action area items.		
56:16 - 56:20	Layton, Donald 2021-01-07	00:00:17	Layton.8
	56:16 Q. And to what extent, if any, in 56:17 carrying out these goals did you expect 56:18 that executing on them would reduce the 56:19 long-term comprehensive income of Freddie 56:20 Mac?		
57:01 - 57:06	Layton, Donald 2021-01-07	00:00:23	Layton.9
	57:01 A. Reducing the long-term 57:02 comprehensive income of Freddie Mac would 57:03 clearly happen via risk sharing 57:04 transactions, the third item. That is 57:05 the only one that would clearly lead to 57:06 that impact.		
57:07 - 58:12	Layton, Donald 2021-01-07	00:01:22	Layton.10
	57:07 Q. And how about the guarantee fee 57:08 increases, what impact did that have on 57:09 Freddie Mac's comprehensive income? 57:10 A. As long as volumes did not go 57:11 down too much, they would increase it. 57:12 Q. Do you have a sense from your		


Layton

DESIGNATION	SOURCE	DURATION	ID
57:13	tenure at Freddie which had a larger		
57:14	effect on Freddie's comprehensive income		
57:15	in terms of magnitude, the increasing		
57:16	guarantee fees or the risk sharing		
57:17	program?		
57:18	A. That's an unanswerable		
57:19	question. It depend on how much the		
57:20	guarantee fees would go up and it depends		
57:21	on what we did not know then, how much		
57:22	risk sharing we would do, nor what it		
58:01	would cost.		
58:02	Q. I guess I am asking a		
58:03	historical question now. As things		
58:04	played out, which of these factors had a		
58:05	greater impact on Freddie's comprehensive		
58:06	income?		
58:07	A. As they have played out,		
58:08	guarantee fee increases from the point		
58:09	this was issued, as opposed to what had		
58:10	been done previously, and the impact of		
58:11	risk sharing, I am not sure what the net		
58:12	would be.		
92:16 - 93:10	Layton, Donald 2021-01-07	00:00:48	Layton.11
92:16	Q. And what was your understanding		
92:17	while you were the CEO of Freddie of this		
92:18	periodic committee fee provision of the		
92:19	PSPA?		
92:20	A. Actually, I thought very little		
92:21	about it. It had been routinely waived		
92:22	or considered zero. Ever since		
93:01	conservatorship, and every quarter I was		
93:02	there, while the focus was on paying		
93:03	dividends, and so I took it to be		
93:04	something that had in maybe a belt and		
93:05	suspenders sense had been put into the		
93:06	original document but was just inactive		
93:07	in anything I was doing, it was inactive		
93:08	and not paid attention to in terms of the		
93:09	current operations of the company during		
93:10	conservatorship.		

Layton

DESIGNATION	SOURCE	DURATION	ID
93:11 - 93:14	Layton, Donald 2021-01-07 93:11 Q. Did you regard the periodic 93:12 commitment fee as potentially a large sum 93:13 that Freddie would be required to pay 93:14 Treasury?	00:00:08	Layton.12
93:17 - 94:01	Layton, Donald 2021-01-07 93:17 A. During conservatorship I 93:18 regarded it as nonexistent. It had never 93:19 been charged. No one ever talked about 93:20 it. No one ever talked about a level. 93:21 For a possible future state after 93:22 conservatorship would end, yes, that 94:01 could be a significant number.	00:00:20	Layton.13
103:19 - 104:08	Layton, Donald 2021-01-07 103:19 just asking, how frequently were you 103:20 meeting with Mr. DeMarco in the summer of 103:21 2012? 103:22 A. Actually, through Ed's entire 104:01 tenure, I met with him generally once a 104:02 week. 104:03 Q. Got it. And what kinds of 104:04 things would you discuss with him during 104:05 those weekly meetings? 104:06 A. Everything about Freddie Mac. 104:07 As conservator, he had a view over the 104:08 entire company.	00:00:23	Layton.14
107:14 - 107:22	Layton, Donald 2021-01-07 107:14 Q. Welcome back, Mr. Layton. If  P261.1.1 107:15 we could, we will pull up Exhibit 8 again 107:16 for you, and is this an e-mail that you 107:17 received in the usual course of your 107:18 business? 107:19 A. It appears so. 107:20 Q. Okay. And I am going to show  D527.1 107:21 you a document that was attached to this 107:22 e-mail, if I could.	00:00:21	Layton.15
108:06 - 108:21	Layton, Donald 2021-01-07 108:06 MR. BARNES: And the title of 108:07 this document is 2012-2015 Corporate	00:00:46	Layton.34

Layton

DESIGNATION	SOURCE	DURATION	ID
	108:08 Forecast/Senior Preferred Stock		
	108:09 Purchase Agreement - 3Q Update.		
	108:10 Q. Mr. Layton, have you seen this		
	108:11 document before?		
	108:12 A. Possibly. I don't specifically		
	108:13 recall it.		
	108:14 Q. And if we could, let's flip to		
 D527.2	108:15 the second page. There we go. And it		
	108:16 looks like this is a set of financial		
	108:17 forecasts for Freddie Mac. Does that		
	108:18 appear to be correct?		
	108:19 A. This appears to be a financial		
	108:20 forecast using what is referred to here		
	108:21 as a 2012 base case.		
108:22 - 109:09	Layton, Donald 2021-01-07	00:00:24	Layton.16
	108:22 Q. Okay. Yeah. And that's		
	109:01 something I wanted to ask you about		
	109:02 actually. In some of the documents I		
	109:03 saw, it seemed like sometimes there would		
	109:04 be different cases for projections. A		
	109:05 base case. A stress case. A better		
	109:06 case. A worst case. Was it Freddie's		
	109:07 general practice to sort of prepare		
	109:08 projections for different possible		
	109:09 futures?		
109:13 - 112:06	Layton, Donald 2021-01-07	00:02:52	Layton.17
	109:13 A. Since the future is		
	109:14 fundamentally unknowable, any document		
	109:15 doing forecasts has to make reference to		
	109:16 either assumptions they are based on,		
	109:17 which could be judged, or different		
	109:18 versions to show different outcomes.		
	109:19 Obviously you can't predict the future		
	109:20 with certainty.		
	109:21 Q. Right. And what did Freddie		
	109:22 generally use its financial projections		
	110:01 for?		
	110:02 A. Certain kinds of planning in		
	110:03 the company. I mean it's such a generic		
	110:04 comment, I'm not sure how to answer that.		

Layton

DESIGNATION	SOURCE	DURATION	ID
110:05	Q. So making decisions for the		
110:06	company generally?		
110:07	A. Yes.		
110:08	Q. And can you walk me through		
110:09	sort of the process that Freddie used to		
110:10	prepare financial projections?		
110:11	A. It was the responsibility of		
110:12	the finance department to do. They would		
110:13	get input from the economics area and the		
110:14	businesses as to -- and public data, like		
110:15	the house price forecasts I referred to		
110:16	earlier, which is all public data, to		
110:17	work up various scenarios. And would ask		
110:18	the business finance people what things		
110:19	would look like in their businesses under		
110:20	those scenarios. And would put the		
110:21	numbers together and everyone understood		
110:22	it was an approximation and it would not		
111:01	be given more credence than that.		
111:02	Q. And what do you mean by it		
111:03	would not be given more credence than		
111:04	that?		
111:05	A. It's projecting the future.		
111:06	You can't be -- point numbers always have		
111:07	a standard deviation around them.		
111:08	Q. Yeah, and something I always		
111:09	wondered about is I've looked at these		
111:10	and other projections. The tendency		
111:11	seems to be to come up with a point		
111:12	number rather than a range. And I guess		
111:13	I wonder why that is so.		
111:14	A. It's understood by the reader		
111:15	that it's a range.		
111:16	Q. Yeah. And do you recall how		
111:17	far out into the future Freddie would		
111:18	typically do financial projections?		
111:19	A. I think for different purposes,		
111:20	they do different lengths. The longest I		
111:21	remember for some purposes much later		
111:22	than 2012 probably would have been three		
112:01	to five years, maybe. Again, all the		

Layton

DESIGNATION	SOURCE	DURATION	ID
	112:02 readers would understand the further out		
	112:03 you get, the more uncertain it is.		
	112:04 Q. And was it more typical for a		
	112:05 projection to go maybe three years out		
	112:06 and stop?		
112:09 - 113:01	Layton, Donald 2021-01-07	00:00:43	Layton.18
	112:09 A. I don't remember if it was more		
	112:10 typical. Anything past three years would		
	112:11 be highly unusual for a specific purpose		
	112:12 only.		
	112:13 Q. Got it. And the longer five		
	112:14 year projection you mentioned, do you		
	112:15 happen to recall what that was prepared		
	112:16 for?		
	112:17 A. I think that was much later		
	112:18 when some scenarios would be running		
	112:19 about what the company would need for		
	112:20 capital when it would be coming out of		
	112:21 conservatorship, since the time frame for		
	112:22 raising capital was very extended given		
	113:01 the amounts involved.		
113:02 - 113:03	Layton, Donald 2021-01-07	00:00:03	Layton.19
	113:02 Q. Got it. And if we could, let's		
	113:03 flip to the next page. I'm sorry, one		
113:04 - 113:14	Layton, Donald 2021-01-07	00:00:38	Layton.35
	113:04 more page after that. Okay. And I		
	113:05 wonder if you could help me just		
	113:06 interpret this page of the document.		
	113:07 There is a base/better case. There is a		
	113:08 worst case. There is a stress case.		
	113:09 What is the rationale for modeling all of		
	113:10 those different scenarios?		
	113:11 A. Just as I said, the future is		
	113:12 unknowable. You want to plan. What you		
	113:13 might do in various scenarios, you have		
	113:14 to run the scenarios.		
113:15 - 114:03	Layton, Donald 2021-01-07	00:00:36	Layton.20
	113:15 Q. And what would be the		
	113:16 relationship between a base case and a		

Layton

DESIGNATION	SOURCE	DURATION	ID
	113:17 worst case or a better case?		
	113:18 A. Finance used the judgment for a		
	113:19 modest up, a modest down and a big down.		
	113:20 It's not more -- it's judgemental and		
	113:21 it's not quantitative beyond that.		
	113:22 Q. Got it. And the base case, is		
	114:01 that going to be, I guess sort of the		
	114:02 median outcome that you're modeling or		
	114:03 expecting?		
114:06 - 114:14	Layton, Donald 2021-01-07	00:00:19	Layton.21
	114:06 A. The theory is your base case		
	114:07 should be the one where the odds are		
	114:08 50 percent it would be worse than that,		
	114:09 50 percent it might be better than that.		
	114:10 But that is putting quantitiveness on		
	114:11 top of people's judgment past the point		
	114:12 where it makes sense. So it's just a		
	114:13 judgment call. What seems like a		
	114:14 reasonable future.		
114:15 - 114:22	Layton, Donald 2021-01-07	00:00:24	Layton.22
	114:15 Q. Got it. And looking at this		
	114:16 page of the document, it appears to me		
	114:17 that what this document is saying is that		
	114:18 at least in the base and better cases		
	114:19 that were being modeled, that Freddie		
	114:20 would not make any additional draws on		
	114:21 Treasury's funding commitment through		
	114:22 2015. Do I have that right?		
115:03 - 115:21	Layton, Donald 2021-01-07	00:00:45	Layton.23
	115:03 A. Okay. That's what the document		
	115:04 says. Although, again, the readers would		
	115:05 understand that the PSPA document -- the		
	115:06 actual PSPA works on quarterly. So an		
	115:07 annual earnings still could have a		
	115:08 quarter with a draw inside of it. So		
	115:09 everyone understands there is some		
	115:10 uncertainty around those numbers. But		
	115:11 other than that, yes, generally, that's		
	115:12 what this would show.		
	115:13 Q. Got it. And this document, we		

Layton

DESIGNATION	SOURCE	DURATION	ID
	115:14 can go back to the first page of it if 115:15 needed, but I think it predates the 115:16 announcement of the Third Amendment. 115:17 A. Well, you would have to show me 115:18 the date. 115:19 Q. Okay. Yeah, let's do that. 115:20 Let's go back to the first page, if we 115:21 could. This is not a finished document		
115:22 - 116:01	Layton, Donald 2021-01-07 115:22 and clearly says it's dated August 14th. 116:01 And it has not been fully reviewed.	00:00:13	Layton.36
116:02 - 116:07	Layton, Donald 2021-01-07 116:02 Before the Third Amendment, was 116:03 it Freddie's expectation that at least in 116:04 the median expected scenario, it would 116:05 not need to make further draws on 116:06 Treasury's funding commitment through 116:07 2015?	00:00:20	Layton.37
116:10 - 117:16	Layton, Donald 2021-01-07 116:10 A. Could you put it back to the 116:11 prior page? Do you want me to go back to 116:12 page 4? 116:13 Q. Yes, please. 116:14 A. In the four cases mentioned, 116:15 the base case and better, assuming that 116:16 quarterly volatility did not trip you up, 116:17 it shows that cumulative draws would be 116:18 zero during the three-year period of base 116:19 and better case. And there would be 116:20 draws in worst and stress. 116:21 Q. And you mentioned that this is 116:22 a draft document. Is this consistent 117:01 with your recollection of what you 117:02 expected in early August of 2012? 117:03 A. Actually my general expectation 117:04 was that we were close to a line and that 117:05 if earnings were a little bit weak in a 117:06 quarter, we would have a draw, and if 117:07 earnings were not, we generally would 117:08 not, most likely most quarters not having	00:01:28	Layton.24

Layton

DESIGNATION	SOURCE	DURATION	ID
	117:09 it in a likely future. And as indicated		
	117:10 on this page 4 in the red circle, for		
	117:11 planning purposes though, we were most		
	117:12 concerned about what happened if the		
	117:13 economy turned down or mortgage markets		
	117:14 turned down and there was a bad scenario.		
	117:15 That is what you're trying to figure out		
	117:16 in this kind of analysis.		
117:17 - 118:02	Layton, Donald 2021-01-07	00:00:18	Layton.25
	117:17 Q. You're more concerned with the		
	117:18 downside than the median or upside?		
	117:19 A. Yes. You're concerned about		
	117:20 all of it, but the one that causes the		
	117:21 most problems is clearly the downside.		
	117:22 Q. And why is that?		
	118:01 A. Because that can threaten the		
	118:02 viability of a big company.		
149:08 - 149:18	Layton, Donald 2021-01-07	00:00:41	Layton.26
	149:08 How did you first learn about		
	149:09 the Third Amendment?		
	149:10 A. Well, one possible answer,		
	149:11 depending on what you mean about learned		
	149:12 about, is when I walked into a room at		
	149:13 Treasury when we were given the amendment		
	149:14 and told about it, along with some other		
	149:15 things, in a big meeting down there. So		
	149:16 that's the first time I learned that		
	149:17 there was an actual Third Amendment		
	149:18 existing or being worked on.		
149:19 - 150:19	Layton, Donald 2021-01-07	00:01:12	Layton.27
	149:19 Q. Got it. And it sounded like		
	149:20 depending on what I meant by learn about,		
	149:21 there might be a different answer; is		
	149:22 that right?		
	150:01 A. Well, I had known from earlier		
	150:02 in the summer there was an issue to be		
	150:03 addressed that was concerning to the		
	150:04 markets, which was extremely important to		
	150:05 resolve. And that issue is that the		
	150:06 PSPA -- the amount of the PSPA available		

Layton

DESIGNATION	SOURCE	DURATION	ID
	150:07 to the Freddie Mac in the summer of 2012		
	150:08 was unlimited. And by its terms was		
	150:09 going limited near year-end by a formula.		
	150:10 And that because of the expectation of		
	150:11 earnings of the company was that it would		
	150:12 from time to time, and maybe in a		
	150:13 downturn a lot have draws that it would		
	150:14 "use up the limited amount leaving too		
	150:15 small amounts to maintain the market's		
	150:16 confidence that the Government was behind		
	150:17 our credit quality guarantee of the MBS."		
	150:18 Q. How did that concern manifest		
	150:19 itself?		
150:22 - 153:19	Layton, Donald 2021-01-07	00:02:36	Layton.28
	150:22 A. Yeah, I'm not sure -- can you		
	151:01 ask that --		
	151:02 Q. How did you know that was a		
	151:03 concern of the markets?		
	151:04 A. Relatively soon into my tenure		
	151:05 which started in late May of 2012, so I		
	151:06 am estimating sometime in June, I was		
	151:07 asked to join an existing meeting with		
	151:08 one of the -- that was going on with a		
	151:09 delegation from one of the major mortgage		
	151:10 securities dealers where that was why		
	151:11 they were coming to tell us about their		
	151:12 seeing this problem. And that this was		
	151:13 highly concerning to them, because it		
	151:14 could lead to a real financeability		
	151:15 issue, as well as losses to them,		
	151:16 obviously.		
	151:17 Q. Which mortgage securities		
	151:18 dealer are you referring to?		
	151:19 A. Credit Suisse.		
	151:20 Q. Do you remember who was at that		
	151:21 meeting?		
	151:22 A. It's too long ago to remember		
	152:01 names. I don't deal with people		
	152:02 normally, so the answer is I don't		
	152:03 remember the names anymore.		

Layton

DESIGNATION	SOURCE	DURATION	ID
152:04	Q. Okay. Do you remember if		
152:05	anyone from FHFA was there?		
152:06	A. No. I was told at the time		
152:07	they were talking to us about their		
152:08	concern and making the rounds in		
152:09	Washington telling all of the interested		
152:10	parties. So I am under the impression		
152:11	they visited with Fannie Mae and FHFA and		
152:12	Treasury. They left me with that		
152:13	impression.		
152:14	Q. Got it. And do you remember if		
152:15	anyone else from Freddie Mac was in the		
152:16	meeting?		
152:17	A. Well, yes. This meeting was		
152:18	not with me. I was not supposed to be		
152:19	there originally. I was asked to join		
152:20	the person who asked me to join who from		
152:21	the meeting was the individual who was		
152:22	then head of the markets area of the		
153:01	Freddie Mac, his last name is Ghose,		
153:02	G-h-o-s-e.		
153:03	Q. Got it. And was it just you		
153:04	and Mr. Ghose for Freddie or there might		
153:05	have been others, do you recall?		
153:06	A. It might have been others, but		
153:07	I don't remember.		
153:08	Q. Got it. And was anyone from		
153:09	Fannie Mae there?		
153:10	A. No, this is a single company		
153:11	meeting.		
153:12	Q. Got it. And did you ever, in		
153:13	the lead-up to mid-August 2012 and the		
153:14	Third Amendment, did you have any other		
153:15	meetings with market participants where		
153:16	market participants expressed this		
153:17	concern or is that the only one?		
153:18	A. That's the only one that I		
153:19	recall at this time.		
189:03 - 190:21	Layton, Donald 2021-01-07	00:01:48	Layton.29
189:03	Q. Welcome back, Mr. Layton. Just		

Layton

DESIGNATION	SOURCE	DURATION	ID
189:04	very briefly, we had a conversation a		
189:05	little earlier about Credit Suisse and		
189:06	some expressions of concern that they had		
189:07	about the dividend arrangement that		
189:08	preceded the Third Amendment. Do you		
189:09	recall that?		
189:10	A. Yes, I do.		
189:11	Q. And as I understand it, the		
189:12	substance of the concern was that Freddie		
189:13	might, over the course of the years, be		
189:14	put in a position where it needed to draw		
189:15	on Treasury's funding commitment to		
189:16	finance dividends to Treasury. Do I have		
189:17	that right?		
189:18	A. Yes.		
189:19	Q. And I think you mentioned early		
189:20	on in the deposition that you didn't have		
189:21	any involvement in and weren't consulted		
189:22	about FHFA's decisions with regard to		
190:01	whether or not to declare dividends on		
190:02	Treasury's senior preferred stock. Did I		
190:03	catch that right?		
190:04	A. Correct. Because of the lack		
190:05	of the delegation about capital matters		
190:06	to the board of management, we acted just		
190:07	as execution agents for FHFA and anything		
190:08	related to the capital. So they		
190:09	literally gave us an order to pay the		
190:10	quarterly dividend, the 10 percent coupon		
190:11	when the time was due. It was		
190:12	administrative, but that was the paper		
190:13	plug.		
190:14	Q. Right. And if FHFA had adopted		
190:15	a policy that it would just not direct		
190:16	Freddie to declare dividends in quarters		
190:17	when doing so would cause Freddie to make		
190:18	a draw on Treasury's funding commitment,		
190:19	would that have addressed the Credit		
190:20	Suisse concern that you were referring to		
190:21	earlier?		

Layton

DESIGNATION	SOURCE	DURATION	ID
191:02 - 192:21	Layton, Donald 2021-01-07	00:01:58	Layton.30
191:02	A. Say that again? Ask that		
191:03	again? I didn't follow the logic.		
191:04	Q. Sure. So if in quarters when		
191:05	Freddie was in a position where it would		
191:06	need to make a draw in order to pay the		
191:07	10 percent dividend, if FHFA during those		
191:08	quarters had just declined to direct		
191:09	Freddie to declare dividends on Treasury		
191:10	stock, would that have addressed the		
191:11	Credit Suisse concern?		
191:12	A. Only in the most narrow sense,		
191:13	because not paying the 10 percent would		
191:14	be a violation of the PSPA, and that		
191:15	would have caused a real stir.		
191:16	Q. Okay. And what is your basis		
191:17	for saying that it would have been a		
191:18	violation of the PSPA?		
191:19	A. As far as I knew we were		
191:20	obligated to pay the 10 percent coupon		
191:21	and FHFA telling us nothing, to do		
191:22	nothing looks like on the surface to be a		
192:01	violation of the agreement. And Treasury		
192:02	would be, you know, concerned it would		
192:03	leak out. The market would wonder what's		
192:04	going on. This is not a confidence		
192:05	building path to be on.		
192:06	Q. Do you know whether the PSPA,		
192:07	as it existed prior to the Third		
192:08	Amendment, permitted Freddie or FHFA to		
192:09	add to the liquidation preference on		
192:10	Treasury's senior preferred stock in lieu		
192:11	of paying cash dividends?		
192:12	A. I actually don't remember		
192:13	learning of that until it became brought		
192:14	up later after the Third Amendment as		
192:15	part of the lawsuits. So if I knew it,		
192:16	it never impacted my thought process,		
192:17	because I didn't pay attention to it.		
192:18	However, just to tie you up in		
192:19	your question, we still would have been		

Layton

DESIGNATION	SOURCE	DURATION	ID
	192:20 told to issue paperwork to do the 192:21 preference.		
193:11 - 193:15	Layton, Donald 2021-01-07	00:00:14	Layton.31
	193:11 Q. Okay. And if you had issued 193:12 the paperwork to do the preference in 193:13 that manner, would the concern that was 193:14 expressed to you by Credit Suisse have 193:15 still been a concern?		
193:18 - 195:14	Layton, Donald 2021-01-07	00:01:38	Layton.32
	193:18 A. I don't know what Credit 193:19 Suisse's thought process would have been, 193:20 but it would have been a switch about the 193:21 concern of the unused running down to a 193:22 concern about the preference continually 194:01 increasing, which would be unusual in its 194:02 own right.		
	194:03 Q. Credit Suisse was expressing 194:04 this concern from the perspective of 194:05 mortgage-backed securities holders and 194:06 bondholders; is that right?		
	194:07 A. Yes, liability holders. Not 194:08 equity holders.		
	194:09 Q. And so liability holders, they 194:10 are senior in the capital stack to 194:11 Treasury senior preferred stock, is that 194:12 right?		
	194:13 A. That is correct. That's the 194:14 whole purpose.		
	194:15 Q. And so why would an investor 194:16 who is a senior in the capital stack to 194:17 Treasury be concerned about a growing 194:18 Treasury preference on senior preferred 194:19 stock?		
	194:20 A. Only because it's so unusual, 194:21 it raises concerns.		
	194:22 Q. What concerns?		
	195:01 A. It makes the company look 195:02 unsustainable because you can't 195:03 constantly have this growing senior 195:04 preference. At some point it just		

Layton

DESIGNATION	SOURCE	DURATION	ID
195:05	doesn't make any sense. So it would be		
195:06	more symptomatic of it's a short-term		
195:07	solution, it can't last for the long		
195:08	term.		
195:09	Q. I guess as the liquidation		
195:10	preference ballooned, at some point one		
195:11	would say that any investors that were		
195:12	junior to Treasury in the capital stack		
195:13	had been effectively wiped out; is that		
195:14	right?		
195:17 - 195:20	Layton, Donald 2021-01-07	00:00:08	Layton.33
195:17	A. If the senior preferred keeps		
195:18	going up and up, there is less left for		
195:19	people below them in the stack, that is		
195:20	correct.		

Defense Designations

00:34:31

TOTAL RUN TIME

00:34:31



Documents linked to video:


D408

D527

P261

EXHIBIT J

EDClip1 - 214:12 - 215:06 (2020)

DESIGNATION	SOURCE	DURATION	ID
214:12 - 215:06	Demarco, Edward 2020-12-21	00:00:43	EDClip1.1
 P205.1.23	<p>214:12 Q. It goes on to say, "He has raised two</p> <p>214:13 competing reasons for this position." The</p> <p>214:14 first of which is, "the GSEs will be</p> <p>214:15 generating large revenues over the coming</p> <p>214:16 years, thereby enabling them to pay the 10%</p> <p>214:17 annual dividend well into the future even with</p> <p>214:18 the caps."</p> <p>214:19 Did you, in fact, tell Secretary</p> <p>214:20 Geithner and Ms. Miller that; that the GSEs</p> <p>214:21 will be generating large revenues over the</p> <p>214:22 coming years, thereby enabling them to pay the</p> <p>215:01 10 percent annual dividend well into the</p> <p>215:02 future even with the caps?</p> <p>215:03 A. I don't recall exactly what I told</p> <p>215:04 them in this -- in this discussion, except</p> <p>215:05 that I did not want principal reduction to be</p> <p>215:06 part of this.</p>		

Our Designations

00:00:43

TOTAL RUN TIME


00:00:43




Documents linked to video:

P205


EDClip2 - 219:12-219:17 (2020)

DESIGNATION	SOURCE	DURATION	ID
219:12 - 219:17	Demarco, Edward 2020-12-21	00:00:26	EDClip2.1
 P205.1.23	219:12 Q. So did you, in your meeting with Mr. 219:13 Geithner and Ms. Miller, stay, in substance, 219:14 No. 1? 219:15 A. As I've said, I -- I don't know. I 219:16 don't recall what I said in particular with 219:17 regard to -- regard to this.		

<u>Our Designations</u>	<u>00:00:26</u>
TOTAL RUN TIME	00:00:26

 Documents linked to video:
P205

EDClip3 - 220:20-221:01 (2020)

DESIGNATION	SOURCE	DURATION	ID
220:20 - 221:01	Demarco, Edward 2020-12-21	00:00:10	EDClip3.1
 P205.1.24	220:20 Q. So you don't remember whether you 220:21 said 1 and 2; right? 220:22 A. I don't remember the details of 221:01 this -- of this discussion or debate, no.		

[Our Designations](#)

00:00:10

TOTAL RUN TIME**00:00:10**

Documents linked to video:

P205

EDClip4 - 213:10 - 214:04 (2020)

DESIGNATION	SOURCE	DURATION	ID
213:10 - 214:04	Demarco, Edward 2020-12-21	00:00:57	EDClip4.1
213:10	Q. So the person who -- would you have		
213:11	expressed that you had no longer saw an		
213:12	urgency in amending the PSPAs this year?		
213:13	A. I would have expressed that I was not		
213:14	interested in including in the package of the		
213:15	Third Amendment provisions that would require		
213:16	me to do principal reduction, which is what		
213:17	the PR covenant stands for.		
213:18	Q. Okay.		
213:19	But is it -- so is it not accurate		
213:20	that you no longer saw the urgency of amending		
213:21	the PSPAs this year?		
213:22	A. No, it was -- what was accurate was I		
214:01	was not -- not interested or seeing urgency in		
214:02	doing a Third Amendment that included a		
214:03	covenant requiring me to do principal		
214:04	reduction.		

<u>Our Designations</u>	<u>00:00:57</u>
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TOTAL RUN TIME	00:00:57
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EDClip4_B - 213:18 - 214:04 (2020)

DESIGNATION	SOURCE	DURATION	ID
213:18 - 214:04	Demarco, Edward 2020-12-21	00:00:24	EDClip4_B.1
213:18	Q. Okay.		
213:19	But is it -- so is it not accurate		
213:20	that you no longer saw the urgency of amending		
213:21	the PSPAs this year?		
213:22	A. No, it was -- what was accurate was I		
214:01	was not -- not interested or seeing urgency in		
214:02	doing a Third Amendment that included a		
214:03	covenant requiring me to do principal		
214:04	reduction.		

<u>Our Designations</u>	<u>00:00:24</u>
TOTAL RUN TIME	00:00:24

EDClip7 - 220:05 - 220:18 (2020)

DESIGNATION	SOURCE	DURATION	ID
220:05 - 220:07	Demarco, Edward 2020-12-21	00:00:08	EDClip7.1
	220:05 Would you have said either of		
	220:06 those things if you didn't mean it and believe		
	220:07 it?		
220:09 - 220:18	Demarco, Edward 2020-12-21	00:00:27	EDClip7.2
	220:09 THE WITNESS: I would say that		
	220:10 what my priorities are and that I'm willing to		
	220:11 walk away from a deal if something that		
	220:12 matters, that I've got multiple things that		
	220:13 matter to me that are important and I've got a		
	220:14 couple things that are both very important to		
	220:15 me, I need to let them know that -- that		
	220:16 they're not going to be able to force me to do		
	220:17 one thing I don't want in exchange for another		
	220:18 thing I do want.		

Our Designations

00:00:35

TOTAL RUN TIME**00:00:35**