

FEC Collects Its Largest Penalty in Corporate Activity Case

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On April 18, 2006, the Federal Election Commission (FEC) announced the largest civil penalty in the agency's history. Freddie Mac, also known as the Federal Home Loan Mortgage Corporation, paid the FEC \$3.8 million to settle civil charges under the Federal Election Campaign Act (FECA) and to avoid litigating the matter in federal court.

According to the conciliation agreement, the FEC alleged the following violations of the FECA:

- Freddie Mac paid outside consulting firms by retainer to prepare for, plan and/or run federal candidate fundraisers hosted by lobbyist Mitch Delk and other Freddie Mac executives and did not pass these costs on to the benefiting campaigns except, on occasion, in a nominal fashion.
- Freddie Mac directly paid for the blast fax and courier costs of one of the consultants in connection with 40 such events.
- Freddie Mac reimbursed company employees for incidental expenses related to fundraisers, such as cab fares.

In addition, the FEC alleged that Freddie Mac employees impermissibly collected contributions for federal candidates from company executives and forwarded those contributions to the intended campaigns in violation of the FEC regulations against corporate facilitation. Moreover, Freddie Mac impermissibly contributed \$150,000 to a 527 political organization, the Republican Governors' Association (RGA), in violation of the FECA prohibition on any contributions or expenditures by Congressionally chartered corporations.

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Freddie Mac did not contest the FEC's charges, but it also did not concede the charges except for the impermissible 527 contribution to the RGA, which Freddie Mac described as a mistake. Freddie Mac offered alternate factual explanations in the conciliation agreement.

The FEC admonished the former executives and outside consulting firms involved in the above-described activities but otherwise took no further action against these individuals and entities.

In an unrelated action, the FEC announced on March 28 that it had received \$200,000 in civil penalties from LifeCare Management Services, LLC, and two of its officers. The civil penalties in MUR 5398 related to the admission that the two executives knowingly and willfully reimbursed approximately \$50,000 in contributions between 1997 and 2002. The two executives also made criminal pleas in U.S. District Court for the same violations. The company's civil penalty reflected the fact that it voluntarily disclosed the violations.