

Freddie Mac secretly paid a Republican consulting firm \$2 million to kill legislation that would have regulated and trimmed the mortgage finance giant and its sister company, Fannie Mae, three years before the government took control to prevent their collapse.

In the cross hairs of the campaign carried out by DCI of Washington were Republican senators and a regulatory overhaul bill sponsored by Sen. Chuck Hagel, R-Neb. DCI's chief executive is Doug Goodyear, whom John McCain's campaign later hired to manage the GOP convention in September.

Freddie Mac's payments to DCI began shortly after the Senate Banking, Housing and Urban Affairs Committee sent Hagel's bill to the then GOP-run Senate on July 28, 2005. All GOP members of the committee supported it; all Democrats opposed it.

In the midst of DCI's yearlong effort, Hagel and 25 other Republican senators pleaded unsuccessfully with Senate Majority Leader Bill Frist, R-Tenn., to allow a vote.

"If effective regulatory reform legislation ... is not enacted this year, American taxpayers will continue to be exposed to the enormous risk that Fannie Mae and Freddie Mac pose to the housing market, the overall financial system and the economy as a whole," the senators wrote in a letter that proved prescient.

Unknown to the senators, DCI was undermining support for the bill in a campaign targeting 17 Republican senators in 13 states, according to documents obtained by The Associated Press. The states and the senators targeted changed over time, but always stayed on the Republican side.

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