

PSPA MODIFICATION: KEY POINTS TO MAKE

- The Administration remains committed to winding down the GSEs in an orderly and financially prudent fashion.
- We believe it is an appropriate time to simplify the financial support agreements Treasury has with the GSEs (the PSPAs).
- We are in the process of working with the FHFA to modify the dividend Treasury earns on its preferred stock investment. The current fixed 10% dividend rate will be changed to one where the GSEs will pay to Treasury the net income they earn over time as they are wound down.
- This is important for a number of reasons:
 - It means the taxpayer will benefit from all future earnings of the GSEs. Under the current framework we are limited to the 10% dividend.
 - It will stop the circular process of the GSEs drawing on Treasury PSPA support in order to pay dividends back to Treasury.
 - Future PSPA draws will only be made in the event that the GSEs have operating losses.
 - It is consistent with our commitment that the GSEs will be wound down.
- The agreement is expected to be finalized later this year, but has been agreed to in principle by both Treasury and FHFA
- We believe the taxpayers will be in a better position to benefit from any GSE profits as they are wound down.
- In no way does this change impact our pledge to stand behind these institutions' ability to meet their commitments.

QUESTION & ANSWERS

- *Why are you doing this now?*
 - As the Enterprises begin their transition process (per FHFA's strategic plan), we wanted to make it clear that future PSPA capacity would not be used to fund dividends back to Treasury and that the GSEs pay any and all profits back to the taxpayer.

- *Is the taxpayer in a worse off position?*
 - No – they are in a better position. Under the current arrangement Treasury's upside was capped at the 10% dividend, now the taxpayer will be the beneficiary of any future earnings produced by the GSEs.

- *Did the year end 2012 expiration of Treasury's ability to provide unlimited support to the GSEs factor into this decision?*
 - As we have always said, "we stand behind these institutions so they can meet their commitments" and continue to fulfill their important mission
 - Taking this step now is a clear sign the Treasury is fully committed to supporting these organizations as they wind down

- *Is the remaining PSPA capacity enough to support the GSEs after 2012? Should investors be worried?*
 - As we have always said, "we stand behind these institutions so they can meet their commitments"

- *Will there be other modifications to the PSPAs?*
 - None are contemplated at this time