
From: Bowler, Timothy
Sent: Friday, August 17, 2012 3:42 PM
To: Parrott, Jim

I focused on contract and build....

FHFA identifies three strategic goals for the next phase of the conservatorships:

- **Build.** Build a new infrastructure for the secondary mortgage market;
- **Contract.** Gradually contract the Enterprises' dominant presence in the marketplace while simplifying and shrinking their operations; and
- **Maintain.** Maintain foreclosure prevention activities and credit availability for new and refinanced mortgages.

From: Parrott, Jim [mailto:James_M_Parrott@who.eop.gov]
Sent: Friday, August 17, 2012 3:20 PM
To: Bowler, Timothy
Subject: RE: Garrett Statement on Treasury Decision to Amend Terms of Fannie and Freddie Bailout

will call him, but this the right answer?

we've closed off possibility that they every go (pretend) private again and sped up the clock on the wind-down of their portfolio, all while increasing the stability of the market by removing concern that these guys run out of support before we have a place to which to transition.

from below seems like you'd want to give up on some or all of that to force Congress to make a decision. strikes me as mighty high risk (and pessimistic about the prospects that we, collectively, would want to sort this out).

From: Russell, Chris [mailto:Chris.Russell@mail.house.gov]
Sent: Friday, August 17, 2012 2:34 PM
To: Parrott, Jim
Subject: Re: Garrett Statement on Treasury Decision to Amend Terms of Fannie and Freddie Bailout

Preference is not to have two defacto public utilities with a \$274 bill capital cushion

Where is the impetus now to deal with the issue? The dividends were initially set like that for a reason

In regards to them keeping additional profits, in my mind that is only an accounting issue, gov recoups now (per new method) or later when we liquidate them and then realize those gains for the taxpayer

As far as market perception, I don't think current yields on agencies indicate any additional concerns by investors - and I think it's a good thing if investors realize they won't always have 90 percent of mortgage market going through government, then there might be incentives for market participants to develop some new methods to get mortgages to investors

If I am a potential issuer now, what incentive do j have with a higher regulatory burden via dfa and higher costs vs gse's?? None

Does this make sense?

Sent from my iPhone

On Aug 17, 2012, at 2:05 PM, "Parrott, Jim" <James_M_Parrott@who.eop.gov> wrote:

your preference would be to continue to have them pay a dividend that in any given month either requires them to eat into their headroom under the caps (after next year), scaring the hell out of the market, or pays less than their profits in that quarter, allowing them to recapitalize? idea being, I guess, that the former will force congress to act?

From: Russell, Chris [<mailto:Chris.Russell@mail.house.gov>]

Sent: Friday, August 17, 2012 1:57 PM

To: Parrott, Jim

Subject: Re: Garrett Statement on Treasury Decision to Amend Terms of Fannie and Freddie Bailout

It MIGHT be net positive WHEN they r turning a profit

But based on the discussions I had this morning with other experts in the field, the consensus is that this essentially removes any pressure points to do something eventually with them and puts it well after 16. As u well know, politicians sometimes don't act unless they are forced to

Happy to talk with u on it whenever

202-870-8348

Sent from my iPhone

On Aug 17, 2012, at 1:37 PM, "Parrott, Jim" <James_M_Parrott@who.eop.gov> wrote:

must say that this caught me by surprise. we're not reducing their dividend but including in it every dime these guys make going forward and ensuring that they can't recapitalize.

if there's any misunderstanding give me a shout- glad to loop you into cap markets folks to clarify.

From: Rice, Adam [<mailto:Adam.Rice@mail.house.gov>]

Sent: Friday, August 17, 2012 12:52 PM

To: Rice, Adam

Subject: Garrett Statement on Treasury Decision to Amend Terms of Fannie and Freddie Bailout

<image001.jpg>

FOR IMMEDIATE RELEASE
August 17, 2012

Contact: Amy Smith
Phone: 202-225-4465

Garrett Statement on Treasury Decision to Amend Terms of Fannie and Freddie Bailout

WASHINGTON, DC – Rep. Scott Garrett (R-NJ), Chairman of the House Financial Services Subcommittee on Capital Markets and Government-Sponsored Enterprises issued the following statement today after the Treasury Department announced a plan to reduce the dividend rate paid to the Secretary of the Treasury on senior preferred stock of Fannie Mae and Freddie Mac:

“Today’s announcement from the Treasury Department is yet another example of the Obama Administration continuing to kick-the-can on important policy decisions instead of working with Congress to enact meaningful reform. The reduction of the dividend payments for Fannie Mae and Freddie Mac will ensure the American taxpayers remain on the hook for the bailout of these two failed institutions for the foreseeable future. The crony-capitalism that has become a centerpiece of the Administration’s failed economic policy must come to an end. This decision is a slap in the face to the hardworking American taxpayers who deserve to be compensated and fully repaid for their dollars that fueled the government takeover of the mortgage twins. Instead of devoting time and energy towards prolonging bailouts, the Obama Administration should work with Congress to wind these companies down and create a new and sustainable housing finance system where taxpayers are not at risk.”

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