Housing GSEs Exceed the Public U.S. Debt

Relative Size of Enterprise Obligations

Total = $6.4 Trillion

August 2008


January 2006 - June 2008

Enterprise, Freddie Mac, and FHLB Shares of Mortgage Originations

PHFA
Continuing a trend of volatile and unattractive financial results over the past several quarters, both enterprises reported significant net losses in the second half of 2007 and the first half of 2008.

Net Income

Fannie Mae

Freddie Mac

Quarterly Net Income for 2006Q1 through 2008Q2
Note: For purposes of comparison, the OFHEO purchase-only index has been re-based to January 2000 = 100 (the standard series is set to that.

Year and Quarter

OFHEO Purchase-Only: 5.8%
SF/C-S 20-City: -19.5%

Fall From Peak

OFHEO

SF/C-S 20-City

OFHEO Monthly Index (Purchase-Only, Seasonally Adjusted)
SF/C-Case-Shiller 20-City Composite Index

House Prices Continue to Fall
Establish criteria governing the Enterprises' related portfolios

Housing goals in one agency

Combines safety and soundness, charter compliance, and affordable

Focus on mission

Flexibility to adjust capital requirements – minimum and risk based

Authenticity based on safety and soundness, not just capital

More complete set of regulatory and enforcement authorities

Enhanced safety and soundness authorities

HUD’s mission and new product authority

FHFB and OFHEO

Single, unified and independent GSE regulator

FHA

Federal Housing Finance Agency
Housing Finance Agency  

Agency Structure
13

Receivership

Prompt Corrective Action Broadened

Minimum Capital

Risk-based Capital Regulation

Expanded Enforcement Authorities

Portfolio Limits

Prudential Management and Operational Standards

Federal Reserve Regulation

New Authorities Given to FHFA
Conservatorship/Receivership Authority

Temporary authority to provide letters of credit for tax-exempt bonds

Capital Classification for Prompt Corrective Action

Risk-based Capital Requirements

Prudential Management and Operations Standards

PHLBank Regulation

New Authorities Given to PHFA
New Authority Given to PHFA

Mission Supervision

Combines PHFB Oversight of Affordable Housing Program and Community Investment

Combines with HUD's Setting of Affordable Housing Goals

Programs and HUD's Setting of Affordable Housing Goals

New Product Approval for all CSPS
Appointed new Chairman who will reconstitute boards.

New CEO's appointed.

FHFA is Conservator.

Returned to the shareholders.

A conservator to operate the institution until it is stabilized and then

once stabilized, Conservatorship statutes provide broad authority for

has as its objective to return the entity to normal business operations

troubled institution which is intended to have a limited duration and

Conservatorship is defined as a statutory process to stabilize a

Conservatorship

FHFA
Portfolios allowed to grow to $850 billion and then shrink 10 percent

Warriors for 79.9 percent of common stock.

Enterprises each paid Treasury $1 billion in senior preferred stock and

minimum capital

nearby three and a quarter times the Enterprises combined statutory

billion ($200 billion combined).

Contract between Treasury and each GSE with a capacity of $100

the GSEs.

next needed. Means the United States stands behind the debt and the MBS of

net worth through Treasury purchases of senior preferred stock as

Binding legal agreement that ensures that each GSE maintain a positive

Senior Preferred Stock Purchase Agreement - no expiration date

FHLBA

Treasury Facilities
3. GSE satisfies all its liabilities
deficiency, if any

2. GSE liquidates and Treasury has topped up net worth

1. Facility is fully funded
Facility can only terminate if:

Treasury

maturities and issuances are effectively guaranteed by the U.S.
Holders of MBS, senior debt and subordinated debt, including all
Senior Preferred Stock Purchase Agreement (continued)

PHEA

Treasury Facilities
York as fiscal agent.

Utlimited borrowing facility with Federal Reserve Bank of New York and Primary dealers by Treasury as a backstop.

Secured funding provided directly to Fannie Mae, Freddie Mac

GSE Credit Facility - Expires 12/31/09

Treasrury may hold these securities to maturity. Purchased.

Mae and Freddie Mac MBS in open market. Over $15 billion

Provides for Treasury to make unlimited purchases of Fannie Mae MBS Purchase Program - Expires 12/31/09

Treasrury Facilities

FREDA
Strong oversight established.

Preventable foreclosures.

Provides for heightened mortgage modification activities to avoid

Investment managers for Private Label MBS, whole mortgagors

Other financial institutions eligible

$250 billion in bank Preferred Stock

Provide guarantees and provide capital.

Broad, flexible power to allow Treasury to purchase troubled assets.

TARP (Troubled Asset Relief Program) - $700 billion.

Emergency Economic Stabilization Act