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Thank you for that kind introduction, and thank you very much for inviting me to speak here today. I am pleased to be able to speak to such a large gathering of credit union professionals.

It has been a while since I last attended this conference. I enjoyed extensive interactions with NAFCU and with credit union executives during my time at the Treasury Department in the late 1990s and earlier this decade. Today, as Acting Director of FHFA, I see the numerous interactions between credit unions and the housing GSEs that my agency oversees. I'll be talking a bit more about some of these interactions a little later.

Since FHFA has only been around for just over a year, I thought I would begin with a brief introduction of the agency.

On July 30 last year, President Bush signed the Housing and Economic Recovery Act (HERA), which created the Federal Housing Finance Agency. As many of you know, FHFA came into being by combining the old OFHEO (Office of Federal Housing Enterprise Oversight), the Federal Housing Finance Board, and a small group of staff from the Department of Housing and Urban Development (HUD). FHFA is responsible for overseeing the safety and soundness and mission activities of all the housing GSEs – Freddie Mac, Fannie Mae, and the 12 Federal Home Loan Banks.

In the midst of all the market turmoil of the past year, at FHFA we have been busy building a new agency with a single identity. Our staff has devoted long hours to working through the housing crisis and its implications for all the housing GSEs (government-sponsored enterprises) we oversee. We have accomplished a lot in our 13-plus months. For example:

- We are working effectively with the Enterprises – Fannie Mae and Freddie Mac – as their conservator, even as we continue to oversee them as their regulator.
- We have been working with the 12 FHLBanks regarding valuing their private-label MBS, an issue that has significant consequences for them. As they adopted early the new other-than-temporary impairment rules, we worked with them on the adoption of a common platform for accounting.
- FHFA staff was instrumental in working with the Treasury Department, the rest of the Obama Administration, and others to address the problems of foreclosure prevention and people with "underwater" mortgages, with the aim of keeping people in their homes whenever possible. I will talk more about that in a few minutes.

- We have set new, more feasible affordable housing goals for 2009 for Fannie Mae and Freddie Mac. Similarly, we are working on an affordable housing program rule for the FHLBanks. Both are critical parts of our agency's mission.
- We have combined the personnel and financial systems of two separate organizations and established an infrastructure for FHFA, including systems, procedures, and policies that serve as the foundation for accomplishing the mission of the agency.
- We have published our first strategic plan, our first human capital plan, our first Performance and Accountability report, and our first annual report of examination to Congress.
- We have issued numerous regulations, guidances, and reports to Congress as required by HERA, and we continue to work on more.

In short, we are a relatively small but very busy agency. We are focused on our mission, which is to provide effective supervision, regulation and housing mission oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

FHFA is not the only busy place. Freddie and Fannie, the new Administration, and the Federal Reserve just to name a few, have all been hard at work to ease the current housing crisis.

Let me touch on a few of the initiatives underway to bring support and stability to housing markets.

HERA gave the Treasury extraordinary authority to assist Freddie and Fannie. Those authorities were put to use just six weeks later when we placed both companies in conservatorship. By early September last year, it was clear that there was no other choice than conservatorship if the Enterprises were going to continue to fulfill their mission of providing stability, liquidity, and affordability to the market. I am confident that if we had not taken the conservatorship action, the Enterprises would have had to pull back dramatically from the market, which would have accelerated the downward spiral and caused a far greater financial crisis.

As part of the conservatorship action, the Treasury Department established three facilities using its HERA authorities to ensure that Freddie and Fannie remained active in supporting the mortgage market. These facilities are the senior preferred stock purchase investments in each company to ensure their solvency; an MBS purchase program; and a credit facility providing lender-of-last resort funding to all the housing GSEs. This considerable Treasury backstop has in turn enabled Freddie and Fannie to play a critical role in bringing some measure of stability to the mortgage market and, in particular, has assured that lenders continue to have an outlet for new mortgage production.

So, one of the good news stories about the past year is that both Enterprises have remained active players in keeping the mortgage market operating. It is a tribute to the staff at each company and their new executive leadership that the companies have functioned so well in continued support of the mortgage market. Another good news story is that the Federal Home Loan Bank System (FHLBank System) worked as it was designed, providing a substantial increase in its lending to member depository institutions as those institutions faced critical liquidity needs in 2007 and 2008, during the months of financial market upheaval. Advances to FHLBank member institutions topped $1 trillion in October 2008. As alternative sources of liquidity emerged, advances have retreated to less than $700 billion, but without significant adverse consequences for the FHLBanks.

The Federal Reserve's efforts have also been substantial. The Fed has purchased some $860 billion of Freddie, Fannie, and Ginnie MBS, plus $129 billion of housing GSE debt – a total of $985 billion worth of securities on its balance sheet. This massive investment has done two things: it has contributed directly to investor confidence in the housing GSEs and it has pushed mortgage rates down to support a housing market recovery.

The Fed has been assisted in these efforts by the Treasury Department. Treasury also has invested more than $180 billion as of the end of August in Freddie and Fannie MBS. Added to the Fed's investments, this puts the combined federal investment over the $1 trillion mark.

While these efforts speak to overall liquidity in the mortgage market, tremendous effort has also been targeted at helping individual homeowners with troubled mortgages.

On February 18, the Obama Administration announced the Making Home Affordable (MHA) program. This program was broadly designed to stabilize the U.S. housing market and offer assistance to millions of homeowners by reducing mortgage payments and preventing avoidable foreclosures.

A key part of the program is the Home Affordable Modification plan – a comprehensive $75 billion program to lower monthly mortgage payments for at risk borrowers, providing loan modifications on an unprecedented scale.

More than 45 servicers are participating, including the five largest. Nearly 2 million households have been contacted by servicers to request financial information in anticipation of a modification offer. More than 570,000 trial modifications have been offered under the program and more than 360,000 trial modifications are underway.

<u>Credit Unions' Role</u>

Let me now turn to some of the specific intersections between credit unions, the housing GSEs, and the issues I have just covered.

As of June, credit unions held more than $200 billion in first mortgage loans to members. Credit unions have also been increasing their sales of mortgages to Fannie Mae and Freddie Mac, with sales to each of these GSEs growing by about 150 percent from last year to this. Through the first half of this year, credit unions accounted for roughly 2 percent of mortgage sales to Freddie Mac and 4 percent of mortgage sales to Fannie Mae.

All 497 credit unions that are approved seller/servicers to Fannie or Freddie are, by definition, participants in the loan modification program under Making Home Affordable. In addition, nine credit unions have signed HAMP participation agreements with the Treasury Department.

Many credit unions are also involved with the Federal Home Loan Bank System. Today, 986 credit unions are members of an FHLBank. About half of these members currently are borrowing from the system, with $28 billion in advances outstanding to credit union members.

Beyond these numbers, though, I think that credit unions continue to have an important role to play with respect to the country's recovery from the housing market mess of the past few years. And this is true for all credit unions, whether they make mortgage loans or not.

One of the inescapable but discouraging facts we have learned from this housing crisis is how many households either did not understand the mortgage loan they had taken, or did not realize the risk to their personal financial situation of the excessive leverage on their household balance sheet, or both. While most attention in the wake of this crisis has been on improving regulatory oversight of financial institutions, and strengthening financial institution balance sheets, we should not lose sight of these issues at the household level.

The core of credit unions' mission, and their long history, speaks to working with households, especially households of modest means, to gain financial literacy and build a solid financial foundation that leads to economic opportunity. All of us need to refocus our energies on such a mission.

The damage of the housing crisis to millions of American families has been substantial. To keep it from happening again, lending institutions need to return to more prudent lending practices, and households need to improve their understanding of financial products such as mortgages and reduce the leverage in their balance sheets. Community financial institutions such as our country's credit unions can play a key role in achieving that goal.

The Future

Let me conclude with a few words on the future of the U.S. mortgage market. That market may be seen at a macro level as a $12 trillion credit market that relies on the resources of global capital markets to supply that volume of financing to America's homebuyers and renters. At a micro level, though, the mortgage market is made up of millions of individual transactions that average about $200,000 apiece.

Since the global marketplace is not directly connected to any of those individual transactions, we need efficient conduits between local mortgage lenders and global capital markets to ensure that families have access to stable, low-cost credit to finance their dream of homeownership.

In the coming months, the country's policymakers will be focused on what we have learned from the problems of the past few years and how we should apply that learning to our conception of the future structure of housing finance in this country.

I can tell you that there are multiple options for the future of the secondary mortgage market and of the housing GSEs. We are starting to see thoughtful and interesting proposals coming forth from various groups and analysts.

FHFA is looking forward to working with the Administration and Congress on these issues as we approach 2010, and I think we are going to see some very significant policy decisions coming forth. The past year has produced enormous stress and change in housing finance. But I would like to conclude on a positive note about the future.

Whatever the outcome of that process, this country needs and must have a vibrant, liquid, and efficient secondary mortgage market to support both single family and multifamily mortgage finance. I am confident we will find the answers to the questions before us, building upon the strengths of the system we have had to create a more resilient system going forward.

Thank you again for this opportunity to speak with you this morning, and best of luck with the rest of your conference.