
FEDERAL HOUSING FINANCE AGENCY



STATEMENT

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Statement of FHFA Acting Director Edward J. DeMarco

“The amendments announced today to the Preferred Stock Purchase Agreements (PSPAs) between the Department of Treasury and the Federal Housing Finance Agency (FHFA) as Conservator for Fannie Mae and for Freddie Mac (Enterprises) reaffirm the government’s commitment to stability in the mortgage market.

The conservatorships created by FHFA in September 2008 and Treasury’s exercise of its Housing and Economic Recovery Act of 2008 (HERA) authorities have restored a significant amount of stability to the housing finance system and allowed the Enterprises to continue to fulfill their statutory mission of providing liquidity, stability, and affordability to the secondary mortgage market. With a good measure of stability restored, the expiration of Treasury’s mortgage purchase and backstop liquidity programs is warranted.

Regrettably, the credit problems that led to conservatorship have resulted in substantial realized and expected future credit losses for each Enterprise, and roughly \$100 billion in combined draws from Treasury under the PSPAs. While neither Enterprise is close to the \$200 billion limit per Enterprise established in the PSPAs, given the uncertain conditions in the housing market, the increase to Treasury’s financial commitment under the PSPAs provides further protection against adverse conditions in the housing market. The increase should provide additional assurances to investors in Enterprise debt and mortgage-backed securities that the government backstop announced in September 2008 remains capable of offering the full protection promised. These changes also permit the Enterprises, while operating in conservatorship, to continue to meet their mission of ensuring the ongoing operation of a secondary mortgage market.

The amendment to the size of the Enterprises’ retained mortgage portfolios provides for near-term flexibility, while maintaining the continued gradual reduction in the Enterprises’ portfolios that was envisioned when the conservatorships were established. This near-term flexibility is important for maintaining the Enterprises’ portfolio capacity to purchase delinquent mortgages out of their guaranteed mortgage-backed security pools.

The steps taken today are important for ensuring that the Enterprises continue to perform their current functions in the secondary mortgage market, as the longer-term roles of the federal government and the Enterprises in the mortgage and housing market are fully considered.”

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$6.3 trillion in funding for the U.S. mortgage markets and financial institutions.