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**Office of Federal Housing Enterprise Oversight  
(OFHEO)**

**NEWS RELEASE**

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**FOR IMMEDIATE RELEASE**

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**OFHEO Director James B. Lockhart Commends GSEs  
on Implementation of Subprime Mortgage Lending  
Guidance**

Washington, DC -- OFHEO Director James B. Lockhart announced today the implementation by Fannie Mae and Freddie Mac of the federal bank regulators' *Statement on Subprime Mortgage Lending* to their mortgage purchases and the application of that *Statement* and the *Interagency Guidance on Nontraditional Mortgage Product Risks* to the purchase of private-label securities.

"These actions represent another significant step in promoting sound underwriting practices, enabling homeowners to select from prudent mortgage vehicles, and restoring confidence in the mortgage finance system," said Lockhart. "The application to private-label securities further demonstrates the leadership role of the Enterprises in establishing standards for the secondary mortgage market. The extension of these standards will help prevent the abuses of the past from recurring."

Fannie Mae and Freddie Mac hold approximately \$370 billion in private-label securities, almost all of which carry the highest investment grade rating. Approximately \$170 billion of these securities are backed by subprime mortgages. Since these securities were acquired before the implementation date, they will not be affected by the guidance.

On August 10, 2007, OFHEO directed Fannie Mae and Freddie Mac to apply the principles and practices of the *Statement on Subprime Mortgage Lending* to their purchases of subprime loans in the regular flow of business, including bulk purchases. This action is consistent with the July 13, 2007, announcement by OFHEO recognizing the compliance by the Enterprises with the *Interagency Guidance on Nontraditional Mortgage Product Risks*. These directives are effective for all mortgages sold to the Enterprises with an application date on or after September 13, 2007.

OFHEO also directed that, not later than September 13, 2007, nontraditional and subprime loans purchased by Fannie Mae and Freddie Mac as part of private-label securities transactions, comply with the *Interagency Guidance on Nontraditional Mortgage Product*

*Risks and the Statement on Subprime Mortgage Lending.* This application to the Enterprises' investments in private-label securities would ensure that mortgages financed by the Enterprises through such investments conform to the underwriting provisions of those guidances. Further, OFHEO directed that the Enterprises adopt such business practices and take such quality control steps as necessary to ensure the orderly and effective implementation of these guidances to the purchase of private-label securities.

Fannie Mae and Freddie Mac expressed their full support for these actions. Fannie Mae announced their compliance with the *Statement on Subprime Mortgage Lending* directive on August 15, 2007, in a Lender Letter. Freddie Mac announced their compliance with the directives in communications to their dealers and sellers on September 7, 2007. The Enterprises have also pledged their continued support of subprime borrowers. Freddie Mac has said that it will purchase \$20 billion of subprime loans and Fannie Mae "tens of billions" of subprime loans over the next several years.

"I commend the Enterprises for their implementation of the directives," said Lockhart. "These actions, which address the practices of both regulated and unregulated mortgage originators, reinforce the historic and statutory role of Fannie Mae and Freddie Mac in promoting market liquidity through standardization of mortgage underwriting. OFHEO will continue to work with federal and state regulators, and with Fannie Mae and Freddie Mac, to ensure that the essential mortgage credit needs of borrowers are addressed in conformance with the guidances. Such safe and sound underwriting practices serve the interests of borrowers and lenders in promoting sustained homeownership."

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*OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.*