



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

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OFHEO BUDGET CUTS JEOPARDIZE REGULATORY CAPACITY

Washington, D.C. — In yesterday's Senate Appropriations Committee mark-up, the Office of Federal Housing Enterprise Oversight's (OFHEO) FY 2000 Budget was frozen at FY 1999 levels (\$16 million). This action represents an 18 percent cut to an already lean budget request of \$19.5 million.

Mark Kinsey, Acting Director of OFHEO, stated that "Yesterday's action by the Appropriations Committee unnecessarily increases the risks posed to the taxpayers from the activities of these two very large and growing Government Sponsored Enterprises." In addition "This level of funding is not sufficient to ensure that Fannie Mae and Freddie Mac are adequately capitalized and operating in a safe and sound manner."

OFHEO, the federal financial safety and soundness regulator of Fannie Mae and Freddie Mac (the Enterprises), has seen a dramatic increase in its oversight responsibilities commensurate with the rapid growth in size and scope of the Enterprises' activities. To put the job in perspective, OFHEO must ensure that the Enterprises are adequately capitalized to manage the credit risk on \$2 trillion of residential mortgages. That is roughly 45 percent more than the residential mortgage credit risk managed by the entire bank and thrift industries combined.

OFHEO's budget has no impact on the government's budget surplus or deficit since OFHEO's costs are borne entirely by the Enterprises and not the taxpayer. *Kinsey added, " Unlike bank and thrift regulators, OFHEO's budget is subject to the Appropriations process. This action very clearly demonstrates the need for OFHEO to be removed from this process. Resources central to our ability to fulfill our mission are at risk."*

OFHEO has received strong support from members of its Authorizing Committees. Chairman Phil Gramm of the Senate Banking Committee and Chairman Richard H. Baker of the House Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises have urged that OFHEO receive its full budget request.

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