

The Housing GSEs



**James B. Lockhart III, Chairman
Women in Housing and Finance
December 10, 2008
Washington, DC**

FEDERAL HOUSING FINANCE AGENCY



- On July 30, 2008, President Bush signed the Housing and Economic Recovery Act of 2008 (HERA), creating the Federal Housing Finance Agency to supervise the Federal Home Loan Banks, Fannie Mae and Freddie Mac.

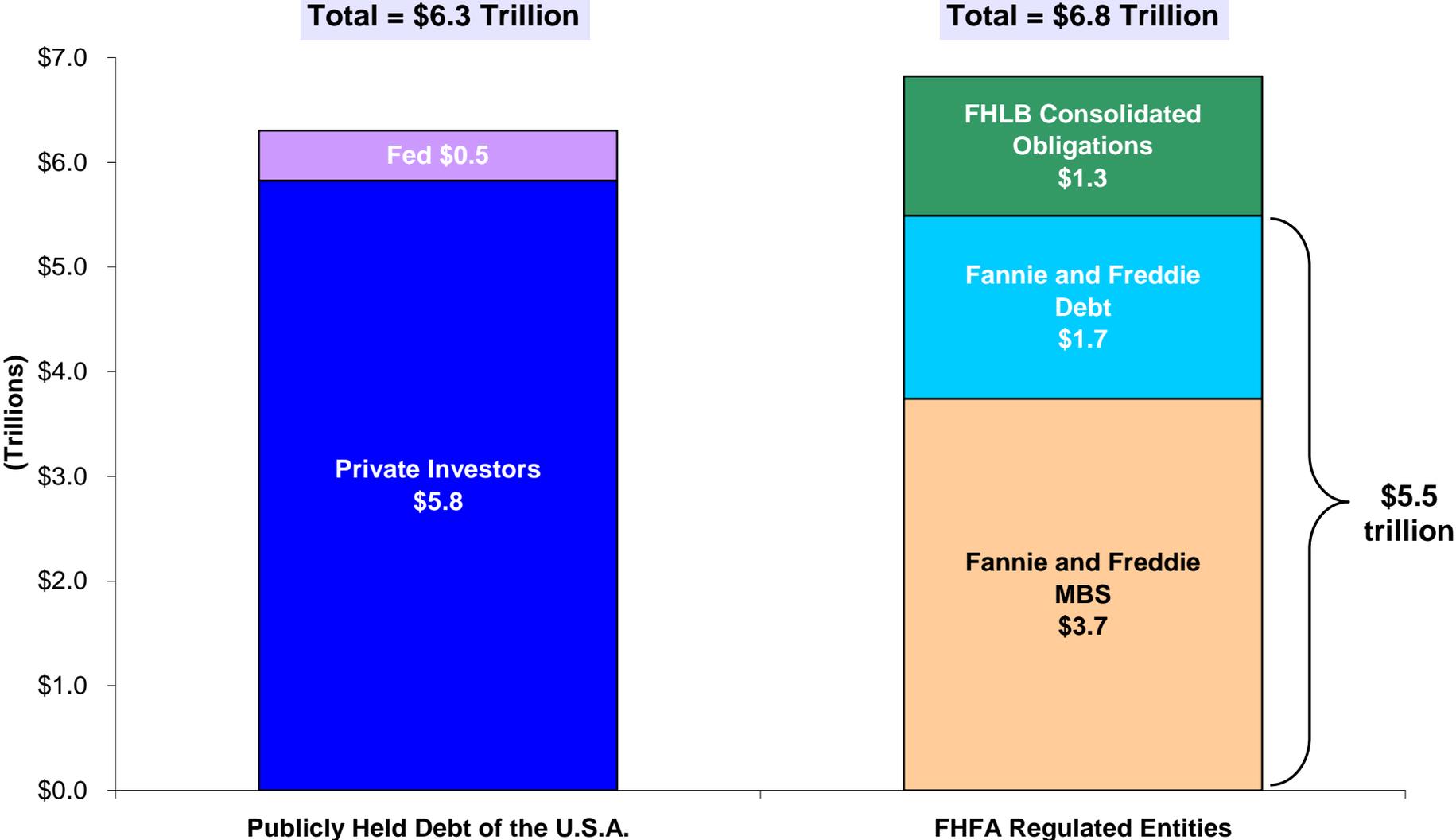


- The three houses represent in our new logo the merger of Office of Federal Housing Enterprise Oversight, the Federal Housing Finance Board and Mission including HUD's team.

Housing GSEs Exceed the Public U.S. Debt



Relative Size of Enterprise Obligations (October 2008)

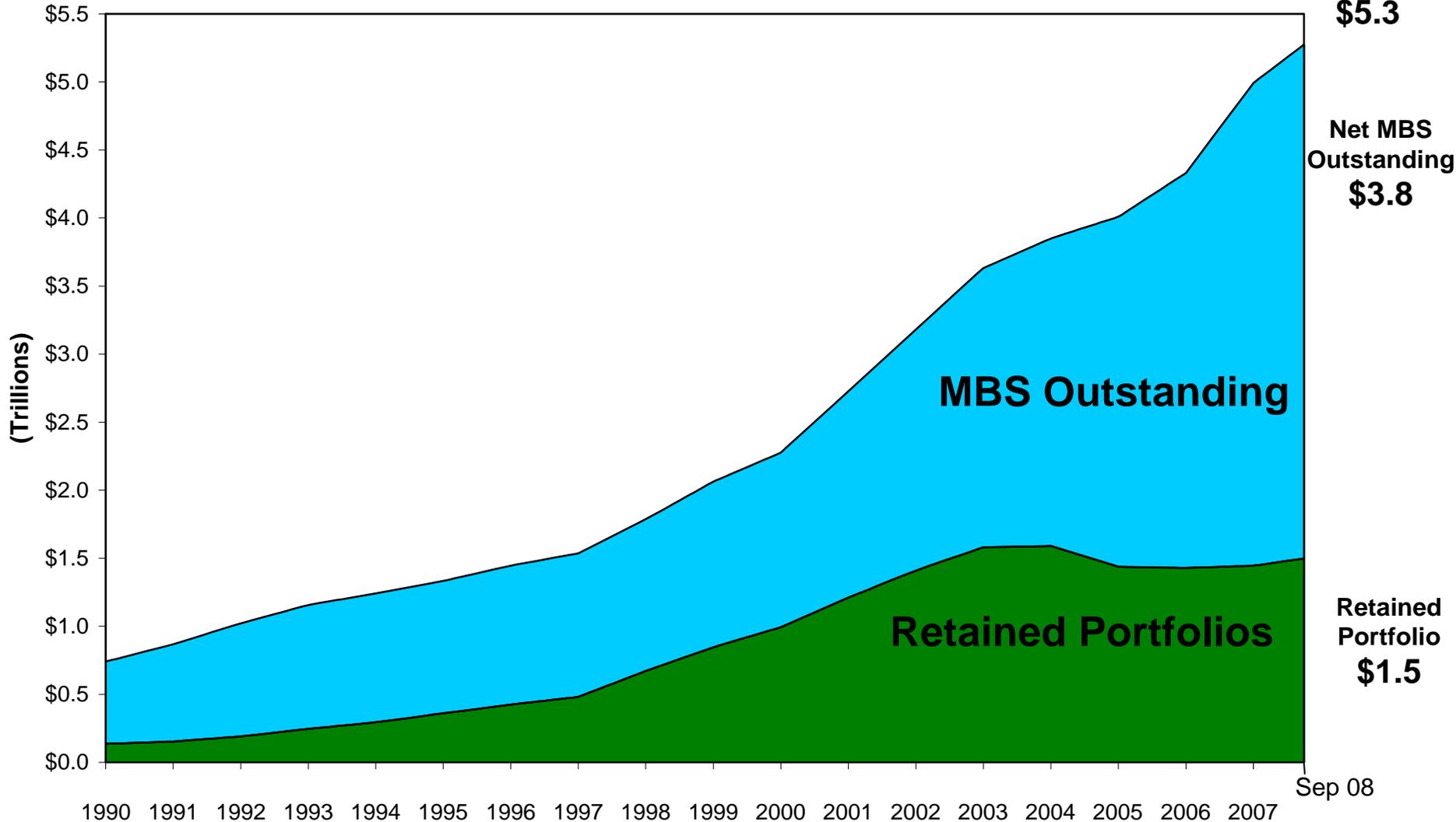


Sources: Fannie Mae and Freddie Mac Monthly Volume Summaries, TreasuryDirect.gov, Federal Reserve H.4.1 Release.

Fannie and Freddie Continue to Grow



**Enterprises' Combined Total Book of Business
1990 - September 2008**

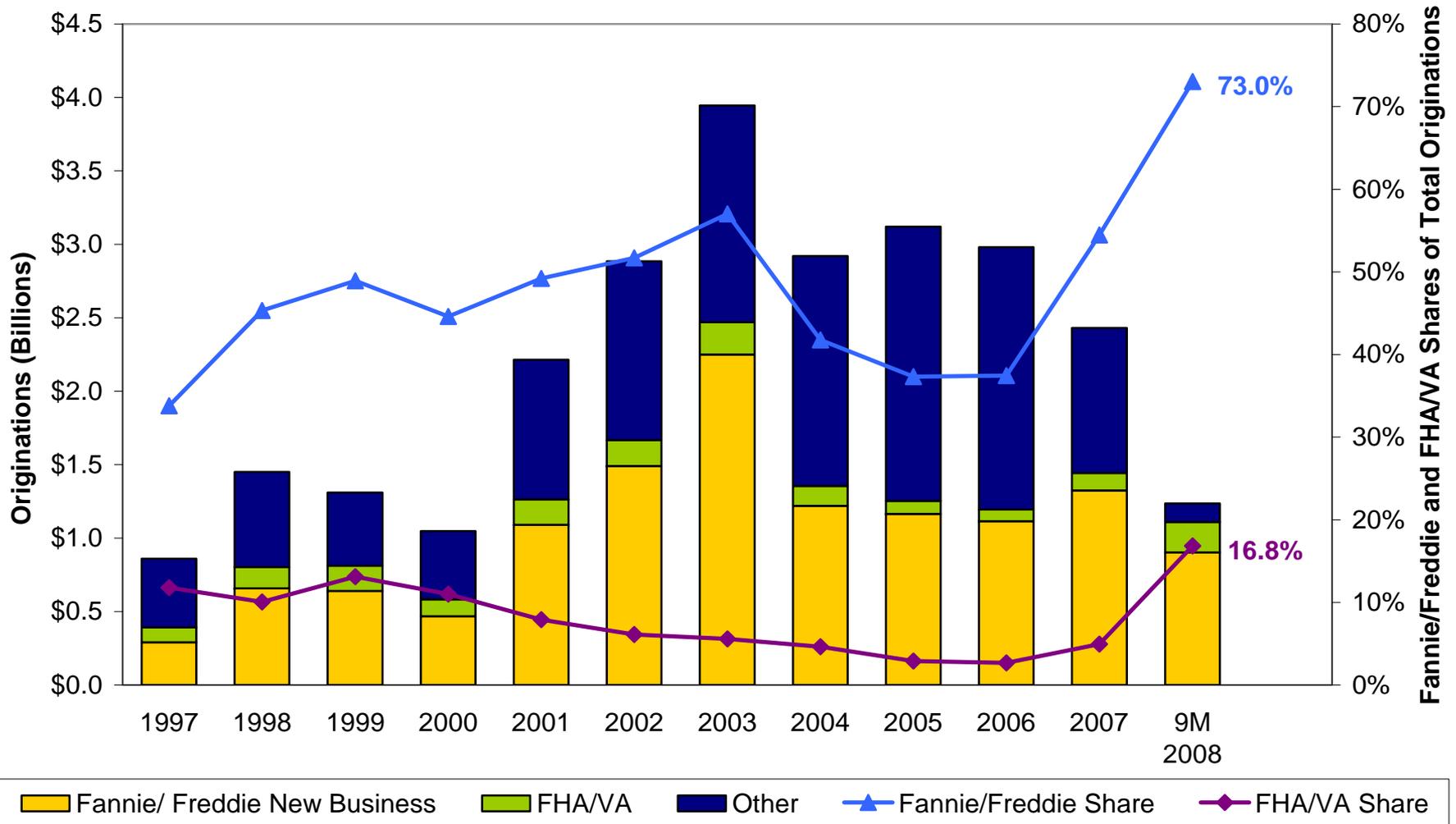


Sources: Fannie Mae and Freddie Mac Monthly Volume Summaries and 2007 OFHEO Report to Congress.

Enterprise and FHA/VA Shares of Originations



Fannie Mae and Freddie Mac New Business and FHA/VA Originations
as a Share of Total Mortgage Originations
1997 - 2008Q3

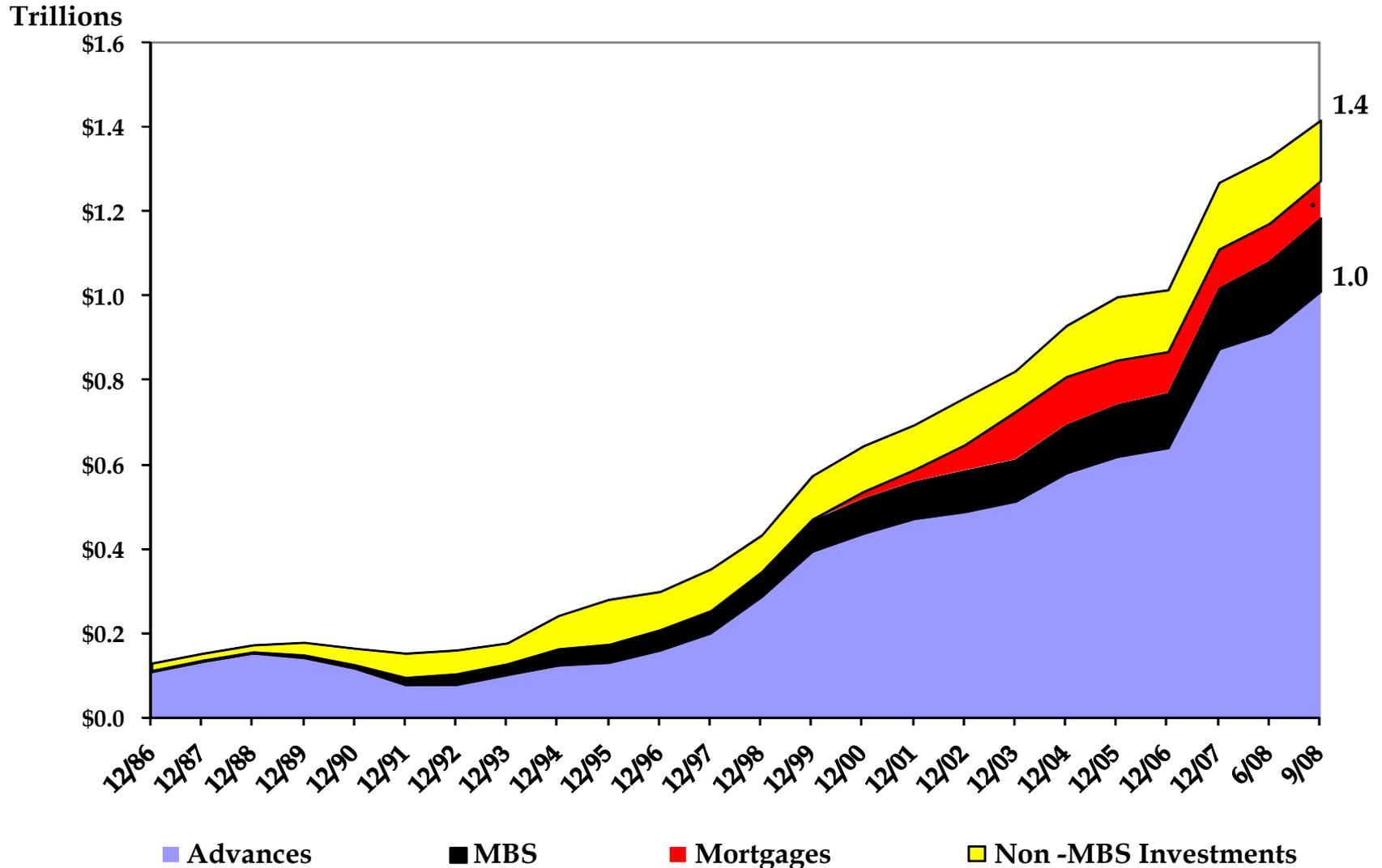


Sources: Inside Mortgage Finance, Enterprise Monthly Volume Summaries.

FHLBanks Also Continuing to Grow



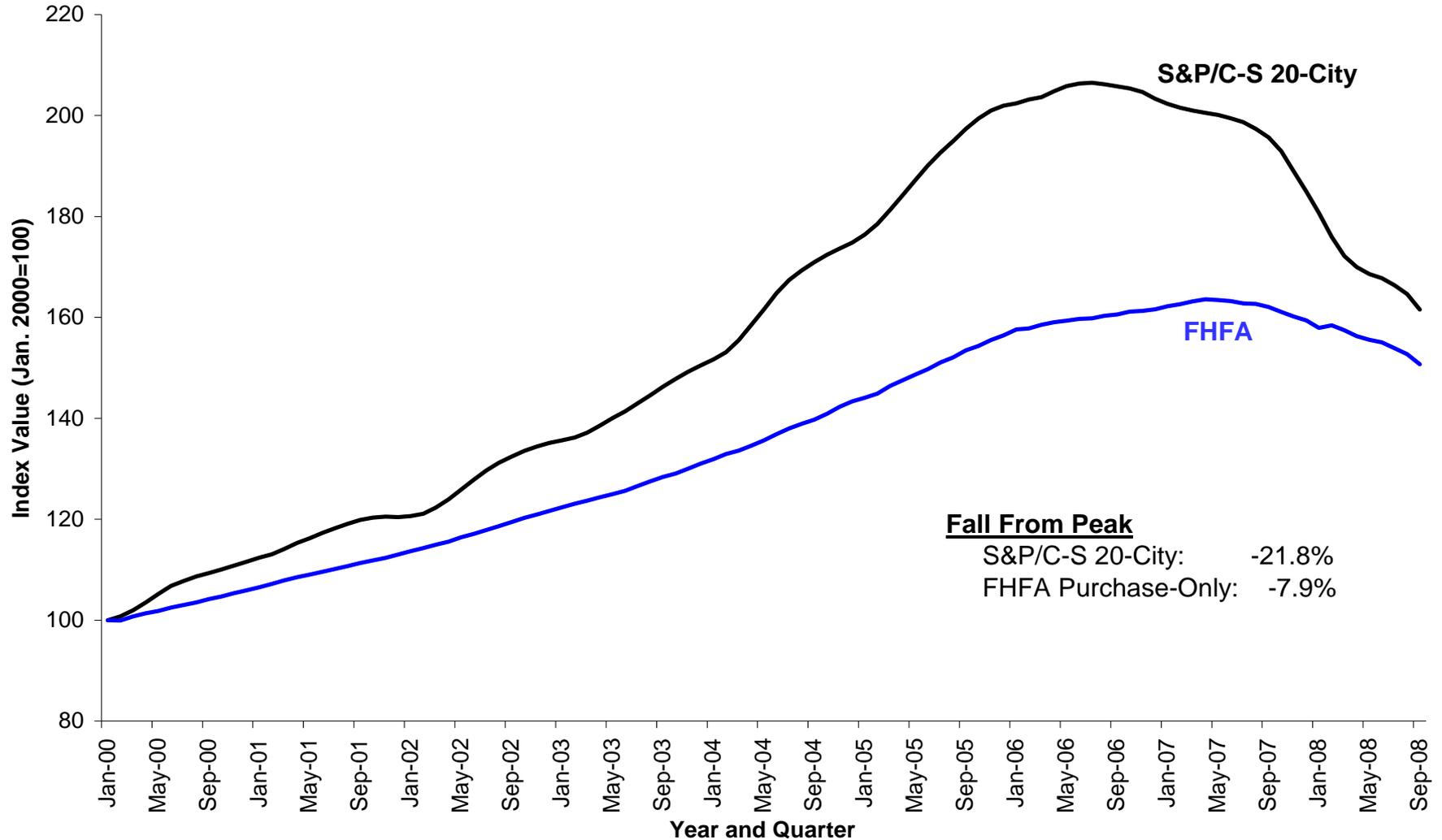
1987 - September 2008



House Prices Continue to Fall

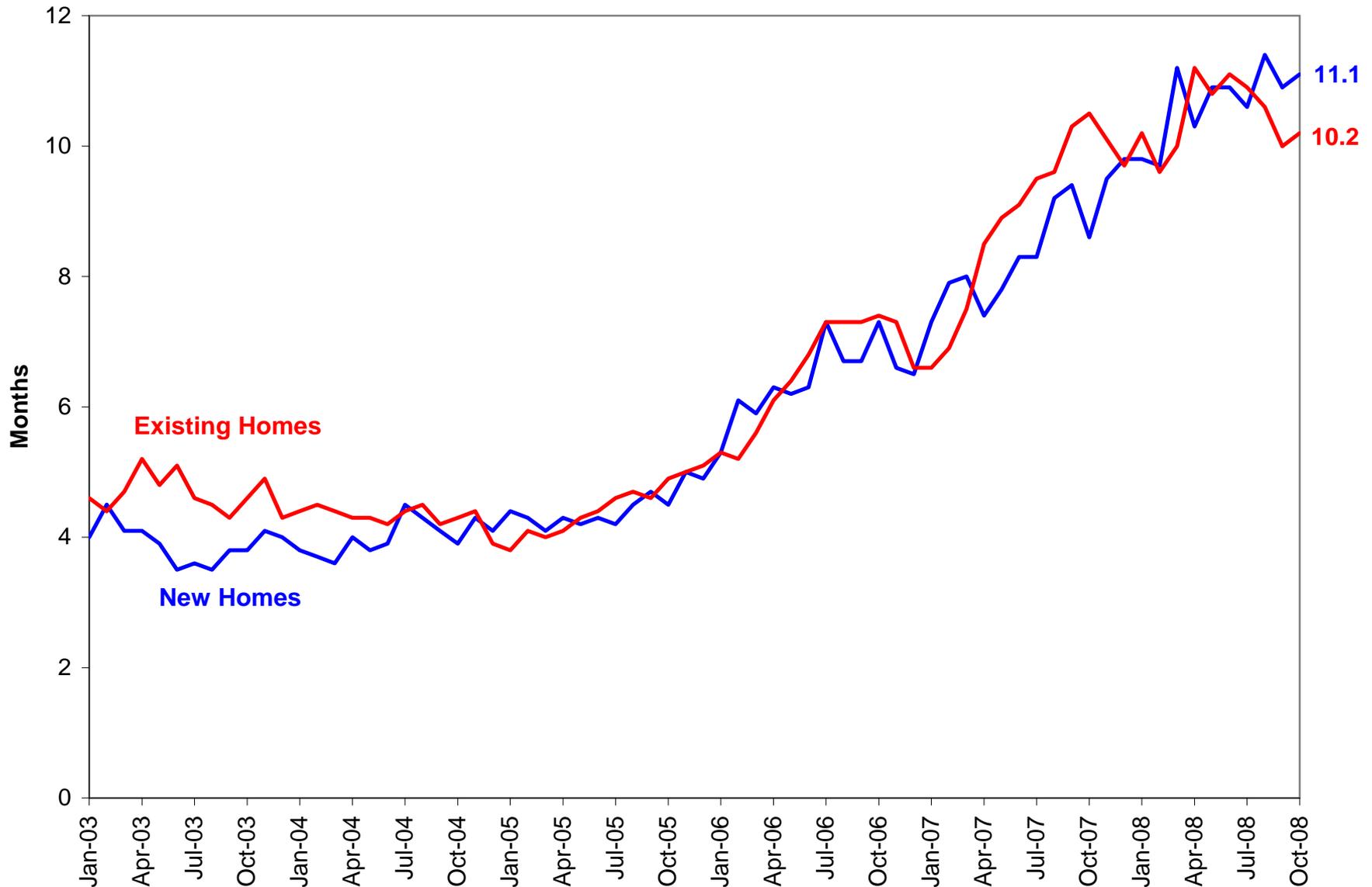


FHFA and S&P/Case-Shiller House Price Indexes
January 2000 - September 2008



Note: For purposes of comparison, the FHFA purchase-only index has been re-based to January 2000=100 (the standard series is set so that January 1991=100)

Months Supply of New and Existing Homes

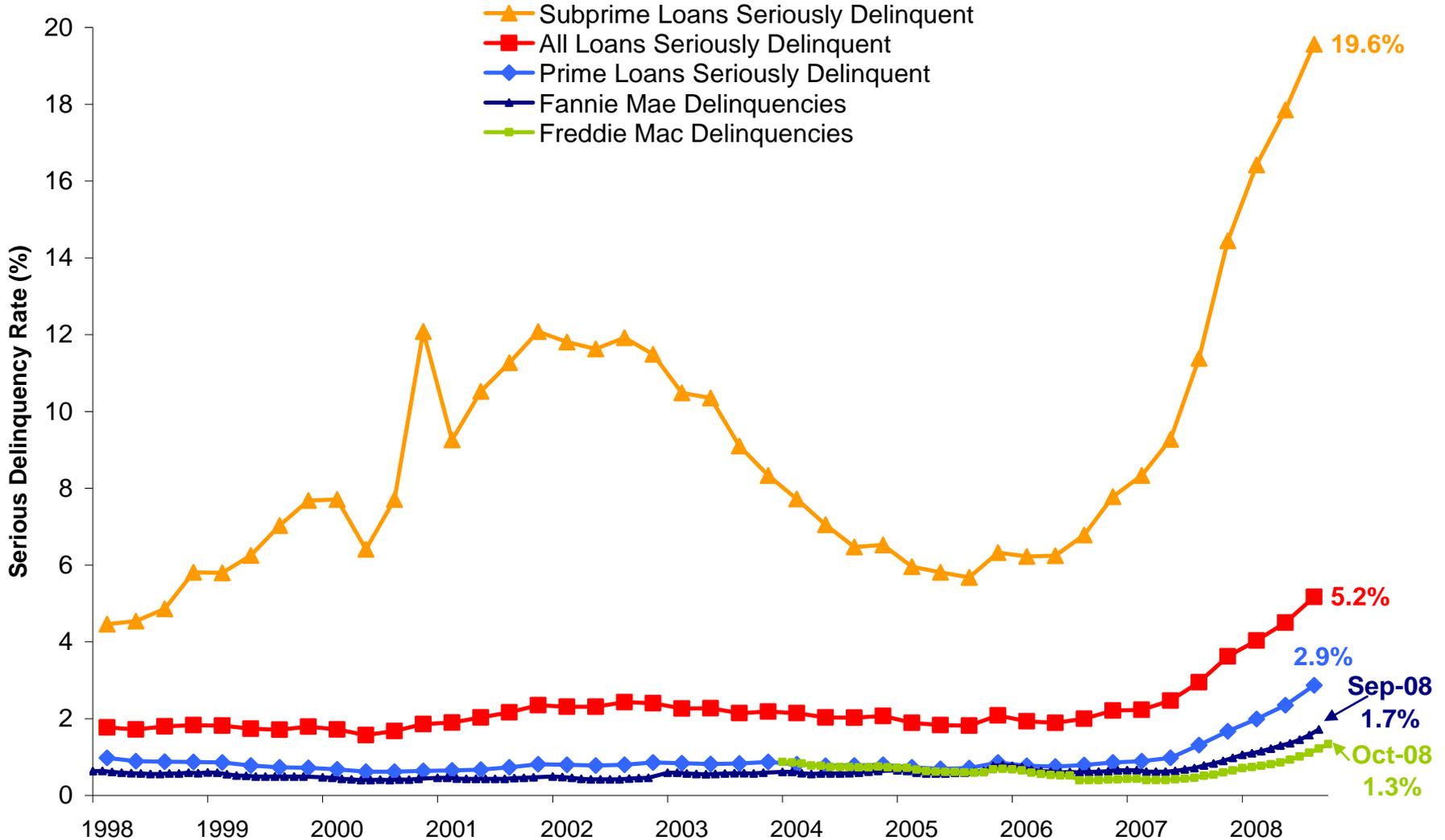


Sources: National Association of Realtors and Census Bureau.

Serious Delinquencies Rising



Single-Family Mortgages



Conservatorship to Support Mission



- ❑ **Conservatorship is a legal process to stabilize a troubled institution with the objective of returning the GSEs to normal business operations. Structure was flawed.**
- ❑ **FHFA as conservator has broad authority to oversee the GSEs until stabilized and returned to shareholders.**
- ❑ **New CEOs appointed.**
- ❑ **Non-executive Chairmen appointed, who will reconstitute boards.**
- ❑ **FHFA is working with the Enterprises on supporting their mission – stability, liquidity and affordability.**

Streamlined Modification Program (SMP)

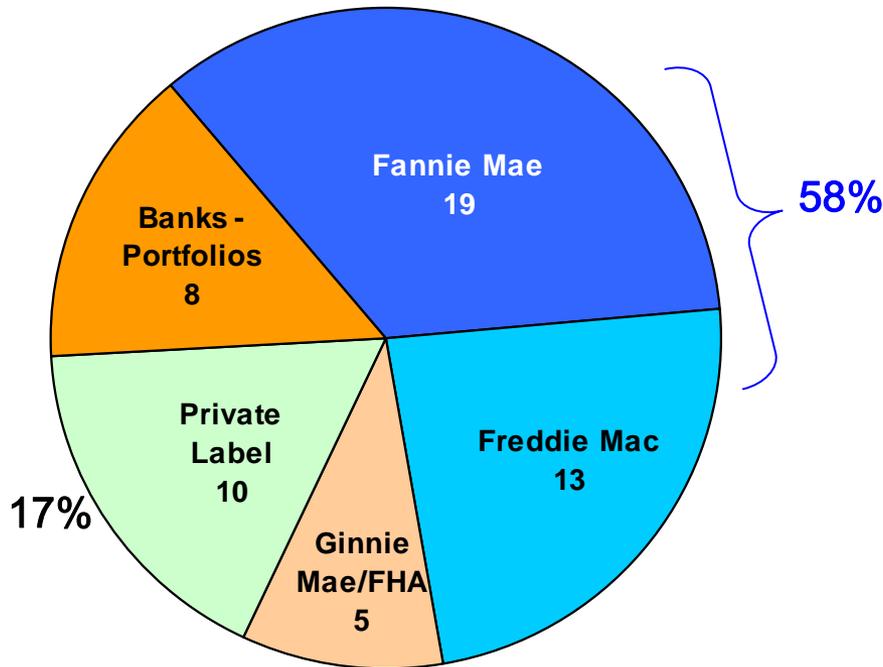


- ❑ Designed to greatly reduce preventable foreclosures – starts December 15
- ❑ Fast track streamlined loan modification program to make monthly mortgage payments affordable for the highest risk borrowers by
 - ❑ lowering interest, extending maturity and/or principal forbearance to reach 38 percent housing expense to gross income payment
- ❑ Sets a new standard building on FDIC model
 - ❑ Hope Now and Banks adopted
 - ❑ Expect servicers of private label securities to begin adopting new standards
 - ❑ \$800 payment per modification will help servicers under stress
- ❑ Gives trouble borrowers (90 day delinquent) the chance to save their homes and rebuild their credit

Mortgages and Seriously Delinquent Universe (90 Days)

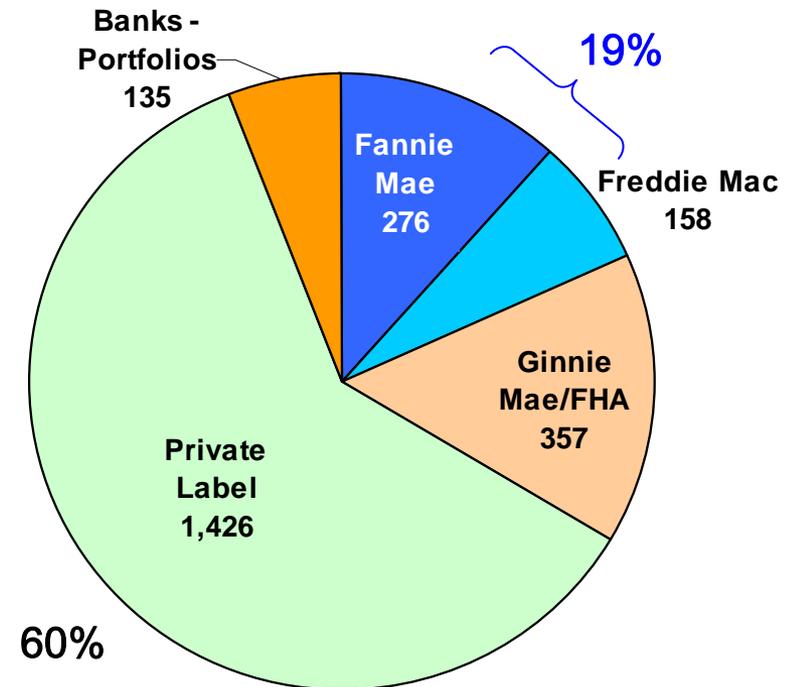


Mortgages Outstanding (millions)



Total: 54.7 million

Seriously Delinquent Mortgages (thousands)



Total: 2.4 million

Other Foreclosure Prevention Activities



- Foreclosure Suspension – Fannie and Freddie deferring pending foreclosures during the holidays to give them an opportunity to use the SMP
- Fannie announced additional service flexibilities on Dec. 8th to build on SMP and encourage earlier modifications
- Freddie has delegated expanded workout authority to servicers and paying non-profit organizations to work with borrowers
- FHFA reports monthly and quarterly on foreclosure mitigation activities plus new Federal Property Manager's monthly report to Congress
- Total cure rate data points to the need for improved work-out solutions

<input type="checkbox"/> <u>Originated Year</u>	<u>Fannie Mae</u>	<u>Freddie Mac</u>
2006	65%	56%
2007	43%	41%
2008 – YTD (as of 9/30/08)	51%	74%

Treasury Provides Effective Guarantee



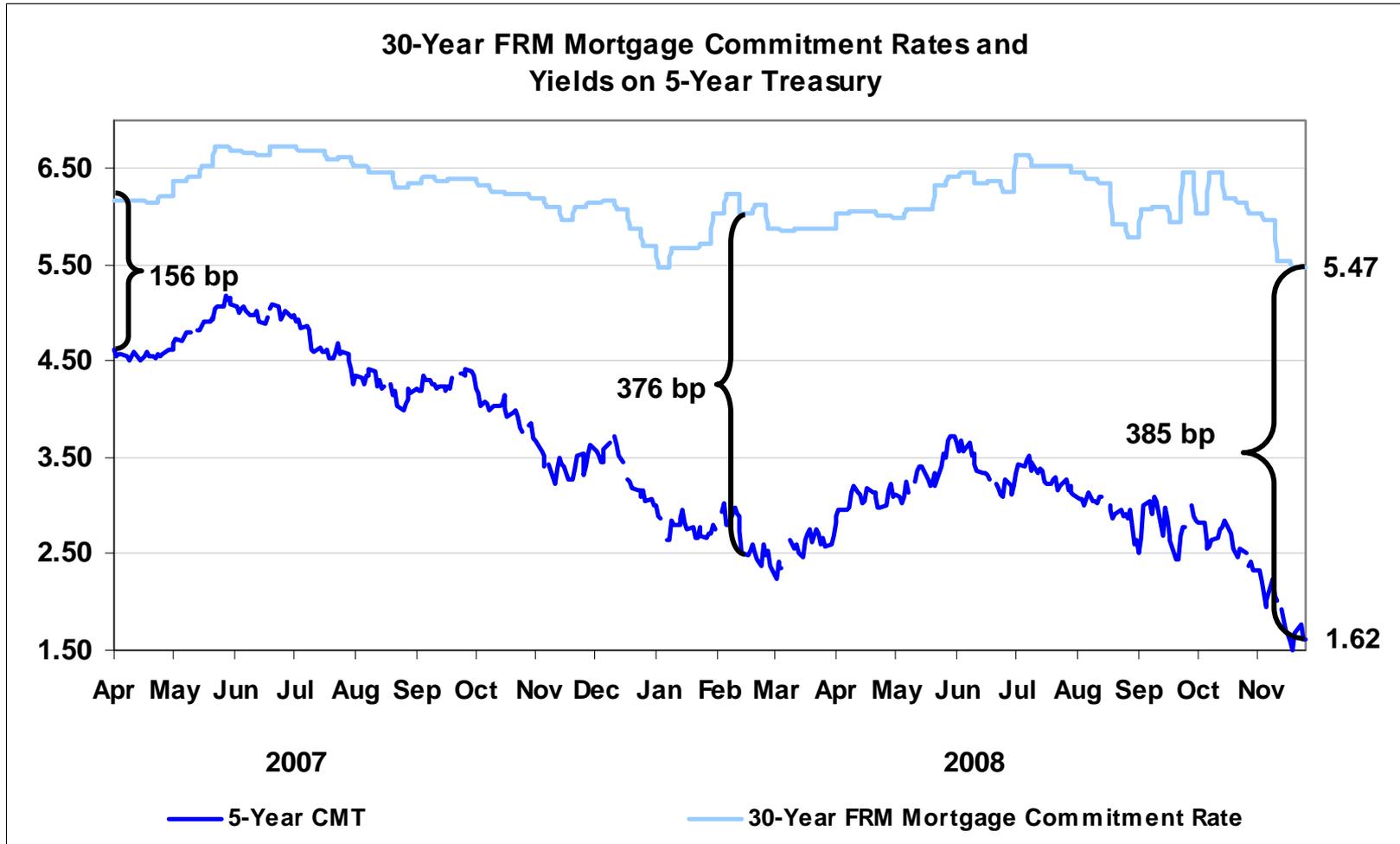
- ❑ **Senior Preferred Stock Purchase Agreement – no expiration date.**
 - ❑ Binding legal agreement that ensures that GSEs maintain a positive net worth through Treasury purchases of up to \$100 billion of senior preferred stock each. DOJ opinion.
 - ❑ Enterprises each paid Treasury \$1 billion in senior preferred stock and warrants for 79.9 % of common stock.
 - ❑ Existing and future holders of MBS, senior debt and subordinated debt, including all maturities are effectively guaranteed by the U. S. Treasury as facility can only terminate if:
 - ❑ Facility is fully funded,
 - ❑ GSE liquidates and Treasury has topped up net worth or
 - ❑ GSE satisfies all its liabilities.

Other Financing Facilities



- ❑ **Treasury - GSE MBS Purchase Program – Expires 12/31/09.**
 - ❑ Treasury purchases Fannie Mae and Freddie Mac MBS in open market.
Over \$20 billion purchased.
- ❑ **Treasury - GSE Credit Facility – Expires 12/31/09.**
 - ❑ Unlimited secured funding provided directly to Fannie Mae, Freddie Mac and FHLBanks by Treasury as a backstop.
- ❑ **Federal Reserve – “Agency MBS Purchase Program”**
 - ❑ \$500 billion of Fannie, Freddie and Ginnie MBS
- ❑ **Federal Reserve – GSE Debt Purchase Program**
 - ❑ \$100 billion of Fannie, Freddie and FHLB debt via auctions

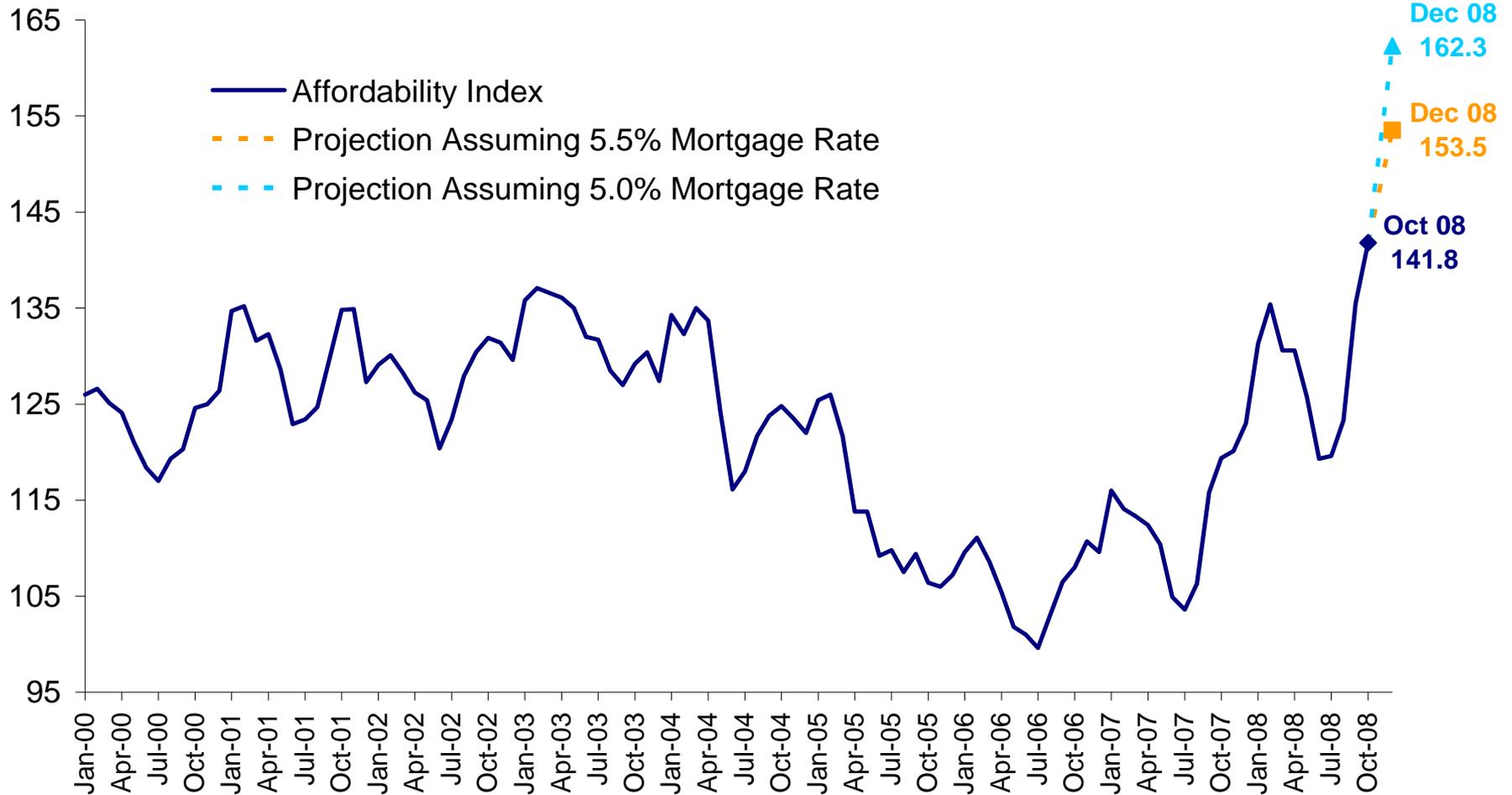
Mortgage Rates Finally Beginning to Fall With Treasuries



Housing Affordability is Recovering



National Association of Realtors' US Composite Housing Affordability Index



Reported projections are calculated using the National Association of Realtors' methodology and assume median home price and median household income remain at their October 2008 levels.