FACT SHEET: FINAL RULE ON ENTERPRISE CAPITAL

FHFA Final Rule on Enterprise Capital

BACKGROUND

The Housing and Economic Recovery Act of 2008 (HERA) amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the Safety and Soundness Act) to require the Federal Housing Finance Agency (FHFA) to establish, by regulation, risk-based capital requirements for the Enterprises to ensure that each Enterprise operates in a safe and sound manner, maintaining sufficient capital and reserves to support the risks that arise in the operations and management of the Enterprises.

FHFA is adopting a final rule to fulfill that statutory mandate. The final rule makes certain changes to the proposed rule published in the Federal Register on June 30, 2020 (proposed rule).[1] That proposed rule was a re-proposal of the regulatory capital framework proposed in 2018 (2018 proposal). The 2018 proposal was based on the Conservatorship Capital Framework that had been implemented by FHFA in 2017.

Throughout the rule-making process FHFA has been committed to transparency and engaging stakeholders to improve the final rule through public comment. The proposed rule was available to the public beginning May 20, 2020, with the comment period ending 103 days later on August 31, 2020. FHFA received 128 comments on the proposed rule, 70 percent more comments than the 2018 proposal received. FHFA also conducted two public webinars and held virtual listening sessions to afford interested parties additional venues to elaborate on formal comment letters, particularly in the areas of credit risk transfer (CRT) and access and affordability. Public input has provided FHFA with important information to help refine and finalize the rule.

FINAL RULE

The final rule is similar in key respects to the proposed rule, with certain enhancements and other changes made in response to comments. Modifications to the proposed rule generally:

- Increase the dollar amount of capital relief afforded to the Enterprises' CRT,
- Better mitigate the model risks associated with a mortgage risk-sensitive framework,
- More fully align credit risk capital requirements with those of other market participants, and
- Reduce credit risk capital requirements on single-family mortgage exposures to borrowers impacted by COVID-19.

As of June 30, 2020, the Enterprises together would have been required under the final rule to maintain $207 billion in common equity tier 1 (CET1) capital, $265 billion in tier 1 capital, and $283 billion in adjusted total capital to avoid limits on capital distributions and discretionary bonus payments. For each Enterprise, as of June 30, 2020, the adjusted total capital required under the buffer-adjusted risk-based capital requirement would exceed the tier 1 capital required under the buffer-adjusted leverage ratio requirement. The increase in required amounts of regulatory capital, relative to the proposed rule, is due in part to the increase in the Enterprises' adjusted total assets to $6.6 trillion, a 9 percent increase from the Enterprises' $6.1 trillion in adjusted total assets as of September 30, 2019.

The final rule preserves key enhancements contained in the proposed rule:

- **Quality of Capital** – The final rule ensures that each Enterprise maintains high-quality regulatory capital by including a set of supplemental capital requirements based on the U.S. banking framework's definitions of CET1, tier 1, and total capital. These supplemental requirements mitigate the weaknesses in the Enterprises' statutorily defined capital requirements that became evident in the 2008 financial crisis.

- **Quantity of Capital** – The final rule strengthens the quantity of regulatory capital through a number of requirements, including:

    - *Risk Weight Floor* – The credit risk capital requirement for single-family and multifamily mortgage exposures is subject to a risk weight floor. The floor only affects the lowest risk mortgage exposures.

[1] See *Fact Sheet: Re-proposed Rule on Enterprise Capital*

- *Capital for Retained CRT Exposures* – Post-CRT capital requirements are prudent and reflect the credit risk of the exposures retained, while still providing meaningful capital relief for CRT.

- *Capital Buffers* – Capital buffers help ensure that the Enterprises remain viable going concerns in times of stress, while promoting stability in the national housing finance markets.

- *Operational and Market Risk* – Each Enterprise will be required to maintain capital for operational and market risk, in addition to their credit risk.

- **Backstop Leverage Requirements** – A minimum leverage ratio requirement of 2.5 percent of an Enterprise's adjusted total assets, with an additional prescribed leverage buffer amount (PLBA) of 1.5 percent of adjusted total assets, serves as a risk-insensitive, credible backstop to the risk-based measures.

- **Addressing Pro-cyclicality** – The significant pro-cyclicality of the aggregate risk-based capital requirements of the 2018 proposal is mitigated in the final rule through buffers and other measures.

    - *Capital Buffers* – The risk-based and leverage capital buffer amounts can be drawn down in a period of stress and then rebuilt over time as economic conditions improve. Similar to capital buffers under the Basel and U.S. banking frameworks, when an Enterprise falls below the prescribed buffer amounts, it must restrict capital distributions, such as stock repurchases and dividends, as well as discretionary bonus payments until the buffer amounts are restored. Of note, the final rule maintains the proposed rule's framework of establishing capital buffers as a percentage of an Enterprise's adjusted total assets, as opposed to the Basel and U.S. banking frameworks' approach that utilizes a percentage of risk-weighted assets. This different approach promotes greater stability in the Enterprises' aggregate risk-based capital requirements throughout the economic cycle.

    - *Single-Family Mortgage Exposure Countercyclical Adjustment* – A countercyclical adjustment to mark-to-market loan-to-value ratios (MTMLTVs) of single-family mortgage exposures when home prices are meaningfully above or below their long-term trend (plus or minus 5 percent) will provide more stability and predictability in the Enterprises' risk-based capital requirements through the economic cycle, while promoting safety and soundness.

- **Advanced Approaches** – The final rule requires each Enterprise to calculate its risk-based capital requirements using its internal models and maintain the greater of the regulatory capital required under the advanced approach or the standardized approach. These requirements help ensure that an Enterprise develops and maintains its own, independent view of risk.

TAILORED APPROACH TO MAINTAIN ACCESS AND AFFORDABILITY

FHFA continues to hold that appropriately capitalizing each Enterprise is critical to ensuring that the secondary mortgage market supports access to affordable mortgage credit for low- and moderate-income borrowers and minority borrowers during periods of financial stress, when these borrowers are potentially most vulnerable to loss of access to affordable mortgage credit. As contemplated by the proposed rule, the final rule takes specific steps to mitigate the potential impacts on higher risk exposures, including:

- Maintaining the proposed rule's approach to eliminate risk multipliers for small balance loans and single borrowers and to equitably allocate the overall risk-based capital requirements into the base single-family grids. The final rule's risk weight floor continues to impact only the lowest risk exposures (see figure 1).

- Preserving the enhanced treatment of private mortgage insurance (MI), which provides an Enterprise some additional capital relief for low down payment loans with MI.

- Preserving the calculation of an Enterprise's prescribed capital conservation buffer amount (PCCBA) on the basis of adjusted total assets, reducing the potential capital burden that an approach based on risk-weighted assets might have on higher risk exposures.

- Capping single-family risk multipliers to ensure that they do not compound and result in excessive credit risk capital requirements.

CHANGES TO THE PROPOSED RULE

After carefully considering the comments on the proposed rule and the recommendations of the Financial Stability Oversight Council (FSOC), FHFA made a number of changes to the proposed rule to ensure that each Enterprise operates in a safe and sound manner and is positioned to fulfill its statutory mission across the economic cycle, in particular during periods of financial stress.

Key changes to the proposed rule include, among others:

- **CRT Capital Relief** – Changes to the approach to CRT better tailor the risk-based capital requirements to the risk retained by an Enterprise on its CRT. These enhancements include a change to the overall effectiveness adjustment for a CRT on a pool of mortgage exposures that has a relatively lower aggregate credit risk capital requirement; a change to the method for assigning a risk weight to a retained CRT exposure to increase the risk sensitivity of the risk weight; and a modification to the loss-timing adjustment for a CRT on multifamily mortgage exposures to better tailor the adjustment to the contractual term of the CRT and the loan terms of the underlying exposures. These combined changes generally increase the dollar amount of the capital relief for certain CRT structures commonly entered into by the Enterprises.[2]

- **Mortgage Exposure Risk Weight Floor** – The floor on the adjusted risk weight assigned to mortgage exposures is 20 percent instead of 15 percent. This change mitigates model and other risks inherent in a mortgage risk-sensitive framework and better aligns credit risk capital requirements across market participants. This adjustment may also increase to some extent the dollar amount of the capital relief provided by a CRT on a pool of mortgage exposures that, absent the 20 percent risk weight floor, would have had a smaller aggregate net credit risk capital requirement.

- **Capital Relief for COVID-19 Forbearance Loans** – The credit risk capital requirement for a single-family mortgage exposure that is, or was, in forbearance pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, or a program established by FHFA to provide forbearance for borrowers impacted by COVID-19, will be assigned under an approach that is specifically tailored to these exposures. This approach will significantly reduce the credit risk capital requirement for a non-performing loan that is subject to a COVID-19-related forbearance and, following a reinstatement, will then disregard that period of non-performance.

- **Refinements to Risk-based Capital Requirements** – The framework for determining credit risk capital requirements permits a modified re-performing loan to transition to a performing loan after a 5-year period of performance, treats a single-family mortgage exposure in a repayment plan (including following a COVID-19-related forbearance) as a non-modified re-performing loan instead of a modified re-performing loan, and applies a more risk-sensitive approach to single-family mortgage exposures with MTMLTVs between 30 and 60 percent.

- **Single-family Risk Multipliers Subject to a Cap** – The combined risk multiplier for a single-family mortgage exposure will be capped at 3.0, as contemplated by the 2018 proposal.

- **New, Enhanced FHFA HPI for Single-Family Countercyclical Adjustment** – The countercyclical adjustment for single-family mortgage exposures is based on the national, not-seasonally adjusted expanded-data FHFA House Price Index® (expanded-data FHFA HPI) instead of the all-transaction FHFA HPI. The long-term HPI trend line will be subject to re-estimation according to a mechanism specified in the final rule. As of June 30, 2020, home prices based on this index and the estimated long-term trend were above the long-term trend by 9.8 percent. The final rule preserved the symmetric 5 percent collars above and below the long-term trend and, therefore, as of June 30, 2020, the countercyclical adjustment results in an increase in risk-based capital requirements.

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[2] After considering the views of commenters, FHFA believes that there might be opportunities to enhance the collateral and other requirements and restrictions that mitigate the counterparty credit risk posed by CRT counterparties. Given the complexity of these issues and FHFA's commitment to transparency, FHFA is contemplating future rulemakings to address these issues. Those future rulemakings also could potentially establish exceptions or other approaches to the final rule's requirements and restrictions for certain CRT that satisfy enhanced standards to ensure the effectiveness of the CRT.

- **More Risk Sensitive Stress Capital Buffer –** The stress capital buffer will be periodically re-sized to the extent that FHFA's eventual program for supervisory stress tests determines that an Enterprise's peak capital exhaustion under a severely adverse stress would exceed 0.75 percent of adjusted total assets.

- **Phased Implementation of Advanced Approaches –** The advanced approaches requirements have a delayed effective date of the later of January 1, 2025 and any later compliance date provided by a transition order applicable to an Enterprise.[3] During that interim period, an Enterprise's operational risk capital requirement will be 15 basis points of its adjusted total assets.

FSOC REVIEW

On September 25, 2020, the Financial Stability Oversight Council released a statement on its activities-based review of the secondary mortgage market that affirmed the overall quantity and quality of the regulatory capital required by the proposed rule. FSOC's analysis suggested that "risk-based capital requirements and leverage ratio requirements that are materially less than those contemplated by the proposed rule would likely not adequately mitigate the potential stability risk posed by the Enterprises." FSOC also found that "it is possible that additional capital could be required for the Enterprises to remain viable concerns in the event of a severely adverse stress."

FSOC's statement included findings that generally endorsed the objectives, rationales, and approaches of the proposed rule, including the importance of capitalizing each Enterprise to remain a viable going concern after a severe economic downturn, the role of an Enterprise-specific stability capital buffer in mitigating an Enterprise's potential stability risk, and the use of the U.S. banking framework's definitions of regulatory capital to prescribe supplemental capital requirements.

FSOC "encourage[d] FHFA and other regulatory agencies to coordinate and take other appropriate action to avoid market distortions that could increase risks to financial stability by generally taking consistent approaches to the capital requirements and other regulation of similar risks across market participants, consistent with the business models and missions of their regulated entities." FSOC found that "[t]he Enterprises' credit risk requirements . . . likely would be lower than other credit providers across significant portions of the risk spectrum and during much of the credit cycle."

FSOC committed to continue to monitor FHFA's implementation of the regulatory framework. Significantly, if FSOC later determines that such risks to financial stability are not adequately addressed by FHFA's capital and other regulatory requirements or other risk mitigants, FSOC may consider more formal recommendations or actions, consistent with the interpretive guidance on nonbank financial company determinations issued by FSOC in December 2019. If the activities-based approach contemplated by that guidance does not adequately address a potential threat to financial stability, FHFA understands that FSOC could consider a nonbank financial company, including an Enterprise, for potential designation for supervision and regulation by the Board of Governors of the Federal Reserve System.

KEY OBJECTIVES AND CONSIDERATIONS

The final rule establishes a post-conservatorship regulatory capital framework that ensures each Enterprise operates in a safe and sound manner and is positioned to fulfill its statutory mission to provide stability and ongoing assistance to the secondary mortgage market across the economic cycle, particularly during periods of financial stress. The final rule reflects the following:

- FHFA is in the process of preparing each Enterprise to responsibly exit conservatorship consistent with its statutory mandate. Finalization of the Enterprises' regulatory capital framework is a key step in that effort.

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[3] FHFA continues to see merit in more specific requirements and restrictions governing an Enterprise's use of internal models to determine risk-based capital requirements, and FHFA contemplates that it might engage in future rulemakings to further enhance this aspect of the regulatory capital framework.

- Finalization of the Enterprises' regulatory capital framework is also required by law. The Safety and Soundness Act not only authorizes, but affirmatively requires, FHFA to prescribe risk-based capital requirements by regulation.[4] FHFA has been subject to the current statutory mandate for more than 12 years, making this final rule long overdue.

- Each Enterprise must be capitalized to be regarded as a viable going concern by creditors and counterparties both during and after a severe economic downturn in order to provide countercyclical support to the market when most needed. Had the 2018 proposal been in effect at the end of 2007, Fannie Mae and Freddie Mac's peak cumulative capital exhaustion would have left, respectively, capital equal to only 0.1 percent and 0.5 percent of their total assets and off-balance sheet guarantees. These amounts would not have sustained the market confidence necessary for the Enterprises to continue as going concerns.

- The final rule strikes a balance between mortgage risk-sensitivity and the heightened model and related risks and procyclicality of a more risk-sensitive framework. While there are significant benefits to a mortgage-risk sensitive regulatory capital framework, there also are significant risks and limitations inherent to any methodology for calibrating granular credit risk capital requirements. Mitigation of model risk figured prominently in FHFA's design of the final rule.

- A significant and perhaps underappreciated benefit of capitalizing each Enterprise so that its risks are internalized, rather than borne by taxpayers, is that each Enterprise will face market discipline and strong incentives to base decisions more on its own understanding of the costs and benefits and less on that of its regulator. This is important because FHFA's risk-based capital requirements should not be regarded as the last or best view on risk.

- FHFA continues to believe that the regulatory capital framework should not assume extraordinary government support, whether under the Preferred Stock Purchase Agreements (PSPAs) or otherwise. Expectations of government support increase risk to the Enterprises' safety and soundness and the stability of the national housing finance markets by undermining market discipline and encouraging excessive risk taking. More practically, Treasury's commitment under the PSPAs is finite and cannot be replenished.

- The scale of the Enterprises' capital exhaustion during the 2008 financial crisis is critically relevant to calibrating the regulatory capital requirements. The Enterprises' crisis-era cumulative capital losses peaked at the end of 2011 at $265 billion, approximately 4.8 percent of their adjusted total assets as of December 31, 2007.

- Each Enterprise must maintain regulatory capital levels that are tailored to its risk profile, including the risk that its failure would pose to the liquidity, efficiency, competitiveness, or resiliency of national housing finance markets. After the taxpayer-funded rescue of the Enterprises in 2008, there is little doubt as to the risk posed by an insolvent or otherwise financially distressed Enterprise to the stability of the national housing finance markets.

- It is not only the quantity but also the quality of the regulatory capital, especially its loss-absorbing capacity, that is critical to the Enterprises' safety and soundness. Market confidence in the Enterprises came into doubt in mid-2008, when Fannie Mae and Freddie Mac still had total capital of $55.6 billion and $42.9 billion, respectively, due in part to concerns about the loss-absorbing capacity of their sizeable deferred tax assets (DTAs) and notwithstanding their rights to future guarantee fees.

- FHFA continues to support legislation to reform the flaws in the structure of the housing finance system that were at the root of the 2008 financial crisis and that continue to pose risk to taxpayers and financial stability. Chartering competitors to the Enterprises could reduce the size and importance of any single Enterprise, which could lead to a smaller stability capital buffer and therefore smaller aggregate capital requirements.

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[4] The risk-based capital rule previously adopted by FHFA's predecessor agency was based on a subsequently amended statutory provision that did not provide adequate capital.

IMPACT SUMMARY & TABLES

Risk-based Capital Requirements

- As of June 30, 2020, the Enterprises' adjusted total assets were $6,635 billion and their risk-weighted assets (RWA) totaled $2,176 billion. As of September 30, 2019, the Enterprises' adjusted total assets were $6,072 billion. The risk-based capital requirements were based on the standardized approach.

- The statutory total capital and adjusted total capital requirements were both $174 billion (8 percent of RWA), shown below by risk and asset category:

    - By risk category:
        - Net credit risk of $189.6 billion before CRT, and $153.0 billion after CRT,
        - Market risk of $10.6 billion, and
        - Operational risk of $10.0 billion.

    - By asset category:
        - Single-family mortgage exposures of $142.8 billion,
        - Multifamily mortgage exposures of $18.2 billion, and
        - Other assets of $13.1 billion.

- As of June 30, 2020, the Enterprises' CET1 requirement was $98 billion (4.5 percent of RWA) and the risk-based tier 1 capital requirement was $131 billion (6 percent of RWA).

- The average risk weight for single-family mortgage exposures was 43 percent before credit enhancements, 37 percent before CRT and 31 percent after CRT. The average risk weight for multifamily mortgage exposures was 49 percent before CRT and 29 percent after CRT.

- The PCCBA was $109 billion, comprised of the $50 billion stress capital buffer, $60 billion stability capital buffer, and $0 countercyclical capital buffer. The PCCBA-adjusted risk-based capital requirements (i.e., risk-based capital requirement plus PCCBA) totaled $207 billion for CET1, $240 billion for tier 1 capital, and $283 billion for adjusted total capital. Fannie Mae's stability capital buffer was 1.07 percent of adjusted total assets (up from 1.05 percent as of September 30, 2019) and Freddie Mac's stability capital buffer was 0.66 percent of adjusted total assets, up from 0.64 precent as of September 30, 2019. Both increased due to increases in the Enterprises' share of mortgage debt outstanding as of June 30, 2020.

- The adjusted total capital requirement of $174 billion represents 2.62 percent of adjusted total assets, while the PCCBA represents 1.65 percent. The adjusted total capital requirement and PCCBA of $283 billion represents 4.27 percent of the Enterprises' adjusted total assets.

- The changes made in the final rule increased the adjusted total capital requirement by $20.7 billion. The increase was primarily attributable to the following factors:

    - The increase in the risk weight floor from 15 percent to 20 percent increased the requirement by $12.5 billion, of which $12.0 billion was attributable to single-family mortgage exposure and $0.5 billion was attributable to multifamily mortgage exposures.

    - Home prices being more than 5 percent above their long-term trend as of June 30, 2020 triggered the single-family countercyclical adjustment to MTMLTV, resulting in an increase of $14.5 billion.

    - The tailored treatment of mortgage exposures to borrowers impacted by COVID-19 reduced risk-based capital requirements by $11.2 billion.

    - Other adjustments to single-family grids and multipliers resulted in a net increase of $7.6 billion.

- Changes to CRT led to a net reduction in capital requirements of $2.7 billion.
  - As of June 30, 2020, approximately 55 percent of the unpaid principal balance (UPB) of single-family mortgage exposures were subject to the risk weight floor and approximately 22 percent of UPB of multifamilymortgage exposures were subject to the risk weight floor.
  - As of June 30, 2020, approximately $2.4 trillion of single-family mortgage exposures were subject to single-family CRT transactions, and most multifamily mortgage exposures were subject to a CRT transaction.

Leverage Ratio Requirements

- The PLBA was $100 billion for the Enterprises combined as of June 30, 2020.
- In aggregate, the combined tier 1 leverage capital requirement and PLBA would have been $265 billion, as of June 30, 2020, up from $243 billion as of September 30, 2019, as a result of the growth of the Enterprises' adjusted total assets by $0.6 trillion to $6.6 trillion.
- Generally, FHFA expects the leverage ratio requirement and PLBA to serve as a credible backstop to the risk-based capital requirements and PCCBA. In the proposed rule, FHFA noted that the leverage restrictions were binding as of September 30, 2019 and explained why that was reasonable given the market conditions at the time. As of June 30, 2020, the leverage restrictions were not binding.

New Mortgage Exposure Capital Requirements

- New single-family mortgage exposures originated and acquired by the Enterprises during the five months ending June 30, 2020 had an average risk weight of approximately 38 percent after loan-level credit enhancements but before CRT.
- New multifamily mortgage exposures originated and acquired by the Enterprises during the five months ending June 30, 2020 had an average risk weight of approximately 56 percent before CRT.

Figures

Figure 1: Share of Single-Family Total Net Credit Capital by Risk Weight Quintile

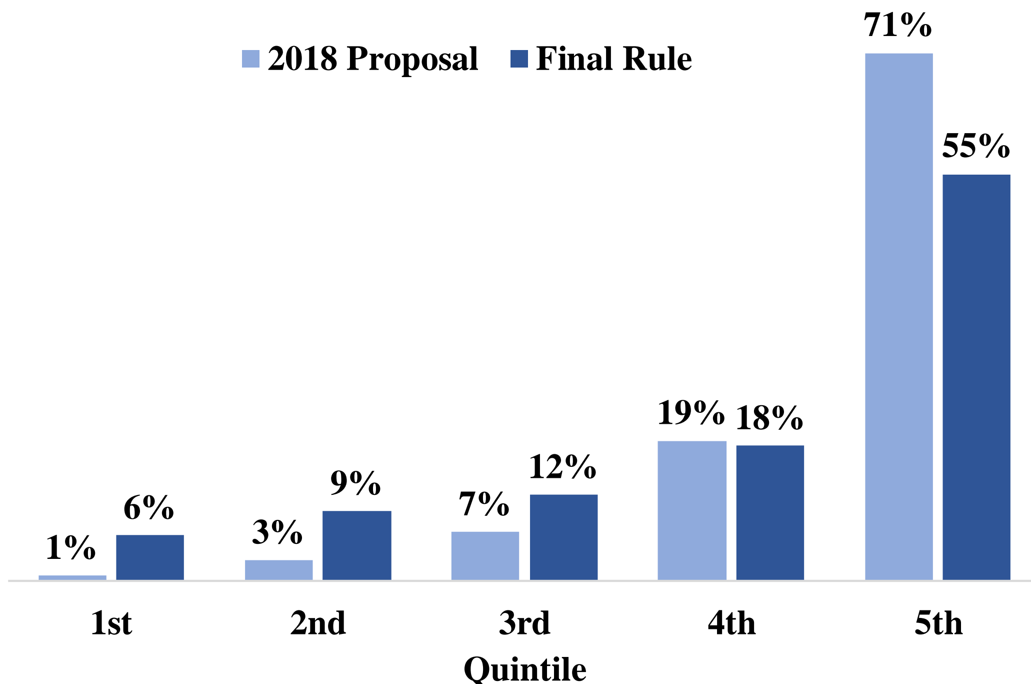
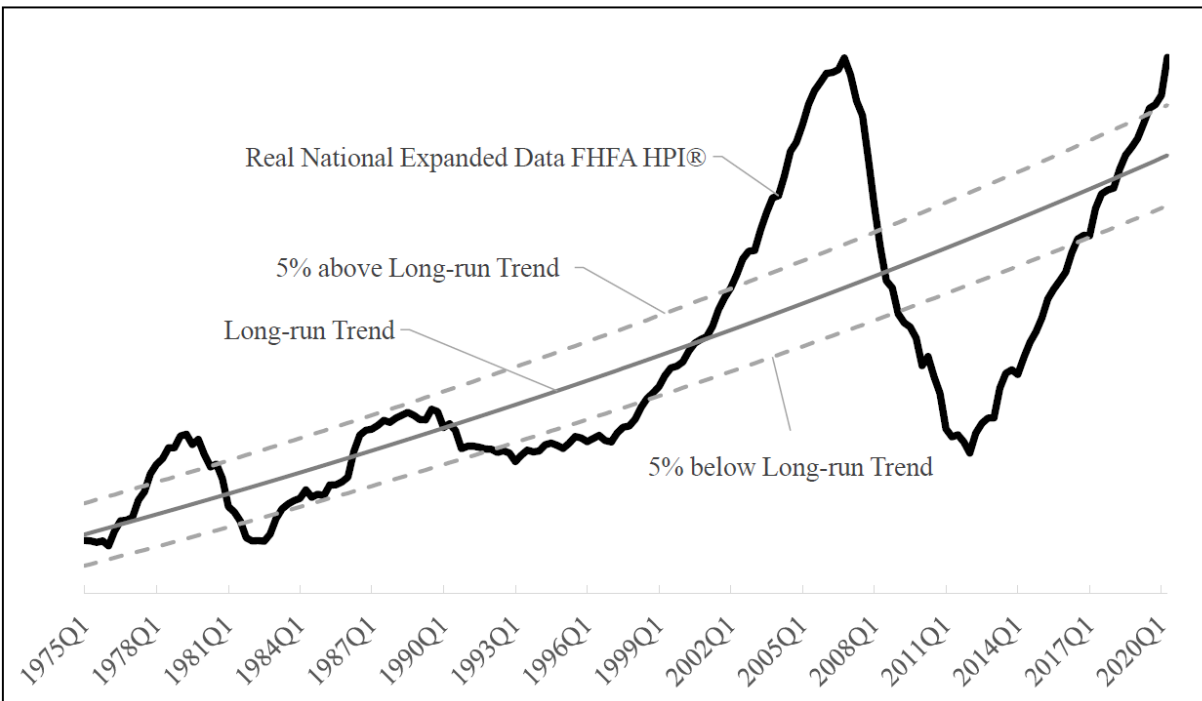


Figure 2: Real National HPI 1975 Q1 to 2020 Q2, Long-term Trend (1976 – 2012), and Collar



Selected Final Rule Preamble Tables

Table 1: Summary of Risk-based Capital Requirements for Fannie Mae and Freddie Mac Combined as of June 30, 2020

Enterprises Combined

Risk-based Capital Requirements

$ in billions	Total Capital (Statutory)	CET1	Tier 1	Adjusted Total Capital
Capital Requirement	$174	$98	$131	$174
Prescribed Buffers				
Stress Capital Buffer		50	50	50
Stability Capital Buffer		60	60	60
Countercyclical Capital Buffer Amount		0	0	0
Prescribed Capital Conservation Buffer Amount (PCCBA)	0	109	109	109
Requirement and PCCBA	$174	$207	$240	$283

Leverage Capital Requirements

	Core Capital (Statutory)	Tier 1
Capital Requirement	$166	$166
Prescribed Leverage Buffer Amount (PLBA)	0	100
Requirement and PLBA	$166	$265

Table 1a: Summary of Risk-based Capital Requirements for Fannie Mae as of June 30, 2020

Fannie Mae

Risk-based Capital Requirements

$ in billions	Total Capital (Statutory)	CET1	Tier 1	Adjusted Total Capital
Capital Requirement	$101	$57	$76	$101
Prescribed Buffers				
Stress Capital Buffer		29	29	29
Stability Capital Buffer		42	42	42
Countercyclical Capital Buffer Amount		0	0	0
Prescribed Capital Conservation Buffer Amount (PCCBA)	0	71	71	71
Requirement and PCCBA	$101	$127	$146	$171

Leverage Capital Requirements

	Core Capital (Statutory)	Tier 1
Capital Requirement	$97	$97
Prescribed Leverage Buffer Amount (PLBA)	0	58
Requirement and PLBA	$97	$155

Table 1b: Summary of Risk-based Capital Requirements for Freddie Mac as of June 30, 2020

Freddie Mac

Risk-based Capital Requirements

$ in billions	Total Capital (Statutory)	CET1	Tier 1	Adjusted Total Capital
Capital Requirement	$73	$41	$55	$73
Prescribed Buffers				
Stress Capital Buffer		21	21	21
Stability Capital Buffer		18	18	18
Countercyclical Capital Buffer Amount		0	0	0
Prescribed Capital Conservation Buffer Amount (PCCBA)	0	39	39	39
Requirement and PCCBA	$73	$80	$94	$112

Leverage Capital Requirements

	Core Capital (Statutory)	Tier 1
Capital Requirement	$69	$69
Prescribed Leverage Buffer Amount (PLBA)	0	41
Requirement and PLBA	$69	$110

Table 2: Comparison of Fannie Mae and Freddie Mac Combined Risk-based Capital Requirements under the 2020 Proposed Rule and the Final Rule, by Risk Category

Enterprises Combined	2020 Re-proposed Rule As of				Final Rule As of		
	9/30/2019		6/30/2020		6/30/2020		
	$ in billions	% of Total	$ in billions	% of Total	$ in billions	% of Total	% of Adjusted Total Assets
Gross Credit Risk	$151.9		$188.6		$214.5		3.23%
Loan-Level Credit Enhancement	(17.0)		(22.3)		(24.8)		(0.37%)
Net Credit Risk	$134.9		$166.3		$189.6		2.86%
CRT Impact, net	(22.1)		(33.9)		(36.6)		(0.55%)
Post-CRT Net Credit Risk	112.8	84%	132.4	86%	153.0	88%	2.31%
Market Risk	13.6	10%	10.6	7%	10.6	6%	0.16%
Operational Risk	8.7	6%	10.0	6%	10.0	6%	0.15%
Deferred Tax Assets	0.0	0%	0.5	0%	0.5	0%	0.01%
Total Capital Requirement	$135.1	100%	$153.4	100%	$174.1	100%	2.62%
Prescribed Buffers							
Stress Capital Buffer	45.5		49.8		49.8		0.75%
Stability Capital Buffer	53.3		59.6		59.6		0.90%
Countercyclical Capital Buffer Amount	0.0		0.0		0.0		0.00%
Prescribed Capital Conservation Buffer Amount (PCCBA)	98.8		109.3		109.3		1.65%
Total Capital Requirement and PCCBA	$233.9		$262.7		$283.4		4.27%
Adjusted Total Assets	$6,072.0		$6,635.2		$6,635.2		
Total Capital Requirement and PCCBA/ Adjusted Total Assets	3.85%		3.96%		4.27%		
Total Risk-Weighted Assets	$1,689		$1,918		$2,176		

Table 3: Comparison of Fannie Mae and Freddie Mac Combined Risk-based Capital Requirements under the 2020 Proposed Rule and the Final Rule, by Asset Category

Enterprises Combined	2020 Re-proposed Rule As of				Final Rule As of		
	9/30/2019		6/30/2020		6/30/2020		
	$ in billions	% of Total	$ in billions	% of Total	$ in billions	% of Total	% of Adjusted Total Assets
Single-family	$111.0	82%	$122.5	80%	$142.8	82%	2.15%
Multifamily	17.8	13%	17.8	12%	18.2	10%	0.27%
Other Assets*	6.3	5%	13.1	9%	13.1	8%	0.20%
Total Capital Requirement	$135.1	100%	$153.4	100%	$174.1	100%	2.62%
Prescribed Buffers							
Stress Capital Buffer	45.5		49.8		49.8		0.75%
Stability Capital Buffer	53.3		59.6		59.6		0.90%
Countercyclical Capital Buffer Amount	0.0		0.0		0.0		0.00%
Prescribed Capital Conservation Buffer Amount (PCCBA)	$98.8		$109.3		$109.3		1.65%
Total Capital Requirement and PCCBA	$233.9		$262.7		$283.4		4.27%
Adjusted Total Assets	$6,072.0		$6,635.2		$6,635.2		
Total Capital Requirement and Buffer Target/ Adjusted Total Assets	3.85%		3.96%		4.27%		
Total Risk-Weighted Assets	$1,689		$1,918		$2,176		

*Includes PLS, CMBS, DTA, Other.

Table 4: Comparison of Single-Family Risk-based Capital Requirements under the 2020 Proposed Rule and the Final Rule, as of June 30, 2020

$ in billions	Fannie Mae		Freddie Mac		Enterprises Combined			
	Re-proposed Rule As of 6/30/2020	Final Rule As of 6/30/2020	Re-proposed Rule As of 6/30/2020	Final Rule As of 6/30/2020	Re-proposed Rule As of 6/30/2020	Risk Weight	Final Rule As of 6/30/2020	Risk Weight
Gross Credit Risk	$89.2	$103.8	$63.0	$73.7	$152.1	37%	$177.5	43%
Loan Level Enchancement	(13.5)	(14.9)	(8.8)	(9.9)	(22.2)		(24.8)	
Net Credit Risk	75.7	88.9	54.2	63.9	129.9	31%	152.8	37%
CRT Impact, net	(12.0)	(14.2)	(11.0)	(11.5)	(23.1)		(25.7)	
Post-CRT Net Credit Risk	63.7	74.7	43.1	52.4	106.8	26%	127.1	31%
Market Risk	2.9	2.9	5.0	5.0	7.9		7.9	
Operational Risk	4.6	4.6	3.1	3.1	7.8		7.8	
Total Capital Requirement	$71.3	$82.3	$51.3	$60.5	$122.5		$142.8	
Total UPB	$3,084.7		$2,084.5		$5,169.2			

Includes single-family whole loans, Fannie Mae and Freddie Mac guarantees of single-family securities held by third parties, and investments in single-family securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

Table 5: Comparison of Multifamily Risk-based Capital Requirements under the 2020 Proposed Rule and the Final Rule, as of June 30, 2020

$ in billions	Fannie Mae		Freddie Mac		Enterprises Combined			
	Re-proposed Rule As of 6/30/2020	Final Rule As of 6/30/2020	Re-proposed Rule As of 6/30/2020	Final Rule As of 6/30/2020	Re-proposed Rule As of 6/30/2020	Risk Weight	Final Rule As of 6/30/2020	Risk Weight
Net Credit Risk	$14.7	$15.0	$11.9	$12.2	$26.6	48%	$27.1	49%
CRT Impact, net	(4.3)	(4.0)	(6.5)	(6.9)	(10.8)		(10.9)	
Post-CRT Net Credit Risk	10.4	10.9	5.4	5.3	15.8	28%	16.2	29%
Market Risk	0.4	0.4	0.5	0.5	0.9		0.9	
Operational Risk	0.6	0.6	0.5	0.5	1.0		1.0	
Total Capital Requirement	$11.4	$11.9	$6.4	$6.2	$17.8		$18.2	
Total UPB	$379.8		$318.1		$697.9		$697.9	

Includes multifamily whole loans, Fannie Mae and Freddie Mac guarantees of multifamily securities held by third parties, and investments in multifamily securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

Table 6: Other Assets Total Capital Requirements as of June 30, 2020

	Fannie Mae			Freddie Mac			Enterprises Combined		
	Capital, $billions	UPB, $billions	Capital, bps	Capital, $billions	UPB, $billions	Capital, bps	Capital, $billions	UPB, $billions	Capital, bps
Other Assets									
Private-label Securities	$0.4	$1.6	2,545	$0.2	$1.4	1,478	$0.6	$2.9	2,054
CMBS	0.0	0.0	0	0.0	0.1	218	0.0	0.1	218
Deferred Tax Assets	0.0	13.1	0	0.5	5.7	815	0.5	18.8	247
Other	6.1	391.4	156	5.9	241.1	246	12.0	632.5	190
Total Capital Requirements	$6.5	$406.1	160	$6.6	$248.3	266	$13.1	$654.4	200

Table 7: Calculation of the Stability Capital Buffer

	In billions of dollars		Data Source*
	Sep 30, 2019	**Jun 30, 2020**	Z.1 - L.217
Total Market			
Single-Family	$11,080.1	$11,303.8	Line 2
Multifamily	$1,560.9	$1,671.8	Line 3
Total	$12,641.0	$12,975.6	
Fannie Mae			
Regular	$3,280.2	$3,417.8	Line 34
Pools	$7.7	$7.5	Line 42
Total	$3,287.9	$3,425.3	
Market Share	26.0%	26.4%	
less 5%	-5.0%	-5.0%	
Share subject to buffer	21.0%	21.4%	
x 5 bps	105.0	107.0	
Adjusted Total Assets	$3,547.4	$3,881.9	
Stability Capital Buffer	$37.3	$41.5	
Freddie Mac			
Regular	$1,969.3	$2,063.4	Line 35
Pools	$268.2	$285.6	Line 41
Total	$2,237.5	$2,349.0	
Market Share	17.7%	18.1%	
less 5%	-5.0%	-5.0%	
Share subject to buffer	12.7%	13.1%	
x 5 bps	63.5	65.5	
x Adjusted Total Assets	$2,524.6	$2,753.3	
Stability Capital Buffer	$16.0	$18.0	

Note: The 9/30/19 column represents figures reported in the re-proposed rule. The Federal Reserve revised the total market numbers, so the updated buffer would be 104.8 bp for Fannie Mae ($37.2 bil) and 63.3 bps for Freddie Mac ($16.0).
Source: Financial Accounts of the United States - Z.1, L.217 Total Mortgages
https://www.federalreserve.gov/releases/z1/20200921/z1.pdf