



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

March 11, 2008

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Re: Notice of Final Freddie Mac Capital Classification at December 31, 2007

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On February 25, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Freddie Mac as adequately capitalized at December 31, 2007, and requesting that Freddie Mac notify OFHEO by March 7, 2008, whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the fourth quarter of 2007, OFHEO hereby provides notice that Freddie Mac is classified as adequately capitalized at December 31, 2007. The final capital classification is based on Freddie Mac's financial results, as certified and represented as true and correct by Freddie Mac's management, and consistent with the Annual Report and corresponding financial statements issued by Freddie Mac on February 28, 2008.

As indicated in the enclosures, at December 31, 2007, Freddie Mac's OFHEO-directed minimum capital requirement was \$34.415 billion, its statutory minimum capital requirement was \$26.473 billion, its critical capital requirement was \$13.618 billion, and its risk-based capital requirement was \$14.102 billion. Thus, Freddie Mac's core capital of \$37.867 billion at December 31, 2007, exceeded the OFHEO-directed minimum capital requirement by \$3.452 billion and the critical capital requirement by \$24.249 billion. Freddie Mac's total capital of \$40.929 billion at December 31, 2007, exceeded the risk-based capital requirement by \$26.827 billion.

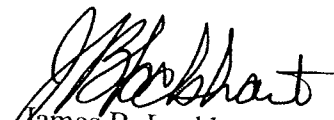
Freddie Mac is required to maintain a capital surplus in accordance with the capital directive issued by OFHEO on January 28, 2004. The final capital classification does not alter or amend the capital directive. At the end of the fourth quarter, Freddie Mac maintained a capital surplus in accordance with the capital directive. As disclosed by Freddie Mac, its capital surplus fell below the OFHEO-directed requirement on November 30, 2007. This temporary shortfall was eliminated with the issuance of \$6 billion in preferred stock in early December 2007.

Separately, OFHEO determined that Freddie Mac's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Freddie Mac's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at December 31, 2007.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,


James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	19,603
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,138
Commitments	505
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	136
Sold Portfolio Remittances Pending	9
Other Off-Balance Sheet Obligations	81
MINIMUM CAPITAL - Statutory Requirement	26,473
MINIMUM CAPITAL - OFHEO-directed Requirement	34,415
CORE CAPITAL	37,867
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	3,452

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Critical Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	9,802
OFF-BALANCE SHEET OBLIGATIONS	3,817
CRITICAL CAPITAL LEVEL	13,618
CORE CAPITAL	37,867
SURPLUS (DEFICIENCY)	24,249

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS ^(a)	
UP-RATE SCENARIO	10,327
DOWN-RATE SCENARIO	14,102
RISK-BASED CAPITAL LEVEL	14,102
TOTAL CAPITAL ^(b)	40,929
SURPLUS (DEFICIENCY)	26,827

a. Totals may not add due to rounding.

b. Total Capital for this period will not reconcile to restated capital submissions. RBC was not restated.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Qualifying Subordinated Debt
December 31, 2007

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	40,676
TOTAL QUALIFYING SUBORDINATED DEBT	3,883
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	44,559
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCS OUTSTANDING	38,000
SURPLUS (DEFICIENCY)	6,560

1. Totals may not add due to rounding
2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act



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OFFICE OF THE DIRECTOR

March 11, 2008

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Re: Notice of Final Fannie Mae Capital Classification at December 31, 2007

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal National Mortgage Association (Fannie Mae) not less than quarterly. On February 25, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Fannie Mae as adequately capitalized at December 31, 2007, and requesting that Fannie Mae notify OFHEO by March 7, 2008, whether it intended to accept the classification or provide a response. Fannie Mae responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the fourth quarter of 2007, OFHEO hereby provides notice that Fannie Mae is classified as adequately capitalized at December 31, 2007. The final capital classification is based on Fannie Mae's financial results, as certified and represented as true and correct by Fannie Mae's management, and consistent with the company's annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 27, 2008.

As indicated in the enclosures, at December 31, 2007, Fannie Mae's OFHEO-directed minimum capital requirement was \$41.505 billion, its statutory minimum capital requirement was \$31.927 billion, its critical capital requirement was \$16.525 billion, and its risk-based capital requirement was \$24.700 billion. Thus, Fannie Mae's core capital of \$45.373 billion at December 31, 2007, exceeded the OFHEO-directed minimum capital requirement by \$3.868 billion and the critical capital requirement by \$28.848 billion. Fannie Mae's total capital of \$48.658 billion at December 31, 2007, exceeded the risk-based capital requirement by \$23.958 billion.


Further, Fannie Mae has maintained a capital surplus throughout the quarter in accordance with the Capital Restoration Plan, approved February 17, 2005, and the Consent Order dated May 23, 2006. The final capital classification does not alter or amend the Capital Plan or the Consent Order.

Separately, OFHEO determined that Fannie Mae's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Fannie Mae's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at December 31, 2007.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,


James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
December 31, 2007

3.

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	21,822
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	9,535
Commitments	254
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	119
Other Off-Balance Sheet Obligations	196
MINIMUM CAPITAL LEVEL - Statutory Requirement	31,927
MINIMUM CAPITAL LEVEL - OFHEO-directed Requirement	41,505
CORE CAPITAL	45,373
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	3,868

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Critical Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	10,911
OFF-BALANCE SHEET OBLIGATIONS	5,614
CRITICAL CAPITAL LEVEL	16,525
CORE CAPITAL	45,373
SURPLUS/(DEFICIENCY)	28,848

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	18,417
DOWN-RATE SCENARIO	24,700
RISK-BASED CAPITAL LEVEL	24,700
TOTAL CAPITAL	48,658
SURPLUS/(DEFICIENCY)	23,958

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Qualifying Subordinated Debt
December 31, 2007

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	48,658
TOTAL QUALIFYING SUBORDINATED DEBT	6,486
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	55,144
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	44,837
SURPLUS (DEFICIENCY)	10,307

1. Totals may not add due to rounding
2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

March 11, 2008

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives
Washington, DC 20515

Re: Notice of Final Freddie Mac Capital Classification at December 31, 2007

Dear Congressman Bachus:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On February 25, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Freddie Mac as adequately capitalized at December 31, 2007, and requesting that Freddie Mac notify OFHEO by March 7, 2008, whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the fourth quarter of 2007, OFHEO hereby provides notice that Freddie Mac is classified as adequately capitalized at December 31, 2007. The final capital classification is based on Freddie Mac's financial results, as certified and represented as true and correct by Freddie Mac's management, and consistent with the Annual Report and corresponding financial statements issued by Freddie Mac on February 28, 2008.

As indicated in the enclosures, at December 31, 2007, Freddie Mac's OFHEO-directed minimum capital requirement was \$34.415 billion, its statutory minimum capital requirement was \$26.473 billion, its critical capital requirement was \$13.618 billion, and its risk-based capital requirement was \$14.102 billion. Thus, Freddie Mac's core capital of \$37.867 billion at December 31, 2007, exceeded the OFHEO-directed minimum capital requirement by \$3.452 billion and the critical capital requirement by \$24.249 billion. Freddie Mac's total capital of \$40.929 billion at December 31, 2007, exceeded the risk-based capital requirement by \$26.827 billion.


Freddie Mac is required to maintain a capital surplus in accordance with the capital directive issued by OFHEO on January 28, 2004. The final capital classification does not alter or amend the capital directive. At the end of the fourth quarter, Freddie Mac maintained a capital surplus in accordance with the capital directive. As disclosed by Freddie Mac, its capital surplus fell below the OFHEO-directed requirement on November 30, 2007. This temporary shortfall was eliminated with the issuance of \$6 billion in preferred stock in early December 2007.

Separately, OFHEO determined that Freddie Mac's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Freddie Mac's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at December 31, 2007.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,


James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	19,603
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,138
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OTHER OFF-BALANCE SHEET OBLIGATIONS	
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Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Critical Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	9,802
OFF-BALANCE SHEET OBLIGATIONS	3,817
CRITICAL CAPITAL LEVEL	13,618
CORE CAPITAL	37,867
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FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS ^(a)	
UP-RATE SCENARIO	10,327
DOWN-RATE SCENARIO	14,102
RISK-BASED CAPITAL LEVEL	14,102
TOTAL CAPITAL ^(b)	40,929
SURPLUS (DEFICIENCY)	26,827

a. Totals may not add due to rounding.

b. Total Capital for this period will not reconcile to restated capital submissions. RBC was not restated.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Qualifying Subordinated Debt
December 31, 2007

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	40,676
TOTAL QUALIFYING SUBORDINATED DEBT	3,883
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	44,559
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	38,000
SURPLUS (DEFICIENCY)	6,560

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 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, D.C. 20510

Re: Notice of Fannie Mae Final Capital Classification at March 31, 2008

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal National Mortgage Association (Fannie Mae) not less than quarterly. On May 23, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Fannie Mae as adequately capitalized at March 31, 2008 and requesting that Fannie Mae notify OFHEO by June 6, 2008 whether it intended to accept the classification or provide a response. Fannie Mae responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the first quarter of 2008, OFHEO hereby provides notice that Fannie Mae is classified as adequately capitalized at March 31, 2008. The final capital classification is based on Fannie Mae's financial results, as certified and represented as true and correct by Fannie Mae's management, and consistent with the company's first quarter report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 6, 2008. The new OFHEO-directed minimum capital requirement as of March 31, 2008, was 20 percent over the statutory minimum capital requirement. In an agreement dated March 19, 2008 OFHEO lowered the directed minimum capital requirement from 30 percent over the stated minimum capital requirement due to Fannie Mae's significant remediation progress, its agreement to raise additional capital, and its commitment to keep capital well in excess of minimum capital requirements.

As indicated in the enclosures, at March 31, 2008, Fannie Mae's OFHEO-directed minimum capital requirement was \$37.6 billion, its statutory minimum capital requirement was \$31.3 billion, its critical capital requirement was \$16.3 billion, and its risk-based capital requirement was \$23.1 billion. Thus, Fannie Mae's core capital of \$42.7 billion at March 31, 2008 exceeded the

OFHEO-directed minimum capital requirement by \$5.1 billion and the critical capital requirement by \$26.4 billion. Fannie Mae's total capital of \$47.7 billion at March 31, 2008 exceeded the risk-based capital requirement by \$24.6 billion.

Further, Fannie Mae has maintained a capital surplus throughout the quarter in accordance with the Capital Restoration Plan, approved February 17, 2005, and the Consent Order dated May 23, 2006. The final capital classification does not alter or amend the Capital Plan or the Consent Order. Subsequent to quarter-end, OFHEO lifted the Consent Order on May 6, 2008. Also, in May 2008, OFHEO lowered the OFHEO-directed capital requirement to 15 percent over the statutory minimum capital requirement following Fannie Mae's actions to raise \$7.4 billion of new capital. OFHEO will continue to expect that Fannie Mae's capital plans demonstrate compliance with the OFHEO-directed capital requirement.

Separately, OFHEO determined that Fannie Mae's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Fannie Mae's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	20,835
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	9,904
Commitments	261
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	140
Other Off-Balance Sheet Obligations	195
MINIMUM CAPITAL LEVEL - Statutory Requirement	31,335
MINIMUM CAPITAL LEVEL - OFHEO-directed 20% Requirement	37,602
CORE CAPITAL	42,676
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	5,074

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	10,418
OFF-BALANCE SHEET OBLIGATIONS	5,833
CRITICAL CAPITAL LEVEL	16,251
CORE CAPITAL	42,676
SURPLUS/(DEFICIENCY)	26,426

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	14,344
DOWN-RATE SCENARIO	23,099
RISK-BASED CAPITAL LEVEL	23,099
TOTAL CAPITAL	47,666
SURPLUS/(DEFICIENCY)	24,567

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS	(1, 2)
TOTAL CAPITAL	47,666
TOTAL QUALIFYING SUBORDINATED DEBT	5,986
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	53,652
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	43,633
SURPLUS (DEFICIENCY)	10,019

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OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

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March 11, 2008

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Committee on Financial Services
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Re: Notice of Final Fannie Mae Capital Classification at December 31, 2007

Dear Congressman Bachus:

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Based on capital requirements in effect for the fourth quarter of 2007, OFHEO hereby provides notice that Fannie Mae is classified as adequately capitalized at December 31, 2007. The final capital classification is based on Fannie Mae's financial results, as certified and represented as true and correct by Fannie Mae's management, and consistent with the company's annual report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 27, 2008.

As indicated in the enclosures, at December 31, 2007, Fannie Mae's OFHEO-directed minimum capital requirement was \$41.505 billion, its statutory minimum capital requirement was \$31.927 billion, its critical capital requirement was \$16.525 billion, and its risk-based capital requirement was \$24.700 billion. Thus, Fannie Mae's core capital of \$45.373 billion at December 31, 2007, exceeded the OFHEO-directed minimum capital requirement by \$3.868 billion and the critical capital requirement by \$28.848 billion. Fannie Mae's total capital of \$48.658 billion at December 31, 2007, exceeded the risk-based capital requirement by \$23.958 billion.


Further, Fannie Mae has maintained a capital surplus throughout the quarter in accordance with the Capital Restoration Plan, approved February 17, 2005, and the Consent Order dated May 23, 2006. The final capital classification does not alter or amend the Capital Plan or the Consent Order.

Separately, OFHEO determined that Fannie Mae's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Fannie Mae's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at December 31, 2007.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,


James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
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OFF-BALANCE SHEET OBLIGATIONS	
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CORE CAPITAL	45,373
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FEDERAL NATIONAL MORTGAGE ASSOCIATION
Critical Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	10,911
OFF-BALANCE SHEET OBLIGATIONS	5,614
CRITICAL CAPITAL LEVEL	16,525
CORE CAPITAL	45,373
SURPLUS/(DEFICIENCY)	28,848

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
December 31, 2007

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	18,417
DOWN-RATE SCENARIO	24,700
RISK-BASED CAPITAL LEVEL	24,700
TOTAL CAPITAL	48,658
SURPLUS/(DEFICIENCY)	23,958

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Qualifying Subordinated Debt
December 31, 2007

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS	(1, 2)	
TOTAL CAPITAL		48,658
TOTAL QUALIFYING SUBORDINATED DEBT		6,486
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT		55,144
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING		44,837
SURPLUS (DEFICIENCY)		10,307

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2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act

CHUCK HAGEL
NEBRASKA

248 RUSSELL SENATE OFFICE BUILDING
(202) 224-4224
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United States Senate

WASHINGTON, DC 20510-2705

FOREIGN RELATIONS
BANKING, HOUSING, AND URBAN AFFAIRS
SELECT COMMITTEE ON INTELLIGENCE
RULES AND ADMINISTRATION

May 12, 2008

The Honorable James B. Lockhart III
Director
Office of Federal Housing Enterprise Oversight
1700 G Street, NW, 4th Floor
Washington, DC 20552

Dear Director Lockhart:

On Tuesday, May 6, Fannie Mae (Fannie) announced it wrote down \$23.6 billion of its net assets (fair value) and lost \$2.2 billion in net income in the first quarter. This comes after Fannie lost \$3.6 billion in net income for the fourth quarter of last year. On that same day, OFHEO announced that it would lower Fannie's capital surcharge requirement from 20% to 15% based on the commitment that Fannie would raise an additional \$6 billion in capital. This is the second lowering of the capital surcharge in less than two months.

Are you concerned that more losses and write-downs lie ahead for Fannie? In its financial statements released last week, Fannie reported \$9.3 billion in unrealized losses in mortgage securities. How long have these losses been unrealized? If Fannie doesn't recover the full value of these securities, how will this affect its capital position? Are you concerned that the \$6 billion that Fannie has promised to raise in capital will not support new lending and greater mortgage market liquidity, but instead simply go to cover more of its losses?

Can you assure the Congress that Fannie is valuing its portfolio correctly? Are you confident that Fannie is owning up to the full extent of its losses or should Congress be concerned about Fannie's transparency, given the recent memory of egregious accounting scandals at the Enterprises? Are you consulting with other regulators to ensure that Fannie is calculating and recognizing all of its losses like other financial institutions that have been reporting multi-billion losses in the past several months?

4111 FOURTH AVENUE
SUITE 26
KEARNEY, NE 68845
(308) 236-7602

294 FEDERAL BUILDING
100 CENTENNIAL MALL NORTH
LINCOLN, NE 68508
(402) 476-1400

9900 NICHOLAS STREET
SUITE 325
OMAHA, NE 68114
(402) 758-8981

115 RAILWAY STREET
SUITE C102
SCOTTSBLUFF, NE 69361
(308) 632-6032

chuck_hagel@hagel.senate.gov

Mr. James B. Lockhart III

May 12, 2008


Page 2

Finally, the statute clearly directs that, "if at any time the Director determines in writing that an enterprise is engaging in conduct not approved by the Director that could result in a rapid depletion of core capital or that the value of the property subject to mortgages held or securitized by the enterprise has decreased significantly, the Director may classify the enterprise— (1) as undercapitalized, if the enterprise is otherwise classified as adequately capitalized; (2) as significantly undercapitalized, if the enterprise is otherwise classified as undercapitalized; and (3) as critically undercapitalized, if the enterprise is otherwise classified as significantly undercapitalized." Do you believe that Fannie is engaging in conduct that could result in a depletion of core capital? How much has the value of the property subject to mortgages held or securitized by Fannie decreased or increased over the last year?

We look forward to your prompt response to these important questions.

Thank you.

Sincerely,



Senator Chuck Hagel



Senator John Sununu



Senator Elizabeth Dole



Senator Mel Martinez



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Christopher Dodd
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Re: Notice of Freddie Mac Final Capital Classification at March 31, 2008

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On May 23, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Freddie Mac as adequately capitalized at March 31, 2008 and requesting that Freddie Mac notify OFHEO by June 6, 2008 whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the first quarter of 2008, OFHEO hereby provides notice that Freddie Mac is classified as adequately capitalized at March 31, 2008. The final capital classification is based on Freddie Mac's financial results, as certified and represented as true and correct by Freddie Mac's management, and consistent with the First Quarter 2008 results and corresponding financial statements issued by Freddie Mac on May 14, 2008. The new OFHEO-directed minimum capital requirement as of March 31, 2008 was 20 percent over the statutory minimum capital requirement. In an agreement dated March 19, 2008, OFHEO lowered the directed minimum capital requirement from 30 percent over the statutory minimum capital requirement due to Freddie Mac's significant remediation progress, its agreement to raise additional capital, and its commitment to keep capital well in excess of minimum capital requirements.

As indicated in the enclosures, at March 31, 2008, Freddie Mac's OFHEO-directed minimum capital requirement was \$32.3 billion, its statutory minimum capital requirement was \$26.9 billion, its critical capital requirement was \$13.9 billion, and its risk-based capital requirement was \$26.1 billion. Thus, Freddie Mac's core capital of \$38.3 billion at March 31, 2008 exceeded the

OFHEO-directed minimum capital requirement by \$6.0 billion and the critical capital requirement by \$24.5 billion. Freddie Mac's total capital of \$42.2 billion at March 31, 2008 exceeded the risk-based capital requirement by \$16.1 billion.


Freddie Mac is required to maintain a capital surplus in accordance with the capital directive issued by OFHEO on January 28, 2004. The final capital classification does not alter or amend the capital directive. At the end of the first quarter, Freddie Mac maintained a capital surplus in accordance with the capital directive and percentage as amended in the March 19, 2008 agreement. As outlined in the May 13, 2008 letter to Freddie Mac, OFHEO will reduce the amount of the OFHEO-directed requirement to 15 percent over the statutory minimum capital requirement once Freddie Mac has completed raising new capital in the amount of at least \$5.5 billion. OFHEO understands that the capital-related transactions will not occur until resolution of all outstanding issues with SEC registration, and assumes there will be no adverse changes to ongoing regulatory compliance. OFHEO will continue to expect that Freddie Mac's capital plans demonstrate compliance with the OFHEO-directed capital requirement.

Separately, OFHEO determined that Freddie Mac's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Freddie Mac's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	19,816
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,377
Commitments	490
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	152
Sold Portfolio Remittances Pending	13
Other Off-Balance Sheet Obligations	89
MINIMUM CAPITAL - Statutory Requirement	26,937
MINIMUM CAPITAL - OFHEO-directed 20% Requirement	32,324
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	5,995

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	9,908
OFF-BALANCE SHEET OBLIGATIONS	3,956
CRITICAL CAPITAL LEVEL	13,864
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY)	24,455

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS ^(a)	
UP-RATE SCENARIO	5,127
DOWN-RATE SCENARIO	26,060
RISK-BASED CAPITAL LEVEL	26,060
TOTAL CAPITAL	42,173
SURPLUS (DEFICIENCY)	16,113

a. Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	42,173
TOTAL QUALIFYING SUBORDINATED DEBT	3,667
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	45,841
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	38,591
SURPLUS (DEFICIENCY)	7,250

1. Totals may not add due to rounding
2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Re: Notice of Fannie Mae Final Capital Classification at March 31, 2008

Dear Senator Shelby:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal National Mortgage Association (Fannie Mae) not less than quarterly. On May 23, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Fannie Mae as adequately capitalized at March 31, 2008 and requesting that Fannie Mae notify OFHEO by June 6, 2008 whether it intended to accept the classification or provide a response. Fannie Mae responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the first quarter of 2008, OFHEO hereby provides notice that Fannie Mae is classified as adequately capitalized at March 31, 2008. The final capital classification is based on Fannie Mae's financial results, as certified and represented as true and correct by Fannie Mae's management, and consistent with the company's first quarter report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 6, 2008. The new OFHEO-directed minimum capital requirement as of March 31, 2008, was 20 percent over the statutory minimum capital requirement. In an agreement dated March 19, 2008 OFHEO lowered the directed minimum capital requirement from 30 percent over the stated minimum capital requirement due to Fannie Mae's significant remediation progress, its agreement to raise additional capital, and its commitment to keep capital well in excess of minimum capital requirements.

As indicated in the enclosures, at March 31, 2008, Fannie Mae's OFHEO-directed minimum capital requirement was \$37.6 billion, its statutory minimum capital requirement was \$31.3 billion, its critical capital requirement was \$16.3 billion, and its risk-based capital requirement was \$23.1 billion. Thus, Fannie Mae's core capital of \$42.7 billion at March 31, 2008 exceeded the

OFHEO-directed minimum capital requirement by \$5.1 billion and the critical capital requirement by \$26.4 billion. Fannie Mae's total capital of \$47.7 billion at March 31, 2008 exceeded the risk-based capital requirement by \$24.6 billion.

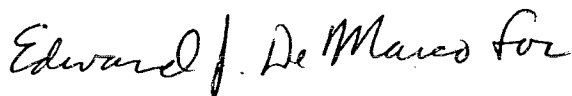
Further, Fannie Mae has maintained a capital surplus throughout the quarter in accordance with the Capital Restoration Plan, approved February 17, 2005, and the Consent Order dated May 23, 2006. The final capital classification does not alter or amend the Capital Plan or the Consent Order. Subsequent to quarter-end, OFHEO lifted the Consent Order on May 6, 2008. Also, in May 2008, OFHEO lowered the OFHEO-directed capital requirement to 15 percent over the statutory minimum capital requirement following Fannie Mae's actions to raise \$7.4 billion of new capital. OFHEO will continue to expect that Fannie Mae's capital plans demonstrate compliance with the OFHEO-directed capital requirement.

Separately, OFHEO determined that Fannie Mae's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Fannie Mae's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	20,835
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	9,904
Commitments	261
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	140
Other Off-Balance Sheet Obligations	195
MINIMUM CAPITAL LEVEL - Statutory Requirement	31,335
MINIMUM CAPITAL LEVEL - OFHEO-directed 20% Requirement	37,602
CORE CAPITAL	42,676
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	5,074

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	10,418
OFF-BALANCE SHEET OBLIGATIONS	5,833
CRITICAL CAPITAL LEVEL	16,251
CORE CAPITAL	42,676
SURPLUS/(DEFICIENCY)	26,426

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	14,344
DOWN-RATE SCENARIO	23,099
RISK-BASED CAPITAL LEVEL	23,099
TOTAL CAPITAL	47,666
SURPLUS/(DEFICIENCY)	24,567

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	47,666
TOTAL QUALIFYING SUBORDINATED DEBT	5,986
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	53,652
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	43,633
<u>SURPLUS (DEFICIENCY)</u>	10,019

1. Totals may not add due to rounding
2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
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OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Re: Notice of Freddie Mac Final Capital Classification at March 31, 2008

Dear Senator Shelby:

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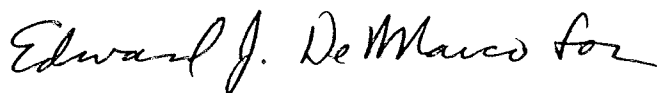
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Separately, OFHEO determined that Freddie Mac's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Freddie Mac's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	19,816
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,377
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CORE CAPITAL	38,319
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	5,995

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	9,908
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CRITICAL CAPITAL LEVEL	13,864
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY)	24,455

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS ^(a)	
UP-RATE SCENARIO	5,127
DOWN-RATE SCENARIO	26,060
RISK-BASED CAPITAL LEVEL	26,060
TOTAL CAPITAL	42,173
SURPLUS (DEFICIENCY)	16,113

a. Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS	(1, 2)	
TOTAL CAPITAL		42,173
TOTAL QUALIFYING SUBORDINATED DEBT		3,667
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT		45,841
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING		38,591
SURPLUS (DEFICIENCY)		7,250

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OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives
Washington, DC 20515

Re: Notice of Fannie Mae Final Capital Classification at March 31, 2008

Dear Congressman Bachus:

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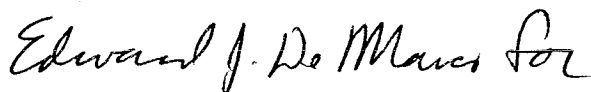
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Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	20,835
OFF-BALANCE SHEET OBLIGATIONS	
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FEDERAL NATIONAL MORTGAGE ASSOCIATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	10,418
OFF-BALANCE SHEET OBLIGATIONS	5,833
CRITICAL CAPITAL LEVEL	16,251
CORE CAPITAL	42,676
SURPLUS/(DEFICIENCY)	26,426

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	14,344
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RISK-BASED CAPITAL LEVEL	23,099
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FEDERAL NATIONAL MORTGAGE ASSOCIATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	47,666
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TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	53,652
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	43,633
SURPLUS (DEFICIENCY)	10,019

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OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

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Dear Congressman Bachus:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On May 23, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Freddie Mac as adequately capitalized at March 31, 2008 and requesting that Freddie Mac notify OFHEO by June 6, 2008 whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the first quarter of 2008, OFHEO hereby provides notice that Freddie Mac is classified as adequately capitalized at March 31, 2008. The final capital classification is based on Freddie Mac's financial results, as certified and represented as true and correct by Freddie Mac's management, and consistent with the First Quarter 2008 results and corresponding financial statements issued by Freddie Mac on May 14, 2008. The new OFHEO-directed minimum capital requirement as of March 31, 2008 was 20 percent over the statutory minimum capital requirement. In an agreement dated March 19, 2008, OFHEO lowered the directed minimum capital requirement from 30 percent over the statutory minimum capital requirement due to Freddie Mac's significant remediation progress, its agreement to raise additional capital, and its commitment to keep capital well in excess of minimum capital requirements.

As indicated in the enclosures, at March 31, 2008, Freddie Mac's OFHEO-directed minimum capital requirement was \$32.3 billion, its statutory minimum capital requirement was \$26.9 billion, its critical capital requirement was \$13.9 billion, and its risk-based capital requirement was \$26.1 billion. Thus, Freddie Mac's core capital of \$38.3 billion at March 31, 2008 exceeded the

OFHEO-directed minimum capital requirement by \$6.0 billion and the critical capital requirement by \$24.5 billion. Freddie Mac's total capital of \$42.2 billion at March 31, 2008 exceeded the risk-based capital requirement by \$16.1 billion.

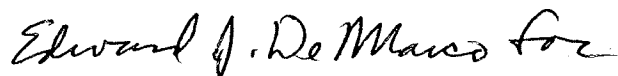
Freddie Mac is required to maintain a capital surplus in accordance with the capital directive issued by OFHEO on January 28, 2004. The final capital classification does not alter or amend the capital directive. At the end of the first quarter, Freddie Mac maintained a capital surplus in accordance with the capital directive and percentage as amended in the March 19, 2008 agreement. As outlined in the May 13, 2008 letter to Freddie Mac, OFHEO will reduce the amount of the OFHEO-directed requirement to 15 percent over the statutory minimum capital requirement once Freddie Mac has completed raising new capital in the amount of at least \$5.5 billion. OFHEO understands that the capital-related transactions will not occur until resolution of all outstanding issues with SEC registration, and assumes there will be no adverse changes to ongoing regulatory compliance. OFHEO will continue to expect that Freddie Mac's capital plans demonstrate compliance with the OFHEO-directed capital requirement.

Separately, OFHEO determined that Freddie Mac's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Freddie Mac's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	19,816
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,377
Commitments	490
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	152
Sold Portfolio Remittances Pending	13
Other Off-Balance Sheet Obligations	89
MINIMUM CAPITAL - Statutory Requirement	26,937
MINIMUM CAPITAL - OFHEO-directed 20% Requirement	32,324
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	3,995

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	9,908
OFF-BALANCE SHEET OBLIGATIONS	3,956
CRITICAL CAPITAL LEVEL	13,864
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY)	24,455

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS ^(a)	
UP-RATE SCENARIO	5,127
DOWN-RATE SCENARIO	26,060
RISK-BASED CAPITAL LEVEL	26,060
TOTAL CAPITAL	42,173
SURPLUS (DEFICIENCY)	16,113

a. Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	42,173
TOTAL QUALIFYING SUBORDINATED DEBT	3,667
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	45,841
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	38,591
SURPLUS (DEFICIENCY)	7,250

1. Totals may not add due to rounding
2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Barney Frank
Chairman
Committee on Financial Services
House of Representatives
Washington, DC 20515

Re: Notice of Fannie Mae Final Capital Classification at March 31, 2008

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal National Mortgage Association (Fannie Mae) not less than quarterly. On May 23, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Fannie Mae as adequately capitalized at March 31, 2008 and requesting that Fannie Mae notify OFHEO by June 6, 2008 whether it intended to accept the classification or provide a response. Fannie Mae responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the first quarter of 2008, OFHEO hereby provides notice that Fannie Mae is classified as adequately capitalized at March 31, 2008. The final capital classification is based on Fannie Mae's financial results, as certified and represented as true and correct by Fannie Mae's management, and consistent with the company's first quarter report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 6, 2008. The new OFHEO-directed minimum capital requirement as of March 31, 2008, was 20 percent over the statutory minimum capital requirement. In an agreement dated March 19, 2008 OFHEO lowered the directed minimum capital requirement from 30 percent over the stated minimum capital requirement due to Fannie Mae's significant remediation progress, its agreement to raise additional capital, and its commitment to keep capital well in excess of minimum capital requirements.

As indicated in the enclosures, at March 31, 2008, Fannie Mae's OFHEO-directed minimum capital requirement was \$37.6 billion, its statutory minimum capital requirement was \$31.3 billion, its critical capital requirement was \$16.3 billion, and its risk-based capital requirement was \$23.1 billion. Thus, Fannie Mae's core capital of \$42.7 billion at March 31, 2008 exceeded the

OFHEO-directed minimum capital requirement by \$5.1 billion and the critical capital requirement by \$26.4 billion. Fannie Mae's total capital of \$47.7 billion at March 31, 2008 exceeded the risk-based capital requirement by \$24.6 billion.

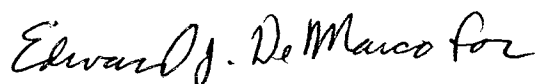
Further, Fannie Mae has maintained a capital surplus throughout the quarter in accordance with the Capital Restoration Plan, approved February 17, 2005, and the Consent Order dated May 23, 2006. The final capital classification does not alter or amend the Capital Plan or the Consent Order. Subsequent to quarter-end, OFHEO lifted the Consent Order on May 6, 2008. Also, in May 2008, OFHEO lowered the OFHEO-directed capital requirement to 15 percent over the statutory minimum capital requirement following Fannie Mae's actions to raise \$7.4 billion of new capital. OFHEO will continue to expect that Fannie Mae's capital plans demonstrate compliance with the OFHEO-directed capital requirement.

Separately, OFHEO determined that Fannie Mae's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Fannie Mae's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	20,835
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	9,904
Commitments	261
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	140
Other Off-Balance Sheet Obligations	195
MINIMUM CAPITAL LEVEL - Statutory Requirement	31,335
MINIMUM CAPITAL LEVEL - OFHEO-directed 20% Requirement	37,602
CORE CAPITAL	42,676
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	5,074

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	10,418
OFF-BALANCE SHEET OBLIGATIONS	5,833
CRITICAL CAPITAL LEVEL	16,251
CORE CAPITAL	42,676
SURPLUS/(DEFICIENCY)	26,426

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	14,344
DOWN-RATE SCENARIO	23,099
RISK-BASED CAPITAL LEVEL	23,099
TOTAL CAPITAL	47,666
SURPLUS/(DEFICIENCY)	24,567

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	47,666
TOTAL QUALIFYING SUBORDINATED DEBT	5,986
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	53,652
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	43,633
<u>SURPLUS (DEFICIENCY)</u>	<u>(0,019)</u>

1. Totals may not add due to rounding
2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801

OFFICE OF THE DIRECTOR

June 9, 2008

Honorable Barney Frank
Chairman
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Re: Notice of Freddie Mac Final Capital Classification at March 31, 2008

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and 12 C.F.R. § 1777.21 require that the Office of Federal Housing Enterprise Oversight (OFHEO) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On May 23, 2008, OFHEO issued a notice of proposed action indicating its intention to classify Freddie Mac as adequately capitalized at March 31, 2008 and requesting that Freddie Mac notify OFHEO by June 6, 2008 whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

Based on capital requirements in effect for the first quarter of 2008, OFHEO hereby provides notice that Freddie Mac is classified as adequately capitalized at March 31, 2008. The final capital classification is based on Freddie Mac's financial results, as certified and represented as true and correct by Freddie Mac's management, and consistent with the First Quarter 2008 results and corresponding financial statements issued by Freddie Mac on May 14, 2008. The new OFHEO-directed minimum capital requirement as of March 31, 2008 was 20 percent over the statutory minimum capital requirement. In an agreement dated March 19, 2008, OFHEO lowered the directed minimum capital requirement from 30 percent over the statutory minimum capital requirement due to Freddie Mac's significant remediation progress, its agreement to raise additional capital, and its commitment to keep capital well in excess of minimum capital requirements.

As indicated in the enclosures, at March 31, 2008, Freddie Mac's OFHEO-directed minimum capital requirement was \$32.3 billion, its statutory minimum capital requirement was \$26.9 billion, its critical capital requirement was \$13.9 billion, and its risk-based capital requirement was \$26.1 billion. Thus, Freddie Mac's core capital of \$38.3 billion at March 31, 2008 exceeded the

OFHEO-directed minimum capital requirement by \$6.0 billion and the critical capital requirement by \$24.5 billion. Freddie Mac's total capital of \$42.2 billion at March 31, 2008 exceeded the risk-based capital requirement by \$16.1 billion.

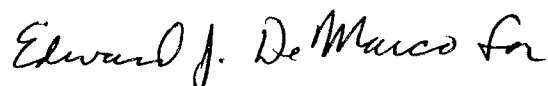
Freddie Mac is required to maintain a capital surplus in accordance with the capital directive issued by OFHEO on January 28, 2004. The final capital classification does not alter or amend the capital directive. At the end of the first quarter, Freddie Mac maintained a capital surplus in accordance with the capital directive and percentage as amended in the March 19, 2008 agreement. As outlined in the May 13, 2008 letter to Freddie Mac, OFHEO will reduce the amount of the OFHEO-directed requirement to 15 percent over the statutory minimum capital requirement once Freddie Mac has completed raising new capital in the amount of at least \$5.5 billion. OFHEO understands that the capital-related transactions will not occur until resolution of all outstanding issues with SEC registration, and assumes there will be no adverse changes to ongoing regulatory compliance. OFHEO will continue to expect that Freddie Mac's capital plans demonstrate compliance with the OFHEO-directed capital requirement.

Separately, OFHEO determined that Freddie Mac's total capital and qualifying subordinated debt exceeded the requirements outlined in the agreement dated September 1, 2005.

The enclosures summarize OFHEO's calculation of Freddie Mac's OFHEO-directed, statutory minimum, critical and risk-based capital and total qualifying subordinated debt levels at March 31, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	19,816
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,377
Commitments	490
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	152
Sold Portfolio Remittances Pending	13
Other Off-Balance Sheet Obligations	89
MINIMUM CAPITAL - Statutory Requirement	26,937
MINIMUM CAPITAL - OFHEO-directed 20% Requirement	32,324
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY) (based on OFHEO-directed Requirement)	5,995

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Critical Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE CRITICAL CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	9,908
OFF-BALANCE SHEET OBLIGATIONS	3,956
CRITICAL CAPITAL LEVEL	13,864
CORE CAPITAL	38,319
SURPLUS (DEFICIENCY)	24,455

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
March 31, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS ^(a)	
UP-RATE SCENARIO	5,127
DOWN-RATE SCENARIO	26,060
RISK-BASED CAPITAL LEVEL	26,060
TOTAL CAPITAL	42,173
SURPLUS (DEFICIENCY)	16,113

a. Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Qualifying Subordinated Debt
March 31, 2008

SUMMARY

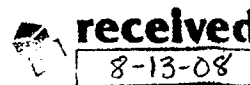
(Dollars in millions)

QUALIFYING SUBORDINATED DEBT PLUS TOTAL CAPITAL RESULTS (1, 2)	
TOTAL CAPITAL	42,173
TOTAL QUALIFYING SUBORDINATED DEBT	3,667
TOTAL CAPITAL AND QUALIFYING SUBORDINATED DEBT	45,841
CAPITAL REQUIREMENT FOR 4.0% OF ON-BALANCE SHEET ASSETS AND 0.45% OF NET MBS/PCs OUTSTANDING	38,591
SURPLUS (DEFICIENCY)	7,250

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2. Qualifying Subordinated Debt is defined as subordinated debt that contains the interest deferral feature. The interest deferral requires the deferral of interest payments for up to 5 years if:
 - a) The corporation's core capital falls below 125% of critical capital, or
 - b) The corporation's core capital falls below minimum capital AND, pursuant to the corporation's request, the Secretary of the Treasury exercised discretionary authority to purchase the company's obligations under Section 306(c) of the Freddie Mac Charter Act and Section 304(c) of the Fannie Mae Charter Act

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

July 29, 2008



The Honorable James B. Lockhart, III
Director
Office of Federal Housing Enterprise Oversight
1700 G Street, NW
Washington, DC 20552


Dear Director Lockhart:

We are writing to request the Office of Federal Housing Enterprise Oversight (OFHEO) to obtain and make publicly available, each year, reports from Fannie Mae and Freddie Mac on the total value of contributions made to non-profit organizations during the previous fiscal year, including information on specific disclosures on donations to insider-affiliated charities.

As you are aware, both the Federal Housing Finance Reform Act of 2007 (H.R. 1427), passed by the House in May, 2007, and the American Housing Rescue and Foreclosure Prevention Act (H.R. 3221) passed by the House in May, 2008, contained a provision sponsored by the late Paul Gillmor to require the Director of the new GSE regulator to obtain annual reports on charitable contributions from Fannie Mae and Freddie Mac. This provision also had broad bi-partisan support as a part of the Federal Housing Finance Reform Act of 2005 (H.R. 1461), passed by the House in the 109th Congress. Although the version of H.R. 3221 that we expect to become law does not include this specific requirement, we are confident that OFHEO has, and the new agency will have, ample authority to obtain this information under current law as well as under H.R. 3221.

Specifically, under existing law, OFHEO has authority to require "special reports" whenever, in the judgment of the Director, such reports are necessary to carry out the purposes" of the law. Under H.R. 3221, this authority would be expanded to require the submission of such regular reports on the condition, management, activities or operations of the GSEs as the Director considers appropriate.

Given the unique status of Fannie Mae and Freddie Mac as congressionally-chartered entities with a public purpose that are also publicly-held companies, and given the extraordinary circumstances in the financial and housing markets, we think it is a very good idea to provide this transparency for shareholders and the public. We therefore urge you to use your regulatory authority to ensure that this sensible disclosure is provided.


BARNEY FRANK
Chairman


SPENCER BACHUS
Ranking Member



Federal Housing Finance Agency

Office of the Director

August 22, 2008

Congressman Spencer Bachus
Ranking Member
Committee on Financial Services
2120 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Bachus:

You asked in your letter dated July 29, 2008, that FHFA obtain and make publicly available, each year, reports from Fannie Mae and Freddie Mac on the total value of contributions made to non-profit organizations during the previous year, including information on specific disclosures on donations to insider-affiliated charities.

I have required Fannie Mae and Freddie Mac to submit such reports to the Federal Housing Finance Agency (FHFA) and FHFA will make the report public. The initial report for contributions made in 2007 will be submitted to FHFA by October 1, 2008, and FHFA will make it publically available shortly thereafter. In subsequent years, FHFA will make the report for previous year contributions publically available on an annual basis.

Sincerely

A handwritten signature in black ink, appearing to read "J. Lockhart III".

James B. Lockhart III
Director, FHFA



Federal Housing Finance Agency

Office of the Director

August 22, 2008


Congressman Barney Frank
Chairman
Committee on Financial Services
2120 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Frank:

You asked in your letter dated July 29, 2008, that FHFA obtain and make publicly available, each year, reports from Fannie Mae and Freddie Mac on the total value of contributions made to non-profit organizations during the previous year, including information on specific disclosures on donations to insider-affiliated charities.

I have required Fannie Mae and Freddie Mac to submit such reports to the Federal Housing Finance Agency (FHFA) and FHFA will make the report public. The initial report for contributions made in 2007 will be submitted to FHFA by October 1, 2008, and FHFA will make it publically available shortly thereafter. In subsequent years, FHFA will make the report for previous year contributions publically available on an annual basis.

Sincerely



James B. Lockhart III
Director, FHFA

United States Senate

WASHINGTON, DC 20510

September 9, 2008

James Lockhart
Director
Federal Housing Finance Agency
1700 G Street, NW
4th Floor
Washington, DC 20552

Dear Director Lockhart:


In our capacity as members of the Senate Banking Committee, we write today to urge you to exercise your authority as the Director of the Federal Housing Finance Agency, and as the newly assigned conservator of Fannie Mae and Freddie Mac to review the compensation packages awarded to the former CEOs of those companies, Daniel Mudd and Richard Syron. While we understand the rationale for the significant measures that were taken to protect the overall housing mission of Fannie Mae and Freddie Mac and to protect the stability of the financial system generally, we find it way out of line that these two executives will be rewarded with millions of dollars in bonus compensation at a time when taxpayer dollars may have to be deployed to cover any financial losses caused by errors in management. It has been reported that Mr. Mudd and Mr. Syron stand to make more than \$24 million in severance payments as a result of your actions over the weekend to place the companies in conservatorship.

The Federal Housing Finance Regulatory Reform Act of 2008 gave the FHFA authority over executive compensation and the ability to limit or fully withhold compensation and golden parachute payments to executives. We urge you to quickly review the compensation packages of the former CEOs, and where appropriate and in accordance with the newly enacted legislation, substantially reduce or eliminate them, so that taxpayer dollars are not utilized to enrich the same individuals who are responsible for preventable financial problems that have weakened Fannie Mae's and Freddie Mac's ability to weather the current crisis in the financial markets.

Sincerely,



Charles Schumer
United States Senator



Jack Reed
United States Senator

CHRISTOPHER J. DODD, CONNECTICUT, CHAIRMAN

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BOB CORKER, TENNESSEE

SHAWN MAHER, STAFF DIRECTOR
WILLIAM D. DUHNKE, REPUBLICAN STAFF DIRECTOR AND COUNSEL

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

September 10, 2008

The Honorable James B. Lockhart III
Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Dear Director Lockhart:

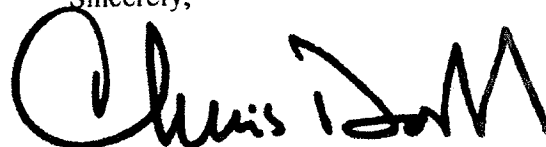
On behalf of the Senate Committee on Banking, Housing and Urban Affairs, I am writing to confirm that you will testify before the Committee at our hearing entitled, "Recent Regulatory Actions Regarding Fannie Mae and Freddie Mac." The hearing is scheduled for Tuesday, September 16, at 10:00 A.M. in Room 538 of the Dirksen Senate Office Building.

The Committee requests that your testimony address the basis for your decision to exercise the authority granted to you in the Housing and Economic Recovery Act of 2008 to place the enterprises into conservatorship, and the analysis you used to determine that taking such action was necessary. Please describe how your actions were coordinated with those of Secretary of the Treasury Paulson. In addition, your testimony should include your views on the impact these combined actions will have on the mortgage markets, on American homeowners, and on taxpayers.

For purposes of the Committee Record and printing, your written statement must be submitted in electronic form by e-mail to jonathan_miller@banking.senate.gov and dawn_ratliff@banking.senate.gov, or on a CDRW in WordPerfect (or other comparable program) format, double spaced. Also, two ORIGINAL copies of the statement must be included for the printers, along with 73 copies for the use of Committee members and staff. Your statement should be sent no later than 24 hours prior to the hearing. Your oral statement should be approximately 5 minutes in duration. Your full statement will be made part of the hearing record.

If you have any questions regarding the hearing, please contact Jonathan Miller of the Committee staff at 202-224-7391.

Sincerely,



CHRISTOPHER J. DODD
Chairman



Federal Housing Finance Agency

OFFICE OF THE DIRECTOR

October 9, 2008

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives
Washington, DC 20515

Re: Notice of Fannie Mae Final Capital Classification at June 30, 2008

Dear Congressman Bachus:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Federal Housing Finance Regulatory Reform Act, Division A of the Housing and Economic Recovery Act, Public Law No. 110-289, 122 Stat. 2654 (2008) and 12 C.F.R. § 1777.21 require that the Federal Housing Finance Agency (FHFA) determine the capital classification of the Federal National Mortgage Association (Fannie Mae) not less than quarterly. On October 2, 2008, FHFA issued a notice of proposed action indicating its intention to classify Fannie Mae as undercapitalized at June 30, 2008 and requesting that Fannie Mae notify FHFA by October 3, 2008 whether it intended to accept the classification or provide a response. Fannie Mae responded that it took no exception to the proposed capital classification.

FHFA is classifying Fannie Mae as undercapitalized as of June 30, 2008, the period before the conservatorship, based on discretionary authority provided in the statute and subsequent events. Although the capital calculations for June 30, 2008 reflect that Fannie Mae met the FHFA and statutory requirements for capital, the continued market downturn during late July and August raised significant questions about the sufficiency of capital. The following factors, which led to the need for conservatorship, support the decision to downgrade the classification to undercapitalized:

- Accelerating safety and soundness weaknesses, especially with regard to credit risk, earnings outlook, and capitalization;
- Continued and substantial deterioration in equity, debt, and MBS market conditions;
- The current and projected financial performance and condition of Fannie Mae as reflected in its second quarter financial reports and our ongoing examinations;

- The inability of Fannie Mae to raise capital or to issue debt according to normal practices and prices;
- The critical importance of Fannie Mae in supporting the country's residential mortgage market; and
- Concerns that a growing proportion of Fannie Mae's statutory core capital consisted of intangible assets.

Under the conservatorship, the United States Treasury, through the Senior Preferred Stock Purchase Agreement, will provide capital as needed to ensure that Fannie Mae maintains a positive net worth. Consequently, FHFA has determined that it is prudent and in the best interests of the market to suspend capital classifications during the conservatorship. Fannie Mae should continue to submit regulatory capital reports and FHFA will continue to closely monitor capital levels. However, the existing statutory and FHFA-directed regulatory capital requirements will not be binding during the conservatorship. Relevant capital figures (minimum capital requirement, core capital, and GAAP net worth) will be posted on FHFA's website to ensure market transparency. FHFA does not intend to publish critical capital levels, risk-based capital, or subordinated debt levels during the conservatorship.

The final capital classification of undercapitalized is based on Fannie Mae's financial results, as certified and represented as true and correct by Fannie Mae's management, and consistent with the company's second quarter report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on August 8, 2008.

The enclosures summarize FHFA's calculation of Fannie Mae's FHFA-directed, statutory minimum and risk-based capital levels at June 30, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	21,891
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	10,135
Commitments	296
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	155
Other Off-Balance Sheet Obligations	153
MINIMUM CAPITAL LEVEL - Statutory Requirement	32,631
MINIMUM CAPITAL LEVEL - FHFA-directed 15% Requirement	37,525
CORE CAPITAL	46,964
SURPLUS (DEFICIENCY) (based on FHFA-directed Requirement)	9,439

Note: Totals may not add due to rounding.

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	6,198
DOWN-RATE SCENARIO	36,288
RISK-BASED CAPITAL LEVEL	36,288
TOTAL CAPITAL	55,568
SURPLUS/(DEFICIENCY)	19,280

Note: Totals may not add due to rounding.



Federal Housing Finance Agency

OFFICE OF THE DIRECTOR

October 9, 2008

Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives
Washington, DC 20515

Re: Notice of Freddie Mac Final Capital Classification at June 30, 2008

Dear Congressman Bachus:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Federal Housing Finance and Regulatory Reform Act, Division A of the Housing and Economic Recovery Act, Public Law No. 110-289, Stat. 2654 (2008) and 12 C.F.R. § 1777.21 require that the Federal Housing Finance Agency (FHFA) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On October 2, 2008, FHFA issued a notice of proposed action indicating its intention to classify Freddie Mac as undercapitalized at June 30, 2008 and requesting that Freddie Mac notify FHFA by October 3, 2008 whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

FHFA is classifying Freddie Mac as undercapitalized as of June 30, 2008, the period before the conservatorship, based on discretionary authority provided in the statute and subsequent events. Although the capital calculations for June 30, 2008 reflect that Freddie Mac met the FHFA and statutory requirements for capital, the continued market downturn during late July and August raised significant questions about the sufficiency of capital. The following factors, which led to the need for conservatorship, support the decision to downgrade the classification to undercapitalized:

- Accelerating safety and soundness weaknesses, especially with regard to credit risk, earnings outlook, and capitalization;
- Continued and substantial deterioration in equity, debt, and MBS market conditions;
- The current and projected financial performance and condition of Freddie Mac as reflected in its second quarter financial reports and our ongoing examinations;

- The inability of Freddie Mac to raise capital or to issue debt according to normal practices and prices;
- The critical importance of Freddie Mac in supporting the country's residential mortgage market; and
- Concerns that a growing proportion of Freddie Mac's statutory core capital consisted of intangible assets.

Under the conservatorship, the United States Treasury, through the Senior Preferred Stock Purchase Agreement, will provide capital as needed to ensure that Freddie Mac maintains a positive net worth. Consequently, FHFA has determined that it is prudent and in the best interests of the market to suspend capital classifications during the conservatorship. Freddie Mac should continue to submit regulatory capital reports and FHFA will continue to closely monitor capital levels. However, the existing statutory and FHFA-directed regulatory capital requirements will not be binding during the conservatorship. Relevant capital figures (minimum capital requirement, core capital, and GAAP net worth) will be posted on FHFA's website to ensure market transparency. FHFA does not intend to publish critical capital levels, risk-based capital, or subordinated debt levels during the conservatorship.

The final capital classification of undercapitalized is based on Freddie Mac's financial results, as certified and represented as true and correct by Freddie Mac's management, and consistent with the company's second quarter report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on August 6, 2008.

The enclosures summarize FHFA's calculation of Freddie Mac's FHFA-directed, statutory minimum and risk-based capital at June 30, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	21,667
OFF-BALANCE SHEET OBLIGATIONS	
MBS and Equivalents	6,262
Commitments	551
OTHER OFF-BALANCE SHEET OBLIGATIONS	
Interest Rate and Foreign Exchange Rate Contracts	139
Sold Portfolio Remittances Pending	10
Other Off-Balance Sheet Obligations	80
MINIMUM CAPITAL - Statutory Requirement	28,709
MINIMUM CAPITAL - FHFA-directed 20% Requirement	34,451
CORE CAPITAL	37,128
SURPLUS (DEFICIENCY) (based on FHFA-directed Requirement)	2,676

Note: Totals may not add due to rounding.

FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

STRESS TEST SCENARIO RESULTS	
UP-RATE SCENARIO	237
DOWN-RATE SCENARIO	20,139
RISK-BASED CAPITAL LEVEL	20,139
TOTAL CAPITAL	42,916
SURPLUS (DEFICIENCY)	22,777

Note: Totals may not add due to rounding.



Federal Housing Finance Agency

OFFICE OF THE DIRECTOR

October 9, 2008

Honorable Barney Frank
Chairman
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Re: Notice of Freddie Mac Final Capital Classification at June 30, 2008

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Federal Housing Finance and Regulatory Reform Act, Division A of the Housing and Economic Recovery Act, Public Law No. 110-289, Stat. 2654 (2008) and 12 C.F.R. § 1777.21 require that the Federal Housing Finance Agency (FHFA) determine the capital classification of the Federal Home Loan Mortgage Corporation (Freddie Mac) not less than quarterly. On October 2, 2008, FHFA issued a notice of proposed action indicating its intention to classify Freddie Mac as undercapitalized at June 30, 2008 and requesting that Freddie Mac notify FHFA by October 3, 2008 whether it intended to accept the classification or provide a response. Freddie Mac responded that it took no exception to the proposed capital classification.

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- Concerns that a growing proportion of Freddie Mac's statutory core capital consisted of intangible assets.

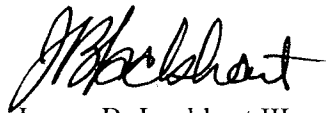
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The enclosures summarize FHFA's calculation of Freddie Mac's FHFA-directed, statutory minimum and risk-based capital at June 30, 2008.

Please contact me if you have questions or concerns regarding this matter.

Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL HOME LOAN MORTGAGE CORPORATION
Minimum Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

COMPONENTS OF THE MINIMUM CAPITAL LEVEL	
ON-BALANCE SHEET ASSETS	21,667
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FEDERAL HOME LOAN MORTGAGE CORPORATION
Risk-Based Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

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Federal Housing Finance Agency

OFFICE OF THE DIRECTOR

October 9, 2008

Honorable Barney Frank
Chairman
Committee on Financial Services
House of Representatives
Washington, DC 20515

Re: Notice of Fannie Mae Final Capital Classification at June 30, 2008

Dear Mr. Chairman:

Section 1364 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended by the Federal Housing Finance Regulatory Reform Act, Division A of the Housing and Economic Recovery Act, Public Law No. 110-289, 122 Stat. 2654 (2008) and 12 C.F.R. § 1777.21 require that the Federal Housing Finance Agency (FHFA) determine the capital classification of the Federal National Mortgage Association (Fannie Mae) not less than quarterly. On October 2, 2008, FHFA issued a notice of proposed action indicating its intention to classify Fannie Mae as undercapitalized at June 30, 2008 and requesting that Fannie Mae notify FHFA by October 3, 2008 whether it intended to accept the classification or provide a response. Fannie Mae responded that it took no exception to the proposed capital classification.

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Sincerely,



James B. Lockhart III
Director

Enclosures

FEDERAL NATIONAL MORTGAGE ASSOCIATION
Minimum Capital Level
June 30, 2008

SUMMARY

(Dollars in millions)

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FEDERAL NATIONAL MORTGAGE ASSOCIATION
Risk-Based Capital Level
June 30, 2008

SUMMARY

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