



# Federal Housing Finance Agency

OFFICE OF THE DIRECTOR

October 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 June 30, 2008

Dear Senator Shelby:

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)

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

Note: Totals may not add due to rounding.

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

**SUMMARY**

(Dollars in millions)

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

Note: Totals may not add due to rounding.



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- 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.

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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)

<b>COMPONENTS OF THE MINIMUM CAPITAL LEVEL</b>	
<b>ON-BALANCE SHEET ASSETS</b>	21,667
<b>OFF-BALANCE SHEET OBLIGATIONS</b>	
MBS and Equivalents	6,262
Commitments	551
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<b>MINIMUM CAPITAL - FHFA-directed 20% Requirement</b>	<b>34,451</b>
<b>CORE CAPITAL</b>	<b>37,128</b>
<b>SURPLUS (DEFICIENCY) (based on FHFA-directed Requirement)</b>	<b>2,676</b>

Note: Totals may not add due to rounding.

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

**SUMMARY**

(Dollars in millions)

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

Note: Totals may not add due to rounding.





# Federal Housing Finance Agency

*OFFICE OF THE DIRECTOR*

October 9, 2008

Honorable Christopher Dodd  
Chairman  
Committee on Banking, Housing, and Urban Affairs  
United States Senate  
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Dear Mr. Chairman:

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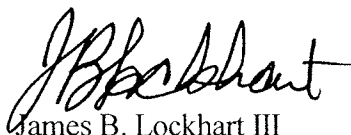
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Sincerely,



James B. Lockhart III

Director

Enclosures

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**Minimum Capital Level**  
**June 30, 2008**

**SUMMARY**

(Dollars in millions)

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**Risk-Based Capital Level**  
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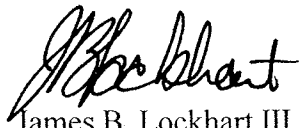
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Sincerely,



James B. Lockhart III  
Director

Enclosures

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

**SUMMARY**

(Dollars in millions)

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**Risk-Based Capital Level**  
**June 30, 2008**

**SUMMARY**

(Dollars in millions)

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CHRISTOPHER J. DODD, CONNECTICUT, CHAIRMAN

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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

October 14, 2008

The Honorable James B. Lockhart, III  
Director  
Federal Housing Finance Agency  
1700 G Street, NW, 4<sup>th</sup> Floor  
Washington, DC 20552

Dear Mr. Lockhart:

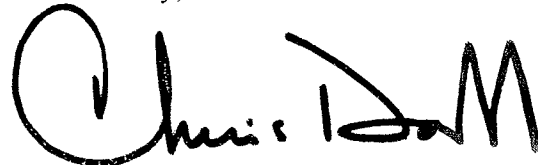
Thank you for testifying before the Committee on Banking, Housing, and Urban Affairs on September 23, 2008. In order to complete the hearing record, we would appreciate your answers to the enclosed questions as soon as possible.

Please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Ms. Dawn L. Ratliff, the committee's Chief Clerk. She will transmit copies to the appropriate offices, including the committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a MS Word, WordPerfect or .pdf attachment to [Dawn\\_Ratliff@banking.senate.gov](mailto:Dawn_Ratliff@banking.senate.gov).

If you have any questions about this letter, please contact Ms. Ratliff at (202)224-3043.

Sincerely,



CHRISTOPHER J. DODD  
Chairman

CJD/dr

JACK REED  
RHODE ISLAND

COMMITTEES

APPROPRIATIONS

ARMED SERVICES

BANKING, HOUSING, AND URBAN AFFAIRS

HEALTH, EDUCATION, LABOR, AND PENSIONS

# United States Senate

WASHINGTON, DC 20510-3903

October 17, 2008

Mr. James Lockhart  
Director  
Federal Housing Finance Agency  
1700 G Street, NW  
4<sup>th</sup> Floor  
Washington, DC 20552

Dear Director Lockhart:

I write to urge the Federal Housing Finance Agency (FHFA) to quickly adopt an administrative rule to require the GSEs, which are currently under your conservatorship, to purchase or securitize loans only from lenders that have verified the income of the borrower, primarily via a tax return transcript, known as a 4506-T from the Internal Revenue Service (IRS). This straightforward income verification method is currently being used successfully by the FDIC in its efforts to modify IndyMac loans.

Income verification would go a long way toward ensuring the performance of the loans held or securitized by the GSEs. As you are aware, some bad actors in the mortgage lending industry have made a practice of providing loans to borrowers with insufficient income to cover the monthly mortgage payments. Another problem is that lenders simply accepted without verification, the stated income of borrowers in almost 50 percent of all subprime loans made last year. Requiring income verification for all residential mortgages and home equity loans handled by the GSEs would significantly curtail the number of non-performing loans.

This is particularly important now that the American taxpayer is on the hook for any defaulting loans held by Fannie Mae and Freddie Mac. As the *Wall Street Journal* pointed out on September 8, 2008, Alt-A loans at both Fannie Mae and Freddie Mac, with little or no income verification, accounted for roughly 50% of credit losses in the second quarter, though these loans represented only about 10% of the companies' business. It is clear that the lack of income verification is related to the problems facing the GSEs. Going forward, I hope that you will require servicers to verify current income before they modify a loan, and that all new loans have such verification.

Both Congress and the Small Business Administration (SBA) have recognized the reliability of the 4506-T process, by which the IRS produces a quick, low-cost, and accurate transcript of an applicant's tax return. In the same Housing and Economic Recovery Act of 2008 that created FHFA, Congress included a requirement in the HOPE for Homeowners Program that mortgagors' income be checked via tax transcripts or tax returns. In the Bankruptcy Reform Act of 2005, Congress provided debtors the option of producing a transcript of their tax returns via a 4506-T form in lieu of providing their actual tax returns to the court in order to provide consumers additional privacy

Washington, DC

728 Hart Senate Office Building  
Washington, DC 20510-3903  
(202) 224-4642

Rhode Island

1000 Chapel View Boulevard, Suite 290  
Cranston, RI 02920-3074  
(401) 943-3100

One Exchange Terrace, Room 409  
Providence, RI 02903-1773  
(401) 528-5200

1 (800) 284-4200

TDD Relay Rhode Island  
1 (800) 745-5555

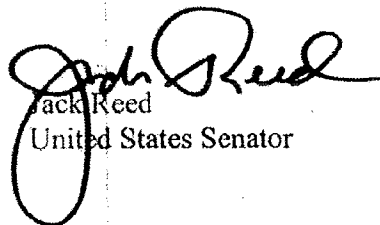
<http://reed.senate.gov>

protections as well as speedier service. In addition, the SBA requires a 4506-T form for its loan applications, and it accepted tax return transcripts from victims of Hurricane Katrina as evidence of their ability to repay Home Disaster Loans, Business Physical Disaster Loans, and Economic Injury Disaster Loans.

At a minimum, any income verification process should include the 4506-T. Should supplemental documentation for income verification be required, that information should be accurate and substantiated.

As a strong support of better regulated GSEs and safe lending practices, I would like to see the FHFA succeed in helping to resolve the home loan crisis and the resulting credit tightening in the financial markets. I believe broad utilization of income verification is a common sense step that will help in this regard. I look forward to your timely response.

Sincerely,



Jack Reed  
United States Senator

cc: The Hon. Henry M. Paulson  
Herb Allison  
David Moffett

CHRISTOPHER J. DODD, CONNECTICUT, CHAIRMAN

TIM JOHNSON, SOUTH DAKOTA  
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**United States Senate**  
COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

October 21, 2008

The Honorable James Lockhart, III  
Director  
Federal Housing Finance Agency  
1700 G Street, NW, 4th Floor  
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 on "Turmoil in the U.S. Credit Markets: Examining Recent Regulatory Responses." The hearing is scheduled for **Thursday October 23<sup>rd</sup> at 10:00 a.m.** in the Banking Committee's hearing room located in the **Dirksen Senate Office Building, room 538.**

The Committee would find it helpful for your testimony to discuss the status and financial condition of the Government Sponsored Enterprises, with particular emphasis on what the Government Sponsored Enterprises are doing to address the foreclosure crisis. In addition, we are interested in hearing about the Federal Housing Finance Agency's role in overseeing the Troubled Asset Relief Program.

For purposes of the Committee Record and printing, your written statement must be submitted in electronic form by email to [Jonathan\\_Miller@banking.senate.gov](mailto:Jonathan_Miller@banking.senate.gov) and [Dawn\\_Ratliff@banking.senate.gov](mailto:Dawn_Ratliff@banking.senate.gov), or on a CDRW in WordPerfect (or other comparable program) format and typed 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. You should expect to have approximately 5 minutes to give your testimony at the hearing. Your full statement will be made part of the hearing record.

If you have any questions regarding this hearing, please contact Jonathan Miller at 202-224-7391.

Thank you for your cooperation.

Sincerely,



CHRISTOPHER J. DODD  
Chairman



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823



October 21, 2008

The Honorable Jack Reed  
U.S. Senate  
728 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Reed:

Thank you for your October 17 letter suggesting that the FHFA require the GSEs to purchase or securitize loans only from lenders that have verified the income of the borrower, primarily via a tax return transcript known as a 4506-T from the Internal Revenue Service.

I can assure you that income verification processes at the GSEs have been the subject of increased scrutiny by FHFA, and those processes have tightened considerably. Your suggestion to require the use of the 4506-T form when mortgages are purchased or securitized is a useful one, and FHFA will follow up on it in our discussions with Fannie Mae and Freddie Mac.

Thank you again for your thoughtful advice.

Sincerely,

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

James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board

**JEB HENSARLING**

TEXAS, 5TH DISTRICT

CHAIRMAN,  
REPUBLICAN STUDY COMMITTEE

COMMITTEES:  
BUDGET

FINANCIAL SERVICES



DISTRICT OFFICES:  
6510 ABRAMS ROAD  
SUITE 243  
DALLAS, TX 75231  
(214) 349-9996

702 EAST CORNICANA STREET  
ATHENS, TX 75751  
(903) 675-8288

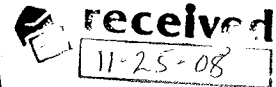
## Congress of the United States

House of Representatives

Washington, DC 20515

November 4, 2008

The Honorable Barney Frank, Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515



Dear Chairman Frank:

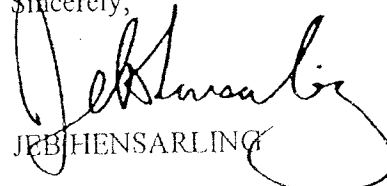
I am writing to bring to your attention allegations of an outrageous waste of taxpayer's money involving a lavish recreational outing for several executives from Fannie Mae and its affiliates.

According to a report by CBS-11 in Dallas-Ft. Worth earlier this week, executives from Fannie Mae recently hosted an expensive "customer advisory board meeting" at the *Cowboys Golf Course* in Grapevine, Texas. This report indicates that at least 14 executives from Fannie Mae and other organizations participated in the event on September 29, just over three weeks after the federal government placed the company in conservatorship. Based on its examination of the receipts, CBS-11 reported that the participants spent more than \$3,300 on golf and more than \$2,200 on food and alcoholic beverages. Since Fannie Mae's financial collapse means its debts and obligations are now the taxpayers' debts and obligations, the reported cost to taxpayers of the entire outing was more than \$6,200.

When asked for an explanation of how this outing could have been sanctioned given Fannie Mae's current state of financial affairs, a spokesman could not defend the expenditures, instead stating that the company was "reevaluating the company's participation" in such events and that this one had evidently "slipped through the cracks."

Mr. Chairman, I hope you share my outrage at this shameful waste of money. The American people who have put their tax dollars at risk to bail out the poor financial decisions of Fannie Mae executives clearly deserve better. Thus, I urge you to use the oversight authority of the Financial Services Committee to launch an investigation into the facts regarding this and any similar Fannie Mae-sponsored recreational outing including the cost of the event, its purpose, who authorized the excursion, and if taxpayer resources have been wasted to subsidize recreational events.

Sincerely,

  
JEB HENSARLING



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823

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November 13, 2008

The Honorable Spencer Bachus  
Ranking Member  
Committee on Financial Services  
B-371A Rayburn House Office Building  
Washington, DC 20515

Dear Congressman Bachus:

In accordance with Section 21B of the Federal Home Loan Bank Act (the "Act"),<sup>1</sup> I am submitting this letter to report to you the projected date on which the Federal Home Loan Banks (FHLBanks) are expected to satisfy their remaining obligation to contribute toward the interest payments owed on bonds issued by the Resolution Funding Corporation (RefCorp).

RefCorp is a funding vehicle that issued approximately \$30 billion of long-term bonds to help finance the resolution of the savings and loan crisis. The last of the RefCorp bonds will mature in April 2030. The interest due on the RefCorp bonds is paid from several sources, including contributions from the FHLBanks.

As initially enacted, the law required the FHLBanks to contribute \$300 million each year toward the RefCorp interest payments, which contributions were to continue until the bonds matured. In 1999, Congress revised the formula to require each FHLBank to pay 20 percent of its annual net earnings toward the RefCorp interest payments. Congress also directed the Federal Housing Finance Board (Finance Board) to adjust the termination date for the FHLBank contributions, to the extent that contributions made under the revised formula either exceeded or fell short of payments that would have been made under the original formula. The Federal Housing Finance Agency (Finance Agency) has succeeded to the obligations of the Finance Board under these provisions.

As amended, the law directs the Finance Agency to determine the extent to which the value of the FHLBanks' contributions exceeds or falls short of the value of an annuity of \$300 million per year that commenced on the date the RefCorp bonds were issued and ends on the last maturity date for the RefCorp bonds. In determining those values, the Finance Agency

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<sup>1</sup> See specifically Federal Home Loan Bank Act § 21B(f)(2)(C)(v), 12 U.S.C. § 1441b(f)(2)(C)(v), as amended by section 1213 of the Housing and Economic Recovery Act of 2008.

must use present-value factors that are established in consultation with the Secretary of the Treasury. The law further requires the Finance Agency to extend or shorten the term of the FHLBanks' payment obligation to the extent necessary to ensure that the value of the payments made under the revised formula are equivalent to the value of the above-described annuity.

The FHLBanks make their RefCorp contributions on a quarterly basis, and the Finance Agency determines how the value of those payments compares to the value of the benchmark annuity on a quarterly basis as well. To the extent that any quarterly RefCorp payments exceed \$75 million (one-quarter of the \$300 million benchmark annuity) the Finance Agency applies the excess portion to simulate the purchase of zero-coupon Treasury bonds, which "defeases" the most-distant of the FHLBanks' remaining RefCorp payments and effectively shortens the duration of their repayment obligation. To the extent that the quarterly RefCorp payments fall short of the \$75 million benchmark, the Finance Agency would add that shortfall to the outstanding obligation, effectively extending the duration of the FHLBanks' RefCorp payment obligation. As required by the Act, the Finance Agency consults with the Department of the Treasury quarterly to establish the discount rates necessary for these calculations.

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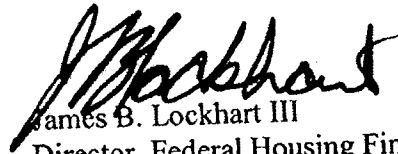
Assuming that the future quarterly earnings of the FHLBanks subsequent to September 30, 2008 were to equal the average quarterly income of the FHLBanks for the first three quarters of 2008, we would project that the FHLBanks would make their final RefCorp contribution on or about April 15, 2010. In making that projection, I caution that the actual termination date will depend primarily on the future earnings of the FHLBanks and secondarily on future interest rates, both of which will vary from quarter to quarter.

I further note that the projected termination date differs from that in the Federal Home Loan Banks Combined Financial Report prepared by the FHLBanks' Office of Finance, which also is based on projected earnings subsequent to June 30, 2008. The Office of Finance assumes for purposes of its calculations that the future quarterly payments from the FHLBanks will exactly equal the \$75 million quarterly benchmark. Using that assumption, the FHLBanks would make their final RefCorp contribution on or about October 15, 2012. I believe that using the average quarterly income from the prior year presents a more accurate projection for the termination of the RefCorp payments than is the case using the \$75 million benchmark.



If you have any questions about these projections, I ask that you contact Stephen M. Cross of my staff at (202) 408-2980.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Lockhart III". The signature is written in a cursive style with a large initial "J" and "L".

James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823

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November 13, 2008

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank:

In accordance with Section 21B of the Federal Home Loan Bank Act (the "Act"),<sup>1</sup> I am submitting this letter to report to you the projected date on which the Federal Home Loan Banks (FHLBanks) are expected to satisfy their remaining obligation to contribute toward the interest payments owed on bonds issued by the Resolution Funding Corporation (RefCorp).

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As amended, the law directs the Finance Agency to determine the extent to which the value of the FHLBanks' contributions exceeds or falls short of the value of an annuity of \$300 million per year that commenced on the date the RefCorp bonds were issued and ends on the last maturity date for the RefCorp bonds. In determining those values, the Finance Agency

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must use present-value factors that are established in consultation with the Secretary of the Treasury. The law further requires the Finance Agency to extend or shorten the term of the FHLBanks' payment obligation to the extent necessary to ensure that the value of the payments made under the revised formula are equivalent to the value of the above-described annuity.

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James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823

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November 13, 2008

The Honorable Richard C. Shelby  
Ranking Member  
Committee on Banking, Housing, and  
Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senator Shelby:

In accordance with Section 21B of the Federal Home Loan Bank Act (the "Act"),<sup>1</sup> I am submitting this letter to report to you the projected date on which the Federal Home Loan Banks (FHLBanks) are expected to satisfy their remaining obligation to contribute toward the interest payments owed on bonds issued by the Resolution Funding Corporation (RefCorp).

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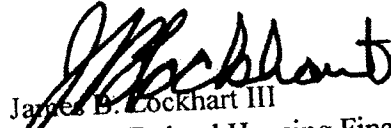
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Sincerely yours,

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James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823

---

November 13, 2008

The Honorable Christopher J. Dodd  
Chairman  
Committee on Banking, Housing, and  
Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Dodd:

In accordance with Section 21B of the Federal Home Loan Bank Act (the "Act"),<sup>1</sup> I am submitting this letter to report to you the projected date on which the Federal Home Loan Banks (FHLBanks) are expected to satisfy their remaining obligation to contribute toward the interest payments owed on bonds issued by the Resolution Funding Corporation (RefCorp).

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If you have any questions about these projections, I ask that you contact Stephen M. Cross of my staff at (202) 408-2980.

Sincerely yours,



James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board

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

November 17, 2008

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

Mr. Herbert M. Allison, Jr.  
President and Chief Executive Officer  
Fannie Mae  
3900 Wisconsin Avenue, NW  
Washington, DC 20016-2892

Mr. David M. Moffett  
Chief Executive Officer  
Freddie Mac  
8200 Jones Branch Drive  
McLean, Virginia 22012-3110

Dear Messrs. Lockhart, Allison, and Moffett:

I welcome the streamlined loan modification program that FHFA, Treasury, and HUD announced last week targeting mortgage loans owned by Fannie Mae and Freddie Mac. This is a step in the right direction, but I am concerned about certain aspects of the program: allowing an extension of the loan amortization period before any interest rate reduction, requiring eligible borrowers be 90 days delinquent, and allowing unlimited interest rate increases. I agree with the comments of Sheila Bair, Chairman of the FDIC, and question why you cannot conform to her recommendations, including lowering the allowable debt to income ratio, not requiring a three month long default before renegotiating the loans, and lowering interest rates.

Moreover, even with the steps that you have taken with the loans held by the GSEs, I am most concerned that Fannie Mae and Freddie Mac have not been aggressive or even effective in their efforts with servicers of Fannie Mae and Freddie Mac securitized loans. As the GSEs purchase and securitize or guarantee a large percentage of the nation's mortgages, such inaction has damaging consequences. I expect FHFA to use its statutory authority and conservatorship powers to reverse these practices.

Fannie Mae and Freddie Mac should be industry standard setters for loan modifications as they have been for underwriting practices. Are there reasons that you have not acted aggressively regarding loan modifications? If there are obstacles to such activity, could you please let me know what those obstacles are? I understand that industry best practices for pooling and servicing agreements for private-label mortgage backed securities give servicers sufficient flexibility to modify loans in those pools. Fannie Mae's and Freddie Mac's servicing guidelines should provide equal if not greater flexibility to servicers and greater authority for the GSEs to facilitate reasonable modifications of loans securitized or guaranteed by them.

I would like to meet with you in my office on the afternoon of Friday, November 21 to discuss this.

  
BARNEY FRANK  
Chairman

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

November 18, 2008

The Honorable Steve Preston  
Secretary  
U.S. Department of Housing and Urban Development  
451 7<sup>th</sup> Street, SW  
Washington, DC 20410

The Honorable James B. Lockhart III  
Director  
Federal Housing Finance Agency  
1700 G. Street, NW, 4<sup>th</sup> Floor  
Washington, DC 20552

Dear Mr. Secretary and Director Lockhart:

We are writing to request that the Federal Housing Finance Agency (FHFA) and the Federal Housing Administration (FHA) not include downward median home price adjustments in the calculation and establishment of GSE and FHA single family loan limits for calendar year 2009.

As the crisis in our nation's housing markets continues and accelerates, it is essential that affordable mortgage loans are available to help stabilize these housing markets by supporting the purchase of homes and the refinancing of existing homes. As other mortgage sources have dried up, FHA and GSE mortgage loans have grown in importance, and have recently constituted over 85% of new mortgage loan originations. As a result, GSE and FHA mortgage limits now play a more important role than ever before. Borrowers trying to finance loans above GSE and FHA loan limits face potentially much higher interest rates, more adverse terms and conditions, and in some cases, may find it difficult to even obtain a loan at all.

On November 7, the FHFA announced 2009 GSE loan limits, and on November 10, FHA announced 2009 FHA loan limits, for areas nationwide. Under these proposed new limits, many areas are scheduled to experience significant reductions due to the transition from the terms of last year's stimulus bill to permanent loan limit provisions adopted in P.L. 110-289. In many high cost areas, loan limit declines result from the drop in the nationwide GSE/FHA ceiling from \$729,750 to \$625,500, and in many other areas, loan limit declines result from the decrease in the statutory local area median home price escalator factor from 125% to 115%.

A review of the proposed 2009 limits indicates that a third factor – a recalculation of local median home prices by HUD - is exacerbating these two factors. Lower median home price recalculations cause FHA or GSE loan limits in 399 counties nationwide to be lower, with 157 of these experiencing a double digit decline due to this factor. These loan limit reductions, on top of the two factors cited above, are likely to exacerbate problems which already exist in many

The Honorable Steve Preston  
The Honorable James B. Lockhart III  
Page 2

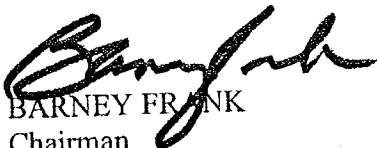
housing markets. Therefore, we request that you not make adjustments for declining local area median home prices at this time.

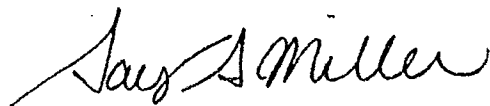
We note that there is no statutory requirement to make downward adjustments in median home prices as a part of the process of calculating GSE and FHA loan limits on January 1<sup>st</sup>. It is true that there is explicit language in P.L. 110-289 requiring the recalculation of GSE nationwide conforming loan limit on January 1, 2009, using a nationwide price index. However, that bill does not require a recalculation of local area median home prices for the purpose of calculating FHA and GSE local limits.

We also point out that P.L. 110-289 includes explicit language prohibiting a decline in the nationwide conforming loan limit when the nationwide price index drops. This was inserted to promote housing stability, in recognition of the disruptive and deflationary impact a reduction could have on housing markets and prices. No such language was included for local area median home price calculations, thus leaving the decision whether or not to make downward adjustments to the discretion of the Secretary and the Director. In the current economic and housing environment, we believe discretion should be used to reject or defer any downward local area median home price adjustments.

Moreover, the longstanding FHA practice has been not to make downward adjustments in FHA loan limits when local median home prices decline in an area. It is hard to understand why FHA is abandoning this long-standing practice of not making downward median home price adjustments precisely at a time both when housing markets are facing their greatest challenge in 70 years and at a time when the role of FHA and the GSEs are more critical than ever in providing affordable single family mortgage loans.

For all these reasons, we request that FHFA and FHA act quickly to revise their pending 2009 loan limits, and disregard the impact of local area median home price reductions that they have factored into these proposed limits.

  
BARNEY FRANK  
Chairman  
Committee on Financial Services

  
GARY MILLER  
Member  
Committee on Financial Services

Release

CHARLES B. RANGEL, NEW YORK,  
CHAIRMAN

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JANICE MAYS,  
CHIEF COUNSEL AND STAFF DIRECTOR

# Congress of the United States

## U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

1102 LONGWORTH HOUSE OFFICE BUILDING  
(202) 225-3625

Washington, DC 20515-6348

<http://waysandmeans.house.gov>

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JON TRAUB,  
MINORITY STAFF DIRECTOR

November 18, 2008

The Honorable Henry M. Paulson, Jr.  
Secretary of the Treasury  
Department of the Treasury  
15<sup>th</sup> & Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Paulson:

As you may know, the current turmoil in the financial services industry has created problems for programs, including the low-income housing tax credit program, that have relied on investors from that industry in the past. Major investors, like Fannie Mae and Freddie Mac, have been totally removed from the market. Other investors may remain in the market, but at a far smaller size than in the past due to their diminished Federal tax liabilities. In a real sense, the Treasury's section 382 ruling has exacerbated the problem since otherwise profitable institutions will now be able to utilize the losses of acquired institutions, further diminishing their role as investors in low-income housing tax credit projects. Similar issues are being faced by renewable energy tax credit programs.

Many of the issues described above are beyond your ability to change in any significant way. However, there is one aspect of this problem largely within your control. Currently, Fannie Mae and Freddie Mac hold billions of dollars of low-income housing tax

The Honorable Henry M. Paulson, Jr.  
November 18, 2008  
Page 2

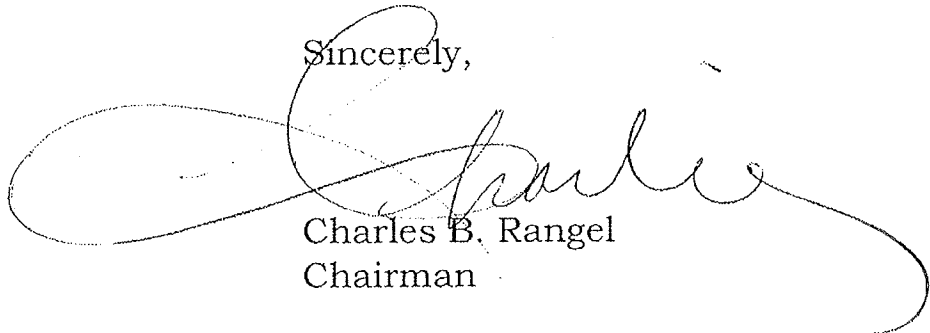
credit projects. If they were to sell even a small fraction of those projects, the result could be a further reduction in the ability of the low-income housing tax credit to create new housing and new jobs.

Both Fannie Mae and Freddie Mac are essentially owned by the Federal government. Any benefit that those companies receive from selling low-income housing tax credit projects would accrue to the benefit of the Federal government. However, since the credit would be sold at a significant discount given current market conditions, the cost to the Federal government could be far greater than the benefit that it would indirectly enjoy as the owner of those institutions.

Mr. Secretary, I believe that this is a serious issue, one that will, by necessity, be handled by the next Congress and Administration. Therefore, I am asking you to use your power to prevent sales of low-income housing tax credits by Fannie Mae and Freddie Mac during the transition period to the new Administration so that legislative solutions can be developed next year.

Thank you for all of your efforts this Fall in the context of this financial crisis. Many may second guess some of the decisions you have made, but no one should question your integrity and talent, which has been invaluable.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Charles B. Rangel". The signature is written over the typed name and title below it.

Charles B. Rangel  
Chairman

CBR/jba

The Honorable Henry M. Paulson, Jr.

November 18, 2008

Page 3

Cc: Mr. James B. Lockhart, III, Director, Federal Housing Finance  
Agency  
Mr. Herbert M. Allison, President and CEO, Fannie Mae  
Mr. David M. Moffett, President and CEO, Freddie Mac



BARNEY FRANK  
4TH DISTRICT MASSACHUSETTS

2252 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-2104  
(202) 225-5931

29 CRAFTS STREET  
SUITE 375  
NEWTON, MA 02458  
(617) 332-3920

558 PLEASANT STREET  
ROOM 309  
NEW BEDFORD, MA 02740  
(508) 999-6462

THE JONES BUILDING  
29 BROADWAY  
SUITE 310  
TAUNTON, MA 02780  
(508) 822-4796

Congress of the United States  
House of Representatives  
Washington, DC

November 19, 2008

Mr. Herbert Allison  
President & CEO  
Fannie Mae  
3900 Wisconsin Avenue Northwest  
Washington, D.C. 20016

Dear Mr. Allison,

I am passing along a letter I received from one of the Members of the Committee on Financial Services. It is self-explanatory. If the TV report he references is accurate, it was very unwise of Fannie Mae to do this and given the importance of maintaining the confidence of the public and the public's representatives, I urge you to take action to prevent a recurrence. I also would urge you to respond directly to Representative Hensarling to explain what steps he can expect to be taken to prevent a recurrence of this.



BARNEY FRANK

**Congress of the United States**  
**House of Representatives**  
Washington, DC 20515

November 20, 2008

Mr. Herbert M. Allison, Jr.  
President and Chief Executive Officer  
Fannie Mae  
3900 Wisconsin Avenue, NW  
Washington, DC 20016-2892


Mr. David M. Moffett  
Chief Executive Officer  
Freddie Mac  
8200 Jones Branch Drive  
McLean, Virginia 22012-3110

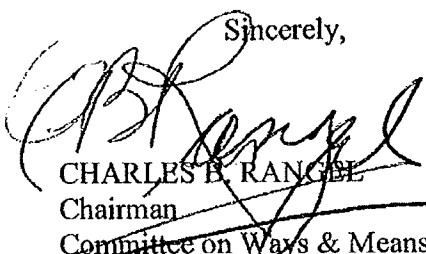
Dear Messrs. Allison and Moffett:

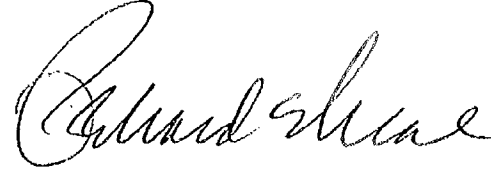
We appreciate the meetings our respective staffs have had over the past few days to better understand your processes for evaluating whether and when to sell low-income housing tax credits (LIHTC) your companies currently own. While we understand neither Fannie Mae nor Freddie Mac plans to sell off its entire LIHTC portfolio in the near future, we remain very concerned that any sale of LIHTC could have a significant negative impact on the LIHTC program, which accounts for virtually all of our nation's affordable rental housing production. By all accounts, current market conditions have left the LIHTC market fragile and ill-equipped to absorb further shocks.

We are working on a number of proposals to stabilize the LIHTC market by creating incentives for investors to retain their current LIHTC holdings and to encourage traditional and new investors to purchase new LIHTCs. However, by necessity, these proposals will not be advanced before the next Congress convenes. Therefore, we ask that you forbear from selling credits from your LIHTC portfolio so that legislative solutions can be developed next year.

Sincerely,

  
BARNEY FRANK  
Chairman  
Committee on Financial  
Services

  
CHARLES E. RANGEL  
Chairman  
Committee on Ways & Means

  
RICHARD E. NEAL  
Chairman  
Subcommittee on Select Revenue  
Measures  
Committee on Ways & Means

Cc: The Honorable James B. Lockhart III, Director, Federal Housing Finance Agency



**FEDERAL HOUSING FINANCE AGENCY**

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801 FACSIMILE (202) 414-3823

**OFFICE OF THE DIRECTOR**

November 24, 2008

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
U. S. House of Representatives  
Washington, DC 20515

Dear Congresswoman Pelosi:

I am pleased to inform you that on November 17, 2008, the Federal Housing Finance Agency (FHFA) issued the FY 2008 Performance and Accountability Report (PAR) for the Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFB). These separate reports are contained within this single document. In accordance with the Government Performance and Results Act of 1993, this document addresses actual FY 2008 performance and progress in achieving goals in OFHEO's and FHFB's strategic plans and performance budgets and includes the agencies' audited financial statements.

The signing of the law that created FHFA, the Housing and Economic Recovery Act of 2008, occurred during the fourth quarter of FY 2008. We have therefore, also included an FHFA section, providing background information on the new agency and highlighting its accomplishments during the fourth quarter of FY 2008. Our PAR, however, also focuses on the separate accomplishments and challenges of OFHEO and FHFB during the past fiscal year. For over a decade, both agencies have received unqualified opinions from external auditors on the agencies' financial statements, and this year was no exception. Furthermore, in FY 2008 OFHEO substantially achieved all but one of its 13 performance goals, while FHFB achieved all of its performance goals. We hope to continue that tradition of excellence into the new agency.

The FHFA's PAR is directly available on the agency's web site, [www.fhfa.gov](http://www.fhfa.gov) and additional printed copies are available upon request. My staff and I continue to be available to talk with you if you have any questions. I look forward to working with you.

Sincerely,

James B. Lockhart III  
Director



**FEDERAL HOUSING FINANCE AGENCY**

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801 FACSIMILE (202) 414-3823

**OFFICE OF THE DIRECTOR**

November 24, 2008

The Honorable Christopher J. Dodd  
Chairman  
Committee on Banking, Housing, and Urban Affairs  
U. S. Senate  
Washington, DC 20510

Dear Senator Dodd:

I am pleased to inform you that on November 17, 2008, the Federal Housing Finance Agency (FHFA) issued the FY 2008 Performance and Accountability Report (PAR) for the Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFB). These separate reports are contained within this single document. In accordance with the Government Performance and Results Act of 1993, this document addresses actual FY 2008 performance and progress in achieving goals in OFHEO's and FHFB's strategic plans and performance budgets and includes the agencies' audited financial statements.

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Sincerely,

James B. Lockhart III  
Director



**FEDERAL HOUSING FINANCE AGENCY**

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801 FACSIMILE (202) 414-3823

**OFFICE OF THE DIRECTOR**

November 24, 2008

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

Dear Senator Shelby:

I am pleased to inform you that on November 17, 2008, the Federal Housing Finance Agency (FHFA) issued the FY 2008 Performance and Accountability Report (PAR) for the Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFB). These separate reports are contained within this single document. In accordance with the Government Performance and Results Act of 1993, this document addresses actual FY 2008 performance and progress in achieving goals in OFHEO's and FHFB's strategic plans and performance budgets and includes the agencies' audited financial statements.

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The FHFA's PAR is directly available on the agency's web site, [www.fhfa.gov](http://www.fhfa.gov) and additional printed copies are available upon request. My staff and I continue to be available to talk with you if you have any questions. I look forward to working with you.

Sincerely,

James B. Lockhart III  
Director



**FEDERAL HOUSING FINANCE AGENCY**

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3801 FACSIMILE (202) 414-3823

**OFFICE OF THE DIRECTOR**

November 24, 2008

The Honorable Christopher S. Bond  
Ranking Minority Member  
Subcommittee on Transportation, Housing and  
Urban Development, and Related Agencies  
Committee on Appropriations  
U. S. Senate  
Washington, DC 20510

Dear Senator Bond:

I am pleased to inform you that on November 17, 2008, the Federal Housing Finance Agency (FHFA) issued the FY 2008 Performance and Accountability Report (PAR) for the Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFB). These separate reports are contained within this single document. In accordance with the Government Performance and Results Act of 1993, this document addresses actual FY 2008 performance and progress in achieving goals in OFHEO's and FHFB's strategic plans and performance budgets and includes the agencies' audited financial statements.

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The FHFA's PAR is directly available on the agency's web site, [www.fhfa.gov](http://www.fhfa.gov) and additional printed copies are available upon request. My staff and I continue to be available to talk with you if you have any questions. I look forward to working with you.

Sincerely,

James B. Lockhart III  
Director

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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

November 26, 2008

The Honorable James B. Lockhart, III  
Director  
Federal Housing Finance Agency  
1700 G Street, NW, 4<sup>th</sup> Floor  
Washington, DC 20552

Dear Mr. Lockhart:

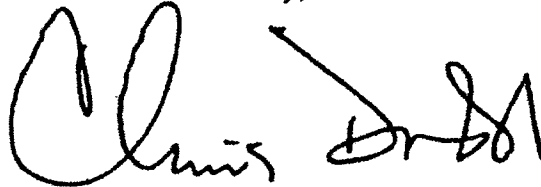
Thank you for testifying before the Committee on Banking, Housing, and Urban Affairs on October 23, 2008. In order to complete the hearing record, we would appreciate your answers to the enclosed questions as soon as possible.

Please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Ms. Dawn L. Ratliff, the committee's Chief Clerk. She will transmit copies to the appropriate offices, including the committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a MS Word, WordPerfect or .pdf attachment to [Dawn\\_Ratliff@banking.senate.gov](mailto:Dawn_Ratliff@banking.senate.gov).

If you have any questions about this letter, please contact Ms. Ratliff at (202)224-3043.

Sincerely,



CHRISTOPHER J. DODD  
Chairman

CJD/dr

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

November 26, 2008

Mr. Herbert M. Allison, Jr.  
President and Chief Executive Officer  
Fannie Mae  
3900 Wisconsin Avenue, NW  
Washington, DC 20016-2892

Mr. David M. Moffett  
Chief Executive Officer  
Freddie Mac  
8200 Jones Branch Drive  
McLean, Virginia 22012-3110

Dear Messrs. Allison and Moffett:

I want to clarify my intention behind the November 20, 2008 letter concerning sales of low income housing tax credits (LIHTC) Fannie Mae and Freddie Mac own. I would not ask you to refrain from selling LIHTC holdings in a situation where the transaction is unlikely to have an adverse impact on the LIHTC market and could serve to further advance affordable housing production.

  
BARNEY FRANK  
Chairman

Cc: The Honorable James B. Lockhart III, Director  
Federal Housing Finance Agency





**Federal Housing Finance Agency**

*1700 G Street, N.W., Washington, D.C. 20552*

*Phone: 202-414-3800*

*Fax: 202-414-3823*

December 19, 2008

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Gary Miller  
Member  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank and Representative Miller:

Thank you for your November 18<sup>th</sup> letter regarding the 2009 conforming loan limits for Fannie Mae and Freddie Mac. Given the new rules we operate under and the current market turmoil, determining the new limits was a challenging task and we appreciate the opportunity to describe the judgments that were made in the process.

As you indicate in your letter, in setting 2009 loan limits, FHFA was required to follow the provisions of the Housing and Economic Recovery Act of 2008 (HERA), P.L. 110-289. The HERA sets forth rules pertaining to how the national limit is adjusted each year as well as requirements for the setting of loan limits in "high cost" areas. The HERA provides that loan limits in high-cost areas are to be 115 percent of area house price medians.

In implementing HERA's provisions related to high-cost area loan limits, our fundamental strategy was to follow closely the process that determined 2008 loan limits, which were set under the Economic Stimulus Act (ESA). That legislation, which was passed in February 2008, prescribed temporary loan limits in high-cost areas that were a function of local median house prices. FHA calculated local median home prices pursuant to the terms of ESA and temporary GSE and FHA limits were determined by the same price medians.

The benefits of continuing to use FHA-determined price medians in implementing HERA were two-fold. The first was expediency. With HERA's passage in late July, little time was available for developing an entirely new way of calculating home price medians for every county in the United States. The system FHA employed in estimating medians under ESA had full geographic coverage and was ready for implementation. In practical terms, this readiness meant that 2009

loan limits could be announced sooner if the FHA system was employed than if an entirely new system was developed. Mortgage market participants were anxious for 2009 loan limits and we were frequently reminded of the benefits of earlier release.

The second advantage of using FHA-calculated medians was consistency. GSE and FHA loan limits had been calculated using the same median prices under ESA and a departure from that approach may have led to confusion.

After the decision was made to work with FHA-calculated median prices, we then closely evaluated the high-cost loan limits provisions in HERA as they related to the loan limits set under ESA. We noted that, while HERA had very specific language that explicitly disallowed any declines in the national loan limits, it had no such language for high-cost area loan limits. In fact, based on changes in the formula used to compute the ceiling for limits in high-cost areas, the maximum loan limit in high-cost areas would *necessarily* decline in 2009. ESA had allowed for high-cost loans limits of up to 175 percent of the national level, but HERA provided for limits of only up to 150 percent of the national limit. This meant that the highest possible limit for one-unit properties in the continental United States would be \$625,500, below the \$729,750 maximum established under ESA.

In addition to changing the ceiling formula, HERA set high-cost limits at 115 percent of local price medians, which is less than ESA's 125 percent limit. Also, there was a significant structural change in the relevant date used for applying the loan limit. While ESA indicated that its loan limits would apply to all loans *originated* in the period between the latter half of 2007 and the end of 2008, the HERA legislation returned to the pre-ESA paradigm in which limits applied to the loan *acquisition* date.

In updating the median price estimates, we worked closely with FHA and provided essential data and input on their process. FHFA's decision to use FHA's median price estimates generally led to high estimates of median prices. In particular, for Metropolitan Statistical Areas (MSAs), FHA is required to set the MSA-wide median price equal to the median price for the highest-cost component county. The implementation of this rule, in conjunction with the use of an analogous rule for Micropolitan Statistical Areas, led to higher Fannie and Freddie loan limits in more than 100 counties.

Certain other implementation decisions also led to higher median price estimates (and thus loan limits). For example, foreclosures sales were omitted from the set of observations used for calculating median prices. Also, price data for condominiums were not used in the calculations.

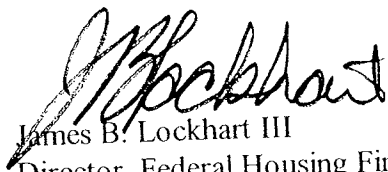
The result of these decisions, as well as the high-cost county rule, is that the median prices used in the loan limit calculations tend to be relatively high. This is immediately apparent if one constructs a national median price using the county-level median prices used in the loan limit determination. Doing that using the county-level data, the national median would be approximately \$251,300. By comparison, as reported by the National Association of Realtors, the median price for existing homes in the first eight months of 2008 was approximately \$202,300. Accordingly, the medians used to calculate the 2009 loan limits are on average about 24 percent higher than medians produced without many of the assumptions employed in the loan limit determination.

The decision to update the median price estimates did not have broad effects on GSE limits. While your letter notes that "lower median home price recalculations cause FHA or GSE loan limits in 399 counties nationwide to be lower," the impact of recalculations on GSE limits was relatively modest, with only about 70 of the 399 counties experiencing limit declines as a result of the recalculations. Many of those declines were small; proportional declines attributable to the median price recalculation exceeded ten percent in less than 20 counties.

We understand that, given market uncertainties and the important role that the GSEs play in mortgage markets, even small changes can be matters of significant concern. This is why we worked hard to interpret faithfully the will of Congress and implement the loan limit provisions set forth in HERA.

We are very happy to answer any further questions you or your staffs may have about our process or determinations. Please do not hesitate to contact me or my staff. Joanne Hanley, the Associate Director for Congressional Affairs, can be reached at 202-414-3812.

Sincerely,



James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823

December 19, 2008

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Charles B. Rangel  
Chairman  
Committee on Ways and Means  
2354 Rayburn House Office Building  
Washington, DC 20515

The Honorable Richard E. Neal  
Chairman  
Subcommittee on Select Revenue Measures  
Committee on Ways and Means  
2208 Rayburn House Office Building  
Washington, DC 20515

Dear Chairmen Frank, Rangel and Neal:

Thank you for your joint and individual letters regarding the Low Income Housing Tax Credit (LIHTC) activities of Fannie Mae and Freddie Mac (the Enterprises). When the Federal Housing Finance Agency (FHFA) was appointed conservator of the Enterprises, we recognized the importance of the multifamily businesses of these companies, including LIHTCs. These activities are critical to the mission of Fannie Mae and Freddie Mac in providing affordability to the market in these difficult economic times. Because of the importance of LIHTCs to the market, I also have stated my expectation that both Enterprises avoid any large-scale sales of these credits. Both companies continue to meet this expectation. However, current market conditions and the lack of profitability on the part of Fannie Mae and Freddie Mac have constrained their ability to use these tax credits.

20081201003

Therefore, the new FHFA is working very hard with the Enterprises to determine what can be done to attract new participants. This involves looking at creative transaction structures by the companies and working with FHFA, as well as outreach to stakeholders, including housing advocates and housing finance agencies with the goal of expanding the universe of participants in these credits. Our meetings with such groups have been extensive, productive and are ongoing.

My understanding is that each Enterprise will be responding to you in detail on this issue. I trust these and our reply are responsive to your concerns about this very important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Lockhart". The signature is fluid and cursive, with a large initial "J" and "L".

James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board



**Federal Housing Finance Agency**  
1700 G Street, N.W., Washington, D.C. 20552  
Phone: 202-414-3800  
Fax: 202-414-3823

December 15, 2008

The Honorable Barney Frank  
Chairman, Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank:

Thank you for sharing correspondence from Congressman Hensarling with respect to inappropriate activities taken by Fannie Mae during an event in Texas.

As you know, when the Federal Housing Finance Agency (FHFA) became conservator of these two enterprises in September, we immediately halted all lobbying activities and are conducting a thorough review of charitable contributions which we expect to complete by year end.

As the regulator and more recently conservator of this company, as well as Freddie Mac, you should rest assured that we do not condone such activities and nor will they occur in the future. In November, after imposing a moratorium on the activities in question, the company imposed a new policy with detailed restrictions and supervisory controls on gifts and entertainment whether provided by or offered to any company employee. As conservator, we carefully reviewed and approved this policy and will ensure it is adequately enforced by FHFA examiners.

My understanding is that Fannie Mae will be responding to you directly on this matter. I trust that will be responsive. If not, please do not hesitate to contact me.

Sincerely,

James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board

xc: The Honorable Jeb Hensarling

20081125004



## FEDERAL HOUSING FINANCE AGENCY

1700 G STREET NW WASHINGTON DC 20552 (202) 414-3800 FACSIMILE: (202) 414-3823

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### *Office of the Director*

December 2, 2008

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

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

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

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

Dear Chairmen and Ranking Members:

I am pleased to transmit our initial report in accordance with Section 110 of the Emergency Economic Stabilization Act of 2008 (EESA), titled *Assistance to Homeowners*. The FHFA is committed to developing and implementing plans to minimize unnecessary foreclosures. As housing prices have fallen, delinquencies on mortgages have tripled, not just for subprime and Alt-A, but also for prime mortgages. Foreclosures have increased almost 150% from two years ago. Foreclosures hurt families, their neighbors, whole communities and the overall housing market. We are committed to stopping this downward spiral in the housing market.

On October 3, 2008, the President signed the Emergency Economic Stabilization Act of 2008 (EESA), providing broad authorities to the Treasury to undertake measures to strengthen financial institutions. The EESA included provisions to assist homeowners facing foreclosure and protect tenants. Section 110 of EESA charges federal property managers (FPM) to, within 60 days of enactment, develop and begin implementing plans that seek to maximize assistance for homeowners and encourage servicers of underlying mortgages to take advantage of programs to minimize foreclosures. In addition, each FPM is required to report to Congress within 60 days after the date of enactment of the EESA and every 30 days thereafter, specific information on the number and types of loan modifications made and the number of actual foreclosures during the reporting period. The Federal Housing Finance Agency (FHFA) is a designated FPM in its role as conservator for Fannie Mae and Freddie Mac under Section 110 of the EESA.

On November 11, 2008 (see attached statement), FHFA announced a major program designed to greatly reduce preventable foreclosures with a simplified, streamlined loan modification program to get struggling homeowners into mortgages that they can afford. It is an achievable goal if homeowners, banks, mortgage servicers, investors, Fannie Mae and Freddie Mac all work together. As the regulator and the conservator of Fannie Mae and Freddie Mac, and the regulator of the Federal Home Loan Banks (FHLBanks), the FHFA strongly supports the Enterprises' leadership role in setting industry standards for assisting "at risk" borrowers who could lose their homes to foreclosure.

This streamlined modification program (SMP) with uniform eligibility requirements will be supported by a consistent, efficient process approved by key industry participants. This program resulted from a unified effort among the Enterprises, Hope Now and its twenty-seven servicer partners, the Department of the Treasury, the Federal Housing Administration (FHA) and FHFA. In developing this program, we have drawn on the FDIC's assistance and experience with IndyMac Bank, and have greatly benefited from the FDIC's input.

Fannie Mae and Freddie Mac will soon issue specific guidance to their servicers implementing this program, requiring implementation by December 15, 2008. This streamlined program is meant to reach as many seriously delinquent borrowers as possible to give them a chance to save their homes and begin restoring their credit. Regrettably, there are many American families in this situation. This unified effort on the part of the Fannie Mae, Freddie Mac, private lenders, servicers, the Treasury Department, HUD and FHFA is a bold attempt to move quickly in defining a nationwide program beyond just Fannie Mae and Freddie Mac that can quickly and easily reach many of these troubled borrowers, thereby stabilizing those families and the communities and neighborhoods in which they live. In order to allow time for the implementation of the SMP, Fannie Mae and Freddie Mac have announced suspension of foreclosures on owner occupied homes from November 26, 2008 until January 9, 2009.

In accordance with the reporting requirements of Section 110(b)(5), please find attached our FHFA *Foreclosure Prevention Reports*, which reports on loan modifications and foreclosure activities of the enterprises. FHFA publishes a quarterly report (the second quarter 2008 report, formally entitled *FHFA Mortgage Metrics Report*, is attached) with detailed analysis as well as a less detailed monthly report (the August 2008 report is attached). Both reports will be forwarded as part of our monthly FPM report. The *FHFA Foreclosure Prevention Reports* summarize data provided by Fannie Mae and Freddie Mac and gives a comprehensive view of their efforts to assist borrowers through forbearance, payment plans, and loan modification, and other alternatives to foreclosure such as short sales and deeds in lieu. The reports focus on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 approved servicers. We are currently working with both enterprises to develop additional reporting requirements so that the *Foreclosure Prevention Reports* will identify loan modifications by type in compliance with Section 110(b)(5) of the EESA.

The attached August 2008 *Foreclosure Prevention Report* indicates the need for the enterprises to adopt more aggressive loan modification and foreclosure prevention activities. The number of foreclosures completed in August 2008 was 15,528, which is above 2008 YTD monthly average



of 12,701. The number of loan modifications in August 2008 was 4,402, which is below the 2008 YTD monthly average of 4,959. In addition, the Borrowers Workout Plans (repayment plans initiated + loan modifications completed) as a percentage of completed foreclosure sales was 218% in August 2008, but still below the 2008 YTD average of 222%. It should be noted that the two Enterprises were placed into conservatorship on September 6, 2008.

I have also attached FHFA's current plan under Section 110 (b)(1) to maximize assistance for homeowners and minimize preventable foreclosures. In developing the plan, we have consulted with the Federal Reserve Board and the FDIC. The program at the heart of FHFA's plan is the streamlined modification program. We will continue to update, elaborate and expand FHFA's plan consistent with the intent of EESA.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Lockhart III". The signature is fluid and cursive, with a horizontal line extending from the end.

James B. Lockhart III  
Director, Federal Housing Finance Agency  
Chairman, FHFA Oversight Board

Attachments



## **FEDERAL HOUSING FINANCE AGENCY**

*1700 G STREET NW WASHINGTON DC 20552 (202) 414-3800 FACSIMILE: (202) 414-3823*

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### **Plan to Maximize Assistance for Homeowners and Minimize Foreclosures (under Section 110 of the Emergency Economic Stabilization Act of 2008)**

December 2, 2008

#### **Introduction**

It is extremely important for the homeowners, neighborhoods, whole communities and the housing markets to reduce preventable foreclosures.

As a Federal Property Manager, FHFA will ensure that Fannie Mae and Freddie Mac continue to accelerate their programs to reduce foreclosures on the 32 million mortgages that they own or guarantee. As the standard setter for the mortgage market we would expect their programs will encourage other investors, servicers and trustees to adopt more aggressive loan modification activities. In their leadership role we would expect their approach to foreclosure prevention and this Plan to develop further over time.

#### **Single Family Mortgages owned or guaranteed by Fannie Mae and Freddie Mac**

Fannie Mae and Freddie Mac will adopt the streamlined modification program (SMP), which they developed together with FHFA, HOPE NOW and its servicer members, the Department of the Treasury, and the Federal Housing Administration. The SMP was announced on November 11, 2008. The SMP draws on to a great extent on the streamlined modification program FDIC developed for IndyMac Bank, but differs in certain respects.

The SMP will provide for a consistent uniform process which will lessen the time and complexity involved in the traditional loss mitigation process, in which modifications are designed on a case-by-case basis. Only situations where acceptable modifications cannot be made under the SMP will require the traditional approach.

The SMP will establish 38 percent of monthly household income as a benchmark ratio for calculating an affordable payment, and allow for achievement of that ratio through adjustment of the mortgage term and/or interest rate, and in some cases the forbearance (until loan payoff) of some amount of the loan principal.

The SMP should significantly increase the number of loan modifications at Fannie Mae and Freddie Mac, and allow for more loss mitigation staff resources to be applied to loans that need to be modified outside the SMP. FHFA expects Fannie Mae and Freddie Mac to set out details of the SMP to its approved seller/servicers by December 15, 2008. Foreclosures for single family owner occupied homes have been suspended through January 9, 2009 to allow time for the SMP implementation.

Fannie Mae and Freddie Mac will continue to supplement the SMP with other loss mitigation programs presently in place and being adopted that seek to assist homeowners avoid foreclosures.

For example, both enterprises currently offer a short payoff loss mitigation option necessary to facilitate the HOPE for Homeowners Program. As another example, Fannie Mae offers Home Saver Advance loans, unsecured loans for delinquent amounts when the borrower can afford payments going forward, which have prevented close to 46,000 foreclosures through the third quarter of 2008.

In accordance with Section 110(b)(5) of the EESA, the FHFA is required to report to Congress every 30 days, specific information on the number and types of loan modifications made and the number of actual foreclosures occurring during the reporting period. The FHFA *Foreclosure Prevention Report* summarizes data provided by Fannie Mae and Freddie Mac and gives a comprehensive view of their efforts to assist borrowers through forbearance, payment plans, and loan modification, and other alternatives to foreclosure such as short sales and deeds in lieu. The report focuses on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 approved servicers. We are currently working with both enterprises to develop additional reporting requirements so that the *Foreclosure Prevention Report* will also identify loan modifications by type in compliance with Section 110(b)(5) of the EESA. The FHFA monthly *Foreclosure Prevention Report* is also posted on FHFA's website at: <http://www.ofheo.gov/media/news%20releases/AugForeclosurePreventionRpt112508.pdf>.

### **Loans Underlying Private Label Mortgage-Backed Securities owned by Fannie Mae and Freddie Mac**

On November 24, 2008, FHFA wrote to servicers and trustees of private label mortgage-backed securities owned by Fannie Mae and Freddie Mac, urging the adoption of the SMP as an industry standard. In the past the ability and willingness of servicers to apply such an approach for mortgages they service on behalf of private MBS trusts has varied based on provisions of the trust pooling and servicing agreements and servicer and trustee sensitivity to potential legal challenge by security holders. Some servicers indicated they saw serious legal impediments, while others did not see legal issues as an obstacle.

Fannie Mae and Freddie Mac, together own approximately \$180 billion dollars of outstanding private label securities. To support voluntary adoption of SMP by private label servicers and trustees, FHFA, Fannie Mae, and Freddie Mac will work with other industry players to exercise existing authorities under pooling and servicing agreement and develop new approaches to enhance servicers' ability to modify loans. For the securities they own, Fannie Mae and Freddie Mac will aggressively encourage the loan servicers and trustees of securities to adopt the SMP.

### **Tenant Protections**

One-four family properties. For mortgages on investor-owned 1-4 family properties, a loan modification that avoids foreclosure protects the tenants, by preserving ownership by the existing landlord. Although investor-owned properties are not eligible for the SMP, they do go through the standard loan modification process at each Enterprise, and resulting modifications should support the continuation of any government rental subsidies. Should modification be impractical, Freddie Mac's current policy on one-unit REO properties calls for tenant eviction. Freddie Mac is, however, drafting a policy that would allow tenants to remain in such properties under specified conditions. Tenants in 2-4 family properties can remain in the property provided one unit is available to show, and the tenant-occupied units are inhabitable and up to code. Fannie

Mae has an informal policy to keep tenants in foreclosed properties. They have begun two small pilot programs in the northeast to keep tenants in properties, or rent foreclosed properties back to the tenants. FHFA will work with both enterprises to ensure that policies are developed and implemented to protect tenants in 1-4 family properties.

Multi-family properties. Both enterprises largely comply with the intent of EESA by ensuring that tenants are protected in the event of defaults on loans involving multi-family mortgages. At the present time the enterprises rarely modify troubled multi-family loans; however, for loans subject to work-out the enterprises work with the jurisdictional housing authorities to ensure that tenants can remain in their homes where safe conditions exist. Where properties are condemned or not habitable, the enterprises routinely assist in tenant relocation.

FHFA  
Monthly Foreclosure Prevention Report

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	2008 YTD Aver/Mo
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**Number of Loans (at period end)**

Total		30,135,490	30,367,051	30,408,771	30,483,080	30,661,811	30,619,891	30,623,407	30,650,194	30,493,712
Prime		24,952,459	25,153,692	25,217,229	25,307,364	25,498,551	25,498,297	25,533,099	25,581,750	25,342,806
Nonprime		5,183,031	5,213,359	5,191,542	5,175,716	5,163,260	5,121,594	5,090,308	5,068,444	5,150,907

**60 Days+ Delinquency (at period end)**

Total		431,310	433,613	444,902	470,139	497,316	528,764	565,919	621,061	499,128
Prime		193,930	203,069	214,262	228,667	245,311	263,699	284,498	313,496	243,367
Nonprime		237,380	230,544	230,640	241,472	252,005	265,065	281,421	307,565	255,762

**60 Days+ Delinquency (percent of total loans)**

Total		1.43%	1.43%	1.46%	1.54%	1.62%	1.73%	1.85%	2.03%	1.64%
Prime		0.78%	0.81%	0.85%	0.90%	0.96%	1.03%	1.11%	1.23%	0.96%
Nonprime		4.58%	4.42%	4.44%	4.67%	4.88%	5.18%	5.53%	6.07%	4.97%

**Foreclosure Starts**

Total	22,545	32,583	39,980	35,957	39,031	37,887	39,925	47,770	44,170	39,663
Prime	10,604	16,096	21,832	20,021	21,965	21,579	22,374	27,998	25,082	22,118
Nonprime	11,942	16,487	18,148	15,936	17,066	16,308	17,551	19,772	19,088	17,545

**Completed Foreclosure Sales**

Total	6,408	10,571	10,317	10,645	11,916	13,305	12,964	16,364	15,528	12,701
Prime	3,226	5,786	5,623	5,797	6,715	7,514	7,626	9,929	9,242	7,279
Nonprime	3,182	4,785	4,694	4,848	5,201	5,791	5,338	6,435	6,286	5,422

**Completed Foreclosure Sales (Percentage of Starts)**

Total	28.4%	32.4%	25.8%	29.6%	30.5%	35.1%	32.5%	34.3%	35.2%	32.0%
Prime	30.4%	35.9%	25.8%	29.0%	30.6%	34.8%	34.1%	35.5%	36.8%	32.9%
Nonprime	26.6%	29.0%	25.9%	30.4%	30.5%	35.5%	30.4%	32.5%	32.9%	30.9%

**HomeSaver Advance (Fannie Mae Only)**

Total	n/a	0	11	1233	2,052	2,881	11,725	10,599	7,914	4,552
Prime	n/a	0	3	343	545	856	4,459	4,285	2,747	1,655
Nonprime	n/a	0	8	890	1,507	2,025	7,266	6,314	5,167	2,897

FHFA  
Monthly Foreclosure Prevention Report

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	2008 YTD Aver/Mo
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**Borrower Workout Plans (Repayment Plans Initiated + Modifications Plans Completed)**

Total	20,468	28,909	24,688	25,795	25,804	24,615	31,396	30,345	33,908	28,183
Prime	6,970	10,263	9,103	9,495	9,774	9,426	12,030	12,009	13,626	10,716
Nonprime	13,498	18,646	15,585	16,300	16,030	15,189	19,366	18,336	20,282	17,467

**Formal Repayment Plans Initiated**

Total	17,585	24,683	18,809	20,264	21,837	19,945	24,661	26,082	29,506	23,223
Prime	6,061	8,946	7,244	7,696	8,571	7,786	10,022	10,506	12,094	9,108
Nonprime	11,524	15,737	11,565	12,568	13,266	12,159	14,639	15,576	17,412	14,115

**Modifications Completed**

Total	2,884	4,226	5,879	5,531	3,967	4,670	6,735	4,263	4,402	4,959
Prime	910	1,317	1,859	1,799	1,203	1,640	2,008	1,503	1,532	1,608
Nonprime	1,974	2,909	4,020	3,732	2,764	3,030	4,727	2,760	2,870	3,352

**Modifications as a Percent of Workout Plans**

Total	14.1%	14.6%	23.8%	21.4%	15.4%	19.0%	21.5%	14.0%	13.0%	17.6%
Prime	13.0%	12.8%	20.4%	18.9%	12.3%	17.4%	16.7%	12.5%	11.2%	15.0%
Nonprime	14.6%	15.6%	25.8%	22.9%	17.2%	19.9%	24.4%	15.1%	14.2%	19.2%

**Borrower Workout Plans (Repayment Plans Initiated + Modifications Completed) as a Percent of Completed Foreclosure Sales**

Total	319%	273%	239%	242%	217%	185%	242%	185%	218%	222%
Prime	216%	177%	162%	164%	146%	125%	158%	121%	147%	147%
Nonprime	424%	390%	332%	336%	308%	262%	363%	285%	323%	322%

**Short Sales Completed**

Total	335	516	556	704	850	1,056	1,156	1,491	1,462	974
Prime	172	303	341	425	677	754	754	999	1,030	632
Nonprime	163	213	215	279	379	402	402	492	432	342

**Deeds-In-Lieu Completed**

Total	69	102	84	122	107	62	67	118	138	100
Prime	48	62	61	93	82	42	44	80	114	72
Nonprime	21	40	23	29	25	20	23	38	24	28

FHFA  
Monthly Foreclosure Prevention Report

2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	2008 YTD Aver/Mo
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**Charge-Offs in Lieu of Foreclosure Completed**

	2007 Aver/Mo	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	2008 YTD Aver/Mo
Total	40	56	42	70	41	49	66	73	57	57
Prime	14	24	11	28	16	20	27	34	25	23
Nonprime	26	32	31	42	25	29	39	39	32	34

**Total Loss Mitigation Actions Completed (# of Loans)**

Payment Plans Completed	4,531	5,024	6,777	6,314	5,595	5,504	5,294	4,897	4,720	5,516
HomeSaver Advance (Fannie Mae Only)	-	-	11	1,233	2,052	2,881	11,725	10,599	7,914	4,552
Loan Modifications Completed	2,884	4,226	5,879	5,531	3,967	4,670	6,735	4,263	4,402	4,959
Short Sales Completed	335	516	556	704	850	1,056	1,156	1,491	1,462	974
Deeds-in-Lieu Completed	69	102	84	122	107	62	67	118	138	100
Assumptions Completed	-	-	-	-	-	-	-	-	-	-
Charge-offs in Lieu of Foreclosure Completed	40	56	42	70	41	49	66	73	57	57
<b>Total</b>	<b>7,858</b>	<b>9,924</b>	<b>13,349</b>	<b>13,974</b>	<b>12,612</b>	<b>14,222</b>	<b>25,043</b>	<b>21,441</b>	<b>18,693</b>	<b>16,157</b>

Foreclosure Sales Completed	6,408	10,571	10,317	10,645	11,916	13,305	12,964	16,364	15,528	12,701
Third Party Sales	42	687	656	593	712	674	662	723	728	679
<b>Total</b>	<b>6,450</b>	<b>11,258</b>	<b>10,973</b>	<b>11,238</b>	<b>12,628</b>	<b>13,979</b>	<b>13,626</b>	<b>17,087</b>	<b>16,256</b>	<b>13,381</b>

Total Loss Mitigation Actions, Foreclosure Sales, and Third Party Sales	14,309	21,182	24,322	25,212	25,240	28,201	38,669	38,528	34,949	29,538
<b>Loss Mitigation Performance Ratio</b>	<b>54.9%</b>	<b>46.9%</b>	<b>54.9%</b>	<b>55.4%</b>	<b>50.0%</b>	<b>50.4%</b>	<b>64.8%</b>	<b>55.7%</b>	<b>53.5%</b>	<b>54.7%</b>

NOTE: Numbers in BOLD have been adjusted from prior reporting periods.

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# FEDERAL HOUSING FINANCE AGENCY



## NEWS RELEASE

**Contact:** Corinne Russell (202) 414-6921  
Stefanie Mullin (202) 414-6376

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FOR IMMEDIATE RELEASE  
November 11, 2008

### **Statement of FHFA Director James B. Lockhart**

Welcome. I am pleased that you are able to be here. I would also like to welcome Brian Montgomery, HUD Assistant Secretary and FHA Commissioner; Neel Kashkari, Interim Assistant Treasury Secretary for Financial Stability; Faith Schwartz, Executive Director of HOPE NOW and Michael Heid, Wells Fargo. As a Navy veteran, I do not like interfering with your Veterans Day, but as you all know there is a battle going on in the housing market.

As housing prices have fallen, delinquencies on mortgages have tripled, not just for subprime and Alt-A, but also for prime mortgages. Foreclosures have increased almost 150% from two years ago. Foreclosures hurt families, their neighbors, whole communities and the overall housing market. We need to stop this downward spiral.

Today we are announcing a major program designed to greatly reduce preventable foreclosures with a simplified, streamlined loan modification program to get struggling homeowners into mortgages that they can afford. It is an achievable goal if homeowners, banks, mortgage servicers, investors, Fannie Mae and Freddie Mac all work together.

As the regulator of Fannie Mae, Freddie Mac and the Federal Home Loan Banks (FHLBanks), the Federal Housing Finance Agency (FHFA) strongly supports the Enterprises' leadership role in setting industry standards for assisting "at risk" borrowers who could lose their homes to foreclosure. This streamlined modification program with uniform eligibility requirements will be supported by a



consistent, efficient process approved by key industry participants. This program resulted from a unified effort among the Enterprises, Hope Now and its twenty-seven servicer partners, the Department of the Treasury, the Federal Housing Administration (FHA) and FHFA.

In developing this program, we have drawn on the FDIC's experience and assistance, and have greatly benefited from the FDIC's input.

Fannie Mae and Freddie Mac own or guarantee almost 31 million mortgages, about 58% of all single family mortgages. Although these mortgages only represent 20% of serious delinquencies, I believe their leadership role combined with the many partners of HOPE NOW should spread this approach throughout the whole mortgage loan servicing business. The performance of private label mortgage backed securities that were sliced and diced and sold to investors is just the opposite of Fannie Mae's and Freddie Mac's. Private label securities represent less than 20% of the mortgages but 60% of the serious delinquencies. As the regulator of the housing GSEs that own over a quarter of a trillion dollars of private label securities, I ask the private label MBS servicers and investors to rapidly adopt this program as the industry standard. Not only will this streamlined program assist borrowers, but broad acceptance and effective implementation could stabilize communities and property values.

The program targets the highest risk borrower who has missed three payments or more, owns and occupies the property as a primary residence, and has not filed for bankruptcy. To be considered for the program, a seriously delinquent borrower should contact his or her servicer and provide the requested income information. The program creates a fast-track method of getting troubled borrowers to an affordable monthly payment where "affordable" is defined as a first mortgage payment, including homeowner association dues, of no more than 38 percent of the household's monthly gross income. This affordable payment will be achieved through a mix of reducing the mortgage interest rate, extending the life of the loan or even deferring payment on part of the principal. Servicers will have flexibility in the mix used to get there, but the goal is to create a more affordable payment.

If the servicer is unable to create an affordable payment with this streamlined program, it will further evaluate the borrower's situation through a customized process. The key to success is the borrower's ongoing cooperation and communication with the servicer. Borrowers shouldn't fear working with servicers. They have dedicated personnel who are experienced in working with borrowers who are struggling with finances, but who are eager to keep their homes.

The streamlined modification program complements existing loss mitigation programs. We expect that it could significantly increase the number of modifications completed. Borrowers who participate will be strongly encouraged to seek financial counseling through HUD-approved agencies -- particularly, if the default is a result of being overextended or due to financial mismanagement.

Fannie Mae and Freddie Mac will soon issue specific guidance to their servicers implementing this program requiring implementation by December 15th. To encourage participation, servicers will receive a fixed payment of \$800 for each loan modified through this program.

Troubled borrowers eligible for this program have already experienced significant erosion in their credit scores, making them unlikely to obtain mortgage credit, through typical means. Many also lack equity in their homes. This streamlined program is meant to reach as many of these borrowers as possible to give them a chance to save their homes and begin restoring their credit. The borrowers' ultimate obligation to repay his or her current mortgage does not change.

Regrettably, there are many American families in this situation. This unified effort on the part of the Fannie Mae, Freddie Mac, private lenders and servicers, and the Federal agencies represented here is a bold attempt to move quickly in defining a nationwide program that can quickly and easily reach many of these troubled borrowers, thereby stabilizing those families and the communities and neighborhoods in which they live.

Thank you and now I will turn it over to Faith Schwartz.

###

## **QUESTIONS AND ANSWERS ON THE STREAMLINED MODIFICATION PROGRAM**

***Q: What is a modification?***

A: A modification is a change to the original mortgage terms. It may include a change to the product (an ARM to a fixed rate mortgage), interest rate, amortization term and maturity date, and/or unpaid principal balance. The change/s is made to create a more affordable payment for the borrower.

***Q: What is a streamlined modification?***

A: A streamlined modification is a modification that requires less documentation and less processing. In this case, the streamlined modification seeks to create a monthly mortgage payment that is sustainable for troubled borrowers by targeting a benchmark ratio of housing payment to monthly gross household income.

***Q: What is the benchmark ratio?***

A: This is the first time the industry has agreed on an industry standard. The benchmark ratio for calculating the affordable payment is 38 percent of monthly gross household income. Once the affordable payment is determined, there are several steps the servicer can take to create that payment – extending the term, reducing the interest rate, and forbearing interest. In the event that the affordable payment is still beyond the borrower's means, the borrower's situation will be reviewed on a case-by-case basis using a cash flow budget.

***Q: Who participated in creating the Streamlined Modification Program? Is this identical to the FDIC's IndyMac protocol?***

A: This program resulted from a unified effort among the Enterprises, Hope Now and its twenty-seven servicer partners, Treasury, the Federal Housing Administration (FHA) and FHFA. In addition, we've drawn on the FDIC's experience and assistance from developing the IndyMac streamlined approach and have greatly benefited from the FDIC's input and example. To accommodate the need for more flexibility among a larger number of servicers, the Streamlined Modification Program does differ from the IndyMac model in a few areas. However, it uses the same fundamental tools to achieve the same affordability target.

**Q:** *How is this different from Citi's announcement today?*

A: This effort compliments efforts of those banks that have mortgage portfolios and can reach out directly to borrowers for loans they own and service. This is a significant announcement in that Fannie Mae, Freddie Mac and FHFA have mutually agreed as major investors to a single streamlined modification program with a common affordability standard. The majority of HOPE NOW banks who own portfolio mortgages will adopt or offer programs as or more aggressive than what's being announced.

**Q:** *What is the role of HOPE NOW?*

A: HOPE NOW has the leading servicers as members. HOPE NOW collaborated with Fannie Mae, Freddie Mac and FHFA on arriving at a standard that is consistent and addresses the capacity challenge for servicers dealing with increased delinquencies. This will take on-going work to implement for servicers. We anticipate this being implemented by December 15<sup>th</sup>.

**Q:** **Why is there not a foreclosure moratorium?**

A: Any borrower who qualifies and responds to the servicer will be given the opportunity to provide the required information for consideration. If necessary, the scheduling of a foreclosure sale will be suspended. A suspension requires that the borrower maintain contact, desires to keep his or her home, has the ability to make the affordable payment offered, and promptly respond to requests for information and signed documents.

**Q:** *Why is it necessary?*

A: With the rise in serious delinquencies and increasing number of loans in foreclosure, this program will help borrowers who have missed three or more payments, but want to keep their homes. Because the eligibility requirements and process are streamlined and consistent, the program will allow servicers to reach more borrowers more quickly.

**Q:** *Who is eligible?*

A: The highest risk borrower, who has missed three payments or more, owns and occupies the property as a primary residence, and has not filed bankruptcy. The loan is a Freddie Mac, Fannie Mae or portfolio loan with participating investors. To qualify for the streamlined modification, the borrower must certify that he or she experienced a hardship or change in financial circumstances, and did not purposely default to obtain a modification.

**Q:** *Why must the borrower be 90 days delinquent? Why not earlier in the delinquency cycle?*

A: This is a streamlined solution targeted to reach the most at risk borrower. For borrowers who do not qualify, other solutions are available. This in no way substitutes for the meaningful efforts by all servicers and investors that are currently in place. The 212,000 workouts reported by HOPE NOIW in September are testimony to that fact. We will continue to see those efforts produce meaningful results.

**Q:** *How many people will this help?*

A: While difficult to assess, it is clear delinquencies are predicted to continue well into 2009. Foreclosure estimates are significant. Having a streamlined approach will assist many borrowers who default and more quickly. We estimate this will ultimately help thousands of borrowers.

**Q:** *What if a borrower is not eligible but still wants to save his/her home?*

A: If the servicer is unable to create an affordable payment with this streamlined program, it will further evaluate the borrower's situation via the standard process. The standard modification program requires a personal cash-flow budget customized to the borrower's situation.

**Q:** *How do borrowers apply?*

A: To be considered for the program, a seriously delinquent borrower should contact his or her servicer and provide the requested information – monthly gross household income, association dues and fees, and a hardship statement.

**Q:** *How do borrowers complete the modification process?*

A: Upon receiving the Modification Agreement from the servicer, the borrower signs it and returns it with the 1<sup>st</sup> payment at the modified terms along with income verification. Once the borrower makes three payments at the modified terms and the account is current as of day 90 of the modified plan, the modification is complete.

**Q:** *What are the goals of the program?*

First, we hope that other industry participants -- portfolio lenders and representatives of private label security investors – readily and rapidly adopt this program as the industry standard. Second, the program could increase the number of modifications significantly. Third, broad acceptance and effective implementation could stabilize communities and property values.

**Q:** *When will servicers start offering this program?*

A: We expect that by December 15th, servicers will be positioned to work with eligible borrowers.

**Q:** *Will servicers get more details on this program?*

A: Both Fannie Mae and Freddie Mac will be communicating directly with their approved servicers through an announcement, letter or bulletin.

**Links:**

Hope Now      <http://www.hopenow.com/>

HUD            <http://www.hud.gov/foreclosure/>

**Federal Housing Finance  
Agency  
Mortgage Metrics Report**

**Disclosure and Analysis of  
Fannie Mae and Freddie Mac  
Mortgage Loan Data for  
Second Quarter 2008**

## INTRODUCTION

This Federal Housing Finance Agency (FHFA) *Mortgage Metrics Report* for the second quarter of 2008 presents key performance data on first lien residential mortgages serviced on behalf of the Federal National Mortgage Association, or **Fannie Mae**, and the Federal Home Loan Mortgage Corporation, or **Freddie Mac**. Fannie Mae and Freddie Mac are referred to in this report as “the Enterprises.”

The report focuses on the delinquencies, loss mitigation actions, and foreclosure data reported by more than 3,000 approved servicers. As of June 30, 2008, a total of 30.6 million first lien residential mortgages with total outstanding balances of \$4.5 trillion had been serviced for Fannie Mae and Freddie Mac. The combined Enterprise portfolios had a weighted average FICO<sup>1</sup> score of 723 at origination, a weighted average loan-to-value at origination of 72 percent, and a weighted average mark-to-market loan-to-value of 66 percent. Roughly 83 percent of the mortgages were classified as *prime*.

In addition to providing important information to the public, data gathering for the report supports FHFA’s supervision of the Enterprises. The report serves as an additional tool to assess emerging trends, identify differences, compare the Enterprises to other industry participants, evaluate asset quality and loan-loss reserves, assess the scope of borrower assistance and loss mitigation actions, and identify opportunity for further actions. FHFA works closely with the HOPE NOW Alliance and other financial regulators and industry participants to refine and standardize nonperforming loan definitions and metrics.

Although this report is comprehensive, it is inappropriate to draw conclusions about overall conditions in mortgage lending from Enterprise data.

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<sup>1</sup> The standard measure of consumer credit risk, developed by the Fair Isaac Corporation.



- completed. Generally, the reason for such reversals is that borrowers failed to meet a condition required for loan modification, such as return of the fully-executed modification agreement; payment of the first modified payment of principal, interest, taxes, and insurance and/or a required cash contribution; or unsuccessful completion of a trial probationary period of making payments under the modified terms.

We base our analysis on 42 data elements each Enterprise provides monthly. We used some of the standard industry terms found in recent mortgage metrics reports published by the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS),<sup>2</sup> and the HOPE NOW Alliance.<sup>3</sup> However, in several instances, FHFA definitions vary slightly. We provide a table of comparisons of FHFA data against data found in the above referenced reports in the appendix to this report found on page 30.

### **Definitions**

FHFA's definitions for standard terms used in this report, as contrasted against previously cited reports from other agencies or organizations, are as follows:

**Prime versus Nonprime Mortgages.** FHFA categorizes mortgages as either *prime* or *nonprime*. For mortgage metrics reporting, OCC and OTS categorize loans as *prime*, *subprime*, *Alt-A product* and *other*. There are no standard industry definitions for subprime or Alt – A products, so like OCC and OTS, we define *prime* as mortgages with FICO scores of 660 or higher and categorize all other loans as *nonprime*.

**Aggregate versus Loan-Level Data.** We analyze only aggregate data submitted by the Enterprises and do not use loan-level data. FHFA examiners validate data submitted against internal management reports.

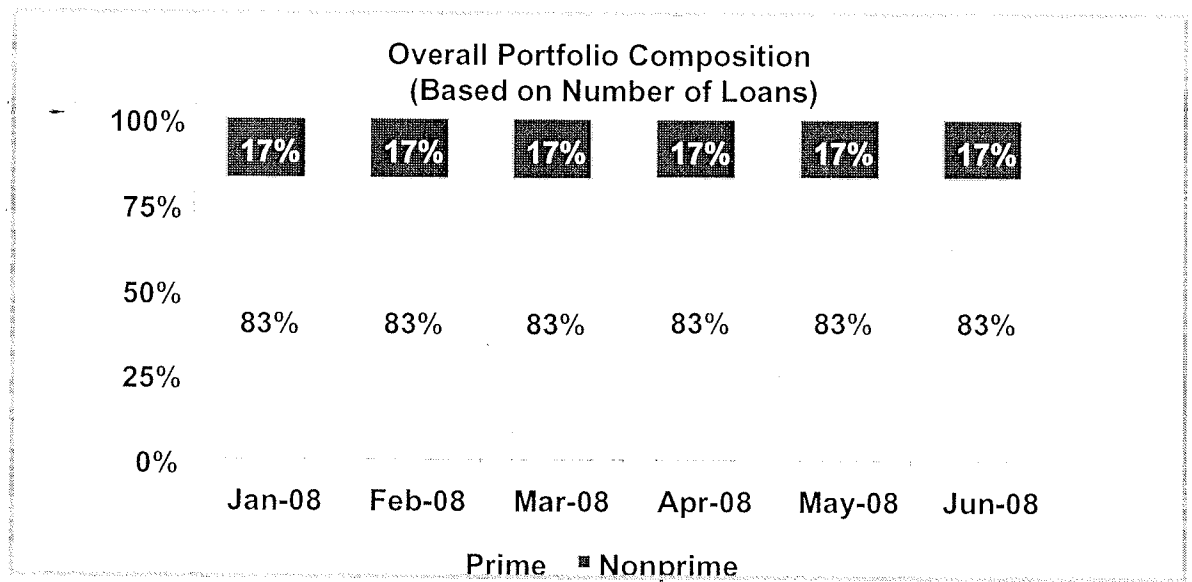
The HOPE NOW Alliance in its report used aggregate data on 53.4 million loans submitted by 22 servicers. That data was then extrapolated to an estimated industry aggregate for each mortgage

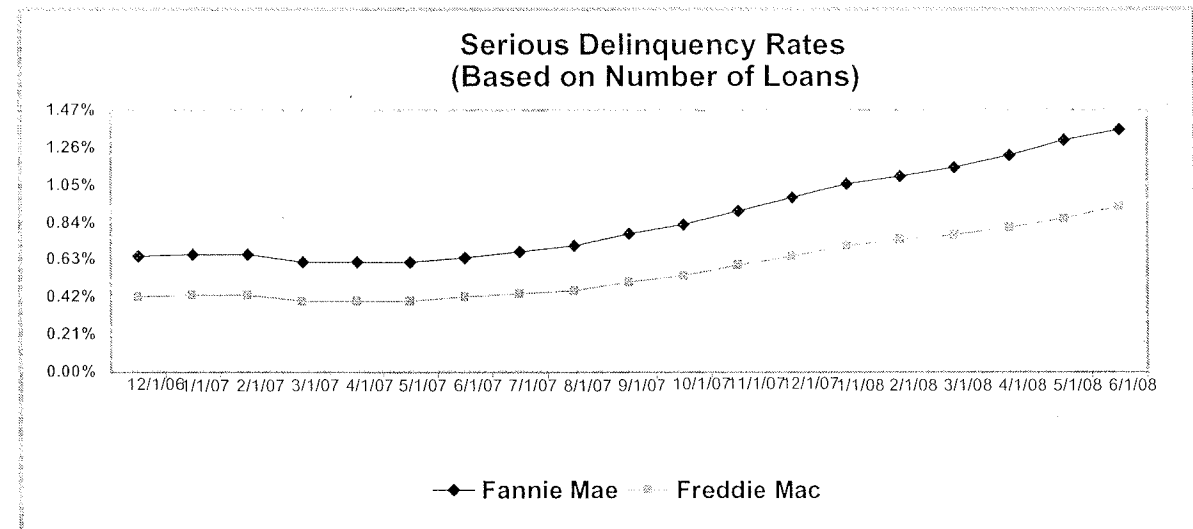
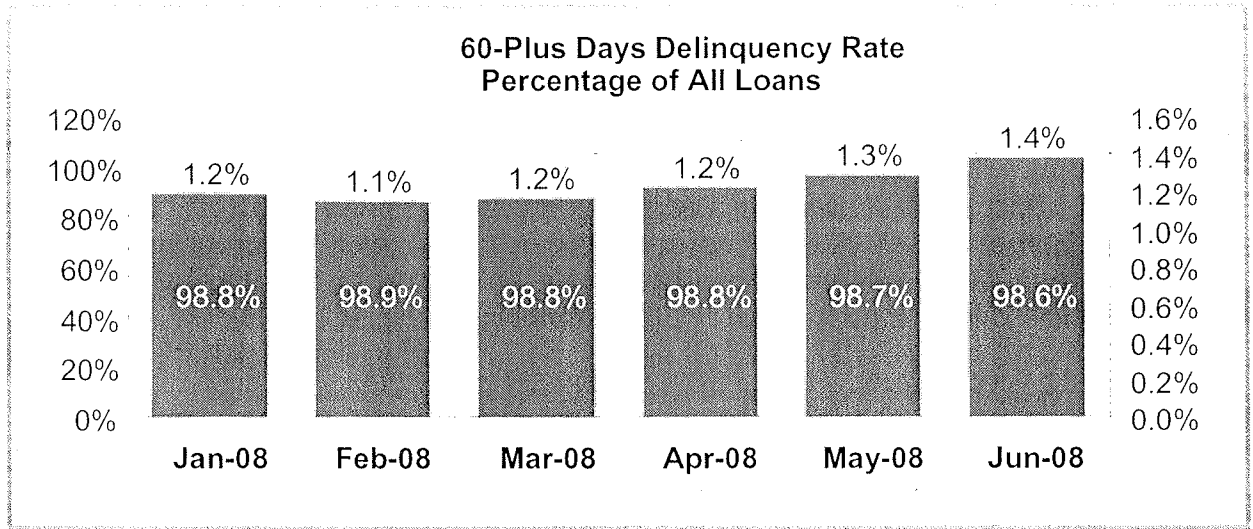
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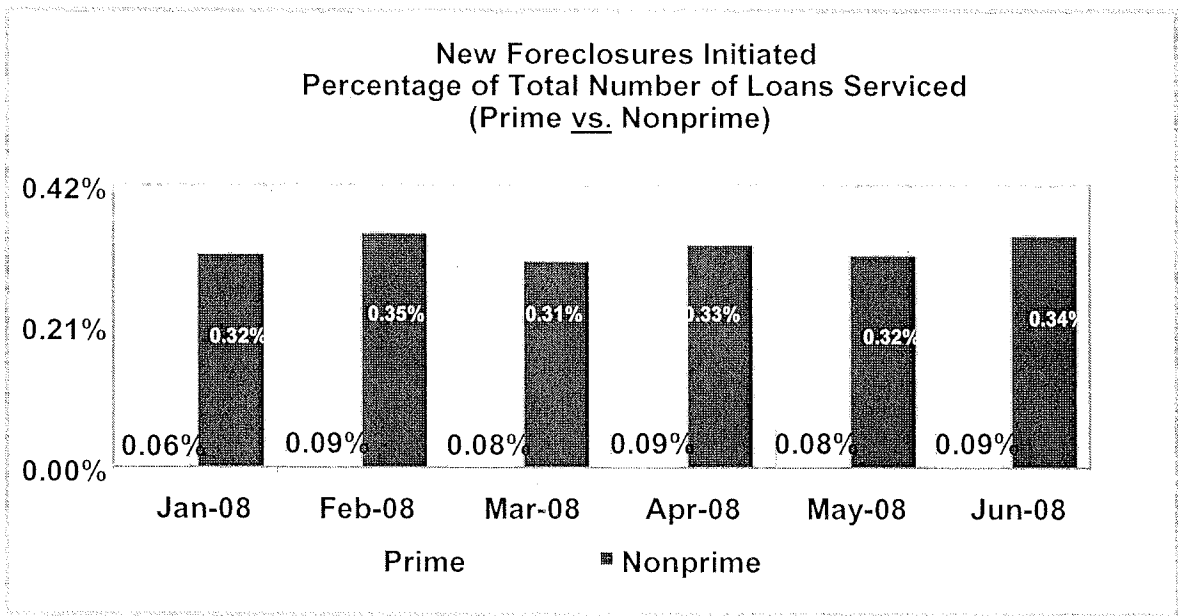
<sup>2</sup> Joint report of Office of the Comptroller of the Currency and Office of Thrift Supervision, *OCC and OTS Mortgage Metrics Report: Disclosure of National Bank and Federal Thrift Mortgage Loan Data, January-June 2008*, Washington, DC, September 2008.

<sup>3</sup> HOPE NOW, *Mortgage Loss Mitigation Statistics Industry Extrapolations*, January – March 2008, <http://www.hopenow.com/upload/data/files/July%202008%20Industry%20Extrapolations.pdf>, last accessed September 17, 2008.

The Enterprises' credit portfolios do not represent the characteristics of all outstanding first lien residential mortgages and may differ from the overall mortgage population. HOPE NOW Alliance and OCC/OTS metrics demonstrate that difference.







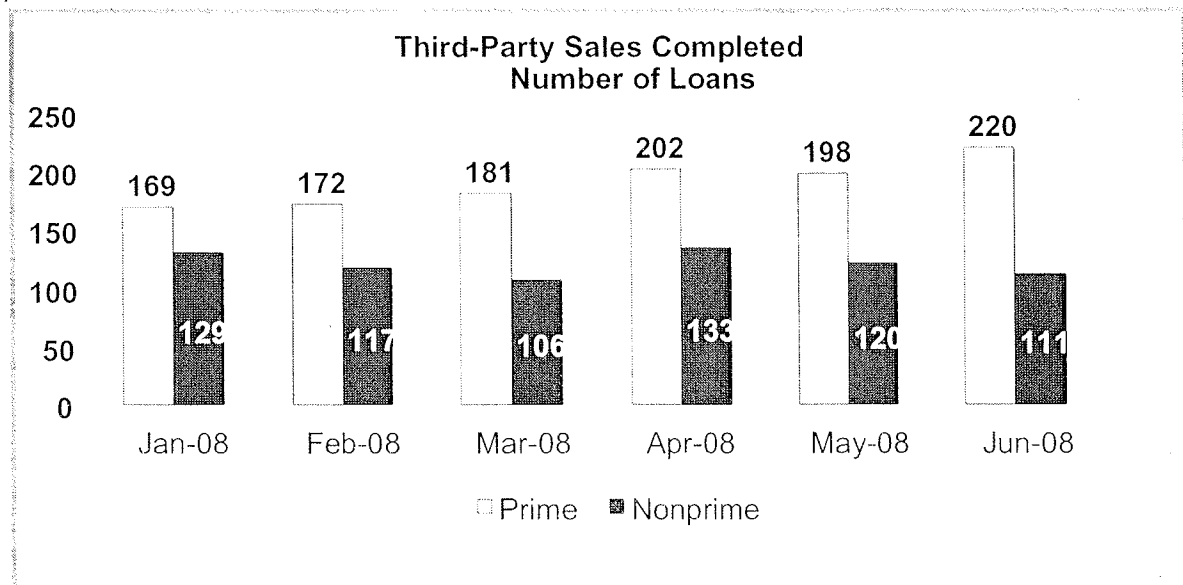
**Third-Party Sales Completed**

A third-party sale is the sale of the mortgaged property to a third party at the foreclosure auction. The borrower loses the property to foreclosure, but ownership of (deed to) the property transfers to a new owner and not to the mortgage servicer. The property is not added to the servicer’s real estate owned (REO) inventory as a new acquisition.

**Table 5. Third-Party Sales Completed (Number of Loans)**

	1-Q Avg	Apr-08	May-08	Jun-08	2Q-2008	2-Q Avg
Prime	174	202	198	220	620	207
Nonprime	117	133	120	111	364	121
<b>Third-Party Sales</b>	<b>291</b>	<b>335</b>	<b>318</b>	<b>331</b>	<b>984</b>	<b>328</b>

During first quarter 2008, third-party sales averaged 291 per month with 174 classified as prime and 117 classified as nonprime mortgage properties. During second quarter 2008, all third-party sales increased by 12.6 percent over the first quarter 2008 monthly average, to an average of 328 with 207 classified as prime and 121 classified as nonprime mortgage properties. Third-party sales of prime mortgage properties increased by 18.8 percent over the first quarter 2008 monthly average, while third-party sales of nonprime mortgage properties increased by 3.4 percent.



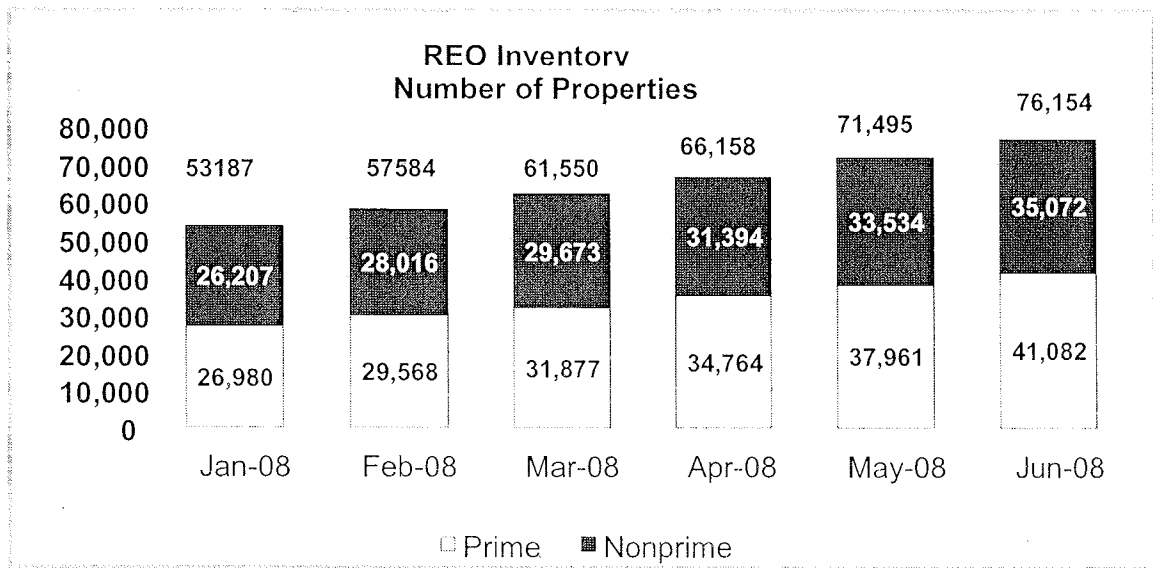
**Real Estate Owned (REO) Inventory**

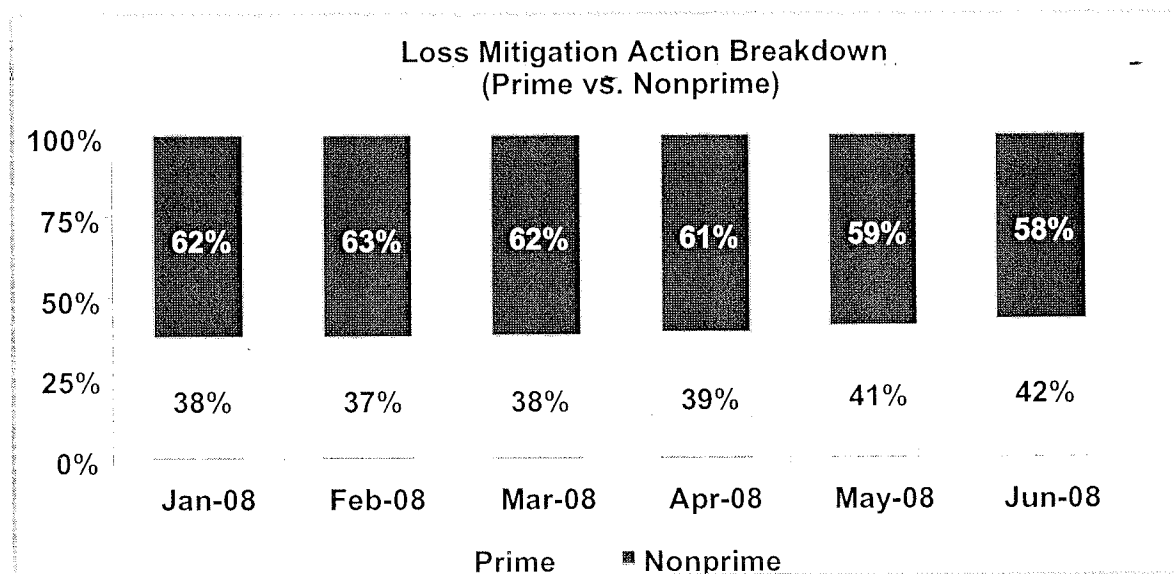
The real estate owned (REO) inventory rose from 61,550 at March 31, 2008 to 76,154 as of June 30, 2008 — an increase of 14,064 properties or 23.7 percent during second quarter 2008. The REO inventory of prime mortgage properties increased by 9,205 properties or 28.9 percent to 41,082 properties, while nonprime mortgage properties increased by 5,399 or 18.2 percent to 35,072 properties.

As of June 30, 2008, prime mortgage properties represented 54 percent and nonprime mortgage properties represented 46 percent of the REO inventory.

**Table 7. REO Inventory at Month end (Number of Properties)**

	3/31/08	4/30/08	5/31/08	6/30/08
Prime	31,877	34,764	37,961	41,082
Nonprime	29,673	31,394	33,534	35,072
REO Inventory at Month End	<b>61,550</b>	<b>66,158</b>	<b>71,495</b>	<b>76,154</b>





Completed payment plans predominated over other workout options that lead to resolution of the delinquency; such plans represented 50.3 percent of first quarter 2008 loss mitigation actions and 50.9 percent of second quarter 2008 loss mitigation actions. Loan modifications represented 43.4 percent of first quarter 2008 loss mitigation actions, and 38.4 percent of second quarter 2008 loss mitigation actions. Short sales represented 4.9 percent of first quarter 2008 loss mitigation actions, and 9.5 percent of second quarter 2008 loss mitigation actions. Deeds in lieu represented .9 percent of first quarter 2008 loss mitigation actions, and .7 percent of second quarter 2008 loss mitigation actions. Charge-offs in lieu of foreclosure represented .5 percent of loss mitigation actions for both first and second quarter 2008. No assumptions were completed.

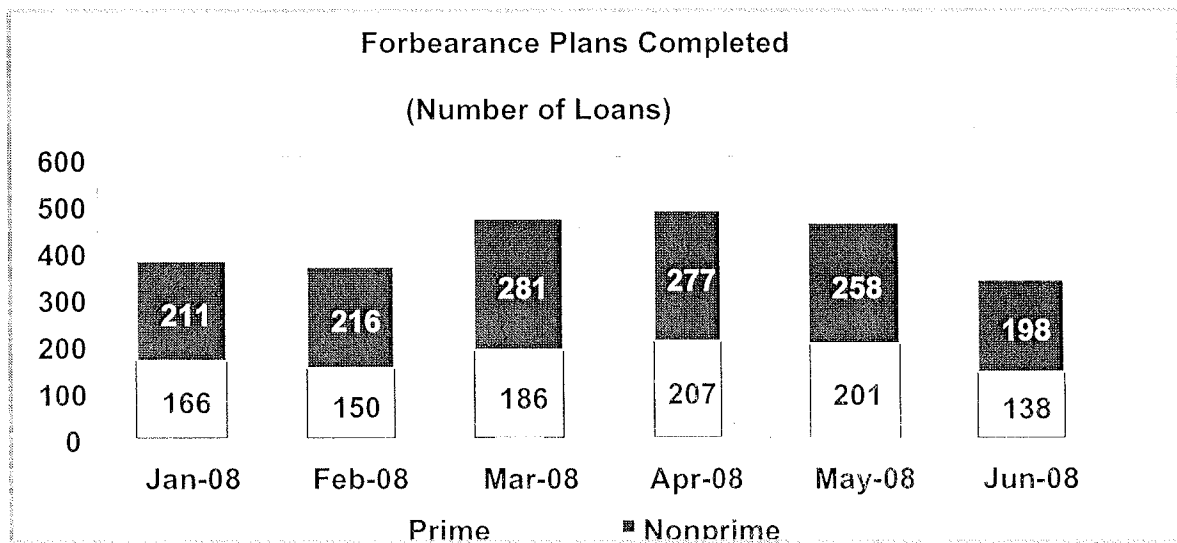
Quarter-over-quarter, the most significant change was an increase in short sales from 1,776 in first quarter 2008 to 3,061 in second quarter 2008 – an increase of 1,285 short sales or 72.4 percent. Another significant change was a reduction in loan modifications from 15,612 in first quarter 2008 to 12,377 in second quarter 2008 – a reduction of 3,235 modifications or -20.7 percent.



**Forbearance Plans**

A forbearance plan allows a short-term change in the monthly payment amount. It gives the borrower the opportunity to address the current situation and allows him or her to pay less than the regular monthly payment. At the end of the forbearance, the borrower is required to bring the account current or to enter into another loss mitigation action, such as a payment plan or a loan modification. Forbearance is most frequently used to address unexpected, catastrophic events, such as Hurricane Katrina.

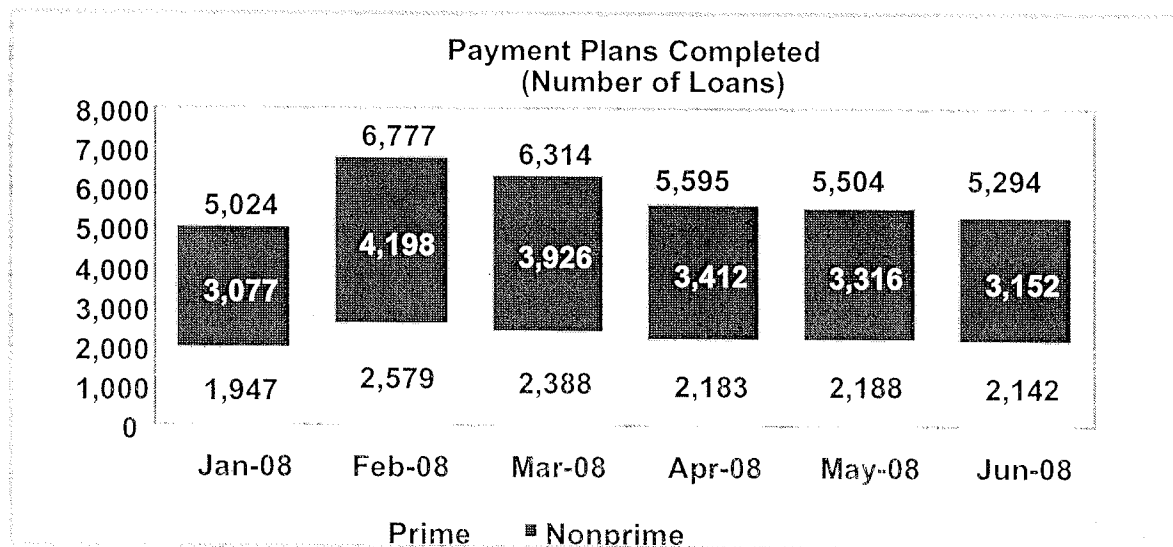
Completed forbearance plans increased from a first quarter 2008 monthly average of 403 to 426 during second quarter 2008, an increase of 5.7 percent. Completed forbearance plans for prime borrowers increased from a first quarter 2008 monthly average of 167 to 182 during the second quarter 2008, an increase of 8.8 percent. Completed forbearance plans for nonprime borrowers increased from a first quarter 2008 monthly average of 236 to 244 during second quarter 2008, a 3.5 percent increase. Prime mortgages averaged 41.5 percent of all completed forbearance plans in first quarter 2008 and 42.7 percent in second quarter 2008. Nonprime mortgages averaged 58.5 percent in first quarter 2008 and 57.3 percent in second quarter 2008.



**Payment Plans – Completed**

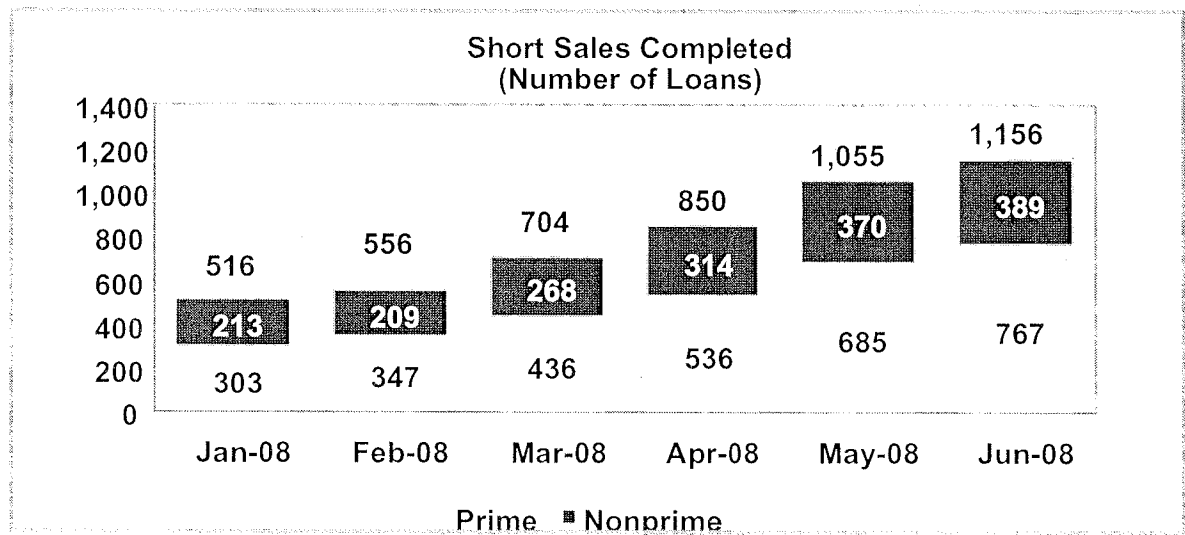
Completed payment plans decreased from a first quarter 2008 monthly average of 6,038 to 5,464 for second quarter 2008, or by -9.5 percent. For prime mortgages, completed payment plans decreased from a first quarter 2008 monthly average of 2,305 to 2,171 during second quarter 2008, or by -5.8 percent. Completed payment plans for nonprime mortgages decreased from a first quarter 2008 monthly average of 3,734 to 3,293 during second quarter 2008, or by -11.8 percent. As a percent of all completed payment plans, prime mortgages averaged 38.2 in first quarter 2008 and 39.7 in second quarter 2008. Nonprime mortgages averaged 61.8 in the first quarter of 2008 and 60.3 in second quarter 2008.

Completed payment plans represented 28.4 percent of initiated payment plans in first quarter 2008, and 24.7 percent of initiated payment plans in second quarter 2008. Completed payment plans for prime mortgage represented 28.0 percent of initiated payment plans in first quarter 2008, and 24.0 percent of initiated payment plans in second quarter 2008. Completed payment plans for nonprime mortgage represented 28.6 percent of initiated payment plans in first quarter 2008, and 25.1 percent of initiated payment plans in second quarter 2008.



## Short Sales

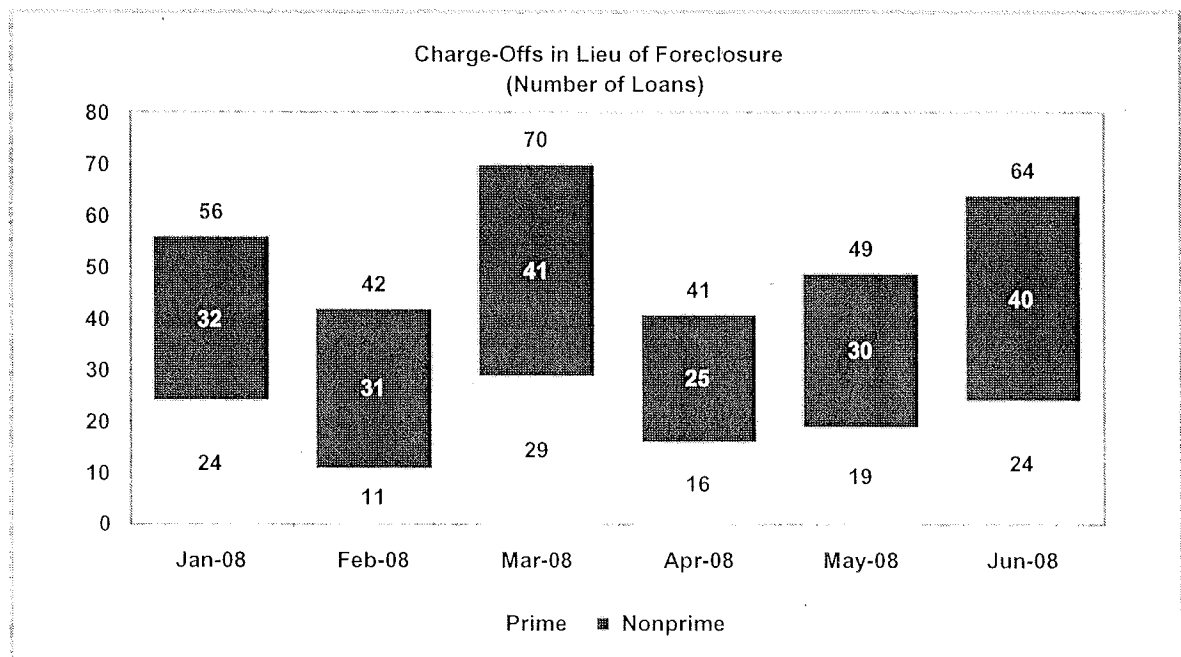
A short sale (also called a preforeclosure sale) is the sale of a mortgaged property at a price that nets less than the total amount due on the mortgage (e.g., the sum of the unpaid principal balance, accrued interest, advanced escrows, late fees, and delinquency charges.) The servicer and borrower negotiate payment of the difference between the net sales price and the total amount due on the mortgage.



Completed short sales increased from a first quarter 2008 monthly average of 592 to 1,020 during second quarter 2008, an increase of 428 or 72.4 percent. Completed short sales for prime mortgages increased from a first quarter 2008 monthly average of 362 to 663 in second quarter 2008, an increase of 301 or 83.1 percent. Completed short sales for nonprime mortgages increased from a first quarter 2008 monthly average of 230 to 358 for second quarter 2008, an increase of 128 or 55.5 percent. As a percent of all completed short sales, prime mortgages averaged 61.1 percent in first quarter 2008 and 64.9 percent in second quarter 2008. Nonprime mortgages averaged 38.9 percent in first quarter 2008 and 35.1 percent in second quarter 2008.

### Charge-Offs in Lieu of Foreclosure

A charge-off in lieu of foreclosure occurs when a servicer charges off the mortgage debt rather than completing foreclosure and taking the property title. The borrower retains the property. The unpaid mortgage balance becomes a lien on the borrower's property, which must be satisfied when the borrower transfers ownership.

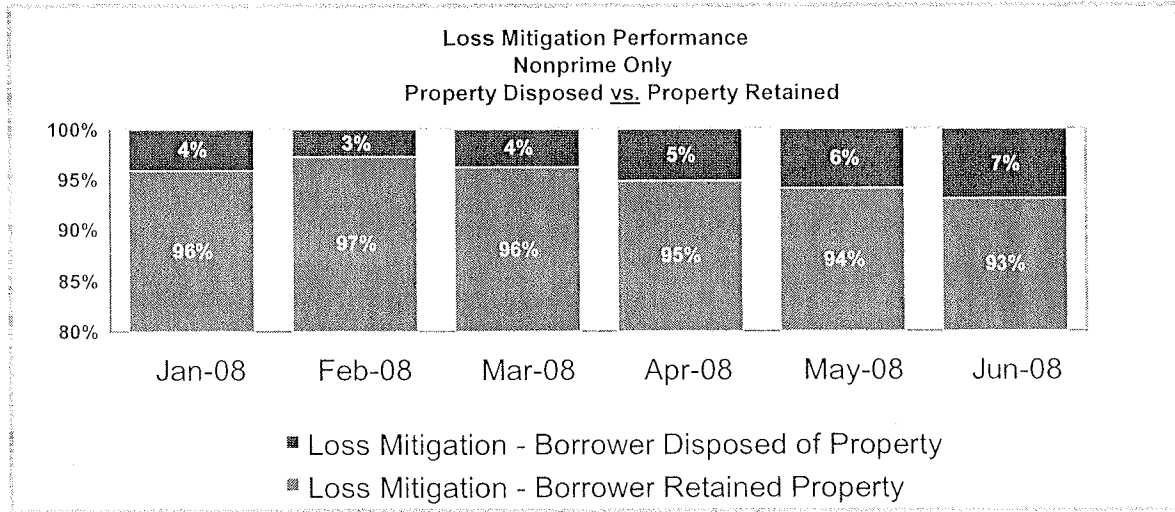


Completed charge-offs in lieu of foreclosure decreased from a first quarter 2008 monthly average of 56 to 51 in second quarter 2008, a decrease of 5 or -8.3 percent. Completed charge-offs in lieu of foreclosure for prime mortgages decreased by 1 or -7.8 percent from a first quarter 2008 monthly average of 21 to 20 during the second quarter 2008. Completed charge-offs in lieu of foreclosure for nonprime mortgages decreased from a first quarter 2008 monthly average of 35 to 32 during second quarter 2008, a decrease of 3 or -8.7 percent. As a percent of all completed charge-offs in lieu of foreclosure, prime mortgages averaged 38.1 in first quarter 2007 and 38.3 percent in second quarter 2008. Nonprime mortgages averaged 61.9 percent in first quarter 2008 and 61.7 percent during second quarter 2008.

in lieu, and assumptions, represented 5.8 percent of first quarter 2008 loss mitigation actions and 10.2 percent of those in second quarter 2008. As mentioned earlier, short sales increased significantly quarter-over-quarter. As a result, the percent of loss mitigation actions that allow the borrower to avoid foreclosure and retain the property declined, while the percent of loss mitigation actions that allow the borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, increased.

**Loss Mitigation Performance – Nonprime Mortgages Only**

The loss mitigation performance ratio for nonprime mortgages decreased from 60.0 percent in first quarter 2008 to 52.9 percent during second quarter 2008. Loss mitigation actions that allowed nonprime borrowers to avoid foreclosure and retain the property, including payment plans, loan modifications, and charge-offs, represented 96.6 percent of first quarter 2008 loss mitigation actions and 94.1 percent of loss mitigation actions during second quarter 2008. Loss mitigation actions that allowed the nonprime borrower to avoid foreclosure and protect his or her credit rating while disposing of the property, such as short sales, deeds in lieu, and assumptions, represented 3.4 percent of first quarter 2008 loss mitigation activities and 5.9 percent of those in second quarter 2008.



- 90-plus-day delinquent mortgages (including mortgages in the foreclosure process) totaled 372,947 for the Enterprises and 1,034,139 for OCC/OTS combined. The Enterprises' 90-plus-day delinquency rate was 1.22 percent and 2.98 percent for OCC/OTS combined. HOPE NOW does not report on 90-plus-day delinquent mortgages.
- New foreclosures initiated year-to-date as a percent of 90-plus-day delinquent loans was 11.7 percent for the Enterprises, and 10.1 percent for OCC/OTS combined. HOPE NOW does not report on 90-plus-day delinquent mortgages.
- Payment plans initiated year-to-date as a percent of 90-plus-day delinquent loans was 6.79 percent for the Enterprises and 4.92 percent for OCC/OTS combined. HOPE NOW does not report on 90-plus-day delinquent mortgages.
- Loan modifications completed year-to-date as a percent of 90-plus-day delinquent loans (including foreclosures in process) was 1.46 percent for the Enterprises, and 3.28 percent for OCC/OTS combined. HOPE NOW does not report 90-plus-day delinquent mortgages.
- Foreclosures completed year-to-date totaled 69,718 for the Enterprises and 449,000 for HOPE NOW. Foreclosures completed as a percent of all mortgage was .04 percent for the Enterprises and .14 percent for HOPE NOW. Foreclosures completed as a percent of foreclosures initiated was 30.9 percent for the Enterprises and 40.8 percent for HOPE NOW. OCC and OTS do not report on foreclosures completed.