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FHFA FAQs

When was the Federal Housing Finance Agency created?

The Housing and Economic Recovery Act was enacted on July 30, 2008. HERA created the Federal Housing Finance Agency as the successor agency to the Office of Federal Housing Enterprise Oversight and the Federal Housing Finance Board. (The Office of Federal Housing Enterprise Oversight had been established in 1992 to regulate the Fannie Mae and Freddie Mac. Prior to enactment of the Housing and Economic Recovery Act, the Office of Federal Housing Enterprise Oversight functioned as an independent agency within the U.S. Department of Housing and Urban Development. The Federal Housing Finance Board had been established in 1989 as the regulator of the nation's 12 Federal Home Loan Banks.)

What entities does the Federal Housing Finance Agency regulate?

The Federal Housing Finance Agency regulates and supervises Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Additionally, the Federal Housing Finance Agency serves as conservator of Fannie Mae and Freddie Mac.

What are the Federal Housing Finance Agency's key authorities?

Under the Housing and Economic Recovery Act of 2008, the Federal Housing Finance Agency oversees operations of the Government-Sponsored Enterprises (GSEs). HERA authorizes the Federal Housing Finance Agency to:

- Ensure that the GSEs operate "in a safe and sound manner, including maintenance of adequate capital and internal controls;"
- Establish criteria for investments that the GSEs may hold in their portfolios;
- Establish risk-based capital requirements for the GSEs;
- Require the GSEs to increase their capital;
- Review and approve GSE executive compensation;

- Review and approve any new products that Fannie Mae or Freddie Mac propose to offer;
- Establish affordable housing goals for Fannie Mae and Freddie Mac (together, the "Enterprises");
- Enforce compliance with housing goals; and
- Appoint FHFA as a conservator or receiver of the GSEs.

When did the Federal Housing Finance Agency become conservator of Fannie Mae and Freddie Mac, and what does it mean to be conservator?

On September 6, 2008, weeks after enactment of the Housing and Economic Recovery Act, Fannie Mae and Freddie Mac were placed into conservatorships overseen by the Federal Housing Finance Agency. As conservator, the Federal Housing Finance Agency assumed all the powers of the shareholders, directors, and officers, with the goal of preserving and conserving the assets and property of Fannie Mae and Freddie Mac.

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Fannie Mae and Freddie Mac FAQs

When were Fannie Mae and Freddie Mac created?

Fannie Mae was chartered in 1938, and Freddie Mac was chartered in 1970.

What is Fannie Mae and Freddie Mac's mission?

Fannie Mae and Freddie Mac support stable funding for the housing and mortgage markets and expand opportunities for home ownership and affordable rental housing.

Do Fannie Mae and Freddie Mac make loans directly to home buyers?

No. Fannie Mae Freddie Mac support the nation's housing finance system through the secondary mortgage market and do not make loans directly to borrowers; rather, banks, credit unions, and other retail financial institutions originate home loans to borrowers. Generally, lenders do not retain the mortgages they originate as assets on their own books. Instead, they often sell conventional conforming mortgage loans soon after origination to Fannie Mae or Freddie Mac. The Enterprises thus provide liquidity for mortgage lenders, which receive cash that can be used for additional mortgages.

What is securitization?

Fannie Mae and Freddie Mac typically securitize the loans they purchase by aggregating or pooling them into debt securities called mortgage-backed securities, which are sold to investors. As part of the securitization process, and to reduce investors' risk, the Enterprises guarantee payment of principal and interest on their mortgage-backed securities in exchange for a fee. Alternatively, the Enterprises also may hold these loans or purchase mortgage-backed securities for their own investment portfolios, which are funded through issuance of debt obligations.

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Conservatorship FAQs

What is a conservatorship?

The Federal Reserve Bank of St. Louis (and subsequently, the Federal Housing Finance Agency) defines a conservatorship as "[t]he legal process (for entities that are not eligible for Bankruptcy court reorganization) in which a person or entity is appointed to establish control and oversight of a company to put it in a sound and solvent condition. In a conservatorship, the powers of the company's directors, officers, and shareholders are transferred to the designated conservator." <http://timeline.stlouisfed.org/pdf/CrisisGlossary.pdf>

How does it compare to a receivership?

A receiver is a neutral party appointed by the court to take possession of property and preserve its value for the benefit of the person or entity subsequently determined to be entitled to the property. CJS Receivership § 1. Under the Federal Deposit Insurance Act the receiver is charged by law with the duty of winding up the affairs of a bank or savings association or branch of a foreign bank. 12 U.S.C. § 1813(j)

Is a conservatorship temporary or permanent?

There is no inherent duration in a conservatorship. The organic statute or order creating the conservatorship defines its goals, operations, and conditions for existence, differing from the FDIC receivership context, which does not anticipate a return to business. In this case, the Federal Housing Finance Agency has stated that the conservatorship will terminate upon successful completion of its plan to restore the companies to safe and solvent condition ("Fact Sheet – Questions and Answers on Conservatorship". <http://www.fhfa.gov/Media/PublicAffairs/Pages/Fact-Sheet-Questions-and-Answers-on-Conservatorship.aspx>)

How were the Federal Housing Finance Agency conservatorships established?

Pursuant to authority granted under Housing and Economic Recovery Act and the Safety and Soundness Act, on September 6, 2008, the Boards of Fannie Mae and Freddie Mac both assented to the order of Federal Housing Finance Agency Director Lockhart appointing the Federal Housing Finance Agency as conservator of Fannie Mae and Freddie Mac.

Under what conditions could a conservatorship be instituted?

The Housing and Economic Recovery Act prescribes that the director **may** appoint a conservator (or receiver) in cases of insolvency, undercapitalization, operating in an unsafe or unsound condition, concealment of books and records to regulators, inability to pay obligations or meet the demands of creditors, violations of law, consent of the Board of Directors, and others.

Under the Housing and Economic Recovery Act, the Director **must** place the entity under receivership if the entity is insolvent for the preceding 60 days, or has not paid its obligations for the preceding 60 days.

What are the powers of the Conservator?

Per Section 1367 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. § 4501, et seq., as amended) and regulations published by the Federal Housing Finance Agency (12 CFR Part 1237), the conservator has three general sets of powers:

First, the Conservator (or Receiver) is the **immediate successor** to all rights, titles, powers, and privileges of the entity, and any stockholder, officer, or director.

Second, Conservator may **operate the entity** – including conducting all business of the entity, taking over the assets, and operating with all the powers of the shareholders, directors, and the officers. The conservator may also collect obligations due to the entity, and contract out any function or duty of the entity.

Finally, and perhaps most importantly, the Conservator may take such action as necessary to: (1) put the entity in a sound and solvent condition, and (2)

carry on the business of the regulated entity and **preserve and conserve the assets** and property of the regulated entity.

How do the Conservatorships operate?

The Federal Housing Finance Agency generally delegates the authorities necessary for day-to-day operation of the entities to the respective Boards and management. However, for certain more significant or ad hoc activities, the entities are required to seek the approval of the Conservator.

http://www.freddiemac.com/governance/bd_authority.html

- Actions involving capital stock, dividends, the Securities Purchase Agreement with the U.S. Department of the Treasury, any increase in risk limits, material changes in accounting policy, or that would create reasonably foreseeable material increases in operational risk
- Creation of any subsidiary or affiliate or substantial transaction between entity and affiliate, except for transactions in the ordinary course of business
- Matters related to conservatorship – initiation and material actions in connection with significant litigation addressing the actions or authority of the Conservator, contracts in dispute because of conservatorship
- Hiring and compensation at the level of Executive Vice President and above – this includes the CEO, CFO, COO and other named positions
- Retention and termination of external auditors and law firms
- Settlements over \$50 million
- Merger or acquisition over \$50 million
- Actions likely to cause significant reputational risk

What major actions has the Conservator taken?

The Federal Housing Finance Agency has imposed certain operation conditions on the entities, independent of any request for approval by the entities. Among these major actions are the lifting of a 2003 consent order by the Office of Federal Housing Enterprise Oversight against Freddie Mac; the prohibition of shareholder dividend payments; and the exercise as majority shareholder of the power to consent to the appointment of Board members (where a shareholder vote would be required in the usual course of business).

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Federal Home Loan Bank System FAQs

What is the Federal Home Loan Bank System?

The Federal Home Loan Bank System is currently comprised of 12 regional Federal Home Loan Banks and the Office of Finance, which issues debt on the Federal Home Loan Banks' behalf. The 12 Federal Home Loan Banks are each separate legal entities that must adhere to specific management and capitalization criteria.

When was the Federal Home Loan Bank System created?

The Federal Home Loan Banks were created in 1932.

What do the Federal Home Loan Banks do?

The primary business of the Federal Home Loan Banks is providing their members with low-cost funding for mortgage lending and other purposes. To do so, each Federal Home Loan Bank makes loans (referred to as advances) to its members. Federal Home Loan Bank members are other financial institutions, such as banks, thrifts, insurance companies, and credit unions, not the general public.

How is the Federal Home Loan Bank System structured and funded?

The 12 Federal Home Loan Banks are privately capitalized. Each regional Federal Home Loan Bank is cooperatively owned by the members it serves, which include financial institutions such as commercial banks, thrifts, insurance companies, and credit unions. Eligible financial institutions invest in stock of the Federal Home Loan Banks to become members. Federal Home Loan Bank stock is not publicly traded. The primary business of the Federal Home Loan Banks is providing their members with low-cost funding for mortgage lending and other purposes. To do so, each Federal Home Loan Bank makes loans (referred to as advances) to its members. Federal Home Loan Bank advances are available in a variety of maturities and structures. Such advances are collateralized by single-family mortgage assets, investment-grade securities, or in some cases, agricultural and small business loans.

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Federal Housing Finance Agency Office of Inspector General FAQs

What is the Federal Finance Agency Office of Inspector General?

The Federal Housing Finance Agency Office of Inspector General conducts, supervises, and coordinates audits, investigations, and other activities relating to the programs and operations of the Federal Housing Finance Agency.

When was the Federal Housing Finance Agency Office of Inspector General established?

The Federal Housing Finance Agency Office of Inspector General began operations on October 12, 2010, when its first Inspector General, Steve Linick, was sworn in.

What law created the Federal Housing Finance Agency Office of Inspector General?

The Federal Housing Finance Agency Office of Inspector General was established by the Housing and Economic Recovery Act of 2008, which amended the Inspector General Act.

What is the Federal Housing Finance Agency Office of Inspector General's mission?

Federal Housing Finance Agency Office of Inspector General's mission is to:

- Promote the economy, efficiency, and effectiveness of FHFA's programs and operations;
- Prevent and detect fraud, waste, and abuse in the programs and operations of FHFA; and
- Seek administrative sanctions, civil recoveries, and/or criminal prosecutions of those responsible for fraud, waste, and abuse in connection with FHFA's programs and operations.

How does the Federal Housing Finance Agency Office of Inspector General accomplish its mission?

In carrying out its mission, the Federal Housing Finance Agency Office of Inspector General:

- Keeps the Director of FHFA, Congress, and the American people fully and currently informed of problems and deficiencies relating to FHFA's

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- programs and operations; and
- Works with FHFA staff and program participants to improve FHFA's programs and operations.

What values are important to the Federal Housing Finance Agency Office of Inspector General?

FHFA-OIG adheres to a defined set of core values:

- Mission Driven- the Federal Housing Finance Agency Office of Inspector General is committed to excellence with the aim of providing transparency and accountability in FHFA's programs and operations and improving its performance through measurable results;
- Integrity- the Federal Housing Finance Agency Office of Inspector General strives to maintain trust and integrity;
- Professionalism- the Federal Housing Finance Agency Office of Inspector General is committed to the highest standards of professional conduct;
- Equal Employment Opportunity- the Federal Housing Finance Agency Office of Inspector General promotes equal employment opportunity for all employees and job applicants; and
- Confidentiality- the Federal Housing Finance Agency Office of Inspector General is committed to maintaining the confidentiality of whistleblowers and others.

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