

APPENDIX

**Federal Housing Enterprises Financial Safety and Soundness Act of 1992
(Title XIII of Public Law 102-550)**

Office of Federal Housing Enterprise Oversight

OFHEO Senior Officials

Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Title 13 of Public Law 102-550)

Section 1313. DUTY AND AUTHORITY OF DIRECTOR.

(a) **DUTY.**- The duty of the Director shall be to ensure that the enterprises are adequately capitalized and operating safely, in accordance with this title.

(b) **AUTHORITY EXCLUSIVE OF SECRETARY.**- The Director is authorized, without the review or approval of the Secretary, to make such determinations, take such actions, and perform such functions as the Director determines necessary regarding -

(1) the issuance of regulations to carry out this part, subtitle B, and subtitle C (including the establishment of capital standards pursuant to subtitle B);

(2) examinations of the enterprises under section 1317;

(3) determining the capital levels of the enterprises and classification of the enterprises within capital classifications established under subtitle B;

(4) decisions to appoint conservators for the enterprises;

(5) administrative and enforcement actions under subtitle B, actions taken under subtitle C with respect to enforcement of subtitle B, and other matters relating to safety and soundness;

(6) approval of payments of capital distributions by the enterprises under section 303(c)(2) of the Federal National Mortgage Association Charter Act and section 303(b)(2) of the Federal Home Loan Mortgage Corporation Act;

(7) requiring the enterprises to submit reports under section 1314 of this title, section 309(k) of the Federal National Mortgage Association Charter Act, and section 307(c) of the Federal Home Loan Mortgage Corporation Act;

(8) prohibiting the payment of excessive compensation by the enterprises to any executive officer of the enterprises under section 1318;

(9) the management of the Office, including the establishment and implementation of annual budgets, the hiring of, and compensation levels for, personnel of the Office, and annual assessments for the costs of the Office;

(10) conducting research and financial analysis;

(11) the submission of reports required by the Director under this title.

(c) **AUTHORITY SUBJECT TO APPROVAL OF SECRETARY.**- Any determinations, actions, and functions of the Director not referred to in subsection (b) shall be subject to the review and approval of the Secretary.

(d) **DELEGATION OF AUTHORITY.**- The Director may delegate to officers and employees of the Office any of the functions, powers, and duties of the Director, as the Director considers appropriate.

(e) **INDEPENDENCE IN PROVIDING INFORMATION TO CONGRESS.**- The Director shall not be required to obtain the prior approval, comment, or review of any officer or agency of the United States before submitting to the Congress, or any committee or subcommittee thereof, any reports, recommendations, testimony, or comments if such submissions include a statement indicating that the views expressed therein are those of the Director and do not necessarily represent the views of the Secretary or the President.

OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

The **Office of Federal Housing Enterprise Oversight (OFHEO)** was established as an independent entity within the Department of Housing and Urban Development by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Title XIII of P.L. 102-550). The Office is headed by a Director appointed by the President for a five-year term.

OFHEO's primary mission is ensuring the capital adequacy and financial safety and soundness of two government-sponsored enterprises (GSEs) — the **Federal National Mortgage Association (Fannie Mae)** and the **Federal Home Loan Mortgage Corporation (Freddie Mac)**.

Fannie Mae and Freddie Mac are the nation's largest housing finance institutions. They buy mortgages from commercial banks, thrift institutions, mortgage banks, and other primary lenders, and either hold these mortgages in their own portfolios or package them into mortgage-backed securities for resale to investors. These secondary mortgage market operations play a major role in creating a ready supply of mortgage funds for American homebuyers. Combined assets and off-balance sheet obligations of Fannie Mae and Freddie Mac were \$1.6 trillion at the end of 1997.

Fannie Mae and Freddie Mac are Congressionally-chartered, publicly-owned corporations whose shares are listed on the New York Stock Exchange. Under terms of their GSE charters, they are exempt from state and local taxation and from registration requirements of the Securities and Exchange Commission. Each firm has a back-up credit line with the U.S. Treasury.

OFHEO's oversight responsibility includes:

- Conducting broad-based examinations of Fannie Mae and Freddie Mac;
- Developing risk-based capital standards using a "stress test" that simulates stressful interest rate and credit risk scenarios;
- Making quarterly findings of capital adequacy based on minimum capital standards until a risk-based standard is completed;
- Prohibiting excessive executive compensation;
- Issuing regulations concerning capital and enforcement standards; and
- Taking necessary enforcement actions.

OFHEO is funded through assessments of Fannie Mae and Freddie Mac. OFHEO's operations represent no direct cost to the taxpayer. OFHEO's 1998 budget of \$16 million supports a full time staff of 72.

In its safety and soundness mission, OFHEO has regulatory authority similar to such other federal financial regulators as the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the Federal Reserve System.

(The legislation that established OFHEO also requires Fannie Mae and Freddie Mac to meet certain affordable housing goals set annually by the Secretary of Housing and Urban Development. These goals specify the share of mortgages that the two GSEs are required to purchase annually from low-income, moderate-income and central-city homebuyers.)

**OFFICE OF FEDERAL HOUSING
ENTERPRISE OVERSIGHT
SENIOR OFFICIALS**

**Mark Kinsey
Acting Director**

**G. Scott Calhoun
Director
Office of Examination and Oversight**

**Anne Dewey
General Counsel
Office of General Counsel**

**Joanne Hanley
Director
Office of Congressional Affairs**

**Susan Jacobs
Director
Office of Finance and Administration**

**Patrick Lawler
Chief Economist and
Director, Office of Policy Analysis**

**David Pearl
Director
Office of Research, Analysis
and Capital Standards**

**Jill Weide
Acting Director
Office of Public Affairs**