



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

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REGULATOR ISSUES QUARTERLY CAPITAL CLASSIFICATION OF FANNIE MAE AND FREDDIE MAC

WASHINGTON, D.C. — Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), announced today that Fannie Mae and Freddie Mac were adequately capitalized on September 30, 1999.

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 requires the OFHEO Director to determine at least quarterly, if Fannie Mae and Freddie Mac are adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized.

OFHEO determined that at September 30, 1999:

— Fannie Mae's core capital of \$17,221.60 million exceeded its minimum capital requirement of \$17,099.78 million by \$121.82 million.

— Freddie Mac's core capital of \$12,048.20 million exceeded its minimum capital requirement of \$11,659.23 million by \$388.97 million.

(more)

OFHEO is required by statute to determine capital adequacy of the Enterprises on the basis of both *minimum* and *risk-based* capital standards.

Minimum capital represents an essential amount of capital needed to protect an Enterprise against broad categories of business risk. For purposes of minimum capital, an Enterprise is considered adequately capitalized if core capital — common stock; perpetual noncumulative preferred stock; paid-in capital; and retained earnings — equals or exceeds minimum capital.

OFHEO's *risk-based* capital requirement is the amount of total capital — core capital plus a general allowance for foreclosure losses — that an Enterprise must hold to absorb projected losses flowing from future severe interest-rate and credit-risk conditions, plus 30 percent to cover management and operations risk. A proposed risk-based capital regulation, based on a stress test, is currently open for public comment until March 10, 2000. This regulation can be viewed on OFHEO's website at www.ofheo.gov.

OFHEO is an independent office within the Department of Housing and Urban Development that reports to Congress. It is funded through assessments of Freddie Mac and Fannie Mae, and receives no government funds. In its regulatory authority, OFHEO is analogous to such other federal financial regulators as the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the Federal Reserve Board.

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OFHEO effectively protects the interests of the American taxpayer and contributes to the strength and vitality of the nation's housing finance system through independent and fair safety and soundness regulation of Fannie Mae and Freddie Mac.