

Statement of James B. Lockhart
Director, Office of Federal Housing Enterprise Oversight
News Conference
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Thank you for coming. I would like to welcome Dan Mudd and Dick Syron, the Chief Executive Officers of Fannie Mae and Freddie Mac, respectively. Over the last year the two Enterprises have played a critical and beneficial role in the mortgage markets.

I am pleased to join the two CEOs in announcing a major initiative to expand that role by further increasing liquidity and capital in the U.S. mortgage market. The initiative is expected to provide up to \$200 billion of immediate liquidity to the mortgage-backed securities market. For all of 2008 it will provide many times that amount in support of the mortgage markets.

Effective immediately, OFHEO is reducing the OFHEO-directed capital requirement for Fannie Mae and Freddie Mac from 30 percent to 20 percent above the 2.5 percent minimum statutory capital requirement.

This one-third reduction in the OFHEO-directed requirement, combined with the removal of the portfolio caps I announced three weeks ago, creates the opportunity for the two companies to add as much as \$200 billion of mortgage-backed securities to their portfolios. That should serve as a major boost to the secondary mortgage market.

Importantly, the two companies have committed to raise significant capital and to maintain overall capital levels well in excess of requirements in order to ensure market confidence and fulfill their public mission.

OFHEO will consider further reductions in the OFHEO-directed requirement in the future.

Both companies have made substantial strides toward the completion of their remediation processes, and fulfillment of their Consent Orders, which we expect to lift in the near term. Three weeks ago their audited financial statements for 2007 were released on time.

As Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac have a specific and counter-cyclical role of providing liquidity, stability and affordability to the mortgage market. This initiative will enable them to do so while enhancing their safety and soundness.

Simply put, fully implemented this initiative will make available to the Enterprises sufficient capital to permit them to purchase or guarantee about \$2 trillion in mortgages and mortgage-backed securities this year. Knowing that support is there will make markets more stable and confident and help ensure long-term recovery.

That support will be for not just the Enterprises' traditional conventional market but also for loan modifications, the subprime market, and the temporary jumbo conforming market.

Today, the three of us again announce our commitment and call for comprehensive GSE regulatory reform. It is time to act.

Homebuyers, homeowners, their bankers and investors in the Enterprises' securities can rest assured that the strong move announced today will be backed by strong oversight. Both companies have pledged to continue to maintain prudent cushions above the OFHEO-directed capital requirements and have increased their reserves. We believe they can play an even more positive role in providing the stability and liquidity the markets need right now. OFHEO will remain vigilant in supervising their safety and soundness and ensuring that their capital levels are strong.

Market participants expect us to be active and vigilant. We will meet those expectations.

I would like to turn it over to Dan Mudd and Dick Syron for their comments. And as Ed announced we will take questions after that.