



**Office of Federal Housing Enterprise Oversight
(OFHEO)**

NEWS RELEASE

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**OFHEO Directs Freddie Mac to Maintain Mandatory
Target Capital Surplus Pre-Approval Required for
Certain Corporate Transactions**

WASHINGTON, D.C. — Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), today directed Freddie Mac to maintain a mandatory target capital surplus of thirty percent over its minimum capital requirement. In addition, Freddie Mac must seek pre-approval for certain corporate transactions and must make weekly reports including its projected capital position and other information. The steps were taken to ensure that the Enterprise continues to maintain an adequate capital surplus until its operational risk is reduced and timely, certified financial statements are produced.

"This capital directive by OFHEO will help to assure the public and Congress that Freddie Mac will remain financially healthy as it works to restore the public's trust," Falcon said.

The requirements, which go into effect immediately, follow OFHEO's special examination of Freddie Mac, which recommended a capital surplus requirement and other steps to improve accounting, management and disclosure by the Enterprise. Freddie Mac has also undertaken a series of remedial steps to improve financial reporting and controls, including addressing elements of the Consent Order entered into by OFHEO and Freddie Mac in December.

For purposes of illustration, the following reflects Freddie Mac's minimum capital position as of November 30, 2003:

Freddie Mac Minimum Capital [1]

November 30, 2003	\$ Billions	
Minimum Capital Requirement	25.096	
Core Capital	33.169	
Surplus (Deficit)	8.073	32.2% [2]

1. Calculations reflect existing general ledger, and do not reflect pending 2003 financial statement adjustments. The numbers and calculations for November 30, 2003 do reflect the increase in capital of approximately \$5 billion from the 2002 restatement process.
2. Reported Surplus equals 32.2% of the November 30, 2003 Minimum Capital Requirement.

The full text of OFHEO's letter detailing the mandatory capital surplus and other measures is available at www.ofheo.gov or by clicking on [this link \(www.ofheo.gov/media/pdf/frecapclassltr12804.pdf\)](http://www.ofheo.gov/media/pdf/frecapclassltr12804.pdf).

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OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.