



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

NEWS RELEASE

FOR IMMEDIATE RELEASE

Monday, July 16, 2001

Contact: Stefanie Mullin

202.414.6921

www.ofheo.gov

OFHEO'S RISK-BASED CAPITAL RULE CLEARED BY OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. — Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), safety and soundness regulator of Fannie Mae and Freddie Mac (the Enterprises), announced that the Office of Management and Budget (OMB) has completed its review of OFHEO's risk-based capital rule. The rule will be sent to the *Federal Register* for printing as a final rule and made available to the public on Thursday, July 19, 2001.

"I appreciate the very thoughtful and diligent review undertaken by OMB. OFHEO will now have in place the final component of our effective and efficient regulatory program," said Director Falcon. "This rule will be an important complement to our examination, research and general supervisory activities."

"This risk-based capital standard will ensure the Enterprises can withstand highly stressful economic conditions while still fulfilling their public mission. In addition, it will more closely tie capital to risk than any existing capital standard while allowing the Enterprises appropriate flexibility to manage their businesses," said Director Falcon. "I am confident that the Enterprises will be able to comply with this standard without any adverse impact on their operations."

"The computer model which implements the rule has undergone rigorous testing and verification by the independent accounting firm of Deloitte and Touche. While not required by law but consistent with industry modeling practice, OFHEO took this extra step to ensure the model produces accurate and reliable results."

"I want to commend the very talented and dedicated staff of OFHEO who worked tirelessly to bring this rule to a conclusion. They completed an unprecedented task under very difficult circumstances. I also appreciate the support of Congress and HUD throughout this process."

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OFHEO Time Line for Publication of Final Rule on Risk-based Capital

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| <i>July 16, 2001</i> | Rule cleared by OMB. |
| <i>June 27, 2001</i> | Ninety day review by OMB ends; period extended to July 16. |
| <i>March 29, 2001</i> | Final rule formally submitted to OMB for clearance. |
| <i>November 2000</i> | Preliminary version of Final Rule sent to OMB. |
| <i>March 10, 2000</i> | NPR2 comment period closes, after extension. <ul style="list-style-type: none">▪ Risk-Based Capital Rule (NPR2) Comments http://www.ofheo.gov/introcomments.html |
| <i>October 1999</i> | Armando Falcon sworn in as Director of OFHEO. |
| <i>April 13, 1999</i> | Publication of second Notice of Proposed Rulemaking (NPR2) covering remaining components of stress test. <ul style="list-style-type: none">▪ EXECUTIVE SUMMARY of NPR2 http://www.ofheo.gov/docs/regs/npr2exsum.html |
| <i>February 1997</i> | Aida Alvarez moved to become Administrator of Small Business Administration. |
| <i>June 11, 1996</i> | Publication of first Notice of Proposed Rulemaking (NPR1) covering two components of stress test; comment period closes, after extension and time for reply comments, on <i>October 24, 1996</i> . |
| <i>February 8, 1995</i> | Publication of Advance Notice of Proposed Rulemaking (ANPR); comment period closes, after extension, on <i>June 8, 1995</i> . |
| <i>August 15, 1994</i> | OFHEO makes initial request for specific Enterprise data needed to develop the risk-based capital stress test. |
| <i>April-May 1994</i> | First meetings held between OFHEO staff and the Enterprises (all OFHEO senior staff positions filled). OFHEO makes initial request for general information about Enterprise models and data to determine its data needs. OFHEO lets contract to acquire specialized hardware and software for developing stress test; deliveries begin in May. |
| <i>June 1993</i> | Aida Alvarez confirmed as Director of OFHEO. |
| <i>1992</i> | Congress enacts and President signs Federal Housing Enterprises Financial Safety and Soundness Act of 1992 [PL 102-550 (1993)], creating OFHEO and directing promulgation of risk-based capital rule within 18 months of appointment of Director. |

GENERAL INFORMATION:

- **How OFHEO was created [PL 102-550(1993)]:**
Federal Housing Enterprises Financial Safety and Soundness Act of 1992
<http://www.ofheo.gov/about/title13.pdf>
- **General information on OFHEO:**
<http://www.ofheo.gov/about/>
- **OFHEO's organizational structure:**
<http://www.ofheo.gov/about/OFHEOORG.PDF>
(OFHEO currently employs 112 employees.)

OTHER USEFUL LINKS:

- **OFHEO's Web Site:**
<http://www.ofheo.gov/>

GSE CHARTER ACTS:

FANNIE MAE

- **FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT** <http://www.ofheo.gov/docs/reports/fnma.pdf>

FREDDIE MAC

- **FEDERAL HOME LOAN MORTGAGE CORPORATION ACT** <http://www.ofheo.gov/docs/reports/freddie.pdf>

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