

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GSE REGULATION
2008 Summary Statement and Initiatives
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Budget Authority</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2006 Obligations</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2008 Request</u>
<u>Legislative Proposal</u>								
Receipts	\$6,000

Summary Statement

Congress established important oversight responsibilities for HUD under Title XIII of the Housing and Community Development Act of 1992 (P.L. 102-550). The short title for this legislation is the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA). FHEFSSA reaffirmed the Secretary's general regulatory authority over two housing Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, to ensure the GSEs' compliance with their charter purposes. FHEFSSA also mandated certain specific responsibilities, including:

- Setting the levels of Congressionally mandated housing goals that require the GSEs to purchase mortgages made to low- and moderate-income families, mortgages on properties located in underserved areas, and mortgages made to very low-income families and low-income families in low-income areas, including mortgages on multifamily properties;
- Monitoring and enforcing the GSEs' performance in meeting the housing goals;
- Reviewing requests for new program approval submitted by the GSEs;
- Prohibiting discrimination in the GSEs' mortgage purchase activities and reviewing and commenting on their underwriting guidelines; and
- Establishing a public use database on the GSEs' mortgage purchases.

Since enactment of FHEFSSA, the Department has developed an oversight program that carries out these mandates. Specifically, the Department regularly analyzes and reports on the GSEs' housing goal performance, housing needs, the marketplace, and the appropriateness of housing goal levels; reviews new GSE activities and makes determinations about their new program implications; reviews for approval new program requests submitted by the GSEs with express authority to disapprove any program that the Secretary determines is not authorized under a GSEs' charter act purposes or that otherwise is not in the public interest; reviews GSE business activities and makes determinations about their compliance with the GSEs' charter authorities; reviews the GSEs' underwriting guidelines, including automated underwriting practices, for their fair lending implications; undertakes performance, risk assessment, and data integrity reviews to ensure the accuracy and completeness of data that the GSEs provide to the Department; creates new, and revises existing, monitoring reports; and issues new regulations as needed. The Department also issues letters and orders regarding its determinations for non-proprietary treatment of GSE mortgage loan data and maintains the GSE public use database.

Under the provisions of P.L. 102-550, Fannie Mae and Freddie Mac are assessed for the costs of their financial safety and soundness regulation by the Director of the Office of Federal Housing Enterprise Oversight (OFHEO). The Director of OFHEO is authorized to collect annual assessments from the GSEs to provide for OFHEO's costs and expenses, but the GSEs are not currently assessed for the Department's costs of regulation.

GSE Regulation

Legislative Proposal

Upon enactment of the Budget proposal for a strengthened regulator for GSEs it is expected that the cost of HUD's responsibilities under the Federal Housing Enterprise Safety and Soundness Act of 1992, and amendments as proposed, would be assessed on Fannie Mae and Freddie Mac. These responsibilities include the establishment and enforcement of affordable housing goals for the GSEs, ensuring GSE compliance with fair housing laws, and providing consultation to the safety and soundness regulator on the GSEs' new activities. The cost of these regulatory responsibilities is currently in the HUD salaries and expenses account as a non-reimbursable expense.