



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

STATEMENT

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**STATEMENT OF OFHEO DIRECTOR
JAMES B. LOCKHART**

Fannie Mae published its timely, audited financial statement for 2007 today and Freddie Mac anticipates publishing its statement tomorrow. These steps constitute an important milestone in remediation of their respective operational and control weaknesses that led to multi-year periods when neither company released timely, audited financial statements.

Both companies have been operating under regulatory restrictions stemming from these past problems. These restrictions include growth limits on their retained mortgage portfolios, Consent Orders prescribing necessary remediation actions, and required 30 percent capital cushions above the statutory minimum capital requirements.

Mortgage Portfolio Growth Caps

In recognition of the progress being made by both companies, as indicated by the timely release of their 2007 audited financial statements, and consistent with the terms of the relevant agreements, OFHEO will remove the portfolio growth caps for both companies on March 1, 2008.

Consent Orders

Both companies have also made substantial progress with respect to completing the requirements of their respective Consent Orders. As each Enterprise nears completion, OFHEO is working with them to undertake a thorough review and validation of the completed work and will test the new systems and controls, as needed. To the extent that OFHEO finds the Enterprise has fulfilled the requirements of its Consent Order and the Enterprise has continued to file timely, audited financial statements, OFHEO will lift the Consent Order.

Fannie Mae has reported to us that its remediation activities under the Consent Order are nearing completion. Freddie Mac has completed most of the requirements under its Consent Order, but still faces the requirement of separating the CEO and Chairman position. Although not in the Consent Order, completion of the SEC

registration process is a critical step.

OFHEO-Directed Capital Requirements

Since agreements reached in early 2004, OFHEO has had an ongoing requirement on each Enterprise to maintain a capital level at least 30 percent above the statutory minimum capital requirement because of the financial and operational uncertainties associated with their past problems. In retrospect, this OFHEO-directed capital requirement, coupled with their large preferred stock offerings means that they are in a much better capital position to deal with today's difficult and volatile market conditions and their significant losses.

As each Enterprise nears the lifting of its Consent Order, OFHEO will discuss with its management the gradual decreasing of the current 30 percent OFHEO-directed capital requirement. The approach and timing of this decrease will also include consideration of the financial condition of the company, its overall risk profile, and current market conditions. It will also include consideration of the importance of the Enterprises remaining soundly capitalized to fulfill their important public purpose and the recent temporary expansion of their mission.

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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.