



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

# ***NEWS RELEASE***

**FOR IMMEDIATE RELEASE**

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**FANNIE MAE AND FREDDIE MAC  
SAFETY AND SOUNDNESS REGULATOR  
OFHEO ISSUES  
QUARTERLY CAPITAL CLASSIFICATION REPORT**

**WASHINGTON, D.C. — Armando Falcon, Jr., Director of the Office of Federal Housing Enterprise Oversight (OFHEO), announced that both Fannie Mae and Freddie Mac (the Enterprises) were adequately capitalized at September 30, 2000.**

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 requires the OFHEO Director to determine the capital level and classification of the Enterprises not less than quarterly, and to report the results to Congress. OFHEO determines whether the Enterprises are adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized.

**OFHEO determined that at September 30, 2000:**

— Fannie Mae's core capital of \$19.870 billion exceeded its minimum capital requirement of \$19.381 billion by \$489.22 million.

— Freddie Mac's core capital of \$13.866 billion exceeded its minimum capital requirement of \$13.525 billion by \$340.38 million.

*(more)*

OFHEO is required by statute to determine capital adequacy of the Enterprises on the basis of both *minimum* and *risk-based* capital standards.

*Minimum* capital represents an essential amount of capital needed to protect an Enterprise against broad categories of business risk. For purposes of minimum capital, an Enterprise is considered adequately capitalized if core capital — common stock; perpetual noncumulative preferred stock; paid-in capital; and retained earnings — equals or exceeds minimum capital.

OFHEO's *risk-based* capital requirement is the amount of total capital — core capital plus a general allowance for foreclosure losses — that an Enterprise must hold to absorb projected losses flowing from future severe interest-rate and credit-risk conditions, plus 30 percent to cover management and operations risk.

OFHEO Director Falcon announced on December 18, 2000 that OFHEO has completed its risk-based capital regulation. Details of this rule will be published after approval by the Office of Management and Budget and publication in the *Federal Register*.

OFHEO is an independent office within the Department of Housing and Urban Development. It is funded through assessments on Fannie Mae and Freddie Mac and uses no taxpayer dollars. OFHEO's regulatory authority is similar to other Federal financial regulators such as the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation and the Federal Reserve Board.

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**OFHEO was established as an independent entity within the Department of Housing and Urban Development by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Title XIII of P.L. 102-550). OFHEO's primary mission is ensuring the capital adequacy and financial safety and soundness of Fannie Mae and Freddie Mac.**

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