



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

# NEWS RELEASE

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## **REGULATOR ISSUES QUARTERLY CAPITAL CLASSIFICATION OF FANNIE MAE AND FREDDIE MAC**

**WASHINGTON — Mark Kinsey, Acting Director of the Office of Federal Housing Enterprise Oversight (OFHEO), announced today that Fannie Mae and Freddie Mac were adequately capitalized on December 31, 1998.**

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 requires the OFHEO Director to determine at least quarterly if Fannie Mae and Freddie Mac are adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized.

**As of December 31, 1998, OFHEO determined:**

**--Fannie Mae's core capital of \$15,465.30 million exceeded its minimum capital requirement of \$15,334.29 by \$131.00 million.\***

**--Freddie Mac's core capital of \$10,715.30 million exceeded its minimum capital requirement of \$10,332.77 million by \$382.53 million.\***

OFHEO is **statutorily required** 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.

(more)

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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 severe interest-rate and credit-risk conditions, plus 30 percent to cover management and operations risk. A proposed risk-based capital regulation, based on a stress test, was submitted for a fifteen-day Congressional review on March 26, 1999. After the fifteen days, the regulation will be subject to a four month public comment period. OFHEO's Risk-Based Capital Proposal (NPR2) is available on OFHEO's website at <http://www.ofheo.gov/docs/regs/fedreg.html>.

OFHEO is an independent office within the Department of Housing and Urban Development that reports to Congress. It is funded through assessments of Freddie Mac and Fannie Mae, and receives no government funds. In its regulatory authority, OFHEO is analogous to such other federal financial regulators 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's Mission Statement*

*OFHEO effectively protects the interests of the American taxpayer and contributes to the strength and vitality of the nation's housing finance system through independent and fair safety and soundness regulation of Fannie Mae and Freddie Mac.*

*\*Totals may not add due to rounding*