# Housing & Government Sponsored Enterprises

# FY 2014
# President's Budget

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## Section 1 – Purpose

### 1A – Mission Statement

To provide stability to financial markets and promote mortgage affordability while at the same time protecting the taxpayer, Treasury has implemented four programs with respect to two Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, as well as the Federal Home Loan Banks (FHLBs). These programs include Preferred Stock Purchase Agreements (PSPAs) with Fannie Mae and Freddie Mac, and a Mortgage-Backed Securities (MBS) Purchase Program limited to such securities issued by Fannie Mae and Freddie Mac. In addition to these programs, Treasury has purchased securities of Fannie Mae and Freddie Mac backed by new housing bonds issued by the Housing Finance Agencies (HFAs), through the New Issue Bond Program (NIBP). Treasury also purchased participation interests in temporary credit and liquidity facilities which are obligations of Fannie Mae and Freddie Mac as part of the Temporary Credit and Liquidity Program (TCLP) to provide backstop liquidity and credit for state and local HFAs. Together, the NIBP and the TCLP comprise the Housing Finance Agencies Initiative (HFA Initiative).

### 1.1 – Program Account Summary

Dollars in Millions

| | FY 2012 Actual | FY 2013 Estimated | FY 2014 Estimated | FY 2012 to FY 2014 $ Change | FY 2012 to FY 2014 % Change |
|---|---|---|---|---|---|
| | AMOUNT | AMOUNT | AMOUNT | AMOUNT | AMOUNT |
| **Obligations** | | | | | |
| Preferred Stock Purchase Agreements Account | 18,519 | 0 | 0 | (18,519) | -100.00% |
| GSE MBS Purchase Program Account | 158 | 548 | 10 | (148) | -93.67% |
| **Total Obligations** | **$18,677** | **$548** | **$10** | **(18,667)** | **-99.95%** |
| **Budget Authority** | | | | | |
| Preferred Stock Purchase Agreements Account | 18,519 | 53,366 | 0 | (18,519) | -100.00% |
| GSE MBS Purchase Program Account | 158 | 548 | 10 | (148) | -93.67% |
| **Total Budget Authority** | **$18,677** | **$53,914** | **$10** | **(18,667)** | **-99.95%** |
| **Outlays** | | | | | |
| Preferred Stock Purchase Agreements Account | 18,519 | 0 | 0 | (18,519) | -100.00% |
| GSE MBS Purchase Program Account | 152 | 546 | 10 | (142) | -93.42% |
| **Total Outlays** | **$18,671** | **$546** | **$10** | **(18,661)** | **-99.95%** |

The GSE MBS Purchase Program Account records the subsidy and financial agent services costs for both the GSE MBS purchase program and the State HFA Initiative. The Treasury completed the orderly disposition of GSE MBS portfolio on March 19, 2012. All new budget activity in the GSE MBS Purchase Program Account is related to the State HFA Initiative.

### 1.2 – Financing Account Summary

Dollars in Millions

| | FY 2012 Actual | FY 2013 Estimated | FY 2014 Estimated | FY 2012 to FY 2014 $ Change | FY 2012 to FY 2014 % Change |
|---|---|---|---|---|---|
| | AMOUNT | AMOUNT | AMOUNT | AMOUNT | AMOUNT |
| **GSE MBS Direct Loans** | | | | | |
| Obligations | 8,512 | 760 | 0 | (8,512) | -100.00% |
| Collections | 73,710 | 55 | 0 | (73,710) | -100.00% |
| Financing Authority (net) | (64,493) | 0 | 0 | 64,493 | -100.00% |
| Financing Disbursements (net) | (65,198) | (55) | 0 | 65,198 | -100.00% |
| **State HFA NIPB & TCLP** | | | | | |
| Obligations | 1,078 | 477 | 419 | (659) | -61.13% |
| Collections | 1,972 | 2,567 | 1,216 | (756) | -38.34% |
| Financing Authority (net) | (600) | (2,042) | (797) | (197) | 32.83% |
| Financing Disbursements (net) | (1,081) | (2,090) | (797) | 284 | -26.27% |

## 1.3 – Mandatory Receipts Summary

Dollars in Millions

| | FY 2012 Actual | FY 2013 Estimated | FY 2014 Estimated | FY 2012 to FY 2014 $ Change | % Change |
|---|---|---|---|---|---|
| | AMOUNT | AMOUNT | AMOUNT | AMOUNT | AMOUNT |
| **Senior Preferred Dividend Payments from Fannie/Freddie** | | | | | |
| Receipts | 18,379 | 15,419 | 29,662 | 11,283 | 61.39% |
| **Additional G Fee Collected Per Temporary Payroll Tax Cut Continuation Act** | | | | | |
| Receipts | 35 | 786 | 1,178 | 1,143 | 3265.71% |

## 1B – Vision, Priorities and Context

### FY 2014 Priorities:

- To provide stability to financial markets.
- To prevent disruptions to the availability of mortgage credit for American homebuyers.
- To maintain investor confidence in the GSEs and in state and local HFAs.
- To restore the capacity of state and local HFAs to provide affordable housing resources to working families at the state and local level.
- To begin an orderly exit from programs where doing so does not negatively affect the above goals.

### Preferred Stock Purchase Agreements (PSPAs)

Section 1117 of the Housing and Economic Recovery Act of 2008 (HERA) granted temporary authority for the Treasury to purchase any obligations and other securities issued by Fannie Mae, Freddie Mac, and any Federal Home Loan Bank on such terms and conditions and amounts as the Treasury may determine. On September 7, 2008, the Secretary of the Treasury made the determination that the Treasury's exercise of its purchase authority under HERA was necessary to provide stability to the financial markets, prevent disruptions in the availability of mortgage finance, and protect taxpayers.

The PSPAs were created to instill confidence in investors that Fannie Mae and Freddie Mac would remain viable entities, which is critical to the functioning of the housing and mortgage markets. Investors purchased securities issued or guaranteed by Fannie Mae and Freddie Mac in part because the ambiguities in their Congressional charters created a perception of government backing. These ambiguities fostered enormous growth in the obligations issued or guaranteed by the two housing GSEs and the breadth of these holdings posed a systemic risk to global financial markets.

***Vision:*** The function of the PSPAs is to enhance market stability by providing holders of Fannie Mae and Freddie Mac securities with additional confidence that the GSEs will remain viable entities. This commitment eliminates any mandatory triggering of receivership. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer.

***Priorities*****:** Market stability is central to the mission of the Treasury. In this regard, the following priorities have been identified for mission success:

- To provide stability to the GSE securities market.
- To maintain the viability of the GSEs.

**Program History:** During FY 2008, the Department of the Treasury entered into agreements with Fannie Mae and Freddie Mac. The agreements were indefinite in duration and had a funding commitment limit of $100 billion each. These agreements were amended in May 2009 to have a funding commitment limit of $200 billion each, and further amended in December 2009, to replace the fixed-dollar amount funding commitment limit with a formulaic limit that would automatically adjust upward quarterly by the amount of any cumulative reduction in net worth until December 2012. During FY 2012, the Treasury restructured the PSPAs which changed, among other things, the basis by which quarterly dividends are paid by the GSEs to the U.S. Government. In exchange for entering into these agreements with these two GSEs, Treasury immediately received a $1 billion liquidation preference in each GSE and warrants for the purchase of common stock of each GSE representing 79.9 percent of the common stock of each GSE on a fully-diluted basis at a nominal price.

**Program Outlook:** Under the Preferred Stock Purchase Agreements (PSPAs), Treasury helped to ensure the viability of the GSEs by providing $132.3 billion of investment, net of dividends the GSEs paid to Treasury as of December 31, 2012. Treasury estimates that it will not make any payments under its funding commitment in FY 2013 since the GSEs are projected to have a positive net worth, which means they do not need financial support. The Budget estimates that Treasury will receive $15.4 billion in dividends in FY 2013 and $29.7 billion in FY 2014.

**GSE MBS Purchase Program**

The Housing and Economic Recovery Act of 2008 gave Treasury the authority to purchase agency-guaranteed GSE MBS to prevent disruption in the availability of mortgage finance and to provide stability to financial markets.

***Vision:*** Treasury's investment in GSE MBS, with the size and timing subject to the discretion of the Secretary of the Treasury, was an element of its comprehensive plan to address challenges in the housing market. By purchasing GSE MBS, Treasury sought to broaden access to mortgage funding for current and prospective homeowners and to promote secondary market stability while protecting taxpayers. The scale of the program was based on developments in the capital markets and housing markets. Given the spreads between Treasury's cost of funds and GSE MBS' yield, and that purchases occurred during a period of low prices in the market, the program would result in a positive return to the taxpayers.

***Priorities:***

- To prevent disruptions to the availability of mortgage credit.
- To mitigate pressures in mortgage markets.
- To provide stability and liquidity to financial markets.
- To protect taxpayers.

**Program History:** During September 2008, Treasury designated private sector firms as its financial agents to act as asset managers and custodians. Treasury began to fund the GSE MBS Purchase program in September 2008. Treasury purchased approximately $226 billion of MBS during the purchase phase of the program, which ran from September 2008 until the expiration of purchase authority on December 31, 2009. On March 21, 2011, Treasury began the orderly disposition of the MBS portfolio at a rate of up to $10 billion face value per month, subject to market conditions. Treasury completed the orderly disposition of its MBS portfolio on March 19, 2012. Overall, Treasury's MBS portfolio generated $11.9 billion in budgetary savings, calculated on a net present value basis as required by the Federal Credit Reform Act.

**Program Outlook:** There will be no program activity in FY 2014 since the disposition of the MBS portfolio is completed. The proceeds from the MBS sales will be deposited in the General Fund of the Treasury.

**Housing Finance Agencies Initiative**

State and local Housing Finance Agencies (collectively, the "HFAs") are agencies or authorities created by state law that are charged with helping persons and families of low or moderate income attain affordable housing. HFAs serve numerous functions to this end including providing mortgages, financing affordable rental housing, providing homeownership education, and allocating low income housing tax credits.

HFAs have historically played a central role in providing a safe, sustainable path to homeownership. Through the course of the housing downturn, the HFAs experienced a number of challenges including a lack of liquidity support for existing variable rate bonds, losses on mortgages, and downgrades of re-insurance providers. Historically, HFAs have funded their activities by issuing tax-exempt mortgage revenue bonds (MRBs) and keeping the associated mortgage collateral produced on HFA balance sheets. The bond performance of HFAs has generally been strong. However, due to the uncertainties and strain throughout the housing sector and the widening of spreads in the tax-exempt market, HFAs have experienced challenges in issuing new bonds to fund new mortgage lending.

To provide stability to the financial markets and promote mortgage affordability while at the same time protecting the taxpayer, Treasury announced on October 19, 2009 that it would use its authorities under HERA to establish two programs as part of the Housing Finance Agencies Initiative – the New Issue Bond Purchase Program (NIBP) and the Temporary Credit and Liquidity Program (TCLP).

**New Issue Bond Program**

The New Issue Bond Program provides temporary financing for HFAs to issue new housing bonds. Treasury purchased securities of Fannie Mae and Freddie Mac backed by HFA housing bonds, with the funding placed in escrow pending origination of new mortgages prior to the end of calendar year 2012. This temporarily allowed the HFAs to issue new housing bonds, consistent with what they would ordinarily have been able to issue with the allocations provided to them by Congress, but were unable to issue given the challenges in housing and related markets. The program was sized to support over one hundred thousand new mortgages to first time homebuyers, as well as refinancing opportunities for at-risk, but responsible and performing, borrowers into more sustainable mortgages. The NIBP also supported the development of forty thousand new rental housing units for working families.

***Vision:*** The NIBP provided stability to financial markets and prevents disruptions in mortgage finance availability by providing a temporary supplemental market for newly issued HFA housing bonds. The NIBP enabled HFAs to keep their lending programs active while they adapt to changing market conditions. The program supported the availability of mortgage credit and affordable rental properties for low and moderate income Americans. Facilitating supply and demand in the housing markets helped to stabilize them, thereby reducing losses to the Housing GSEs.

***Priorities*:**

- To provide stability to the housing market.
- To maintain the viability of the GSEs and state and local Housing Finance Agencies.
- To promote availability and affordability of housing resources for low and moderate income Americans.
- To protect taxpayers.

**Program History:** During FY 2010, the Department of the Treasury entered into a Memorandum of Understanding with Fannie Mae, Freddie Mac and the Federal Housing Finance Agency (FHFA) outlining the obligations of each party with regard to the HFA Initiative transactions. Under the terms of the NIBP, Treasury purchased GSE securities backed by housing bonds issued by the state and local HFAs, with the funding placed in escrow pending the origination of new mortgages. Use of escrowed proceeds to finance new mortgages originally was required to be completed by December 31, 2010; however continued disruptions in the HFA market led to extensions. After two one-year extensions, HFAs had a deadline of December 31, 2012 to use NIBP funds.

**Program Outlook:** Treasury purchased approximately $15.3 billion in securities under its authority for this program in FY 2010. Over one hundred thousand new mortgages and forty thousand new rental housing units were supported through the NIBP. There are currently no plans to for the disposition of the portfolio.

**Temporary Credit and Liquidity Program**

Fannie Mae and Freddie Mac administer a Temporary Credit and Liquidity Program for HFAs to help relieve current financial strains. Treasury purchased participation interests in the Temporary Credit and Liquidity Facilities (TCLFs) provided to HFAs under the program, thus providing a credit and liquidity backstop. These temporary credit and liquidity facilities help the HFAs maintain their financial health and preserve the viability of the HFA infrastructure so that that HFAs can continue their Congressionally supported role in helping provide affordable mortgage credit to low and moderate income Americans, as well as continue their other important activities in communities.

***Vision:*** The TCLP provides stability to financial markets and prevents disruptions in mortgage finance availability by helping HFAs relieve current financial strains. The TCLP supports the HFAs through the downturn and gives them time to develop and implement more sustainable financing structures that preserve their critical role in extending mortgage credit to low and moderate income Americans.

***Priorities*:**

- To provide stability to the housing market.
- To maintain the viability of the GSEs and state and local Housing Finance Agencies.
- To promote availability and affordability of housing resources for low and moderate income Americans.
- To protect taxpayers.

**Program History:** During FY 2010, the Department of the Treasury entered into a Memorandum of Understanding with Fannie Mae, Freddie Mac, and the Federal Housing Finance Agency (FHFA) outlining the obligations of each party with regard to the HFA Initiative transactions. Under the terms of the TCLP, Treasury purchased participation interests in GSE credit and liquidity facilities available to support outstanding housing bonds issued by state and local HFAs. At the time of execution, Treasury’s purchases of participation interests in GSE TCLFs supported $8.2 billion of principal and interest on state and local HFA bonds.

**Program Outlook:** Treasury incurred approximately $8.2 billion in obligations in FY 2010 that remained open into FY 2013. In late 2012, due to continued strain on the market for HFA liquidity facilities, Treasury granted three-year extensions to the TCLP agreements for six HFAs in order to give these HFAs additional time to reduce their TCLP balances. The revised agreements will expire by December 2015. As of December 31, 2012, the remaining balance of TCLP backed bonds had decreased to $3.3 billion. To date there have been no draw requests or disbursements with respect to the TCLP.

**1C - Credit Reform Account Descriptions**

<u>GSE Mortgage-Backed Securities Purchase Program Account:</u> The GSE Mortgage-Backed Securities Purchase Program Account records the subsidy costs associated with the GSE MBS and State HFA purchase programs, which are treated as direct loans for budget execution. The subsidy amounts are estimated on a present value basis.

<u>GSE Mortgage-Backed Securities Purchase Program Direct Loan Financing Account:</u> As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from GSE MBS Purchase Program purchases. The amounts in the account are a means of financing and are not included in the budget totals.

<u>HFA Financing Account:</u> As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from the Treasury state HFA programs. The amounts in the account are a means of financing and are not included in the budget totals.

## Section 2 – Budget Adjustments and Appropriation Language

### 2A – Budget Increases and Decreases Description
Not applicable for the Housing Government Sponsored Enterprises.

### 2B – Appropriations Language and Explanation of Changes
The Housing Government Sponsored Enterprise Programs and the Housing Finance Agencies Initiative Programs do not receive any discretionary appropriation authority from the Congress. Therefore, no appropriations language is proposed.

### 2C – Legislative Proposals
There are no current proposals for amending the enacting legislation.

### 2D – Probability of Repayment
At the end of December 2009, Treasury closed on all GSE MBS, NIBP, and TCLP transactions. All three programs had a negative subsidy estimate at the time of purchase/obligation, meaning that anticipated net receipts for the government is in excess of outlays. Subsequent re-estimates have led to a positive subsidy estimate for NIBP. The current re-estimate for NIBP also yielded a positive subsidy estimate. This is primarily attributed to projected prepayment rates and current market interest rates. Future re-estimates pending the formulation of a disposition strategy may cause the NIBP subsidy to become negative again.

## Section 3 – Budget and Performance Plan

### 3A – Preferred Stock Purchase Agreements

*(No funding):*
The function of the PSPAs is to instill confidence in investors that Fannie Mae and Freddie Mac will remain viable entities critical to the functioning of the housing and mortgage markets. Treasury entered into a PSPA with each GSE to ensure that each enterprise maintains a positive net worth.

PSPAs enhance market stability by providing additional confidence to holders of Fannie Mae and Freddie Mac securities, which, in turn, leads to increased mortgage affordability. This commitment also eliminates any mandatory triggering of receivership. To this end, the PSPAs are an effective means of averting systemic risk while at the same time protecting the taxpayer. They are more efficient than a one-time equity injection, in that Treasury will use them only as needed and on terms that the Treasury deems appropriate.

In exchange for entering into these agreements with the GSEs, Treasury received a $1 billion liquidation preference in each GSE and warrants for the purchase of common stock of each GSE representing 79.9 percent of the common stock of each GSE on a fully-diluted basis at a nominal price. Through December 31, 2012, the senior preferred stock accrued dividends at 10 percent per year. Under the amended PSPAs, the dividend payment will change from a 10.0 percent per year fixed rate dividend to an amount equivalent to the GSEs' positive net worth above a capital reserve amount.

Beginning in FY 2011, the GSEs were scheduled to begin paying the Treasury a "Periodic Commitment Fee" (PCF) on a quarterly basis, payable in cash or via an increase to the liquidation preference. This fee may be waived by the Treasury for up to one year at a time if warranted by adverse mortgage market conditions. The Treasury waived the PCF payments for calendar years 2012 and 2011 because the housing markets remained fragile and the imposition of the PCF at that time would lead to increased draws under the PSPAs and not fulfill its intended purpose of generating increased compensation to the American taxpayer. Commencing January 1, 2013, the PCF will no longer be required pursuant to the amended PSPAs.

### 3.1.1 – Preferred Stock Purchase Agreement Budget and Performance Report and Plan

*Description of Performance:*
Treasury's Office of Capital Markets in Domestic Finance tracks metrics to assess Fannie Mae and Freddie Mac's health and contribution to mortgage market stability. To assess the contribution of Fannie Mae and Freddie Mac to mortgage availability, the Housing GSE program tracks the percentage of agency MBS issuance of total MBS issuance and the dollar volume of mortgage purchases by the GSEs. During FY 2009, the majority of MBS were originated by the GSEs, contributing substantially to the stabilization of housing markets. To assess program management and ensure the stability of the GSEs, the program tracks the condition of the GSEs in coordination with the FHFA and makes PSPA disbursements as necessary. Increasing stability in the housing market has resulted in declining disbursements to the GSEs in recent quarters. Under the Preferred Stock Purchase Agreements (PSPA), Treasury has helped to ensure the viability of the GSEs by providing $132.3 billion of investment, net of dividends the

GSEs paid to Treasury as of December 31, 2012. Treasury estimates that it will not make any payments under its funding commitment in FY 2013.

**3B – GSE MBS Purchase Program**
*(No funding):*
The function of the GSE MBS Purchase Program was to prevent disruption in the availability of mortgage finance and to provide stability to financial markets.

Treasury's investment in GSE MBS, with the size and timing subject to the discretion of the Secretary of the Treasury, was an element of its comprehensive plan to address challenges in the housing markets. By purchasing GSE MBS, Treasury sought to broaden access to mortgage funding for current and prospective homeowners and to promote secondary market liquidity and stability while protecting taxpayers. The scale of the program was based on developments in the capital markets and housing markets. Given the spreads between Treasury's cost of funds and GSE MBS' yield and that purchases occurred during a period of low prices in the market, the program was designed to result in a positive return to the taxpayer.

Treasury designated independent asset managers as financial agents to undertake the purchase, management, and sale of portfolio of GSE MBS on behalf of Treasury. The portfolios were purchased and managed with clear investment guidelines and investment objectives. The primary objectives were to promote market stability and ensure mortgage availability while protecting taxpayers.

The disposition of agency-guaranteed MBS was consistent with the general pattern of Treasury divestment of financial stabilization programs when doing so can be accomplished without disrupting the markets or otherwise jeopardizing program goals. The disposition was designed to allow Treasury to gradually exit its investment in a manner that maximizes value to the taxpayer without conflicting with the previous goals of market stability and mortgage availability.

Treasury's purchases of GSE MBS were deemed as outlays, and the debt incurred to fund the purchases is subject to the statutory debt limit. However, Treasury received income-producing assets in return for its invested funds.

Treasury's purchase authority for GSE MBS under HERA expired on December 31, 2009.

**3.1.2 – GSE MBS Purchase Program Budget and Performance Report and Plan**
*Description of Performance:*
The MBS Purchase Program utilized a broad range of qualitative and quantitative market indicators in daily operations to ensure funds supported mortgage availability and promoted secondary market stability and liquidity. In the disposition phase, similar qualitative and quantitative metrics were used to ensure that the GSE MBS are sold in a way that maximizes taxpayer value without disrupting the availability of mortgage credit or impacting market liquidity. The program also utilized risk assessment techniques, including scenario analysis and cash flow forecasts.

Treasury completed the orderly disposition of its MBS portfolio on March 19, 2012. Overall, Treasury's MBS portfolio generated a positive return for taxpayers. There will be no program activity in FY 2014.

**3C – New Issue Bond Program**

*(No funding):*

The function of the NIBP is to provide stability to financial markets and prevent disruptions in mortgage finance availability by providing a temporary supplemental market for newly issued HFA housing bonds. By temporarily supplementing private demand for HFA production, the NIBP enabled HFAs to keep their lending programs active while they adapt to changing market conditions. The program supported the availability of mortgage credit and affordable rental properties for low and moderate income Americans.

***Program sized to meet demand.*** HFAs submitted detailed program participation requests to Treasury. In order to scale back the NIBP requests to an acceptable level that could be recommended for adoption, a methodology was developed and applied to arrive at final allocation recommendations under the program for state and local HFAs. The allocation methodology was based primarily on the 2008 HERA allocations to HFAs and historical HFA issuance.

***Support for both single-family and multi-family bonds***. HFAs were able to request that a portion or all of their NIBP allocation be used to issue single or multi-family bonds. The amount of multi-family bond issuance is subject to a cap at the program level.

***Protecting Taxpayers.*** HFAs pay the GSEs and Treasury an amount intended to cover both the cost of financing the newly issued bonds as well as a fee designed to cover risk posed by the HFA. Generally speaking, the interest rate on the bond after release from escrow was designed to cover Treasury's cost of financing (set at a market-based index rate) plus an additional fee designed to offset the credit risk to the taxpayer.

**3.1.3 – New Issue Bond Program Budget and Performance Report and Plan**

*Description of Performance:*

Treasury continues to monitor the housing markets as well as other indicators which have an impact on the HFAs. After two one-year extensions, HFAs had a deadline of December 31, 2012 to use NIBP funds.

**3D – Temporary Credit and Liquidity Program**

*(No funding):*

The function of the TCLP is to help relieve current financial strains for HFAs. The TCLP provides HFAs with temporary credit and liquidity facilities to preserve the viability of the HFA infrastructure. This allows HFAs to continue their Congressionally supported role in helping provide affordable mortgage credit to low and moderate income Americans, and other important activities in communities.

***Reducing costs of maintaining existing financing for HFAs***. Through Fannie Mae and Freddie Mac, the TCLP provides replacement credit and liquidity facilities to HFAs that help reduce the costs of maintaining existing financing for the HFAs. Treasury backstops the replacement liquidity by purchasing participation interests in the GSE temporary credit and liquidity facilities for the HFAs using HERA authority.

***Program sized to meet demand***. HFAs submitted detailed program participation requests to Treasury for the TCLP. No allocation process was required because requests came in at a total below the program cap.

***Protecting Taxpayers***. The HFAs pay the GSEs and Treasury a fee designed to cover risk posed by the HFA. Additionally the extension of the program required participating HFAs to submit a plan for Treasury's approval demonstrating how it will reduce risk borne by the taxpayer under the program.

***Temporary solution, with incentives for HFAs to quickly transition back to market financing.*** The fee for HFAs to use the TCLP increases over time to encourage the HFAs to transition to private market financing alternatives as quickly as possible. This process was accelerated by the required submission and approval of plans from the HFAs demonstrating how they will exit the program.

***Terms designed to facilitate sustainable business models for housing agencies***. The liquidity facilities under the TCLP are only available for outstanding bonds.

### 3.1.4 – Temporary Credit and Liquidity Program Budget and Performance Report and Plan

*Description of Performance:*
Treasury continues to monitor the housing markets as well as other factors affecting HFAs. During FY 2012 and FY 2013, Treasury granted three-year extensions to the end of 2015 to six HFAs, which was conditioned on Treasury's approval of plans to reduce balances of HFA bonds covered by TCLP during the extension period. Continued market surveillance and monitoring of participating HFAs will take place in FY 2014.