Housing Government Sponsored Enterprise Programs

Program Summary

(Dollars in millions)

Preferred Stock and Program Accounts	2011 Actual	2012 Estimate	2013 Estimate	Increase (+) Decrease (-)
Obligations:				
Preferred Stock Purchase Account	$21,766	$39,745	$12,700	-$27,045
GSE MBS Purchase Program Account	$7,917	$151	$11	-$140
Budget Authority:				
Preferred Stock Purchase Account	$21,766	$39,745	$12,700	-$27,045
GSE MBS Purchase Program Account	$7,918	$154	$17,000	-$137
Outlays:				
Preferred Stock Purchase Account	$21,766	$39,745	$12,700	-$27,045
GSE MBS Purchase Program Account	$7,922	$155	$11	-$144

Summary and Explanation of Programs

There are four Housing Government Sponsored Enterprise (GSE) programs, including Fannie Mae and Freddie Mac, and the Federal Home Loan Banks (FHLBs) that Treasury has utilized. These programs were created to provide stability to the financial markets and promote mortgage affordability while protecting the taxpayer.

Preferred Stock Purchase Agreements (PSPAs) ($13 billion in obligations)

This measure enhances market stability by providing additional security to holders of Fannie Mae and Freddie Mac securities. This leads to increased mortgage affordability by providing additional confidence to GSE mortgage-backed securities investors. This commitment also significantly diminishes the potential for 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. Under the Preferred Stock Purchase Agreements (PSPA), Treasury has helped to ensure the viability of the GSEs by providing $146.4 billion of investment, net of dividends the GSEs paid to Treasury as of December 31, 2011. Treasury estimates that it will make $39.7 billion in payments under its funding commitment in FY 2012 and $12.7 billion in FY 2013.

GSE Mortgage-Backed Securities (MBS) Purchase Program (No funding)

To promote the stability of the mortgage market, Treasury has purchased GSE Mortgage-Backed Securities (MBS) in the secondary market. By purchasing these guaranteed securities, Treasury sought to broaden access to mortgage funding for current and prospective homeowners as well as to promote market stability.

Treasury purchased approximately $225 billion of MBS during the purchase phase of the program, which ran from September 2008 until the expiration of purchase authority on December 31, 2010. As a result of scheduled principal repayments, the portfolio declined to $136 billion face value as of March 1, 2011. 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. Based on current market conditions, Treasury expects to make a profit for taxpayers on its MBS portfolio.

New Issue Bond Program (NIBP) (No funding)

The NIBP provides temporary financing for Housing Finance Agencies (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 to be converted into new mortgages prior to the end of calendar year 2012. This temporarily allows the HFAs to issue new housing bonds consistent with what they would ordinarily have been able to issue with the allocations provided them by Congress but are unable to issue given the challenges in housing and related markets. The program is sized to support over one hundred thousand new mortgages to first time homebuyers. The NIBP also supports development of tens of thousands of new rental housing units for working families.

Treasury purchased approximately $15.3 billion under its authority for this program in FY 2010. Treasury's authority to enter additional purchase commitments under the program expired on December 31, 2009, however the funds remaining in escrow may continue to be used for the issuance of new mortgages through December 31, 2012.

Temporary Credit and Liquidity Program (TCLP) (No funding)

Through Fannie Mae and Freddie Mac, the TCLP provided replacement credit and liquidity facilities to HFAs to help reduce the costs of maintaining their existing financing. The HFAs pay fees through Fannie Mae and Freddie Mac designed to cover the credit risks of the program and all GSE administrative costs.

Treasury incurred approximately $8.2 billion in obligations in FY 2010 that will remain open into FY 2013. Due to continued strain on the market for HFA liquidity facilities, Treasury announced that it will extend TCLP for three years, to the end of 2015, for any HFAs that submit a satisfactory plan on how they will reduce risks borne by the taxpayer and transition to private market liquidity providers. Prior to the expiration of the program, Treasury's obligation will continue to diminish over time as HFAs redeem the bonds supported by the program or otherwise reduce their need for Treasury's liquidity support.

Legislative Proposals

The Housing GSE programs have no legislative proposals for FY 2013.