Housing Government Sponsored Enterprise Programs

Program 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
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**	**($538)**	**-98.18%**
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**	**($53,904)**	**-99.98%**
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**	**($536)**	**-98.17%**

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 the 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. Amounts shown in the table do not include downward re-estimates and other amounts reflected the financing accounts. Details are provided in the Congressional Justification.

Summary and Explanation of Programs

To provide stability to financial markets and promote mortgage affordability while at the same time protecting the taxpayer, Treasury has implemented four programs.

Preferred Stock Purchase Agreements (PSPAs) (No funding)

The Preferred Stock Purchase Agreements (PSPAs) for Fannie Mae and Freddie Mac represent a commitment by Treasury to enhance 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 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.

The PSPAs were amended in August 2012, which included a series of changes that advanced the Administration's goals of responsibly winding down the GSEs while protecting the interests of taxpayers. These changes include modifying the dividend payment to Treasury from 10 percent to a dividend based on the positive net worth of each GSE; increasing the rate at which the GSEs must reduce their retained investment portfolio to 15 percent from 10 percent; and requiring each GSE to submit to Treasury an annual taxpayer protection plan that details its respective strategy for reducing enterprise-wide risk profile.

Under the PSPAs, Treasury has helped 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 and FY 2014. The Budget estimates that Treasury will receive $15.4 billion in dividends in FY 2013 and $29.7 billion in FY 2014.

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

To promote the stability of the mortgage market, Treasury purchased approximately $226 billion of GSE Mortgage-Backed Securities (MBS) in the secondary market between September 2008 and December 2009. 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. As a result of scheduled principal repayments, the portfolio had declined to $136 billion face value as of March 1, 2011. On March 21, 2011, Treasury began the orderly disposition of the remaining 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.

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 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 absent the challenges in housing and related markets.

The program was sized to support over one hundred thousand new mortgages to first time homebuyers. The NIBP also supported development of forty thousand 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. Funds remaining in escrow continued to be used for the issuance of new mortgages through December 31, 2012. There are currently no plans for the disposition of the portfolio.

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

Treasury's TCLP program backstops credit and liquidity facilities that Fannie Mae and Freddie Mac provide 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, in late 2012 Treasury extended TCLP for three years, to the end of 2015, for six HFAs that submitted satisfactory plans 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 2014.