Housing Government Sponsored Enterprise Programs

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity		FY 2010 Actual	FY 2011 Estimated	FY 2012 Estimated	Change FY10 to FY12 $ Change	Change FY10 to FY12 % Change
Preferred Stock Purchase Agreements	Obligations	$52,600,000	$47,500,000	$28,700,000	($18,800,000)	(-39.58%)
GSE MBS Purchase Program on	Securities Purchased	$29,877,874	$0	$0	$0	0%
GSE Credit Facility	Loan Levels	$0	$0	$0	$0	0%
New Issue Bond Purchase Program	Securities Purchased	$15,308,598	$0	$0	$0	0%
Temporary Credit and Liquidity Program	Obligations	$8,209,840	$0	$0	$0	0%

Summary

The Housing Government Sponsored Enterprise (GSE) Programs consist of five different programs with respect to, Fannie Mae and Freddie Mac, and the Federal Home Loan Banks (FHLBs). These programs were created to provide stability to the financial markets and promote mortgage affordability while at the same time protecting the taxpayer.

Preferred Stock Purchase Agreements ($28.7 billion in obligations)

This measure enhances market stability by providing additional security to holders of Fannie Mae and Freddie Mac securities, which, in turn, leads to increased mortgage affordability by providing additional confidence to investors in GSE mortgage-backed securities. 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. 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 addition, beginning in 2011 the Treasury has begun to charge the GSEs a periodic commitment fee that will be payable quarterly to compensate the taxpayers for the ongoing support provided to the GSEs under the terms of the PSPAs.

GSE MBS Purchase Program (No funding)

To promote the stability of the mortgage market, Treasury has purchased GSE 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.

The size and timing of this program is subject to the discretion of the Secretary of the Treasury. The scale of the program was based on developments in the capital markets and housing markets. Given that Treasury can hold these securities to maturity, the spreads between Treasury's cost of funds and GSE MBS yield should result in a positive return to the taxpayer. Treasury's authority to purchase GSE MBS expired on December 31, 2009.

GSE Credit Facility Program (No funding)

Loans would be for short-term durations and would in general be expected to be for less than one month but no shorter than one week. The rate on a loan request ordinarily would be based on the daily LIBOR fix for a similar term of the loan plus 50 basis points. The rate is set at the discretion of the Secretary of the Treasury with the objective of protecting the taxpayer, and is subject to change. All loans would be collateralized and collateral is limited to mortgage backed securities issued by Freddie Mac and Fannie Mae and advances made by the FHLBs. No loans were needed or issued under this program. This facility offered liquidity if needed until December 31, 2009.

New Issue Bond Program (No funding)

HFAs submitted detailed program participation requests to Treasury's financial agents. In order to haircut the NIBP requests to an acceptable level that could be recommended for adoption. HFAs were able to request that a portion or all of their NIBP allocation be used to issue single or multi-family bonds. HFAs will 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. 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 housing bonds through December 31, 2011.

Temporary Credit and Liquidity Program (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 existing financing for the HFAs. The pricing and fee structure of the TCLP and NIBP were designed to be commercially reasonable, and allow the Housing GSEs to fully cover all costs of the programs. Therefore, it is expected that the Housing GSEs will be able to fulfill all of their obligations under the HFA Initiative. The HFA Initiative will be funded by fees paid by the HFAs to the Housing GSEs.

Legislative Proposals

The Housing GSE programs have no Legislative proposals for FY 2012.