

An hourglass-shaped graphic with a globe in the top bulb and another globe in the bottom bulb. The hourglass is light blue and has a dark blue cap at the top. The globe in the top bulb is dark blue, and the globe in the bottom bulb is light blue. The text is centered within the hourglass.

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*Reforming the Regulation of Government-Sponsored
Enterprises in the 110th Congress*

Mark Jickling, Edward Vincent Murphy, and N. Eric Weiss, Government and Finance Division

August 4, 2008

Abstract. This report provides background on the GSE reform issue and summarizes the provisions of House- and Senate-passed versions of H.R. 3221.

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Reforming the Regulation of Government-Sponsored Enterprises in the 110th Congress

Mark Jickling

Specialist in Financial Economics

N. Eric Weiss

Specialist in Financial Economics

Edward V. Murphy

Analyst in Financial Economics

August 4, 2008

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Summary

As government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac are hybrids: created and chartered by Congress for specific public policy purposes, they are nonetheless private, profit-seeking businesses whose shares are traded on the New York Stock Exchange. Their “government-sponsored” nature confers certain advantages over their purely private competitors. As a result, their operations have expanded rapidly over the years and they long ago assumed—and continue to play—critical roles in the residential mortgage market. In mid-2008, troubles in the mortgage market threatened the viability of the two GSEs; Congress responded by authorizing the Treasury to provide emergency funding to either firm.

In 1992, Congress established the Office of Federal Housing Enterprise Oversight (OFHEO), an agency within the Department of Housing and Urban Development (HUD), to oversee the financial safety and soundness of the two firms. OFHEO is authorized to set capital requirements, conduct annual risk-based examinations, and generally enforce compliance with safety and soundness standards.

With the rapid subsequent growth of the GSEs, and major accounting scandals at both Fannie Mae and Freddie Mac, the effectiveness of current regulation has been widely questioned. Several legislative proposals considered in the 108th and 109th Congresses addressed GSE regulatory reform, but none was enacted. However, the adequacy of GSE regulation remained a prominent legislative issue.

Although improving supervision of Fannie Mae and Freddie Mac is the major focus, regulatory reform also involves the 12 Federal Home Loan Banks, which comprise one collective GSE. The Federal Home Loan Banks lend to lenders—their member banks—primarily for housing, but also for many other purposes. They will now be brought under a single regulatory umbrella with Fannie and Freddie.

The Housing and Economic Recovery Act of 2008 (H.R. 3221, P.L. 110-289), enacted on July 30, 2008, replaces OFHEO with an independent agency to oversee the GSEs, with enhanced safety and soundness, disclosure, and enforcement tools. The new law raises the conforming loan limit (which sets a ceiling on the size of mortgages that the GSEs can buy) in high cost areas to 150% of the national limit. P.L. 110-289 also establishes a fund, to be financed by Fannie and Freddie, to support low-income housing programs. Finally, the law authorizes the Treasury to buy GSE securities—debt or equity—in any amount, if necessary to provide stability to financial markets, prevent disruptions in the availability of mortgage credit, or protect the taxpayer. This emergency rescue authority expires on December 31, 2009.

This report provides background on the GSE reform issue and summarizes the provisions of House- and Senate-passed versions of H.R. 3221. It will no longer be updated.

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Introduction

Fannie Mae and Freddie Mac are hybrids: created and chartered by Congress for specific public policy purposes, they are nonetheless private, profit-seeking businesses whose shares are traded on the New York Stock Exchange. Their “government-sponsored” nature confers certain advantages over their purely private competitors.¹ As a result, their operations have expanded rapidly over the years and they long ago assumed—and continue to play—critical roles in the residential mortgage market.

In exchange for government sponsorship, their statutory charters restrict Fannie and Freddie to buying, holding, guaranteeing, packaging, and selling mortgages that other firms originate and require them to meet a set of housing goals, whose general thrust is to promote and support home ownership among low- and moderate-income families, even where such activities may not be profit-maximizing.

Congress has long been concerned that the safety and soundness of the government-sponsored enterprises (GSEs) be maintained in order that they meet their public policy mission and not pose risks to the housing finance system or to taxpayers. Prior to 1992, oversight was the responsibility of the Department of Housing and Urban Development (HUD) and the Federal Home Loan Bank Board. In 1992, in recognition of the two GSEs’ growing importance to the mortgage market, Congress established the Office of Federal Housing Enterprise Oversight (OFHEO), an independent agency within HUD, whose exclusive mission is to oversee the financial safety and soundness of the two firms. OFHEO is authorized to set capital requirements, conduct annual risk-based examinations, and generally enforce compliance with safety and soundness standards.

Since Congress created OFHEO in 1992, Fannie Mae and Freddie Mac’s business has continued to expand. **Table 1** illustrates the expansion by comparing certain figures for 1992 and 2006. The principal business activity of the two firms is mortgage securitization. They buy mortgage loans from the original lenders, pool them, and repackage them as mortgage-backed bonds, which may be sold to investors or held in the GSEs’ own investment portfolios. The two firms purchased \$442.7 billion in mortgage loans in 1992, and more than double that amount in 2006. As a percentage of all mortgages originated, however, the GSEs’ share fell, an indication that other financial institutions are active in the mortgage market.²

¹ The most significant advantage comes from an “implicit guarantee.” Although Fannie and Freddie bonds are not explicitly backed by the full faith and credit of the government, market participants behave as if they were, believing that the Treasury will never permit either firm to default. The implicit guarantee allows them to borrow at lower rates than private financial institutions, and to take on greater financial risk without a corresponding drop in their credit ratings or rise in their cost of capital. In addition, their charters include certain tax and regulatory exemptions and a line of credit with the U.S. Treasury.

² Fannie and Freddie’s market share growth is constrained by two factors: they are not allowed to purchase mortgages over a certain value (so-called “jumbo” loans), and they have not been the leaders in securitization of subprime mortgages. The declining percentage shown in **Table 1** may suggest that jumbo and subprime lending grew faster than the conventional or conforming mortgage sector where they are dominant. However, because of the many factors in play, a single year’s figure does not necessarily indicate a long-term trend.

Table 1. Fannie Mae and Freddie Mac: Selected Combined Financial Statistics, 1992 and 2006

(all figures except percentages in billions of dollars)

	1992	2006	% Growth, 1992-2006
Mortgages Purchased	442.7	909.3	105.4
Purchases as Percent of All Mortgages Originated	49.5	30.5	
Mortgage-Backed Securities Issued	373.2	841.7	125.5
Percent of all MBS Issues	35.8	41.0	
Mortgage-Backed Securities Outstanding	832.0	2,900.3	248.6
Percent of all MBS Outstanding	63.4	50.6	
Retained Mortgage Portfolio	189.9	1,426.4	651.1
Financial Derivatives (Notional Amount Outstanding)	71.7	1,543.4	2,052.6

Sources: OFHEO Report to Congress, 2006, and Inside Mortgage Finance Publications, 2006 Mortgage Market Statistical Annual.

Note: "Retained Mortgage Portfolio" includes whole mortgage loans and mortgage-related securities. Derivatives total is for 1993; earlier figures are not available for Freddie Mac.

In terms of issues of new mortgage-backed securities (MBS), the figures in **Table 1** tell a similar story. The value of MBS issued by Fannie and Freddie in 2006 was more than double the 1992 figure, but their share of all MBS issued increased much more slowly. The value of all Fannie and Freddie MBS outstanding more than tripled over the period, but the percentage of MBS outstanding accounted for by the two firms remained relatively unchanged. Again, this suggests rapid growth in all segments of the mortgage securitization market, including those where the GSEs are not the major players.

The figures in **Table 1** relating to purchase and securitization of mortgages, and the value of MBS outstanding indicate that the GSEs have grown rapidly, but also suggest that most of that growth can be attributed to the general expansion of the home mortgage market. The fact that large increases in the volume of business occur without correspondingly large increases in market share is evidence that there are other major players in the marketplace, although these institutions generally do not compete head-to-head with Fannie and Freddie in the same market segments. The last two lines in **Table 1**, however, show a change in the nature of the GSEs' business, rather than a simple increase in scale.

The 651% increase in the GSEs' mortgage portfolios suggests that the GSEs' business model has changed significantly. They appear to be less focused on serving as a conduit between mortgage lenders and bond investors, and instead are placing more emphasis on earning interest income by holding mortgage loans and MBS in their own investment portfolios. Fannie and Freddie's low cost of capital, derived from their GSE status, allows them to finance the purchase of mortgage assets by selling debt at interest rates below the yield on the acquired mortgages. The difference, or spread, between the rates is profit. As profit-seeking firms, the GSEs have an incentive to maximize the size of their portfolios. **Table 1** illustrates the magnitude of their response to this incentive.

Holders of mortgage loans and mortgage-backed bonds face a range of financial risks. Like any fixed-rate debt asset, a mortgage loses value if market interest rates rise. In addition, mortgage

investors are at risk when interest rates fall, because home owners have the right to prepay or refinance their loans, and high interest mortgages—most desirable from the investor’s point of view—are the first to be prepaid. To manage these risks, Fannie and Freddie turn to the derivatives markets, where contracts may be purchased that provide insurance against (or hedge the risks of) unfavorable changes in interest rates. **Table 1** shows that as their portfolios have grown, the GSEs’ use of derivatives to manage risk has exploded. Financial management at Fannie and Freddie has become a more complex job, and safety and soundness regulation has become more challenging.

The Need for Reform

Growth in business volume and the risks posed by growing portfolios (and the derivatives transactions needed to manage those risks) would likely have made GSE regulatory reform a priority in the 110th Congress (as it was in the 109th)³ even if that growth had been managed smoothly. But it was not: serious problems with financial accounting came to light at Freddie Mac in 2003, then at Fannie Mae in 2004. Both GSEs had to restate their earnings for several years,⁴ pay fines totaling hundreds of millions of dollars, and replace their top managers.

The accounting scandals revealed serious weaknesses in accounting policies and controls. In essence, both firms ignored generally-accepted accounting principles (GAAP) and chose their accounting policies to produce the financial results that management wanted. Particularly disturbing, beyond the basic willingness to manipulate financial results, was that many of the lapses involved accounting for financial derivatives contracts, upon which the GSEs depend to manage the financial risks they face.

Recent Developments

In July 2008, the price of Fannie Mae’s and Freddie Mac’s shares plunged by more than 60%, leading to new and more acute concerns about the future of the companies. The immediate fear was that credit market participants would refuse to lend money to Fannie or Freddie. Since the GSEs’ portfolios are financed by hundreds of billions of dollars in short-term debt, which must be constantly refinanced or rolled over, neither firm could survive long without access to the credit markets. This is what happened to the investment bank Bear Stearns in March 2008: essentially a “non-bank run.” James B. Lockhart, the director of OFHEO, issued statements reaffirming that the two companies were adequately capitalized. Although this was true in a regulatory sense, in economic terms, both firms were extremely vulnerable to a loss of market confidence. Treasury Secretary Henry M. Paulson Jr. asked Congress to pass legislation that would give the Treasury broad authority to lend money to or invest in stock of Fannie Mae and Freddie Mac.⁵ Congress

³ For a summary of 109th Congress GSE legislation, see CRS Report RL32795, *Government-Sponsored Enterprises (GSEs): Reform Legislation in the 109th Congress*, by Mark Jickling.

⁴ When the restatements were completed, Freddie Mac was found to have understated its net income by \$5 billion, while Fannie Mae overstated earnings by \$6.3 billion. See CRS Report RS21949, *Accounting Problems at Fannie Mae*, by Mark Jickling, and CRS Report RS21567, *Accounting and Management Problems at Freddie Mac*, by Mark Jickling.

⁵ See CRS Report RL34661, *Fannie Mae’s and Freddie Mac’s Financial Problems*, by N. Eric Weiss, for more information on these developments.

responded swiftly: Section 1117 of the Housing and Economic Recovery Act of 2008 (H.R. 3221, P.L. 110-289), enacted on July 30, 2008, authorizes the Treasury to purchase any amount of Fannie or Freddie securities—debt or equity—if necessary to provide stability to financial markets, prevent disruptions in the availability of mortgage credit, or protect the taxpayer. The implicit guarantee has become nearly explicit.

The Reform Legislation

H.R. 3221, as amended and approved by the House, includes provisions from H.R. 1427, which was introduced by Chairman Frank and passed by the House on May 22, 2007. The bill took a comprehensive approach to the reform of GSE regulation. The major changes between the House version of H.R. 3221 and H.R. 1427 are (1) that H.R. 3221 would make permanent the higher conforming loan limits in high-cost housing areas enacted by the Economic Stimulus Act of 2008, and H.R. 3221 explicitly states that the GSEs may not obtain bankruptcy protection.⁶ The Senate version of H.R. 3221 is generally similar to the House version—each would create a new agency with enhanced regulatory authority.

Key differences between the House and Senate versions are as follows.

- The House version would make the new regulator a member of the Federal Financial Institutions Examination Council (FFIEC) along with the Fed, Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS). The Senate bill would not make the new regulator a member of FFIEC.
- The House version increases the conforming loan limit in high cost areas to 175% of the national median house price while the Senate version would increase the limit in high cost areas to 150%.
- The House version would create the new regulator six months after enactment; the Senate version would create the new regulator immediately upon enactment.

Other key differences in non-GSE portions of H.R. 3221 include the following.

- The House version continues to permit seller-assisted downpayments on loans guaranteed by the Federal Housing Administration (FHA) and to allow FHA to implement risk-based pricing; the Senate version would eliminate seller assistance and would not authorize risk-based pricing.⁷

⁶ H.R. 3221, then called the *New Direction for Energy Independence, National Security, and Consumer Protection Act*, was introduced in the House by Representative Nancy Pelosi on July 30, 2007. It passed the House on August 4, 2007. The Senate amended and passed H.R. 3221 on April 10, 2008. The House amended and passed H.R. 3221 on May 8, 2008. The manager's amendment to H.R. 3221 included other housing provisions in addition to those originally in H.R. 1427. On July 11, 2008, the Senate approved a bipartisan manager's amendment in the nature of a substitute and sent the bill to the House. The Economic Stimulus Act of 2008 became P.L. 110-185, 122 Stat. 163 et seq.

⁷ See CRS Report RS22662, *H.R. 1852 and Revisiting the FHA Premium Pricing Structure: Proposed Legislation in the 110th Congress*, by Darryl E. Getter, and CRS Report RL33879, *Housing Issues in the 110th Congress*, by Libby Perl et al., for more information.

- The Senate version would authorize \$3.9 billion in Community Development Block Grants (CDBG) to encourage local governments to buy and rehabilitate foreclosed homes; the House bill does not have this provision.⁸ The Administration has said it might veto a bill with this provision.
- The House version included some \$11 billion in housing-related tax reductions; these tax reductions are fully offset in the bill. The Senate version has \$14.5 billion in tax reductions; \$12.1 billion of the reductions is offset in the bill.⁹

An Independent Regulator with Enhanced Authority

Both versions of H.R. 3221 propose a restructuring of GSE regulation. They would replace OFHEO with an independent agency, called the Federal Housing Finance Agency, which would have enhanced safety and soundness powers, similar to those of federal banking regulators. Given the importance of the GSEs to the financial system, and the potential risks they pose, there is little support for keeping the GSE regulator inside HUD. Among the new powers would be the authority to set capital standards by order or regulation, to establish standards for the GSE portfolios, and to initiate receivership or liquidation proceedings for a failing GSE.

Also included under the new agency's regulatory umbrella would be the Federal Home Loan Banks (FHLBs), which comprise one collective GSE, but have not experienced the kinds of problems and business shifts seen at Fannie and Freddie in recent years. (The bills refer to all GSEs—the FHLBs and Fannie and Freddie—as “regulated entities.” In provisions that apply only to Fannie and Freddie, the term “enterprises” is used.)

Affordable Housing Fund

Section 340 of the House version of H.R. 3221 would require Fannie and Freddie to contribute to an affordable housing fund to support home ownership among very low- and extremely low-income families, to increase investment in housing in low-income and economically distressed areas, and to increase and preserve the supply of rental and owner-occupied housing for very low- and extremely low-income families. Each enterprise would be required to contribute to the fund to the fund 1.2 basis points (0.012%) annually of its average total mortgage portfolio during the preceding year. Proponents of the affordable housing funds recognize that Fannie and Freddie receive a valuable subsidy in the form of their GSE status, which permits them to borrow at lower rates than other private financial firms. The affordable housing fund proposal can be viewed as a means of redirecting some of the value of this subsidy from private shareholders and corporate management to a policy objective consistent with the GSEs' charters.

H.R. 1461 (109th Congress) included a similar provision, which proved to be among the most controversial sections of the bill.¹⁰ Opponents argued that Fannie and Freddie would use the funds to reward political allies or for indirect lobbying purposes. During floor consideration of H.R. 1461, an amendment was adopted that prohibited the use of money disbursed by the affordable

⁸ For more details, see CRS Report RS22919, *Community Development Block Grants: Legislative Proposals to Assist Communities Affected by Home Foreclosures*, by Eugene Boyd and Oscar R. Gonzales.

⁹ See CRS Report RL33879, *Housing Issues in the 110th Congress*, by Libby Perl et al.

¹⁰ See CRS Report RL34158, *The New GSE Affordable Housing Funds: The Housing Trust Fund and the Capital Magnet Fund*, by N. Eric Weiss and Katie Jones.

housing funds for political, lobbying, or advocacy purposes. Other amendments included a five-year sunset for the fund (with the director of the new regulator to recommend to Congress whether the fund should be extended) and established a priority for activities in areas affected by Hurricanes Katrina and Rita, and in other areas designated by the President as major disaster areas.

These amendments are incorporated into H.R. 3221 (with some modifications). Other changes include the allocation formula (in H.R. 1461, the enterprises were to contribute 5% of their profits to the fund) and the distribution mechanism—under H.R. 3221, the money would be paid to the new agency, which would pass it on to the states, who would select the ultimate recipients. Under H.R. 1461, Fannie and Freddie would have controlled the funds themselves, and dealt with recipients directly.

The Senate version also provides for such a fund, although the amount of funds to be contributed and the allocation of funding are structured differently. The contributions would be divided between affordable housing (65%) and a new community development Capital Magnet Fund (35%). Initially, however, contributions would be used to provide a contingency fund for the FHA mortgage relief program created elsewhere in the bill. After this is phased out 25% would continue to go to a fund to help to pay off bonds sold to finance the mortgage relief program.

The Senate version would require Fannie and Freddie to contribute 4.2 basis points (0.042%) of the unpaid principal of mortgages purchased during a year. The House version would require Fannie Mae and Freddie Mac to contribute 1.2 basis points (0.012%) of the annual average total of mortgages retained in portfolio or sold in the secondary market, whether or not the mortgages are pooled into an MBS, to the new GSE affordable housing fund. Based on 2007, the House version would have raised \$592 million and the Senate version would have raised \$501 million for the affordable housing funds. These provisions are in marked contrast to the Senate bill in the 109th Congress, which did not provide for the creation of a fund.

Portfolio Limits

As noted above, both Fannie and Freddie hold large portfolios of mortgages and mortgage-backed securities, leading some observers to describe them as the world's largest savings and loan institutions. The size of their portfolios represents a concentration of mortgage market risk that led former Federal Reserve Board Chairman Alan Greenspan and others to urge Congress to consider ways to shrink the size of the GSEs' asset portfolios.¹¹ Supporters of portfolio limits argue that reducing the size of the portfolios would prevent financial trouble at either Fannie or Freddie from spilling over into the financial system at large.

In the 109th Congress, Section 109 of S. 190 (which was marked up by the Banking Committee but never brought to the floor) included statutory provisions that would have limited Fannie and Freddie's ability to hold mortgage assets in portfolio. The GSEs would have been allowed to acquire mortgages and mortgage-backed securities only for purposes of securitization (with certain limited exceptions). Under this proposal, Fannie and Freddie's business models would have been considerably altered: instead of very large investment funds, they would be transformed into conduits, buying mortgages from the original lenders, pooling them, packaging

¹¹ See, e.g., testimony of Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the House Committee on Financial Services, February 17, 2005.

them into mortgage-backed securities, and selling them to bond investors. This change would have greatly reduced their portfolio earnings, currently one of the chief sources of their profits.

Proponents of portfolio limits have argued that such a step is needed to reduce the cost of the GSE subsidy to taxpayers, which takes the form not of annual appropriations, but of the assumption of risk, that is, the potential cost to the Treasury of having to bail out either Fannie or Freddie. Opponents argue that reducing the GSEs' interest earnings would mean less support for low- and moderate-income housing goals.

House legislation in the 109th Congress did not contain portfolio limits. This was one of the key disagreements between House and Senate that prevented enactment of GSE reform.

Section 325 of the House version of H.R. 3221 represents a compromise position. The director of the new agency would be specifically directed to monitor portfolios, and would have the authority to direct an enterprise to acquire or dispose of any asset, without requiring a formal determination that such an action was consistent with the safe and sound operation of the enterprise. During committee and floor consideration of H.R. 1427, two amendments were adopted that appear to constrain the regulator's authority to impose portfolio limits based on systemic risk concerns. In the amended version, the regulator is directed to establish portfolio standards by taking into consideration risks to the safety and soundness of Fannie and Freddie themselves, but not risks to the financial system that might arise from the GSEs' activities.

The Senate version of the bill takes a similar approach. The director of the new agency is authorized to monitor the enterprises' portfolios, and to ensure that the holdings are backed by sufficient capital and consistent with the mission and the safe and sound operations of the enterprises. Thus, the sharp differences between House and Senate approaches in the 109th Congress appear to have been bridged.

Conforming Loan Limits

Current law sets a limit on the size of mortgages that Fannie and Freddie can buy. Mortgages above the limit, called jumbo loans, are less likely to be securitized than the conforming mortgages that Fannie and Freddie are allowed to purchase. Partly as a result, mortgage rates for nonconforming loans are slightly higher than conforming loan rates. Critics of the conforming loan limit argue that the limit has a disparate geographical effect: in some areas of the country the limit, which was \$417,000 for single-family homes in 2007, covers all but the high end of the market, while in other areas, such as San Francisco or New York City, virtually all real estate transactions take place over the limit.

H.R. 1427, the GSE reform bill passed by the House on May 22, 2007, would have raised the limit permanently by up to 50% in high-cost housing areas, allowing the GSEs to expand into markets now served by non-GSE institutions. In response to turmoil in the mortgage market, however, the Economic Stimulus Act of 2008 (P.L. 110-185) enacted a temporary increase in the conforming loan limit. For mortgages originated between July 1, 2007, and December 31, 2008, the limit is capped at 175% of the statutory limit, or \$729,750, in certain high-cost areas.

Section 333 of H.R. 3221 (House) would make the temporary measure in the Stimulus Act permanent. It would raise the conforming loan limit in metropolitan areas where the median home price exceeds the current limit. In those areas, the limit would be set at the median home price, up

to a ceiling of 175% of the national limit (\$729,750). For more information on this proposal, see CRS Report RS22172, *The Conforming Loan Limit*, by N. Eric Weiss and Mark Jickling.

The Senate-passed version also calls for a permanent increase in the conforming loan limits, but only to 150% of the current ceiling of \$417,000 (\$625,500).

Table 2 below provides brief summaries of the provisions of the House and Senate approved versions of H.R. 3221. Where there are significant differences between H.R. 3221 and H.R. 1427, which passed the House in 2007, the provisions are set out in italics. Titles IV and VI and Divisions B and C of the Senate bill, which do not deal with GSE reform, are not covered.

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Table 2. Provisions of House- and Senate-Approved Versions of H.R. 3221 in the 110th Congress

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Title	Title III—Reform of Regulation of Enterprises and Federal Home Loan Banks	Title I—Reform of Regulation of Enterprises
Subtitle	Subtitle A—Reform of Regulation of Enterprises and Federal Home Loan Banks	Subtitle A—Improvement of Safety and Soundness Supervision
Chapter	Chapter I—improvement of Safety and Soundness	
Short Title	Federal Housing Finance Reform Act of 2008 <i>Federal Housing Finance Reform Act of 2007</i>	Federal Housing Finance Regulatory Reform Act of 2008
Definitions	<p>“Regulated Entity” refers to Fannie Mae and Freddie Mac and affiliates, and each Federal Home Loan Bank.</p> <p>“Regulated Entity-affiliated Party” means—(A) any director, officer, employee, or agent for, a regulated entity, or controlling shareholder of an enterprise; (B) any shareholder, affiliate, consultant, or joint venture partner of a regulated entity, and any other person, as determined by the Director (by regulation or on a case-by-case basis) that participates in the conduct of the affairs of a regulated entity, except that a shareholder of a regulated entity shall not be considered to have participated in the affairs of that regulated entity solely by reason of being a member or customer of the regulated entity; (C) any independent contractor for a regulated entity (including any attorney, appraiser, or accountant), if—(i) the independent contractor knowingly or recklessly participates in—(I) any violation of any law or regulation; (II) any breach of fiduciary duty; or (III) any unsafe or unsound practice; and (ii) such violation, breach, or practice caused, or is likely to cause, more than a minimal financial loss to, or a significant adverse effect on, the regulated entity; and (D) any not-for-profit corporation that receives its principal funding, on an ongoing basis, from any regulated entity. (Sec. 302)</p> <p><i>“Regulated Entity” refers to Fannie Mae and Freddie Mac and affiliates, and each Federal Home Loan Bank.</i></p> <p><i>“Regulated Entity-Affiliated Party” means (1) directors, officers, employees, or agents of a regulated entity, or a controlling shareholder; (2) shareholders, affiliates, consultants or joint venture partners, or any other person as determined by the director, that participates in the conduct of the affairs of the regulated entity (except that shareholders are not participants solely because they are members or customers of the regulated entity); (3) any independent contractor that knowingly or recklessly participates in violation of law, breach of fiduciary</i></p>	<p>Same definition of “regulated entity.”</p> <p>Definition of “entity-affiliated party” is identical to H.R. 3221’s definition of “regulated entity-affiliated party.”</p> <p>Also includes definitions of danger of default, very low income, conforming mortgage, extremely low income, and low income area. (Sec. 1128)</p>

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
	<i>duty, or unsafe or unsound practice that may cause more than minimal loss to the regulated entity; and (4) any not-for profit that receives its principal funding from a regulated entity. (Sec. 302)</i>	
New Regulatory Agency	Federal Housing Finance Agency (Sec. 311)	Federal Housing Finance Agency (Sec. 1101)
Agency Status	Independent federal agency. (Sec. 301)	Identical provisions. (Sec. 1101)
Jurisdiction	General supervisory and regulatory authority over Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. (Sec. 311)	General supervisory and regulatory authority over Fannie Mae, Freddie Mac, the Federal Home Loan Banks, and the Finance Facility. (Sec. 1101)
Agency Officials	A Director, appointed by the President, with advice and consent of the Senate for a five-year term. Should the office be vacant, a new Director shall be appointed to fill only the remainder of the term. Three Deputy Directors, appointed by the Director for the Divisions of Enterprise Regulation, Federal Home Loan Bank Regulation, and Housing. An Office of the Ombudsman to consider complaints and appeals from any regulated entity and any person with a business relationship with any regulated entity. (Sec. 311)	Similar, except that the third deputy director's title will be "Deputy Director for Housing Mission and Goals." (Sec. 1105)
Qualifications of Officials	The Director and Deputies must be U.S. citizens, who have a demonstrated understanding of financial management, with specialized knowledge and experience required for deputy Directors relevant to the offices they head. (Sec. 301)	Identical provisions. (Sec. 1101)
Duties and Authorities of the Director	Principal duties are to oversee the operations of each regulated entity and to ensure that each entity: (1) operates in a safe and sound manner, and maintains adequate capital and internal controls; (2) fosters liquid, efficient, competitive, and resilient national housing finance markets that minimize the cost of housing finance (including for housing for low- and moderate-income families); (3) complies with applicable rules, guidelines, orders and regulations pursuant to applicable law; (4) carries out its statutory mission only through activities consistent with applicable law. The Director may review and reject acquisition or transfer of a controlling interest in a regulated entity; may exercise any necessary or appropriate incidental powers to fulfill agency's duties of supervision and regulation; may enforce actions it takes, or administer conservatorship or receivership through litigation either independently (in consultation with the Attorney General) or through the Attorney General. (Sec. 312)	Similar provisions, with the additional duties to ensure that the activities of regulated entities are consistent with the public interest, that the entities remain adequately capitalized. Does not require consultation with the Attorney General in conservator or receivership proceedings. (Sec. 1102)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Prudential Management and Operations Standards	The Director shall establish standards for each regulated entity for (1) internal controls and information systems, (2) internal audit systems, (3) credit and counterparty risk, (4) interest rate risk management, (5) monitoring and management of market risk, (6) adequacy and maintenance of liquidity and reserves, (7) asset and portfolio management, (8) investments and acquisitions, (9) record keeping, (10) issuance of subordinated debt, as the Director considers necessary, (11) overall risk management, including reputational risk and maintenance of remote facilities to protect against disruption, and (12) other standards the Director finds appropriate. (Sec. 312)	Similar provisions, except does not include specific reference to subordinated debt. (Sec. 1107)
Failure to Meet Prudential Standards	If the Director finds that a regulated entity has failed to meet any prudential standard, the entity must submit a plan within 30 days to correct the deficiency, and the Director may prohibit any increase in total assets of the entity, require an increase in regulatory capital, or take other actions until the deficiency is corrected. The Director shall take one or more of these actions if the entity fails to meet prescribed standards, if the deficiency is not corrected, and if the entity underwent extraordinary growth in the 18 months prior to the date when it first failed to meet the standard. (Sec. 312)	Identical provisions. (Sec. 1108)
Federal Housing Enterprise Board	Creates the Federal Housing Enterprise Board to advise the Director on overall strategies and policies. The Board is to have three members: the Secretaries of the Treasury and Housing and Urban Development and the Director, who chairs the Board. The Board meets at least once every three months and shall testify annually before Congress on the safety and soundness of the regulated entities, any material deficiencies in the conduct of the entities' operations, the overall operational status of the entities, an evaluation of how the entities are carrying out their missions, the operations, resources and performance of the Agency, and other matters the Board deems appropriate. (Sec. 312)	Similar, except that the Board is called the Federal Housing Finance Oversight Board and it is to have four members (the chairman of the Securities and Exchange Commission (SEC) is added). (Sec. 1103)
Annual Report of the Director	The annual report of the Director is expanded to include an assessment of the Board or any of its members with respect to (1) safety and soundness of the regulated entities; (2) material deficiencies in conduct of the operations or the entities; (3) overall operational status of the regulated entities; and (4) evaluation of the performance of the entities in carrying out their missions; (5) operations, resources, and performance of the Agency; and (6) other matters relating to the Agency and its fulfillment of its mission. (Sec. 313)	Similar provisions. (Sec. 1103)
Authority to Require Reports by Regulated Entities	Adds reports on "management, activities, or operations as the Director considers appropriate" to regular reports the Director may require. (Sec. 314)	Similar authority to require regular financial reports. Establishes penalties for regulated entities' failure to report or the reporting of false or misleading information. (Sec. 1104)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Duty to Report Fraudulent Transactions	Requires a regulated entity to report in a timely manner the discovery (or suspicion of) any fraudulent loan or financial instrument the entity may have purchased or sold. The Director is to require the entities to establish and maintain procedures to discover such transactions. (Sec. 304)	Similar provisions. (Sec. 1113)
Charitable Contributions	The Director shall require each enterprise to submit an annual report on the total value of contributions to non-profit organizations; including the name of the organization and value of contributions (for contributions exceeding an amount determined by the Director); and for contributions above the designated amount to any nonprofit of which a director, officer, or controlling person of the enterprise, or a spouse, was a director or trustee, the name of the nonprofit and value of the contribution. Such information is to be publicly available. (Sec. 305)	No comparable provision.
Assessments	The Director shall establish and collect annual assessments from the regulated entities to provide for reasonable costs and expenses of the Agency, including (1) costs of examinations, reviews, and credit assessments, and (2) amounts in excess of actual expenses to maintain necessary working capital. Assessments may be increased to cover costs of enforcement activities or if an entity is inadequately capitalized. Salaries and other expenses shall be paid from assessments, which shall not be construed to be government funds or appropriated monies. The Agency shall provide OMB with financial plans and forecasts, prepare annual financial statements (including an assertion of the effectiveness of internal accounting controls), and be audited annually by the Government Accountability Office (GAO) at the Agency's expense. (Sec. 316)	Assessments collected from the enterprises shall not exceed the amounts sufficient to provide for the costs and expenses described in subsection relating to the enterprises. Assessments collected from the Federal Home Loan Banks shall not exceed the amounts sufficient to provide for the costs and expenses of regulating the Federal Home Loan Banks. (Sec. 1106)
Examiners and Accountants—Special Hiring Authority	The Director may hire examiners, accountants, specialists in technology or financial markets, and economists in accordance with rules governing the excepted service, notwithstanding any rules governing the competitive service. (Sec. 317)	Similar provisions. (Sec. 1105)
Inspector General	No provision. Reference to Inspector General of Department of Housing and Urban Development. (Sec. 317)	There shall be within the Agency an Inspector General. (Sec. 1105)
Executive Compensation	The prohibition (in current law) of executive compensation that is not reasonable or comparable is amended by permitting the Director to take into account wrongdoing on the part of the executive, and to hold pay in escrow while a determination is made. (Sec. 318)	Identical provisions. (Sec. 1113)
Ratings Agencies	Director may contract with other than nationally recognized statistical ratings agencies for to conduct reviews of regulated entities. (Sec. 319)	No similar provision.
Regulations and Orders	The Director is authorized to issue any regulations, guidelines, or orders that are necessary to carry out the authorizing statutes. (Sec. 321)	Similar provisions (Sec. 1107)

Provision	H.R. 322 I (House Approved May 8, 2008)/ H.R. 1427	H.R. 322 I (Senate Approved July 11, 2008)
Inclusion of Women and Minorities; Diversity	Each regulated entity shall create or designate an Office of Minority and Women Inclusion, to ensure the inclusion and utilization of minorities and women in all levels of business activities, to the maximum extent possible. (Sec. 320)	No comparable provision.
Risk-Based Capital Requirements	The Director shall, by regulation, establish risk-based capital requirements for the enterprises to ensure safe and sound operation and maintenance of sufficient capital and reserves to support risk exposure. The Director shall establish risk-based capital requirements for the FHLBs. Confidentiality of information enabling risk-based capital standards shall be maintained. (Sec. 323)	Similar, but no specific mention of confidentiality. (Sec. 1110)
Minimum Capital Requirements	<p>The Director may by regulation establish minimum capital levels for regulated entities that are higher than the statutory levels. The Director may, by order, increase minimum capital levels on a temporary basis if the regulated entity has violated prudential standards or if an unsafe or unsound condition exists. The Director may, by order or regulation, establish additional capital or reserve requirements with respect to any particular program or activity.</p> <p>The Director shall, by regulation, set critical capital levels for the Federal Home Loan Banks.</p> <p>The Director shall periodically review the amount of core capital held by the enterprises, and shall rescind any temporary minimum capital level increase if the conditions that warranted the increase no longer exist. (Sec. 324)</p>	The Director may by regulation or order establish minimum capital levels for regulated entities that are higher than the statutory levels. (Sec. 1111)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Review of, and Authority Over, Enterprise Assets and Liabilities (Portfolio Limits)	The Director shall, by regulation, establish standards by which the portfolio holdings, or rate of growth of the portfolio holdings, of the enterprises will be consistent with the mission and safe and sound operations. In developing standards, the Director shall consider (1) the size or growth of the mortgage market; (2) the need for the portfolio in maintaining liquidity or stability of the secondary mortgage market; (3) the need for an inventory of mortgages in connection with securitizations; (4) the need for the portfolio to directly support the affordable housing mission of the enterprises; (5) the liquidity needs of the enterprises; (6) any potential risks posed to the enterprises by the nature of the portfolio holdings; and (7) any additional factors that the Director determines to be necessary to carry out the purpose under the first sentence of this subsection to establish standards for assessing whether the portfolio holdings are consistent with the mission and safe and sound operations of the enterprises. The Director may, by order, make temporary adjustments to the standards during market stress or disruption. Standards shall be issued within 180 days of the effective date of this legislation. (Sec. 325)	The Director shall, by regulation, establish criteria governing the portfolio holdings of the enterprises, to ensure that the holdings are backed by sufficient capital and consistent with the mission and the safe and sound operations of the enterprises. In establishing such criteria, the Director shall consider the ability of the enterprises to provide a liquid secondary market through securitization activities, the portfolio holdings in relation to the overall mortgage market. The Director may temporarily adjust these regulations if necessary to mitigate market disruptions in the housing finance system. (Sec. 1109)
Authority to Require Disposition or Acquisition of Assets	The Director shall monitor the portfolio of each enterprise. Pursuant to subsection (a) and notwithstanding the capital classifications of the enterprises, the Director may, by order, require an enterprise, under such terms and conditions as the Director determines to be appropriate, to dispose of or acquire any asset. (Sec. 325)	Similar provisions. (Sec. 1109)
Corporate Governance of Enterprises	Requires a majority of the board to be independent directors, as defined by the NYSE. Requires boards to meet at least eight times a year, and requires non-management directors to meet regularly in executive session without management participation. Boards shall include audit, compensation, and nominating committees, to be composed and empowered according to SEC and NYSE rules. (Sec. 326)	Similar provision.
Compensation by Enterprises	Compensation of Directors, executives, and employees shall not exceed what is reasonable and appropriate, shall be commensurate with duties and responsibilities, consistent with the long-term goals of the enterprise, and shall not focus solely on earnings performance. Enterprises are made subject to Section 304 of the Sarbanes-Oxley Act, which requires CEOs and CFOs to reimburse the company under certain circumstances after an accounting restatement involving misconduct. (Sec. 318)	Similar provisions. (Sec. 1113)
Golden Parachutes	No provision	Under certain circumstances, the Director is authorized to prohibit indemnification or golden parachute payments to entity-affiliated parties. (Sec. 1114)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Code of Conduct and Ethics	An enterprise shall establish and enforce a written code of conduct designed to ensure that Directors, officers, and employees act in an impartial and objective manner, including standards under Section 406 of the Sarbanes-Oxley Act. The code shall be reviewed at least once every three years. (Sec. 326)	No provision.
Responsibilities of the Board of Directors	The board of an enterprise shall oversee (1) corporate strategy, risk policy, and compliance programs, (2) hiring and retention of qualified executives, (3) compensation programs, (4) the integrity of accounting and financial reporting systems, (5) disclosures to shareholders and investors, (6) extensions of credit to officers and directors, and (7) responsiveness in reporting to federal regulators. (Sec. 326)	No provision.
Prohibition of Extensions of Credit	An enterprise may not (directly, indirectly, or through a subsidiary) make any personal loan to a board member or executive officer. (Sec. 326)	No provision.
Certification of Disclosures	The CEO and CFO of an enterprise shall review annual and quarterly reports and shall make the certifications required by Section 302 of the Sarbanes-Oxley Act. (Sec. 326)	No provision.
Change of Audit Partner	Requires that the lead partner of the external auditor of an enterprise be changed every five years. (Sec. 326)	No provision.
Compliance Program	Each enterprise shall establish a compliance program reasonably designed to ensure that the enterprise complies with applicable laws, regulations, and internal controls. The program shall be headed by a compliance officer, who reports directly to the CEO and regularly to the board. (Sec. 326)	No provision.
Risk Management Program	Each enterprise shall establish a risk management program reasonably designed to manage the risks of operation. The program shall be headed by a risk management officer, who reports directly to the CEO and regularly to the board. (Sec. 326)	No provision.
SEC Registration Requirements	Requires each regulated entity to register at least one class of capital stock with the SEC, and requires enterprises (Fannie Mae and Freddie Mac) to comply with Sections 14 and 16 of the Securities Exchange Act of 1934 (which deal with proxy reporting and disclosure of insider transactions in company stock). (Sec. 327) Enterprises whose stock is not registered or deregistered remain subject to certain provisions of the Securities Exchange Act. (Sec. 326)	Provides that equity securities issued by the enterprises are not exempt from SEC registration requirements, and requires enterprises (Fannie Mae and Freddie Mac) to comply with Sections 12, 13, 14 and 16 of the Securities Exchange Act of 1934 . (Sec. 1112)
Federal Financial Institutions Examination Council (FFIEC)	The FHFA shall be a member of the FFIEC. (Sec. 328)	No provision.

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Guarantee Fee Study	The GAO, in consultation with the heads of the federal banking agencies and the OFHEO, shall, not later than one year after the date of the enactment, submit to Congress a study of the pricing, transparency and reporting of the regulated entities with regard to guarantee fees and analogous practices, transparency and reporting requirements of other participants in the business of mortgage purchases and securitization. The study shall examine various factors such as credit risk, counterparty risk, and economic value considerations. (Sec. 329)	The Director shall conduct an on-going study of fees charged to guarantee mortgages and annually report to Congress on pricing, revenues, costs, average fee charged, and any change in fees. (Sec. 1501)
	Chapter 2—Improvement of Mission Supervision	Subtitle B—Improvement of Mission Supervision
Transfer of Product Approval and Housing Goal Oversight	This section transfers HUD's authority for new product approval and housing goals to the FHFA. (Sec. 331)	Identical provision. (Sec. 1121)
New Product Approval	The enterprises must obtain approval from the Director before offering any new "products," which are defined. This section transfers HUD's authority for new product approval and housing goals to the FHFA. (Sec. 332)	Similar provision. (Sec. 1123)
Standard for Approval	The Director shall determine that a new product is consistent with the enterprise's charter, is in the public interest, is consistent with the safety and soundness of the enterprise or the mortgage finance system, and does not materially impair the efficiency of the mortgage finance system. (Sec. 332)	Identical, except that there is no standard concerning "materially impair the efficiency..." as in H.R. 3221. (Sec. 1123)
Procedure for Approval	The enterprises make a written request to the Director, who shall publish the request in the <i>Federal Register</i> with a 30-day public comment period. The Director will have 30 days after the close of the comment period to approve or deny the request. (Sec. 332)	Similar, but Director may give temporary approval without public comment under exigent circumstances. (Sec. 1123)
Definition of Product or New Business Activity	The term "product" does not include the enterprises' automated loan underwriting systems in existence on the date of enactment of this legislation, or any modifications or upgrades to such systems that do not (1) include services or financing other than residential mortgage financing, or (2) create significant new exposure to risk for the enterprise or the holder of the mortgage. (Sec. 332)	No specific reference to "significant new exposure to risk for the enterprise or the holder of the mortgage." (Sec. 1123)
Conforming Loan Limit—Indexation	The conforming loan limit will increase or decrease to reflect the annual change in a housing price index maintained by the Director. (Sec. 333)	Limit cannot decline. Decreases are "banked" and used against later increases. (Sec. 1124)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Increase in Conforming Loan Limit for High-Cost Areas	<p>In areas where 125% of the median house price exceeds the national limit, the area limit is 125% of the area median, but not more than 175% of the national limit. Areas shall be the same as used to determine the FHA guarantee limits. (Sec. 333)</p> <p><i>H.R. 1427: The conforming loan limit shall be increased in areas where the median price exceeds the general limitation to the lesser of (1) 150% of such general limitation or (2) the median price in the area. The Director may limit such an increase to mortgages which are securitized and sold by the enterprise. (Sec. 133)</i></p>	Limit is increased to lesser of 100% of area median or 132% of national loan limit (\$550,440). (Sec. 1124)
House Price Index	The Director shall maintain an index of national average single family house prices for use for adjusting the conforming loan limitations of the enterprises. GAO shall audit this index within 180 days of the creation of the index and after any modification to the index. (Sec. 333)	Similar provisions relating to index; no GAO audit. (Sec. 1124)
Conditions on Conforming Loan Limit Increases for High-Cost Areas	<p>H.R. 3221: No provision.</p> <p><i>H.R. 1427: The Director shall conduct a study to determine (1) the effects of restricting the higher conforming loan limits only to mortgages securitized and sold by the enterprises on the availability of mortgages for housing in high-cost areas and, (2) the extent to which the enterprises will be able to sell securities based on mortgages for housing located in such high-cost areas. If the Director determines that costs to borrowers in such high-cost areas will be increased by such restrictions, the Director may issue an order terminating such restrictions. (Sec. 133)</i></p>	Loans above the national conforming loan limit may not be held in a GSE's portfolio, but must be securitized. (Sec. 1124)
Contents of Annual Report to Congress	The report shall (1) discuss the extent to which the regulated entity is meeting (or could better meet) its statutory purposes, including housing goals, community investment, and affordable housing programs; (2) analyze data on income, race, and gender, and discuss violations of fair lending procedures by lenders; (3) examine credit conditions in the multifamily housing mortgage markets and the status of efforts to provide standard credit terms and underwriting guidelines for multifamily housing and securitize such mortgage products; (4) examine the use of alternative credit scoring and other means to expand opportunities for first-time home buyers; (5) analyze existing trends in pricing and other conditions in the housing markets and mortgage markets; and (6) identify the extent to which each enterprise is involved in the subprime mortgage market, and compare the characteristics of subprime loans purchased and securitized by the enterprises to other loans purchased and securitized by the enterprises. (Sec. 334)	<p>Director shall report annually to Congress on GSE achievements of housing goals, aggregate data on housing goals, incomes, race, gender, subprime mortgage purchases, and nontraditional loans.</p> <p>The Director shall conduct a monthly survey of characteristics of conforming and non-conforming mortgages, house prices, underwriting characteristics, etc. Such data shall be made public in a timely manner. (Sec. 1125)</p>

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Standards for Subprime Loans	Within one year of the effective date of this legislation the Director shall issue standards by which mortgages purchased shall be considered subprime for the purpose of complying with the reporting requirement in Housing and Community Development Act of 1992. (Sec. 334)	No comparable provision.
Mortgagor Identification Requirements	Prohibits regulated entity involvement with mortgages where the borrower does not have a Social Security account number. (Sec. 336)	No comparable provision.
Housing Goals Authority	The authority to establish and monitor housing goals for the enterprises is moved to the Director from HUD. (Sec. 337)	Similar provisions (Sec. 1128)
Housing Goals, General	There are three single-family housing goals and one multifamily housing goal. In addition, the enterprises are required to provide the Director with sufficient information to determine if minorities are charged a different interest rate than non-minorities. (Sec. 337)	Similar, but no authority given to Director to remediate rate disparities. (Sec. 1129)
Single-Family Housing Goals	The Director shall establish annual goals for the purchase by each enterprise of conventional, conforming, single-family, owner-occupied, purchase money mortgages financing housing for (1) low-income families, (2) very low-income families, and (3) families that reside in low-income areas. The Director shall establish a separate low-income goal for mortgages used to refinance existing mortgages. (Sec. 337)	Similar, except for treatment of single-family rental units. (Sec. 1129)
Authority to Increase Targets	The Director may by regulation increase the single-family goals set out previously to reflect expected changes in market performance related to such information under the Home Mortgage Disclosure Act of 1975. In establishing such targets, the Director shall consider (1) national housing needs, (2) economic, housing, and demographic conditions, (3) the performance and effort of the enterprises toward achieving the housing goals in previous years, (4) the size of the conventional mortgage market serving each of the types of families relative to the size of the overall conventional mortgage market, and (5) the need to maintain the sound financial condition of the enterprises. (Sec. 337)	No comparable provision.
Multifamily Special Affordable Housing Goal	The Director shall establish, by regulation, an annual goal for the purchase by each enterprise of each of the following types of mortgages on multifamily housing: (1) mortgages that finance dwelling units for low-income families, (2) mortgages that finance dwelling units for very low-income families, and (3) mortgages that finance dwelling units assisted by the low-income housing tax credit under section 42 of the Internal Revenue Code of 1986. (Sec. 337)	The Director shall establish, by regulation, an annual goal for the purchase by each enterprise of mortgages on multifamily housing that (1) finance dwelling units affordable to very low-income families, and (2) that finance dwelling units assisted by the low-income housing tax credit. (Sec. 1128)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Setting Multifamily Special Affordable Housing Goal	In establishing the special multifamily affordable housing goal for an enterprise for a year, the Director shall consider: (1) national multifamily mortgage credit needs; (2) the performance and effort of the enterprise in making mortgage credit available for multifamily housing in previous years; (3) the size of the multifamily mortgage market; (4) the ability of the enterprise to lead the industry in making mortgage credit available, especially for underserved markets, such as for small multifamily projects of 5 to 50 units, multifamily properties in need of rehabilitation, and multifamily properties located in rural areas; and (5) the need to maintain the sound financial condition of the enterprise. \ Director to use a rolling three-year average of data collected under the Home Mortgage Disclosure Act. (Sec. 337)	Similar, except that there is no reference to a specific data source, and Agency must review goals annually for feasibility. (Sec. 1128)
Additional Requirements for Smaller Projects	The Director shall establish, within the multifamily special affordable housing goal, additional requirements for the purchase by each enterprise of mortgages for multifamily housing projects of a smaller or limited size, which may be based on the number of dwelling units in the project or the amount of the mortgage, or both, and shall include multifamily housing projects of such smaller sizes as are typical among such projects that serve rural areas. (Sec. 337)	Similar provisions (Sec. 1128)
Units Financed by Housing Finance Agency Bonds	The Director shall give credit toward the achievement of the multifamily special affordable housing goal to dwelling units in multifamily housing that is financed by tax-exempt or taxable bonds issued by a State or local housing finance agency, but only if such bonds are secured by a guarantee of the enterprise, or are not investment grade and are purchased by the enterprise. (Sec. 337)	Similar provisions. (Sec. 1128)
Use of Tenant Income or Rent	The Director shall monitor the performance of each enterprise in meeting housing goals and shall evaluate such performance based on the income of the prospective or actual tenants of the property, where such data are available; or where the data are not available, rent levels affordable to low-income and very low-income families. A rent level shall be considered to be affordable if it does not exceed 30% of the maximum income level of the income category, with appropriate adjustments for unit size as measured by the number of bedrooms. (Sec. 337)	Similar provisions. (Sec. 1128)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Discretionary Adjustment of Housing Goals	The Director may reduce the level for a goal pursuant to such a petition by one of the enterprises only if (1) market and economic conditions or the financial condition of the enterprise require such action; or (2) efforts to meet the goal would result in the constraint of liquidity, over-investment in certain market segments, or other consequences contrary to the intent of the law. (Sec. 337)	Regulated entity may petition Director to reduce the level of any goal. (Sec. 1128)
Definitions	<p><i>Very low-income</i>: in the case of owner-occupied units, income not in excess of 50% of area median income; and in the case of rental units, income not in excess of 50% of area median income, adjusted for family size.</p> <p><i>Low-income area</i>: census tract or block numbering area in which the median income does not exceed 80% of the median income for the area in which such census tract or block numbering area is located, and shall include families having incomes not greater than 100% of the area median income who reside in minority census tracts.</p> <p><i>Extremely low-income</i>: in the case of owner-occupied units, income not in excess of 30% of the area median income; and (B) in the case of rental units, income not in excess of 30% of the area median income, with adjustments for family size.</p> <p><i>Conforming mortgage</i>: a conventional mortgage having an original principal obligation that does not exceed the dollar limitation, in effect at the time of such origination, specified in the enterprise's charter. (Sec. 337)</p>	Similar provisions. (Sec. 1128)
Definitions	"Rural" and "rural area" as currently defined are revised to include micropolitan areas and tribal trust lands. (Sec. 337)	No comparable provision.
Duty to Serve Underserved Markets	The enterprises shall (1) purchase mortgages on housing for very low-, low-, and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities; and (2) have the duty to improve the liquidity of and the distribution of capital available for mortgage financing for underserved markets. (Sec. 338)	Similar provisions. (Sec. 1129)
Underserved Markets	Each enterprise shall lead the industry in developing loan products and flexible underwriting guidelines for: (1) manufactured housing purchased by very low-, low-, and moderate-income families; (2) affordable housing preservation; (3) housing for very low-, low-, and moderate-income families in rural areas, and for any other underserved market for very low-, low-, and moderate-income families that the Director identifies as lacking adequate credit through conventional lending sources. Such underserved markets may be identified by borrower type, market segment, or geographic area. (Sec. 338)	Similar, except adds subprime, and Community Development Financial Institutions loans. The enterprises shall assist lenders to meet their Community Reinvestment Act (CRA) obligations. (Sec. 1129)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Evaluation and Reporting of Compliance	Not later than six months after the effective date, the Director shall establish a manner for evaluating whether, and the extent to which, the enterprises have complied with the duty to serve underserved markets and for rating the extent of such compliance. The Director shall annually evaluate the compliance and rate the performance of each enterprise. (Sec. 338)	Similar provisions, but the Director may determine additional factors. (Sec. 1129)
Enforcement of Duty to Provide Mortgage Credit to Underserved Markets	The duty to serve underserved markets shall be enforceable to the same extent and under the same provisions that the housing goals are enforceable. (Sec. 338)	Similar provisions. (Sec. 1129)
Housing Goal Enforcement	If the Director preliminarily determines that an enterprise has failed, or is likely to fail to meet any housing goal, the Director shall provide written notice including the reasons for such determination. (Sec. 339)	Similar provisions. (Sec. 1130)
Cease and Desist Orders, Civil Money Penalties, and Remedies Including Housing Plans	If the Director finds that there is a substantial probability that an enterprise will fail, or has actually failed, to meet any housing goal and that the achievement of the housing goal was or is feasible, the Director may require that the enterprise submit a housing plan. If the Director makes such a finding and the enterprise refuses to submit such a plan, submits an unacceptable plan, fails to comply with the plan or the Director finds that the enterprise has failed to meet any housing goal, in addition to requiring the enterprise to submit a housing plan, the Director may issue a cease and desist order, impose civil money penalties, or order other remedies as set forth in this subsection. (Sec. 339)	Similar provisions, except greater civil money penalties. (Sec. 1130)
Review of Housing Plan	The Director shall review any submission by an enterprise, including a housing plan, and not later than 30 days after submission, approve or disapprove the plan or other action. The Director may extend the period for approval or disapproval for a single additional 30-day period. (Sec. 339)	Similar provisions. (Sec. 1130)
Additional Remedies for Failure to Meet Goals	The Director also may seek other actions when an enterprise fails to meet a goal, and exercise appropriate enforcement authority available to the Director under this act to prohibit the enterprise from initially offering any product or engaging in any new activities, services, undertakings, and offerings and to order the enterprise to suspend products and activities, services, undertakings, and offerings pending its achievement of the goal. (Sec. 339)	Similar provisions. (Sec. 1130)
Establishment of an Affordable Housing Fund	The Director of the Federal Housing Finance Agency (in consultation with HUD Secretary) shall establish and manage an affordable housing fund. (Sec. 340)	Similar provisions. (Sec. 1131)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Purpose of the Fund	To increase homeownership and the supply of rental housing among very low-income families, to increase investment in public infrastructure, to increase investment in low-income areas. (Sec. 340)	Similar provisions. (Sec. 1131)
Allocation of Amounts by Enterprises	For fiscal years 2007 through 2011, each enterprise shall allocate to the fund 1.2 basis points (0.012%) of its average total mortgage portfolio during the preceding year. (Sec. 340)	Each enterprise shall contribute 4.2 basis points (0.042%) of the unpaid principal balances of its total new business purchases. (Sec. 1131)
Definition of "Total Mortgage Portfolio"	The term "total mortgage portfolio" means, with respect to a year, the sum of the dollar amount of the unpaid outstanding principal balances on all mortgages outstanding during that year in any form, including whole loans, mortgage-backed securities, participation certificates, or other structured securities backed by mortgages. This includes all such mortgages or securitized obligations, whether retained in portfolio or sold in any form. The Director is authorized to promulgate rules further defining such terms as necessary to implement this section and to address market developments. (Sec. 340)	"Unpaid principal balances of its total new business purchases" not defined.
Limitation on Contributions	No comparable provision.	Cannot be used in conjunction with property taken by eminent domain, unless that property is taken for public use. (Sec. 1131)
Suspension of Contributions	The Director shall temporarily suspend the allocation by an enterprise to the affordable housing fund upon a finding by the Director that such allocations would contribute to the financial instability of the enterprise, would cause the enterprise to be classified as undercapitalized, or would prevent the enterprise from successfully completing a capital restoration plan under Section 1369C. (Sec. 340)	Similar provision. (Sec. 1131)
Five-Year Sunset and Report	The enterprises shall not be required to make allocations to the affordable housing fund in 2012 or in any year thereafter. Not later than June 30, 2011, the Director shall submit to Congress a report making recommendations on whether the fund should be extended or modified. (Sec. 340)	No sunset provision. (Sec. 1131)
Affordable Housing Needs Formulas: Allocations for 2008	For 2008, 75% of allocations shall go to the Louisiana Housing Finance Agency; 25% to the Mississippi Development Authority. (Sec. 340)	In the initial year (2009), the fund would support the HOPE for Homeowners Program. (Sec. 1131)
Affordable Housing Needs Formulas: Allocations for Later Years	HUD Secretary shall establish a formula to allocate funds to states and Indian tribes based on specified factors, including population, housing affordability, percentage of extremely low- and very low-income families, and the extent of substandard housing. If such a formula is not established by the time the Director is to make allocations, the allocations will be distributed to states based on HOME allocations to states and participant jurisdictions. (Sec. 340)	In all years, 25% of the fund would go to support a reserve fund for HOPE for Homeowners bonds. During the first three years, a decreasing percentage (100%, 50%, 25%) of the other 75% would go for the HOPE program. Of the 75% (as adjusted), 65% would go to a housing fund similar to the House's affordable housing fund; 35% would go to a Capital Magnet Fund to provide competitively awarded grants to support affordable housing for primarily extremely low-, very low-, and low-income families. (Sec. 1131)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Allocation of Formula Amounts	The Director shall determine the formula amount for each grantee (states and Indian tribes) and publish in the Federal Register the available amounts. (Sec. 340)	Similar provisions. (Sec. 1131)
Recipients of Allocations	Each grantee may designate a state housing finance agency, housing and community development entity, tribally designated housing entity, or other qualified instrumentality of the grantee to receive grants. (Sec. 340)	Similar provisions. (Sec. 1131)
Grantee Allocation Plans	Each grantee shall establish and publish a plan for distribution of grant amounts each year. The plan shall set forth requirements for applications to receive assistance. (Sec. 340)	Similar provisions. (Sec. 1131)
Eligible Activities	Grant amounts shall be used only for (1) the production, preservation, and rehabilitation of rental housing, including housing under the programs identified in Section 1335(a)(2)(B), except that such grant amounts may be used for the benefit only of extremely and very low-income families; (2) the production, preservation, and rehabilitation of housing for homeownership (including such forms as downpayment assistance, closing cost assistance, and assistance for interest-rate buy-downs) for extremely and very low-income first-time home buyers; and (3) public infrastructure development activities in connection with housing activities funded under paragraph (1) or (2). (Sec. 340)	Similar provisions. (Sec. 1131)
Eligible Recipients	Funds may be provided only to organizations, agencies, or entities (including for-profit, non-profit, or faith-based entities) (1) with a demonstrated capacity for carrying out eligible housing activities, and (2) that make assurances to the grantee (as required by the Director) that they will comply with the requirements of the program. (Sec. 340)	Similar provisions. (Sec. 1131)
Identification Requirements for Occupancy or Assistance	Any assistance provided with any affordable housing grant amounts may not be made available to any individual or household unless the individual or, in the case of a household, all adult members of the household provide, personal identification in specified forms. (Sec. 340)	No comparable provision.
Required Minimum Allocations	Of aggregate amounts allocated each year, 25% shall be used by Refcorp, as provided in Section 21B(f)(2)(E) of the Federal Home Loan Bank Act (12 U.S.C. 1441b(f)(2)(E)); not less than 10% shall be for homeownership activities; and, not more than 12.5% shall go to public infrastructure projects. All funds must be used or committed within two years of the grant date, or be subject to recapture. (Sec. 340)	No reference to Refcorp. The minimum state allocation would be \$3 million. (Sec. 1131)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Prohibited Uses	The Director shall by regulation, set forth prohibited uses of grant amounts, which shall include use for (1) political activities; (2) advocacy; (3) lobbying, whether directly or through other parties; (4) counseling services; (5) travel expenses; and (6) preparing or providing advice on tax returns. The Director shall provide by regulation that grant amounts may not be used for administrative, outreach, or other costs of the grantee or any recipient of such grant amounts, except that grant amounts may be used for administrative costs of the grantee of carrying out the program required under this section. (Sec. 340)	Similar provisions. (Sec. 1131)
Effect on Housing Goals	Amounts contributed by the enterprises to the affordable housing fund shall not count toward meeting housing goals or duty to serve. (Sec. 340)	Similar provisions. (Sec. 1131)
Accountability of Recipients and Grantees	The Director shall require each grantee to develop and maintain a system to ensure that all recipients of funds use those funds in accordance with this section, and any applicable regulations, requirements, or conditions. The Director shall establish minimum requirements for grantees and recipients, which shall include appropriate financial reporting, record retention, and audit requirements. (Sec. 340)	Similar provisions. (Sec. 1131)
Misuse of Funds by Recipients	If the Director or a grantee (subject to the Director's review) determines that any recipient of assistance has used any amounts in a manner that is materially in violation of this section, the regulations issued under this section, or any requirements or conditions under which such amounts were provided, the grantee shall require that, within 12 months after the determination of such misuse, the recipient shall reimburse the grantee for misused amounts and return to the grantee any amounts that remain unused or uncommitted for use. The remedies under this clause are in addition to any other remedies that may be available under law. (Sec. 340)	Similar provisions. (Sec. 1131)
Reports by Grantees	The Director shall require each grantee receiving affordable housing fund grant amounts for a year to submit an annual report to the Director that describes the activities funded under this section and the manner in which the grantee complied with the allocation plan established for the grantee. The Director shall make these reports publicly available. (Sec. 340)	Similar provisions. (Sec. 1131)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Misuse of Funds by Grantees	If the Director determines, after reasonable notice and opportunity for hearing, that a grantee has failed to comply substantially with any provision of this section and until the Director is satisfied that there is no longer any such failure to comply, the Director shall reduce the amount of assistance under this section to the grantee by an amount equal to the amount of the affordable housing fund grant amounts that were not used in accordance with this section; require the grantee to repay an amount equal to the amount of the affordable housing fund grant amounts which were not used in accordance with this section; limit the availability of assistance under this section to the grantee to activities or recipients not affected by such failure to comply; or terminate any assistance under this section to the grantee. (Sec. 340)	Similar provisions. (Sec. 1131)
Capital Requirements	The utilization or commitment of amounts from the affordable housing fund shall not be subject to the risk-based capital requirements established pursuant to Section 1361(a). (Sec. 340)	No comparable provision.
GAO Study of Affordable Housing Fund	Directs the GAO to report on the affordable housing fund's impact on the affordability and availability of credit for home buyers. (Sec. 340)	Similar provisions. (Sec. 1131)
Capital Classifications	Chapter 3—Prompt Corrective Action	Subtitle C—Prompt Corrective Action
	The Director shall establish capital classifications for the FHLBs, reflecting differences in operations between the banks and the enterprises. (Sec. 151(a)) These regulations are to be issued within 180 days of the effective date of this legislation. (Sec. 151(b)). The Director may reclassify a regulated entity (1) whose conduct could rapidly deplete core or total capital, or (in the case of an enterprise) whose mortgage assets have declined significantly in value, (2) which is determined (after notice and opportunity for a hearing) to be in an unsafe or unsound condition, or (3) which is engaging in an unsafe or unsound practice. (Sec. 345(a))	Similar provisions regarding the Director's authority to reclassify a regulated entity. (Sec. 1142)
Restriction on Capital Distributions	A regulated entity shall make no capital distribution that would cause it to become undercapitalized, except that certain capital restructuring transactions may be permitted by the Director if they improve the financial condition of the entity. (Sec. 345(a))	Similar provision. (Sec. 1142)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Supervisory Actions Applicable to Undercapitalized Regulated Entities	<p>The Director must monitor an undercapitalized entity's condition, its compliance with its capital restoration plan, and the efficacy of the plan. No growth in total assets is permitted for an undercapitalized GSE, unless (1) the Director has accepted the GSE's capital restoration plan, (2) an increase in assets is consistent with the plan, and (3) the ratio of total capital to assets is increasing. An undercapitalized entity shall not, directly or indirectly, acquire any interest in any entity or initially offer any new product (as such term is defined in section 1321(f)) or engage in any new activity, service, undertaking, or offering without the Director's prior approval and determination that such activities would be consistent with the capital restoration plan. Actions that may be taken under current law with regard to significantly undercapitalized GSEs may be taken with regard to undercapitalized GSEs, if the Director finds it necessary. (Sec. 346)</p>	<p>Provisions similar, except that an undercapitalized GSE may not grow unless the ratio of its "tangible assets" to equity is increasing. (House bill has "total capital" to assets.) (Sec. 1143)</p> <p>Agency must reclassify GSE as significantly undercapitalized for failure to comply with capital restoration plan. (Sec. 1143)</p>
Supervisory Actions Applicable to Significantly Undercapitalized Regulated Entities	<p>Of the supervisory actions that the regulator <i>may</i> take under current law, one or more of the following <i>must</i> be taken: new election of Directors, dismissal of Directors and/or executives, and hiring of qualified executive officers, or other actions.</p> <p>Without prior written approval of the Director, executives of a significantly undercapitalized regulated entity may not receive bonuses or pay raises. (Sec. 347)</p>	<p>Identical provisions. (Sec. 1144)</p>
Authority over Critically Undercapitalized Enterprises (Liquidation Authority)	<p>The Director may appoint (or the Agency may serve as) a receiver or conservator for several specified causes related to financial difficulty and/or violations of law or regulation. Sets out powers of conservators or receivers, and procedures for settlement of claims, disposal of assets, and other aspects of liquidation, including judicial review. Authorizes the Director to appoint a limited-life regulated entity to deal with the affairs of an entity in default. Prohibits a receiver from terminating, revoking, or annulling the charter of a regulated entity.</p> <p>Mandatory receivership: requires the Director to appoint the Agency as a receiver if a regulated entity's assets are (and have been for 30 days) less than its obligations to its creditors, or if the regulated entity has (for 30 days) not been generally paying its debts as they come due. (Sec. 348)</p>	<p>Similar provisions, but mandatory receivership occurs after 60 days, instead of 30 days. The Director would have discretionary authority to force receivership during days 30 to 60. Also, once receivership is started, liquidation is mandatory. (Sec. 1145)</p>

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
	Chapter 4—Enforcement Actions	Subtitle D—Enforcement Actions
Cease-and-Desist Proceedings	The Director may issue cease-and-desist orders against a regulated entity, a regulated entity-affiliated party, or the Federal Home Loan Bank Finance Corporation (created by Sec. 204) for unsafe or unsound practices (actual or imminent), violations of laws and regulations, or for a receiving a less-than-satisfactory rating for asset quality, earnings, management, or liquidity, where the identified deficiency is not corrected. This authority may not be used to enforce compliance with housing goals. (Sec. 352)	Similar provisions. (Sec. 1151)
Temporary Cease-and-Desist Proceedings	If a violation (or threatened violation) or an unsafe or unsound practice is likely to cause insolvency or significant dissipation of assets or earnings of a regulated entity, or is likely to weaken the condition of the regulated entity prior to the completion of cease-and-desist proceedings, the Director may issue a temporary order requiring the regulated entity to cease and desist from any such violation or practice and to take affirmative action to prevent or remedy such insolvency, dissipation, condition, or prejudice pending completion of such proceedings. The Director may apply to the U.S. District Court for an injunction to enforce such temporary order. (Sec. 352)	Similar provisions. (Sec. 1152)
Prejudgment Attachment	Permits the courts to freeze assets, funds, or other property of persons subject to civil or administrative actions for violations. (Sec. 353)	No comparable provision.
Enforcement and Jurisdiction	The Director may apply to the U.S. District Court for the District of Columbia, or the U.S. district court within the jurisdiction of which the headquarters of the regulated entity is located, for the enforcement of any effective and outstanding notice or order issued, or request that the Attorney General bring such an action. The court shall have jurisdiction and power to require compliance with such notice or order. (Sec. 354)	Similar provisions, but removes federal court jurisdiction over actions brought prudential management and operation standards in Section 1313B. (Sec. 1154)
Civil Money Penalties	Establishes three tiers of fines: (1) \$10,000 per day for violations of orders, (2) \$50,000 per day for recklessly engaging in an unsafe or unsound practice, or a pattern of misconduct or material breach of fiduciary duty with financial gain to the entity or individual, and (3) up to a maximum of \$2 million per day for knowingly engaging in violations, breaches of fiduciary duties, or unsafe or unsound practices that cause substantial losses to a regulated entity. (Sec. 355)	Same tiers of penalties and adds “any conduct that the Director determines to be an unsafe or unsound practice” to tier 1. (Sec. 1155)
Indemnification	Extends current prohibition on indemnification for tier 3 penalties to all tiers. (Sec. 355)	No similar provision.

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
Removal and Prohibition Authority	After written notice and opportunity for a hearing, the Director may suspend or remove regulated entity-affiliated parties who have (1) violated a law, a cease-and-desist, or other written order, (2) engaged in an unsafe or unsound practice, or (3) breached fiduciary duty, such that (1) the regulated entity is likely to suffer loss (or the enterprise-affiliated party receive financial gain), and (2) the unsafe or unsound practice involves personal dishonesty or demonstrates willful and continuing disregard for the safety and soundness of the regulated entity. Also provides for industry-wide suspensions under certain circumstances. Provides for judicial review of such orders or suspensions. (Sec. 356)	Similar provisions. (Sec. 1153)
Criminal Penalty	Anyone who participates, directly or indirectly, in the affairs of a regulated entity while under suspension or order of removal shall be liable for a fine of up to \$1 million, or five years' imprisonment. (Sec. 357)	Identical provisions. (Sec. 1156)
Subpoena Authority	Authorizes the Director to issue subpoenas. (Sec. 358)	Similar provisions, but expands grounds for issuing a subpoena and adds criminal penalties for failure to answer a subpoena. (Sec. 1158)
Chapter 5—General Provisions		Subtitle E—General Provisions
Enterprise Boards of Directors	Eliminates the requirement that five Directors on the boards of Fannie Mae and Freddie Mac be appointed by the President. Reduces the size of enterprise boards from 18 to 13, unless the Director determines that another number is appropriate. (Sec. 361)	Similar provisions. (Sec. 1162)
Study on Public Use Database and Data Disclosure	No provision.	Requires data reported by GSEs to the public to be at the census tract level. (Sec. 1126) GSEs must disclose certain single family data under HMDA. (Sec. 1127)
Study on Mortgage Default Risk Evaluation	No provision.	Requires the Director to perform a study on default risk evaluation. (Sec. 1502)
Report on Enterprise Portfolios	The Director shall report to Congress, within 12 months of enactment, on the portfolio holdings of the enterprises, the risk implications for the enterprises of such holdings and the consequent risk management undertaken by the enterprises (including the use of derivatives for hedging purposes), whether portfolio holdings serve safety and soundness purposes, whether portfolio holdings fulfill the mission of the enterprises, and the potential systemic risk implications for the enterprises, the housing and capital markets, and the financial system of portfolio holdings, and whether such holdings should be limited or reduced over time. (Sec. 362)	No provision.

Provision	H.R. 322 I (House Approved May 8, 2008)/ H.R. 1427	H.R. 322 I (Senate Approved July 11, 2008)
Study of Alternative Secondary Market Systems	The Director, in consultation with the Federal Reserve, the Treasury, and HUD, shall conduct a study of the effects on financial and housing finance markets of alternatives to the current secondary market system for housing finance, taking into consideration changes in the structure of financial and housing finance markets and institutions since the creation of the enterprises. This study is to be completed within 12 months of the effective date of this legislation. (Sec. 364)	No provision.
Study of Guarantee Fees	No provision	Director shall conduct an ongoing study of guarantee fees and annually report to Congress regarding amount and criteria used to determine fees. (Sec. 1501)
	Subtitle B—Federal Home Loan Banks	TITLE II—Federal Home Loan Banks
	No provision.	Orders the Director to take into account differences between the enterprises and the Home Loan Banks in taking supervisory or enforcement actions. (Sec. 1201)
Directors, Number	Each FHLB will be managed by a board of 13 directors, or other number as the Director of FHFA determines. (Sec. 372)	Similar provisions. (Sec. 1202)
Directors, Citizenship	Board directors must be U.S. citizens. (Sec. 372)	Same provision (Sec. 1202)
Directors, Members	Majority of directors of each FHLB must be officers of member banks of that FHLB. Member directors shall be elected by the members. Election does not include independent directors. (Sec. 372)	Identical provision. Member directors and independent directors to be elected by the members. (Sec. 1202)
Directors, Independent	At least 2/5 of each Bank's directors must be independent. Independent directors shall be appointed by the Director of the FHFA. Independent directors will residents of the District of the Bank. (Sec. 272) The Director shall take into consideration the demographic makeup of the community most served by the Affordable Housing Program of the Bank in appointing independent directors. (Sec. 272)	Not less than two-fifths of board members must be independent directors. (Sec. 1202) No similar provision.
Directors, Independent, Public Interest	At least two of the independent directors for each Bank shall be chosen from consumer/community organizations with more than a two year history. (Sec. 372)	Similar provisions, except that the two directors must have more than four years experience representing community or consumer interests. (Sec. 1202)
Directors, Independent, Other	Independent directors who are not public interest directors shall have financial expertise. (Sec. 372)	No provision.
Directors, Independent, Conflicts of Interest	An independent director may not serve as an officer of a FHLB or member bank during directorship. (Sec. 372)	No provision.

Provision	H.R. 322 I (House Approved May 8, 2008)/ H.R. 1427	H.R. 322 I (Senate Approved July 11, 2008)
Directors, Terms	Terms increased from three to four years. Terms will be staggered so that 1/4 are completing each year rather than 1/3. The change in term length does not apply to current directors. (Sec. 372)	Identical provision. (Sec. 1202)
Voting Power of Member Banks	Member banks shall have votes in proportion to the amount of FHLB stock they hold. The provision that each state have at least the number of directors it had in 1960 is repealed. (Sec. 372)	No provision.
Oversight By New Agency	The FHFA replaces the Finance Board. (Sec. 373)	Similar provisions. (Sec. 1204)
Information Sharing	A FHLB may have access to information needed to determine extent of its joint and several liability. Information sharing pursuant to liability does not waive any privilege. (Sec. 375)	Director shall facilitate sharing of certain information among FHLBs, subject to limitations regarding proprietary data. (Sec. 1207)
FHLB Reorganization and Voluntary Merger	FHLBs may merge with other FHLBs with the approval of the FHFA Director. (Sec. 376)	FHLBs may merge with other FHLBs with the approval of the Director, who shall issue regulations governing such transactions. (Sec. 1209) The number of FHLB districts may be reduced to fewer than 8 as a result of voluntary mergers or liquidation of a bank. (Sec. 1210)
SEC Disclosures	FHLBs are exempt from some SEC reporting regulations, including ownership of capital stock in the FHLB, tender offers related to FHLB capital stock, and reporting related party transactions in the FHLB system. Shares of FHLB capital stock are defined as "exempted securities" for the purposes of defining a government securities broker or a government securities dealer. (Sec. 377)	Similar provisions. (Sec. 1208)
Community Financial Institution Members	Raises the Total Asset Requirement from \$500 million to \$1 billion. (Sec. 378)	Similar provision. (Sec. 1211)
Refinancing Authority	No provision.	FHLBs are given authority to refinance mortgages on primary residences of families at or below 80% of area median income. (Sec. 1218)
Studies	The Comptroller of the Currency will conduct a study of the FHLB affordable housing programs and submit the report within one year. (Sec. 380)	Director shall conduct a study of securitization of member bank home mortgage loans. (Sec. 1215) Director shall conduct a study of FHLB advances related to nontraditional mortgages. (Sec. 1217)
Effective Date	Six months from enactment. (Sec. 381)	The date of enactment, unless otherwise provided. (Sec. 1163)

Provision	H.R. 3221 (House Approved May 8, 2008)/ H.R. 1427	H.R. 3221 (Senate Approved July 11, 2008)
	<p>Subtitle C—Transfer of Functions, Personnel, and Property of Office of Federal Housing Enterprise Oversight, Federal Housing Finance Board, and Department of Housing and Urban Development</p> <p>Chapter I—Office of Federal Housing Enterprise Oversight</p>	<p>Title III—Transfer of Functions, Personnel, and Property Of OFHEO and the Federal Housing Finance Board</p> <p>Subtitle A—OFHEO</p>
Abolishment of OFHEO	Sets the abolishment of OFHEO six months after enactment. Provides for continuity of employee status, use of property, and agency services. Suits and other actions in progress against OFHEO will be transferred to the new agency. (Sec. 385)	OFHEO is abolished one year after enactment. Provides for continuity of employee status, use of property, and agency services. (Sec. 1301)
Continuation of Regulations and Orders	All regulations, orders, resolutions, and determinations made by OFHEO or a court will remain in force, and become enforceable by the new agency. (Sec. 386)	Similar provisions. (Sec. 1302)
Transfer of Employees from OFHEO	Governs the transfer of OFHEO employees to FHFA employment and provides for continuity in benefit programs. (Sec. 387)	Governs the transfer of OFHEO employees to FHFA employment and provides for continuity in benefit programs. (Sec. 1303)
Abolishment of the Federal Housing Finance Board	Provides for the transition from FHFBB to FHFA with provisions similar to Sections 301-303. (Sec. 388-394)	Similar provisions. (Secs. 1311-1314)
Termination of Enterprise-Related Functions at HUD	<p>Directs the Secretary of HUD to determine, within three months of enactment, which employees to transfer to the FHFA to maintain oversight of the enterprises. Six months from enactment, all such oversight functions are to be transferred to the new agency. (Sec. 394)</p> <p>Provides for continuity of employee status, regulations, use of property, and agency services. Provides for transfer from HUD of related appropriations, property, and facilities. (Sec. 396-398)</p>	Provides for transfer of certain HUD employees to FHFA. (Sec. 1133)

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Author Contact Information

Mark Jickling
Specialist in Financial Economics
mjickling@crs.loc.gov, 7-7784

Edward V. Murphy
Analyst in Financial Economics
tmurphy@crs.loc.gov, 7-6201

N. Eric Weiss
Specialist in Financial Economics
eweiss@crs.loc.gov, 7-6209

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