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History of Fannie Mae and Freddie Mac Conservatorships

United States: Federal Housing Finance Agency (FHFA)

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HISTORY OF FANNIE MAE AND FREDDIE MAC CONSERVATORSHIPS

On September 6, 2008, with the consent of both Fannie Mae's and Freddie Mac's (the Enterprises) board of directors, FHFA used its authorities to place each Enterprise into conservatorship. FHFA established two conservatorships in response to a substantial deterioration in the housing markets that severely damaged each Enterprise's financial condition and left both of them unable to fulfill their missions without government intervention.

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 as amended by the Housing and Economic Recovery Act of 2008, authorizes FHFA as conservator to "take such action as may be: (i) necessary to put the regulated entity in a sound and solvent condition; and (ii) appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity."

FHFA has been able to operate the conservatorships and avoid putting each Enterprise into receivership because the U.S. Department of the Treasury has made **commitments of financial support** to Fannie Mae and Freddie Mac in the form of **Senior Preferred Stock Purchase Agreements**. Those commitments ensure that the Treasury will provide investments in the Enterprises so that each remains solvent and can continue to provide liquidity and stability to the mortgage market, despite its lack of risk capital. FHFA publishes information on both **draws against** the Treasury commitments and **dividends the Enterprises pay to the Treasury** for its investments.

FHFA as conservator has broad authority over the Enterprises, but the focus of the conservatorships is not to manage every aspect of their operations. Instead, FHFA leadership reconstituted Fannie Mae and Freddie Macs' boards of directors in 2008 and charged them with ensuring that normal corporate governance practices and procedures are in place, subject to FHFA review and approval on critical matters. Overall, the Enterprises continue to operate legally as business corporations, and FHFA has informed the Enterprises which areas of decision-making FHFA as conservator has designated to be performed by the boards and management teams. This division of functions represents the most efficient structure for FHFA to carry out its duties as conservator.

Initially, the conservatorships focused on reducing the Enterprises' losses, reducing their operational and credit risk, and stabilizing the mortgage and housing markets. On **February 2, 2010, FHFA sent a letter to Congress** outlining the agency's understanding of its conservatorship obligations and how it planned to fulfill them. Once the Enterprises returned to profitability, FHFA turned its focus to more long-term issues. In 2012, FHFA published a **Strategic Plan for**

Enterprise Conservatorships that set three strategic goals for conservatorship and elaborated on how FHFA planned to meet its conservatorship obligations.

The **2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac** provided an updated vision for FHFA's operation of the conservatorships and set forth three reformulated strategic goals:

1. **MAINTAIN**, in a safe and sound manner, foreclosure prevention activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
2. **REDUCE** taxpayer risk through increasing the role of private capital in the mortgage market.
3. **BUILD** a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary market in the future.

Each year, FHFA publishes a **Conservatorship Scorecard**, which sets priorities and expectations for Enterprise activities related to these strategic goals. To provide further public transparency, FHFA documents those activities in the annual **Scorecard Progress Reports**.

Long-term, continued operation in government-run conservatorships is not sustainable for Fannie Mae or Freddie Mac. Each company has a small capital reserve, is operating on a remaining, finite financial commitment from taxpayers, and cannot rebuild capital under the terms of support from Treasury. Until Congress determines the future of Fannie Mae and Freddie Mac and the housing finance market, FHFA will continue to carry out its responsibilities as Conservator.

Historic Documents Related to the Conservatorships of Fannie Mae and Freddie Mac

FHFA Conservatorship Information

[Questions and Answers on Conservatorship](#) (9/7/2008)

FHFA News Releases and Statements

[Statement of OFHEO Director James B. Lockhart in Support of Secretary Paulson, Administration, and the Federal Reserve in Their Efforts to Stabilize the Housing Financial System](#) (7/13/2008)

[Statement of FHFA Director James B. Lockhart at News Conference Announcing Conservatorship of Fannie Mae and Freddie Mac](#) (9/7/2008)

[Statement of FHFA Regarding Contracts of Enterprises in Conservatorship](#) (9/7/2008)

[FHFA Statement of Support for Multifamily Housing Finance Activities of the Enterprises While in Conservatorship](#) (9/12/2008)

[Interim Final Rule on Golden Parachute Payments and Indemnification Payments](#) (9/16/2008)

[Corrected Statement of the Honorable James B. Lockhart III, Director, FHFA Before the Senate Committee on Banking, Housing and Urban Affairs on the Appointment of FHFA as Conservator for Fannie Mae and Freddie Mac](#)

(9/23/2008)

[Corrected Statement of the Honorable James B. Lockhart III, Director, FHFA, Before the House Committee on Financial Services on the Conservatorship of Fannie Mae and Freddie Mac](#) (9/25/2008)

[Final Rule on Golden Parachute Payments](#) (1/28/2014)

Conservatorship Financing

Fannie Mae

[Fannie Mae Warrant to Purchase Common Stock](#) (9/7/2008)

[Fannie Mae Preferred Stock Certificate](#) (9/7/2008)

[Fannie Mae's Senior Preferred Stock Purchase Agreement with Treasury](#) (9/26/2008)

[First Amendment to Fannie Mae's Senior Preferred Stock Purchase Agreement with Treasury](#) (5/6/2009)

[Second Amendment to Fannie Mae's Senior Preferred Stock Purchase Agreement with Treasury](#) (12/24/2009)

[Third Amendment to Fannie Mae's Senior Preferred Stock Purchase Agreement with Treasury](#) (8/17/2012)

[Letter Agreement](#) (12/21/2017)

[Letter Agreement](#) (9/27/2019)

Freddie Mac

[Freddie Mac Warrant to Purchase Common Stock](#) (9/7/2008)

[Freddie Mac Preferred Stock Certificate](#) (9/7/2008)

[Freddie Mac's Senior Preferred Stock Purchase Agreement with Treasury](#) (9/26/2008)

[First Amendment to Freddie Mac's Senior Preferred Stock Purchase Agreement with Treasury](#) (5/6/2009)

[Second Amendment to Freddie Mac's Senior Preferred Stock Purchase Agreement with Treasury](#) (12/24/2009)

[Third Amendment to Freddie Mac's Senior Preferred Stock Purchase Agreement with Treasury](#) (8/17/2012)

[Letter Agreement](#) (12/21/2017)

[Letter Agreement](#) (9/27/2019)

U.S. Department of the Treasury News Releases, Statements, Fact Sheets and FAQs

News Releases

[Treasury Department and FHFA Modify Terms of Preferred Stock Purchase Agreements for Fannie Mae and Freddie Mac](#) (9/30/2019)

Statements

[Paulson Announces GSE Initiatives](#) (7/13/2008)

[Statement by Secretary Henry M. Paulson, Jr. on Fannie Mae and Freddie Mac](#) (7/11/2008)

Fact Sheets and FAQs

[Treasury Preferred Stock Purchase Agreement](#) (9/7/2008)

[GSE Mortgage Backed Securities Purchase Program](#) (9/7/2008)

[Government Sponsored Enterprise Credit Facility](#) (9/7/2008)

[Frequently Asked Questions: Treasury Senior Preferred Stock Purchase Agreement](#) (9/11/2008)

U.S. Department of Justice

[Letter to Treasury Secretary Paulson Re: Amended and Restated Senior Preferred Stock Purchase Agreements between the United States Department of the Treasury and the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation](#) (9/26/2008)

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