American Securitization Forum
Las Vegas, Nevada
February 9, 2009
James B. Lockhart III
Director, Federal Housing Finance Agency

American Securitization Forum
Las Vegas, Nevada
February 9, 2009

Thank you for the kind introduction, and thank you all for coming today. FHFA was finally created in July of 2008 after many years of debate to provide a stronger regulator for the housing government-sponsored enterprises (GSEs). It has been an action-packed six months. Today I would like to talk to you about the challenges we face in the mortgage markets and the role ASF can play in addressing them.

The biggest challenge we face is the stabilization of the housing market. Declining prices will demand continued concentrated action by the public sector, including the new Obama Administration and its Treasury Department, the Federal Reserve, the SEC, FHFA, bank regulators, credit union regulators, HUD, the GSEs, as well as private market players—your members. FHFA takes responsibility to ensure that Fannie Mae, Freddie Mac, and the Federal Home Loan Banks are active in efforts to stabilize house prices, address affordability issues, and respond quickly to borrowers who have defaulted or who are at risk of default.

FHFA has a four-pronged strategy to ensure the housing GSEs fulfill their mission of providing liquidity, stability, and affordability to the housing market. First, we need to keep Fannie Mae, Freddie Mac, and the Federal Home Loan Banks supporting the market in a safe and sound manner, with special emphasis on affordable housing. Given the current predominant role the GSEs play in the nation's mortgage market, it is imperative that FHFA ensure their continued functioning and safety and soundness.

Second, we are working with our government partners to get mortgage interest rates down. Third, we are actively working on foreclosure prevention through a streamlined modification program (SMP) designed to help homeowners in trouble. Lastly, we are working with the Enterprises to set best practices for the whole mortgage market, especially in the areas of appraisals, mortgage participant tracking, and mortgage fraud. I am hopeful that with these efforts, we can work closely with ASF in "Project RESTART." We need to get the private sector back into the mortgage market, but with much better standards.

Before I discuss these four points in detail, let me try to put the housing GSEs in perspective for you.

Putting the GSEs in Perspective

(SLIDE 2) It is important to recognize how incredibly large the GSEs are. Their combined debt outstanding and guaranteed mortgage-backed securities (MBS) are $6.7 trillion. That is more than publicly held Treasury debt, despite the very rapid recent growth in Treasury issuance. Over the last two years especially, Fannie Mae, Freddie Mac, and the Federal Home Loan Banks have played a tremendously important role in the mortgage market.

(SLIDE 3) Fannie Mae and Freddie Mac have two businesses: (1) investing in whole loans and MBS, including their own; and (2) guaranteeing residential and multifamily mortgage-backed securities. Their retained portfolios pose large market and credit risks. We kept that under check by capping the growth of those portfolios after discovering serious accounting and control problems at the Enterprises several years ago. The cap has been temporarily raised to $850 billion for each this year. Their MBS guarantee business continues to grow to support the market.

(SLIDE 4) This slide shows the history of the mortgage market over the past 10 years. From 1997-2003, Fannie Mae's and Freddie Mac's market share gradually grew to almost 55 percent. From 2004-2006, the private mortgage market dominated, and Fannie's and Freddie's business sank pretty dramatically, with their market share dropping below 35 percent. Then as the private market started to freeze up in 2007, Fannie's and Freddie's market share took off—up to 73 percent in 2008. The market share of FHA/VA-insured mortgages, which are generally pooled into Ginnie Mae mortgage-backed securities, has risen even more dramatically, rising from 3 percent in 2006 to 35 percent in the fourth quarter of 2008.

A key reason for the Ginnie Mae growth is that Fannie and Freddie cannot buy loans with original loan-to-value (LTV) ratios greater than 80 percent without a credit enhancement. With the demise of the piggy-back mortgage and the stresses on mortgage insurance company capital, borrowers without substantial down payments are increasingly dependent on government insurance programs. The private mortgage insurers' market share versus FHA/VA fell from nearly 80 percent in the first quarter of 2007 to about 30 percent in the third quarter of 2008.

(SLIDE 5) In addition to the Enterprises, FHFA regulates the Federal Home Loan Banks, which have continued to play an important role in the mortgage market over the last two years by providing secured advances to banks, credit unions, and insurance companies. Federal Home Loan Bank advances hit the trillion dollar mark in October. Historically, we have always thought of the Federal Home Loan Banks as providing low-cost funding to small and medium-sized banks, but their customer range goes well beyond that. With the recent consolidations, about one-third of their total advances are to the Big Four bank holding companies. In total, the Federal Home Loan Banks have almost $1.4 trillion in assets of which only 5 percent is in private-label mortgage-backed securities. But these securities, which originally were AAA-rated, are starting to take bigger other-than-temporary impairments (OTTI).

(SLIDE 6) Now turning to the GSEs credit exposure, serious delinquencies of 90-days or more have risen across the board but are far lower at Fannie Mae and Freddie Mac at about 2 percent than even the prime market at 2.9 percent or the whole market at 5 percent. For subprime mortgages, serious delinquencies are almost 20 percent. Serious delinquencies across all categories are continuing to rise. Several factors have led to a steady rise in serious delinquency rates over the last 18 months. The most pervasive factor was the lack of underwriting discipline in the 2005 through 2007 period, which was dominated by private-label securities. Investor demand was plentiful regardless of credit quality given the assumption that house prices would continue to rise.

Well, prices did not rise forever, as this chart shows. **(SLIDE 7)** Since January of 2000 through July 2006 (peak), the more volatile S&P/Case-Shiller house price index rose by 106 percent only to fall by 25 percent since then. The less volatile FHFA House Price Index, which reflects Fannie Mae's and Freddie Mac's books of business, peaked later, and has since declined 10.5 percent from its peak. I read a recent Goldman Sachs paper that suggests that house prices have normalized but there is a very significant risk of overshooting. Our challenge is to prevent that overshooting through Federal Reserve, TARP, the GSEs, but very importantly, loan modifications by the private sector to prevent avoidable foreclosures.

Borrowers with payment option ARMS or subprime ARMS with low initial teaser interest rates have experienced payment shock when their interest rates and principal adjusted. Many could no longer afford their mortgage payments. And many have increasingly taken on more debt—including home equity loans—and spent the money. Under the pressures of too much debt, borrowers have defaulted on their mortgages. Initially, some parts of the country, such as Michigan, had experienced pronounced economic downturns, but now the whole country is in recession. As a result, borrowers have lost their incomes and ability to pay their mortgages. Some borrowers approved for mortgages based on stated or no income/asset programs likely overestimated their ability to consistently make mortgage payments. Fraud on these and other loans grew, and many appraisals became inflated. Finally, as foreclosures mounted, the contagion spread through neighborhoods and communities. The combination of these factors and extensive overbuilding in Nevada, Florida, Arizona, and California drove house prices down lower than loan amounts in many cases, making it difficult for borrowers to sell and escape mortgages they could not afford.

Despite their above average credit performance, the Enterprises were much too thinly capitalized to survive this housing market without government intervention. Because mortgage assets were considered safe, the 1992 law that established OFHEO required the agency to deem the Enterprises adequately capitalized even if their mortgage credit exposure to capital was more than 100 to 1. Recognizing the systemic risk of Fannie Mae and Freddie Mac, OFHEO worked for many years to obtain legislation to give us greater authority over their capital requirements and the size of their portfolios. It was my top priority, but by the time HERA was enacted last July, it was too late. I met privately with President Bush his last Friday in office. We had a very engaged conversation about Social Security, the economy, and the mortgage market. Although he already knew the answer, he asked me whether getting GSE reform legislation several years earlier would have prevented the Enterprises' problems. My answer was simply, yes.

Before we got the legislation, OFHEO had tenaciously used all the powers that we had and then some, including jawboning. We imposed an extra 30 percent capital requirement because of their accounting problems. We capped their portfolios in 2006, which in the case of Freddie Mac, was a negotiated "voluntary" agreement. We stopped them from investing in below AAA-rated private-label securities, taking positions in the ABX market and other risky activities. We encouraged them to not increase dividends, to conserve capital, and to raise additional capital. They did raise more than $20 billion, but it was not nearly enough.

By September, the facts made it clear that there was no other choice than conservatorship if the Enterprises were going to be able to continue to fulfill their mission of providing stability, liquidity, and affordability to the market. We made the decision working closely with the Treasury Department and the Chairman of the Federal Reserve. If we had not taken the conservatorship action, the Enterprises would have had to pull back dramatically from the market, which would have accelerated the downward spiral.

<u>Government Support for the GSEs</u>

HERA created the tools that made it possible for the Enterprises to operate in conservatorship. It gave the Treasury Department authority to support Freddie and Fannie and fund them in a variety of ways. **(SLIDE 8)** We could not have put Fannie and Freddie into conservatorship without Treasury's $100 billion each Senior Preferred Stock facilities, which provide *an effective guarantee* of the Enterprises' debt and mortgage-backed securities by ensuring each Enterprise has a positive net worth. That is about *three times* the minimum capital the old law required. In return, Treasury received from each Enterprise a billion dollars in senior preferred stock and warrants for 79.9 percent of the common stock. At the same time, we eliminated the dividends on both the common and preferred stock.

This facility protects not only present senior and subordinated debt holders and MBS holders but also <u>any future</u> debt and MBS holders. It lasts until the facility is fully used or until all debt and mortgage-backed securities are paid off. To date, Freddie has accessed $13.8 billion and indicated it needs another $30 billion to $35 billion to cover fourth quarter losses. Fannie recently announced that it will need $11 billion to $16 billion to cover its fourth quarter losses.

(SLIDE 9) Two additional facilities were also announced when the conservatorships began. The first involves Treasury purchases of Fannie's and Freddie's mortgage-backed securities. Through December, Treasury had purchased more than $71 billion in mortgage-backed securities. Second, an unlimited secured credit facility acts as a liquidity backstop for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, but it has not been needed.

<u>Reducing Mortgage Rates</u>

The Federal Reserve Board announced two critically important programs in November to reduce mortgage rates. In the first, the Federal Reserve will purchase $500 billion or more in Fannie, Freddie, and Ginnie Mae MBS over a period of six months. Starting in January, it has already purchased $92 billion. The second program is a purchase of $100 billion or more in Fannie Mae, Freddie Mac, and Federal Home Loan Bank debt. To date, the Federal Reserve has purchased nearly $29 billion in Fannie, Freddie, and Federal Home Loan Bank notes. These programs are a significant part of the government's overall efforts to restart the housing market.

When you add this all up, the U.S. government has made it critically clear that it is standing behind Fannie Mae, Freddie Mac and the Federal Home Loan Banks. **(SLIDE 10)** These programs have had a very positive impact on mortgage rates, which have fallen more than 100 basis points. They even got below 5 percent for 30 year rates, but crept back up to 5 ¼ percent in Freddie Mac's latest weekly report. These lower rates provide an important opportunity to do two things - refinance and modify mortgages to help stabilize housing prices.

Although I have been concentrating on the single family market, the housing GSEs are very important players in multi-family housing. That market is extremely important in creating affordable housing. Fannie and Freddie remain committed to that market through DUS and CMBS. We are exploring with them ideas how to better support Low Income Housing Tax Credits and Housing Finance Agencies.

The Private-Label Securities Market

As all of you know, the GSEs own the largest position of originally AAA-rated private-label residential and commercial mortgage-backed securities. Warning signs of trouble had begun to appear in the mortgage market more than three years ago. We and other regulators became increasingly concerned about so-called nontraditional mortgages—such as interest-only loans, option ARMs, low- and no-doc loans—and lending to subprime borrowers. We were worried about the safety and soundness implications, as well as the potential for predatory practices. In September 2006, regulators adopted the *Interagency Guidance on Nontraditional Mortgage Product Risks* and in July 2007, they adopted a *Statement on Subprime Mortgage Lending.* Although these did not explicitly address mortgages originated for the private-label securities market, most nontraditional and subprime mortgages were securitized in this market.

As Director of OFHEO, I instructed Fannie Mae and Freddie Mac to apply the principles and practices of the subprime statement and the interagency guidance not just to their flow business and bulk purchase but also to loans backing private-label securities they purchased.

(SLIDE 11) Currently, Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks own $255 billion unpaid principal balance in private-label residential mortgage-backed securities or 14 percent of single-family PLS outstanding. Fannie Mae and Freddie Mac have wrapped an additional $13 billion unpaid principal balance of such securities, which they now guarantee for third-party investors. Subprime and Alt-A mortgages constitute the overwhelming majority of mortgages backing these securities for Fannie and Freddie. The Federal Home Loan Banks have very little subprime PLS.

(SLIDE 12) While Fannie Mae and Freddie Mac own or guarantee almost 31 million mortgages, about 56 percent of all single-family mortgages, the mortgages they own or guarantee only represent 19 percent of serious delinquencies. Private-label mortgage-backed securities represent 16 percent of the mortgages but more than 62 percent of the serious delinquencies.

Let me pause on these pie charts for a moment, because they represent the crux (not the pie *crust*) of the problem we face in foreclosure prevention. If we are going to stabilize the housing market, we have to address that 62 percent. That is your challenge as members of ASF.

I have heard for almost two years that it is hard to modify PLS because of the constraining trust and pooling and servicing agreements. In December, we convened a meeting with the major trustees and a group of high touch, independent servicers. I heard that there is a lot more flexibility than has been used. In the meantime, these securities have fallen like a rock. Short-term profit maximization has failed miserably. These are extraordinary times, and we need extraordinary actions. I am pleased that ASF is developing a standardized loan modification process, but it is taking too long. It is time to act.

<u>Foreclosure Prevention</u>

As conservator of the Enterprises, FHFA has not only taken strong action to ensure the maximum effort by the Enterprises to prevent foreclosures but also has taken a leading role in efforts to address the foreclosure crisis in the private-label securities market. (**SLIDE 13)** We believe Fannie Mae and Freddie Mac must be leaders in improving, promoting, and enforcing industry standards and best practices.

In November, I announced the new streamlined modification program (SMP) developed jointly with the U.S. Treasury, HUD, Fannie Mae, Freddie Mac, HOPE NOW's members, and ASF. This program targets borrowers who have missed three payments, are not in bankruptcy, and who own and occupy the property as their primary residence. In addition, the borrower must demonstrate a change in his financial situation and/or a hardship. To reach an affordable payment of no more than 38 percent of monthly household income, servicers can extend terms, reduce interest rates or forbear principal if necessary.

To date, the Enterprises have received more than 400,000 property valuations on potentially eligible loans. Starting in January, more than 60,000 solicitation letters and modification agreements have been sent to eligible borrowers. We are carefully monitoring the success of the program, but it looks like the program may need to be more aggressive to reach more troubled borrowers.

The Enterprises have taken a whole series of other activities to help avoid preventable foreclosures. They suspended foreclosures and evictions and developed renter programs. They are pulling loan files for a "second look" before foreclosures. They are working with credit and housing counselors.

I have met with ASF representatives and private-label MBS servicers, investors, and trustees to strongly encourage rapid adoption of SMP as the industry standard. In light of the GSEs' large exposure to mortgages in private label MBS, on November 24, 2008, I sent to private-label securities servicers and trustees a letter urging their prompt action to support SMP. We have subsequently encouraged the Corporate Trust Committee of the American Bankers Association in the development of their letter encouraging all services to consider and pursue appropriate modifications in a proactive and timely manner, and providing information on how to best work within PLS pooling and servicing agreements. I am pleased to say that they released a letter to me on Friday doing just that. I encourage you all to read it. We and the Enterprises are working with independent mortgage servicers to help them in their efforts to obtain financing of the advances they are required to make to PLS trusts.

We are working closely with Treasury on their TARP Program and with Treasury and the rest of the Administration to encourage large scale modifications for troubled borrowers. Although TARP I was controversial, it did what it had to do which was to provide capital to financial institutions. Lending would have been much less without it. There was a significant risk of the financial system freezing up. Foreclosure prevention activities have picked up especially amongst the largest sellers/servicers and independent servicers, but much more needs to be done. There will be no excuses going forward not to aggressively pursue standardized modifications to prevent foreclosures and lessen their negative impact on communities and the nation's economy. I am also hopeful that TARP II will address the private mortgage insurers' capital issues.

Along with this work, FHFA began in September a *Foreclosure Prevention Report*, which details key performance data on foreclosure prevention efforts. **(SLIDE 14)** These monthly and quarterly reports present data from more than 3,000 approved servicers on 30.7 million first-lien residential mortgages serviced on behalf of Fannie Mae and Freddie Mac, of which 84 percent are prime. For this report, FHFA created the loss mitigation performance ratio to measure the extent of Enterprise efforts to assist borrowers at risk of losing their homes to foreclosure. The report gives us a comprehensive view of the Enterprises' borrower assistance efforts including forbearance plans, delinquency advances, short sales, deeds in lieu, assumptions, and charge-offs in lieu of foreclosure. The just released November report showed that for the first full two months of conservatorship, October and November, the number of loan modifications increased 50 percent from the previous two months.

Setting Best Practices

(SLIDE 15) Fannie Mae and Freddie Mac are developing best practices well beyond streamlined loan modifications. In early January 2008, FHFA also revised policy guidance on examination of mortgage fraud programs at Fannie Mae and Freddie Mac. The Enterprises have led the industry in developing and implementing strategies to identify mortgage fraud. Their reporting to FHFA has significantly enhanced our submissions to the Department of the Treasury's FINCEN database. The FBI and other federal regulators rely heavily on this database to identify, monitor, and investigate mortgage fraud.

In late December, FHFA announced Fannie Mae and Freddie Mac will implement a revised *Home Valuation Code of Conduct,* effective May 1, 2009. The code enhances protections for appraisers while maintaining lenders' ability to address unprofessional appraisal practices and ensure appraisal quality. It establishes appraisal independence safeguards and prevents improper influences on appraisers. The code also requires appraisal quality control testing, reporting on appraiser misconduct, and the creation of the Independent Valuation Protection Institute.

FHFA announced last month that it will require loan-level identifiers for the loan originator, loan origination company, field appraiser, and supervisory appraiser beginning January 1, 2010. This will allow the Enterprises to identify originators and appraisers at the loan-level and to monitor performance and trends of their loans. If originators or appraisers have contributed to the incidences of mortgage fraud, these identifiers will enable the Enterprises to get to the root of the problem and address the issues. More importantly, if the perpetrators know that they are going to be identified, the program should help to reduce fraud.

Before concluding, I would like to strike a positive note. The fall in mortgage rates that the Treasury and Federal Reserve Bank's purchases have triggered is a very important step in stabilizing the mortgage market. Affordability has reached all time highs. The housing actions taken in the Stimulus package and Secretary Geithner's announcements on TARP and housing actions are extremely important next steps to housing recovery. **(SLIDE 16)**

Conclusion

I want to conclude my remarks by reflecting on how the industry has gotten to this point, and how we have to move forward. For years Fannie Mae, Freddie Mac, and FHA set the standards for prudent mortgage underwriting and credit practices. Those standards were adopted by the private, prime jumbo market, and largely prevailed until the ascendance of the private-label securities market, which provided the capital to fund subprime, Alt-A, and nontraditional loans. Increasingly, the private market—driven primarily by the Wall Street distribution model, rating agency criteria, and over-enthusiastic investors—lowered the credit bar. Eventually, in response to declining market share, Fannie Mae and Freddie Mac began to follow suit. We all know the results.

With Fannie Mae and Freddie Mac standing behind the credit risk, financial engineers could focus their expertise on the creation of innovative products to help investors manage mortgage interest rate risk and facilitate in asset-liability management. Utilizing REMICs collateralized by GSE MBS, Wall Street produced some of the most sophisticated "rate products" the world has ever seen. Since REMICs and the MBS collateral were GSE-guaranteed, credit risk to the investors was negligible.

Wall Street has not proved successful in applying its wizardry to the credit side of the equation. The private-label securities market has created false confidence in the creditworthiness of its mortgage products. Everybody forgot the golden rule: "there is no safe tranche in a bad deal." In designing ASF's "Project RESTART", you must never forget the lessons of the last 3 years.

In closing I want to emphasize the unique opportunity the present crisis provides to your group to influence events and "have a seat at the table." The old way of dealing with seriously delinquent loans—on a case-by-case basis, with foreclosure the rule rather than the exception—has worsened our situation. We have a new approach that acknowledges the need for consistency in the treatment of borrowers. A credible unified streamlined approach to loan modifications must include a basic agreement on key terms including net present value calculations. Right now, all market participants, including ASF members, the government, and the GSEs, have to be creative and work together to help the U.S. economy and housing market recover. Preventing avoidable foreclosures and establishing better standards are key. As I said earlier, the time to act is now.

Thank you. I will be happy to answer questions in the time we have remaining.

American Securitization Forum

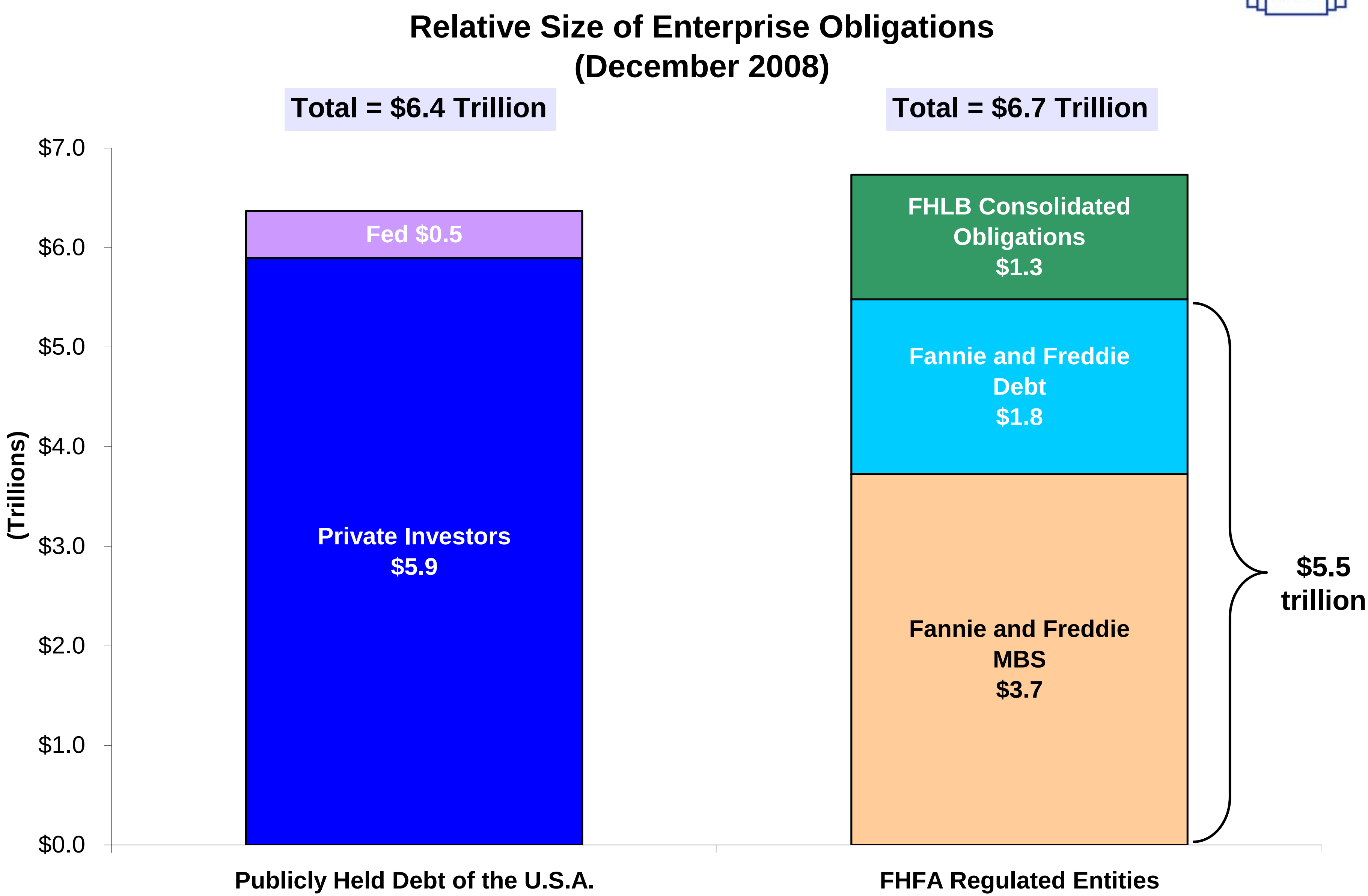
James B. Lockhart III

Director

February 9, 2009

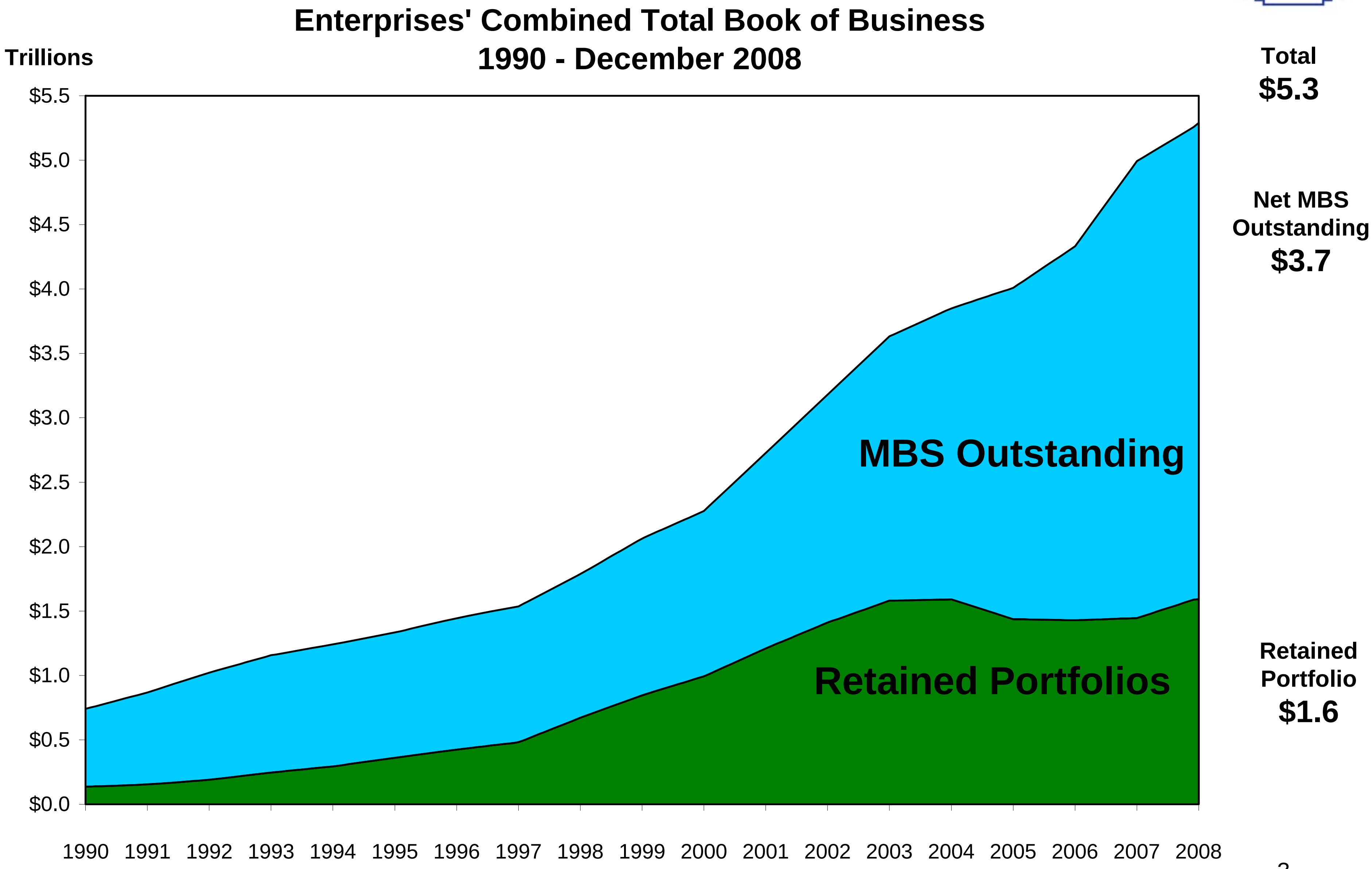
Las Vegas, Nevada

Housing GSEs Exceed the Public U.S. Debt



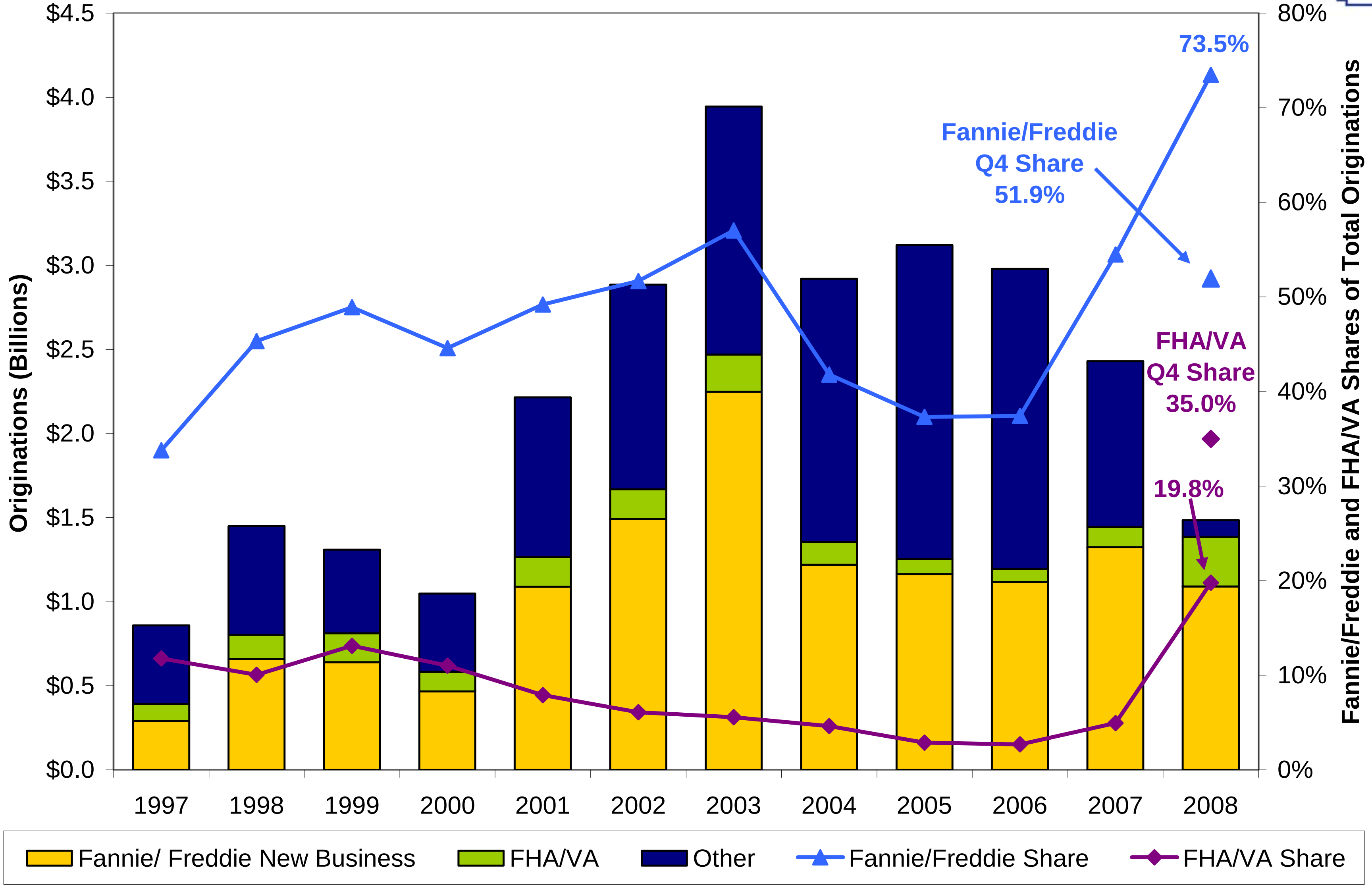
Sources: Fannie Mae and Freddie Mac Monthly Volume Summaries, TreasuryDirect.gov, Federal Reserve H.4.1 Release.

Fannie and Freddie Continue to Grow



Sources: Fannie Mae and Freddie Mac Monthly Volume Summaries and 2007 OFHEO Report to Congress.

Enterprise and FHA/VA Shares of Originations

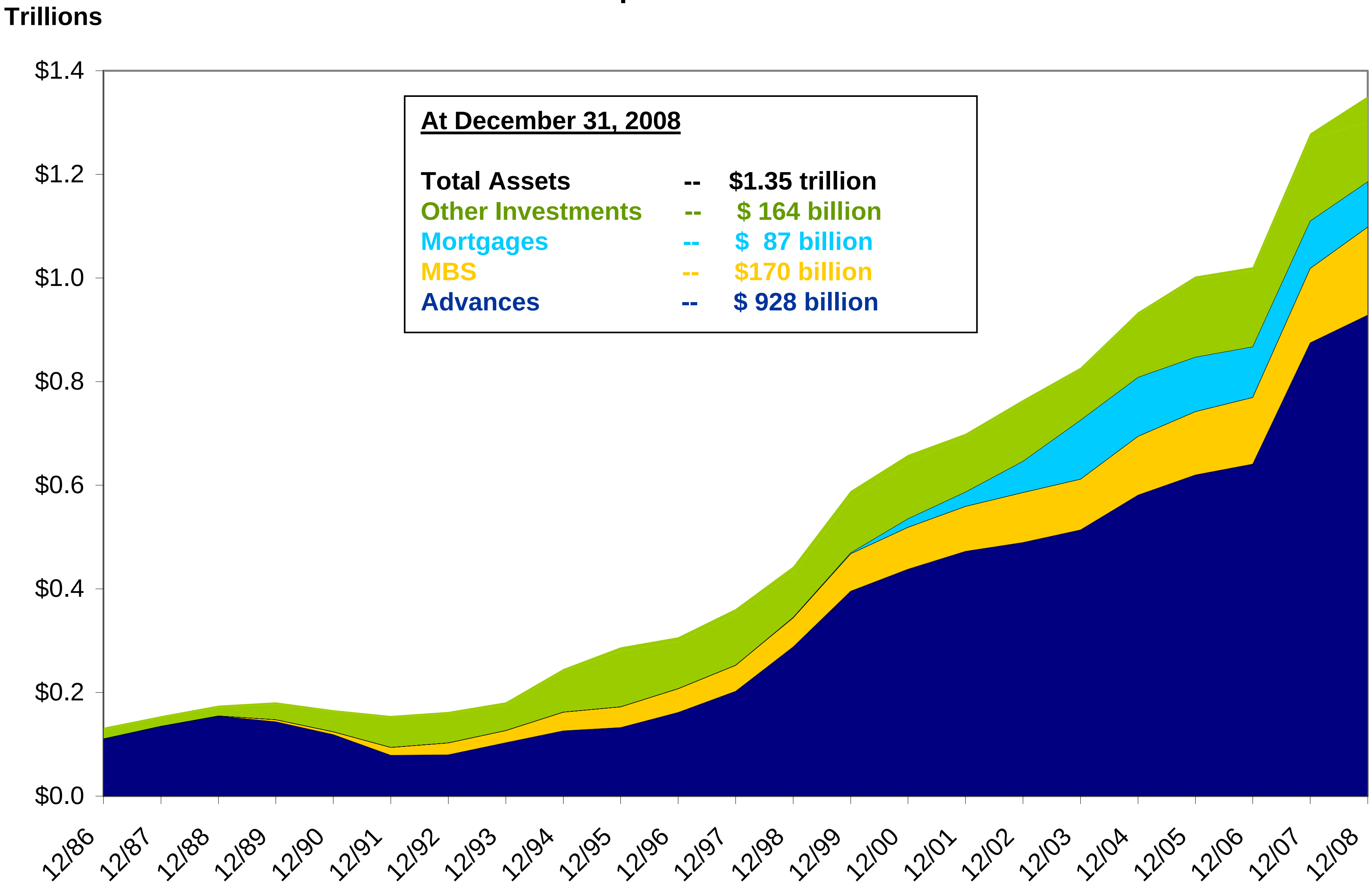


Fannie Mae/Freddie Mac's Q4 share is calculated using only their MBS issuances. Their annual shares are calculated using MBS issuances plus purchases in to their retained portfolios.

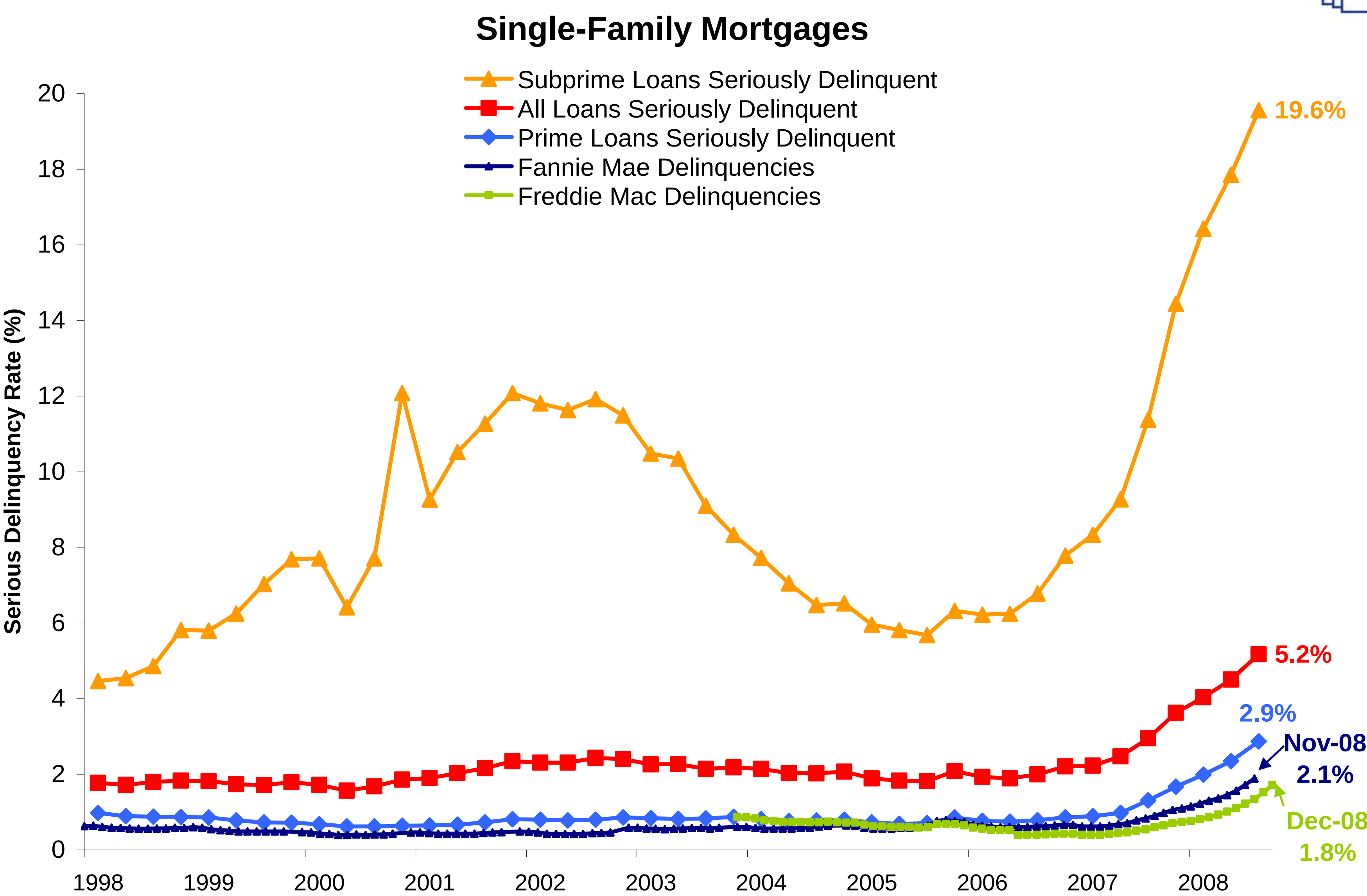
Sources: Inside Mortgage Finance, Enterprise Monthly Volume Summaries.

FHLBanks Also Continuing to Grow

Portfolio Composition of the FHLBanks

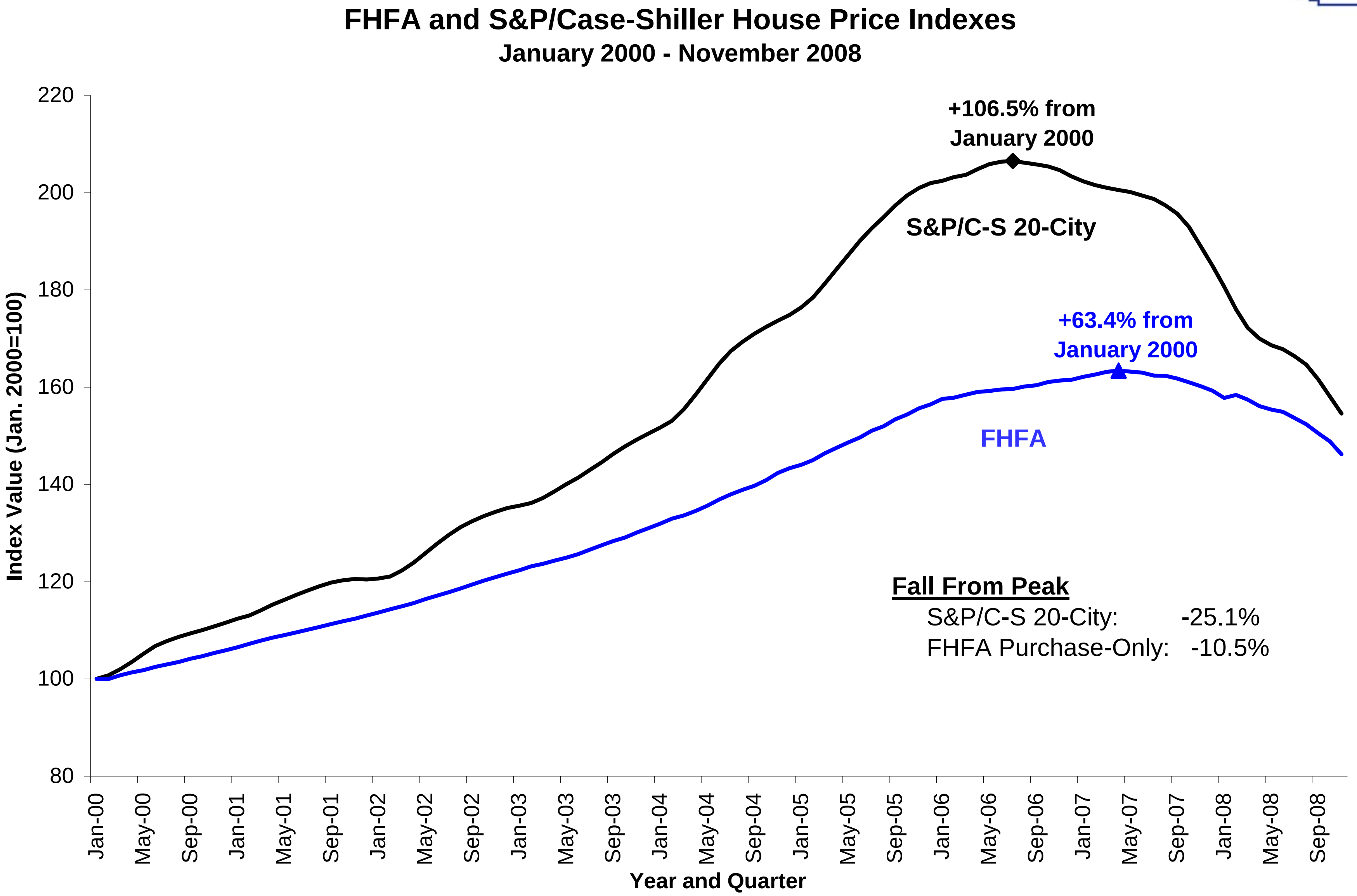


Serious Delinquencies Rising Rapidly



Sources: Mortgage Bankers Association, Fannie Mae, Freddie Mac.

House Prices Continue to Fall



Note: For purposes of comparison, the FHFA purchase-only index has been re-based to January 2000=100 (the standard series is set so that January 1991=100)

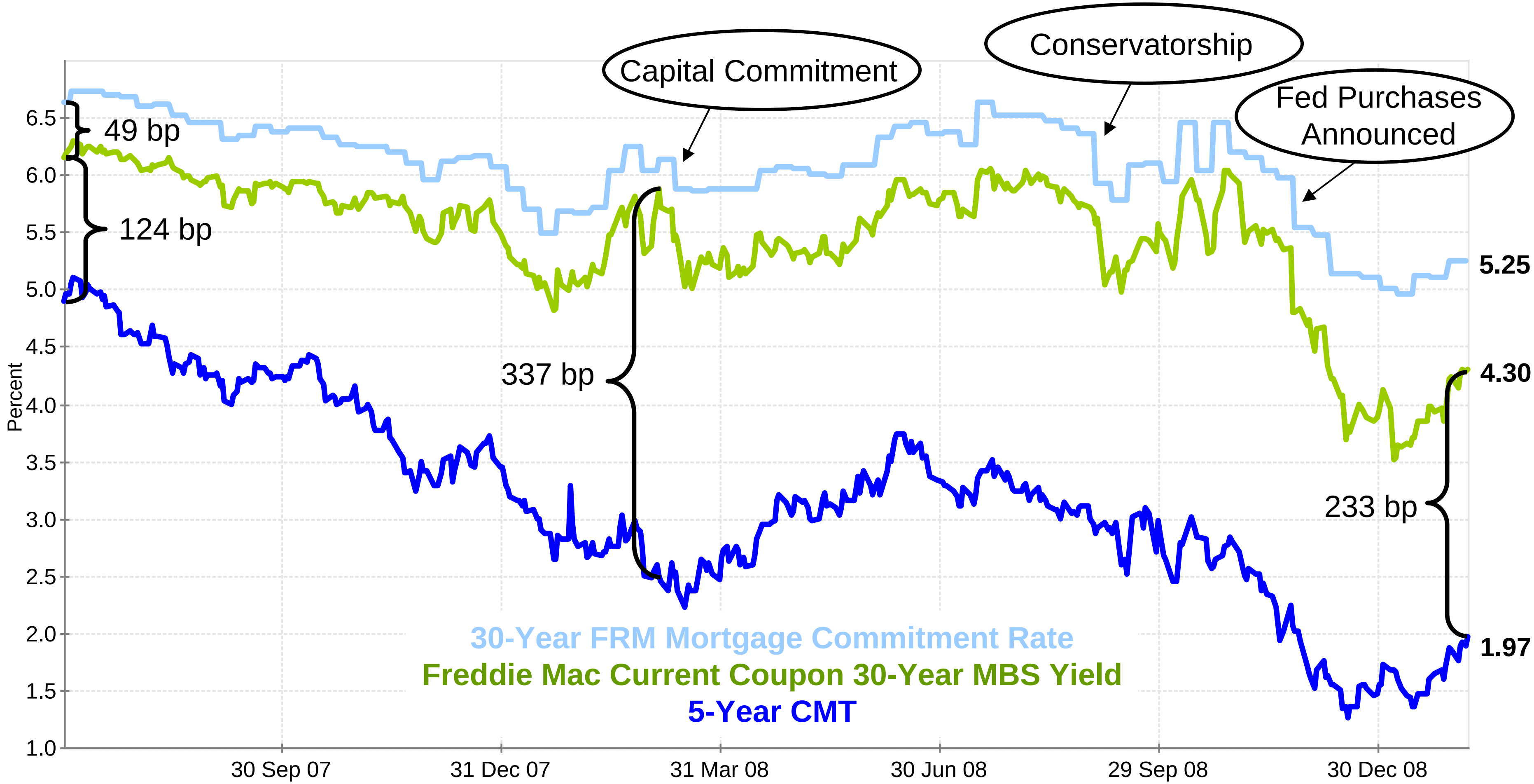
Treasury Provides Effective Guarantee

- **Senior Preferred Stock Purchase Agreement – no expiration date.**
  - Binding legal agreement that ensures that GSEs maintain a positive net worth through Treasury purchases of up to $100 billion of senior preferred stock each. DOJ opinion.
  - Enterprises each paid Treasury $1 billion in senior preferred stock and warrants for 79.9 % of common stock.
  - Existing and future holders of MBS, senior debt and subordinated debt, including all maturities are effectively guaranteed by the U.S. Treasury as facility can only terminate if:
    - Facility is fully funded,
    - GSE liquidates and Treasury has topped up net worth or
    - GSE satisfies all its liabilities.

Strong GSE Financial Support

- **Treasury - GSE MBS Purchase Program – Expires 12/31/09.**
  - Treasury purchases Fannie Mae and Freddie Mac MBS in open market. Over $71 billion purchased.
- **Treasury - GSE Credit Facility – Expires 12/31/09.**
  - Unlimited secured funding provided directly to Fannie Mae, Freddie Mac and FHLBanks by Treasury as a backstop. Not used.
- **Federal Reserve – "Agency MBS Purchase Program"**
  - $500 billion of Fannie, Freddie and Ginnie MBS. $92 billion purchased. (source: New York Fed)
- **Federal Reserve – GSE Debt Purchase Program**
  - $100 billion of Fannie, Freddie and FHLB debt via auctions. $29 billion purchased. (source: New York Fed)

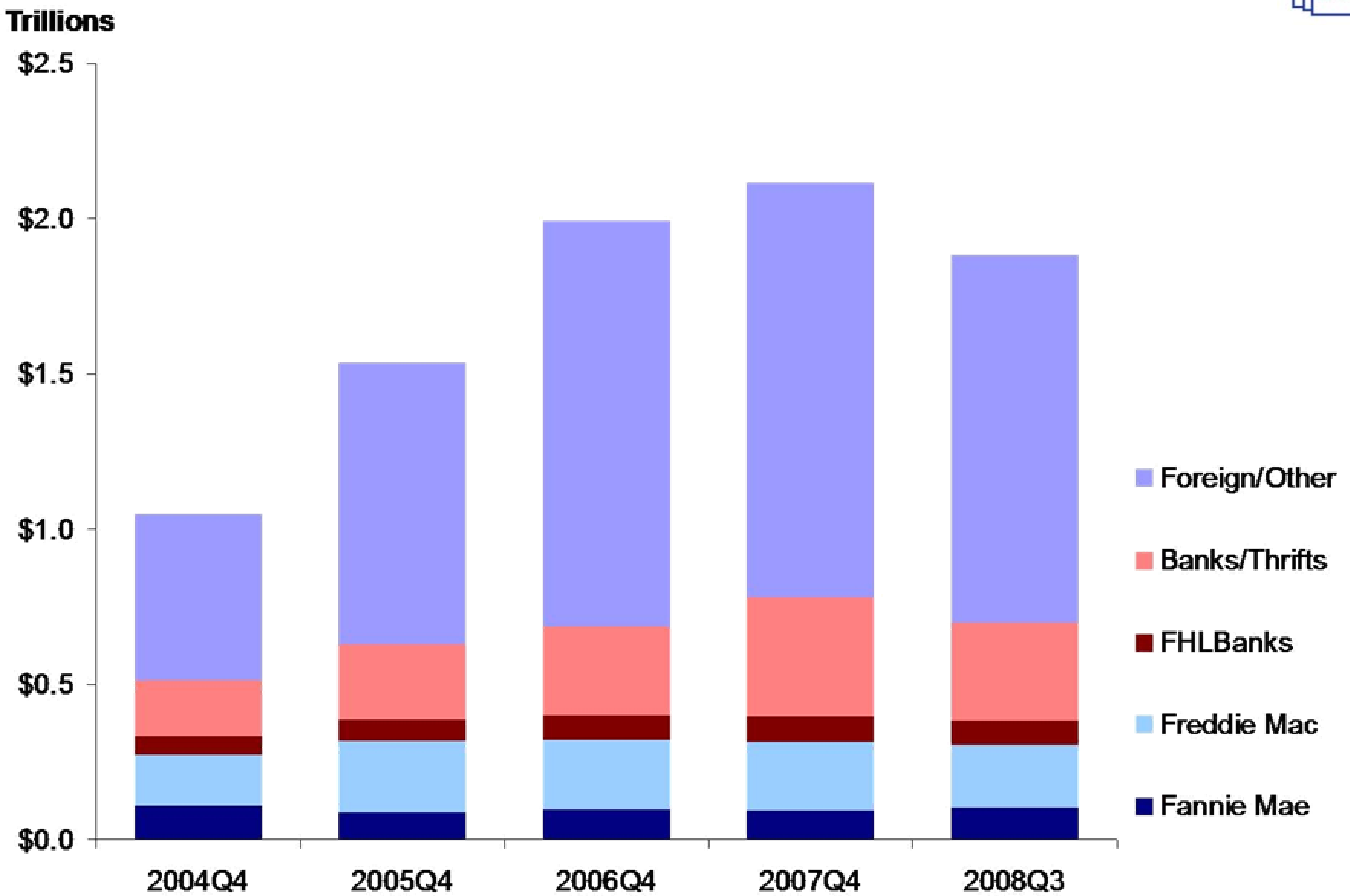
Mortgage Rates Falling, But Spreads are Wide



Provided by Credit Suisse LOCuS

Sources: Credit Suisse, Freddie Mac, and Federal Reserve Board H15.

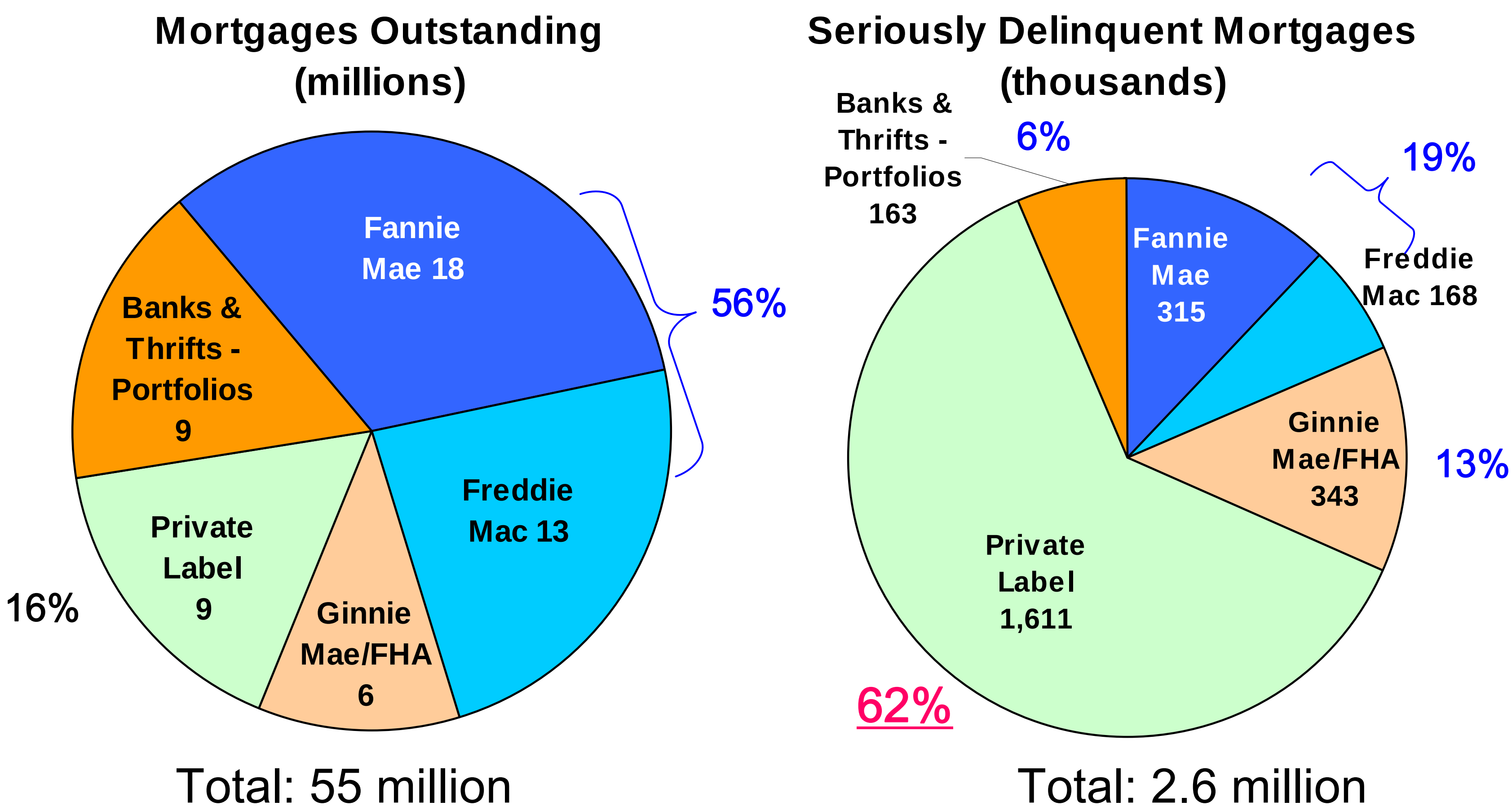
GSEs Have Large Private-Label MBS Holdings



Sources: Inside Mortgage Finance Publications, OFHEO 2008 Report to Congress, Fannie Mae and Freddie Mac 2008 Q3 10-Q Statements, FDIC Call Report Database.

PLS Modifications Key to Foreclosure Prevention

Q3 2008



Source: Freddie Mac.

Foreclosure Prevention Activities

- Fast track streamlined loan modification (SMP) program to make monthly mortgage payments affordable for 90 day delinquent borrowers – started December 15
  - Lowering interest, extending maturity and/or principal forbearance to reach 38 percent housing expense to gross income payment
  - Hope Now and Banks adopted
  - 60,000 letters sent; modifications just starting
- Foreclosure and eviction suspension
- Second look foreclosure prevention and delegating workout authority to servicers and nonprofits
- Working with PLS trustees, servicers and ASF to be more aggressive
- TARP, Part I and II
- FHFA produces monthly and quarterly Foreclosure Prevention Reports

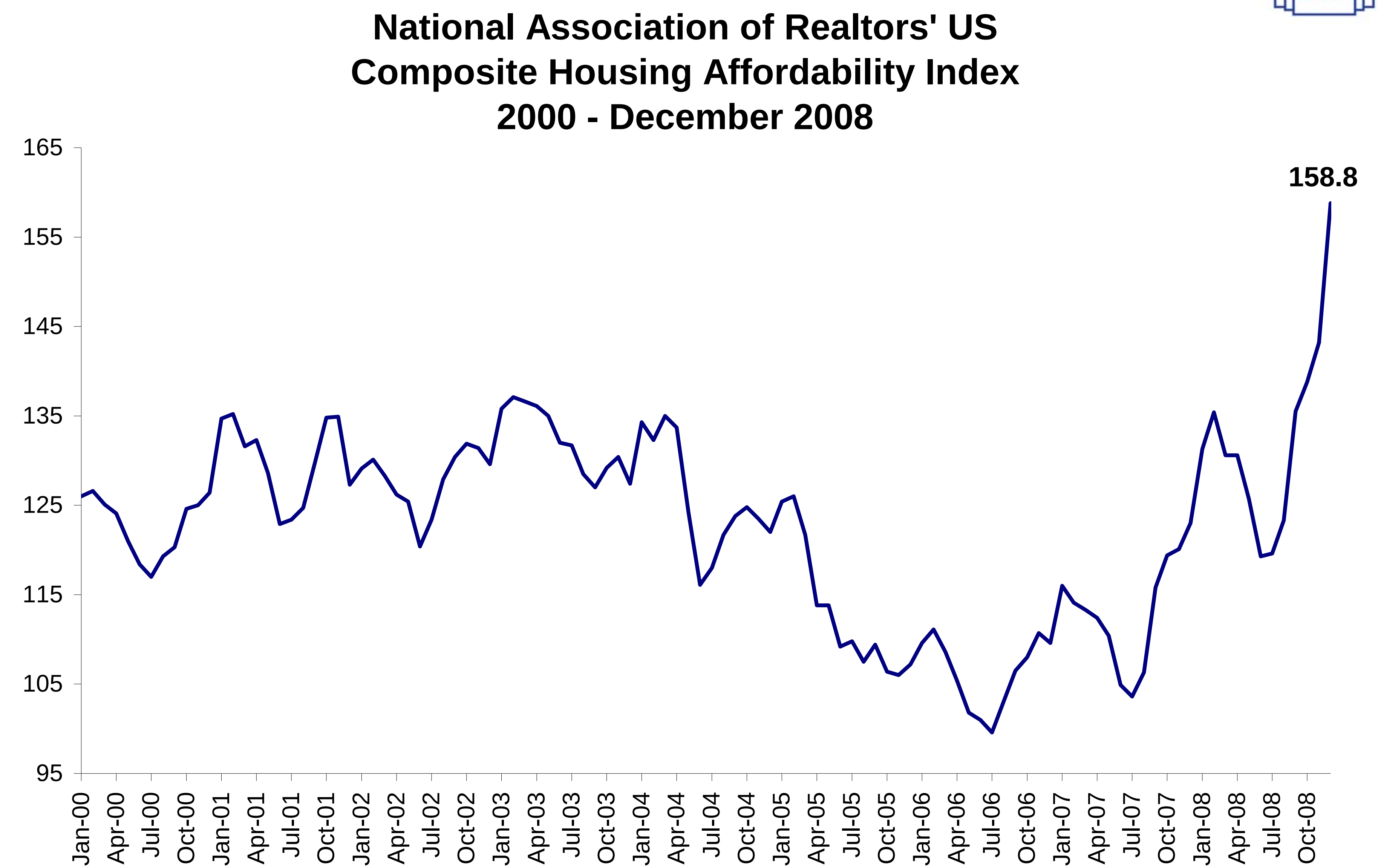
Monthly and Quarterly Foreclosure Prevention Reports

- Data reported by more than 3,000 Enterprise-approved servicers
- As of September 30, 2008, a total of 30.7 million first lien residential mortgages with total outstanding balances of $4.5 trillion had been serviced for Fannie Mae and Freddie Mac
- Roughly 84 percent of the mortgages were classified as *prime*
- For the first full two months (November and October) of conservatorship loan modifications increased 50% from the previous two months.

Best Practices

- Loan Modifications
- Guidance on Mortgage Fraud
- Appraiser Code of Conduct
- Loan Level Identifiers – originators and appraisers

Housing Affordability is Recovering



Source: National Association of Realtors

WWW.FHFA.GOV