

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

Office of the Secretary

24 CFR Part 81

[Docket No. R-95-1754; FR-3481-P-01]

RIN 2501-AB56

**The Secretary of HUD's Regulation of
the Federal National Mortgage
Association (Fannie Mae) and the
Federal Home Loan Mortgage
Corporation (Freddie Mac)**

AGENCY: Office of the Secretary, HUD.

ACTION: Proposed rule.

SUMMARY: This proposed rule would establish new regulations implementing the Secretary of Housing and Urban Development's regulatory authorities respecting the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 ("the Act"), the Secretary has general regulatory authority over Fannie Mae and Freddie Mac ("GSEs").

Status as a GSE provides substantial advantages to Fannie Mae, Freddie Mac, and their shareholders. With such public benefits flow public responsibilities. In the Act, Congress set forth a framework to ensure that the GSEs fulfill the public purposes set forth in their Charter Acts and serve the housing needs of the country, without threatening the GSEs' safety and soundness. Under the Act, the Secretary is responsible for establishing housing goals to require the GSEs to extend access to mortgage credit to very low-, low-, and moderate-income families and families in central cities, rural areas, and other underserved areas. The Secretary is also responsible for advancing fair lending by requiring that the GSEs not discriminate in their mortgage purchases because of race, color, religion, sex, handicap, familial status, age, or national origin. This regulation requires that the GSEs facilitate enforcement of the Fair Housing Act and the Equal Credit Opportunity Act (ECOA) by submitting data on mortgage lenders to assist investigations of possible Fair Housing Act and ECOA violations. The proposed regulation also directs the GSEs to undertake remedial action against sellers found to violate the Fair Housing Act and ECOA and provides for the Secretary periodically to review and comment on each GSE's underwriting and appraisal guidelines. In addition,

the regulation sets forth the scope of other Secretarial responsibilities, including the statutory authority to review and approve new programs of the GSEs, obtain data and reports from the GSEs on their housing activities, and disseminate publicly information related to the GSEs' housing activities while protecting proprietary information.

DATES: Comment due date: May 2, 1995.

ADDRESSES: Comments should be sent to Rules Docket Clerk, Office of General Counsel, room 10276, Department of Housing and Urban Development (HUD), 451 Seventh Street, SW, Washington DC 20410-0500.

Communications should refer to the docket number and title. Facsimile (FAX) comments are not acceptable. A copy of each communication submitted will be available for public inspection and copying between the hours of 7:30 a.m. and 5:30 p.m. weekdays at the above address.

FOR FURTHER INFORMATION CONTACT: Harold Bunce, Acting Director, Financial Institutions Regulation, Office of Policy Development and Research, telephone (202) 708-2770; or, for legal questions, Kenneth A. Markison, Assistant General Counsel for Government Sponsored Enterprises/RESPA, Office of the General Counsel, telephone (202) 708-3137; Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, D.C. 20410. A telecommunications device for deaf persons (TDD) is available at (202) 708-9300. (These are not toll-free telephone numbers.)

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act Statement

The information collection requirements contained in this rule have been submitted to the Office of Management and Budget (OMB) for review under the Paperwork Reduction Act of 1980 (44 U.S.C. 3501-3520). No person may be subjected to a penalty for failure to comply with these information collection requirements until they have been approved and assigned an OMB control number. The OMB control number, when assigned, will be announced by separate notice in the **Federal Register**.

Public reporting burden for the collection of information requirements contained in this rule is estimated to include the time for reviewing the instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Information on the estimated public reporting burden is provided under the

Preamble heading, *Other Matters*. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Department of Housing and Urban Development, Rules Docket Clerk, 451 Seventh Street, SW, Room 10276, Washington, DC 20410-0500; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Attention: Desk Officer for HUD, Washington, DC 20503.

I. General

A. Purpose

This proposed rule would establish new regulations implementing the authorities of the Secretary of Housing and Urban Development ("the Secretary") to regulate the GSEs under the GSEs' respective Charter Acts (the Federal National Mortgage Association Charter Act (Fannie Mae Charter Act), Title III of the National Housing Act, section 301 *et seq.* (12 U.S.C. 1716 *et seq.*); and the Federal Home Loan Mortgage Corporation Act (Freddie Mac Act), Title III of the Emergency Home Finance Act of 1970, section 301 *et seq.* (12 U.S.C. 1451 *et seq.*) and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 ("FHEFSSA" or "the Act"), enacted as Title XIII of the Housing and Community Development Act of 1992 (Pub. L. 102-550, approved October 28, 1992, and codified, generally, at 12 U.S.C. 4501-4641). FHEFSSA substantially changed the Secretary's authorities to regulate the GSEs, requiring the Secretary to promulgate new regulations. The Secretary proposes these regulations to implement these new authorities, to replace the Secretary's current regulations governing Fannie Mae and, for the first time, to establish regulations governing Freddie Mac.

B. Background

In 1968, Congress chartered Fannie Mae as a stockholder-owned, privately managed corporation to fulfill various public purposes by providing a secondary market for home mortgages. In 1970, Congress chartered Freddie Mac within the Federal Home Loan Bank System.

The GSEs' Charter Acts set forth identical purposes for Fannie Mae and Freddie Mac¹ to: (1) Provide stability in the secondary market for residential mortgages; (2) respond appropriately to the private capital market; (3) provide ongoing assistance to the secondary

¹ Cf. Fannie Mae Charter Act, section 301, to Freddie Mac Act, section 301.