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NEWS RELEASE

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OFHEO DIRECTS FANNIE MAE AND FREDDIE MAC TO FOLLOW NONTRADITIONAL MORTGAGE RISK GUIDANCE

Washington, DC – Office of Federal Housing Enterprise Oversight (OFHEO) Director James B. Lockhart has directed Fannie Mae and Freddie Mac to immediately take action to support practices outlined in an interagency guidance on nontraditional mortgage product risks issued in October 2006. The guidance discusses how financial institutions can offer nontraditional mortgage products in a safe and sound manner and in a way that clearly discloses the benefits and risks to borrowers.

“OFHEO supports what the banking regulators have issued, and we have taken steps to ensure that Fannie Mae and Freddie Mac incorporate the principles of that guidance into their risk management and business practices,” Director Lockhart said. “This will enhance the overall level of underwriting standards, risk management practices and consumer protection in the mortgage market.”

The Interagency Guidance on Nontraditional Mortgage Product Risks was issued by the Office of the Comptroller of the Currency (OCC), Federal Reserve Board, Federal Deposit Insurance Corporation (FDIC), Office of Thrift Supervision (OTS) and National Credit Union Administration (NCUA). The guidance informs financial institutions of steps that should be taken to assure that the risk of these new mortgages is adequately addressed in their loan terms and underwriting rules as well as in internal risk systems and that consumers are provided full information on risks attendant to such mortgages.

Director Lockhart asked the GSEs to report back to OFHEO on progress in developing policies, consumer credit quality standards and capital provisions in line with the guidance by Feb. 28, 2007.

[Link to Letters to Enterprises and Guidance](#)

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OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.