August 7, 1998

The *GSE* REPORT

All GSEs

- ***GSEs Receive Attention During Housing Subcommittee Mark-Up:***

  Cong. Joe Kennedy (D-MA) Introduces then Withdraws Amendment Urging HUD to Review and Possibly Increase the Affordable Housing Goals of Fannie & Freddie:

  - The Housing Subcommittee of the House Banking Committee held a mark-up of HR 3899, "The American Homeownership Act" on August 6th. During the mark-up, Ranking Minority Member Congressman Joe Kennedy (D-MA), offered an amendment urging Congress to have HUD review Fannie and Freddie's affordable housing goals and to increase the affordable housing goals should HUD find that Fannie and Freddie are lagging other lenders in making comparable affordable housing loans. After other Members at the mark-up called the amendment premature, Cong. Kennedy withdrew his amendment, but said he hopes to see improvement among the GSEs without legislation. (*BNA Daily Report for Executives*, 8/7/98)

  Cong. Barney Frank's (D-MA) Amendment Passes Subcommittee - Encourages GSEs to Develop Secondary Market Programs for FHA Manufactured Housing:

  - During the same mark-up, an amendment introduced by Congressman Barney Frank (D-MA) was passed that would require HUD to conduct research, testing, development, and training to encourage the GSEs to develop and implement secondary market securitization programs for FHA manufactured home loans. Cong. Frank's amendment defines GSEs as Fannie Mae, Freddie Mac, and Ginnie Mae.

- ***House Passes Concurrent Calling Fannie, Freddie, and FHLBanks "Essential":***

  - The House passed a Concurrent Resolution (H. Con. Res. 208), a sense of Congress resolution, to encourage the use of the mortgage interest deduction, and continue the "essential roles" of Fannie Mae, Freddie Mac, and the FHLBank System in facilitating the "availability of capital for homeownership and housing production." The resolution was passed by a vote of 390-0. Banking Committee Chairman Leach noted that Fannie and Freddie "have served as extraordinarily helpful intermediaries in housing finance, and to certain housing programs of the Federal government itself." Leach also referred to this bill as a way to "underscore what are the great principles of American housing.' (*Congressional Record*, Page H5874-H5879, 7/20/98)

Fannie Mae and Freddie Mac

- ***House Banking Subcommittee Holds Hearing on GAO's Audit of Fannie Mae's and Freddie Mac's Mission Regulation:***

The Capital Markets, Securities and GSE Subcommittee of the House Banking Committee held a hearing on Thursday, July 30th on HUD's role as a mission regulator of Fannie Mae and Freddie Mac. The hearing was based on a study conducted by the General Accounting Office (GAO) that concluded that HUD's mission oversight needs to be strengthened.

Subcommittee Chairman Richard Baker noted although he did not believe that there was currently any concern about taxpayer losses caused by the failures of the GSEs, the role of the Subcommittee is to ensure that there is adequate preparation during economic downturns. After reading the GAO audit and hearing today's testimony, he is not "comforted" by what he has heard, and does not believe that HUD has fulfilled its regulatory obligation. He does not foresee Congress making any dramatic regulatory changes in the near future, but he is still considering the idea of a single regulator for the GSEs.

GAO, Nancy Kingsbury, Assistant Comptroller General, Gen. Gov't Division

Ms. Kingsbury testified that the GAO found that HUD needs to strengthen its mission oversight of Fannie and Freddie, identifying "several weaknesses in HUD's enterprise oversight activities that limit its effectiveness." The GAO believes that HUD took a "conservative approach" when they set the affordable housing goals for Fannie and Freddie, placing a high priority on financial soundness. The GAO also noted that the private sector generally exceeds the GSE affordable housing goals. For example, Fannie and Freddie are required to devote 42% of their mortgage purchases to low- and moderate-income homebuyers (which Fannie and Freddie both exceeded), while the private market is estimated to have served 48% of the same market. The following table was included in Ms. Kingsbury's written testimony:

	Percentage Goal		
Goal category	**1996**	**1997-1999**	**Estimated originations in primary market**
Low- and moderate-income	40%	42%	48-52%
Underserved areas	21	24	25-28
Special Affordability	12	14	20-23

The GAO recommended the following:

- HUD should assess the accuracy of the housing goal compliance data it receives from Fannie and Freddie.

- HUD should research the effectiveness of the housing goals to determine the extent to which the goals promote housing opportunities. For example, The GAO recommends that HUD should determine whether the housing goals have provided mortgage lenders with incentives to lower mortgage interest rates for targeted groups, and what effect the GSEs' risk-management strategies have on multifamily mortgage finance.

  - The GAO found that HUD has not adequately analyzed the multifamily purchases of Fannie and Freddie. Currently, HUD allows Fannie and Freddie to count their multifamily purchases toward full compliance of their goals even when the mortgage originator is required to cover most or all of the estimated future losses that my occur due to borrower defaults. HUD believes that the GSEs' use of this type of risk-management options for multifamily purchases encourages the GSEs to participate in the multifamily market, promotes liquidity, and is necessary to protect the GSEs' financial soundness. However, the GAO noted that "there is also available information that suggests that the enterprises' risk-management strategies involve offsetting trade-offs that may serve to limit lenders' incentives to originate affordable multifamily mortgages."

- HUD should obtain the necessary expertise to ensure that Fannie and Freddie's financial activities are consistent with their mission. The report notes that "HUD has not yet established a process to ensure that it has sufficient expertise to review and monitor sophisticated financial products that may be associated with new mortgage program proposals." The GAO further noted that HUD lacks focus and expertise as a financial regulator, and HUD did not act in a timely manner to monitor the GSEs' non-mortgage investments. The GAO also recommended that HUD continue steps to monitor Fannie and Freddie's non-mortgage investments. (Fannie has stated previously that HUD does not have the authority to regulate non-mortgage investments.)

- Finally, the GAO recommended that HUD estimate how much money is needed to effectively oversee Fannie and Freddie and asked Congress to require the GSEs to reimburse HUD for the costs. (HUD told the GAO it is considering the request as part of its fiscal 2000 budget.)

Ms. Kingsbury concluded her statement by stating that the GAO continues to support creating a single regulator for the GSEs.

Ira Peppercorn, General Deputy Assistant Secretary for Housing, HUD

Mr. Peppercorn testified that HUD's GSE oversight staff, "Team GSE," is "experienced and knowledgeable with regard to housing finance, mortgage markets and the regulation of financial institutions." The staff are divided among three departments at HUD: Office of Housing, Policy Development and Research (PD&R), Fair Housing and Equal Opportunity (FHEO) and the General Counsel (OGC). HUD spent two years conducting research in order to establish affordable housing goals for the GSEs that would effectively target the underserved. HUD believes they can specifically count the following as accomplishments towards achieving the goals that Congress established for HUD in the GSE Act of 1992: (1) there has been an increasing performance trend under the housing goals; (2) increased efforts to reach out to underserved families and communities; and (3) expansion of the information available to understand the nature of the GSEs' mortgage purchases.

Mr. Peppercorn noted that there are improvements that can be made in regulating the mission of the GSEs, including increasing the efforts on the part of the GSEs to meet the need of underserved markets, and increasing HUD's effectiveness as a mission regulator. Peppercorn testified that Fannie and Freddie have made significant progress in serving the needs of underserved housing markets, however "there is room for further improvement."

<u>GSEs Lag the Private Market</u> - HUD notes that the GSEs lag the private market in funding affordable housing loans. HUD reported that "HMDA data show that very low-income borrowers accounted for 8.3 percent of the GSEs' purchase of home purchase loans in 1996, compared with 13.5 percent originated by commercial banks. Similarly, underserved neighborhoods, as defined by HUD, accounted for 20.3 percent of the GSEs' mortgage purchases, compared with 26.1 percent of commercial bank originations." HUD reports that only a small fraction of the mortgages purchased by the GSEs support minorities, once again lagging the private market. For example, in 1997, only 4.2% of Fannie Mae's purchases were for African American borrowers; Freddie Mac's percentage was 2.8%, while 1996 HMDA data shows that 5.7% of all mortgage loans in the conforming market were made to African-American borrowers. HUD also noted a recent study by the Federal Reserve Board that found that "Fannie Mae and Freddie Mac together provided only 4%-5% of the credit support for lower-income and minority borrowers and their neighborhoods."

<u>HUD's Recommended Reforms</u> – Mr. Peppercorn noted that HUD is currently studying whether to assess the GSEs for the cost of HUD's mission regulation because assessing the GSEs may give HUD more resources for ensuring that the GSEs achieve their public policy goals. HUD agrees with GAO's recommendation to implement a plan to ensure the accuracy and

completeness of the housing compliance data provided by the GSEs. HUD expects to undertake another rulemaking to evaluate the housing goals of the GSEs and its effect on the mortgage market. HUD expects to publish a final rule by December 1, 1999 to take effect in January 2000. HUD is currently evaluating the responses to their Advanced Notice of Proposed Rulemaking on regulation of the GSEs' non-mortgage investments to determine whether or not to issue a final rule. Mr. Peppercorn noted that regardless of whether or not HUD issues a rule, HUD would continue to monitor the GSEs' non-mortgage investments.

Mark Kinsey, Acting Director of OFHEO

Mr. Kinsey testified that OFHEO believes that HUD has performed its responsibilities of regulating the mission of the GSEs given its resources. Since GAO's audit of OFHEO in Oct. 1997, OFHEO has designed and implemented a comprehensive annual risk-based examination program of the GSEs. OFHEO has also addressed the GAO's concerns about the level of OFHEO's examination staff, by not only adding more staff but also filling positions with individuals who "possess significant experience and expertise." OFHEO has made progress on its completion of a risk-based capital regulation and hope to submit their risk-based proposal to the OMB for clearance by the end of September in the form of a Notice of Proposed Rule-making by Presidential order. OMB then has 90 days to review the rule, but OMB may request more review time. After OMB's review, the rule will be submitted to Congress for a 15-day review period, after which, the rule will be published in the Federal Register for public comment.

(The GAO noted in a July 29th letter to Cong. Baker that OFHEO still faces "significant challenges" in meeting these deadlines and OFHEO may not complete work on a final rule by 1999 as the agency promised Congress last fall. These challenges include: (1) the attrition of key staff; (2) the cancellation of a proposed series of meetings during the summer when the OFHEO had planned to provide technical details of the stress test to OMB, Treasury, and HUD; and (3) a potentially lengthy public comment and review period on the proposed rule. The GAO reported that OFHEO has said the proposal will consist of between 500 to 1,000 pages covering complex financial material. The GAO noted that Fannie Mae has already requested that OFHEO provide the public with a nine-month public comment period.)

OFHEO estimates the period for public comment would be four months, and does not estimate how long it would take to publish a final rule. Kinsey noted that the OFHEO believes that the current minimum capital standards imposed by OFHEO on the GSEs are adequate protection against taxpayer loss until the comprehensive risk-based capital guidelines are completed.

OFHEO believes that there are disadvantages and advantages to combining the safety and soundness and mission regulation of the GSEs into one regulator, but gave no recommendation. The advantages of a single regulator might produce better coordination between safety and soundness and mission regulation responsibilities and might facilitate assessing the GSEs for the full cost to the government for its oversight. However, a single regulator of Fannie, Freddie, and the FHLBank System could "disrupt current regulatory activities without improving the effectiveness of regulation."

Questions and Answers:

Chairman Baker noted that the GAO's Report indicated that when HUD considered Fannie Mae's request for approval of the Mortgage Partnership Plan, HUD did not consider the cost to the federal government in lost tax revenue. He questioned whether the Treasury Department should then be required to approve requests for new programs by the GSEs when tax subsidies are involved. The GAO agreed that the tax consequences should have been examined.

Chairman Baker asked when the last time HUD denied a new Fannie or Freddie program, and HUD acknowledged that they have never denied a request by the GSEs.

Accuracy of Data:

Chairman Baker stated that the GAO Report indicated that HUD does not verify the overall integrity of the data collection of the GSE data used to determine compliance with the affordable housing goals. He wanted to know why this was the case when inaccurate data could lead to inaccurate policy decisions. HUD's response was that they had a very good policy and process in place to check the data and inquire about inconsistent data. Congressman Bruce Vento (D-MN) questioned how the accuracy of the GSE data compared to the accuracy of HMDA data. The GAO responded that the HMDA data has some of the same issue problems as the GSE data. (A Fannie Mae spokesperson told a *Dow Jones Newswire* reporter that the HMDA data has "lots of flaws.")

FHA:

Congressman Vento was concerned about the expansion of the FHA loan limits and questioned whether HUD will have to adjust the GSEs' affordable housing goals because FHA would be taking a greater share of the loans. He noted that the GSEs were concerned about the competition and he questioned whether the GSEs' ***affordable housing goals should be reduced or modified*** in light of the higher FHA loan limits. HUD did not believe that the FHA loan limit issue was a question of market share and rather than looking at the issue of FHA/Fannie-Freddie competition, HUD should re-examine the current data to see if HUD needs to set new goals. Congressman Baker questioned whether it was smart to have a regulator of the GSEs (HUD) that has a potential competitor to the GSEs (FHA) within their own organization.

Congressman Vento and Cong. Ken Bentsen (D-TX) both questioned why the GAO criticized the GSEs for placing reps. and warranties -- more risks -- on lenders making multifamily loans. Cong. Vento believes this is part of the job of a GSE. The GAO responded that they were not commenting on the business practices of the GSEs and whether these practices were good or bad, but rather they were raising questions as to whether these arrangements should count towards compliance of their goals and suggested that credit enhancements need to be studied more.

Congressman Bentsen also brought up the FHA amendment added to the House VA-Appropriations bill that would add $30 million for veterans' health care programs by taking money from the FHA. Congressman Bentsen noted that this change could block the ability to issue notes, and that the amendment was problematic enough that it may not survive in conference. HUD acknowledged that they were also concerned about the amendment from a financial point of view. HUD was not sure that it would affect the credit quality, but believed it would slow business down.

Non-Mortgage Investments:

HUD said they were reviewing the comment letters they received from the Advanced Notice of Proposed Rulemaking and are engaging in discussions with other regulators of financial institutions. HUD believes they will make a recommendation to the Secretary in the fall of this year as to whether or not to propose a Rule. Regardless of whether HUD decides to issue a Rule, HUD vowed that they would continue to monitor and evaluate the GSEs' non-mortgage investments.

Expertise of HUD Staff Questioned:

Congressman Pete Sessions noted that the GAO's testimony found HUD "lacking in capacity and focus as a regulator of financial institutions," and that Congress noted the same conclusions when they passed the initial 1992 Act. HUD believes that the quality of their staff is high, and when it comes to regulation of what HUD has been mandated to regulate (mission), the data supports HUD. The GAO stated that they were not saying that HUD is not qualified, but that the GSEs are "devilishly clever" at coming up with new ways of investing (which is a good thing), but HUD needs to make sure they are "on top of things" in terms of regulating the mission. (*BNA Daily Report for Executives*, 7/30/98, 7/31/98*; Dow Jones Newswire*, 7/30/98; *GAO Report, GAO/GGD-98-173*, July 1998, *GAO Letter to Cong. Baker*, *GAO/GGD-98-182R*, 7/29/98, Written & Oral Testimony of House Banking Committee's Capital Markets Subcommittee hearing, 7/30/98)

- ***PMI Bill with Provision Allowing Fannie & Freddie to Determine "High Risk" Borrowers is Signed by President Clinton:***

  - On July 29th, President Clinton signed the PMI bill (S. 318). The bill provides for the automatic cancellation of PMI when a homeowner has 22 percent equity in the house. Homeowners with a good payment history and owning a home that has not depreciated below the purchase price may request termination of PMI when the homeowner has 20% equity in the house. The automatic cancellation provisions only apply to new mortgage loans made one year after the legislation is enacted. The bill also allows lenders to require PMI beyond the 22 percent equity for "high risk" borrowers as defined by Fannie Mae and Freddie Mac. Such "high risk" borrowers may not be able to cancel their PMI until half the term of the mortgage has passes – that is, 15 years into a 30-year mortgage. The final bill would also require the General Accounting Office to study the volume and characteristics of "high risk" mortgages. (*Washington Post*, 7/18/98l; *White House press release*, 7/29/98)

- ***GSE Pool Insurance Prospects are Hurt by HUD and Raters' Scrutiny:***

- HUD and the rating agencies are scrutinizing the practice of pool insurance for mortgages sold to the GSEs, both questioning whether pool insurance violates RESPA. "RESPA forbids kick-back referral fees and unearned fees, but on the other hand it allows for other fees for services reasonably provided," said HUD spokesman Victor Lambert. "We are looking at what if any RESPA ramifications there may be to GSE pool insurance," he said, noting that HUD is currently reviewing survey results it sent to several major mortgage insurers and to Freddie Mac earlier this year.

- Regarding the RESPA compliance issue, Charles Titterton, a director at Standard & Poor's said that while "The GSE insurers are not taking this out as an outright quid pro quo," they are "open to the question of whether there are violations of RESPA," under which "you are not allowed to pay for business." Rating agencies are also imposing greater capital requirements on the insurers, which could slow the use of pool insurance.

- Pool insurance is aimed at lessening the guaranty fees paid by lenders to Fannie and Freddie. Indications are that pool insurance, while lessening exposure, has also cut into Fannie and Freddie's fee revenues, particularly over the past year, as pool insurance has become more widespread – now accounting for some $500 million to $600 million of risk in force. Pool insurance covers portions of single-family mortgage pools guaranteed by Fannie and Freddie, generally consisting of a layer of indemnity paying up to 100% of individual defaulted mortgages, with the total potential payment capped at 1% to 1.5% of the original aggregate balance of the entire pool. Lenders can save a large amount of their guaranty fees if they take out the pool insurance. Normally such fees cost between 20 and 25 basis points of the outstanding balance, the discounts for lenders with pool insurance are typically about four or five basis points. (*Dow Jones - Capital Markets Report*, 7/27/98)

- ***Fannie & Freddie's Entrance into Subprime Market Might Tighten Subprime Margins:***

  - The *American Banker* reported that during a Secondary Market Conference sponsored by the Western League of Savings, many lenders were worried about efforts by Fannie & Freddie to move into the subprime market because of the already tight profit margins. When asked whether entering into the subprime market was consistent with their GSE charter, Faith Schwartz, director of national alternative markets at Freddie Mac, said "We think it's completely consistent to enter and serve these markets." Expansion into the subprime market by Fannie and Freddie may lead to tighter profit margins for lenders and higher profits for Fannie and Freddie.

  <u>How Fannie and Freddie are entering the subprime market:</u>
  - Bill Shirreffs, director of single-family business at Fannie Mae's Western Regional office, said Fannie Mae "is redefining what A quality is," and Fannie Mae "does not perceive that we're taking on more risk. We're just redefining what A paper is." Freddie Mac said they are entering the subprime market using a pilot program. "We are treating our entrée into the B and C market as a pilot," said Connie Ferran, director of implementation marketing at Freddie Mac. Freddie will later decide whether or not to buy these loans in large batches, she said. Freddie Mac is now offering alternative-A and

A-minus loans to lenders in pilots on a loan-by-loan basis and is using credit enhanced structured transactions to learn about the subprime market. Schwartz noted that Freddie's Mac's reach into the subprime market will depend heavily on Freddie Mac's automated underwriting programs and risk-based pricing. (*American Banker*, 7/28/98)

Fannie Mae

- ***"Fannie Mae Declares War on Chicago FHLBank":***

    - According to a *Mortgage Marketplace* article, Fannie Mae is marketing a new mortgage product to compete with the FHLBank of Chicago's controversial Mortgage Partnership Finance (MPF) program. Fannie Mae's new product is supposedly being marketed to the lenders that are participating in the MPF program. Fannie Mae has made no comments about their new mortgage product, but a source familiar with Fannie's strategy noted that this product is such a high priority for Fannie Mae that Fannie Mae's Washington staff was accompanying regional representatives to promote the new product.

    - One source for the article stated that Fannie Mae was also seeking legislation to limit the MPF program, but the writer of the article was unable to confirm this information.

    - According to a source, under the new Fannie Mae product, the depository institution selling the loan to the GSE provides a "credit-enhancing letter of credit to Fannie Mae," and in return Fannie Mae pays servicing fees and letter-of-credit fees. "That basic arrangement parallels the Chicago program," the source said. Under the MPF program, the depository institution provides a second-loss credit enhancement in return for servicing fees, origination fees, and a credit-enhancement fee from the FHLBank of Chicago. Also, under both programs, the depository institution receives a fee instead of paying a guarantee fee, the latter of which is a customary part of securitization with Fannie and Freddie. (*Mortgage Marketplace, American Banker-Bond Buyer*, 7/13/98)

    - (In related news, the thrift groups have filed an official appeal challenging the US District Court's ruling that the FHFB did not exceed its authority when it approved the MPF pilot in May 1997. And, the FHFB is currently considering expanding the Chicago MPF program to the other FHLBanks. See related stories in this *GSE Report*.)

- ***FHA Loan Limit Increase Passes House and Senate, Despite Opposition from Fannie:***

    - Despite opposition by Fannie Mae, the House approved a proposal in the VA-HUD Appropriations bill to raise the FHA loan limits to $109,032 from $86,317 in low-cost areas and to $197,620 from $170,000 in higher-cost areas. As we reported in our last *GSE Report* (July 24th), the Senate also voted to raise the FHA loan limits. Lawmakers will likely begin meeting in September to reconcile the two Appropriations bills. Raising the FHA loan limit would cut into Fannie and Freddie's market share. Fannie Mae said they oppose the increase because it would increase the federal government's presence in the mortgage market and possibly force many small local lenders out of business. "Fannie Mae supports what we believe is a very strong consensus that the FHA is meant to supplement, not compete, with the conventional market," a spokesman for Fannie Mae said. *Inman News Feature* reported that off the record, some of the officials at Fannie Mae admit that they're also worried the effects of an increase in the FHA loan limits on their profitability: Raising the FHA limit would increase competition and likely put downward pressure on Fannie's bottom-line profit.

- *Inman News Feature* notes the following about the FHA loan limit vote in the Senate VA-HUD Appropriations bill: "Today's vote provided some insight on who's got more political power on Capitol Hill: The 750,000-member-strong National Association of Realtors, or the powerful Federal National Mortgage Association. NAR's support of higher FHA limits and Fannie Mae's staunch opposition to the measure has driven a wedge between the two groups, which previously enjoyed a good working relationship. In the past officials at NAR and Fannie Mae have partnered to ensure the approval of dozens of bills. The proposal to raise the FHA's loan limits introduced new friction to that cozy relationship, insiders at both Fannie Mae and NAR said. (*Inman News Feature*, 7/15/98, 7/17/98; *National Mortgage News website*, posted 7/30/98)

- ***Fannie Mae Reopens Five-Year Benchmark – Majority of Buyers are International:***

  - Fannie Mae reopened its April Benchmark note, pricing its 5.75%, five-year Benchmark reopening of $3 billion at 100.109, yielding 5.7205 and with a spread of 27.75 basis points over the yield of a comparable Treasury due June 2003. Fannie Mae's Benchmark notes are marketed as alternatives to Treasurys. Excluding the reopening, Fannie Mae has issued $25.25 billion in Benchmark Notes. The reopening achieved a record level of participation from Asian investors as demand for dollar-denominated assets boosted interest. Asian buyers took 32% of the $3 billion offering, the highest percentage to date in Fannie Mae's Benchmark offerings. Overall international participation was 58%. The reopening also increases Fannie Mae's success at marketing the Benchmarks as an alternative to Treasurys. Many investors and analysts had previously called many of Fannie Mae's earlier issues too small to be competitive, but this reopening has received much praise. "Now they're starting to make sense," said Michael Karnes, portfolio manager for Amalga Trust, Chicago. Karnes said Fannie Mae was finally approaching the size needed to make the program work. (*National Mortgage News website*, posted 8/4/98, 8/5/98; *Wall Street Journal Interactive*, 8/5/98, 8/6/98)

- ***Secretary of Commerce (& Former Fannie Mae Board Member) William Daley Praises Fannie Mae at the LaSalle Street Business Leaders Breakfast:***

  - Secretary of Commerce William Daley, who is also a former Fannie Mae Board Member, praised Fannie's Mae's diversity at a LaSalle Street Business Leaders Breakfast. Daley emphasized that companies should invest in ethnic inclusion. When Daley was on the Board of Fannie Mae, he saw first-hand the results when Fannie Mae "entered the untapped African-American and Hispanic market of first time home buyers. There were profits." Daley also believes that CEOs' attitudes will change when they start working one-on-one with people of color. "Again, look at Fannie Mae's board: they have just selected Frank Raines to be the CEO next year. And probably more important, they have taken this to heart, and have developed a number of middle managers, of diverse backgrounds, who are running the place." (*PR Newswire*, 7/31/98)

- ***Fannie Mae Foundation Sponsors High-School Finance Academy Program:***

    - The Fannie Mae Foundation is a sponsor of the National Academy Foundation/Fannie Mae Foundation Academies of Finance at Turner Technical Arts High School in Miami, Florida. The program is for high-school students who are interested in business-oriented careers, such as accounting or work with brokerage firms. Two such programs exist – one in Miami and one in Los Angeles. The Miami program has eight teachers who oversee 216 students throughout their four years in the program. Students are eligible for a $500 scholarship for each semester they keep grades at a B level, for a total of $4,000 each, given by the Fannie Mae Foundation. The finance program is one of seven academies at Turner High School. (*Miami Herald*, 7/27/98)

- ***Working Woman Magazine Ranks Fannie Mae #2 on Top 25 Public Companies for Executive Women:***

    - *Working Woman Magazine* ranked Fannie Mae as Number 2 on their first- annual listing of the "Top 25 Public Companies for Executive Women." The rankings will be published in the September issue of *Working Woman Magazine*. The list ranked publicly held companies with more than 3,000 employees and at least two women on the board of directors, or one woman if she represented more than 20% - twice the national average of the board. *(Business Wire*, 8/6/98)

- ***Fannie Mae Foundation & Detroit MBA Sponsor Home-Buying Fair:***

    - The Fannie Mae Foundation and the Detroit Mortgage Bankers Association hosted a homebuyer fair on August 1st at the Cobo Conference/Exhibition Center in Detroit.

- ***Fannie Mae Participates in Program to Revitalize Park in DC:***

    - Fannie Mae and Howard University began work on a project to revitalize LeDroit Park in Northwest DC. The project will transform unoccupied structures and vacant lots on several blocks owned by Howard University into 42 single-family homes. (*Washington Post*, 8/3/98)

Freddie Mac

- ***Freddie Mac Investigating Loan Fraud in South Florida:***

  - As we stated in the July 10th *GSE Report*, Freddie Mac announced in a June 4th letter that it has been investigating loan fraud in South Florida, citing "unusually high" mortgage default rates in South Florida.

  - The US Attorney's Office and Freddie Mac have now announced to the press that they are investigating fraud in Dade and Broward County in South Florida. David Andrukonis, general manager of Freddie Mac's seller division, told the *Miami Herald*, that Freddie Mac has "instigated our own fraud investigations in South Florida because we've heard from many seller/servicers doing business in that area." Andrukonis says "We see fraud of all types, from fabricated income and employment information to artificially inflated property values." Jerry Langbauer, a Freddie Mac vice president, blamed some of the fraud on unscrupulous mortgage brokers signing up recent immigrants to loans under terms they don't understand. Barry Sabin, deputy chief of the economic crime section of the US Attorney's Office said that much of the fraud federal investigators are tracking involves sophisticated, multimillion-dollar scams.

  - The Freddie Mac letter, written in June by Andrukonis, warned lenders "to be especially vigilant against fraud" and to be "circumspect with borrowers, brokers, appraisers and other parties involved in the loan origination process." The letter stated that "We recommend that you review your processes for evaluating, approving and monitoring third-party originators." According to Freddie Mac spokesperson Brad German, this was the first letter of its kind by Freddie Mac. Florida's Mortgage Bankers Association said it would also set up a group to research how to prevent and report mortgage fraud. *(Dow Jones Newswire*, 7/2/98; *Miami Herald*, 7/31/98; *Tampa Bay Online*, 7/31/98)

- ***Freddie Mac Co-Hosts Celebrity Golf Tournament Benefiting Arthritis Foundation:***

  - Freddie Mac and Countrywide Home Loans co-hosted the 13rth Annual Countrywide-Freddie Mac Golf Classic on July 27th at the El Caballero Country Club in CA. The golf classic hopes to raise over $250,000 for arthritis research. (*PR Newswire*, 7/27/98)

Federal Home Loan Banks

- ***Controversial FHLBank "Compromise" Bill Dropped from Sen. Regulatory Burden Bill:***

  - Senator Chuck Hagel (R-NE) withdrew his FHLBank Amendment from the Senate Regulatory Burden Relief bill (S. 1405) during a Senate Banking Committee mark-up of S. 1405 on July 30th, after it was determined that he did not have enough supporting votes. Senate Banking Democrats, led by Senator Paul Sarbanes (D-MD), expressed concern that the amendment would not limit the FHLBanks' arbitrage activities. "Forty percent of the Federal Home Loan Banks' assets are tied up in nonmission-related investments, which is up from 10% a decade ago," Sen. Sarbanes said. "The banks are straying away from their housing mission."

  - As you might recall from the last *GSE Report*, the "compromise" Hagel bill was struck by Senators Hagel and D'Amato with New York Federal Home Loan Bank President Al Dellibovi and Federal Housing Finance Board Chairman Bruce Morrison. Under the compromise, the Federal Home Loan Banks would become "super GSEs." The "compromise" agreement would eliminate any restrictions and all regulatory oversight over the FHLBanks non-mortgage investments; would lower the FHLBanks capital standards to match those of Fannie Mae's and Freddie Mac's; and would allow the FHLBanks to make advances to fund small business and community development lending by small banks. The non-mortgage investment powers of the FHLBanks would not limit the Banks authority to engage in loan origination activities.

  Provisions Not Dead:

  - Although Hagel's FHLBank amendment was withdrawn during the Senate Regulatory Burden Relief mark-up, Senator Hagel indicated that he may attach the FHLBank "compromise" package to H.R. 10, the financial services modernization package that is tentatively scheduled for mark-up in the Senate Banking Committee on September 3rd.

  Treasury Opposes FHLBank Provisions:

  - Treasury Secretary Robert Rubin wrote a letter to Senate Banking Committee Chairman Alfonse D'Amato opposing the FHLBank provisions because it is "piecemeal" reform and does not address Treasury's two main concerns – (1) The ability of the FHLBanks to use their portfolio to conduct extensive arbitrage; and (2) "no assurance that money lent by the System will actually be used to finance housing." Rubin requested that any bill on reforming the FHLBank System include language limiting the FHLBanks' arbitrage activities, and recommended that FHLBank System investments be subjected to "specific, objective" statutory limits. Rubin called the way the System uses its investment portfolio a "serious problem," and said the provisions in S. 1405 could "exacerbate the problem by significantly expanding the types of investments that the Federal Home Loan Banks can make. We would strongly oppose such efforts, as they lead the System in exactly the wrong direction."

  - Noting that the FHLBank System's investment portfolio currently totals about $146 billion, Rubin said, "The system uses this portfolio to conduct extensive arbitrage –

issuing debt securities at close to the Treasury rate and investing the proceeds in other, higher-yielding securities." Rubin said most of the System's investments, which amount to approximately 40% of the System's assets "do nothing to support residential mortgage lending or otherwise advance the system's public purpose."

- Rubin also stated that advances, or loans to System members from FHLBanks "have generally ceased to be a vital source of liquidity for many home lenders and have instead become a government-subsidized source of funds for practically any depository institution – even those with ready access to the private capital markets." Rubin believes legislative changes are necessary to provide greater assurance that the System's government subsidy is being used to advance the public purpose for which the System exists.

<u>Hagel's Response to His Provisions Not Including FHLBank Investment Activities:</u>

- However, Senator Hagel stated: "If we look at the Federal Home Loan Banks' investment activities, then I think we should look at all the GSEs, including Fannie Mae." Before closing debate on the Hagel amendment at the Senate Banking Committee markup, Senator D'Amato offered to consider holding a hearing on the purpose and mission of the GSEs.

<u>Think Tanks Weighed-In Against FHLBank Provisions:</u>

- A number of think tanks sent letters to the Hill opposing Senator Hagel's amendment including Cato, the Heritage Foundation, and the National Taxpayers Union.

- <u>CATO</u> – In a letter to Sen. D'Amato, Stephen Moore, Director of Fiscal Policy Studies at CATO, wrote that the FHLBank proposal serves no public purpose and efforts should be made to curtail the powers of the GSEs, not expand them. In his opinion, there is no private market failure existing today that would require this proposal to remedy. The proposal would expand the powers of the FHLBanks, enabling the FHLBanks to become "mega-government-sponsored enterprises" and "would permit them, for the first time, to enter commerce directly" – increasing the powers of the FHLBanks and going "well beyond their initial charter." Moore was concerned that this proposal "would give the same unfair competitive advantage in the commercial banking realm that the GSEs now command in mortgage lending."

- <u>Heritage</u> – In an Executive Memorandum, the Heritage Foundation stated that the FHLBank amendment expands the role of the FHLBank System into US financial markets and puts the FHLBanks into "direct competition with private, tax-paying commercial banks and other private lenders." The Heritage Foundation called the expansion "unnecessary" and "risky" for taxpayers. The areas in which the FHLBanks would be able to expand under the FHLBank amendment are areas that "are already well served by a variety of existing private financial institutions and by other government or government-sponsored enterprises."

- <u>NTU</u> - In a letter to Senator D'Amato, the National Taxpayers Union stated their opposition to the Hagel bill, and urged Senator D'Amato to "join with our members in working towards winding down the FHLBank System." NTU believes that the Hagel bill gives the FHLBanks much broader lending powers and would permit the FHLBanks to displace many activities now undertaken by commercial banks and other lenders, while significantly increasing taxpayers' liability. NTU President John Berthoud wrote, "The Federal Home Loan Banks have accomplished the primary mission they were set up for in the 1930s – establishing a competitive and liquid mortgage market. When government programs have achieved their missions it is time for them to sunset, not time for them to venture into other areas already well served by the private sector." (*Dow Jones Newswire*, 7/27/98, 7/30/98; *National Mortgage News website*, posted 7/30/98; *Cato Letter to Senator D'Amato*, 7/27/98; *Heritage Foundation Executive Memorandum*, 7/30/98; *NTU Letter to Sen. D'Amato*, 7/27/98; *Treasury Secretary Robert Rubin letter to Senator D'Amato*, 7/27/98)

- ***Thrift Groups File Official Appeal of Court Decision's on FHLBank of Chicago Pilot Program:***

  - As we noted in the July 10th *GSE Report*, the Federal Housing Finance Board (FHFB) won its case in the US District Court for the Western District of Texas on June 25th. The Court found that the FHLBank of Chicago's controversial Mortgage Partnership Finance was permissible under the FHLBank Act, and the federal judge, Judge Sam Sparks, dismissed the case brought by the plaintiffs, who challenged the legality of the FHLBank of Chicago's MPF program. Judge Sparks ruled that the FHFB did not exceed its authority when it approved the MPF pilot in May 1997.

  - The plaintiffs in the case- the Texas Savings and Community Bankers Association, Western League of Savings Institutions, World Savings Bank, Austin, World Savings and Loan Association, Oakland, CA, and Charter One Bank, a Cleveland-based thrift – officially appealed Judge Sparks' decision on July 30th with the US Fifth Circuit Court of Appeals.

  - The MPF program allows depositories that are FHLBank members to use the FHLBanks' funds to originate conventional mortgages. The FHLBank of Chicago itself funds and retains in portfolio the mortgages originated, serviced and credit-enhanced by member institutions. To date, the Chicago FHLBank has granted approximately $231 million in residential product through the MPF pilot. The MPF program puts the FHLBank of Chicago as a direct competitor to Fannie and Freddie. (*Dow Jones Newswire*, 7/31/98; *National Mortgage News website*, posted 8/3/98)

- ***While Thrift Groups Appeal Decision on Chicago MPF Program, the FHFB Considers Extending the Chicago Program to Other FHLBanks:***

  - The Federal Housing Finance Board announced that it is considering expanding the Chicago MPF pilot program to other FHLBanks. A notice and a request for comments were published in the Federal Register on August 7th. In its request for comments, the FHFB said that several of the FHLBanks had expressed an interest in offering a similar pilot program to their members. The FHFB staff is currently working on recommendations to the Board on creating terms and conditions under which the any FHLBank would be permitted to offer the pilot program to its members. The Notice indicated that the staff is considering the terms and conditions for:

- national or regional pricing;
- FHLBank capital requirements or other standards for credit risk tied to the pilot program;
- the capacity of the existing pilot to handle larger volumes of transactions;
- whether the pilot programs should have performance goals tied to particular populations or areas; and
- criteria against which the programs' success can be measured.

- The staff is also considering recommending the Board modify the existing $750 million cap to meet member demand. At this time, the staff is not recommending that the program go beyond a pilot phase. The Board of Directors of the FHFB will not make any changes or expand the MPF program to the other FHLBanks until, at the very earliest, 30 days after the Notice was printed (8/7/98). Public comments may be sent to the FHFB's Executive Secretary, Elaine Baker. (*BNA Daily Report for Executives*, 8/7/98; *Federal Register Notice*, 8/7/98, page 42400)

- ***Thrift Industry Says They Are Not Surprised About FHFB's Potential Expansion of MPF:***

  - The thrift industry association, the America's Community Bankers (ACB), said they were not surprised that the FHFB was considering expanding the Chicago FHLBank MPF program to the other FHLBanks. According to an article in *BNA*, Brian Smith, director of policy and economic research for ACB, said the move was not surprising, since "Judge Sparks gave them a full tank of Chevron deference," he said, referring to a 1984 US Supreme Court decision under which agency interpretations of federal statutes are given deference if the statutory language is ambiguous. According to Smith, the Judge's decision gave the FHFB "carte blanche" since the Judge ruled that the program is the same as an advance.

  - Smith indicated that the ACB was taking a pragmatic approach to the Chicago MPF program and its potential expansion initiatives since the FHFB currently has the legal authority to approve these programs (absent a contrary ruling in the appeal). "With due attention to the credit risk involved in these programs, it's certainly something we'll have to live with because they have the authority to do it," Smith said. But, according to Smith, the FHFB's request for comments, does give the thrift group the opportunity to "ask some questions about what the ultimate scope of the program will be," for example whether the FHFB will impose a dollar limit on the pilot programs. (*BNA Daily Report for Executives*, 8/7/98)

- ***Community Bankers Rush to Join FHLBank System after FHFB Issued New Rule Expanding Eligibility for Membership and Advances:***

- As we stated in our July 10th *GSE Report*, the Federal Housing Finance Board (FHFB) issued a final rule on June 29th expanding its membership and advances regulation to make it easier for small rural banks to qualify for membership in the FHLBank System, and to provide the collateral necessary to obtain FHLBank advances. As a result of the new rule, 40 community banks have applied for membership in the FHLBank of Des Moines and at least 100 are expected to join by the end of the year, according to Thurman Connell, president of the FHLBank of Des Moines. Also, an additional 282 community banks now qualify for membership in the FHLBank of Topeka, KS, of which 20 have already applied.

- The old rule mandated that FHLBank System members must have at least 10% of their loans in home mortgage loans or mortgage-backed securities. The 10% minimum was hard for small rural banks to meet because home mortgage loans for certain properties that include large tracts of land could only be counted as a home mortgage loan when the appraised value of the residence on the property accounted for at least 50% of the land's value. The FHFB thought the 50% test was difficult for small rural banks to meet. So, the FHFB eliminated the 50% test for combination properties for those institutions with less than $500 million in assets. (The 50% test still applies to those institutions with more than $500 million in assets.) Under the new rule, the combination property loans would now be considered as residential property loans in determining eligibility for membership or collateral for advances (letting a farm be counted toward the 10% requirement) as long as there is a permanent residence that is an "integral" part of the property. (*American Banker*, 7/30/98; *Federal Register*, 6/29/98, page 35117)

- ***FHFB Issues Final Policy Statement on Expanding Financial Disclosures in Combined Annual Reports of FHLBank System to Meet Most SEC Disclosure Requirements:***

  - As we stated in the June 26th *GSE Report*, the FHFB unanimously approved a policy statement at a June 24th Board meeting that would subject the FHLBank System to most SEC disclosure requirements. The policy statement requires that the combined annual and quarterly financial reports of the System be prepared in a manner that is consistent with the financial and other disclosure requirements of the SEC. Certain exceptions, however, were provided to accommodate the System's unique characteristics. The expanded financial disclosures will be enforced by the FHFB, not the SEC. The final policy statement has now been officially published in the July 24th *Federal Register* and will become effective on August 24, 1998.

  <u>FHFB Hopes New Policy will Keep the System Exempt from SEC Registration & Reporting Requirements:</u>

  - The expanded disclosure is intended to provide investors in the FHLBank System obligations with the same types of disclosures that are provided by securities issuers with the SEC, and according to an article in the *Dow Jones Newswire*: "It also aims at warding off any attempts by Congress to subject the System by statute to the federal securities laws." FHFB Chairman Bruce Morrison and Board Member J. Timothy O'Neill "made it clear that the initiative stems in part from a proposal that surfaced in the

House last year to bring the System within the purview of the federal securities laws." The House proposal was never adopted, but it clearly left an impression on the FHLBank System. The GSEs have fought forcefully against such proposals, alleging that it would increase their cost of doing business without providing commensurate benefits to investors. According to Morrison, "I think our position (against SEC registration) is made increasingly credible by these steps."

What Will the New Expanded Disclosures in the1997 Financial Report Include?:

- According to the FHFB, this action is the first time that the FHFB has set formal policies as to the content of the FHLBank System's annual report and quarterly combined reports. According to the FHFB, the 1997 report for the FHLBank System will include:
  - The top ten capital stockholders in each FHLBank;
  - The top ten holders of advances in the FHLBank System as well as the top five at each FHLBank;
  - Transactions with related parties, which show how much of the FHLBank's advances went to member institutions that have an officer serving on the board of directors of a FHLBank;
  - Increased disclosure concerning derivatives and interest-rate risk management; and
  - Increased disclosure on the compensation and pension plans of the FHLBank presidents and managing director of the Office of Finance.
- The FHFB deferred for a year requiring qualitative disclosures mandated under a SEC derivatives rule. The FHFB originally proposed that the derivatives disclosure be including in the System's 1997 annual report (to be released the week of June 29th), but decided to delay that requirement until the 1998 report. *(BNA Daily Report for Executives*, 6/25/98; *Dow Jones Newswire*, 6/24/98, *Federal Register*, pages 39872-39875, 7/24/98)

- ***FHFB Issues Final Rule Approving FHLBank Bylaws:***

  - The FHFB announced that it is adopting an interim final rule that adds a new provision to its regulation of the FHLBanks that passes responsibilities for approving FHLBank bylaws or amendments from the FHFB to the FHLBank Directors. The new provision authorizes the board of directors of each FHLBank to prescribe, amend, or repeal bylaws or bylaws amendments governing the manner in which the FHLBank administers its affairs, without the prior approval of the FHFB, provided that the bylaw or bylaws amendments are consistent with applicable statutes, regulations, and Finance Board policies. (*Federal Register,* page 39702, 7/24/98)

- ***FHFB Issues Final Rule on FHLBanks' Requirements for Providing Information to the FHFB:***

  - The FHFB announced that it amended its regulations to require that the FHLBanks provide information in such form and within such timeframe as the FHFB may prescribe so that the FHFB may prepare combined Bank System financial disclosure in a complete and timely manner and that all materials are consistent in both form and content. (*Federal Register*, page 39702-39705, 7/24/98)

- ***FHFB Issues Final Rule on Membership Approval:***

  - The FHFB issued a final rule on July 27th that amended the approval regulations for membership in the FHLBanks to improve and streamline the application process. The rule goes into effect on August 26, 1998. (*Federal Register*, pages 40018-40024, 7/27/98)

- ***FHLBank of Atlanta Names Operating Officer:***

  - The FHLBank of Atlanta promoted Carol Jackson to executive vice president and chief operating officer. She is now responsible for overseeing information technology and sales and marketing, as well as continuing her role in community investment, credit, and collateral services. (*American Banker*, 7/27/98)

Farm Credit Administration

- ***FCA Issues Final Rule Amending Capital Adequacy Rules and Regulations:***

  - The Farm Credit Administration (FCA) issued a final rule on July 22nd amending its capital adequacy and related regulations to address: interest rate risk; the grounds for appointing a conservator or receiver; capital and bylaw requirements for service corporations; and various computational issues and other issues involving the capital regulations. The rule will become effective 30 days after publication when either or both Houses of Congress are in session. (*Federal Register*, pages 39219-39229, 7/22/98)

- ***Farm Credit Administration Board Announces Liquidation of AgCo Services Corp.:***

  - The Farm Credit Administration (FCA) announced in the *Federal Register* that it is authorizing the voluntary liquidation and canceling the charter of AgCo Services Corporation (AgCo). AgCo was one of the service corporations organized under Section 4.25 of the Farm Credit Act of 1971. AgCo Services Corporation was chartered to provide management information systems and electronic data processing services to CoBank, ACB, and AgAmerica. According to the *Federal Register* notice, AgCo Services "has not performed any of the services for which it was originally chartered for nearly two years." *(Federal Register*, 7/27/98, page 40123)

- ***New Nomination to Farm Credit Administration Board:***

  - President Clinton announced the nomination of Michael Reyna to serve as a Member of the Farm Credit Administration Board. Reyna currently serves as State Director of the US Department of Agriculture, Office of Rural Development in California. From 1989 to 1993, he was the principal committee consultant for the CA State Assembly's Ways and

Means Committee where he specialized in the areas of housing and economic development. (*White House press release,* 7/31/98)

Farmer Mac

- ***FCA is Establishing Risk-Basked Capital Regulations for Farmer Mac:***

    - The Farm Credit Administration (FCA) announced on July 28th that the FCA is in the process of establishing a risk-based capital regulation for Farmer Mac and will publish a proposed regulation for comment no sooner than February 1999. The credit risk potion of the stress test must take into account agricultural mortgage losses in an area containing not less than 5% of the US population during a 2-year historic period in which the highest rates of losses occurred. Therefore, the FCA contracted with a firm, Barry & Associates, to find data on agricultural loan losses using data from the Farm Credit Bank of Texas when it had severe losses during the 1980s. The FCA is seeking comments on the study, "Risk-Based Capital Regulation for Farmer Mac: Loan loss Estimation Procedures," because the FCA may use the study in developing risk-based capital rules for Farmer Mac. The FCA, however, noted that the study's data was "limited." Comments are due by September 15, 1998. The FCA is required under the Farm Credit Act of 1971 to set up a risk-based capital regulation for Farmer Mac, and the study is part of the FCA's work toward that goal. "This is one step in the development process in which we intend to propose a risk-based capital regulation for public comment in February 1999, the earliest date allowed by statute," FCA Board Chairman Marsha Pyle Martin said in a statement. (*Federal Register*, page 40282, 7/28/98; *BNA Daily Report for Executives*, 7/30/98)

- ***Provision in Sen. Regulatory Burden Bill Would Allow Farmer Mac's Largest Shareholder to Retain its Stock – Even Though FRB Says They Are In Violation:***

    - A provision in the Senate Regulatory Relief Bill (S. 1405) was added by Senator Robert Bennett (R-UT) that would allow Farmer Mac's largest shareholder, Zions First National Bank, to retain its stock. The Senate Banking Committee passed the Senate Regulatory Relief Bill on July 30th. The provision does not mention Zions by name but the amendment was tailored to prevent Zions from having to divest a large portion of its 32% stake in the class A common stock of Farmer Mac. Similar language was also included in the House version of the Regulatory Relief bill that was approved by a House Banking Subcommittee on August 4th. According an *American Banker* article, Zions' holdings are threatened by a provision in the 1996 thrift bailout plan that banned federal depository institutions from affiliating with GSEs. It was designed to stop a group of Farm Credit System banks in Wisconsin from forming a credit union, but the Federal Reserve Board is applying the provision to Zions' stake in Farmer Mac. Zions is the largest shareholder of Farmer Mac's class A stock and the only bank affected by the prohibition. W. David Hemingway, executive vice president of Zions, said the bank bought 320,000 of Farmer Mac's class A stock in April 1996 for $8 a share. Now the value has more than doubled. At Monday's closing, the stock was priced at $19.74, bringing Zions' holdings to $6.4

million. According to the Fed, Zions is violating the 1996 law unless it divests its investment to less than 25% (approximately 253,000 shares). (*American Banker*, 8/5/98)

Ginnie Mae

- ***Housing Subcommittee Passes Bill to Raise the FHA ARM Limit:***

  - The Housing Subcommittee of the House Banking Committee unanimously passed a bill on August 6th (H.R. 3899) that would increase the FHA's capacity to insure adjustable rate mortgages. The bill would raise to 40% from 30% the annual cap on ARMs insured through HUD, with fixed-rate mortgages accounting for the balance. Currently, ARM commitments cannot exceed 30% of HUD's total insurance volume from the previous year. HUD stopped insured ARMs in April after reaching the cap. The limit increase can only be implemented at the discretion of the HUD secretary, who must first submit a written request to Congress. HUD must increase the insurance premium on ARMs issued over the 30% limit. The moratorium also affects the Ginnie Mae guarantee program for ARMs, as Ginnie Mae purchases the FHA loans. Both programs will remain closed until October 1 (which is the start of the 1999 fiscal year) unless the bill is passed. The bill must pass the full Banking Committee before it reaches the full House floor, which may take awhile since the House is going into their August recess and is not returning until September. At this time, the Banking Committee has not yet scheduled a mark-up for the bill. (*American Banker*, 8/7/98; *Dow Jones Newswire*, 8/6/98; *National Mortgage News website*, posted 8/7/98)

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Canfield & Associates, Inc.
801 Pennsylvania Ave., NW, Suite 625
Washington, DC 20004
Phone: (202) 661-2100
Fax: (202) 661-2101
www.canfieldassoc.com