

Statement by Daniel H. Mudd
President and Chief Executive Officer, Fannie Mae
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Let me first thank Director Lockhart and OFHEO for pursuing this initiative to enable Fannie Mae to provide additional liquidity – and therefore stability – to a market that needs help. I should also thank Senator Schumer, Senator Dodd, Congressman Frank and others in government who have encouraged us to undertake this initiative. And I think I can speak for Dick by saying that the GSEs appreciate being part of the solution to the housing crisis.

By reducing our 30 percent capital surplus to 20 percent, this plan will enable Fannie Mae to harness about \$3 billion in additional capital to stand ready to purchase and guaranty mortgage assets. These additional activities will help us fulfill our Congressionally chartered mission to put private enterprise to work to promote stability, liquidity and affordability in the housing finance system in all cycles, good and bad.

We plan to harness this additional capital by making purchases in segments of the mortgage market where liquidity is needed most. These segments include affordable loans; loans that refinance borrowers out of subprime ARMs and into safer prime, fixed-rate products; jumbo-conforming loans; and multifamily mortgages that finance affordable rental housing. More broadly, we will purchase and guaranty additional conventional, conforming mortgage-backed securities to help keep mortgage rates down and ensure stability in the center of the market.

What does this mean? We hope it means homebuyers can get a lower-cost mortgage to buy a home. We hope it means borrowers facing payment spikes can refinance into a safer loan, and avoid losing their homes. We hope it means working families living in jumbo-loan markets can get a mortgage at conforming-loan rates. We hope it means families least able to buy a home can find an affordable home to rent. We hope it will help restart the housing engine that powers our economy.

We appreciate the chance and the responsibility to serve in a market that needs Fannie Mae and Freddie Mac's participation. I think we are proud to be able to move the past – Consent Order, remediation, and delimited investment opportunities – behind us. We are also proud to join the fray with a new company – a new Board, new management, a new approach to risk management, a new strategy, and a new attitude toward working with industry partners, OFHEO and Congress. We will invest – we will start the process of raising accretive capital – so we can do more. And we will continue to support legislation to create a modern, bank-like regulator for the GSEs. Conservatively, profitably, and mindful of our mission, we will invest in and guarantee mortgages to restore liquidity. We will put a long-term bid back in the market. We will work to fulfill the new mandate in high-cost areas – and to help borrowers struggling to keep their homes.

I recognize – and appreciate – that the market is counting on Fannie Mae to help. That's our job, that's our mission, that's our passion as a company. We are not the sole solution, but today's initiative is critical: after achieving full compliance with the Consent Order and building a stronger enterprise, we are in a strong position to serve. Thank you.