



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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FOR IMMEDIATE RELEASE
May 29, 2002

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**OMB URGES GREATER PUBLIC DISCLOSURE FOR
FANNIE MAE AND FREDDIE MAC**

Requests OFHEO to Consider Rulemaking

WASHINGTON – OMB today urged the Office of Federal Housing Enterprise Oversight (OFHEO) to consider a rulemaking to strengthen the corporate governance of Fannie Mae and Freddie Mac and require the Enterprises to make certain public disclosures.

Unlike other publicly traded companies, Fannie Mae and Freddie Mac are not required to make periodic reports about their financial condition and special reports when material changes occur that affect their financial situation. In addition, they are not required to publish related disclosure materials required of other publicly traded companies. Fannie Mae and Freddie Mac currently disclose voluntarily information that is similar to that required of publicly-traded companies by the SEC.

“Even though they are not subject to direct SEC oversight, as publicly traded companies Fannie Mae and Freddie Mac should be subject to no lesser standard than applies to other companies.” said John Graham, Administrator of OMB’s Office of Information and Regulatory Affairs.

“While the Enterprises now voluntarily comply with many of these disclosures, they are not required to do so. Such voluntary compliance might be abandoned at a time when it is most needed,” said Graham.

BACKGROUND:

On March 7th, President Bush outlined a ten-point plan that will improve corporate responsibility and help protect America’s shareholders. These proposals are guided by the following core principles: 1) providing better information to investors; 2) making corporate officers more accountable; and 3) developing a stronger, more independent audit system.

OIRA’s request came in the form of a “prompt” letter, a tool introduced by the Bush Administration. While a prompt letter does not necessarily force agency action, it alerts agencies of issues OMB considers a priority. A copy of the letter follows this release.

(copy of letter follow this release)

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May 29, 2002

Mr. Armando Falcon, Jr.
Director, Office of Federal Housing Enterprise Oversight
1700 G Street NW
Washington DC 20552

Dear Director Falcon:

The purpose of this letter is to request that the Office of Federal Housing Enterprise Oversight (OFHEO) consider a rulemaking to strengthen the corporate governance of Fannie Mae and Freddie Mac and require the Enterprises to make certain public disclosures.

In undertaking such steps, OFHEO will be advancing goals outlined by the President in his 10 Point Plan for Corporate Responsibility and Protecting America's Shareholders: providing better information to investors; making corporate officers more accountable; and developing a stronger, more independent audit system. The Securities and Exchange Commission (SEC) has a leadership role in pursuing these goals with respect to publicly traded companies, and it is within the purview of OFHEO's regulatory mission to extend generally applicable principles of governance and disclosure to Fannie Mae and Freddie Mac. Even though they are not subject to direct SEC oversight, as publicly traded companies Fannie Mae and Freddie Mac should be subject to no lesser standard than applies to other companies.

In September 2001, OFHEO published a proposed rule to codify the corporate governance requirements for Fannie Mae and Freddie Mac that currently exist in OFHEO's guidance to the Enterprises. We request a further rulemaking that would include additional requirements to strengthen corporate governance of Fannie Mae and Freddie Mac. OFHEO should work closely with the SEC as OFHEO pursues efforts to apply to the Enterprises the corporate governance recommendations in the President's 10 Point Plan.

In April 2002, OFHEO publicly announced a review of public disclosures by the Enterprises. It is our understanding that OFHEO plans to assess whether current disclosures meet SEC criteria, and also to consult with analysts about additional disclosures that would enhance market transparency. OFHEO's public announcement does not commit to a rulemaking on disclosures. We request that OFHEO consider a rulemaking to require each Enterprise to disclose publicly the information that is required of publicly traded companies by the SEC, including any additional disclosures SEC requires in the future. While the Enterprises now voluntarily comply with many of these disclosures, they are not required to do so. Such voluntary compliance might be abandoned at a time when it is most needed.

OFHEO should also consider disclosures to enhance market transparency related to the unique issues involved in the operation of government-sponsored enterprises. OFHEO should study the disclosures favored by the Multidisciplinary Working Group on Enhanced Disclosures.

As OFHEO considers a rulemaking to strengthen the corporate governance and public disclosures of Fannie Mae and Freddie Mac, I and others at OMB are eager to work with you to ensure the best possible rule and supporting analysis. At your earliest convenience, OMB staff would like to meet with your staff to discuss this effort.

Sincerely,
(signed)
John D. Graham, Ph.D.
Administrator

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