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B-295364

November 16, 2004

The Honorable Richard C. Shelby  
Chairman  
The Honorable Paul S. Sarbanes  
Ranking Minority Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Michael G. Oxley  
Chairman  
The Honorable Barney Frank  
Ranking Minority Member  
Committee on Financial Services  
House of Representatives

Subject: *Department of Housing and Urban Development: HUD's Housing Goals for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) for the Years 2005-2008 and Amendments to HUD's Regulation of Fannie Mae and Freddie Mac*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Housing and Urban Development (HUD), entitled "HUD's Housing Goals for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) for the Years 2005-2008 and Amendments to HUD's Regulation of Fannie Mae and Freddie Mac" (RIN: 2501-AC92). We received the rule on November 1, 2004. It was published in the Federal Register as a final rule on November 2, 2004. 69 Fed. Reg. 63580.

The final rule establishes new housing goal levels for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) for calendar years 2005 through 2008. The new housing goal levels are established in accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and govern the purchase by Fannie Mae and Freddie Mac of mortgages financing low- and moderate-income housing; special affordable housing; and housing in central cities, rural areas, and underserved areas.

Enclosed is our assessment of HUD's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that HUD complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Thomas McCool, Managing Director, Financial Markets and Community Investment. Mr. McCool can be reached at (202) 512-8678.

signed

Kathleen E. Wannisky  
Managing Associate General Counsel

Enclosure

cc: Camille E. Acevedo  
Associate General Counsel for  
Legislation and Regulations  
Department of Housing and  
Urban Development

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
ENTITLED  
"HUD'S HOUSING GOALS FOR THE FEDERAL NATIONAL MORTGAGE  
ASSOCIATION (FANNIE MAE) AND THE FEDERAL HOME LOAN MORTGAGE  
CORPORATION (FREDDIE MAC) FOR THE YEARS 2005-2008 AND AMENDMENTS  
TO HUD'S REGULATION OF FANNIE MAE AND FREDDIE MAC"  
(RIN: 2501-AC92)

(i) Cost-benefit analysis

HUD performed a Regulatory Analysis of the final rule that considers the benefits and costs for each of the three housing goals. HUD recognizes that the effects of the regulation are not always monetized or even quantifiable and in important cases are characterized qualitatively.

For example, one benefit of the housing goals is to encourage the development of customized mortgage products, underwriting, and outreach so that the secondary market's benefits for households can grow with the inclusion of families who have historically not have been served with traditional products.

The primary cost of the goals is the risk of increased defaults on targeted loan purchases.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

The Secretary of HUD has certified that the final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The final rule does not contain either an intergovernmental or private sector mandate, as defined in title II, of more than \$100 million in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures found at 5 U.S.C. 553. On May 3, 2004, HUD published a Notice of Proposed Rulemaking in the

Federal Register. 69 Fed. Reg. 24228. In response, HUD received 302 comments, which are discussed in the preamble to the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains an information collection that is subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act. The collection has been approved and assigned OMB Control No. 2502-0514.

Statutory authorization for the rule

The final rule is promulgated under the authority found in the Federal National Mortgage Association Charter Act (12 U.S.C. 1716 *et seq.*); the Federal Home Loan Mortgage Corporation Act (12 U.S.C. 1451 *et seq.*); the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501-4641); and section 7(d) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(d)).

Executive Order No. 12866

The final rule was reviewed by OMB and found to be an “economically significant” regulatory action under the order.

Executive Order No. 13132 (Federalism)

HUD has determined that the final rule does not have federalism implications.