



United States General Accounting Office
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Office of the General Counsel

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November 9, 2000

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

The Honorable James A. Leach
Chairman
The Honorable John J. LaFalce
Ranking Minority Member
Committee on Banking and Financial Services
House of Representatives

Subject: Department of Housing and Urban Development: HUD's Regulation of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (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 Regulation of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)" (RIN: 2501-AC60). We received the rule on November 1, 2000. It was published in the Federal Register as a final rule on October 31, 2000. 65 Fed. Reg. 65044.

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)--collectively, the "Government Sponsored Enterprises" or "GSEs"--for the years 2001 through 2003.

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 other underserved areas.

Enclosed is our assessment of the 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 Investments. Mr. McCool can be reached at (202) 512-8678.

Kathleen E. Wannisky
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Enclosure

cc: Ms. 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 REGULATION OF THE FEDERAL NATIONAL MORTGAGE
ASSOCIATION (FANNIE MAE) AND THE FEDERAL HOME LOAN
MORTGAGE CORPORATION (FREDDIE MAC)"
(RIN: 2501-AC60)

(i) Cost-benefit analysis

HUD performed an economic analysis that discusses the costs, benefits, and market effects of the final rule. Among others, two benefits of the housing goals are making more credit available for affordable rental housing and increasing the liquidity of multifamily mortgages as investments. The primary cost of the housing goals is the risk of increased multifamily defaults.

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

The Secretary of Housing and Urban Development 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 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 contained at 5 U.S.C. 553. On March 9, 2000, HUD published a Notice of Proposed Rulemaking in the Federal Register. 65 Fed. Reg. 12632. Over 250 comments were received in response to the notice and are discussed in the preamble to the final rule.

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

HUD's collection of information on GSEs' activities has been reviewed and approved by the Office of Management and Budget under the Paperwork Reduction Act and assigned OMB control No. 2502-0514.

Statutory authorization for the rule

The final rule was issued under the authority of 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 the Office of Management and Budget and found to be an “economically significant” regulatory action under the order.

Executive Order No. 13132 (Federalism)

The final rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the executive order.