

OFHEO

Director's Advisory

Policy Guidance

Issuance Date: February 22, 2005

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Subject: Safety and Soundness: Reportable Legal Proceedings

To: Chief Executive Officers of Fannie Mae and Freddie Mac
OFHEO Deputy Director and Associate Directors

Purpose:

This Advisory sets forth procedures for reporting by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises) of the occurrence of certain investigations or legal proceedings to the Office of Federal Housing Enterprise Oversight (OFHEO) consistent with the safety and soundness responsibilities of OFHEO under the Federal Housing Enterprise Safety and Soundness Act of 1992.

Reportable Events:

An Enterprise shall make a written report to OFHEO of the occurrence of the following events—

(a) Notice of the commencement of a legal investigation, legal proceeding, or civil or criminal action by Federal, state, or local governmental authority or by a private party or group of private parties in which the Enterprise or affiliate thereof, or an employee, officer, or board member of the Enterprise or affiliate thereof, in his or her official capacity, is a party to or the subject of the investigation or legal proceeding. A legal proceeding includes an administrative, civil, or criminal proceeding, including a discovery proceeding therein, before a court of law, administrative board or commission, hearing officer, or other judicial or quasi-judicial body, including arbitration.

(b) Notice of the commencement of an investigation, proceeding, or action by a national securities exchange or national securities association or a facility thereof with respect to the Enterprise or affiliate thereof.

(c) Notice of a formal investigation of the Enterprise or affiliate thereof by Congress or committees or subcommittees thereof.

How to Report:

(a) An Enterprise shall report the occurrence or event(s) listed above to the Director, OFHEO, or his or her designee, in writing, in such form and in such manner as OFHEO may prescribe.

(b) In any situation involving the occurrence of a reportable event requiring immediate attention, the Enterprise shall immediately report, by telephone, the occurrence of the event to the Director, OFHEO, or his or her designee.

Compliance:

Filing of a knowingly false or misleading report or failure to report the occurrence of an event in accordance with this advisory may subject the Enterprise and its board members and any responsible officer to supervisory action.

Preservation of Existing Authority:

Nothing in this Advisory in any way limits the authority of OFHEO to otherwise address unsafe or unsound conditions or practices or violations of applicable law, regulation or supervisory order. Action referencing the Advisory may be taken separate from, in conjunction with or in addition to any other enforcement action available to OFHEO. Compliance with the Advisory in general would not preclude a finding by the agency that an Enterprise is otherwise engaged in a specific unsafe or unsound practice or is in an unsafe or unsound condition, or requiring corrective or remedial action with regard to such practice or condition. That is, supervisory action is not precluded against an Enterprise that has not been cited for a deficiency under the Advisory. Conversely, an Enterprise's failure to comply with one of the supervisory requirements set forth in the Advisory may not warrant a formal supervisory response from OFHEO, if OFHEO determines the matter may be otherwise addressed in a satisfactory manner. For example, OFHEO may require the submission of a plan to achieve compliance with the particular requirement or standard.

Events Reportable on Form 8-K or Other Mandated Reports:

Reports made pursuant to this Advisory do not in any way limit, waive, or excuse any obligation of the Enterprise to report the event on Form 8-K of the U.S. Securities and Exchange Commission or to provide a copy of the Form 8-K to OFHEO under 12 CFR Part 1730 or to meet any other mandated report or disclosure of the Commission as required of a registered company, or of any other regulatory body.