

Treasury Department and FHFA Modify Terms of Preferred Stock Purchase Agreements for Fannie Mae and Freddie Mac

September 30, 2019

WASHINGTON – The U.S. Department of the Treasury (Treasury) and the Federal Housing Finance Agency (FHFA) today announced that they had agreed to modifications to the Preferred Stock Purchase Agreements (PSPAs) that will permit Fannie Mae and Freddie Mac to retain additional earnings in excess of the \$3 billion capital reserves currently permitted by their PSPAs. Under the modifications announced today, Fannie Mae and Freddie Mac will be permitted to maintain capital reserves of \$25 billion and \$20 billion, respectively. These changes to the PSPAs were recommended in the Treasury Housing Reform Plan (Plan) released on September 5, 2019.

“These modifications are an important step toward implementing Treasury’s recommended reforms that will define a limited role for the Federal Government in the housing finance system and protect taxpayers against future bailouts,” said U.S. Treasury Secretary Steven T. Mnuchin.

To compensate Treasury for the dividends that it would have received absent these modifications, Treasury’s liquidation preferences for its Fannie Mae and Freddie Mac preferred stock will gradually increase by the amount of the additional capital reserves until the liquidation preferences increase by \$22 billion for Fannie Mae and \$17 billion for Freddie Mac.

Treasury and each of Fannie Mae and Freddie Mac also agreed to negotiate an additional amendment to the PSPAs that would further enhance taxpayer protections by adopting covenants that are broadly consistent with the recommendations for administrative reforms contained in the Plan.

The Plan also recommended that Treasury and FHFA develop recapitalization plans for Fannie Mae and Freddie Mac after identifying and assessing the full range of strategic options. Subsequent amendments to the PSPAs may be appropriate to facilitate the implementation of any eventual recapitalization plans.

[Copy of the Fannie Mae agreement](#) 

[Copy of the Freddie Mac Agreement](#) 

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