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Housing Finance Agency, with support from the Federal Reserve, announced actions today regarding the housing government sponsored enterprises to protect the financial system, to support the housing market, and to protect the taxpayers.

Comments by Treasury Secretary Henry M. Paulson, Jr., Sept. 7, 2008:

In July, Congress granted the Treasury, the Federal Reserve and FHFA new authorities with respect to the GSEs, Fannie Mae and Freddie Mac. Since that time, we have closely monitored financial market and business conditions and have analyzed in great detail the current financial condition of the GSEs – including the ability of the GSEs to weather a variety of market conditions going forward. As a result of this work, we have determined that it is necessary to take action.

Since this difficult period for the GSEs began, I have clearly stated three critical objectives: providing stability to financial markets, supporting the availability of mortgage finance, and protecting taxpayers – both by minimizing the near term costs to the taxpayer and by setting policymakers on a course to resolve the systemic risk created by the inherent conflict in the GSE structure.

Based on what we have learned about these institutions over the last four weeks – including what we learned about their capital requirements – and given the condition of financial markets today, I concluded that it would not have been in the best interest of the taxpayers for Treasury to simply make an equity investment in these enterprises in their current form.

The four steps we are announcing today are the result of detailed and

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GSEs

themselves. I have also consulted with Members of Congress from both parties

and I appreciate their support as FHFA, the Federal Reserve and the Treasury

have moved to address this difficult issue.

Before I turn to Jim to discuss the action he is taking today, let me make clear that these two institutions are unique. They operate solely in the mortgage market and are therefore more exposed than other financial institutions to the housing correction. Their statutory capital requirements are thin and poorly defined as compared to other institutions. Nothing about

our actions today in any way reflects a changed view of the housing correction

or of the strength of other U.S. financial institutions.

More information at www.USTreas.Gov.

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