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Top : **Front Page**

OFHEO Defends Budget Proposal After Senator's Attack

NEW YORK, April 4 (LendingIntelligence.com) — The Office of Federal Housing Enterprise Oversight (OFHEO) fired back an official response this morning to a ranking Republican senator who is pushing the Bush administration to shelve plans to remove the agency from the federal appropriations process.

Prompting today's response, Sen. Christopher "Kit" Bond [R-Mo.] recently penned a letter to Office of Management and Budget Director Mitch Daniels urging the OMB to not take OFHEO, which regulates government-sponsored enterprises Fannie Mae and Freddie Mac "off-budget."

Bond is currently the ranking Republican on the Senate appropriations subcommittee that approves OFHEO's annual budget.

While OFHEO declined to distribute a copy of today's response until Bond had a chance to review it, Stefanie Mullin, a spokeswoman for the agency said the letter stated that given the rapid growth in volume, complexity, and new activities of the GSEs, OFHEO needs to be able to obtain sufficient resources, on a real-time basis, in order to best fulfill its mission.

Mullin said the letter used as reasoning the facts that the current process does not allow OFHEO to quickly adapt to the GSE's changing risk profile, that every other financial safety and soundness regulator is not subject to the appropriations process, and that the framework for Congressional oversight would remain intact.

OFHEO's budget is currently paid for by the GSEs themselves through semi-annual assessments, at no taxpayer cost. Congress approves the overall amount. OFHEO's current budget is $27 million. If the agency was moved off-budget, it would receive $30.8 million as a baseline, and the OMB would

News Items
Front Page
Conferences
Tips for Lende
Archive 2001
Archive 2002
All Stories

Archives

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adjust its funding levels on a yearly basis, depending upon the agency's regulatory needs. Currently, OFHEO's budgets must be approved two years ahead of time, which does not provide an opportunity to respond to changes in the lending industry.

The 2003 number takes into account OFHEO's plans to double its examinations staff from 30 to 60 (over the next three years). In his letter to the OMB, Bond criticized OFHEO for delaying this request earlier this year.

Furthermore, Bond, back in his Missouri district and unavailable for comment, was also critical of OFHEO's new risk-based capital rules, as well as the agency's expanding its authority without congressional approval.

The long-anticipated capital risk requirements that set the amount of capital Fannie and Freddie must hold in reserve, based on their exposure to risk, go into effect later this year.

The provision would put OFHEO on par with other financial safety and soundness regulators such as the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Reserve Board, the Federal Housing Finance Board, Federal Deposit Insurance Corporation and the National Credit Union Administration.

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