



BRETON MACDONALD

Mortgage Banker/Broker/Branch Manager, Geneva Financial LLC

174698

3155 S. Price Road, Suite 105 Chandler, Arizona 85248

Office: 949-887-7289

Mobile: 949-887-7289

bmacdonald@genevafi.com

[View My Website](#)

Fannie and Freddie Extend Strong Earning Streak

Both Fannie Mae and Freddie Mac, the two government supported enterprises (GSEs) that have been in federal conservatorship for ten years this month, reported another quarter of **strong financial returns**. Freddie Mac finished the second quarter with Comprehensive Income of \$2.4 billion and the significantly larger Fannie Mae had Comprehensive Income of \$4.5 billion.

Freddie Mac's Comprehensive Income was higher than both the \$2.1 billion posted in the first quarter of 2017 and the \$1.9 billion in the second quarter of 2017. Its Net Income was \$2.5 billion compared to \$2.9 billion and \$1.7 billion in the two earlier periods. A portion of the revenue was due to a \$334 million (\$264 million after-tax) judgement against Nomura Holding America, Inc. from litigation involving certain non-agency mortgage-related securities.

Net interest income was down \$15 million from the 1st quarter and \$376 million from the 2nd quarter of 2017 at \$3.0 billion and derivative gains also declined to \$416 million from \$1.8 billion in Q1. The company posted a \$1.1 billion loss in that area the previous year.

The company said it realized continued strong earnings from both their single-family and multifamily books of business aided by **higher guarantee fee income** and less need for large provisions for credit losses. Even with the government mandate reductions in the company's investment portfolio, earnings have remained stable.

That Guarantee Fee Income has risen steadily over the last year, from \$158 million in the 2nd quarter of 2018 to \$200 million in the most recent period. The Multifamily Guarantee Portfolio has grown steadily as well, from \$174 billion to \$200 billion over the same period.

The company provided other highlights of the quarter:

- There were new single-family originations of \$84 billion. **Purchase volume was up 29 percent** year-over-year while refinancing volume was down 7 percent. More than 46 percent of purchase loans were to first-time homebuyers.
- New multifamily originations were up 13 percent from Q2 2017 to almost \$16 billion.
- The serious delinquency rate dropped to 0.82 percent, the lowest since early 2008. Multifamily delinquencies were at historic lows, near zero at 0.01 percent.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.87%	-0.02	0.00
15 Yr. Fixed	6.32%	-0.01	0.00
30 Yr. FHA	6.33%	0.00	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.59%	+0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/23

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

- It has transferred a portion of credit risk on more than \$1 trillion of single-family mortgages and reduced credit risk on approximately 90 percent of the multifamily guarantee portfolio.
- | | Value | Change |
|--------------------|--------|--------|
| Builder Confidence | Mar 51 | +6.25% |

Freddie Mac will pay a **\$1.6 billion dividend payment** to the U.S. Treasury. This is the balance after retaining the newly instated \$3 billion Capital Reserve Amount.

Fannie Mae's Net and Comprehensive Income were both \$4.5 billion. In the first quarter of 2018 the Net was \$4.3 billion and Comprehensive was \$3.9 billion and in the second quarter of 2017 the numbers were \$3.2 billion and \$3.1 billion. The results were based on pre-tax income of \$5.6 billion compared to \$5.4 billion in the previous quarter and \$4.8 billion a year earlier. Net interest income was up by \$375 million from the prior Q2 and was \$145 million higher than in the first quarter at \$5.4 billion.

The company said it provided \$125 billion in liquidity to the mortgage market in the second quarter, \$111 of it to the single-family market. This was done through financing the purchase of 298,000 single family properties and refinancing 179,000 mortgages. The company also provided financing for 188,000 rental housing units. The company had a **36 percent market share** of new single-family mortgage-related securities issuances in the second quarter.

Since 2013 Fannie Mae has transferred a portion of mortgage credit risk on single family mortgages with an unpaid origination balance of nearly \$1.4 trillion. The company estimates that, as of the end of the second quarter, \$1.0 trillion of single-family mortgages, 35 percent of loans in its conventional book of business, were covered by a credit risk transfer transaction.

Fannie Mae expects to pay a **\$4.5 billion dividend** to the U.S. Treasury based on its second quarter results and after retaining a capital buffer. This will bring the total paid since 2008 to \$167.3 billion.

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