



Mike Baker

Head Interest Rate Shopper, The Rate Shop
 Individual NMLS: 259076 Company NMLS: 2554765 State
 23211 W 45th St Shawnee, KS 66226

Office: 913-213-3335
 Mobile: 913-213-3335
mike@rateshopkc.com
[View My Website](#)

Will Trump's New Appointee End GSE Conservatorship?

President-elect Donald J. Trump may have just handed Freddie Mac and Fannie Mae a "get out of jail free" card.

Trump has picked Steven Mnuchin to be Secretary of the Treasury. Among his first pronouncements to the press was that the two government sponsored enterprises (GSEs), which have been in federal conservatorship since 2008, **should no longer be owned by the government.**

Stock in the two companies immediately soared (although that is a relative term for assets that have been virtually worthless for over eight years). Within hours Fannie Mae's stock rose 32 percent and Freddie Mac's by 31 percent to \$4.04 and \$3.99 respectively.

The stock prices had already been moving slowly higher in recent months, first because of lawsuits filed against the government by several hedge funds which bought into the GSEs when their stocks bottomed out. The funds had challenged a change in the government's stock ownership agreement which allows Treasury to sweep all GSE profits into its coffers, removing any chance the companies could rebuild their reserves. Recent rulings against forced the conservator, the Federal Housing Finance Agency (FHFA) to release documents they had contended were privileged and which eventually showed FHFA knew the GSEs were about to turn profitable. The rise in stock prices **gained momentum after the election** in anticipation of appointments such as Mnuchin's.

Of course, investor hopes **could be misplaced.** Many in Congress have long been **opposed** to reconstituting the GSE's, some wanted to **kill** the companies off long before the housing crash. Mnuchin himself may have a very different idea about ending the government's role; perhaps one which might terminate not only the conservatorship, but the companies themselves.

In addition to his statements on the GSEs, Mnuchin said his first priorities will be **tax reform** and **"killing many aspects" of Dodd Frank.** He said 15% would be about right as a corporate tax rate.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.07%	+0.02	0.00
15 Yr. Fixed	6.45%	0.00	0.00
30 Yr. FHA	6.51%	+0.02	0.00
30 Yr. Jumbo	7.26%	0.00	0.00
5/1 ARM	7.02%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.86%	-0.01	0.00
15 Yr. Fixed	6.16%	+0.03	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.02%	-0.05	0.65
15 Yr. Fixed	6.60%	-0.15	0.55
30 Yr. FHA	6.87%	0.00	0.92
30 Yr. Jumbo	7.18%	-0.03	0.54
5/1 ARM	6.45%	+0.08	0.81

Rates as of: 6/28

Recent Housing Data

		Value	Change
Mortgage Apps	Jun 12	208.5	+15.58%
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%

Mnuchin's confirmation hearing could be a bit of a **bumpy ride** owing to his hedge fund resume. After ending a 17-year run at Goldman Sachs, he joined a series of hedge funds before starting his own fund, Dune Capital Management. Dune subsequently bought subprime lender IndyMac for pennies on the dollar after the bank was seized by FDIC early in the housing crisis, with FDIC agreeing to assume much of the bank's losses. Renamed OneWest, Mnuchin's bank ultimately foreclosed on an estimated 36,000 homeowners. The bank's foreclosure practices which included participation in the robo-signing scandal, ultimately cost it millions of dollars in fines. He sold OneWest to CIT Group in 2014 for \$3.4 billion. This month two housing groups in California filed a complaint with the federal government alleging the bank discriminated against minority borrowers under Mnuchin's leadership.

The Treasury Secretary designee also gained fame as a movie producer. Among his films are *American Sniper*, *The Lego Movie*, and the recently released *Rules Don't Apply*.

Real Talk

At The Rate Shop, we're not your average mortgage banker. We specialize in bringing you ridiculously low interest rates that will make you wonder what the other guys are doing. In fact the ONLY objection we ever hear is "your rates sound too good to be true". Well they're not, and here is why...

After 15 years in the retail banking world I was frustrated with the high interest rates that came from that business model. As I looked around at all the bloated layers of management and their expensive salaries and the overhead of running a larger company (think rent costs, employee health and benefit costs, payroll taxes, and on and on) it dawned on me that I was a part of the problem, and the solution, for me at least, was so easy to see.

Start my own mortgage brokerage shop. No expensive executive salaries, no expensive building to pay rent at, no unnecessary employees and all the costs that are associated with that. What happens when you cut out all the fat? You can provide lower rates and lower closing costs. It's simple. Now here is the best part, you still get great service from a local Kansas City Lender. My mission is to let everyone know that low rates and great customer service are NOT mutually exclusive.

Thanks for coming along on this journey where Low Rates meet Great Service. The two do NOT have to be mutually exclusive. It's just a lie that the big box mortgage companies have been telling you for years. Don't believe me? Give me a call or shoot me a text on my personal cell phone today and compare my rates and costs up against any other lender in the country, and be prepared to be blown away.

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