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Freddie and Fannie Will Pay Up

After gathering little attention for nearly a decade, the two GSEs, Fannie Mae and Freddie Mac are making news on several fronts. Two developments in the last few days are worth noting.

The Federal Housing Finance Agency confirmed on Thursday that the two GSEs will **pay their fourth quarter dividends** to the Treasury as scheduled. As we reported here earlier this week, there is growing concern about the ultimate result of the net dividend sweep, in which each of the GSEs is required pay Treasury all of the previous quarter's profits, less a steadily reserving cash reserve. That reserve reaches zero at the end of this year, leaving the GSE's with no capital with which to manage any downturn in the housing market. Concern about the GSE's capital reserves sparked a **letter to Treasury** and FHFA from eight lender and advocacy groups asking FHFA so suspend the upcoming dividend.

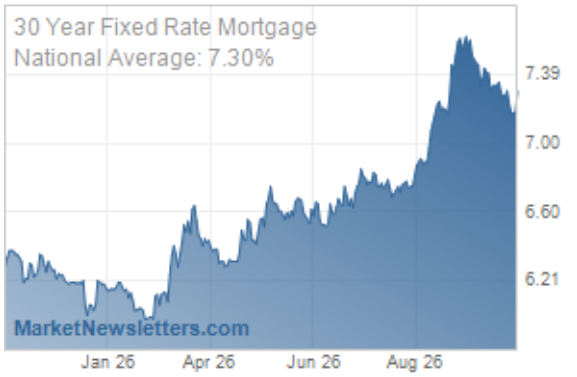
According to *Inside Housing*, the "chatter" about this dividend, which will put $10 billion into the general fund, became so loud that five members of the Senate Banking Committee wrote to FHFA Director Mel Watt "**warning him** about taking any administrative action to change the dividend payment." The letter reportedly also at least attempted to seize any ultimate decisions about the Senior Preferred Stock Agreement between FHFA and Treasury, which mandates the net sweep, away from the signatory parties and give it to congress.

In related news, *Bloomberg* reports that two senators, Bob Corker (R-TN) and Mark Warner (D-VA), both of whom signed the above referenced letter, are **moving to resolve the overarching GSE question** - what should happen to them?

Aides to the two have **begun meeting** with industry groups and "former government officials" to discuss the matter. Senator Mike Crapo (R-ID) who chairs the Banking Committee has also begun to work on consensus building over the issue.

Joe Light, author of the *Bloomberg* article, notes that resolving the GSE issue **will not be easy**. Corker and Warner were behind a failed 2014 attend to end the GSE conservatorship but "many Republicans would rather see the companies killed off than have them continue buying mortgages with government backing." In addition, the Administration, "while calling housing-finance reform a priority, hasn't yet given an indication of what direction it wants to go, and if it takes a strong view, that could up-end whatever course

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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lawmakers settle on."

And, as we noted earlier this week, there are also **several lawsuits** brought by hedge funds which invested heavily in both Freddie and Fannie's stock after they were placed in conservatorship, challenging both the net sweep and the constitutionality of the FHFA itself.

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Rich E. Blanchard 

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