



## Rich E. Blanchard

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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



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	0.00

<b>Freddie Mac</b>			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00

<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/5

## 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%

lawmakers settle on."

	Value	Change
Builder Confidence	Mar 51	+6.25%

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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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

**Rich E. Blanchard**

