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# Fannie Profit Plummets; Forbearance Fears Confirmed

Given their respective sizes, the economic dislocation created by **the COVID-19 pandemic appears to have hit Fannie Mae harder than its competitor GSE Freddie Mac.** Fannie Mae said on Friday that it had total comprehensive income of $0.476 billion in the first quarter of 2020, down from $4.266 billion the previous quarter. Freddie Mac, while down significantly, managed comprehensive income of $0.62 billion, compared to $2.430 billion in the fourth quarter of 2019.

The company said the decrease in net income was due primarily to a shift from credit-related income to credit-related expense. It increased its allowance for loan losses to reflect those it currently expects to incur, including 4.1 billion attributed to the COVID-19 outbreak reflected in its $2.7 billion of credit-related expenses for the quarter.

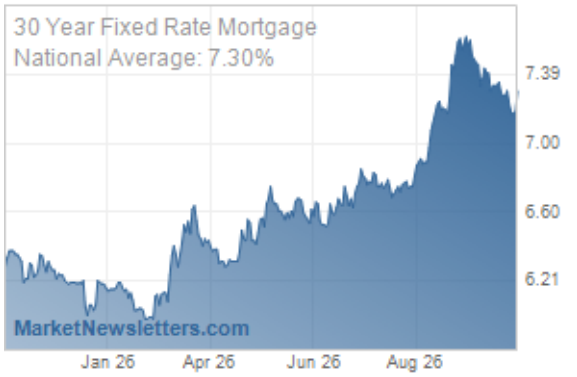
Based on preliminary reports from its servicers, Fannie Mae estimates that **about 7 percent of the loans in its single-family guaranty book of business were in forbearance on April 30**. It expects that number to increase.

The company reported net revenue of $5.655 billion for the quarter, up by $725 million from a year earlier, but less than the $6.054 billion reported in Q4 of 2019. Fee income was $308 billion, nearly triple that of the previous two reporting periods but net interest income of $5.347 billion, while up from the $4.795 billion reported a year earlier, fell better than a half billion dollars below that income in the fourth quarter.

Hugh R. Frater, the company's CEO said, "Fannie Mae is **committed to fulfilling its vital role in helping our customers, our servicers, and the market as a whole** manage through this period of uncertainty. We recognize that more work lies ahead to help borrowers, renters, and the housing market recover. I want to give special thanks to the people of Fannie Mae, who have stepped up to their mission with characteristic grit and humility, and with their rock-solid commitment to provide a sound foundation for our country's housing market."

The company had an estimated market share of 38 percent of single-family securities issuances during the quarter and provided $204.6 in liquidity to the mortgage market. It financed 256,000 home purchases, refinanced 439,000 mortgages, and funded 159,000 multifamily rental units.

## 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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Although it had comprehensive income for the quarter, Fannie Mae's net worth declined from $14.6 billion as of December 31, 2019 to $13.9 billion as a result of a $1.1 billion charge to retained earnings due to implementation of the Current Expected Credit Loss (CECL) standard on January 1, 2020. **The company will not be required to pay a dividend for the quarter to the U.S. Treasury as its net worth remains below the $25 billion required.**

The company says it expects the impact of the COVID-19 national emergency to **continue to negatively affect its financial results and contribute to lower net income in 2020 than in 2019.** Due to disruptions in the market and economic uncertainty, the company does not anticipate engaging in back-end credit-risk transfer transactions in the near term.

## Expert Advice | Exceptional Service | Flawless Execution

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** 

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