Rich E. Blanchard
Managing Director, RICH Home Loans LLC
NMLS: 492461
1550 Wewatta St., 2nd Floor Denver, CO 80202

Office: 720.619.9900
Mobile: 303.328.7047
Fax: 214.975.2874
richblanchard@richhomeloans.com
View My Website

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

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.08%	-0.05	0.00
15 Yr. Fixed	6.45%	-0.02	0.00
30 Yr. FHA	6.55%	-0.05	0.00
30 Yr. Jumbo	7.25%	-0.04	0.00
5/1 ARM	7.07%	-0.03	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	7.03%	+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: 7/3

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%

		Value	Change
Builder Confidence	Mar	51	+6.25%

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