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Fannie/Freddie Seek Financial Advisor to Help Them Exit Conservatorship

Fannie Mae and Freddie Mac (the GSEs) have taken what each is calling an **important step toward ending their 12 years of operating under conservatorship**. Each has announced they are about to issue a request for proposals (RFP) to secure a financial advisor to facilitate that move.

In a press release, Freddie Mac said the advisor selected will "advise the company on a range of issues, from capital considerations to the company's business plan, and may ultimately play a role in any potential recapitalization transactions in the future"

The GSE's were put into conservatorship in August 2008 as losses mounted from defaulted mortgages they had guaranteed. The Treasury Department then gave them access to billions of dollars in operating capital in return for an equal amount of their senior preferred stock. Over the ensuing years the two have paid dividends on that stock far in excess of what they borrowed but have not been allowed to redeem the stock nor retire any of the debt.

One of the main sticking points to ending the conservatorship is the **need to capitalize the companies**, which until recently have not been allowed to retain any of their profits. Common and preferred stock issued before the conservatorship is still actively traded. Among the recent proposals has been a massive public offering of stock, either with or without wiping out existing stockholders.

Freddie Mac CEO David Brickman said, "Even as we work to stabilize the housing markets during this unprecedented pandemic, Freddie Mac has remained focused on exiting conservatorship responsibly. Today we begin the competitive selection process for a financial advisor that will **ultimately facilitate our return to full private capital ownership**. This is a significant milestone, and we look forward to making a thoughtful selection quickly."

"While we are fulfilling our mission and helping to keep people in their homes during this national emergency, we also remain committed to ensuring a responsible exit from conservatorship," said Hugh R. Frater, Chief Executive Officer, Fannie Mae. "Today's announcement is a significant step on that path, and we look forward to making a timely selection in the competitive process."

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%

At this writing there has been no announcement from the conservator, the Federal Housing Finance Agency (FHFA) about the RFPs. However, Fannie Mae points out that, "**Engaging a financial advisor is an important milestone in meeting Fannie Mae's 2020 FHFA scorecard objective** to prepare a responsible transition plan for a potential exit from conservatorship."

	Value	Change
Builder Confidence	51	+6.25%

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.

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