



## Tom Payne

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## Freddie Posts First Loss since 2012

Freddie Mac said today that the company had a **net loss** in the first quarter of 2016, the **first time in four years** that it has failed to show a profit. The company posted a \$354 million net loss and a \$200 million comprehensive loss compared to a net profit in the fourth quarter of 2015 of \$2.16 billion and comprehensive income of \$1.64 billion.

Despite the loss, Freddie Mac said it **would not require a draw** on its line of credit with the U.S. Treasury. Between August 2008, when it was placed along with Fannie Mae, in federal conservatorship, and the end of 2012 the company drew a total of \$71.3 billion in support from the Treasury but has not required a draw since the fourth quarter of 2012. It has **paid a total of \$98.2 billion** in dividends back to Treasury but has not been permitted to reduce its debt. All profits except for a regularly diminishing buffer are swept into Treasury each quarter.

The company had \$3.405 billion in net interest income down from \$3.587 billion in the last quarter of 2015. The decrease in net interest income primarily reflects lower amortization income due to lower prepayments. Approximately 45 percent of net interest income for the first quarter of 2016 was derived from management and guarantee fees, **up from 37 percent** in the first quarter of 2015.

Freddie Mac said its loss was **driven by two factors**. The first was a \$1.4 billion after-tax estimated fair value loss due to measurement differences between the company's derivatives which are measured at fair value and certain hedged assets and liabilities, which are not. The **second** was a \$0.6 billion after-tax loss (compared to a \$0.3 billion (after-tax) estimated loss for the fourth quarter of 2015) as spreads on certain mortgage loans and mortgage-related securities measured at fair value widened more in the first quarter than in the fourth quarter.

The company said its core book of business which are loans originated post 2008 excluding HARP and other relief refinance loans, is now **68 percent** of its credit guarantee portfolio. The legacy book (pre-2008 loans) declined to 15 percent of the portfolio.

The **serious delinquency rate** in the portfolio was 1.20 percent in the first quarter, down from 1.32 percent at the end of 2015.

## National Average Mortgage Rates



	Rate	Change	Points
<b>Mortgage News Daily</b>			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
<b>Freddie Mac</b>			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
<b>Mortgage Bankers Assoc.</b>			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

## Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%

Donald J. Layton, Freddie Mac's Chief Executive Officer said, "Freddie Mac's first quarter business results continued to be strong, reflecting our transformation to be a more competitive company. We're serving our customers better and also more effectively executing on our mission to responsibly support homeowners and renters nationwide. The percentage of our purchases of loans to first-time homebuyers hit a 10-year high and we continue to finance record levels of rental housing. Also, the transfer of mortgage credit risk away from taxpayers, which we pioneered, proved its resiliency through the quarter's significant financial market distress. While the resulting flight-to-quality decrease in interest rates reduced our GAAP results this quarter, an impact which is non-economic in nature, the fundamentals of our business are very solid and continue to improve."

Builder Confidence

Mar

51

+6.25%

Fannie Mae is scheduled to report its first quarter 2016 financial results on Thursday, May 5.

## Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its "Proposed Criteria for Evaluating Home Buyer Contract Forms" on Tuesday. The 15 criteria focus on the contracts' form – whether the documents are readable and understandable – and content – whether they are fair to homebuyers.

- the document's expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
- the right to terminate the contract
- the disclosure that compensation is negotiable
- the broker's compensation clearly stated and that the buyer broker can't receive additional compensation for facilitating a sale
- that any additional fees, such as for showing a home, will be deducted from the broker's commission if there is a successful sale
- that the commission is due only if there is a successful closing
- that buyers have an obligation – for no longer than 60 days, CFA recommends – to pay a broker who earlier showed them a home they purchased after the contract ended
- seller concessions paid directly to buyers
- dual agency not pre-approved by the contract
- an explanation of how a broker treats different buyer clients interested in the same property
- that buyers should not be required to first go through mediation or arbitration if they have a complaint

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