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Will Trump's New Appointee End GSE Conservatorship?

President-elect Donald J. Trump may have just handed Freddie Mac and Fannie Mae a "get out of jail free" card.

Trump has picked Steven Mnuchin to be Secretary of the Treasury. Among his first pronouncements to the press was that the two government sponsored enterprises (GSEs), which have been in federal conservatorship since 2008, **should no longer be owned by the government**.

Stock in the two companies immediately soared (although that is a relative term for assets that have been virtually worthless for over eight years). Within hours Fannie Mae's stock rose 32 percent and Freddie Mac's by 31 percent to \$4.04 and \$3.99 respectively.

The stock prices had already been moving slowly higher in recent months, first because of lawsuits filed against the government by several hedge funds which bought into the GSEs when their stocks bottomed out. The funds had challenged a change in the government's stock ownership agreement which allows Treasury to sweep all GSE profits into its coffers, removing any chance the companies could rebuild their reserves. Recent rulings against forced the conservator, the Federal Housing Finance Agency (FHFA) to release documents they had contended were privileged and which eventually showed FHFA knew the GSEs were about to turn profitable. The rise in stock prices **gained momentum after the election** in anticipation of appointments such as Mnuchin's.

Of course, investor hopes **could be misplaced**. Many in Congress have long been **opposed** to reconstituting the GSE's, some wanted to **kill** the companies off long before the housing crash. Mnuchin himself may have a very different idea about ending the government's role; perhaps one which might terminate not only the conservatorship, but the companies themselves.

In addition to his statements on the GSEs, Mnuchin said his first priorities will be **tax reform** and **"killing many aspects" of Dodd Frank**. He said 15% would be about right as a corporate tax rate.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00

Freddie Mac

30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/3

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
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%

Mnuchin's confirmation hearing could be a bit of a **bumpy ride** owing to his hedge fund resume. After ending a 17-year run at Goldman Sachs, he joined a series of hedge funds before starting his own fund, Dune Capital Management. Dune subsequently bought subprime lender IndyMac for pennies on the dollar after the bank was seized by FDIC early in the housing crisis, with FDIC agreeing to assume much of the bank's losses. Renamed OneWest, Mnuchin's bank ultimately foreclosed on an estimated 36,000 homeowners. The bank's foreclosure practices which included participation in the robo-signing scandal, ultimately cost it millions of dollars in fines. He sold OneWest to CIT Group in 2014 for \$3.4 billion. This month two housing groups in California filed a complaint with the federal government alleging the bank discriminated against minority borrowers under Mnuchin's leadership.

The Treasury Secretary designee also gained fame as a movie producer. Among his films are *American Sniper*, *The Lego Movie*, and the recently released *Rules Don't Apply*.

All Your Mortgage Needs, Professionally Delivered with a Personal Touch

Whether you're a first-time homebuyer hoping to navigate the process of buying a home so that it is a fun and anxiety-free process or a homeowner looking for refinance options that deliver more freedom and flexibility, I can help you analyze your current situation and find money saving options. With expertise in all areas of mortgage and financing, my hope is that once I become your mortgage partner, I'll stay your mortgage partner. With clients from A to Z, files never leave my hands or my desk. From start to finish, every step of the way, my goal is to keep the lines of communication open, provide complete and attentive service, and ensure the most seamless and satisfactory process possible.

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