THE FEDERAL SAVINGS BANK
Co. NMLS# 411500
Member FDIC
EQUAL HOUSING LENDER

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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



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.51%	+0.01	0.00
15YR Fixed	7.04%	+0.01	0.00
30YR FHA	7.08%	+0.03	0.00
30YR Jumbo	7.52%	+0.02	0.00
7/6 SOFR	7.12%	-0.01	0.00
30YR VA	7.10%	+0.03	0.00

Rates as of: 11/16

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	98.73	+0.02
10 YR Treasury	5.1250	-0.0092
30 YR Treasury	5.4731	-0.0027

Pricing as of: 11/16 7:33PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 4	204.6	+6.23%
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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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."

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

Responsive service, experienced expertise

I've dedicated my 26 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

Ted Rood 

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