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

Ted Rood
Branch Manager, Gen Way Home Mortgage
NMLS #543290
O Fallon, Missouri 63368

Office: 3147400004
Mobile: 314-740-0004
ted_rood@yahoo.com

Freddie Mac Won't Need Taxpayer Help After All

Despite speculation that it might require a Treasury draw after its first quarter financial loss, Freddie Mac reported on Tuesday it had **net income of $1.0 billion** in the second quarter of 2016 and Comprehensive Income of $1.1 billion. The company said its second quarter results were significantly less affected by market-related items than were results for the first quarter of 2016.

The company lost $354 million net and a $200 million comprehensive in the first quarter, the **first time in four years** it had failed to show a profit. While it did not pay a dividend to the U.S. Treasury for the quarter it also did not require a draw.

Based on the profit in the most recent quarter Freddie Mac it will pay a **dividend of $933 million** to the U.S. Treasury. Under the terms of the Senior Preferred Stock Purchase Agreement with the Department, all profits above a steadily diminishing buffer must be swept to Treasury each quarter.

Net interest income was $3.44 billion in the second quarter compared to $3.40 billion in the first. This increase primarily reflects an increase in guarantee fee income. That income from the single-family guarantee segment was $1.50 billion compared to $1.29 billion in the first quarter and in the multi-family segment it rose by $16 million to $216 million. The single-family segment was up due to **higher amortization of upfront fees** resulting from higher loan liquidations. The quarterly increase in guarantee fee income in the multi-family sector primarily reflects higher average guarantee portfolio balances as a result of ongoing issuances of K-Deals. Increasing interest income was partially offset by $2.06 billion in derivative losses, but this was less than half the $4.56 billion loss in the first quarter.

Benefit for credit losses was $775 million for the second quarter of 2016, an increase of $308 million from the first quarter of 2016. The increase primarily reflects the reclassification of certain seriously delinquent single-family loans from held-for-investment to held-for-sale to support the sale of such loans, as the company continues to focus on reducing the balance of less liquid assets in its mortgage-related investments portfolio.

The company said it had provided approximately **$103 billion in liquidity** to the market in the second quarter of 2016. During this period it funded 392,000 mortgages on single family homes, 210,000 of which were refinances and financed more than 148,000 multifamily rental units.

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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The share of loans in Freddie Mac's portfolio that were acquired post-2008 is now **69 percent excluding HARP** and other relief refinance loans. The legacy book of business accounts for only 14 percent of the portfolio. The serious delinquency rate was 1.08 percent at the end of the quarter, down from 1.20 percent at the end of the first quarter and the lowest since August 2008.

Despite the declining delinquency rate there **remains a degree of distress** in the housing market and Freddie Mac completed approximately 17,000 single-family loan workouts during the quarter.

The $933 dividend obligation to Treasury which will be paid in September 2016 is based on the company's net worth of $2.1 billion at June 30, 2016, less the 2016 capital reserve amount of $1.2 billion. After payment of the September dividend Freddie Mac will have paid $99.1 billion to Treasury, $27.8 billion more than the cumulative cash draws taken after the company was placed in federal conservatorship in August 2008. Freddie Mac has not required a Treasury draw in over four years. The payment of dividends does not reduce the outstanding liquidation preference under the Purchase Agreement and Treasury still maintains a liquidation preference of $72.3 billion on the company's senior preferred stock as of June 30, 2016.

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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