



Fannie and Freddie Remain Profitable Despite Mortgage Delinquencies

Both government supported enterprises (GSE) reported increased profits in the second quarter of 2020 compared to Q1. Fannie Mae said its net comprehensive income was \$2.53 billion compared to \$476 million and Freddie Mac's quarterly results were 1.94 billion, an increase of \$1.32 billion from the previous period.

Both companies had reported **extraordinarily low net profits** in Q1, largely due to a shift from credit-related income to credit-related expenses as allowances for loan losses were increased to reflect expected impacts from the COVID-19 pandemic. Freddie Mac also attributed the Q1 downturn to lower net interest income.

Fannie Mae's bottom line was down \$833 million from its \$3.37 billion net comprehensive income in the second quarter of 2019. Freddie Mac's year-over-year change was a positive \$112 million.

Fannie Mae Reported net interest income of \$5.87 billion including \$90 million in fees and other income. The net revenue in Q1 was \$5.35 billion and it was \$5.23 billion in Q2 2019. Allowance for credit losses was \$(12) million, down from \$(2.58) billion the prior quarter. Investment losses of \$(158) million in Q1 moved to gains of \$149 million.

Single family acquisition volume rose 84 percent from the previous quarter to \$350 billion, driven by a \$137 billion increase in refinance volume. It was the highest level of refinance volume in any quarter since the third quarter of 2003.

The company said that 972,000 of its borrowers were **in active forbearance** as of June 30 and that its moratorium on foreclosures and foreclosure-related activities would continue until at least August 31 other than for vacant or abandoned properties. The forbore loans represent 5.7 percent of its single-family guaranty book of business by loan count. Among multifamily borrowers, 1.2 percent were in forbearance. The single-family delinquency rate increased from 0.66 percent as of March 31 to 2.65 percent at the end of June.

Fannie Mae provided more than \$575 billion in liquidity to the mortgage market in the first half of 2020 including \$288 billion through its whole loan conduit. The company enabled the financing of 2.3 million home purchases, refinancings, and rental units.

The company's net worth increased from \$13.9 billion in the first quarter to \$16.5 billion. Under its agreement with the U.S. Department of Treasury it can retain quarterly earnings until its net worth reaches \$25 billion.

Freddie Mac reports net revenues of **\$4.15 billion**, \$2.88 billion of which was net interest income, \$469 million in G-fee income and \$670 million in investment gains. All were higher, a total increase revenue of \$1.73 billion from Q1. A year earlier the company reported \$3.212 in total revenues comprised of \$2.93 billion, \$280 million, and \$(138) million, respectively.

Credit related losses declined by \$351 million from the previous quarter to \$(731) million. Credit losses in the second quarter of 2019 were \$(60) million.



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The company provided approximately \$406 billion in liquidity during the first half of the year. It participated in financing 1.353 million single-family homes, including 918,000 refinances. It also provided funding for more than 313,000 multifamily rental units.

Total net worth increased from \$9.5 billion at the end of March to \$11.4 billion.

New single-family business activity was \$232 billion, the highest since 2003, and the new multifamily business activity was \$20 billion. The Single-Family portfolio grew 7 percent year over year and the multifamily portfolio growth was 13 percent.

Freddie Mac completed 111,000 single-family workout agreements including 104,000 for forbearance plans during the quarter. Workouts totaled only 11,000 in the previous quarter. Loans in forbearance made up 3.8 percent and 2.4 percent of the single-family and multifamily portfolios. Like Fannie Mae, the company's delinquency rate skyrocketed during the quarter, rising from 0.60 percent to 2.48 percent.