

Fannie Mae and Freddie Mac

An Introduction and Update

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What Would Happen if Half of Your Clients Couldn't Get Financing to Close?



Half of all mortgages depend on the GSEs

GSE? Government Sponsored Enterprises



Created by Congress to facilitate a national housing finance market in good times and bad

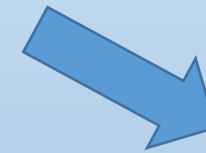
The GSEs Don't Make Loans, They...



Bundle mortgages



Add an insurance policy



Sell the bundles
around the world



Why are They Important?



Lower rates and
better access for
everyone



Even in a crisis



Or disaster

They Provide
Financing
Everywhere!

Small town and large

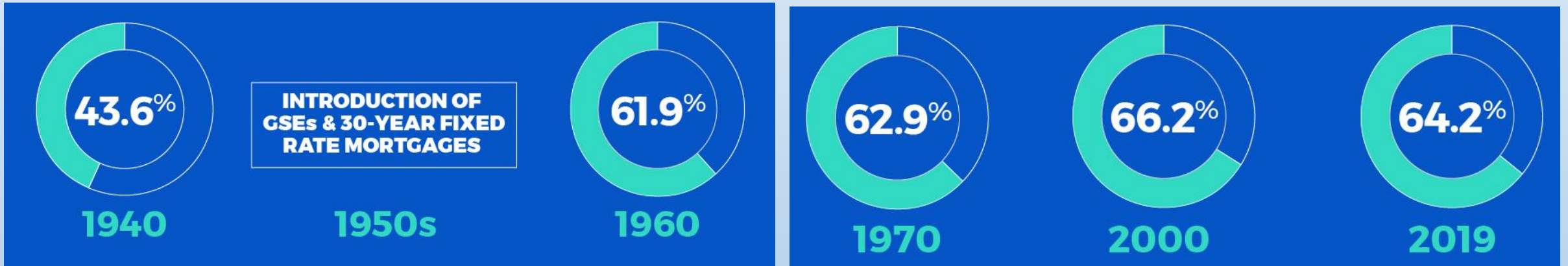
Coast or central

NO MATTER WHICH
SPRINGFIELD YOU CALL HOME

**YOUR ACCESS
REMAINS THE SAME**



Home Ownership Rose as a Result...



So, How Did They Mess Up?



Dabbled in insuring risky loans



Invested profits in very risky investments

Never set aside enough money to take losses



...all facilitated by a lobbying machine that cowed Congress and a weak regulator

GSEs of 2019 are Not the GSEs of 2005

- New directors
- No investments outside mission
- Only quality mortgages
- Setting money aside (in process)
- New Regulator (FHFA)

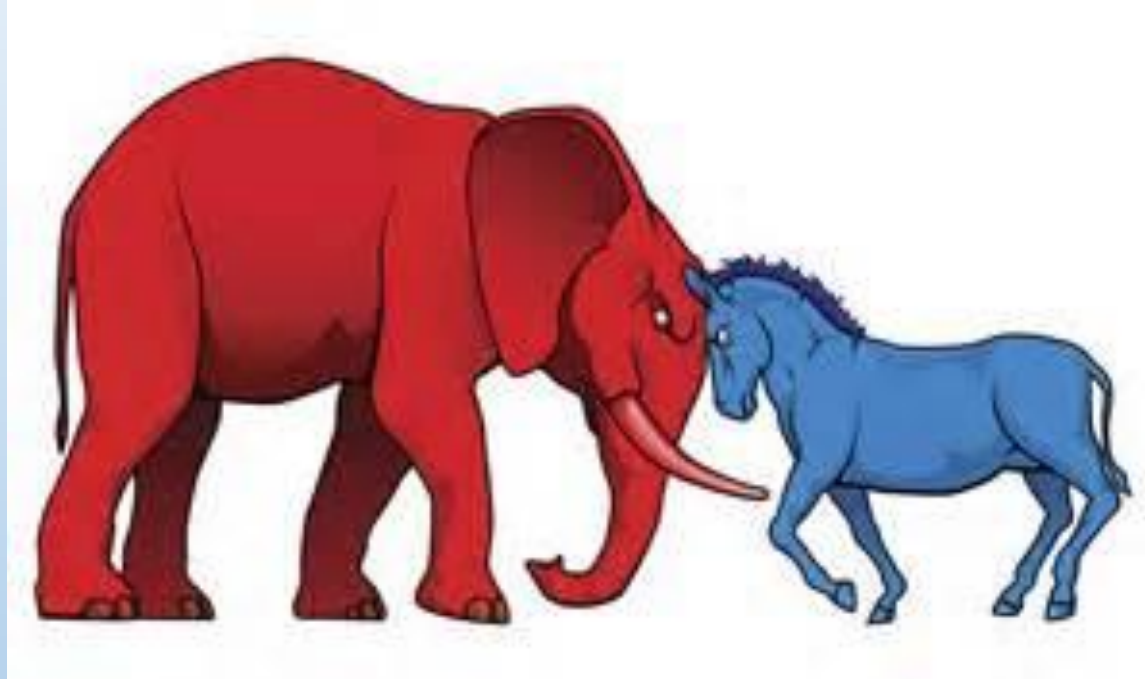


Why Change? “Conservatorship” is Not Permanent



- Must raise capital (e.g. money to pay insurance claims)
- Strong rules are temporary...must make permanent
- Changes are not set in stone...must lock them in

10 years ... Congress Could Not Accomplish Reform



There is a growing consensus, though ... protect the tax payers (more capital), preserve the 30-year fixed, and provide broad access

The Administration Takes the Reigns...



- Treasury and FHFA work together
- 52 point recommendations
- Preserve the 30-year FRM and support
- Guarantee on MBS
- Shrink the GSEs role
- Shrink role to underserved
- Bring “competition” level the playing field
- Raising cost to meet “private sector”
- Limited guarantee

NAR's Plan: Remedy the Failure of Competition



Lots of participants...



...or an agreement between private and public (utility)

NAR's Plan: the Best of Both Worlds

- Private expertise and efficiency
- Innovation
- Skin in the game (their \$\$ at risk)
- Public goals - underserved
- Lower cost and broad access for all
- National Market
- Will be there in a crisis



NAR is Working to Make this Reality

- Partnered with academic and Wall Street experts
- February 2019 – kick off event
- Many visits to House and Senate
- Shared with FHFA, Treasury, NEC, CEA, CFPB and more
- Sharing with you!!!



GSE Reform – Now You Know!

- Share with your coworkers!
- Share with your congress person!
- Support NAR's calls to action!
- Be part of the solution!
- Your dues at work

