

Strong Fannie/Freddie Earnings Mean Another \$4.1 Billion for Taxpayers

By: Jann Swanson | Thu, May 2 2019, 5:21 PM

The government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac released their first quarter financial results on Wednesday. Both had slightly **lower net income** results for the year while only Freddie Mac reported **higher income** compared to the previous quarter. Despite that, earnings were strong enough that the companies will collectively remit a dividend of \$4.1 billion to taxpayers (well... to the US Treasury anyway).

Fannie Mae reported both net income and comprehensive income of \$2.4 billion during the quarter on revenues (interest, fee, and other income) of \$5 billion. In the fourth quarter of 2018 both net and comprehensive income were \$3.2 billion on income of \$5.1 billion. The net and comprehensive results in the first quarter of last year were \$4.3 and \$3.9 billion respectively.

Net interest income of \$4.7 billion was \$240 billion lower than in the fourth quarter while fee income increased from \$149 billion to \$227 billion. Fannie Mae said the lower interest income was due primarily to lower mortgage prepayment activity due to higher interest rates.

Net fair value losses in the first quarter were \$831 million compared to \$539 million the previous quarter. The losses were **driven primarily by net interest expense** on the company's risk management derivatives and net decrease in the fair value of those derivatives and mortgage commitment derivatives.

The company said it provided **\$85.1 billion in liquidity** to the single-family mortgage market during the quarter and was the largest issuer of single-family mortgage-related securities in the secondary market at 36 percent. It also provided \$16.9 billion in multifamily financing, supporting 171,000 units of multifamily housing.

The company had a **net worth of \$5.4 billion** at the end of March and as a result **will pay a \$2.4 billion dividend to the U.S. Treasury** at the end of the current quarter. This will bring the total paid to the Treasury since the company was placed in conservatorship in 2008 to \$179 billion.

Freddie Mac had net income of \$1.4 billion compared to \$1.10 billion in the fourth quarter. Comprehensive income was up 13 percent to \$1.7 billion. Net income a year earlier was \$2.9 billion, and the comprehensive income was \$2.2 billion.

The company had net revenues of \$3.4 billion compared to \$3.0 billion in the fourth quarter, with the **increase coming from interest income** which totaled \$3.15 billion (up from \$2.7 billion). Guarantee fee income was up \$11 million to \$217 million, almost entirely due to an increase in multifamily guarantee fees. Revenues in the first quarter of 2018 totaled \$3.3 billion.

The company said it helped **nearly a half-million families** to rent or own a home during the quarter, providing \$86 billion in liquidity to the mortgage market.

The company expects to pay a **dividend to the Treasury of \$1.7 billion**. This will bring its cumulative dividend payments to \$118.0 billion.

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