

Freddie Mac Posts Q1 Gain Despite Pandemic Hit

By: Jann Swanson | Thu, Apr 30 2020, 6:15 PM

Freddie Mac eked out a positive comprehensive income of **\$0.62 billion** in the first quarter, \$1.83 billion less than it posted in the fourth quarter of 2019 and \$1.04 billion below earnings a year earlier.

The company's CEO David M. Brickman said, "Freddie Mac's first quarter was marked by unprecedented challenges to our country, our business, and our markets - and I am very proud of how we have responded. We are offering relief to millions of homeowners and renters, supporting our customers in new and vital ways, and serving as a stabilizing force for the housing finance system. Through these efforts, we are continuing to fully serve our mission."

Net revenues were \$2.42 billion compared to \$4.57 billion the previous quarter and \$2.91 billion in the first quarter of 2019. The **majority of the decline** from both earlier periods was due to the lower net interest income of \$2.79 billion, down by \$0.57 billion and \$0.37 billion respectively. Fee income was \$0.377 billion, higher than both previous numbers. Brickman Chief Executive Officer

Freddie Mac said other factors that contributed to its lower performance included

- **higher credit-related expense** of \$1.1 billion, or \$0.9 billion, after-tax, primarily due to higher expected credit losses as a result of the COVID-19 pandemic.
- Lower gains on single-family asset disposition activity of \$0.6 billion, or \$0.5 billion, after-tax; and
- Higher market-related losses of \$0.3 billion, after-tax, primarily driven by spread widening due to the pandemic.

The company said it had acted in March to support homeowners, renters, and multifamily property owners with mortgage forbearance and eviction protections and, working with the Federal Housing Finance Agency, had introduced measures to provide lenders with clarity and flexibility to enable them to continue lending and selling.

New business activity during the quarter was \$138 billion for Single-Family and \$10 billion for Multifamily. The respective guarantee portfolios grew 6 percent and 13 percent on an annual basis.

During the quarter, the company provided \$152 billion in liquidity, funding nearly **526,000 single family homes** and 111,000 multifamily rental units. The single family funding included 309,000 refinances.

Freddie Mac said it has **not** experienced any significant operational or technological issues due to the pandemic or its response efforts even as more than **95 percent** of its staff has been working remotely.

As of the end of the first quarter (March 31, 2020) the company maintained sufficient liquidity to meet its contractual obligations and continued to actively access the debt markets. Its total **net worth** increased from \$9.1 billion at the end of the 4th quarter of 2019 to **\$9.5 billion** on March 31, 2020. As that figure is below the \$20 billion capital buffer required in its agreement with the Treasury Department, it is not required to make a dividend payment for the quarter.

Fannie Mae will report its Q1 2020 financial results on May 1.

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