

# Fannie/Freddie Income and Net Worth Increased in Q1

By: Jann Swanson | Mbn, May 3 2021, 12:18 PM

Both Fannie Mae and Freddie Mac reported **improved income during the first quarter of 2021**. Fannie Mae said its net income increased from \$4.57 billion in the fourth quarter of 2020 to \$4.99 while Freddie Mac reported a net of \$2.77 billion and comprehensive income of \$2.38 billion, down slightly for the quarter but significantly higher than a year earlier.

Fannie Mae said its net revenues totaled \$6.829 billion, down from \$7.245 billion the previous quarter, with a decline of \$344 million in interest income and \$72 million less in fee and other income to \$6.74 billion and \$87 million, respectively. The decline in interest income was due to lower levels of single-family mortgage prepayments in the first quarter. The company **expects that lower levels of refinancing in the future will likely result in fewer loan prepayments** and lower amortization income in any given period.

Offsetting the lower interest income was a \$1.66 billion gain in fair value income, up from a deficit of (\$880) million in Q4. The increase was largely the result of the company's implementation of hedge accounting in January 2021.

Fannie Mae's net worth increased from \$25.3 billion at the end of 2020 to \$30.2 billion. Amendments to the senior preferred stock purchase agreement (PSPA) between the GSEs' conservator, the Federal Housing Finance Agency (FHFA) and the U.S. Treasury now allow the GSEs to build their net worth above levels previously permitted.

Fannie Mae reported acquisition of \$400 billion in conventional mortgages during the period, a 6 percent decline quarter-over-quarter. The \$26 billion decrease was driven by a seasonal drop in purchase mortgages while refinance volume was flat compared to the previous quarter, although still at record levels. The company acquired 340,000 home purchase loans and 1.1 million refinance loans during the quarter. It also financed 217,000 units of rental housing, 90 percent of which was affordable to families earning at or below 120 percent of their area's median income.

As of the end of March, 2.5 percent of the company's single family book of business by loan count was in forbearance, down from 3.0 percent at the end of 2020. Its single family serious delinquency rate declined from 2.87 percent on December 31, 2020 to 2.58 percent at the end of Q1.

Freddie Mac's comprehensive income was down (\$144) million from the previous quarter **but was \$1.76 billion higher than a year earlier**. Net income was \$5.27 billion compared to \$5.02 billion and \$2.42 billion during the two earlier periods. Net interest income at \$3.64 billion was down slightly from the 4<sup>th</sup> quarter but rose \$845 million year-over-year.

The company said the increases in income from a year earlier was primarily driven by mortgage portfolio growth, higher deferred fee balance, and faster loan prepayments due to the low interest rate environment.

The company provided funding during the quarter for 1.2 million single-family homes, nearly 940,000 of which were refinance loans. First time homebuyers represented 46 percent of purchase activity. It also financed more than 134,000 rental units. Overall, Freddie Mac provided \$377 billion in liquidity to the markets.

The company's net worth at the end of the reporting period was \$18.8 billion, a \$2.4 billion increase from the Q4 2020. The company's mortgage portfolio has an unpaid principal value of \$2.9 trillion.

At the end of Q1, 2.19 percent of the loans in Freddie Mac's single family portfolio were in forbearance as were 1.88 percent of loans in its Multifamily portfolio. The serious delinquency rate in the single-family portfolio declined from 2.64 at the end of December to 2.34 percent.

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