

GSEs' Net Worth Surged in 2021

By: Jann Swanson | Wed, Feb 16 2022, 1:08 PM

Both Fannie Mae and Freddie Mac (the GSEs) reported substantial increases in their financial results for 2021 when compared to 2020 and a **greatly** improved net worth. Fannie Mae's performance also improved from the third quarter of 2021 to the fourth, but Freddie Mac reported lower results.

Fannie Mae had a net comprehensive income of **\$22.18 billion** in 2021, nearly **double** the 2020 total of \$11.81 billion. Fourth quarter results were up 7.0 percent from the prior quarter at \$5.19 billion.

Net interest income **rose by \$4.72 billion** year-over-year to \$29.59 billion and was **9.0 percent** higher quarter-over-quarter at \$7.59 billion. Fee and other income fell 46 percent from the third quarter to \$60 million and was 22 percent lower for the year at \$361 million.

Credit related income shifted from an expense of \$855 million in 2020 to revenue of \$5.10 billion last year, driven by actual and forecasted home price growth, an increase in the volume of redesignations, and a reduction in expected losses occasioned by the pandemic.

Single-family acquisition volume was \$1.4 trillion in 2021 with purchase acquisitions accounting for \$451.30 billion, the highest on record. Almost half of the purchase acquisitions involved first-time homebuyers. Refinance acquisitions dropped from \$947.8 billion in 2020 to \$903.7 billion.

At the end of December, the company had 117,440 loans in **forbearance**, 0.7 percent of its single-family guaranty book of business. This is down from 3.0 percent at the end of 2020. The single-family delinquency rate declined to 1.25 percent at the end of the fourth quarter from 1.62 percent the prior quarter, but seriously non-current loans increased over that period as loans exited from forbearance and entered trial loan modifications. That rate was 0.81 at the end of the reporting period.

The company's **net worth increased by \$22 billion** dollars during the year. It stood at \$47.36 billion on December 31, 2021.

Freddie Mac reported net comprehensive income of **\$11.62 billion** for the year, compared to \$7.53 billion in 2020. The gain came despite a \$600 million increase in operating expenses year-over-year to a total of \$5.72 billion. Net interest income increased by \$1.10 billion to \$17.58 billion and investment gains rose from \$1.81 billion to \$2.75 billion. Guarantee fee income however declined by about \$300 million to \$1.032 billion.

The company's comprehensive income for the 4th Quarter was \$2.72 billion, a **slight downturn** from \$2.909 in Q3 and a 6 percent decline from the fourth quarter of 2020. The company said the latter change was due to an increase in credit related expenses.

The company's single-family mortgage portfolio **increased 20 percent** on an annual basis to \$2.79 trillion. This was driven by strong full year of new business activity and continued house price appreciation. The multifamily portfolio totaled \$415 billion, a 7 percent annual increase.

The company funded 4,236 single family mortgages during 2021. Purchase mortgages accounted for 1,376 loans and 2,858 were refinances. In 2020 the relative numbers were 3,798 mortgages, 1,131 for purchase and 2,667 refs.

The single-family **delinquency** rate dropped from 2.64 percent at the end of 2020 to 1.12 percent at the end of the reporting period. There were 62,000 loan workouts completed during the fourth quarter and 317,000 over the course of the year.

Freddie Mac's net worth grew from **\$16.4 billion** at the end of 2020 to \$28.0 billion. The quarter-over-quarter increase was \$2.7 billion.

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