



Immediate Release

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Housing Market Should Improve With Takeover of Fannie Mae and Freddie Mac

Lexington, KY – On September 7, 2008, the U.S. Treasury Department announced its takeover of mortgage-finance companies Fannie Mae and Freddie Mac. From it should come a much-needed boost to the nation's housing market.

“The takeover should help stabilize the housing market on the national level which would, in turn, help us in Kentucky as well,” said Robert Damron, president of the Kentucky Association of REALTORS®. “We could see interest rates continue to fall in the coming months, financing for first-time buyers pick up and housing inventories adjust back to normal levels. All of this would help keep home prices in the state from decreasing as they did in so many areas around the country.”

Fannie Mae and Freddie Mac, which together back around \$5 trillion in home loans or about half the total in the U.S., don't offer mortgages themselves. But they do play a central role in the American system of home finance. The two mortgage giants buy home loans from banks and others lenders that make the initial loans, either keeping them as investments or packaging them for resale to investors. These two government sponsored enterprises, or GSEs, have been battered in the past year by declining home prices and rising foreclosures.

Although Kentucky does see its share of foreclosures, it consistently ranks in the bottom third of all states in the number of foreclosure filings according to a report released by RealtyTrac, the leading online marketplace for foreclosure properties.

“The rescue plan offered by the federal government could significantly help those looking to buy a home or hoping to refinance their mortgages if the announced takeover continues to lower interest rates,” continued Damron. “Unfortunately, the plan will offer little, if any, help to struggling homeowners who are already behind on payments and facing foreclosure.”

On the national level, the National Association of REALTORS® believes that the announced plan will help restore confidence in the secondary mortgage market and the

steps taken will help calm the market, make mortgages more widely available and protect taxpayers.

National Association of REALTORS® President Richard F. Gaylord stated, “Fannie Mae and Freddie Mac play a vital role in the U.S. economy by making fair and affordable mortgage loans available for home buyers and owners. Their critical mission must not be interrupted, and Sunday’s announcement goes a long way in making sure that does not happen. This demonstrates that the government is clearly committed to keeping the flow of capital uninterrupted, which is crucial to the housing sector and the economy.”

Facts about Fannie Mae and Freddie Mac:

Fannie Mae

- Established: 1938
- Privatized: 1968
- Mortgages owned: \$750bn (June 2008)
- Mortgages guaranteed: \$2.6 trillion (June 2008)
- Financed homes for more than 55m US families in its lifetime

Freddie Mac

- Established: 1970
- Mortgages owned: \$792bn (June 2008)
- Mortgages guaranteed: \$1.4 trillion (June 2008)
- Financed homes for more than 50m US families in its lifetime

Facts about the government's financial rescue and provisions:

- The two companies will modestly increase their holdings of mortgage securities through 2009, growth that is needed to stabilize the mortgage market. After that, they will be required to cut back their direct mortgage holdings to reduce risk.
- The Treasury Department will buy up to \$100 billion in preferred stock from each of the companies to ensure they have capital and are able to pay off their private debt.
- The Treasury Department will also lend directly to Fannie Mae and Freddie Mac as needed through 2009.
- The Treasury Department will buy mortgage securities from brokers to help keep the market healthy.

Source: U.S. Treasury Department