FEDERAL HOUSING FINANCE AGENCY

NEWS RELEASE

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FHFA Releases Key Data on Fannie Mae and Freddie Mac Single-Family Mortgages for 2001-2008

Washington, DC – In an effort to inform the current discussion on the future of the housing finance system, the Federal Housing Finance Agency (FHFA) today released data on Fannie Mae and Freddie Mac (the Enterprises) that compare the credit quality and performance of the loans they acquired relative to loans financed with private-label mortgage-backed securities.

"*Data on the Risk Characteristics and Performance of Single-Family Mortgages Originated from 2001-2008 and Financed in the Secondary Market*" documents the differences in single-family, conventional mortgages acquired by the Enterprises versus those financed through the issuance of private-label mortgage-backed and asset-backed securities (private-label MBS) during the recent mortgage lending and house price boom and the ensuing bust.

Key Findings:

- **Credit Scores**. Eighty-four percent of single-family mortgages acquired by the Enterprises during 2001 to 2008 were made to borrowers with FICO credit scores above 660, while 5 percent were made to borrowers with FICO scores below 620. In contrast, 47 percent of mortgages financed with private-label MBS originated during this period were made to borrowers with FICO scores above 660, while 32 percent were made to borrowers with FICO scores lower than 620.

- **Loan-to-Value (LTV) Ratios.** Over 82 percent of Enterprise-acquired loans had LTV ratios at origination of 80 percent or less, while two-thirds of mortgages financed with private-label MBS had LTV ratios at or below 80 percent, with that share increasing from 54 percent of 2001 originations to 81 percent of 2008 originations. The pattern of decreasing LTV ratios over time, most pronounced for loans financed with private-label MBS, is consistent with the greater use of second liens to avoid mortgage insurance on low-down payment mortgages, a practice that was increasingly common into 2007 and that contributed to the unusually poor performance of loans with low LTV ratios relative to past experience.

- **Loan Payment Type.** Eighty-eight percent of Enterprise-acquired mortgages were fixed-rate loans originated between 2001 and 2008 and ranged from 79 percent for 2004 originations to 96 percent for 2001 originations. Mortgages financed with private-label MBS were predominantly adjustable-rate loans. These loans comprised 70 percent of mortgages financed with private-label MBS originated between 2001 and 2008 and ranged from 53 percent of 2008 originations to 75 percent of 2004 originations. Adjustable-rate loans offer borrowers lower initial payments in return for less certainty about future payments. In the data analyzed here, adjustable-rate loans perform worse than fixed-rate loans in part because some originators of adjustable-rate loans evaluated borrower repayment capacity using artificially low rates, called "teaser rates."

- **Performance.** Roughly 5 percent of Enterprise-acquired, fixed-rate mortgages and 10 percent of Enterprise-acquired ARMs were over 90 days delinquent at some point before the end of 2009. Roughly 20 percent of fixed-rate mortgages and 30 percent of ARMs financed with private-label MBS were over 90-days delinquent at some point before year-end 2009.

Link to Data

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $5.9 trillion in funding for the U.S. mortgage markets and financial institutions.