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housing-finance reform with bipartisan support. But analysts agree that there are vanishing chances for the Senate to approve a bill this year. Even if senators make progress next year on the legislation, an agreement still must be reached with U.S. House lawmakers, and Republicans there want the government to play a smaller role in a reformed housing-finance system than what senators have proposed.”

Even though stocks in Fannie and Freddie have taken some hits recently, over the past 12 months common shares of Fannie and Freddie are up each more than 1,000%, while the most heavily traded preferred series each climbed more than 300%. Recently, Fannie and Freddie have actually been making a profit while sending all of their profits to the U.S. Treasury Department. This has been taking place while both GSEs have been in a conservatorship for the past five years and it lends some hope to shareholders that the conservatorship might end prior to the government passing legislation to end the GSEs. As long as they are profitable, we may get more time to see the increase in mortgage money becoming available from the private banks.

From *CBS MarketWatch*:

“Including dividends sent to Treasury this quarter, taxpayers will have received a cumulative total of more than \$200 billion from the firms, exceeding bailout funds of less than \$190 billion, according to the most recent quarterly financial statements from Fannie and Freddie. The firms started taking federal bailout funds in 2008. Thanks to a rebounding housing market, they returned to profit in the last two years. Indeed, if the terms of the amended bailout agreement remain unchanged, taxpayers are on track to net \$179 billion from the firms by the end of fiscal 2024,

according to recently released White House budget documents.”

Mainly, I am worried that a lack of money for residential home loans will cause a very slow recovery of a housing market that is already slow. My ear on the street tells me that in California overall, there is a lack of inventory that is causing potential home buyers to have to compete with 30 offers on each house. Rates are still historically low, within 1% of the all-time lows we last saw in early 2013, but they are going to continue to rise and many home buyers are going to get shut out again, especially the first-time home buyers. There are many all cash offers still going in and these average buyers have been, and continue to be, pushed out of the market. As rates rise in the coming years, we will need more money and some slightly more forgiving lending guidelines to give the average home buyer a chance to get back into the “American Dream” of owning a house. Even White House officials are commenting on the need for more home loans as a key to the market’s continued recovery.

“Stronger housing demand depends critically on the easing of credit standards (that might have been over-tightened following the financial crisis), particularly for first-time homebuyers,” the White House’s 2014 economic report said.

The bumpy ride continues. Thanks again for your support.
*As always, your loan guy,
Viral (Vic) Joshi*

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic’s

Mortgage Report

“Home of Free Mortgage Consultation”

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Hello Friends,
March 11th saw common shares for Fannie Mae and Freddie Mac decline 31% and 27%, respectively,

after lawmakers in Washington DC announced a formal blueprint for shutting down the two GSEs (Government Sponsored Enterprises). The government has been talking a lot about trying to shut down the two major GSEs, who are still funding 61% of all residential mortgage transactions, but it will require private banks to step in and take over the remaining 61% of the market share. That is a scary proposition considering the absolute bottom line that each banking institution seems to take regardless of how it affects the common individual and the economy as a whole. See “The Great Recession” of 2008 for further evidence. Hopefully, the snail’s pace at which the government gets anything accomplished will allow for more banks to start stepping up and have a substantial impact on the amount of mortgage money they make available in the future before all hell breaks loose when the GFEs shut down.

From *CBS MarketWatch*:

“U.S. senators are taking an important step by introducing a piece of major
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