

## What Are Freddie and Fannie?

By ALEX MASON | Green Shoot Media

Freddie Mac and Fannie Mae are two familiar names. However, what they do for us remains a mystery to many people.

Unlike the mythical Uncle Sam, Freddie Mac and Fannie Mae have real roles to play in the lives of millions of prospective home buyers and just may be the lifeblood to close a real estate deal. Your Freddie Mac and Fannie Mae services extend far beyond just buying a home, so let's take a look at what else these colorful companies can do for us.

### PRIVATELY OWNED COMPANIES

The Freddie Mac and Fannie Mae companies are privately owned institutions that assume loans on the government's behalf. The goal of Freddie Mac and Fannie Mae is to expand the mortgage market and widen the opportunity for more borrowers to close a real estate deal.

They are an entity that backs the mortgages in case the borrower should default. This practice gives banks the reassurance that if the mortgage loan goes sour, they will not take the full financial brunt.

Freddie Mac was initiated by Congress to help the average American get funding for a home. Freddie Mac brings stability to the mortgage industry by securing secondary loans by selling mortgage-backed securities to private investors.

Although Freddie Mac does not write a mortgage loan directly to the borrower, they do snap up the loan papers from the lender.

This process helps to keep the banks flowing with cash and able to assist new clients in need of a mortgage loan.

### CONTRIBUTIONS



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Fannie Mae and Freddie Mac assume loans on the government's behalf.

In addition to assisting lenders with a greater lending cash flow, Freddie Mac and Fannie Mae help to keep housing prices under control. This does not apply to high-end housing or areas subject to massive inflation, but rather caters to middle America to ensure there is enough affordable housing to go around.

Besides aiding the home buyer's market, Freddie Mac has a proven track record of helping keep rents at manageable levels in many situations. Over 90 percent

of Freddie Mac financed commercial units were able to provide lower rental fees than those projects funded without the guaranteed backing.

### FORECLOSURES

The Freddie Mac company also has assisted distressed borrowers by putting them in touch with a lender who can help. The foreclosure rate without Freddie Mac assistance was much higher than the cases of borrowers who were

under the umbrella of Freddie and Fannie.

Freddie Mac has launched successful campaigns to stave off or thwart an eviction and has proven itself a valuable service to both lender and borrower.

### BUYING A FORECLOSURE

In some instances, a borrower may not be able to sustain his current mortgage or even a lower one offered by the lender. A bor-

### REAL ESTATE 101

#### Fannie and Freddie Facts

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rower may lose his job, succumb to illness or have internal difficulties within the home such as divorce.

As a last resort, the Freddie Mac property will go into foreclosure. However, the good news for buyers is that the foreclosure inventory is placed back on the market at a good price to attract a sale. Check with your local real estate professional to get a listing of Freddie Mac homes for sale. You also may browse through various Web sites, but you are well advised to use a buyer's agent to secure the property without a hitch.

The buyer's agent is free to use, provides a valuable service and can match you to the right Freddie Mac property to meet your budget and expectations.



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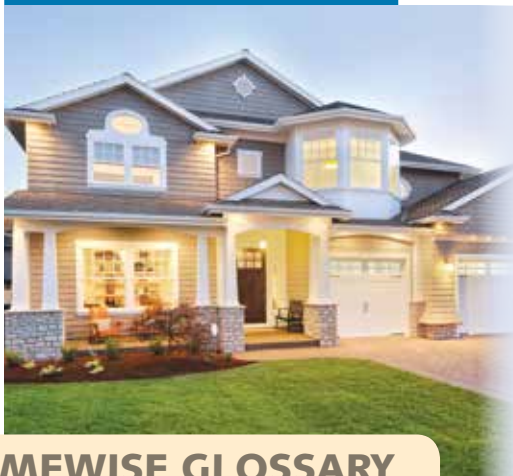
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#### HOMEWISE GLOSSARY

**Ginnie Mae:** Government National Mortgage Association (GNMA); a government-owned corporation overseen by the U.S. Department of Housing and Urban Development, Ginnie Mae pools FHA-insured and VA-guaranteed loans to back securities for private investment; as With Fannie Mae and Freddie Mac, the investment income provides funding that may then be lent to eligible borrowers by lenders.

**SOURCE:** U.S. Department of Housing and Urban Development

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