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Will Trump's New Appointee End GSE Conservatorship?

President-elect Donald J. Trump may have just handed Freddie Mac and Fannie Mae a "get out of jail free" card.

Trump has picked Steven Mnuchin to be Secretary of the Treasury. Among his first pronouncements to the press was that the two government sponsored enterprises (GSEs), which have been in federal conservatorship since 2008, **should no longer be owned by the government**.

Stock in the two companies immediately soared (although that is a relative term for assets that have been virtually worthless for over eight years). Within hours Fannie Mae's stock rose 32 percent and Freddie Mac's by 31 percent to $4.04 and $3.99 respectively.

The stock prices had already been moving slowly higher in recent months, first because of lawsuits filed against the government by several hedge funds which bought into the GSEs when their stocks bottomed out. The funds had challenged a change in the government's stock ownership agreement which allows Treasury to sweep all GSE profits into its coffers, removing any chance the companies could rebuild their reserves. Recent rulings against forced the conservator, the Federal Housing Finance Agency (FHFA) to release documents they had contended were privileged and which eventually showed FHFA knew the GSEs were about to turn profitable. The rise in stock prices **gained momentum after the election** in anticipation of appointments such as Mnuchin's.

Of course, investor hopes **could be misplaced**. Many in Congress have long been **opposed** to reconstituting the GSE's, some wanted to **kill** the companies off long before the housing crash. Mnuchin himself may have a very different idea about ending the government's role; perhaps one which might terminate not only the conservatorship, but the companies themselves.

In addition to his statements on the GSEs, Mnuchin said his first priorities will be **tax reform** and **"killing many aspects" of Dodd Frank**. He said 15% would be about right as a corporate tax rate.

National Average Mortgage Rates



Mortgage News Daily

	Rate	Change	Points
30YR Fixed	7.27%	-0.02	0.00
15YR Fixed	6.92%	-0.03	0.00
30YR FHA	6.90%	-0.01	0.00
30YR Jumbo	7.55%	0.00	0.00
7/6 SOFR	6.78%	-0.10	0.00
30YR VA	6.91%	-0.01	0.00

Rates as of: 10/30

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.88	+0.07
10 YR Treasury	4.9063	-0.0236
30 YR Treasury	5.2708	-0.0374

Pricing as of: 11/2 10:39AM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 21	195	+3.39%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Mnuchin's confirmation hearing could be a bit of a **bumpy ride** owing to his hedge fund resume. After ending a 17-year run at Goldman Sachs, he joined a series of hedge funds before starting his own fund, Dune Capital Management. Dune subsequently bought subprime lender IndyMac for pennies on the dollar after the bank was seized by FDIC early in the housing crisis, with FDIC agreeing to assume much of the bank's losses. Renamed OneWest, Mnuchin's bank ultimately foreclosed on an estimated 36,000 homeowners. The bank's foreclosure practices which included participation in the robo-signing scandal, ultimately cost it millions of dollars in fines. He sold OneWest to CIT Group in 2014 for $3.4 billion. This month two housing groups in California filed a complaint with the federal government alleging the bank discriminated against minority borrowers under Mnuchin's leadership.

The Treasury Secretary designee also gained fame as a movie producer. Among his films are *American Sniper*, *The Lego Movie*, and the recently released *Rules Don't Apply*.

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