

Timothy Baron

VP ? Senior Loan Officer ? Loan Baron, V.I.P. Mortgage, Inc.

Timothy Baron NMLS #184671 | V.I.P. Mortgage, Inc. does

6390 E Tanque Verde Rd. Suite #200 Tucson, AZ 85715

Office: 520-275-5956

Mobile: 520-275-5956

timothybaron@vipmtginc.com

View My Website

Freddie Posts First Loss since 2012

Freddie Mac said today that the company had a **net loss** in the first quarter of 2016, the **first time in four years** that it has failed to show a profit. The company posted a $354 million net loss and a $200 million comprehensive loss compared to a net profit in the fourth quarter of 2015 of $2.16 billion and comprehensive income of $1.64 billion.

Despite the loss, Freddie Mac said it **would not require a draw** on its line of credit with the U.S. Treasury. Between August 2008, when it was placed along with Fannie Mae, in federal conservatorship, and the end of 2012 the company drew a total of $71.3 billion in support from the Treasury but has not required a draw since the fourth quarter of 2012. It has **paid a total of $98.2 billion** in dividends back to Treasury but has not been permitted to reduce its debt. All profits except for a regularly diminishing buffer are swept into Treasury each quarter.

The company had $3.405 billion in net interest income down from $3.587 billion in the last quarter of 2015. The decrease in net interest income primarily reflects lower amortization income due to lower prepayments. Approximately 45 percent of net interest income for the first quarter of 2016 was derived from management and guarantee fees, **up from 37 percent** in the first quarter of 2015.

Freddie Mac said its loss was **driven by two factors**. The first was a $1.4 billion after-tax estimated fair value loss due to measurement differences between the company's derivatives which are measured at fair value and certain hedged assets and liabilities, which are not. The **second** was a $0.6 billion after-tax loss (compared to a $0.3 billion (after-tax) estimated loss for the fourth quarter of 2015) as spreads on certain mortgage loans and mortgage-related securities measured at fair value widened more in the first quarter than in the fourth quarter.

The company said its core book of business which are loans originated post 2008 excluding HARP and other relief refinance loans, is now **68 percent** of its credit guarantee portfolio. The legacy book (pre-2008 loans) declined to 15 percent of the portfolio.

The **serious delinquency rate** in the portfolio was 1.20 percent in the first quarter, down from 1.32 percent at the end of 2015.

National Average Mortgage Rates



Mortgage News Daily

	Rate	Change	Points
30YR Fixed	7.27%	0.00	0.00
15YR Fixed	6.92%	0.00	0.00
30YR FHA	6.91%	+0.01	0.00
30YR Jumbo	7.52%	-0.03	0.00
7/6 SOFR	6.70%	-0.08	0.00
30YR VA	6.92%	+0.01	0.00

Rates as of: 11/2

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.99	+0.18
10 YR Treasury	4.8827	-0.0472
30 YR Treasury	5.2523	-0.0559

Pricing as of: 11/2 11:31AM 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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Donald J. Layton, Freddie Mac's Chief Executive Officer said, "Freddie Mac's first quarter business results continued to be strong, reflecting our transformation to be a more competitive company. We're serving our customers better and also more effectively executing on our mission to responsibly support homeowners and renters nationwide. The percentage of our purchases of loans to first-time homebuyers hit a 10-year high and we continue to finance record levels of rental housing. Also, the transfer of mortgage credit risk away from taxpayers, which we pioneered, proved its resiliency through the quarter's significant financial market distress. While the resulting flight-to-quality decrease in interest rates reduced our GAAP results this quarter, an impact which is non-economic in nature, the fundamentals of our business are very solid and continue to improve."

Fannie Mae is scheduled to report its first quarter 2016 financial results on Thursday, May 5.

Experienced. Trusted. Local.

The Arizona Loan Baron is at your service!

I would appreciate the opportunity to share with you my extensive mortgage lending experience. My client focused approach has allowed me to build long lasting relationships and partnerships throughout Arizona. I know this market. I live here and work here. Please allow me to be your mortgage lending partner.

Timothy Baron 

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