

# THE FORSYTHE APPRAISALS FLASH



Appraisal Insights for Real Estate Professionals

## Life after Federal Takeover of Fannie Mae and Freddie Mac

By Alan Hummel, SRA, Sr. VP/Chief Appraiser

With news of mortgage giants, Fannie Mae and Freddie Mac being taken over by the Federal Housing Finance Agency (FHFA), one wonders what this means for the lending community. With a reported commitment to invest up to \$200 billion for Fannie and Freddie, this could be the largest bailout in the nation's history.

The initial purpose of Fannie Mae and Freddie Mac was to insure liquidity in the mortgage market and for years they have been able to perform this necessary function. Currently, Fannie and Freddie control up to 75% of all new home mortgages.

While not making a political statement as to whether the bailout was right or wrong, it is easy to see that the survival of the intent of Fannie and Freddie is necessary in order to preserve the mortgage lending industry as a vital force within the United States economy. The fact that the government will have major control of these entities as they are retrofitted to today's economy may be an interesting dynamic, but it is not a brand new idea.

Over the years, we have witnessed significant government bailouts, including Lockheed in 1971, Chrysler in 1979, Farm Credit System in 1988, Savings and Loans in 1989, and JP Morgan Chase earlier this year.

The government has long run the federal housing administration through the dept of HUD for residential lending as well as guaranteeing loans through the Veterans Administration. These two programs have a long history of lending practices. What Fannie and Freddie may look like in the future is still unknown; however, there is some reassurance that this is an area the government has been able to manage effectively in the past.

The new incoming CEOs are Herb Allison, former Merrill Lynch President, for FNMA and David Moffett, former US Bancorp Chief Financial Officer.

From the collateral valuation standpoint, the programs that are utilized by VA and FHA have typically placed great emphasis on the appraisal process. If the government takes similar views as they oversee the new organization, then it should not be a surprise if solid valuations are expected to be a cornerstone of the new regime.

*Do you have any suggestions for future articles you'd like to see?  
Please e-mail Deb deLambert at [debd@forsytheappraisals.com](mailto:debd@forsytheappraisals.com).*



September 12, 2008  
FORSYTHE APPRAISALS  
SERVES AN AREA NEAR YOU!

- Austin, TX
- Boston, MA
- Chicago, IL
- Cleveland, OH
- Colorado Mountain
- Colorado Springs, CO
- Columbus, OH
- Dallas, TX
- Denver, CO
- Des Moines, IA
- Detroit, MI
- Duluth, MN
- Hartford, CT
- Houston, TX
- Indianapolis, IN
- Jacksonville, FL
- Las Vegas, NV
- Los Angeles, CA
- Miami, FL
- Milwaukee, WI
- Nashville, TN
- Orlando, FL
- Phoenix, AZ
- Providence, RI
- Rochester, MN
- Sacramento, CA
- Saint Cloud, MN
- San Antonio, TX
- San Diego, CA
- San Jose, CA
- Seattle, WA
- Southern Minnesota
- Spokane, WA
- Tampa, FL
- Tucson, AZ
- Twin Cities, MN
- West Palm Beach, FL