



Freddie Mac Selling \$410 Million of Delinquent Home Loans

By Heather Perlberg and Clea Benson Jan 23, 2015 4:20 PM ET

Government-backed mortgage company **Freddie Mac (FMCC)** is selling \$410 million of deeply delinquent U.S. home loans in its second sale of the debt.

Buyers are bidding on three pools of loans, with unpaid principal balances of \$160 million, \$141 million and \$109 million respectively, according to loan broker Mission Capital Advisors. Offers on the debt are due Feb. 4.

Freddie Mac has been saddled with **soured mortgages**, bought from bonds the company guaranteed, after a wave of **defaults** in the housing crash. Demand for defaulted mortgages increased last year, when Freddie Mac held its first loan sale, as Wall Street firms sought to profit from rising **home prices**. Banks and the Department of Housing and Urban Development were the biggest sellers of the debt.

“The loans involved in this transaction are deeply delinquent, including a large share that are more than two years delinquent,” Tom Fitzgerald, a spokesman for McLean, Virginia-based Freddie Mac, said in a telephone interview. “This transaction is consistent with Freddie Mac’s continued goal of reducing illiquid assets from its investment portfolio.”

The **Federal Housing Finance Agency**, which regulates Freddie Mac and Washington-based Fannie Mae, is requiring the companies to reduce the number of severely delinquent loans on their books this year.

The FHFA is working with the companies to ensure that their debt sales provide the best outcomes for Fannie Mae and Freddie Mac as well as for borrowers, said Peter Garuccio, a spokesman for the agency.

Modified Mortgages

Freddie Mac, which owns or backs \$1.9 trillion of housing debt, held \$161 billion of loans on Nov. 30, according to monthly disclosures. It's also started repackaging re-performing and modified mortgages into new bonds that it guarantees.

The company sold \$659 million of non-performing loans in its first transaction in July. Oak Hill Advisors LP bought the debt, two people with knowledge of the sale said in August.

Fannie Mae (FNMA), which held \$293 billion in mortgages on Nov. 30, backs about \$3.1 trillion of housing debt. The company hasn't yet offered any bulk sales of delinquent loans.

Investment firms including Lone Star Funds, One William Street Capital Management LP and Ellington Management Group have been buying bad home loans as **foreclosures** diminish and the housing market recovers, pushing up prices of the debt.

The Freddie Mac loans sold for 76 cents on each dollar of unpaid principal balance, according to Mission Capital. That compared with average non-performing loan prices of 64.5 cents on the dollar at the end of 2013 and 49 cents at the beginning of that year.

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