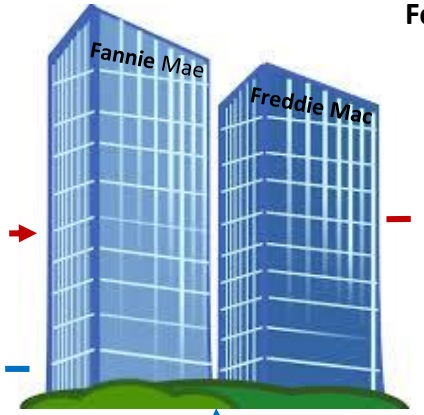
Mortgage System

Homeowner starts the process by going to a mortgage broker. The broker negotiates the loan terms with the bank. Fannie Mae And Freddie Mac buy mortgages from banks, repackaging them as Securities for sale to investors and guaranteeing to make investors whole when there are loan defaults

Federal Government

Implied guarantee whereby the Government would rescue Fannie and Freddie if the firms ran into Trouble.



Mortgage Broker

Homeowner

Investors

Investors purchase Mortgage Backed Securities. Mortgage Backed Securities are bonds. Portfolios generally hold a mixture of stocks which are variable and Bonds which are fixed. Who owns your mortgage? The answer is: we all do. If you have a 401k you are invested in Mortgage Securities.

Metric mortgage