The Mortgage Funding Process

- Homeowner
- Originator
- Servicer
- 3rd Party Intermediary: Agency or I-Bank
- Credit Risk Sharing:
  - MI (Govt or Private)
  - Capital Markets (CRT)
  - Structured (Senior/Sub)
- Investors
- MBS
- Market/Rate Risk
The Mortgage Funding Process

Homeowner → Originator → 3rd Party Intermediary: Agency or I-Bank → Servicer

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Investors → MBS

Market/Rate Risk

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Homeowner

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Servicer

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Market/Rate Risk

MI (Govt or Private)
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Originator connects to Servicer, then to 3rd Party Intermediary. Servicer then connects to Credit Risk Sharing. Credit Risk Sharing includes MI (Govt or Private), Capital Markets (CRT), and Structured (Senior/Sub). Investors connect to MBS.
U.S. Housing Trends: Agency MBS

W. Scott Frame*
Federal Reserve Bank of Atlanta

Financial Markets Conference
Amelia Island, FL
May 21, 2019

* The views expressed here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta or the Federal Reserve System.
SOMA Reinvestments and Redemptions of Agency MBS and Debt

Redemptions from principal payments on SOMA agency debt
Reinvestments from principal payments on SOMA agency MBS

Source: Federal Reserve Bank of New York.
SOMA Holdings of Agency MBS

Source: Federal Reserve Board; authors’ calculations.
Agency MBS Investor Classes

Source: Inside Mortgage Finance, authors' calculations.
Marketable U.S. Treasury Debt Holdings
2018:Q4, $6.22 trillion outstanding

Source: Federal Reserve Board of Governors; U.S. Treasury; authors’ calculations.
Distribution of SOMA Agency MBS Holdings

Issuer
- Fannie Mae
- Freddie Mac
- Ginnie Mae

Term
- 30-year
- 15-year

Coupon
- <2.5%
- 3.0%
- 3.5%
- 4.0%
- ≥4.5%

Vintage
- Pre-2011
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016
- 2017
- 2018

Source: Federal Reserve Bank of New York.