



Federal Financial Analytics, Inc.

PRESS RELEASE
September 9, 2002

Fannie, Freddie Figures Show Big Cross-Ownership of Each Other's Securities

Washington, Sept. 9 – Fannie Mae and Freddie Mac own a large amount of each other's securities, indicating that the market may not be as liquid as thought, an analysis of the latest figures on the mortgage market reveals.

The latest OFHEO annual report on the market “includes startling new statistics on GSE cross-ownership of MBS,” says GSE Activity Report, a client publication of Federal Financial Analytics, Inc., “raising further questions about concentration of risks and the true liquidity of the markets.”

Adding the cross-ownership shares to those already held by the respective institutions raises the total held in their accounts to 38 percent of their MBS, the FFA analysts found. Fannie and Freddie both follow a “buy and hold” strategy for securities in their own portfolios, effectively removing them from circulation.

“This is the first evidence of how substantial these holdings are, indicating GSE ownership of securities that the market might have thought were in private trading hands,” said Karen Shaw Petrou, managing partner of Federal Financial Analytics.

The OFHEO data show that at year-end 2001 Freddie Mac held 8 percent, or \$70 billion, of the Fannie MBS not already held in Fannie's portfolio. Fannie held 6.7 percent of Freddie PC's, or \$43 billion, not already held in Freddie's portfolio. The figures show that these positions have been built up rapidly in the past couple of years.

The disclosure could have an impact on market players, the report says. “Learning that 8 percent of the Fannie MBS not held by Fannie were actually held by Freddie may give some investors pause,” the report says.

For more information or a copy of the GSE Activity Report, call 202 296-5240 or send an email to info@fedfin.com