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Fannie Mae's Largest Non-Performing Loan Sale Ever: The Winners Are...

Posted By *Brian Honea* On February 10, 2016 @ 2:05 pm In Daily Dose,Headlines,Loss Mitigation,News | [8 Comments](#)

Less than a week following a [nationwide wave of protests from advocacy groups](#) ^[1] on the sales of non-performing loans (NPLs) by HUD, Fannie Mae, and Freddie Mac to investors and private equity firms rather than non-profits, [Fannie Mae announced the winners](#) ^[2] in its latest NPL auction—and none of the winning bidders were non-profits.



The NPL sale, which was Fannie Mae's fourth ever, included approximately 6,500 deeply delinquent residential mortgage loans totaling \$1.32 billion in aggregate unpaid principal balance (UPB). The loans included were an average of close to six years delinquent.

The loans were auctioned off in four pools. The winners were Canyon Partners (Carlsbad Funding Mortgage Loan Acquisition) for the first pool, Pretium Mortgage Credit Partners 1 Loan Acquisition for the second pool, and Goldman Sachs for the third and fourth pools. Goldman Sachs was also a winning bidder for one of the pools in Fannie Mae's previous NPL sale in October 2015.

The sale just announced was Fannie Mae's largest NPL sale ever in terms of both the number of loans and the amount of UPB. The transaction is expected to close on March 28.

"We are committed to reducing Fannie Mae's holdings of non-performing loans in a responsible way," said Joy Cianci, Senior Vice President, Credit Portfolio Management, Fannie Mae. "We continue to work with struggling homeowners to prevent foreclosures whenever we can. This sale of seriously delinquent loans can create additional opportunities for borrowers to avoid foreclosure while reducing the impact of these loans for Fannie Mae and the taxpayers."

A breakdown of the four pools sold in Fannie Mae's latest NPL auction is as follows:

Pool #1: 3,127 loans with an aggregate UPB of \$637,451,715; average loan size \$203,891; weighted average note rate 5.70%; average delinquency 59 months; weighted average broker's price opinion loan-to-value ratio of 79%

Pool #2: 1,345 loans with a UPB of \$266,947,532; average loan size \$199,151; weighted average note rate 5.58%; average delinquency 58 months; weighted average broker's price opinion loan-to-value ratio of 74%

Pool #3: 1,176 loans with a UPB of \$233,559,463; average loan size \$198,712; weighted average note rate 5.59%; average delinquency 59 months; weighted average broker's price opinion loan-to-value ratio of 79%

Pool #4: 892 loans with a UPB of \$184,855,220; average loan size \$207,217; weighted average note rate 5.65%

At the same time Fannie Mae began marketing these four pools for sale, the GSE also began marketing a Community Impact Pool—a smaller pool of geographically-concentrated loans specifically structured to attract participation from non-profits, small investors, and minority- and women-owned businesses. Bids are due for the Community Impact Pool on February 18. It will be Fannie Mae's second Community Impact Pool transaction; the first was in July 2015.

While the advocacy groups and prominent lawmakers such as Sen. Elizabeth Warren (D-Massachusetts) call for these deeply delinquent loans to be sold to non-profits whom they believe will be more effective at preventing foreclosures and stabilizing neighborhoods, Fannie Mae's conservator, FHFA, updated its non-performing loan sale guidelines in March 2015 and now requires all winning bidders to apply a "waterfall of resolution tactics" before resorting to foreclosure.

A recap of Fannie Mae's three previous NPL sales:

October 2015—7,000 loans, three pools, \$1.24 billion in UPB; winning bidders were Fortress (New Residential Investment Corp.) for the first and third pools and Goldman Sachs for the second pool

July 2015—3,900 loans, two pools, \$765 million in UPB; both pools were won by Lone Star (LSF9 Mortgage Holdings). In addition to these two pools, Fannie Mae conducted a Community Impact Pool auction that included 71 loans in Florida totaling \$10 million in UPB. The winning bidder was a non-profit, New Jersey Community Capital.

April 2015—3,000 loans, two pools, \$762 million in UPB; winning bidders were SW Sponsor for the first pool and Neuberger Berman Fixed Income Funds' affiliate PRMF Acquisition for the second pool.

Totals (including the sale just announced)—20,471 loans, \$4.1 billion in UPB

[Click here](#) ^[3] for more information on Fannie Mae's NPL sales.

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[1] nationwide wave of protests from advocacy groups: <http://wp.me/p5Xa2v-Azj>

[2] Fannie Mae announced the winners: <http://www.fanniemae.com/portal/about-us/media/financial-news/2016/6347.html>

[3] Click here: <http://www.fanniemae.com/portal/funding-the-market/npl/index.html>

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