

Conventional Mortgages also referred to as conforming loan are mortgages securitized with either the Federal National Mortgage Association "Fannie Mae" or the Federal Home Mortgage Corporation "Freddie Mac"

Fannie Mae established in 1938 provided local banks with federal money to finance home mortgages in an attempt to raise home ownership and the availability of affordable housing. Fannie Mae operated like a national savings and loan, allowing local banks to charge low interest rates on mortgages for the benefit of the home buyer; which lead to the development of what is now known as the secondary mortgage market. Within the secondary mortgage market, companies such as Fannie Mae are able to borrow money from foreign investors at low interest rates because of the financial support that they receive from the U.S. Government. It is this ability to borrow at low rates that allows Fannie Mae to provide fixed interest rate mortgages with low down payments.

Fannie Mae held a monopoly in the secondary mortgage market until 1968, when fiscal pressures forced it to be privatized in order to remove it from the national budget. Fannie Mae then began operating as a GSE, generating profits for stock holders while enjoying the benefits of tax exemption and oversight as well as implied government backing. To prevent monopolization of the market, a second GSE known as Freddie Mac was created in 1970. Currently, Fannie Mae and Freddie Mac control the majority of the nation's secondary mortgage market.

How it all works for residential single-family mortgages.- A homeowner sends a payment to the mortgage servicer that manages the payments. The servicer keeps a small fee for managing the borrowers' payments and sends the rest of the monthly payment to Fannie Mae or Freddie Mac. The GSE's then pass through the remainder of the mortgage payment to investors who hold the mortgage securities. Because Fannie Mae and Freddie Mac exist, millions of Americans benefit from lower mortgage interest rates, and reduced loan fees. Millions of families are also able to rent safe and affordable homes.

Benefits of a Conventional Mortgage:

- Insured by Fannie Mae / Freddie Mac
- Up to 97% Financing
- Competitive Rates with Good Credit
- Higher Loan Amounts "Currently 417K in Texas"
- Private Mortgage Insurance - All Loans Over 80%
- Rate Adjustments for LTV and Credit
- Automated Approvals - DU / LP required
- Loans for Primary, Secondary and Investment

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