



## FANNIE MAE AND FREDDIE MAC

Fannie Mae and Freddie Mac were created by Congress. They perform an important role in the nation's housing finance system – to provide liquidity, stability and affordability to the mortgage market. They provide liquidity (ready access to funds on reasonable terms) to the thousands of banks, savings and loans, and mortgage companies that make loans to finance housing.

Fannie Mae and Freddie Mac buy mortgages from lenders and either hold these mortgages in their portfolios or package the loans into mortgage-backed securities (MBS) that may be sold. Lenders use the cash raised by selling mortgages to the Enterprises to engage in further lending. The Enterprises' purchases help ensure that individuals and families that buy homes and investors that purchase apartment buildings and other multifamily dwellings have a continuous, stable supply of mortgage money.

By packaging mortgages into MBS and guaranteeing the timely payment of principal and interest on the underlying mortgages, Fannie Mae and Freddie Mac attract to the secondary mortgage market investors who might not otherwise invest in mortgages, thereby expanding the pool of funds available for housing. That makes the secondary mortgage market more liquid and helps lower the interest rates paid by homeowners and other mortgage borrowers.

Fannie Mae and Freddie Mac also can help stabilize mortgage markets and protect housing during extraordinary periods when stress or turmoil in the broader financial system threaten the economy. The Enterprises' support for mortgage lending that finances affordable housing reduces the cost of such borrowing.

**Fannie Mae** was first chartered by the U.S. government in 1938 to help ensure a reliable and affordable supply of mortgage funds throughout the country. Today it is a shareholder-owned company that operates under a congressional charter.

[Fannie Mae Web Site](#)

[Fannie Mae Charter Act](#)

**Freddie Mac** was chartered by Congress in 1970 as a private company to likewise help ensure a reliable and affordable supply of mortgage funds throughout the country. Today it is a shareholder-owned company that operates under a congressional charter.

[Freddie Mac Web Site](#)

[Freddie Mac Charter Act](#)

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