



Which Real Estate is Still Competing?



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Fannie Mae DUS Lending Up 30% in First Half

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While the government-sponsored enterprise battles fallout from the single-family housing downturn, Fannie Mae's multifamily side is faring better. For the first half of 2008, Fannie Mae reports that it invested a total of \$20 billion in multifamily housing, largely fueled by more than \$18 billion in lending channeled through its delegated underwriting and servicing (DUS) channel.

Fannie Mae's DUS lending activities received the biggest boost in the first half, gaining 30% over production in the first half of 2007. Multifamily investment activity in the first half of 2008, however, declined more than \$27 billion from the first half of 2007.

"The multifamily market is considerably smaller so far in 2008, however, Fannie Mae has been able to remain the multifamily market leader. Despite a decline in overall production, our DUS lenders have had their strongest performance at mid-year than they ever have before," says Jon Searles, spokesperson for Fannie Mae.

Ken Bacon, Fannie Mae's executive vice president of housing and community development, reaffirmed the GSE's role in the multifamily market to provide clarity and certainty to the market.

"We need that in the market today. We are in a tough market," Bacon said during a teleconference coinciding with a meeting of Fannie Mae DUS lenders as they celebrated the 20th anniversary of the DUS program in Half Moon Bay, Calif.


Addressing recent concerns that have come up about how well the GSEs are prepared to withstand any additional pressures, Bacon added that the GSE's regulator has certified that they are adequately capitalized. And other public officials, including President George Bush and U.S. Treasury Secretary Henry Paulson, have officially reaffirmed the role of the GSEs.

To deal with interest rate uncertainty, Fannie Mae is introducing a streamlined rate lock execution that will allow lenders to lock in an interest rate with borrowers at any point during the underwriting process.

Another recent introduction is a "refi plus" product that provides borrowers a streamlined process for refinancing their existing DUS loan. Borrowers can lock in an interest rate on refinances up to 24 months before their prepayment period expires. They also could use a supplemental loan to fund additional proceeds before the DUS loan matures.

Fannie Mae also is working with DUS lenders to offer a "construction-to-permanent" product that will combine construction financing with permanent debt, and provide more certainty, with lower cost execution for multifamily construction projects.

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