

# Mortgage Changes May Ease Money

The Federal National Mortgage Association is switching its entire secondary market pricing system.

Under the dramatically new pricing procedure, called the Free Market System, Fannie Mae will deal only in "commitments" instead of mortgages that have already been created.

Mortgage bankers will bid competitively for these commitments—having durations of three, six and 12 months—but will not have to fulfill them if a better price can be found in the private secondary mortgage market later.

This means mortgage originators will be assured of a steady flow of funds.

THESE COMMITMENTS should help to ease the burden on the real estate and homebuilding industries caused by adverse money market conditions, explains FNMA President Raymond H. Lapin.

"By having the forces of the free market determine prices through a series of weekly auction," Mr. Lapin said, "sharp price fluctuations which occur from time to time will be eliminated. Far greater price stability will result."

Lapin, a former California mortgage banker, added:

"The 'credit crunch' of 1966 took its toll of home owners and home builders. The new Free Market System, along with legislative proposals now before Congress, will contribute greatly toward alleviating any repeat performance of the 1966 problems."

Lapin has discussed the "Free Market System" over the past six months in speeches. In essence, it reverses the historic methods by which Fannie Mae, a quasi-government corporation, has helped maintain liquidity in the secondary mortgage market.

IN THE PAST, Fannie Mae has announced the price it would pay for any government-backed mortgages and then let the loan sellers determine the agency's volume. In the future, Fannie Mae will announce the volume it will buy and let the market activity determine the price to be paid through sealed offers.

In the one-year commitment program, the switch from an "as delivered" to an advance commitment procedure is tailored to a prevailing mortgage financing practice. Under it, long-term investors issue commitments to make permanent mortgage loans and builders, on the strength of these commitments, are then able to obtain short-term construction loans.

Under the new procedure, Fannie Mae will issue similar commitments and, when advance commitments are not available from private lenders, builders will be able to proceed with construction programs.

HERE'S HOW the new system will work. Fannie Mae will announce each week that it will purchase a certain dollar volume of home mortgages. The first auction, was held in Wash-

ington on May 6 for \$40 million. If a mortgage banker or originator wants Fannie Mae to purchase his mortgages, he will submit a sealed offer by mail to Fannie Mae's Washington headquarters. This offer will state a price or prices for commitments, either for 3 months, 6 months, or one year.

It will state the amount desired. And it can be a competitive or noncompetitive offer. A noncompetitive offer will be awarded at the average price of all awarded competitive bids.

The volume of each offer cannot be less than \$10,000, nor more than \$50,000 in the first auction. The ceiling on each large offer assures smaller companies of an opportunity to compete with larger ones.

SUCCESSFUL companies will be notified promptly through their regional Fannie Mae office, at which time they must pay the agency's fee. The new fee structure (1/2 per cent of funds committed for 3 months, 3/4 per cent for 6 months and 1 per cent for 12 months) plus the mandatory common stock purchase requirement (1/2 per cent on acceptance and another 1/2 per cent if mortgages are delivered) does not affect Fannie Mae's long-standing policy of paying 1/2 per cent to those who service FNMA-held mortgages.

## Bottle Misses Ship

The new Argentine freighter Santa Cruz slipped prematurely down the ways before Mrs. Juan Carlos Onganía could apply the traditional smack with a champagne bottle, in Buenos Aires.

The president's wife hoped aboard a launch and finished off the christening in the harbor.

## STRICTLY FRESH

The best indication that there's intelligent life elsewhere in the universe is that its representatives are by-passing earth exploration in these troublesome times.

Good salesmen usually make good fishermen. They instinctively know how to cast a line.

A snack for those who would lose weight: cold, mashed turnips.



Watching the neighbor's frau weeding the garden causes us to wonder: "Why do they call 'em slackers?"

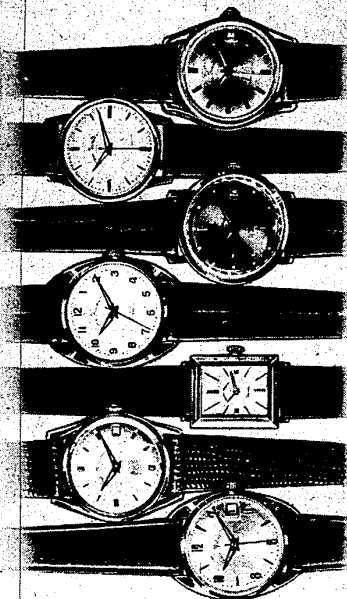
A rumor is like linoleum cement—easy to spread, but almost impossible to clean up.

Out of the mouths of babes comes some of the spiciest language, these days.

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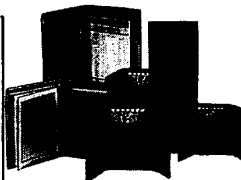
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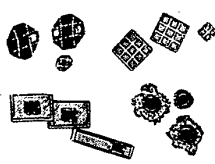
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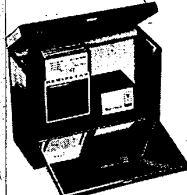
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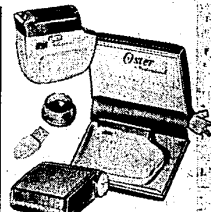
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