

THE SECONDARY MORTGAGE MARKET IN INDIANA

STUDY SHEET

Summary

Secondary market players such as Fannie Mae and Freddie Mac purchase loan packages from the primary mortgage market and package these loans into mortgage backed securities (MBSs). Shares in these MBSs are then sold to investors on the open market. This process allows lenders to continue to originate and fund consumer mortgage loans.

Top Takeaways

- Fannie Mae, Freddie Mac, and Ginnie Mae are the main players in the secondary mortgage market.
- Fannie Mae and Freddie Mac purchase conforming loans from lenders in the primary mortgage market.
- Ginnie Mae insures MBSs that contain loans insured or guaranteed by a U.S. government agency, such as the VA or FHA.
- The loan underwriting process makes sure that loans meet the criteria required by Fannie Mae and Freddie Mac, ensuring that lenders to sell the loans they originate on the secondary market.

Take a look back at your notes for these items:

- How the secondary market works with the primary market to ensure continued mortgage funding to consumers
- Steps in the secondary mortgage market process
- Roles and functions of Fannie Mae, Freddie Mac, and Ginnie Mae
- Basic Fannie Mae and Freddie Mac underwriting criteria
- Description and use of mortgage-backed-securities



Fannie



Freddie



Ginnie

