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Fannie, Freddie Fee Hike Could Entice Private Investors

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An Article Written By Kate Berry

"Private secondary market investors are starving for yield, and raising the g-fees to a level where they can compete would allow private capital to come back into the market," says Terry Wakefield, the chief executive of Wakefield Co., a Mequon, Wis., mortgage consulting firm.

Ron Haynie, president and chief executive of ICBA Mortgage, a subsidiary of the Independent Community Bankers of America...whose organization represents smaller banks, says that ending the discounts to the big banks will "better reflect risk" and allow community banks to remain competitive.

Mortgage consultant Wakefield agrees, arguing that the GSEs' old business model helped distort the market, by giving large banks a pricing advantage without taking into account the delinquency rates and default records at those lenders.

"G-fees should be based on loss experience, not volume," he says.