

## Freddie Mac to test new repurchase alternative in 2024

By [Bonnie Sinnock](#) November 16, 2023, 12:45 p.m. EST 1 Min Read

A large government-related investor in the mortgage market has confirmed it'll be experimenting with charging fees rather than asking for buybacks in situations where borrowers are still paying.

Freddie Mac will work with a chosen group of lenders to test charges for so-called "nonacceptable quality" or defect rates, according to a web page it has that lists pilot projects. Both Freddie and competitor Fannie Mae established pilot lists after calls for transparency.

Small lenders that "do not deliver a large enough volume to generate a statistically significant NAQ rate" would be exempt from the charges in the concept Freddie plans to start testing in early 2024.

Mortgages with long-term "life of loan" defects or that roll into a nonperforming status and stay there for three years would still be subject to repurchases.

Freddie and Freddie's regulator has acknowledged that the interest-rate environment has intensified lender concerns when they are forced to buy back a loan due to flaws, and it has been working on changing some policies to address the issue.

Officials from the two government-sponsored enterprises and their regulator said at the Mortgage Bankers Association's conference last month that repurchase numbers have fallen, but a recent report from a risk management consultancy says volume remains relatively high.

There will likely be around \$4.7 billion in total buybacks for 2023, according to Prieston & Associates' recent forecast, which is based on an analysis of Inside Mortgage Finance's numbers.

"Lenders are understandably frustrated as repurchases are coming at a difficult time when many are struggling to be profitable," the consultancy said in the report.