

Nonconforming Mortgage



What Does *Nonconforming Mortgage* Mean?

A mortgage that does not meet the guidelines of Government Sponsored Enterprises (GSE) such as Fannie Mae and Freddie Mac, and therefore cannot be sold to Fannie Mae or Freddie Mac. GSE guidelines consist of a maximum loan amount, suitable properties, down payment requirements and [credit](#) requirements, among other things.



Investopedia explains *Nonconforming Mortgage*

The percentage of annual mortgage originations that are conforming and nonconforming mortgages varies from year to year as [market conditions](#) change. Conforming mortgages are generally more traditional mortgages such as 30-year fixed rate mortgages. Negative amortization mortgages, for example, are nonconforming mortgages.

Fannie Mae - Federal National Mortgage Association – FNMA



What Does *Fannie Mae - Federal National Mortgage Association - FNMA* Mean?

A government-sponsored [enterprise](#) (GSE) that was created in 1938 to expand the flow of mortgage money by creating a secondary mortgage market. Fannie Mae is a publicly traded company which operates under a congressional charter that directs Fannie Mae to channel its efforts into increasing the availability and affordability of homeownership for low-, moderate-, and middle-income Americans.



Investopedia explains *Fannie Mae - Federal National Mortgage Association - FNMA*

Fannie Mae purchases and guarantees mortgages that meet its [funding](#) criteria. Through this process it secures mortgages to form mortgage-backed securities (MBS). The market for Fannie Mae's MBS is extremely large and liquid. Pension funds, insurance companies and foreign governments are among the investors in Fannie Mae's MBS. In order to promote homeownership, Fannie Mae also holds a large portfolio of its own and other institution's

MBSs, known as its retained portfolio. To fund this portfolio, Fannie Mae issues debt known in the market place as agency debt.

Fannie Mae's "little brother" is Freddie Mac. Together, Fannie Mae and Freddie Mac purchase or guarantee between 40% to 60% of all mortgages originated annually in the United States, depending upon [market conditions](#) and consumer trends.

Freddie Mac - Federal Home Loan Mortgage Corp – FHLMC



What Does *Freddie Mac - Federal Home Loan Mortgage Corp - FHLMC* Mean?

A stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle income Americans. The FHLMC purchases, guarantees and securitizes mortgages to form mortgage-backed securities. The mortgage-backed securities that it issues tend to be very liquid and carry a credit rating close to that of U.S. Treasuries.

Also known as "Freddie Mac".



Investopedia explains *Freddie Mac - Federal Home Loan Mortgage Corp - FHLMC*

Freddie Mac has come under criticism because its ties to the U.S. government allows it to borrow money at interest rates lower than those available to other financial institutions. With this funding advantage, it issues large amounts of debt (known in the market place as agency debt or agencies), and in turn purchases and holds a huge portfolio of mortgages known as its retained portfolio. Many people believe that the size of the retained portfolio poses a great deal of systematic risk to the entire U.S.