

Secondary Mortgage Market

Conventional financing assistance and loan programs are offered by private lenders, non-profit organizations, savings and loan institutions, credit unions, commercial banks, mortgage banking companies and state and local housing finance agencies. These lenders, the originators of loans, are also called primary lenders. By extension, the primary mortgage market is the place where loans originate and are issued directly to the homebuyer by primary lenders.

After issuing loans to homebuyers, primary lenders have the option to keep it in their portfolio or to sell it to the secondary mortgage market in order to replenish their funds and have more money available to issue new loans. The secondary mortgage market includes investors and financial companies, pension funds, housing GSEs ([Government Sponsored Enterprises](#)) and other financial agents.

The [Federal National Mortgage Association](#) (Fannie Mae) and the [Federal Home Loan Mortgage Corporation](#) (Freddie Mac) are the two GSEs that purchase loans from the primary lenders. Their purpose is to support homeownership. They replenish primary lenders' funds and support their financial activity so that lenders have money available for more mortgage loans. Fannie Mae and Freddie Mac do not lend money directly to homebuyers. Instead they fund several of the [affordable financing programs](#) in place in the mortgage market and publish a number of [educational materials](#) for the public, in some instances in other languages than English, to provide consumers with the necessary tools to become knowledgeable in the home-purchasing and home-owning process. The loans issued through their sponsorship are called conforming loans because the primary lender drafts the loan according to the secondary purchaser's terms. Their loans are designed to help people become homeowners in spite of the challenges they face, such as coming with a down payment or having credit problems.