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# **Stability Returning to Mortgage-Backed Securities Market - Annaly's Michael Farrell on REIT.com**



<http://www.reit.com> Speaking at REITWorld 2010: NAREIT's Annual Convention For All Things REIT in New York, Annaly Capital Management (NYSE: NLY) Chairman, President and Chief Executive Officer Michael Farrell says the government, specifically the Federal Reserve, has done a solid job in stabilizing the mortgage-backed securities market.

"The bigger issues are about the intervention and modifications of loans and cash flows behind it that are more policy based from a legislative point of view," Farrell says. "I think that is all ending and that is good and healthy and allows you to analyze the cash flows from a cleaner perspective."

Despite strides already made, there continue to be hurdles left for the government to scale, Farrell says.

"They are really trying to get out of the government-guarantee business, which we don't think they are going to be able to do," Farrell says, adding that 95 percent of all the mortgages that are originated in the United States have some sort of government guarantee behind them. "The new Congress is going to be faced with making these decisions, and we think it is going to be a long, extended game plan."

The rise in the delinquency rate of commercial real estate loans has shown signs of slowing, and is showing signs of what happened in the residential market five years ago, Farrell says.

"We think it is similar in that people are mistaking liquidity for loan performance," Farrell says. "The fundamentals underneath the commercial real estate market are still very poor, but they are being allowed to amend and pretend and extend the balances going forward and refinance the loans."

Farrell adds that you can not get clarity in those cash flows until you see the unemployment rate start to stabilize and then go down. Jobs are really what the answer is to the fundamentals problem, he says.

Duration : **0:2:15**

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