

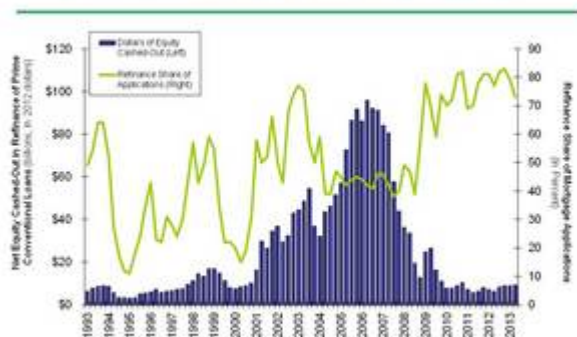


## Refinance Cash-Out Share Increases; Remains Low Historically

August 13, 2013

**Borrowers Will Save on Net Approximately \$6 Billion in Interest Annually**

Borrowers Cash-Out About \$9 Billion When Refinancing



Source: Freddie Mac, Survey of Loan Statistics (Consumer Price Index) Second Quarter 2013. Equity cash-out adjusted for inflation.

MCLEAN, VA--(Marketwired - Aug 13, 2013) - [Freddie Mac](#) (OTCQB: FMCC) today released the results of its second quarter 2013 quarterly refinance analysis, showing that borrowers are continuing to take advantage of near record low mortgage rates to lower their monthly payments, shorten their loan terms and overwhelmingly choosing the safety of long-term fixed-rate mortgages. Borrowers who refinanced in the second quarter of 2013 will save on net approximately \$6 billion in interest over the next 12 months.

### News Facts

- The net dollars of home equity converted to cash as part of a refinance remained low compared to historical volumes. In the second quarter, an estimated [\\$9.5 billion](#) in net home equity of conventional prime-credit home mortgages was cashed out during a refinance. The peak in cash-out refinance volume was \$84 billion during the second quarter of 2006. Adjusted for inflation, annual cash-out volumes during 2010 through 2012 have been the smallest since 1997.
- Of borrowers who refinanced during the second quarter of 2013, [31 percent](#) shortened their loan term (up 3 percent from the previous quarter), while 65 percent of borrowers kept the same term as the loan that they had paid off; 4 percent chose to lengthen their loan term. Likewise, [85 percent](#) of those who refinanced their first-lien home mortgage maintained about the same loan amount or lowered their principal balance by paying in additional money at the closing table. That's just shy of the 88 percent peak during the second quarter of 2012.
- More than 95 percent of refinancing borrowers chose a fixed-rate loan. Fixed-rate loans were preferred regardless of what the original loan product had been. For example, 79 percent of borrowers who had a hybrid ARM refinanced into a fixed-rate loan during the second quarter. In contrast, only 2 percent of borrowers who had a fixed-rate loan chose an ARM.
- For the individual borrower, the average interest rate reduction was about 1.9 percentage points -- a savings of about 35 percent. On a \$200,000 loan, that translates into saving about \$3,700 in interest during the next 12 months.
- Homeowners who refinanced through HARP during the second quarter of 2013 will save an average of \$4,300 in interest during the first 12 months, or about \$358 every month.

### Quotes

Attributed to Frank Nothaft, Freddie Mac vice president and chief economist:

"Borrowers' refinance characteristics remained fairly consistent with the previous quarter. The cash-out amount, while increasing, continues to remain low by historical standards. And with mortgage rates still near their historic lows, over 30 percent of refinancing borrowers chose to shorten their loan

term. On net, borrowers will save approximately \$6 billion in interest over the next 12 months, which they can put towards savings, paying down debt or supporting additional expenditures. Further, the estimated \$9.5 billion in 'cash-out' activity will further augment borrowers' investment and consumption spending."

#### **About the Quarterly Refinance Report**

These estimates come from a sample of properties on which Freddie Mac has funded two successive conventional, first-mortgage loans, and the latest loan is for refinance rather than for purchase. The analysis does not track the use of funds made available from these refinances. The analysis also does not track loans paid off in entirety, with no new loan placed. Some loan products, such as 1-year ARMs and balloons, are based on a small number of transactions. During the first quarter of 2013, the refinance share of applications averaged 79 percent in Freddie Mac's monthly refinance survey, and the ARM share of applications was 5 percent in Freddie Mac's monthly ARM survey, which includes purchase-money as well as refinance applications.

With the report for the first quarter of 2013, the calculation of the principal balance at payoff of the previous loan has been modified. Previously, the payoff balance was calculated as the amount due based on the loan's amortization schedule, and "cash-in" was defined as a new loan amount that was less than the scheduled amortization amount. Data for 1994 to current have been recalculated using the actual payoff amount of the old loan, with an allowance for rounding down the principal at refinance; thus, from 1994 to present, "cash-in" is defined as a new loan amount that is at least \$1,000 less than the payoff principal balance of the old loan. Data are presented under both methods for 1994 for comparison purposes.

- [Second Quarter 2013 Refinance Statistics](#)

Freddie Mac was established by Congress in 1970 to provide liquidity, stability and affordability to the nation's residential mortgage markets. Freddie Mac supports communities across the nation by providing mortgage capital to lenders. Today Freddie Mac is making home possible for one in four home borrowers and is one of the largest sources of financing for multifamily housing. For more information please visit [www.FreddieMac.com](http://www.FreddieMac.com) and Twitter: [@FreddieMac](https://twitter.com/FreddieMac).

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