



Freddie Mac February 2018 Outlook

February 27, 2018

Will the New Tax Bill Dampen the Industry?

MCLEAN, VA -- (Marketwired) -- 02/27/18 -- [Freddie Mac](#) (OTCQB: FMCC) today released its monthly [Outlook](#) for February, which discusses the steady increase in mortgage rates during the first eight weeks of 2018 and the effect of the Tax Cuts and Jobs Act of 2017 on the housing industry. It also looks at refinance statistics from 2017.

Outlook Highlights

- Little has changed in our forecast for 2018 from last month, however, we now expect the 30-year fixed mortgage rate to average 4.6 percent for 2018, up from 4.5 percent in our January Outlook.
- Our analysis confirms that the direct impact of the Tax Cuts and Jobs Act of 2017 will be limited in terms of national house prices. Certain markets with higher average incomes (and thus more households likely to itemize deductions) and property tax rates may see larger direct impacts on house prices ranging as high as around two percentage points. But the largest effect will come through higher mortgage rates, which impacts all households.
- Adjusted for inflation in 2017 dollars, in the fourth quarter, an estimated \$14.8 billion in net home equity was cashed out during the refinance of conventional prime-credit home mortgages, down from \$19.0 billion a year earlier and substantially less than the peak cash-out refinance volume of \$102.3 billion during the second quarter of 2006.

Quote: Attributed to Len Kiefer, Deputy Chief Economist, Freddie Mac.

"While existing home sales may struggle to top their best-in-over-a-decade 2017 performance, new home sales should provide enough growth to push total home sales in the U.S. modestly higher in 2018. Housing construction continues to lag demand by a wide margin, so we expect to see housing starts grind higher in 2018. House prices have also been accelerating. The most recent release of the Freddie Mac House Price Index shows U.S. house prices increased 7.1 percent from December 2016 to December 2017. With construction ramping up slowly to meet demand, house prices should continue to increase, though the pace of growth may moderate as higher interest rates pinch affordability and the tax bill shifts the balance between buy and rent."

Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders and taxpayers. Learn more at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

MEDIA CONTACT:

Chad Wandler

703-903-2446

Chad_Wandler@FreddieMac.com

Source: Freddie Mac