



Freddie Mac January 2017 Outlook

January 30, 2017

Grappling with Uncertainty

MCLEAN, VA--(Marketwired - Jan 30, 2017) - [Freddie Mac](#) (OTCQB: FMCC) released today its monthly [Outlook](#) for January 2017 with a look at the uncertainty that weighs on the housing market after the best year in a decade.

Outlook Highlights

- After the U.S. presidential election, expectations about economic policy have shifted, particularly expectations about fiscal policy. While we still do not know all the parameters of the fiscal policy changes, the assumption is that an expansionary policy will boost both growth and inflation over the next two years and that corporate tax reform will increase long-run potential economic growth by about two-tenths of a percentage point.
- The new administration's tax proposals include increasing the standard deduction and flattening marginal personal income tax rates. Increasing the standard deduction will reduce the number of households who find it advantageous to itemize deductions. This will reduce the incentive for homeownership coming from the mortgage interest deduction.
- The recent appreciation of the dollar has made U.S. real estate more expensive to many international buyers. It remains to be seen if foreign buyers will still seek to invest in U.S. real estate if the dollar trend continues in the future.
- Expect mortgage rates to rise throughout 2017, dampening housing and mortgage market activity. With rising interest rates, we expect mortgage origination volumes to decline in 2017 relative to 2016 and origination volume to stabilize at a lower level in 2018.
- Due to housing price appreciation, home equity in the U.S. has increased to about \$13.0 trillion through the third quarter of 2016, rising from about \$7.0 trillion in the second quarter of 2011.

Quote: Attributed to Sean Beckett, Chief Economist, Freddie Mac.

"The U.S. economy is now in its eighth year of expansion and the housing market is coming off its best year in a decade. Prospects remain good for future growth. However, uncertainty weighs on our outlook for 2017 and 2018. We must grapple with uncertainty about fiscal policy, foreign investments in U.S. real estate, and the size of the mortgage market. Among the many uncertainties we highlighted, however, a smaller mortgage market in 2017 than 2016 seems most certain."

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 the largest source of financing for multifamily housing. Additional information is available at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

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