Freddie Mac June 2016 Outlook

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MCLEAN, VA--(Marketwired - Jun 27, 2016) - Freddie Mac (OTCQB: FMCC) released today its monthly Outlook for June showing that low mortgage rates are helping to keeping housing on track despite rapidly rising house prices. It also looks at current projections of homeownership rates in the years to come from among various experts, as well as the latest results on refinance statistics from current homeowners. So far, homeowners aren't using cash-out refinances to overleverage themselves.

Outlook Highlights

- Given recent data around Gross Domestic Product, expect growth rebound in the remaining quarters of 2016 to be at 1.9 and 2.3 percent in 2016 and 2017, respectively.
- Regardless of May's disappointing employment report, expect unemployment to average 4.9 percent in 2016 and 4.8 percent in 2017.
- The house price appreciation forecast for 2016 has increased by 20 basis points to 5.0 percent, and in 2017 by 40 basis points to 4.0 percent.
- During the first quarter of this year an estimated $10.9 billion net of home equity were converted to cash during the refinance of conventional prime-credit home mortgages, down from $11.0 billion in the fourth quarter of 2015 and substantially less than during the peak cash-out refinance volume of $84.0 billion during the second quarter of 2006.
- Lastly, while there are wide variations in plausible scenarios around the future of the homeownership rate, they require many uncertain parameters, which makes it difficult to say with much confidence how the homeownership rate will evolve. This Outlook looks at these projections and sets the stage for further Freddie Mac analysis in the months to come.

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

"In this month's Outlook, we review recent economic developments and their impact on our projections for the remainder of 2016 and all of 2017. We then shift our focus to the future of the homeownership rate and finally, we highlight recent trends in refinancing.

"Despite the increase in cash-out refinances in the recent quarters, there is little risk of overleveraging in the conventional conforming prime market. The median loan-to-value ratio for all prime conventional cash-out refinances was 69 percent in the first quarter of 2016. For comparison, it was 74 percent in 2000, 73 percent in 2001, and 71 percent in 2002. As we mentioned in last month's Insight increased leverage -- including greater utilization of cash-out refinancing -- is an important trend to monitor. The latest quarterly data show no worrisome cash-out trends."

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.