



Freddie Mac February 2016 Insight & Outlook

February 29, 2016

MCLEAN, VA--(Marketwired - Feb 29, 2016) - [Freddie Mac](#) (OTCQB: FMCC) released today its monthly [Insight & Outlook](#) for February. This month's Insight examines how much borrower education and counseling benefits homebuyers. And the Outlook looks at how tepid real growth and a strengthening U.S. dollar will continue to restrain yields going forward resulting in lowered projections of both Treasury yields and mortgage rates. The Outlook also contains 2015 fourth quarter refinance statistics.

Insight Highlights

- Data on 40,000 participants in Freddie Mac's Affordable Gold Loans program indicated that borrowers who received classroom and home study counseling had reductions in their subsequent rates of serious delinquency of 26 percent and 21 percent, respectively.
- The same data showed that borrowers who received individual counseling averaged a 34 percent reduction in their rate of serious delinquency.
- The Federal Reserve Bank of Philadelphia's five-year [study pdf](#) supports Freddie Mac's belief in the benefits of pre-purchase homeownership counseling.
- Furthermore, the experimental design employed by the Philadelphia Fed addresses some of the challenges faced by non-experimental studies and increases confidence in earlier research that documented the benefits of both homeownership education and counseling.

Outlook Highlights

- Expect the 30-year mortgage rate to average 4.1 percent in 2016 and 4.8 percent in 2017.
- The combination of low mortgage rates and increases in home equity will incent some additional refinances in 2016. As a result, the company is raising its 2016 refinance projection share of originations to 40 percent.
- Freddie Mac's share of cash-out borrowers, defined as those who increased their loan balance by at least 5 percent, increased 4 percentage points to 43 percent in the fourth quarter.
- Borrowers cut their mortgage rate by 110 basis points on average, or a 23 percent rate-reduction -- in the fourth quarter. This rate reduction is high by historical standards; the average reduction is 13 percent.
- More than 95 percent of refinancing borrowers chose a fixed-rate loan. Fixed-rate loans were preferred regardless of the type of the original loan. For example, 83 percent of borrowers with hybrid ARMs chose fixed-rate loans in the fourth quarter. Only 17 percent chose to refinance into another hybrid ARM.

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

"Freddie Mac believes objective, unbiased homebuyer education and counseling can improve the ability of borrowers to make prudent homeownership and home financing choices. The benefit is likely to be greatest for first-time homebuyers, and, as a result, Freddie Mac requires financial literacy education for first-time homebuyers who take advantage of Freddie Mac's low-down-payment program, Home Possible Advantage.

"Housing was one of the few bright spots in the economy last year, and we expect continued improvement in 2016. The imbalance between demand for housing and the supply of both houses and apartments has supported rapid growth in both house prices and rents. The gap between demand and supply will not be closed any time soon, thus we project continued house price appreciation in 2016."

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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in our reports filed with the SEC.