



Freddie Mac December 2015 Insight & Outlook

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MCLEAN, VA--(Marketwired - Dec 22, 2015) - [Freddie Mac](#) (OTCQB: FMCC) released today its monthly [Insight & Outlook](#) for December. This month's Insight examines the nascent but quickly-growing world of marketplace lending, while the Outlook reviews the likely impact on the housing market in 2016 of the Federal Reserve's long-awaited decision to raise short-term interest rates. A video preview, along with the complete monthly Insight & Outlook commentary is available [here](#).

Insight Highlights

- The rapid growth of marketplace lending combined with its emphasis on Internet outreach and its novel underwriting practices have generated dramatic predictions of its future.
- PricewaterhouseCoopers LLP estimates that Peer-to-Peer originations totaled approximately \$5.5 billion in 2014. They project the market could reach \$150 billion by 2025.
- Unsecured consumer lending represents the dominant form of marketplace lending, followed by loans to small and medium businesses, and student loan refinances
- Morgan Stanley estimates marketplace mortgage lending could total \$14 billion by 2020, but this would still represent less than one percent of industry originations.

Outlook Highlights

- Expect the 30-year fixed-rate mortgage to average below 4.5 percent for 2016 on an annualized basis.
- Gradually higher mortgage interest rates will present an affordability challenge, but expect a strengthening labor market and pent-up demand to carry 2015's home sales momentum into 2016.
- Expect house price growth to moderate a bit to 4.4 percent in 2016 driven in part by the reduction in homebuyer affordability and reduced demand as a result of Fed tightening.
- Housing activity will grow in 2016 despite monetary tightening. Expect total housing starts to increase 16 percent year-over-year and total home sales to increase 3 percent.
- While home purchases will increase next year, higher interest rates will reduce the refinance volume pushing overall mortgage originations lower in 2016 than in 2015.

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

"It's too soon to tell whether marketplace lending is the next Uber or just another flash in the pan. The current generation of marketplace lenders all may fail in the next economic downturn. Regulators may impose higher standards on marketplace lenders. The cost advantages of marketplace lending may not extend to mortgage lending. But innovation is difficult to stop. New startups will look for ways to improve upon current marketplace lending business models. Large bank lenders may incorporate the most successful of the marketplace lending innovations. It's difficult to say where all this will lead, but one prediction is indisputable. Expect change."

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. Additional information is available at [FreddieMac.com](#), Twitter [@FreddieMac](#) and Freddie Mac's blog [FreddieMac.com/blog](#).

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