



## Freddie Mac November 2015 Insight & Outlook

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MCLEAN, VA--(Marketwired - Nov 23, 2015) - [Freddie Mac](#) (OTCQB: FMCC) released today its monthly [Insight & Outlook](#) for November. This month's Insight examines the changes in mortgage servicing and discusses some of the factors that produced them since the housing crisis. And the Outlook looks at the highly influential role the 55+ age cohort plays in today's housing market. A video preview, along with the complete monthly Insight & Outlook commentary is available [here](#).

### Insight Highlights

Several factors account for the changes playing out in the mortgage servicing industry:

- Regulatory and counterparty oversight of servicing has increased;
- Post-crisis changes in servicing practices have significantly increased the cost to service, particularly for nonperforming loans;
- The cost of holding mortgage servicing rights (MSR) as an asset has become more expensive in the wake of new capital rules and increased regulatory scrutiny.
- Between 2008 and 2013, the average [cost to service a performing loan pdf](#) increased 2.6 times. Over the same period, the cost to service a nonperforming loan increased 4.9 times.

### Outlook Highlights

- Baby boomers appear to be staying in the family home longer than previous generations and the imbalance between housing demand and supply continues to boost prices.
- Expect house price appreciation to average 5.4 percent in 2015 and to moderate a bit to 4.3 percent in 2016, still well above long-run house price growth.
- According to estimates by the Urban Institute, households aged 55 plus will account for more than all of the growth in households over the decade spanning 2010 to 2020.
- Householders aged 55 plus will grow by between 12.4 and 12.9 million over this period, households headed by those aged 54 and younger will shrink in number by between 0.4 and 1.7 million over the same period.
- This age group holds the keys to an outsized share of the nation's housing stock and housing wealth. According to the 2013 Survey of Consumer Finances, households aged 55+ accounted for 42 percent of all households, but held two-thirds of all home equity.

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

"Prior to the housing crisis and Great Recession, mortgage servicing had followed a decades-long trend of consolidation. In 2001, the top five servicers handled 37 percent of all servicing. By 2009, the market share of the top five had grown to 59 percent. But during the recession, this trend reversed, and by the second quarter of 2015 the share of the top five servicers shrank to 40 percent. In many ways, today's market resembles the 1980's where smaller servicers and nonbank servicers held a higher share before the industry started to consolidate. Housing finance is still evolving, and mortgage servicing is likely to continue to change along with it. It's too soon to say if recent trends will persist or be reversed."

"Demographics drive the housing market. The press overflows with questions about Millennials -- when will they form households and buy homes? The housing choices of the Millennials matter greatly, but just as impactful are the choices that will be made by the older generation, those who are 55 and older. The housing decisions of the 55+ age group will play a significant role in shaping the future housing and mortgage markets over the next decade. They control the supply and they hold the vast majority of the home equity, some \$8 trillion in total."

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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