



Freddie Mac July 2015 U.S. Housing Market Insight & Outlook

July 23, 2015

Low Down Payments: It Is Different This Time

MCLEAN, VA--(Marketwired - Jul 22, 2015) - [Freddie Mac](#) (OTCQB: FMCC) released today its U.S. Housing Market Insight & [Outlook](#) for July, showing how low down payment initiatives are different this time in extending the opportunity for homeownership to qualified borrowers who might otherwise be locked out. A video preview, along with the complete July 2015 U.S. Housing Market Insight & Outlook is available [here](#).

Insight Highlights

- Pre-crisis low down payment underwriting allowed layered risk, that is, the combination of multiple features that amplified credit risk.
- Post-crisis low down payment underwriting controls credit risk by requiring features that reduce risk, such as fixed payments, borrower-based underwriting, reliable appraisals and more.
- Borrower irrational exuberance has been replaced by realistic expectations, so even some consumers who could qualify for a mortgage are choosing to rent, at least for a while longer.

Outlook Highlights

- Expect housing starts to increase 14 percent and single-family mortgage originations to increase 8 percent for 2015.
- Upward revision of the first quarter GDP brings Real GDP projections for 2015 to 2.2 percent, up from 2.0 percent last month.
- Revised down the house price forecast to 4.4 percent in 2015 but expect solid house growth to persist longer so increased the forecast for 2016 to 3.9 percent up from 3.5 percent in last month's forecast.

Quote

Attributed to Sean Beckett, Chief Economist, Freddie Mac.

"By lowering down payments, programs like Home Possible Advantage extend the opportunity for home ownership to qualified borrowers who might otherwise be locked out. Previous research has found that reduced down payments can increase the relative probability of homeownership among some groups by over 25 percent. As long as the underwriting process bars the return of the layered risks prevalent in the pre-crisis era, lower down payments are not a cause for concern. Home Possible Advantage strikes the right balance -- increasing affordability while incorporating the best practices of post-crisis underwriting."

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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