



Freddie Mac May 2015 U.S. Economic and Housing Market Outlook

May 20, 2015

Can Housing Handle Higher Mortgage Rates?

MCLEAN, VA--(Marketwired - May 19, 2015) - [Freddie Mac](#) (OTCQB: FMCC) released today its U.S. Economic and Housing Market Outlook for May, showing that while low mortgage rates helped to keep homebuyer affordability high in the first quarter of this year, housing markets are likely to see increasing interest rate volatility for the remainder of the year as market participants try to anticipate the Federal Reserve's timing around rising short term interest rates. A video preview, along with the complete May 2015 U.S. Economic and Housing Market Outlook and forecast table, is available [here](#).

Outlook Highlights

- Due to weak first quarter data, revising down the forecast for economic growth for 2015 from 2.6 to 2.3 percent.
- With tight for-sale inventories, house price growth continues to beat expectations. Expect 2015 house price growth to be 4.5 percent, revised up from 4.0 percent last month.
- Due to strong refinance activity through the first four months of the year, the forecast for 2015 mortgage originations has been revised up to \$1,350 billion.
- Due to low mortgage rates and strong refinance volume, the forecast for the refinance share of originations in 2015 has been boosted to 43 percent.

Quote

Attributed to Len Kiefer, Deputy Chief Economist, Freddie Mac.

"While the comparison of the 2013 Taper Talk to the recent jump in rates over the past few weeks is striking in their timing and movement, not all economic conditions are the same. The labor market has added 5 million additional jobs, the unemployment rate is significantly lower and housing markets are generally in much better condition than two years ago. For the remainder of this year, we're likely to continue to see these mortgage rate swings as market participants try to anticipate Fed timing around rising short term interest rates. Unfortunately, perspective homebuyers may experience bouts of affordability shock in many housing markets. So far it's been low mortgage rates that have helped to keep homebuyer affordability strong in the face of rising house prices, while income growth remains stagnant."

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](#).

The financial and other information contained in the documents that may be accessed on this page speaks only as of the date of those documents. The information could be out of date and no longer accurate. Freddie Mac does not undertake an obligation, and disclaims any duty, to update any of the information in those documents. Freddie Mac's future performance, including financial performance, is subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect the company's future results are discussed more fully in our reports filed with the SEC.