Borrowers Who Refinanced in 2014 Saving Approximately $5 Billion in Interest Payments

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MCLEAN, VA--(Marketwired - Feb 4, 2015) - Freddie Mac (OTCQB: FMCC) today released the results of its fourth quarter 2014 quarterly refinance analysis, showing that borrowers are continuing to take advantage of near record low mortgage rates to lower their monthly payments, shorten their loan terms and overwhelmingly choosing the safety of long-term fixed-rate mortgages as they closed out the year. Borrowers who refinanced in 2014 will save on net approximately $5 billion in interest over the next 12 months. This release of the report also contains annual statistics on refinances for the 22 largest metropolitan areas and four Census regions of the U.S.

News Facts

- The net dollars of home equity converted to cash as part of a refinance remained low compared to historical volumes. In the fourth quarter, an estimated $6.7 billion in net home equity was cashed out during a refinance of conventional prime-credit home mortgages, down from a revised $7.6 billion the previous quarter. For the full year, an estimated $24 billion in net home equity was cashed out, down from $28.6 billion in 2013. The peak in cash-out refinance volume was $84 billion during the second quarter of 2006, with an annual volume of $320.6 billion. Adjusted for inflation, annual cash-out volumes during 2010 through 2014 have been the smallest since 1997**.**

- Of borrowers who refinanced during the fourth quarter of 2014, 34 percent shortened their loan term, down from 35 percent from the previous quarter. Further, 35 percent of those who refinanced outside of HARP took out a shorter-term loan, while 33 percent of HARP borrowers shortened their term. Borrowers who kept the same term as the loan that they had paid off represented 60 percent and only 6 percent chose to lengthen their loan term.

- The average interest rate reduction in the fourth quarter was about 1.3 percentage points -- a savings of about 23 percent. On a $200,000 loan, that translates into saving about $2,500 in interest during the next 12 months. Homeowners who refinanced through HARP during the fourth quarter of 2014 benefited from an average rate reduction of 1.6 percentage points and will save an average of $3,300 in interest during the first 12 months or about $275 every month.

- About 71 percent of those who refinanced their first-lien home mortgage maintained about the same loan amount or lowered their principal balance by paying in additional money at the closing table. That's shy of the 88 percent peak during the second quarter of 2012.

- More than 95 percent of refinancing borrowers chose a fixed-rate loan. Fixed-rate loans were preferred regardless of what the original loan product had been. For example, 67 percent of borrowers who had a hybrid ARM refinanced into a fixed-rate loan during the fourth quarter. In contrast, only 4 percent of borrowers who had a fixed-rate loan chose an ARM.

- For all other (non-HARP) refinances during the fourth quarter, the median property value was up 5 percent between the dates of placement of the old loan and the new refinance loan. The prior loan had a median age of 5.8 years and 35 percent of borrowers shortened their loan term.

- In metro areas where house price declines were more severe, the share of "cash-out" borrowers was smaller. Median house values on refinance loans have declined in eleven of the 22 large metro areas included in the report, with the sharpest declines in Detroit and Tampa. Of the 22 areas, San Francisco and Houston were the metro areas where median house prices increased the most.

Quotes
Attributed to Len Kiefer, Freddie Mac deputy chief economist:

"Our latest refinance report shows the refinance boom continued to wind down as the pool of potential borrowers declined over the course of 2014. However, because mortgage rates fell in the fourth quarter of last year, we actually saw the share of refinance originations tick up a bit despite volumes being down, a similar trend we expect to see for the first quarter of 2015 as mortgage rates have moved even lower. Lower mortgage rates, coupled with greater house prices appreciation last year, also brought about a larger share of borrowers cashing out home equity at the time of refinance. However, while the percentage is up, the total dollar amount declined by nearly $1 billion from the third quarter of 2014, and nearly $4.6 billion from the fourth quarter 2013."

About the Quarterly Refinance Report
These estimates come from a sample of properties on which Freddie Mac has funded two successive conventional, first-mortgage loans, and the latest loan is for refinance rather than for purchase. The analysis does not track the use of funds made available from these refinances. The analysis also does not track loans paid off in entirety, with no new loan placed. Some loan products, such as 1-year ARMs and balloons, are based on a small number of transactions.

With the report for the first quarter of 2013, the calculation of the principal balance at payoff of the previous loan has been modified. Previously, the payoff balance was calculated as the amount due based on the loan's amortization schedule, and "cash-in" was defined as a new loan amount that was less than the scheduled amortization amount. Data for 1994 to current have been recalculated using the actual payoff amount of the old loan, with an allowance for rounding down the principal at refinance; thus, from 1994 to present, "cash-in" is defined as a new loan amount that is at least $1,000 less than the payoff principal balance of the old loan. Data are presented under both methods for 1994 for comparison purposes.

- **Fourth Quarter & Full Year 2014 Refinance Statistics**

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.