

Expanding Homeownership

- Although fluctuating, mortgage rates remain historically low
- Home sales are on track for the best year since 2007
- Home values are stabilizing and rising in many markets
- Improving house prices should increase the “For Sale” housing supply
- Millennials and minority groups poised to buy

Market drivers influence purchase patterns



Recent Past (2005 – 2007)

- Consumers anxious to become homeowners to catch the appreciation wave
- Minimal savings required for down payment
- Homeownership viewed as a short-term investment (Market Created Equity)
- Equity used as an ATM for other purposes beyond homeownership
- Consumers took advantage of exotic low initial payment mortgages

Today (2016)

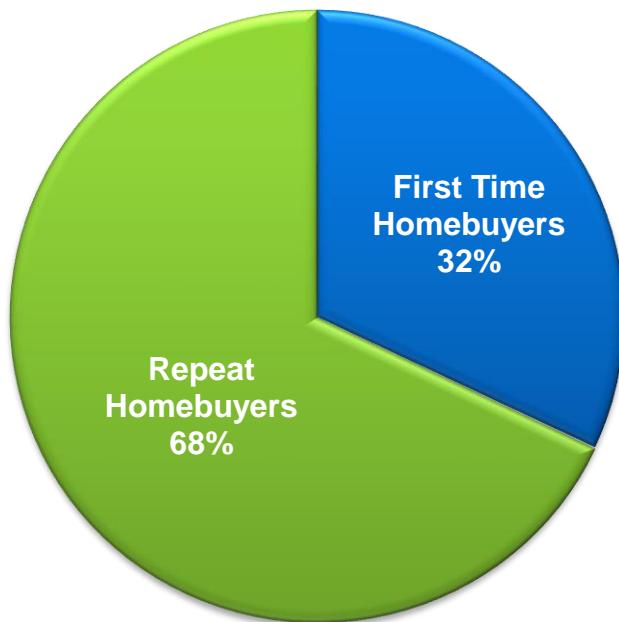
- A decrease in home inventory and tightened credit standards have suppressed the level of FTHB
- Savings now required for down payment and closing costs (3%-20%)
- Over 80% of Millennials and Gen-Xers view homeownership as a good financial investment
- Mortgage application and approval process more difficult than borrowers expect
- Rising rents making homeownership more attractive
- Consumer demographics changing

Summary

- Despite the housing downturn, the value proposition of homeownership as a good financial investment has returned.
- Tighter credit standards driving the need for FTHB education on qualifying for mortgage loans and the approval process.

Given these changes, how do we attract, prepare, and serve well-qualified homebuyers going forward?

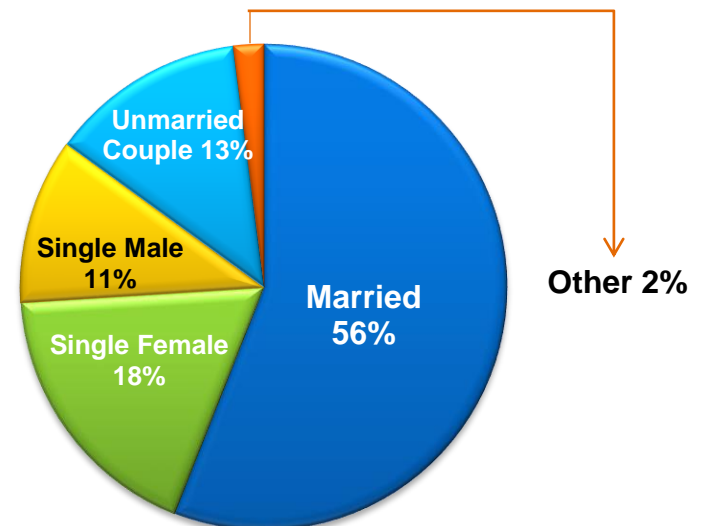
2015 Homebuyers



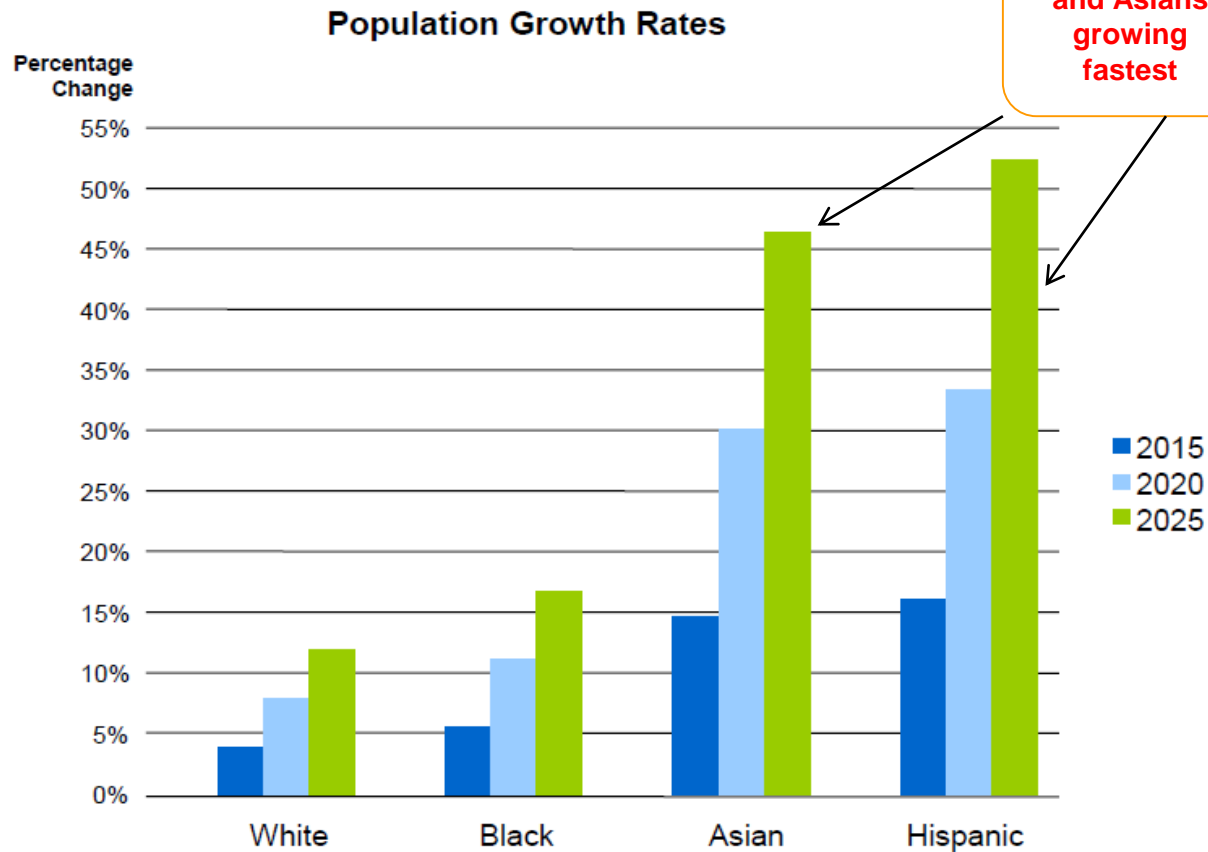
Source: National Association of Realtors
2015 Profile of Home Buyers and Sellers

2015 First-Time Homebuyer Demographics

- Share slipped 32% in 2015 – Well below the historical norm of 40%
- Median age – 31; Median income - \$69,400
- Down payment sources – 81% savings; 27% gifts from friends or relatives
- 34% used FHA loans, 9% used VA
- Typical FTHB home: 1,620 sq. ft., cost - \$170,000
- FTHBs plan to stay in homes for 10 years



Tomorrow's First Time Homebuyers 2015 - 2025



Source – U.S. Census –

Population growth rates are highest for Hispanics and Asians

Hispanic Homebuyers

Expected to account for five million of the nation's 12.4 million new households between 2015 and 2025

- Strong enthusiasm for homeownership
- Top barrier to homeownership in the current market is access to credit
- More likely than non-Hispanics to have multi-generational households
- Tend to make small down payments (5% or less)
- Many lack accurate information about the home buying process (i.e. 10-20% down payment no longer required; approvals with mid-range FICOs)
- Account for more than one in five Millennials

Asian Homebuyers

Expected to account for 2.2 million of the nation's 12.4 million new households between 2015 and 2025

- Higher educational levels (49% have a college degree as compared to 28% for all U.S. adults)
- Greater annual household income and median household wealth vs. all U.S. adults
- Younger buyers will solicit help from their elders. Multiple generations in the house
- Many buyers have all cash and those who finance tend to have surprisingly large down payments
- Language is primary barrier to home ownership. Roughly 90% speak a language other than English at home
- Account for one in 20 Millennials

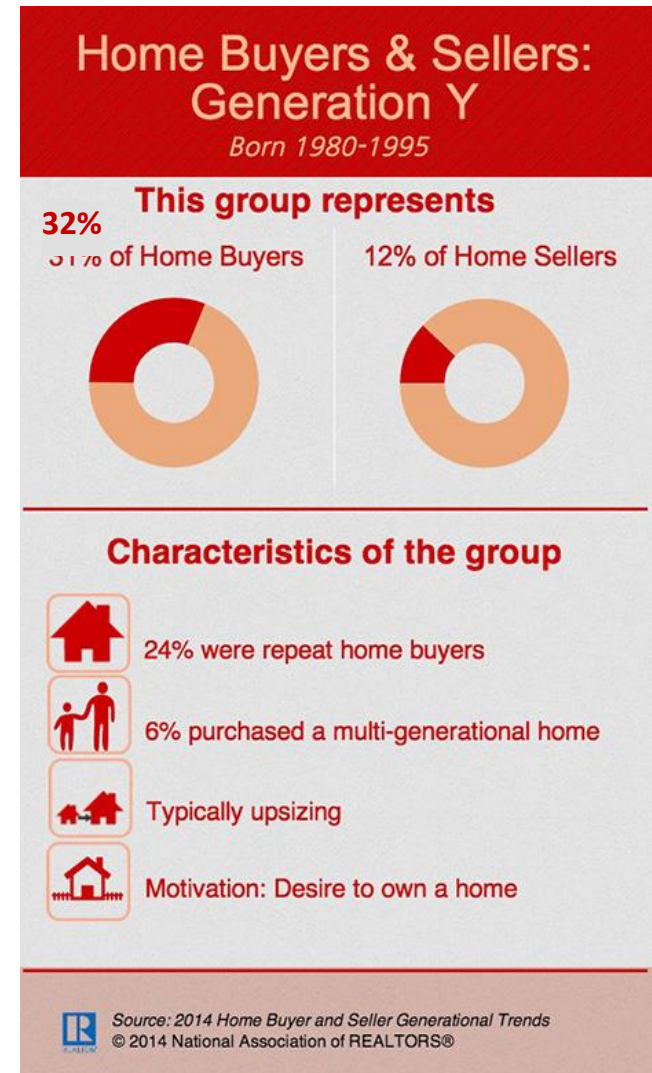
The Millennials are coming

Millennials (18-34 years) ...

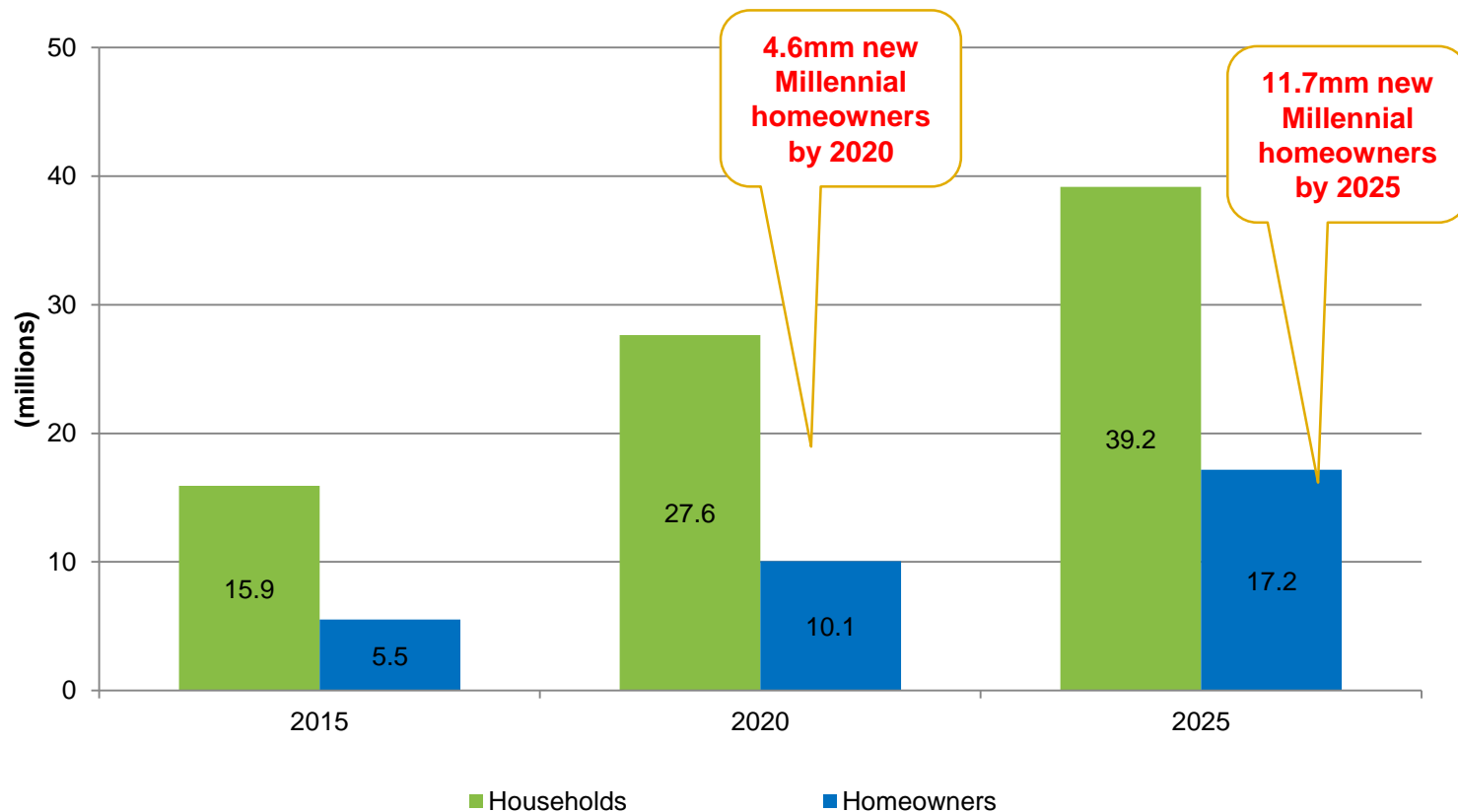
- Comprise the largest share of recent homebuyers at 32%.
- Over 80% consider their home purchase a good financial investment.
- Face numerous obstacles including underemployment, student debts, and rising rents
- Use the Internet to search for houses but turn to a realtor to complete the purchase.
- 97% who purchased a home in the past year financed it. Median down payment – 7%

A recent report by the Joint Center for Housing Studies of Harvard University found that “the number of households in their 30s should increase by 2.7 million over the coming decade, which should boost the demand for new housing.”

Source: National Association of Realtors, “2015 Home Buyer and Seller Generational Trends”
Joint center for Housing Studies of Harvard University, “State of the Nation’s Housing 2014”



Growth in Millennial Households and Homeowners



Sources: JCHS of Harvard University – chart depicts middle projection (interpolated):
<http://www.jchs.harvard.edu/research/publications/baseline-household-projections-next-decade-and-beyond> ; Collingwood Group.

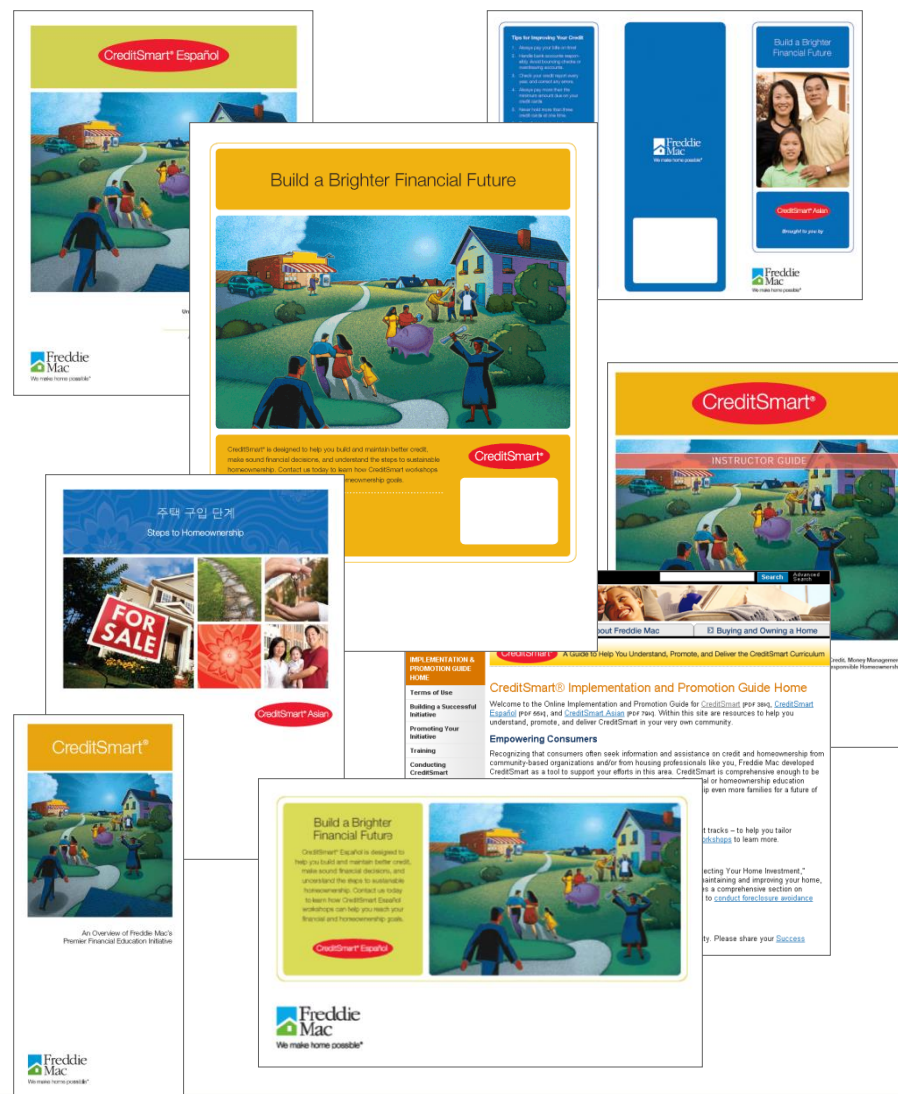
Freddie Mac provides HFAs with a source of liquidity and supports their service to low and moderate income borrowers. We:

- Launched **HFA Advantage mortgage**, our enhanced product for housing finance agencies, which include:
 - » 97% LTV and 105% TLTV
 - » HFA income limits in lieu of Home Possible Area Median Income limits
 - » Credit enhancement options including charter-level mortgage insurance coverage
- **Engage with master servicers** who have relationships with smaller state and local HFAs
- Provide a **comprehensive program for housing finance agencies** that includes a white-glove onboarding process, training and support, and market-competitive pricing

- Ideal for borrowers with limited funds for down payment and closing costs, and those needing extra flexibilities on credit and income sources.
- Reach more potential homeowners through HFA programs that:
 - » Provide low down payment options
 - » Support down payment assistance programs
 - » Offer preferential pricing
- Majority of HFAs provide “true grant” funds as part of their down payment assistance programs.

- Financial education curriculum designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to sustainable homeownership
 - » 12 financial education modules
 - » Available in multiple languages
 - » Use CreditSmart workshops to gain entry to realtor shops
 - » Counts for CRA credit

FreddieMac.com/creditsmart



Q&A