



Housing and Mortgage Market Update

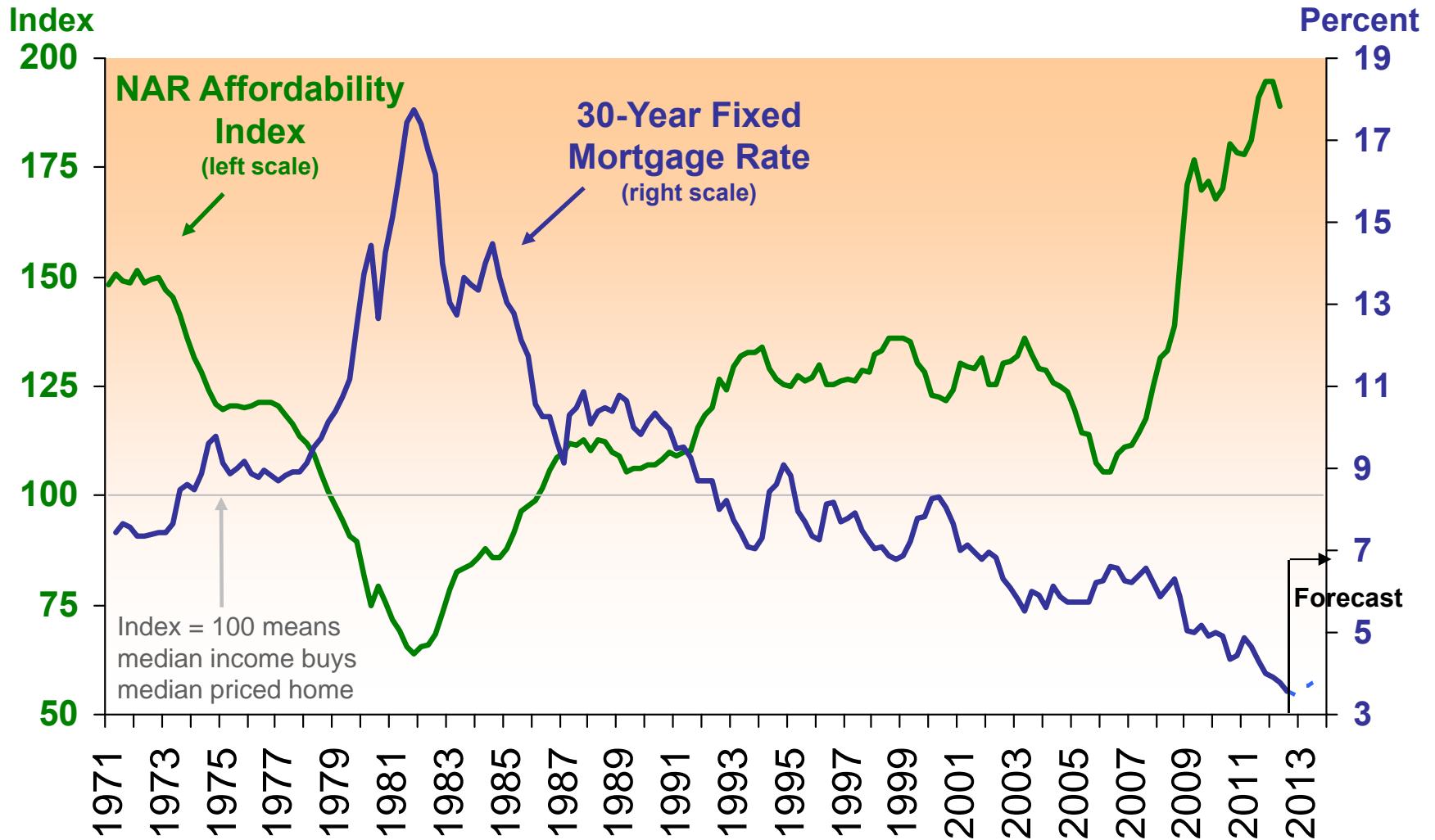
CFA Financial Services Conference
November 30, 2012

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Chief Economist

Home Buyer Affordability High; National Price Indexes Bottom-Out in 2012

- **Low mortgage rates support gradual housing pick-up**
 - 30-year Fixed-Rate Mortgages stay below 4.0% through 2013
 - Home buyer affordability supports home sales, up about 8% in 2012 and 2013
 - Consumer confidence, high unemployment are headwinds
- **U.S. house price indexes up this spring**
 - Oversupply of vacant homes has dropped, less downward price pressure
 - U.S. indexes will bottomed in 2012 (seasonally adjusted)
 - Local markets with excess supply will have prices bottom after 2012
 - Rents are up, as are apartment building values
- **Mortgage defaults lessen but remain high**
 - Unemployment main trigger event for delinquency
 - House price declines add to foreclosure risk
 - Serious delinquency rates have declined since peak at start of 2010
 - Subprime, Alt-A and Option ARMs drive foreclosures

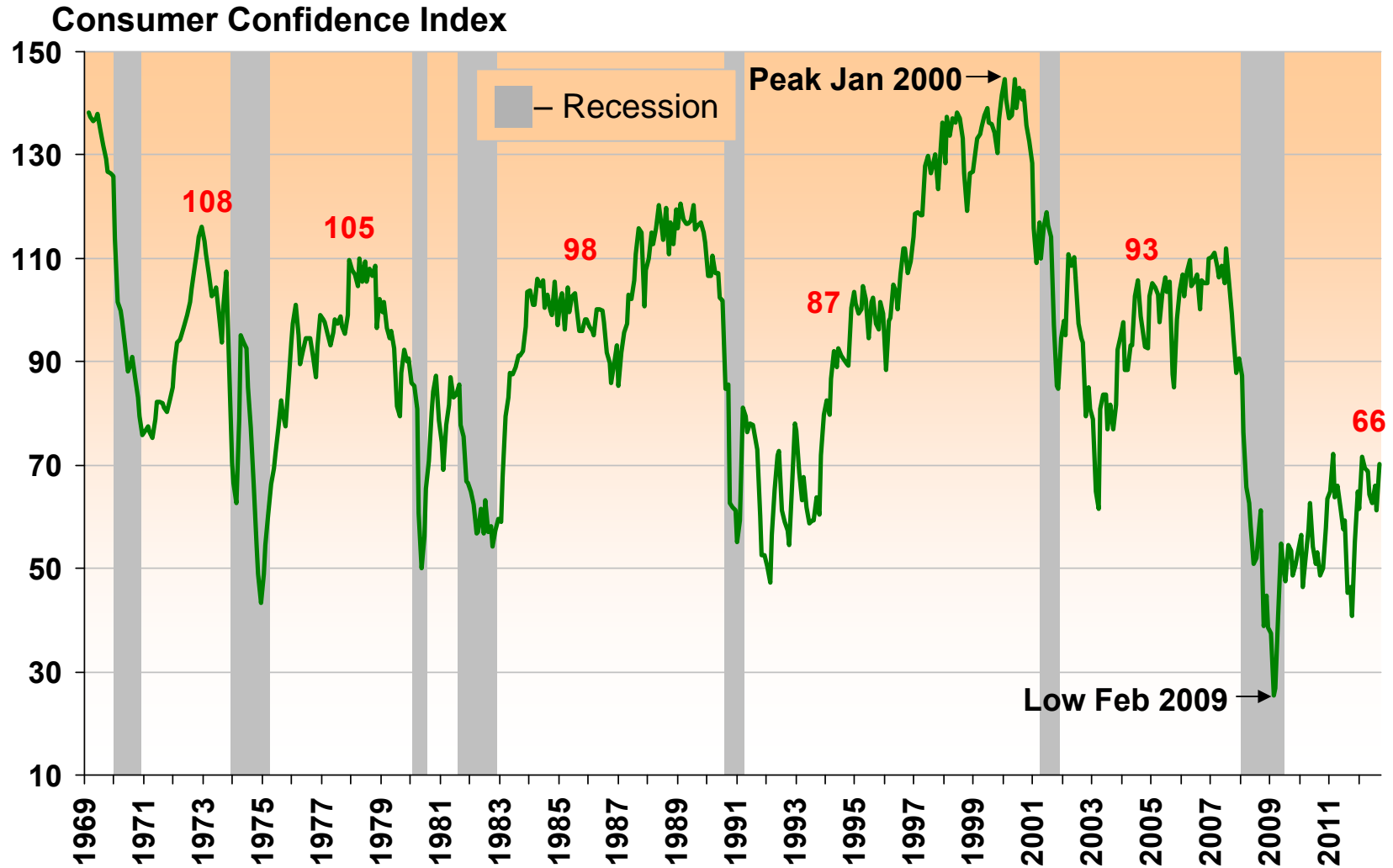
Low Interest Rates & Lower Home Prices Have Increased Homebuyer Affordability



Sources: National Association of Realtors Composite Housing Affordability Index – (% of median priced home affordable on median income with conventional mortgage and 20% down), seasonally adjusted; Freddie Mac Primary Mortgage Market Survey® and November 2012 Outlook.

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At this Stage of the Recovery, Consumer Confidence is Lower than in Previous Expansions



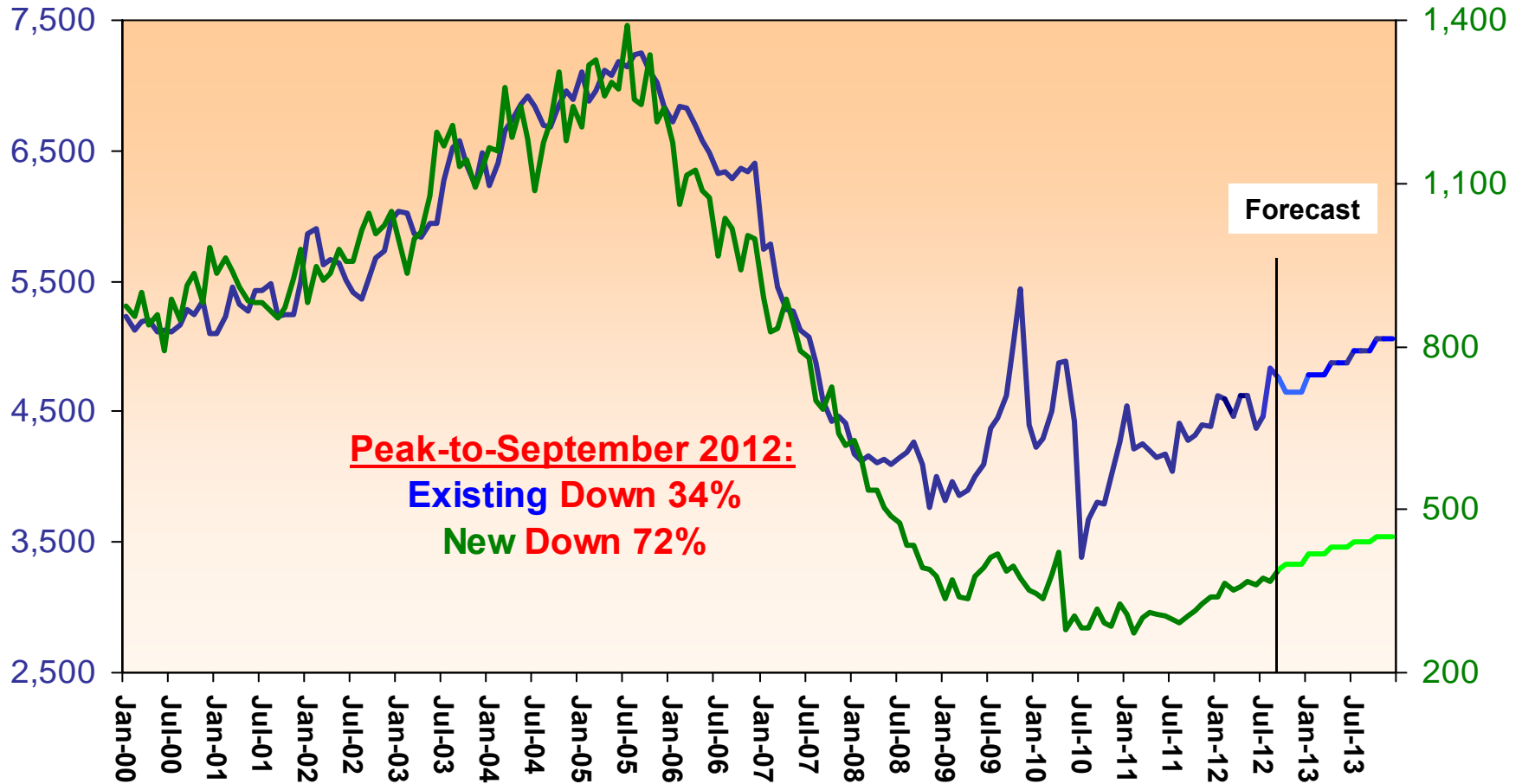
Note: Data are bimonthly through May 1972; missing months' data between February 1969 and May 1972 interpolated by Freddie Mac.

Sources: The Conference Board, Freddie Mac

Home Sales Projected Up About 8% in 2012, 2013

U.S. Existing Home Sales (Thousands)

U.S. New Home Sales (Thousands)

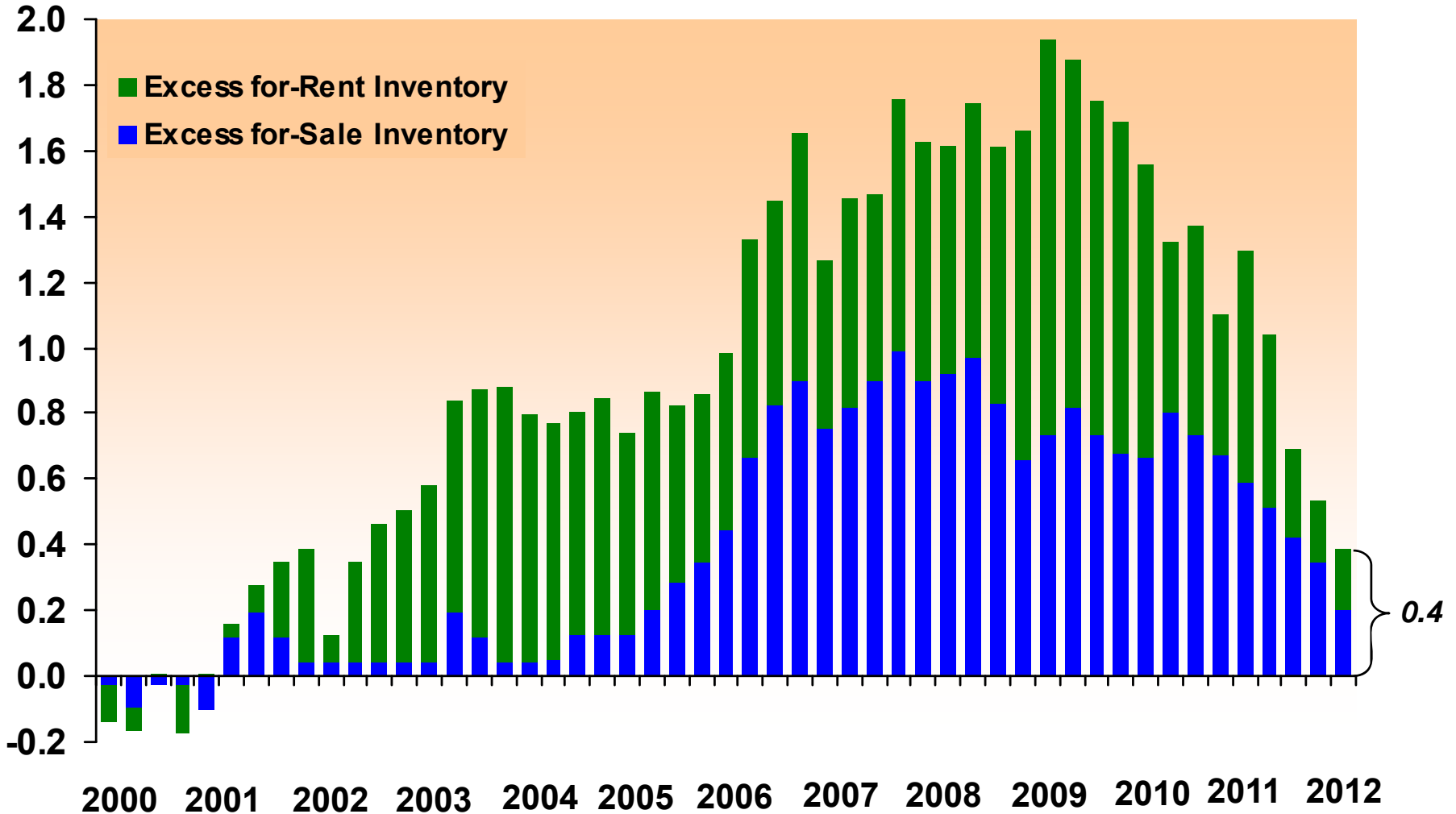


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Sources: US Census Bureau, National Association of Realtors®

Vacant Housing Oversupply is Lowest in 10 Years

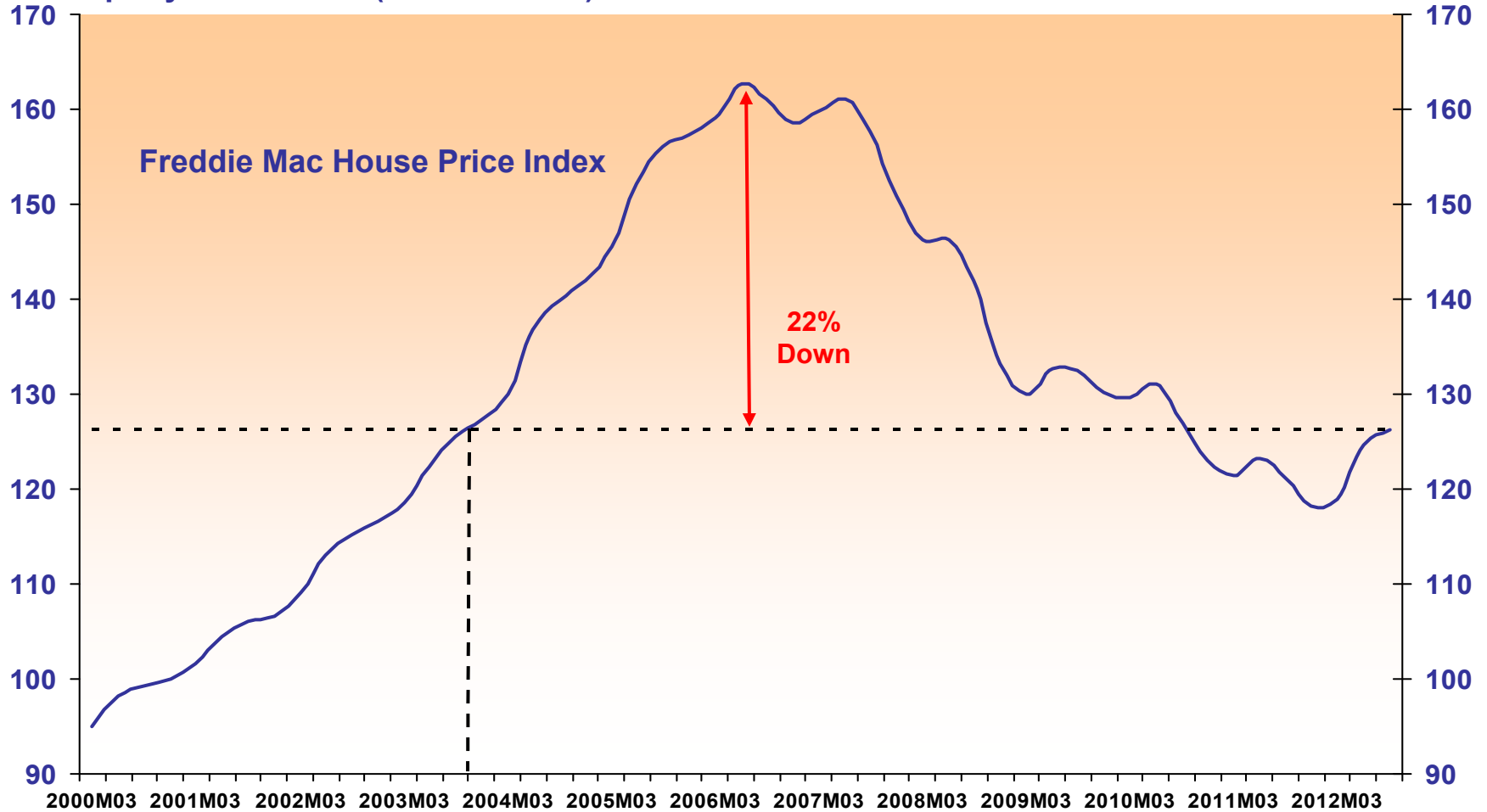
Excess Vacant Homes (Numbers in Millions)



Source: Freddie Mac calculations using U.S. Census Bureau data. Negative values reflect undersupply. The under/oversupply of vacant housing was estimated based on the average vacancy rate from 1994Q1 to 2003Q4.

U.S. House Prices Down 22% from Peak to 2003 Levels

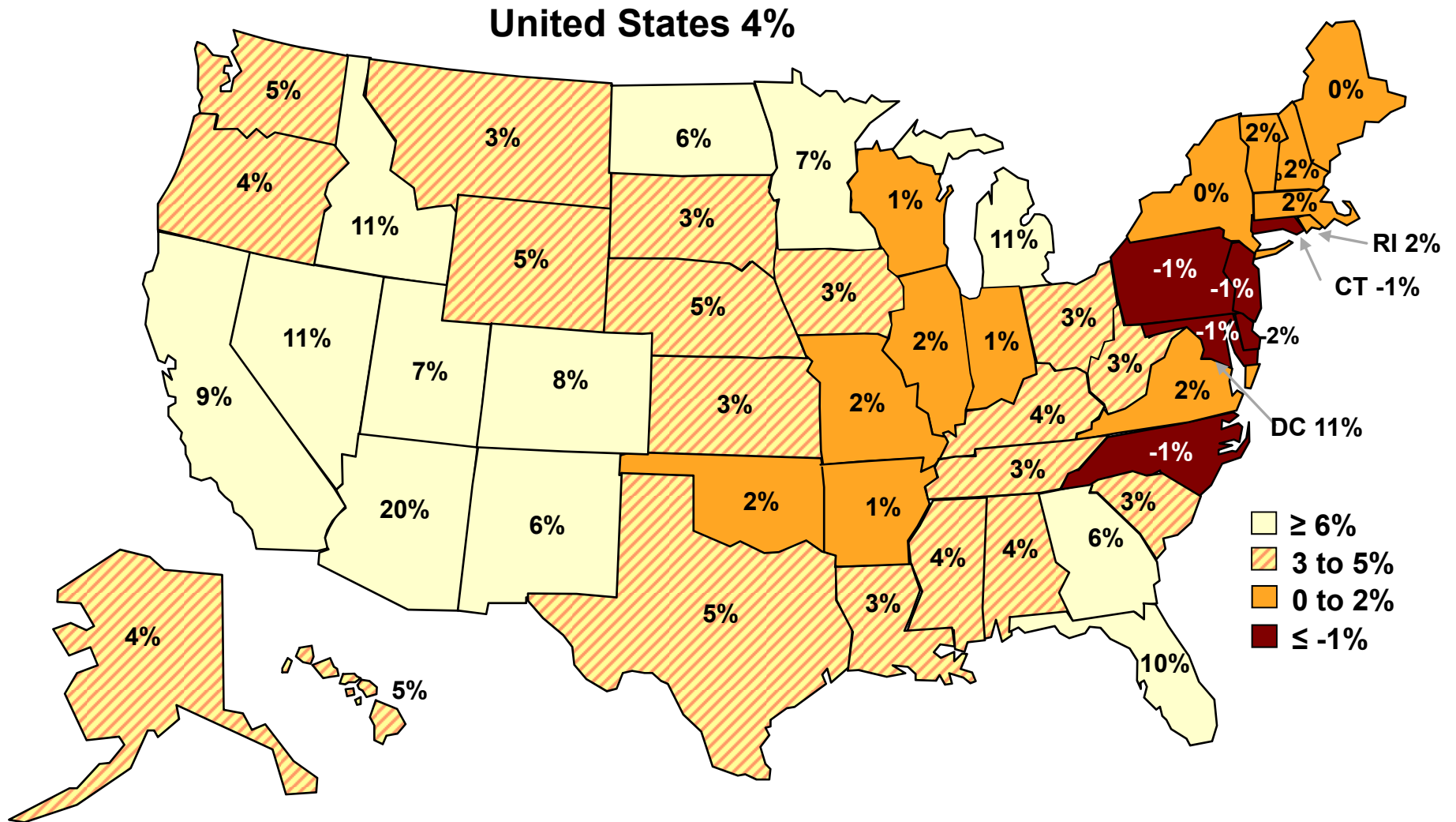
U.S. Property Value Index (2000Q4 = 100)



Source: Freddie Mac House Price Index

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Annual House Price Performance By State: Prices Up in 44 States (September 2011 to September 2012)



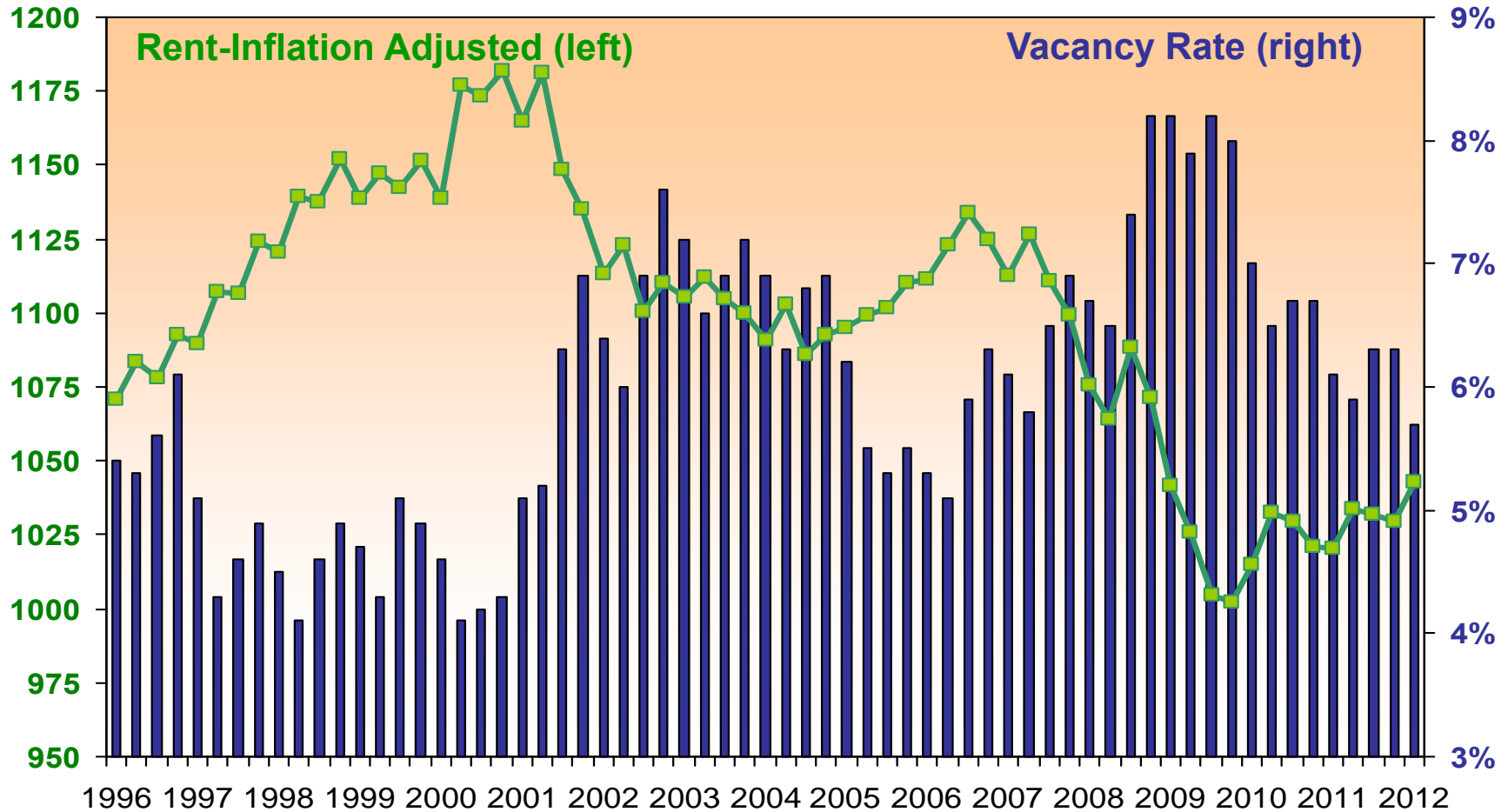
Note: The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac's single-family credit guaranteed portfolio.

Source: Freddie Mac House Price Index

Vacancy Drop Since 2010 Has Led to Rent Growth; Inflation-Adjusted Rent Remains Relatively Low

Rent (in 2012 Dollars)

Vacancy (in Percent)



Sources: Axiometrics (U.S. Derived "same store" Effective Rent, Vacancy = 100% Less Current Period Occupancy Rate), Bureau of Labor and Statistics (CPI-Less shelter-quarter average, NSA)

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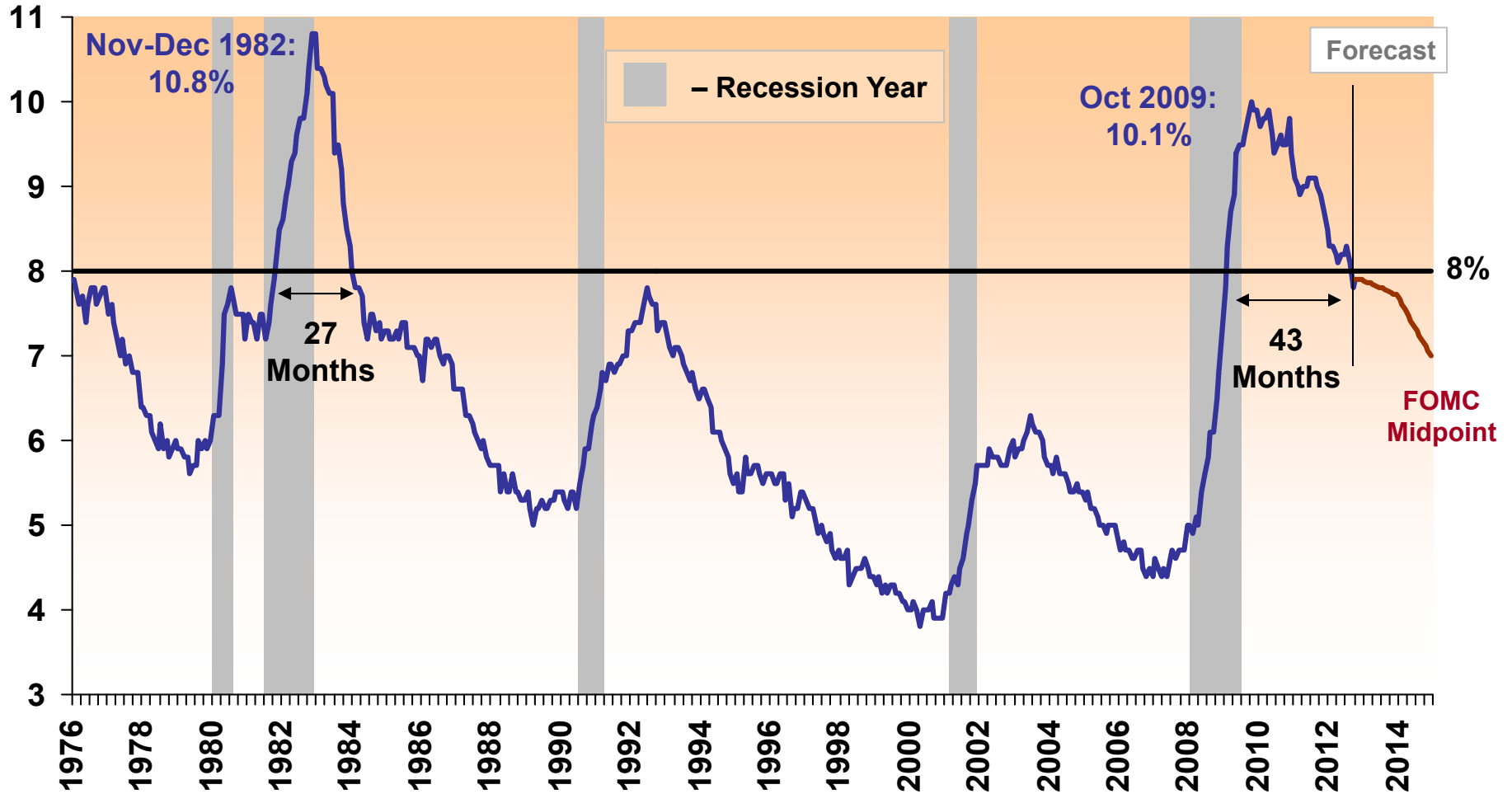
Job Loss Is the Main Hardship Reason Among Delinquent Prime Borrowers

Hardship Reason	2010
Unemployment or curtailment of income	55.3%
Excessive obligation	21.4%
Illness or death in the family	7.9%
Marital difficulties	3.7%
Inability to sell or rent property	1.9%
Employment transfer or military	1.1%
Property problem or casualty loss	0.4%
Extreme hardship	0.1%
All other reasons	8.3%

Source: Freddie Mac; data cover only prime conventional conforming loans.
Data through December 31, 2010.

U.S. Unemployment Remains High: 7.9% (Oct.)

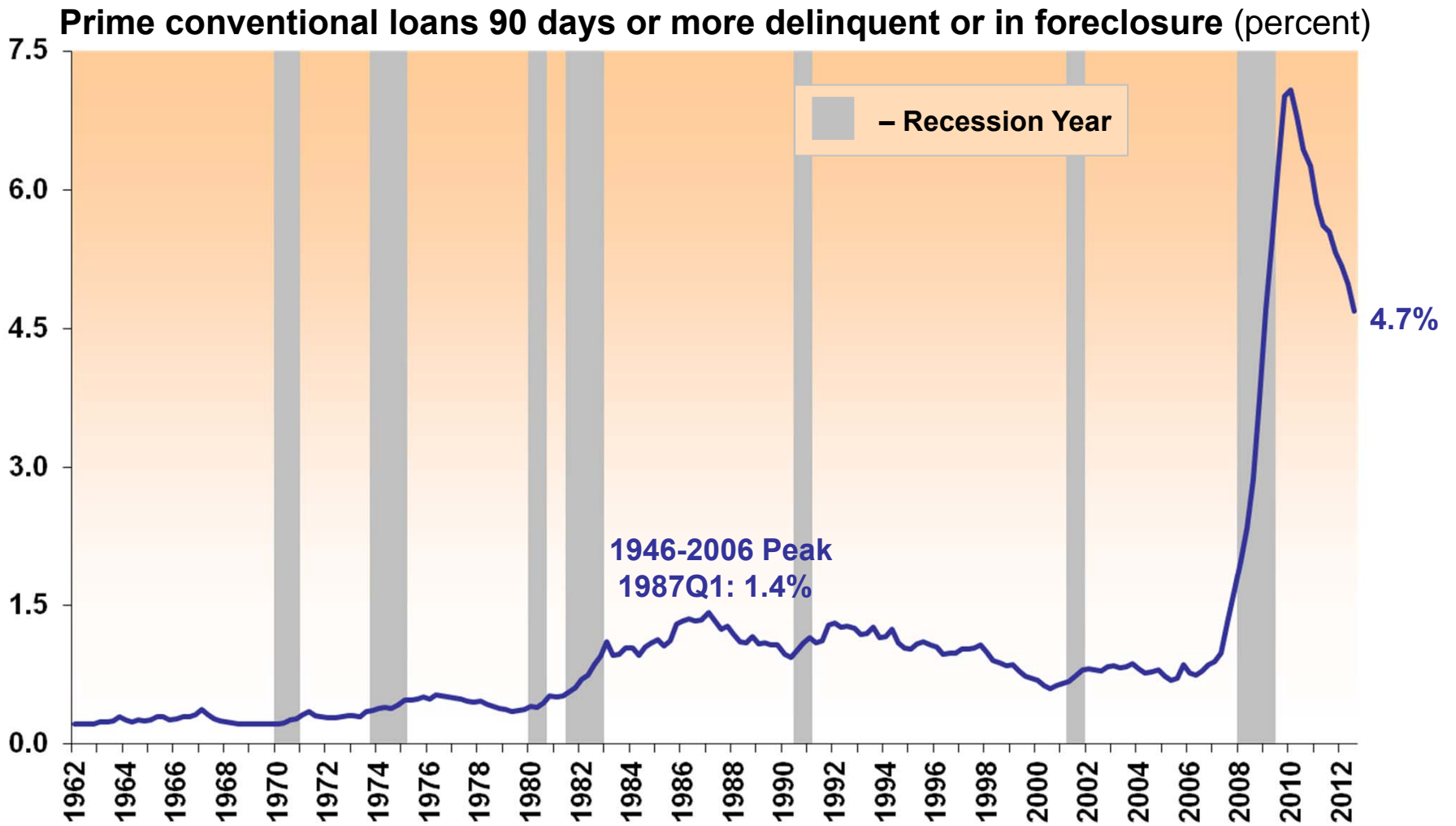
Unemployment Rate (Percent)



Sources: U.S. Department of Labor, Federal Reserve (Central Tendency projection midpoint of Federal Reserve Governors and Reserve Bank presidents as of September 2012 for fourth quarter of 2013 and 2014; other quarters obtained through linear interpolation).

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Recent Default Experience Is Unlike Any Previous Business Cycle Since the 1930s

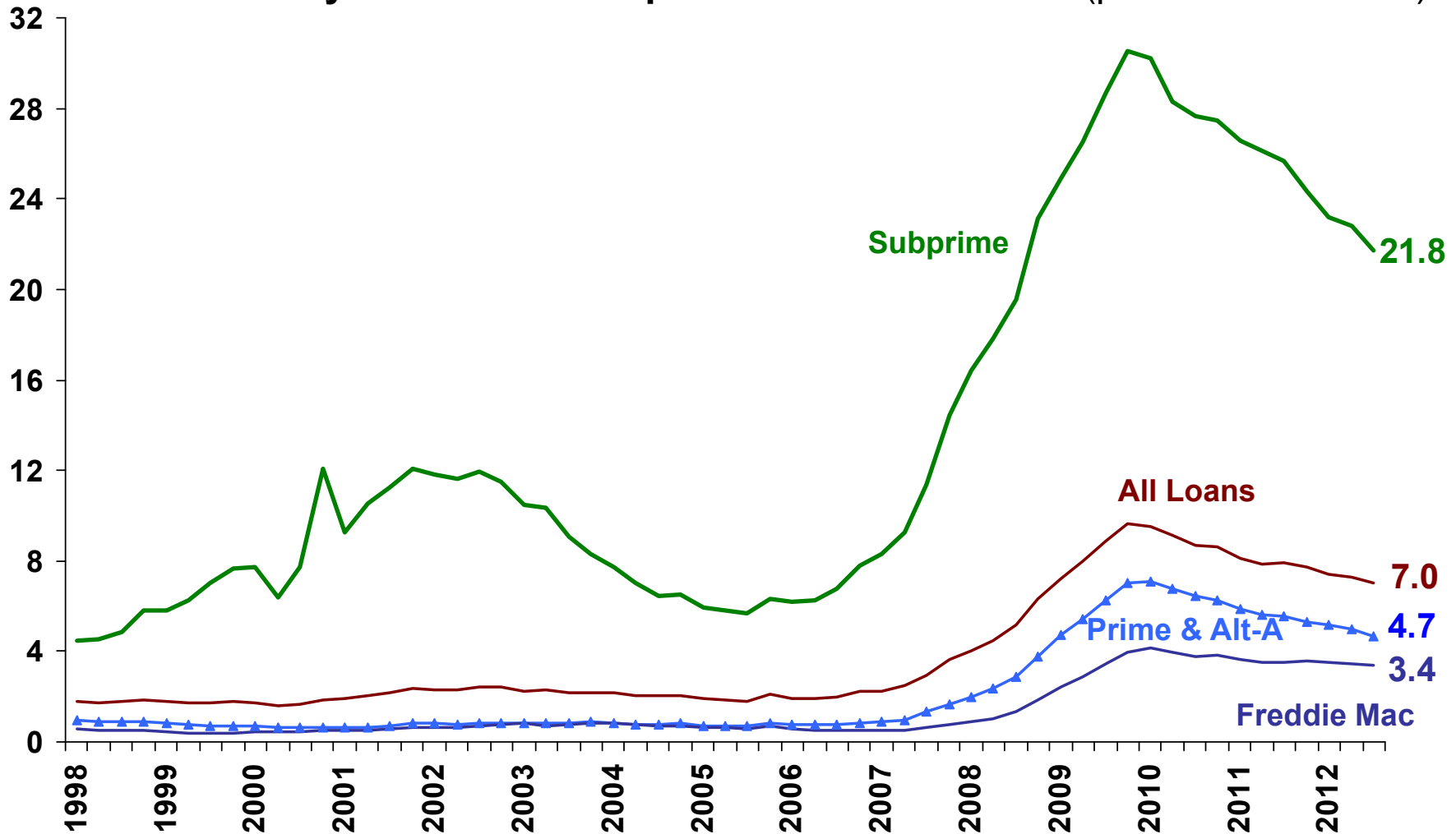


Sources: National Bureau of Economic Research, Mortgage Bankers Association
(Prime Conventional includes Alt-A).

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Serious Delinquencies Have Begun to Lessen, but Remain Very High

Loans 90 Days or More Delinquent or in Foreclosure (percent of number)



Sources: Mortgage Bankers Association (Quarterly data not seasonally adjusted; 1998Q1-2012Q3); Freddie Mac.

Making Home Affordable (MHA) Benefits

- **Home Affordable Modification Program (HAMP)**
 - About 1.1 million permanent modifications started through Sept. in U.S.
 - Monthly payment reduced to 31% of monthly income

- **Home Affordable Refinance Program (HARP)**
 - Current loans owned by Freddie Mac or Fannie Mae, market LTV>80%
 - About 1.7 million over-80% LTV refinanced through Sept. in U.S.
 - Streamline refinance will help families lower monthly payment

- **MHA reduces number of distressed sales**
 - Keeping families in homes is the long-term priority
 - About 2.8 million U.S. families have benefited thru HAMP or HARP (about 5.5% of all borrowers)



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