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# Economic Outlook and Housing Trends

Including the impact on access to credit and the outlook for the prospects of a recovery in housing and the broader economy.

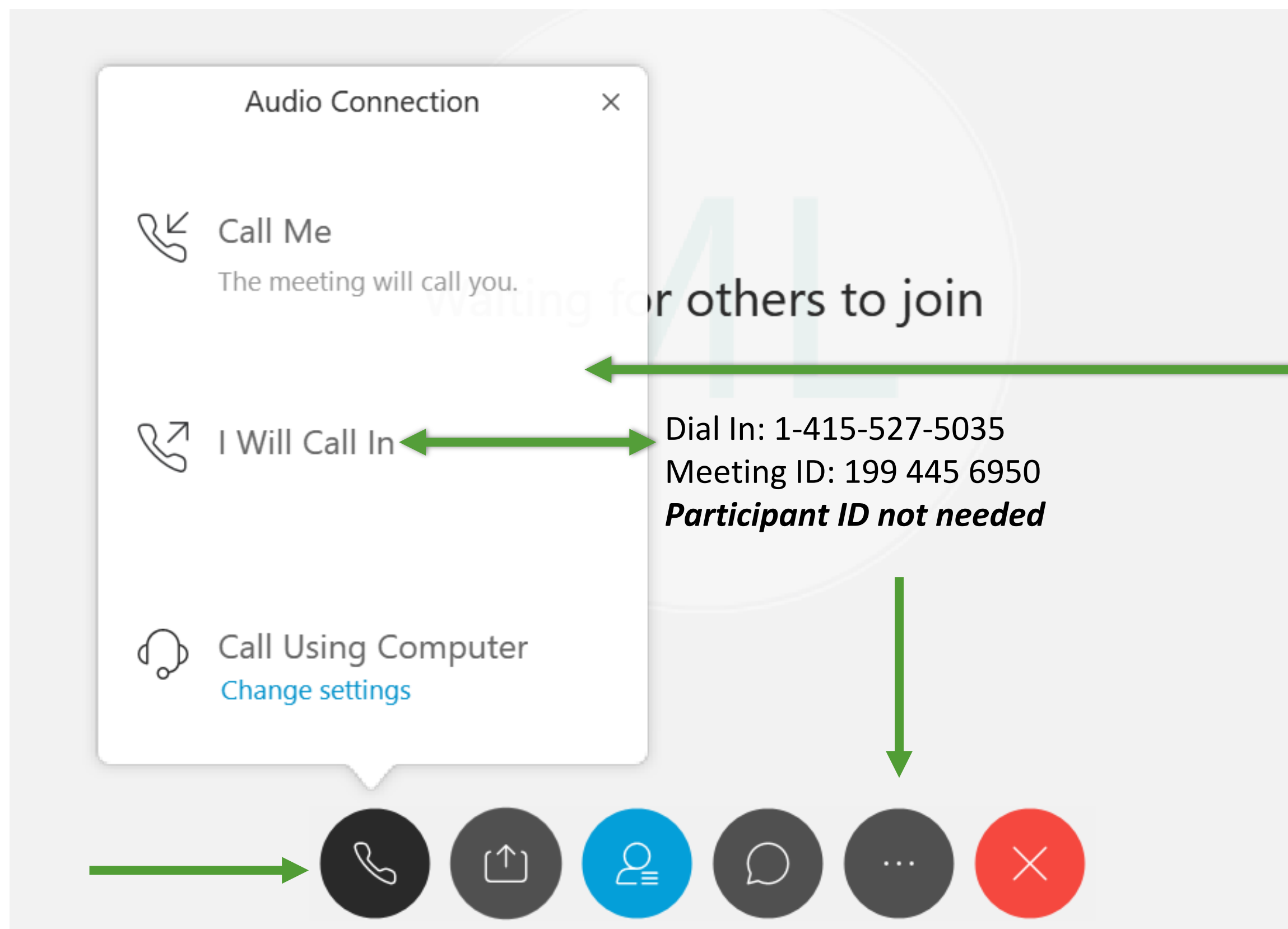


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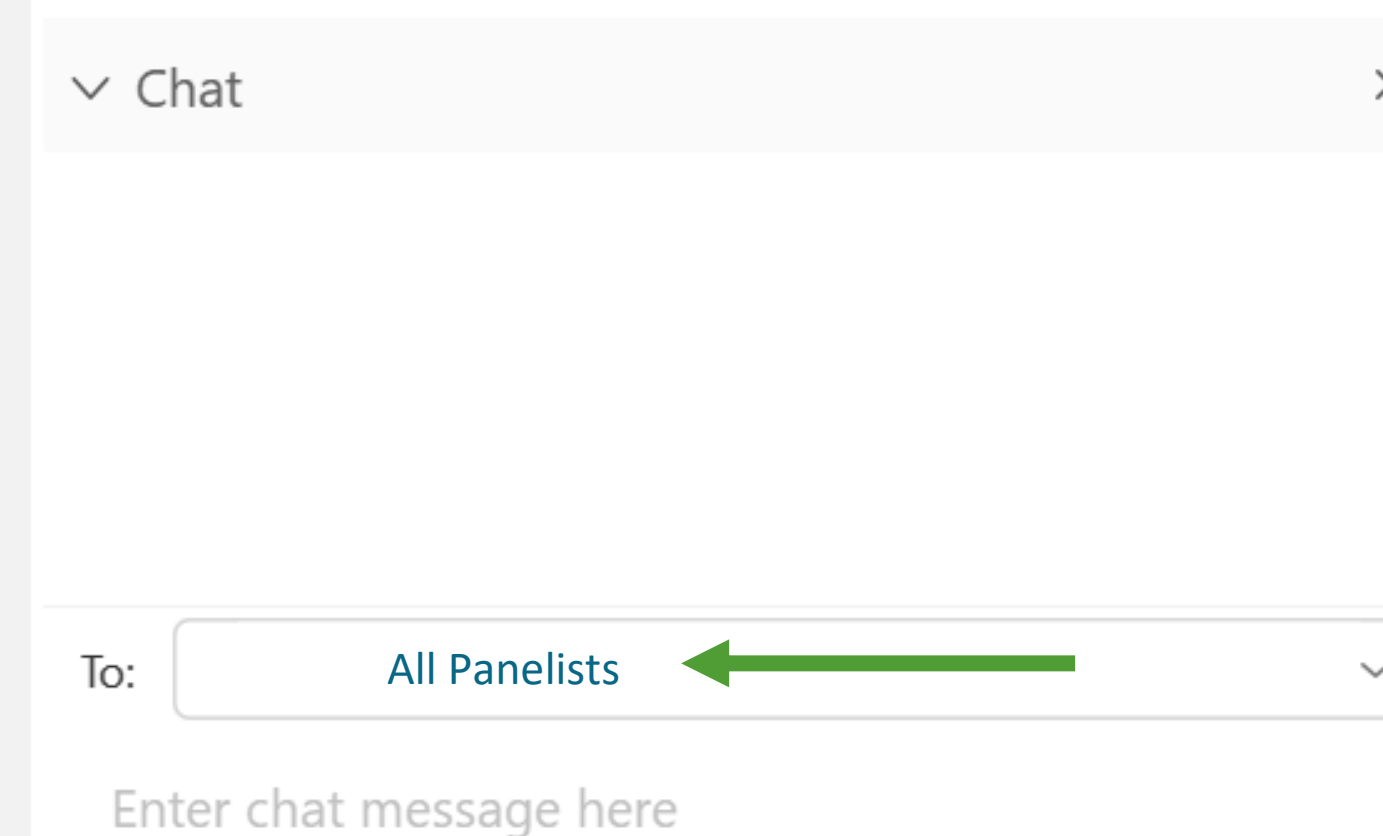
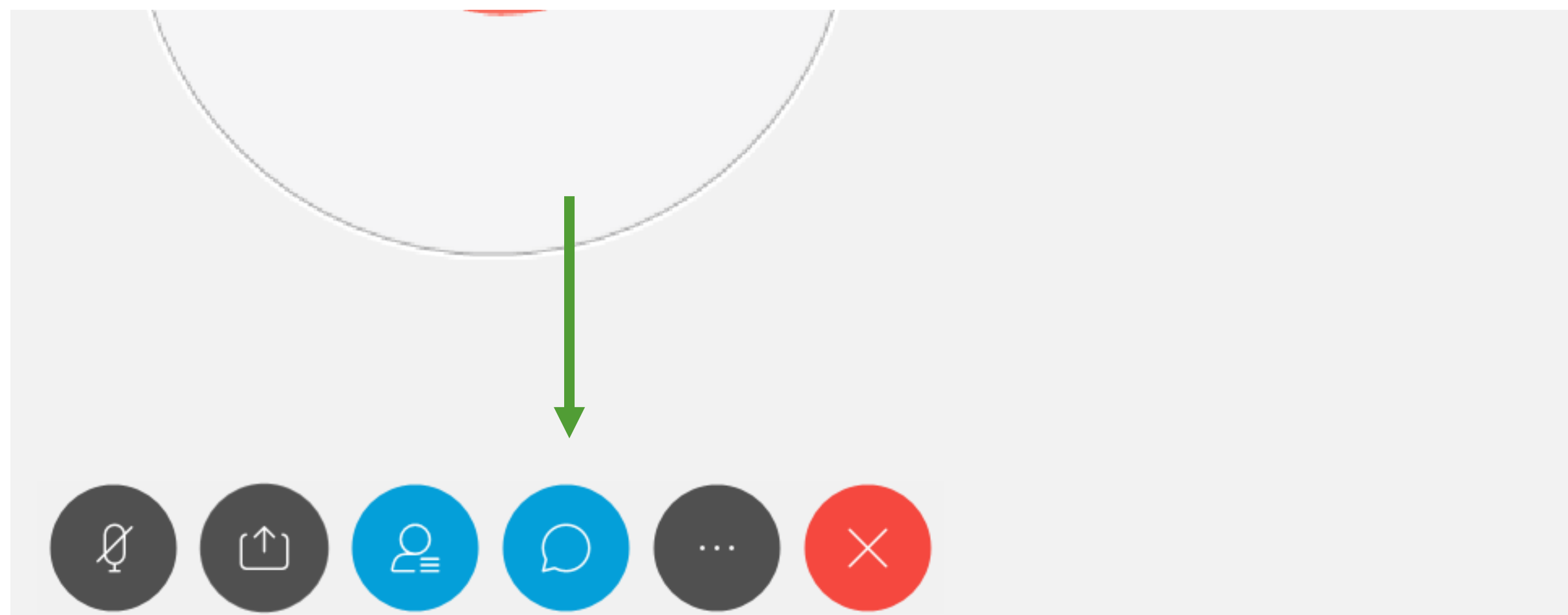


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# I want to ask a question...

- From the tool bar select the chat icon
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\*please note at all questions can be answered live





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Including the impact on access to credit and the outlook for the prospects of a recovery in housing and the broader economy.



# Economic and Housing Market Update

**CONFIDENTIAL**

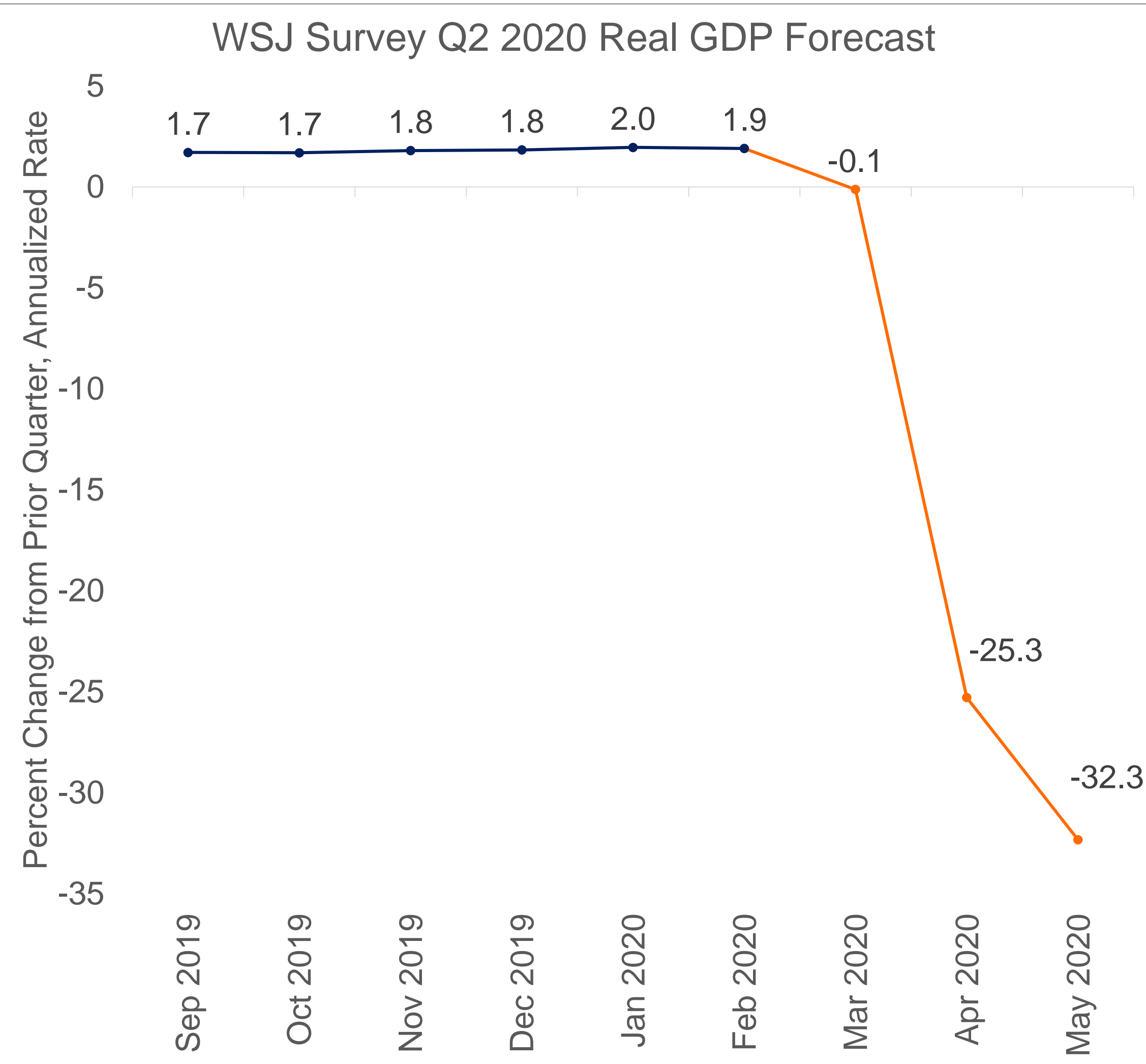
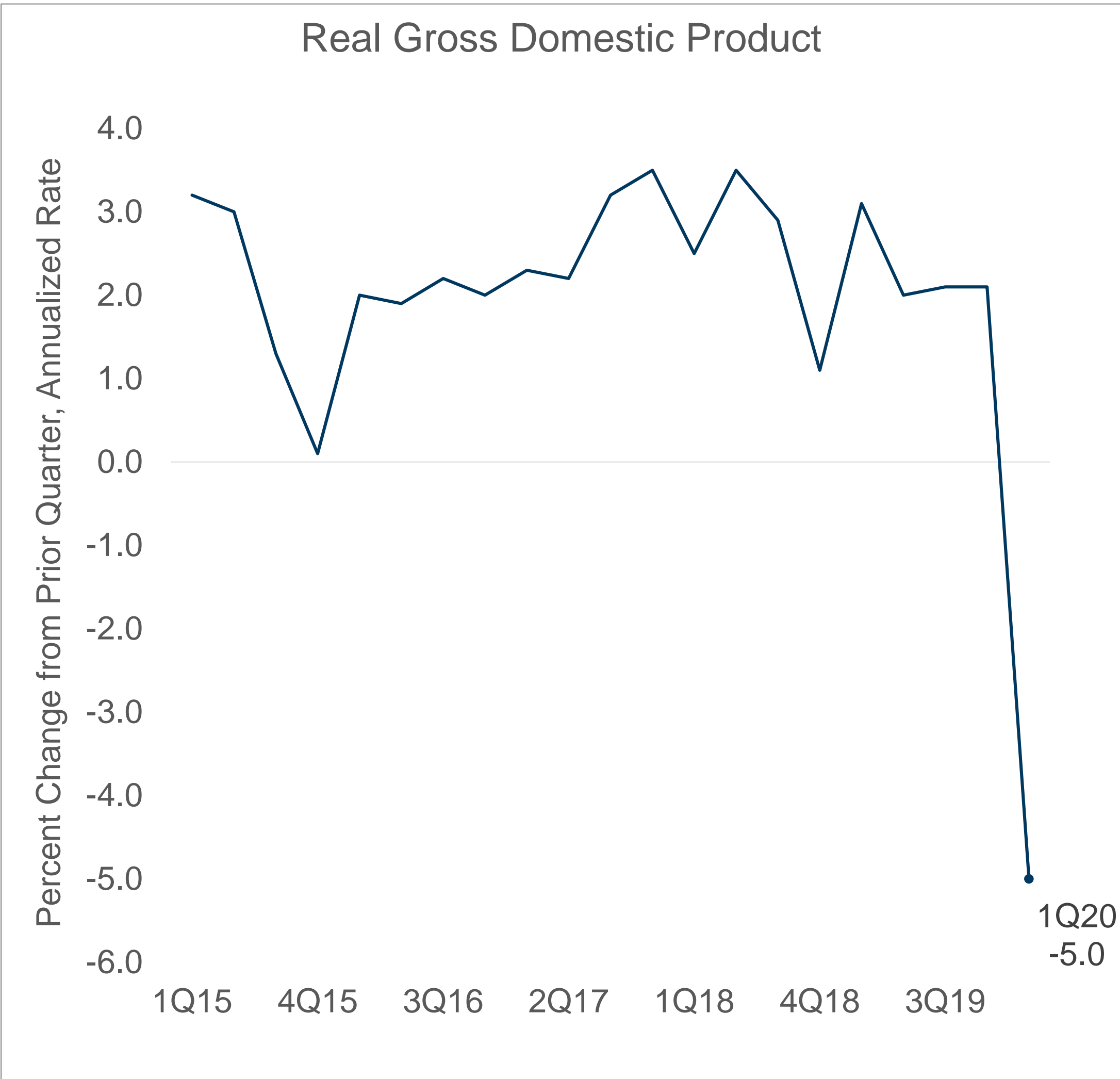
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Freddie Mac and Down Payment Resource Webinar

June, 2020

- Economy shrank by 5% in Q1 and is expected to contract by over 30 percent in Q2
- Contraction is not just deep, but very broad and it impacts most industries
- Employment remains 20 million below February but is rebounding faster than expected
- Daily economic transaction data suggest the economy hit bottom in first two weeks of April and been improving since then but well below pre-March spending
- Real estate demand declined at similar rates to broader economy, but the housing market is recovering much faster than most economic segments
- Home price growth expected to decelerate, but not decline

# Economic Growth Expected to Contract By Over 30% in Q2



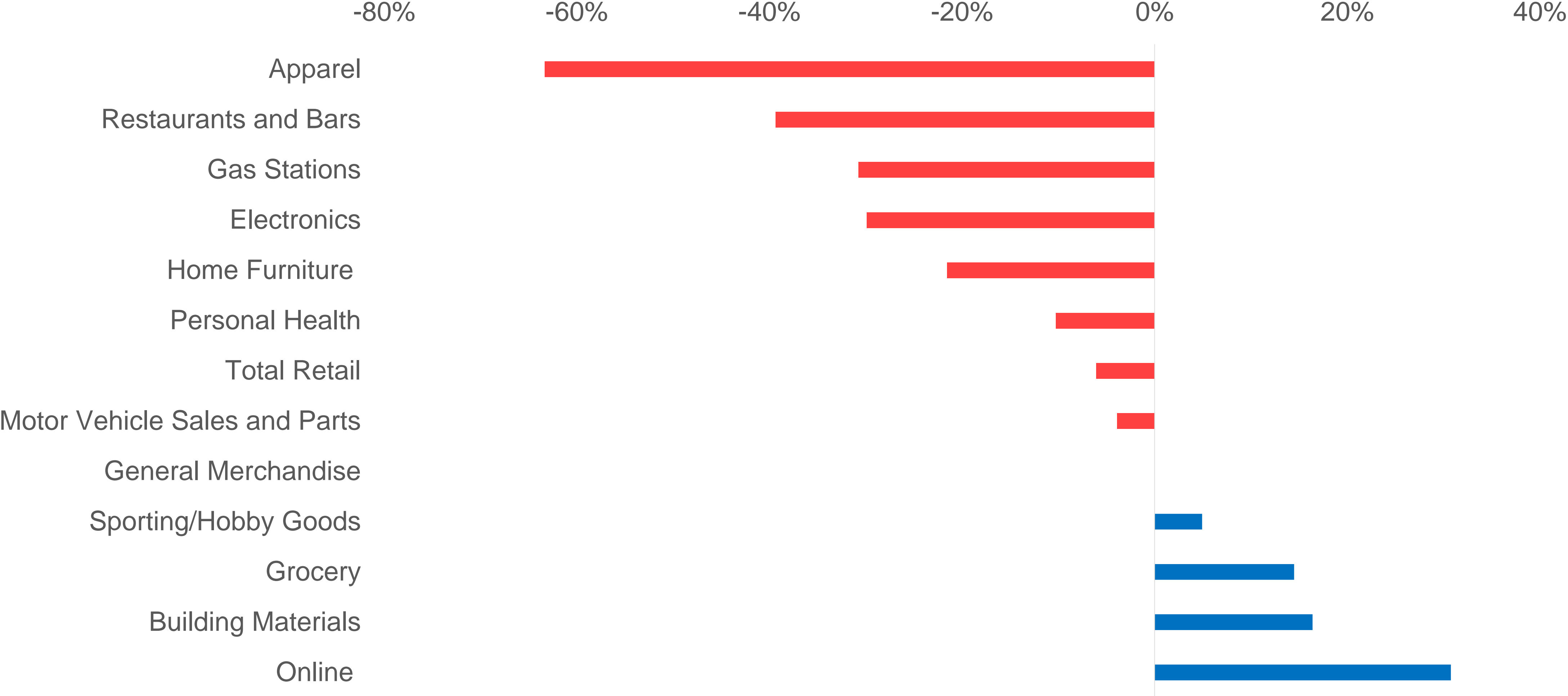
Source: BEA and WSJ May 2020 Survey



# Decline in Consumer Spending Occurred in Categories Where Good or Service is Purchased in Physical Locations



May Retail Sales by Category , Percent Change from Year Ago



Source: U.S. Census Bureau (BOC): Monthly Retail Trade Report

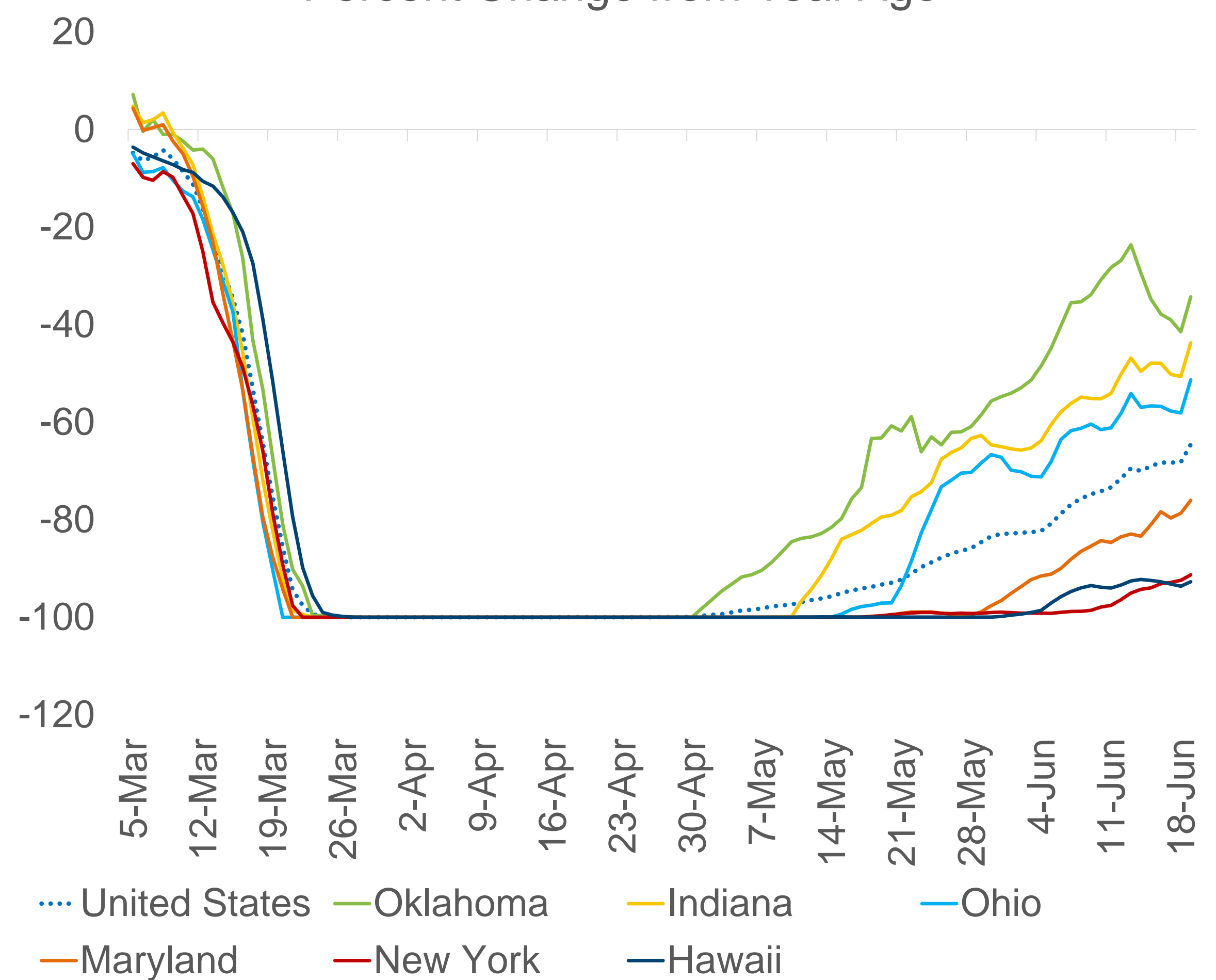
# Economy Opening Up, but Still Far Below Pre-Recession Levels



## Daily JP Morgan Credit Card Spending

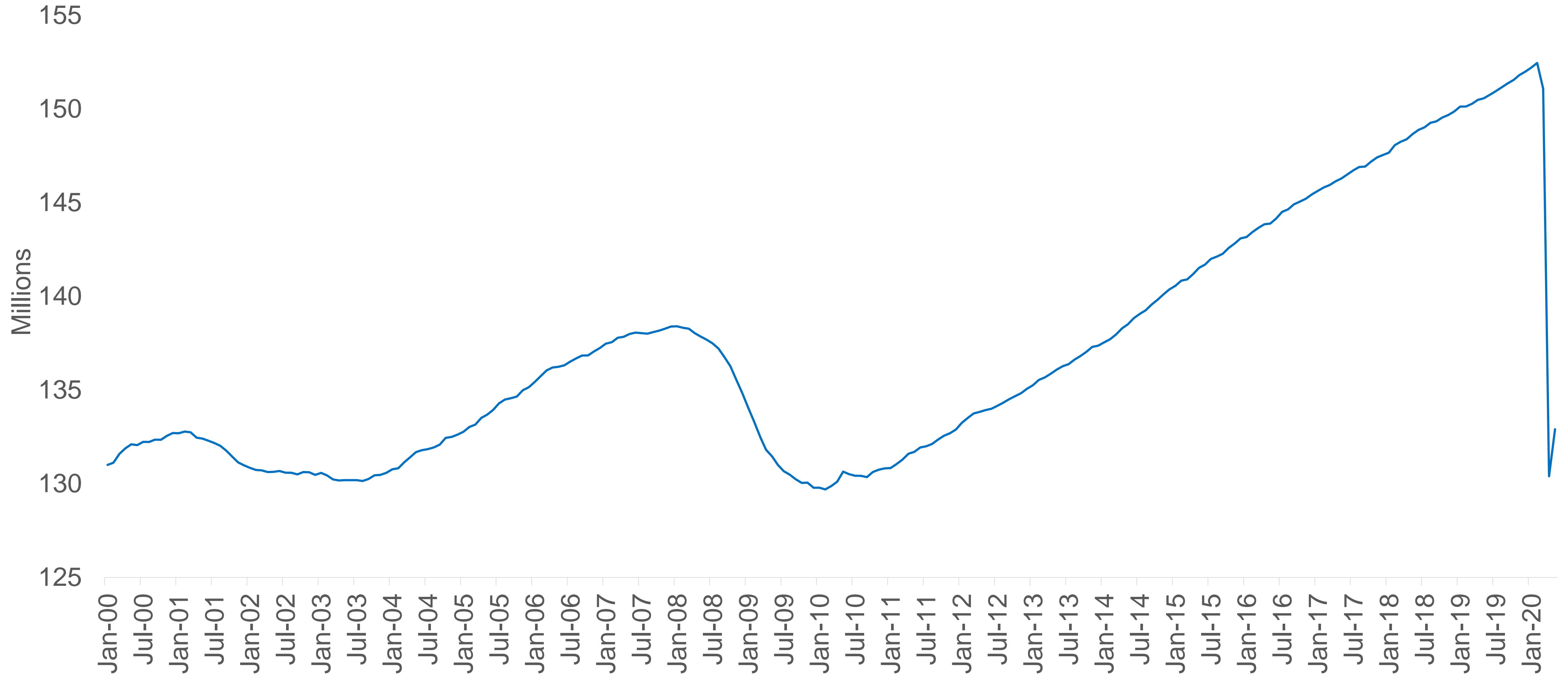


## Restaurant Reservations Percent Change from Year Ago



Source: Apple, TSA, OpenTable. Note: 7 Day Moving Average

# In May Employment Rose 2.5 Million but Remains 20 Million below February's Level as the Recession Began

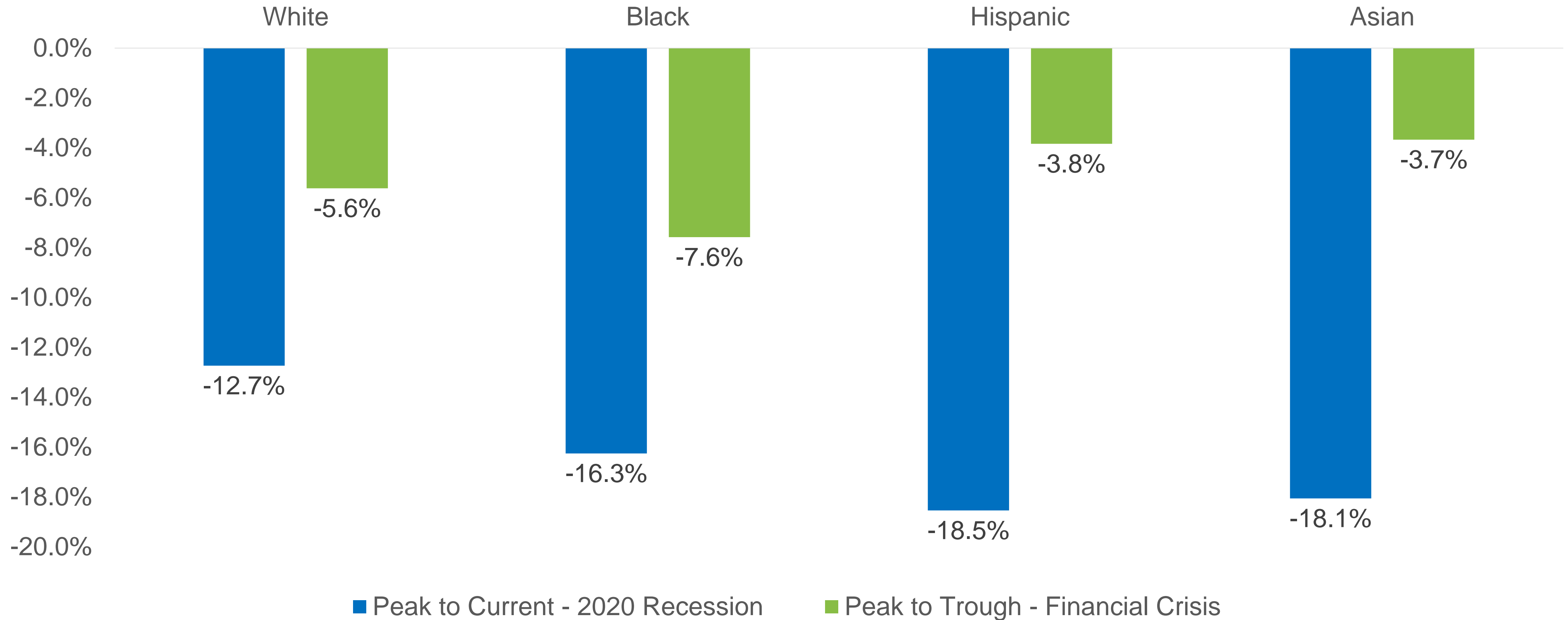


Source: BLS

# Hispanics and Asians Have Experienced the Largest Declines in Employment, Especially Compared to Financial Crisis



Percent Change in Employment

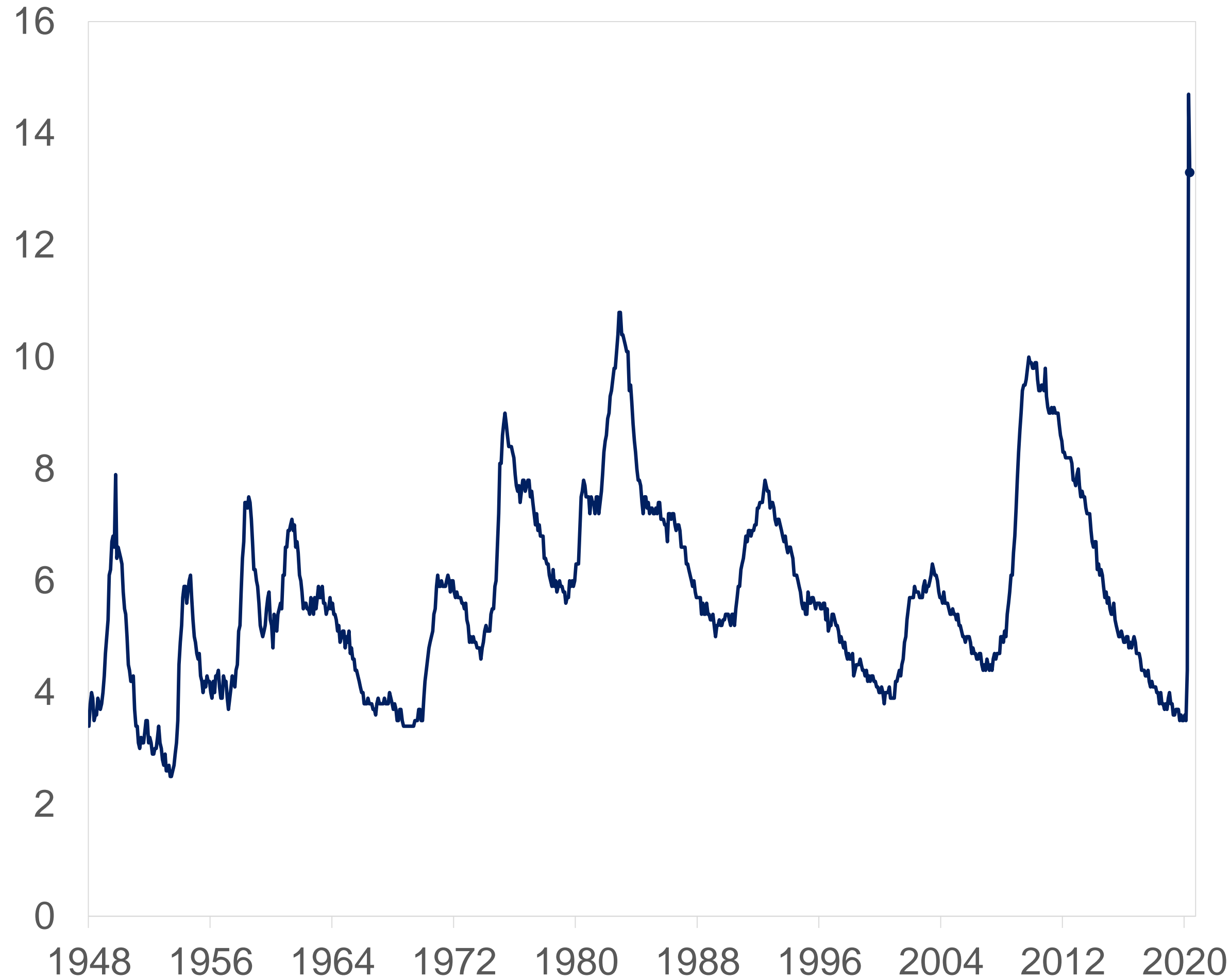


Source: BLS

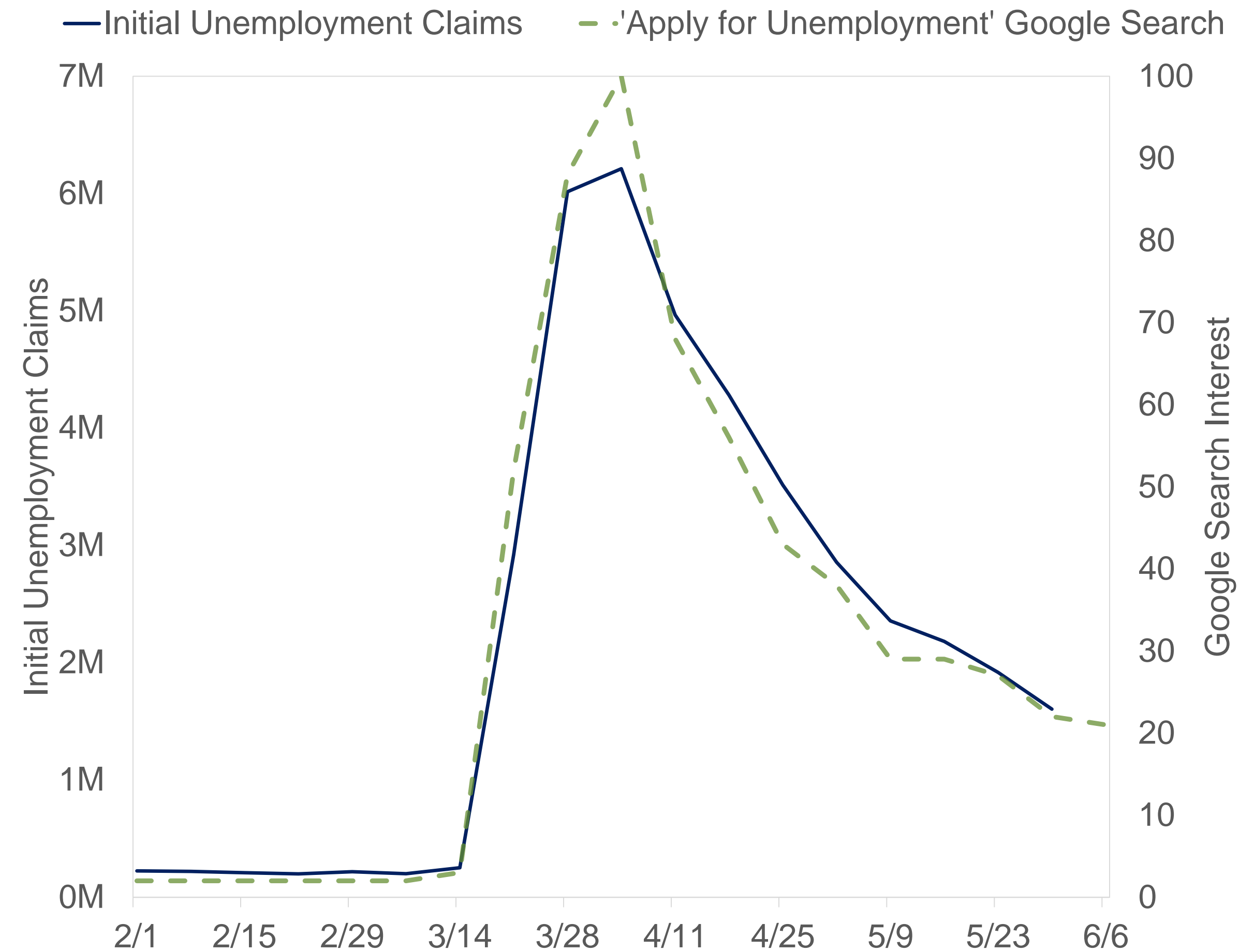
# Unemployment Rate is 13% and Will Likely Remain Elevated for Remainder of Year



## Unemployment Rate



## Unemployment Claims Remain Very Elevated



Source: BLS; Google Trends; Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

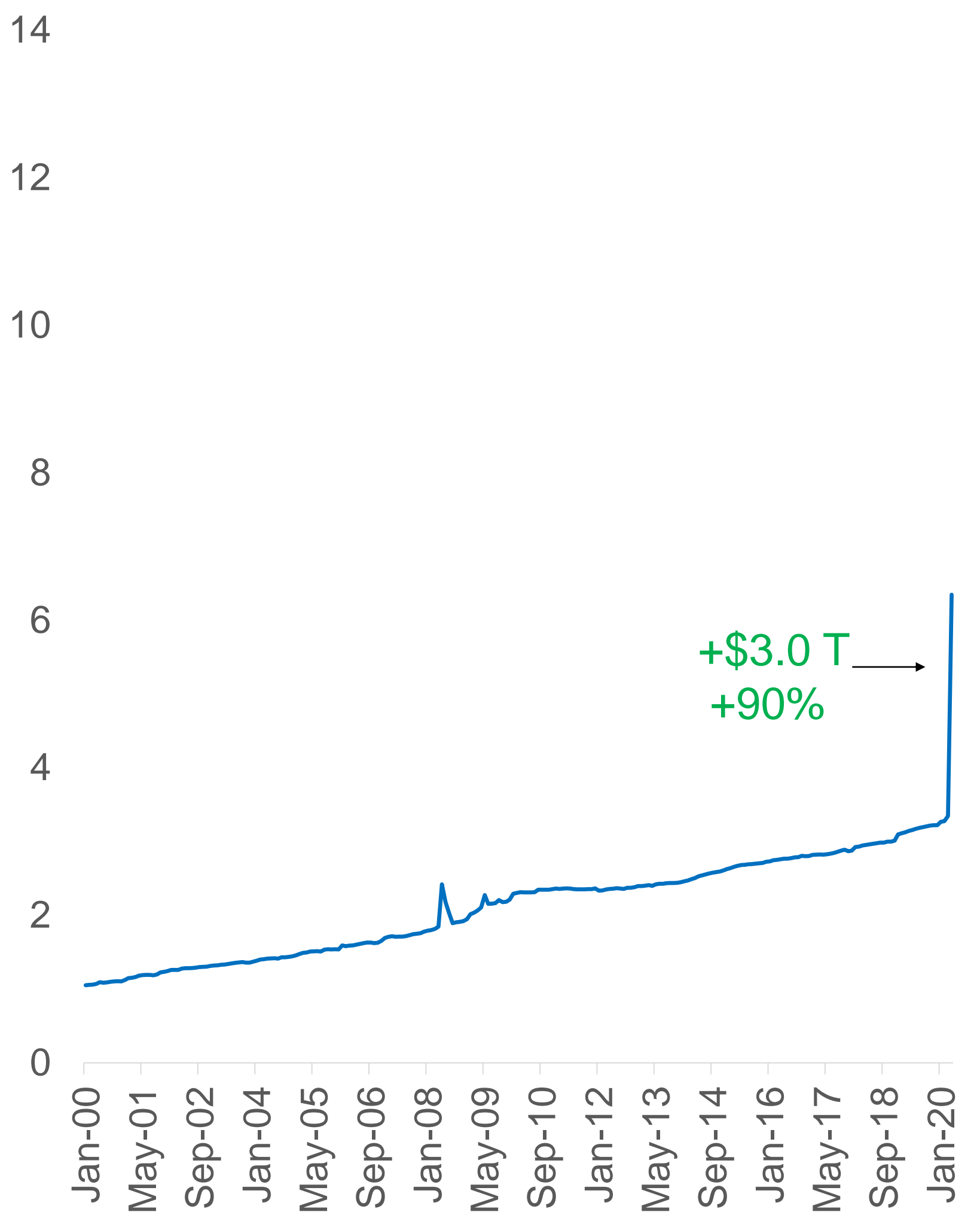
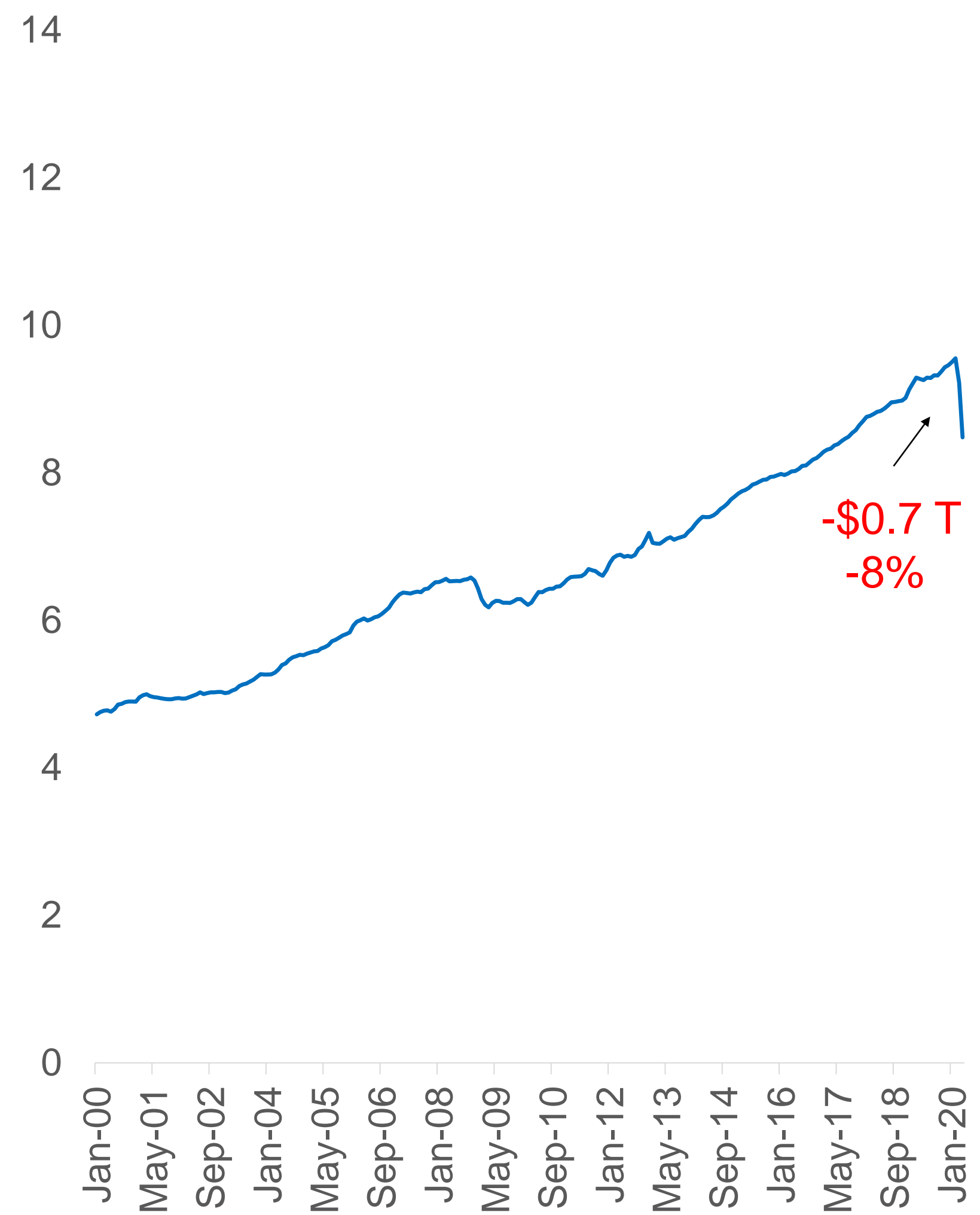
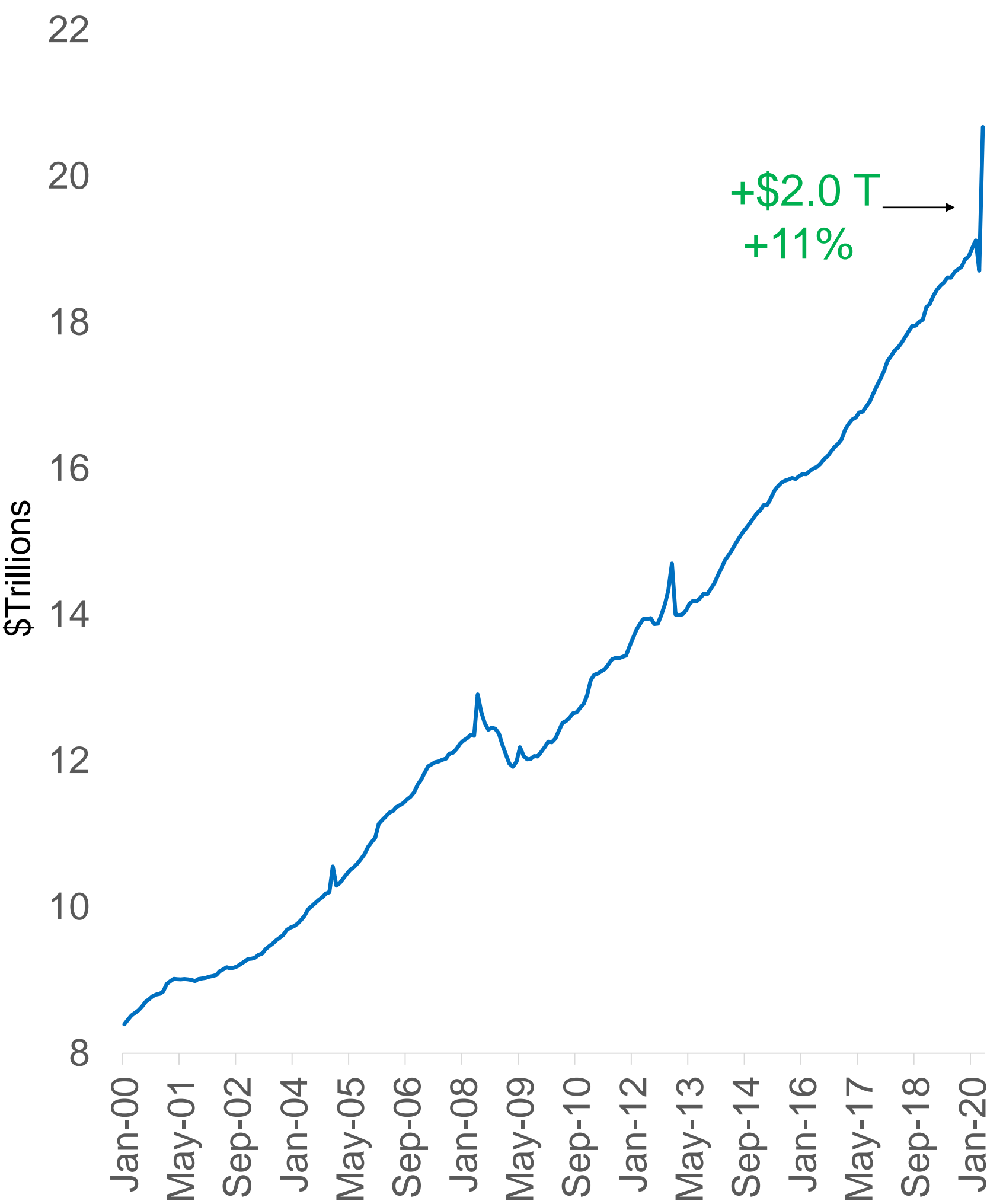
# Personal Income Rose a Record \$2 Trillion in April, But the Rise Was Driven Entirely by the Economic Stimulus



Total Income

Wage Income

Gov't Transfer Income



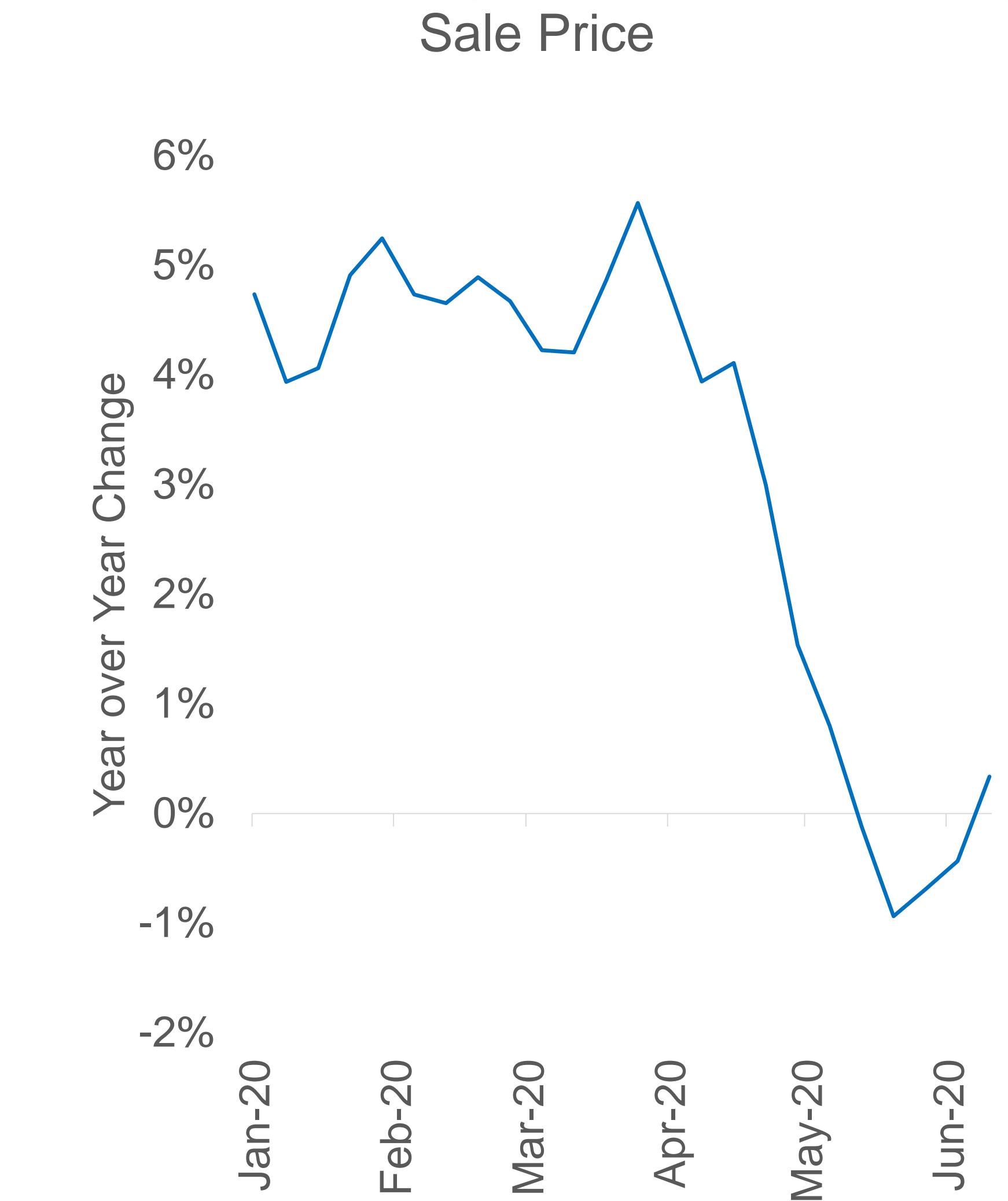
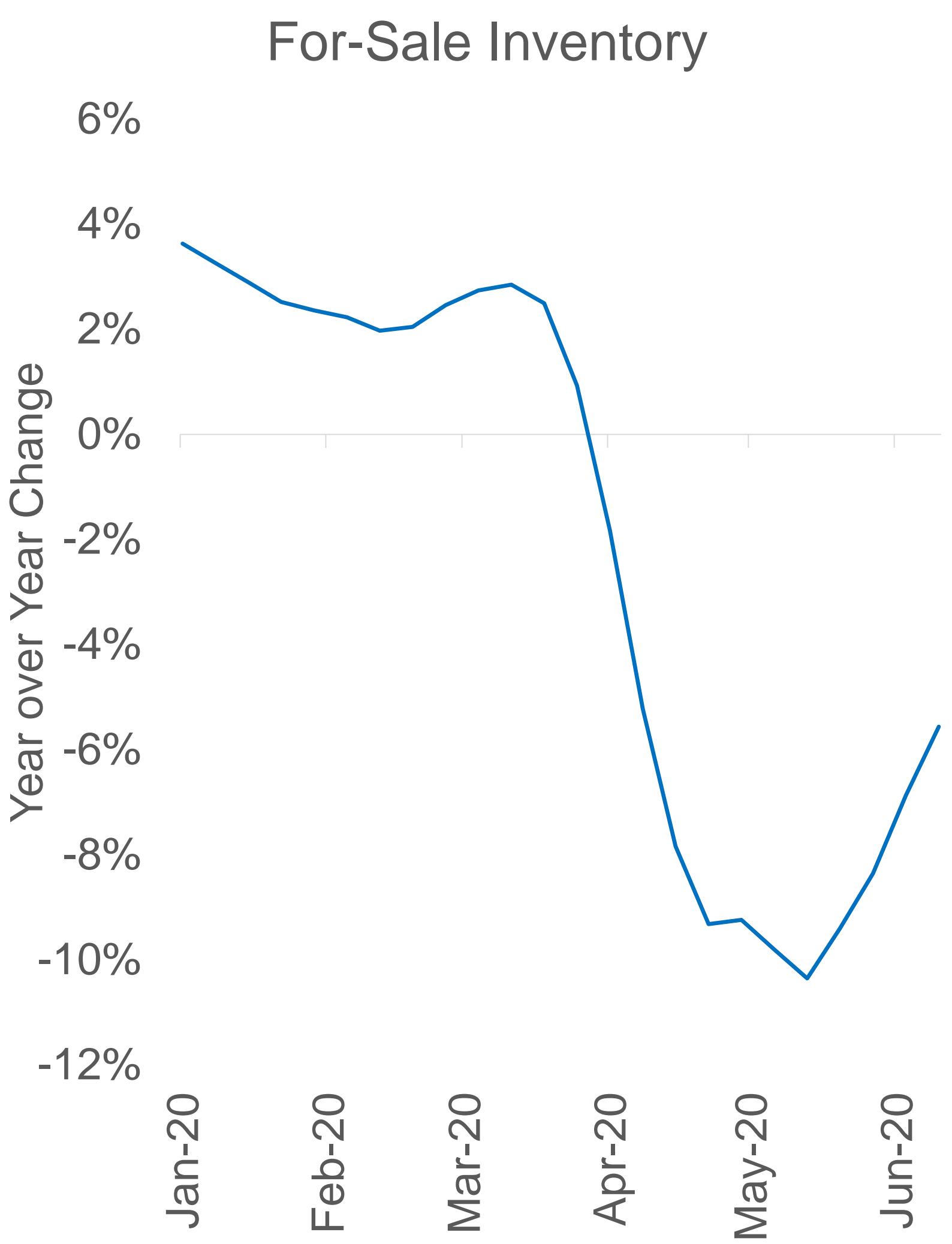
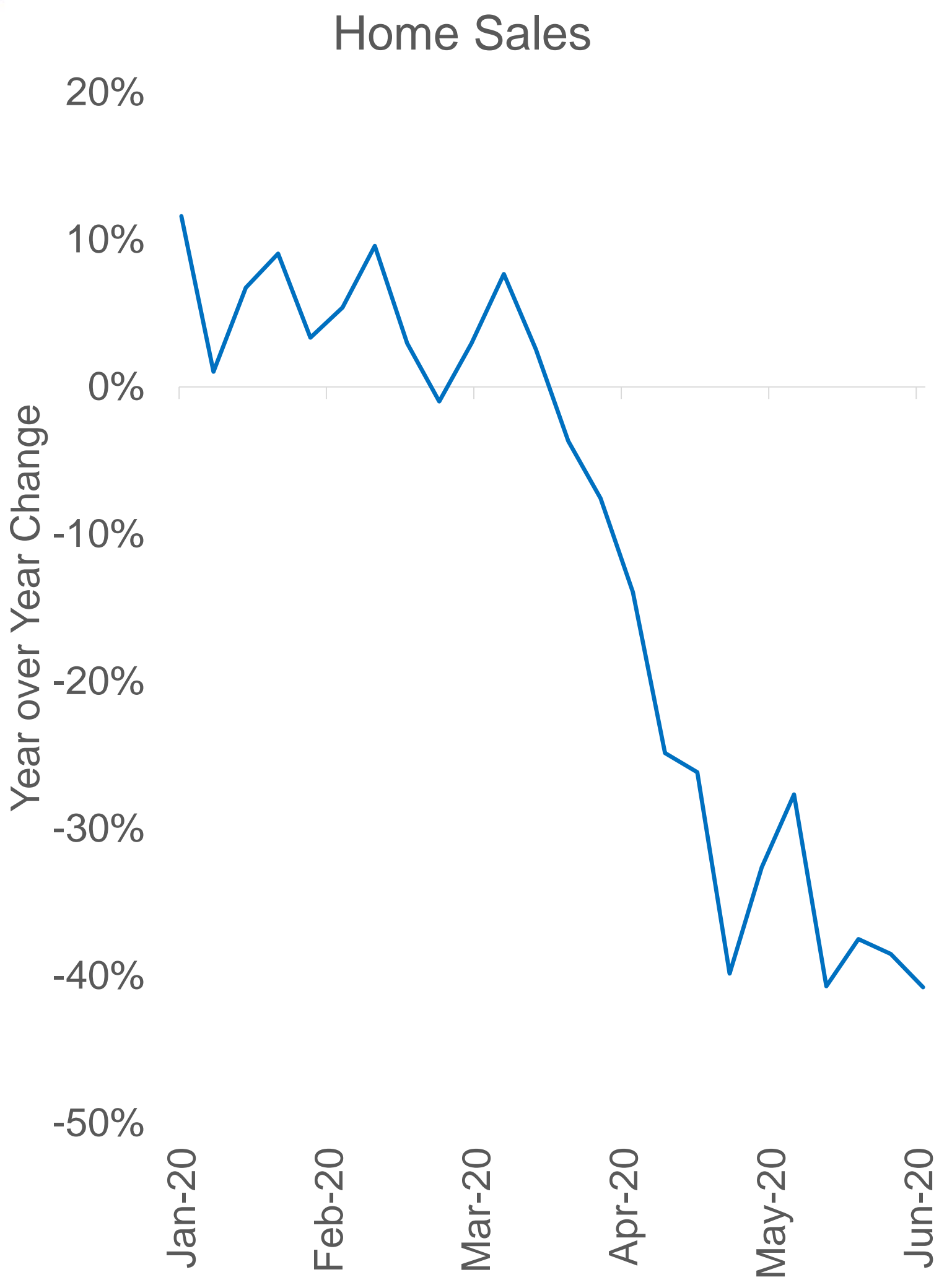
Source: BLS

Economic and Housing Research

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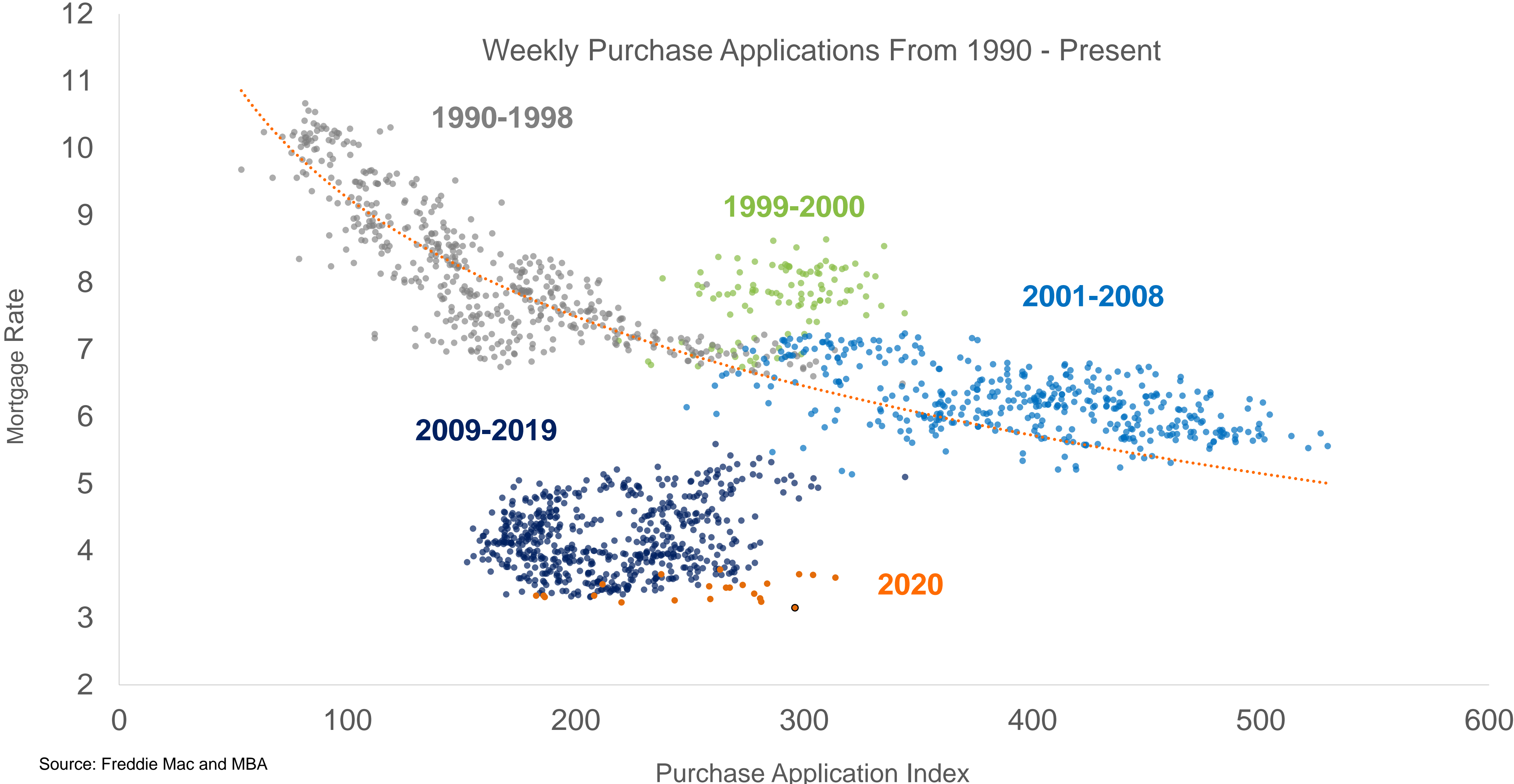
© Freddie Mac

# Latest Weekly Data Indicate Home Sales at a Trough, but Inventory and Home Prices Begin to Improve



Note: Data is a two week moving average through June 10<sup>th</sup>. Source: CoreLogic

# During Last Recession it Took 10 Years for Purchase Demand to Rebound, in this Recession it Took Less than 10 Weeks





# Record Low Rates is Also Driving a Rebound in Purchase Mortgage Loan Size



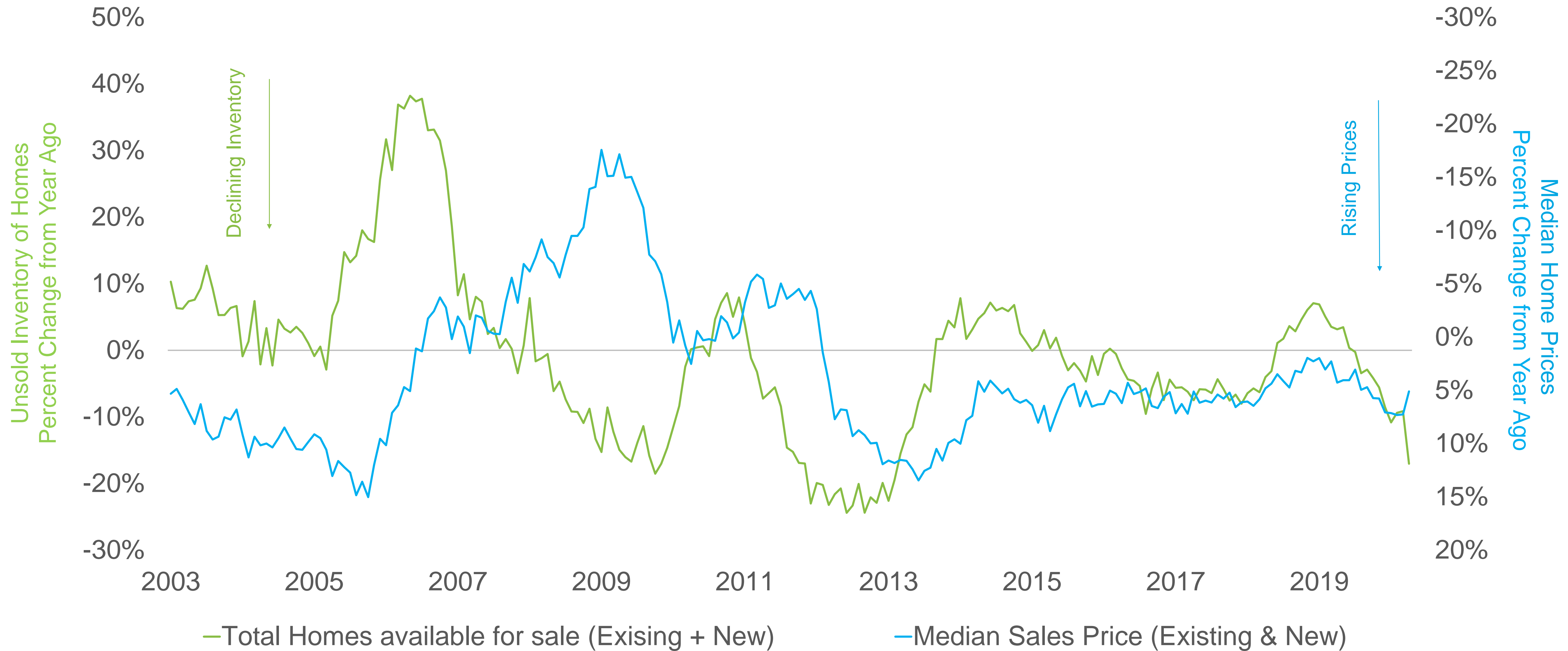
Growth in Loan Amt

Mortgage Rates  
(inverted Scale)



Source: Freddie Mac and MBA

# Decline in Unsold Inventory Typically Leads to a Rebound in Future Home Price Growth



Source: National Association of Realtors; US Census Bureau

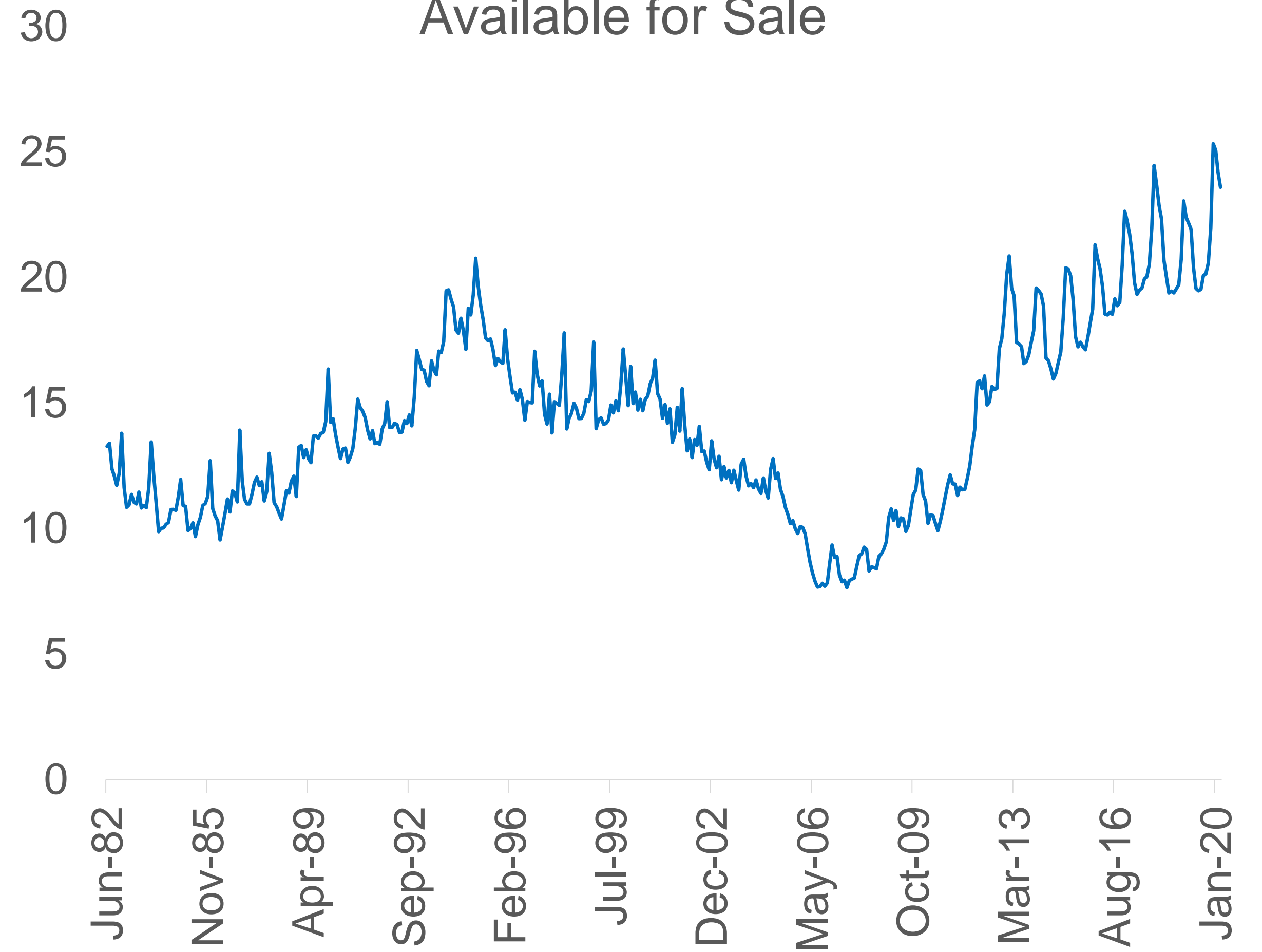
# Inventory at Record Lows Means More Renters Scrambling for Shrinking Number of Homes to Purchase



### Total Homes Available for Sale (in Thousands)



### Number of Renter Households Per Home Available for Sale

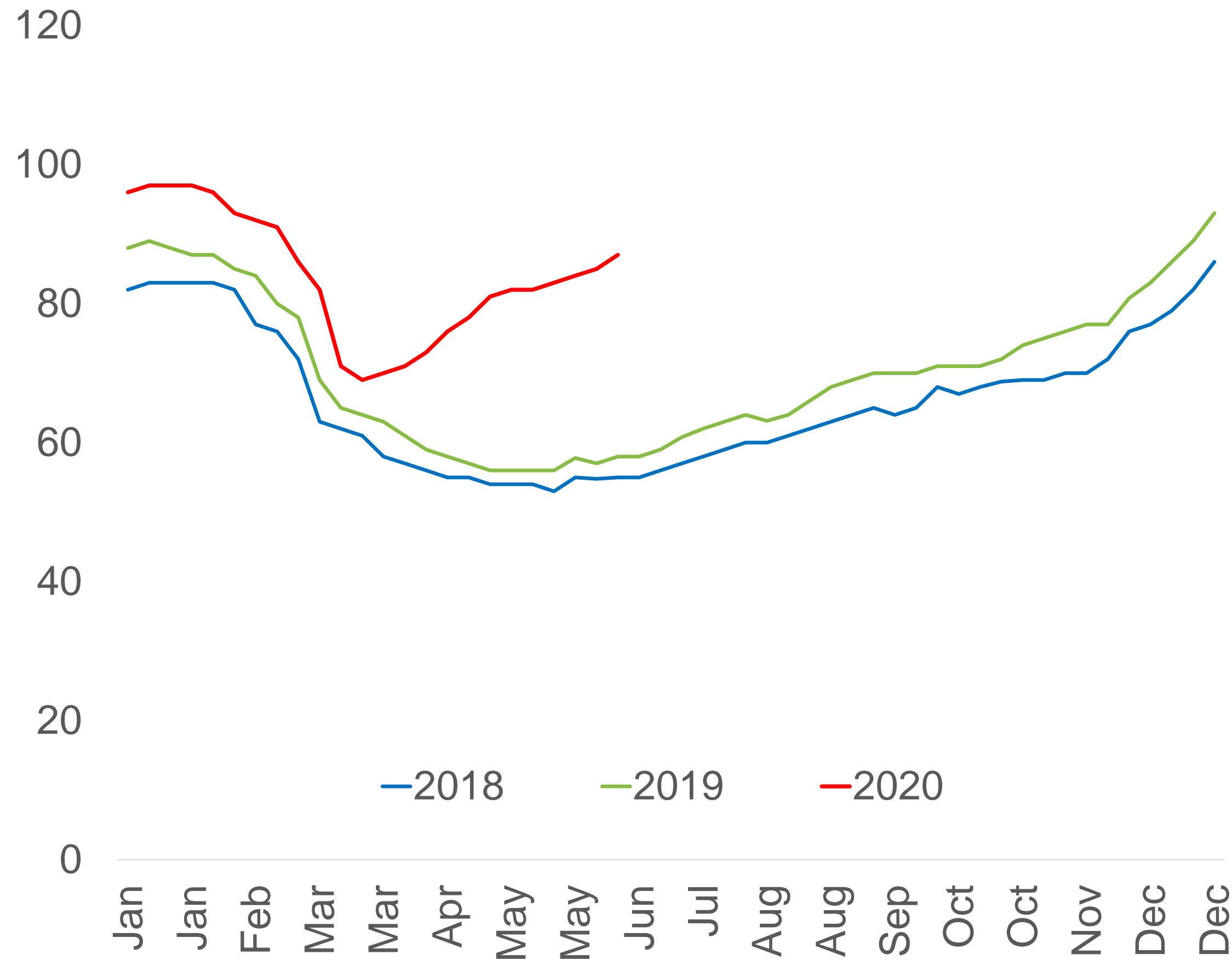


Source: US Census Bureau, NAR; HVS

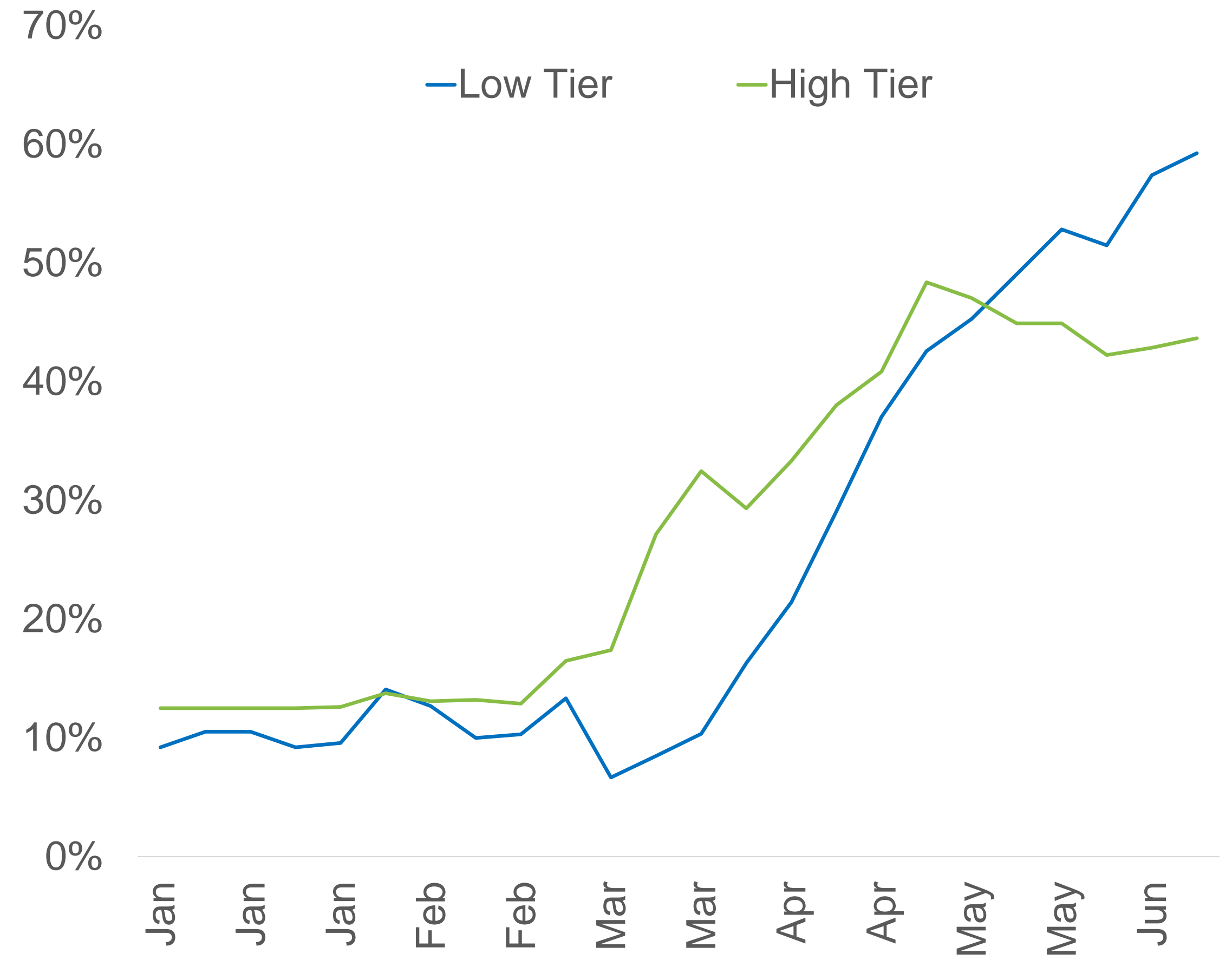
# Although Inventory is Very Low, it's Taking Longer to Sell...



### Cumulative Days on Market Active Inventory



### Percent Change in Cumulative Days on Market from Year Ago, by Price Tier, 2020

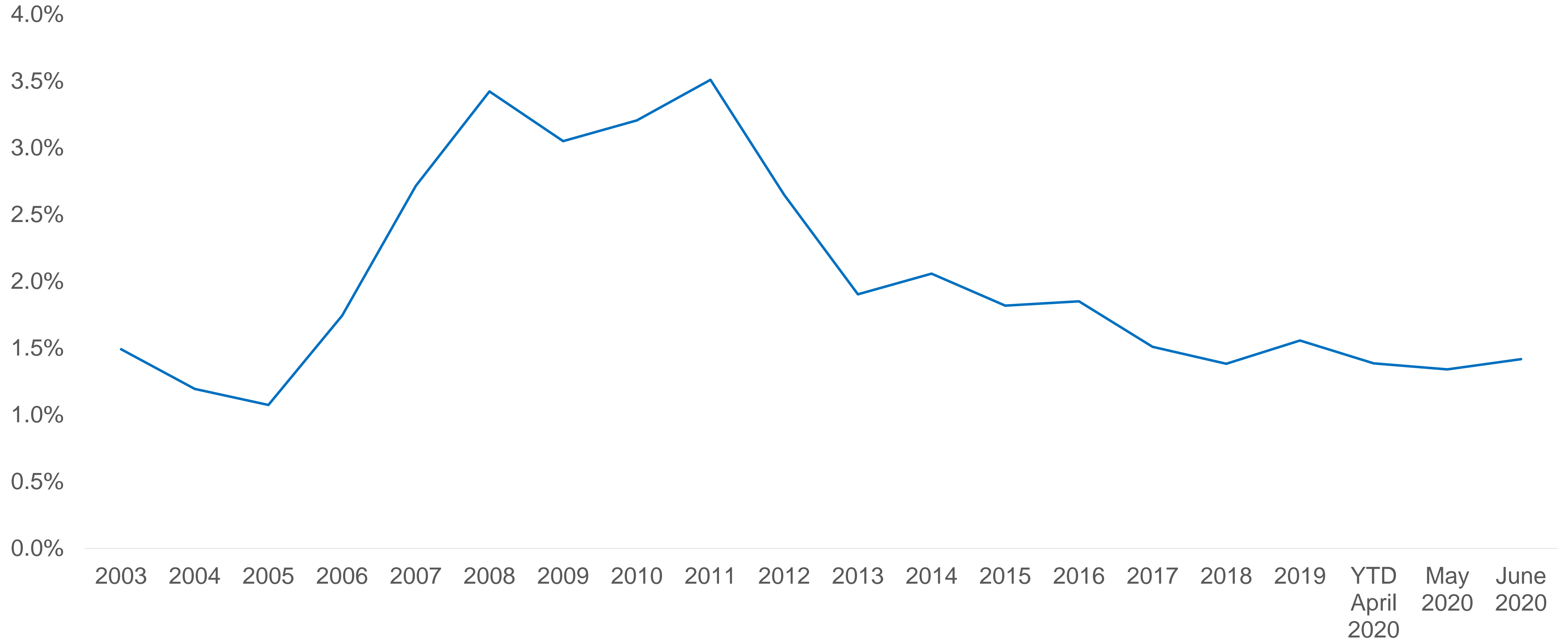


Source: CoreLogic

# ....but Home Buyer Pricing Discounts Remain Very Low



### Initial List Price to Final Sale Price Discount

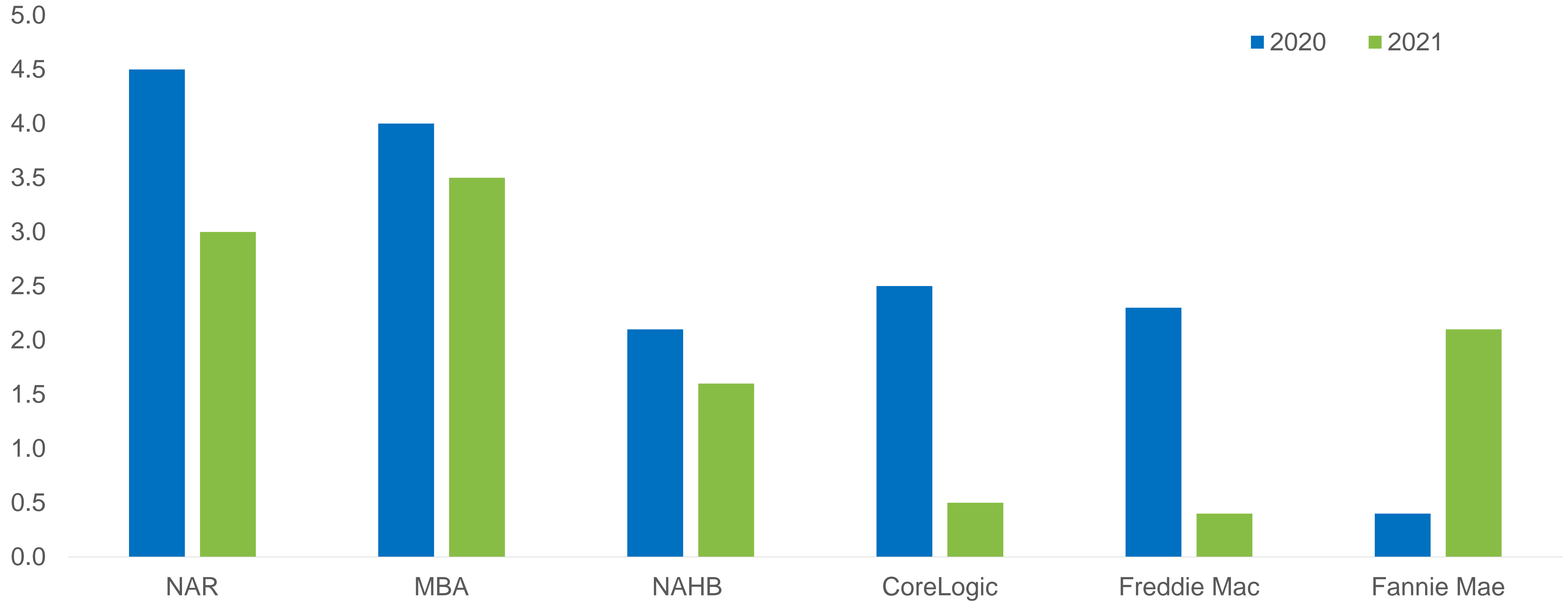


Source: CoreLogic

# Home Prices Projected to Decelerate in 2020 and 2021



Projected Home Price Change  
Percent Change From Prior Year



Note: For Freddie index tracked is FMHPI; For all other housing economists, the index tracked is FHFA purchase only HPI  
Source: Freddie Mac (May 2020), Fannie Mae (Jun 2020), MBA (Jun 2020), NAR (Jun 2020), CoreLogic (Jun 2020), NAHB (Jun 2020)

- Economic recovery is underway, but uncertainty is very high
- Stimulus is flowing through and sustaining consumer spending and balance sheets...
- ....but looming fiscal cliff is around the corner and may put the brakes on the recovery
- Real estate demand has staged a remarkable comeback and given of chronic supply shortage, the rebound in demand should provide support to home prices
- Longer-term concern around recession's impact on inequality, housing affordability and the structural lack of investment and productivity plaguing the economy

# Economic Outlook and Housing Trends

Laurie Goodman,  
Co-Director, Housing Finance Policy Center  
Urban Institute

Webinar  
Sponsored by Down Payment  
Resource and Freddie Mac  
June 24, 2020



# Overview

- The housing market has held up better than expected.
  - The housing market was strong going into COVID-19, very different than in 2008
  - Homeowners are less affected by COVID-19 than renters
  - Forbearance is lower than early consensus estimates
  - Purchase activity had dropped less than many feared
- Fed intervention has stabilized the agency MBS market
  - Even so, primary rates are higher than they should be, although they are beginning to decline
- The credit box in agency space has tightened, the credit box in non-agency space has tightened more.

# A Supply Shortage Looms Nationwide

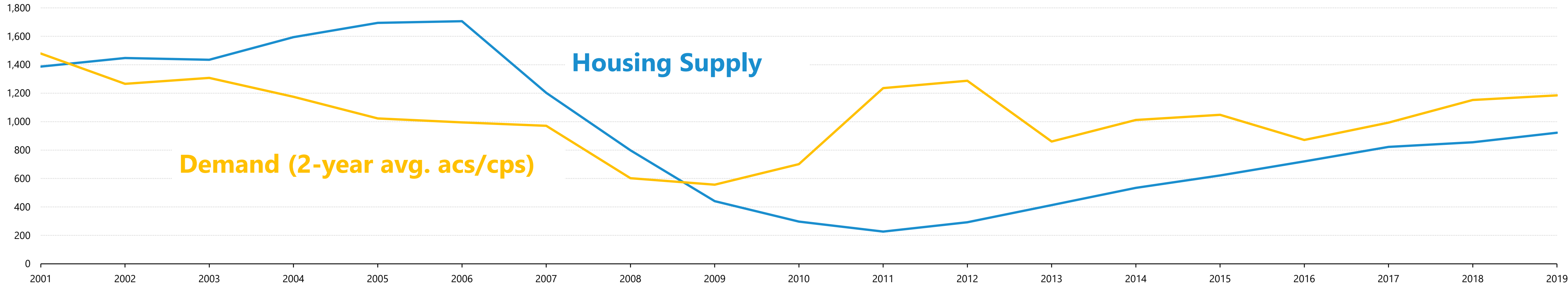
The Supply/Demand Picture 2019 (in thousands of units)

	1-4 family	5+ family	Total
Private residential construction	913	343	1256
Manufactured housing			95
Gross new supply			1351
less: Obsolescence rate			429
New net supply			922
Household formation			1,185
Difference			-263

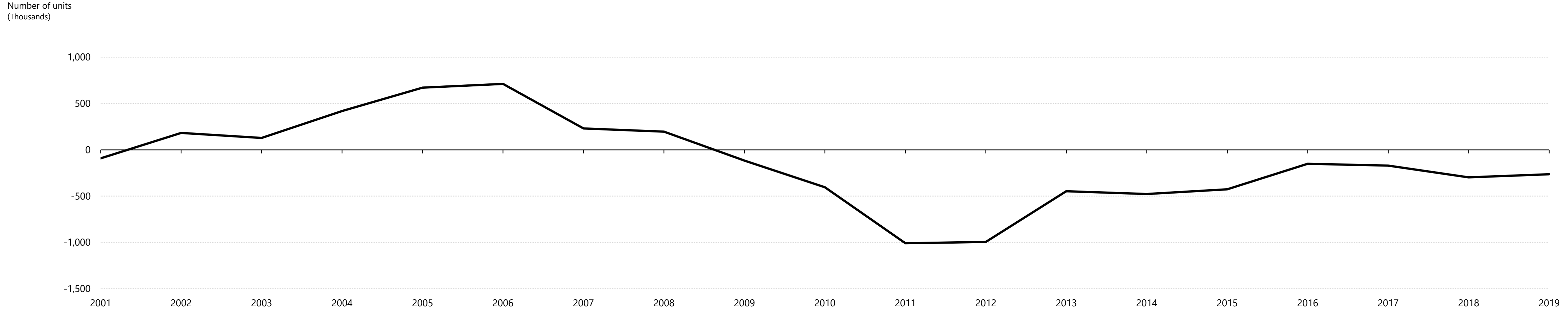
Sources: U.S. Census Bureau, Urban Institute estimates

# Supply and Demand Over Time

## Supply and Demand for Housing

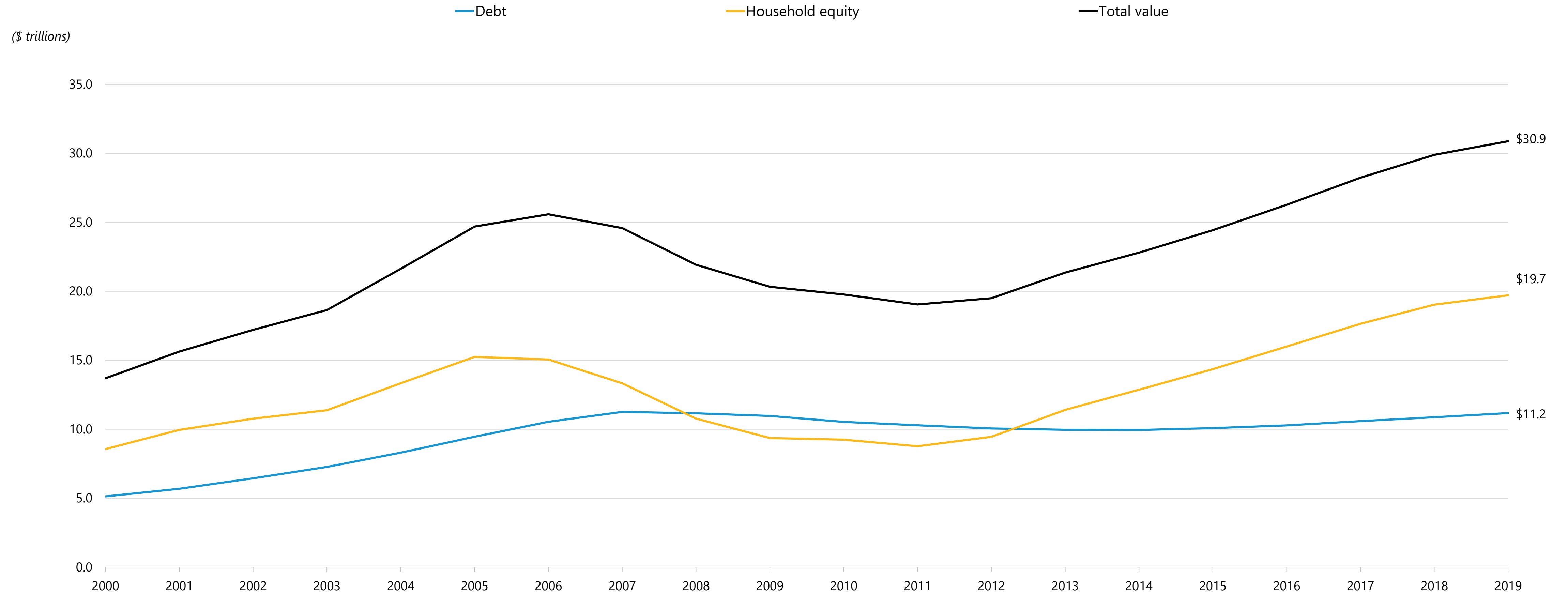


## Difference Between Housing Supply and Housing Demand



Sources: U.S. Census Bureau, Urban Institute estimates

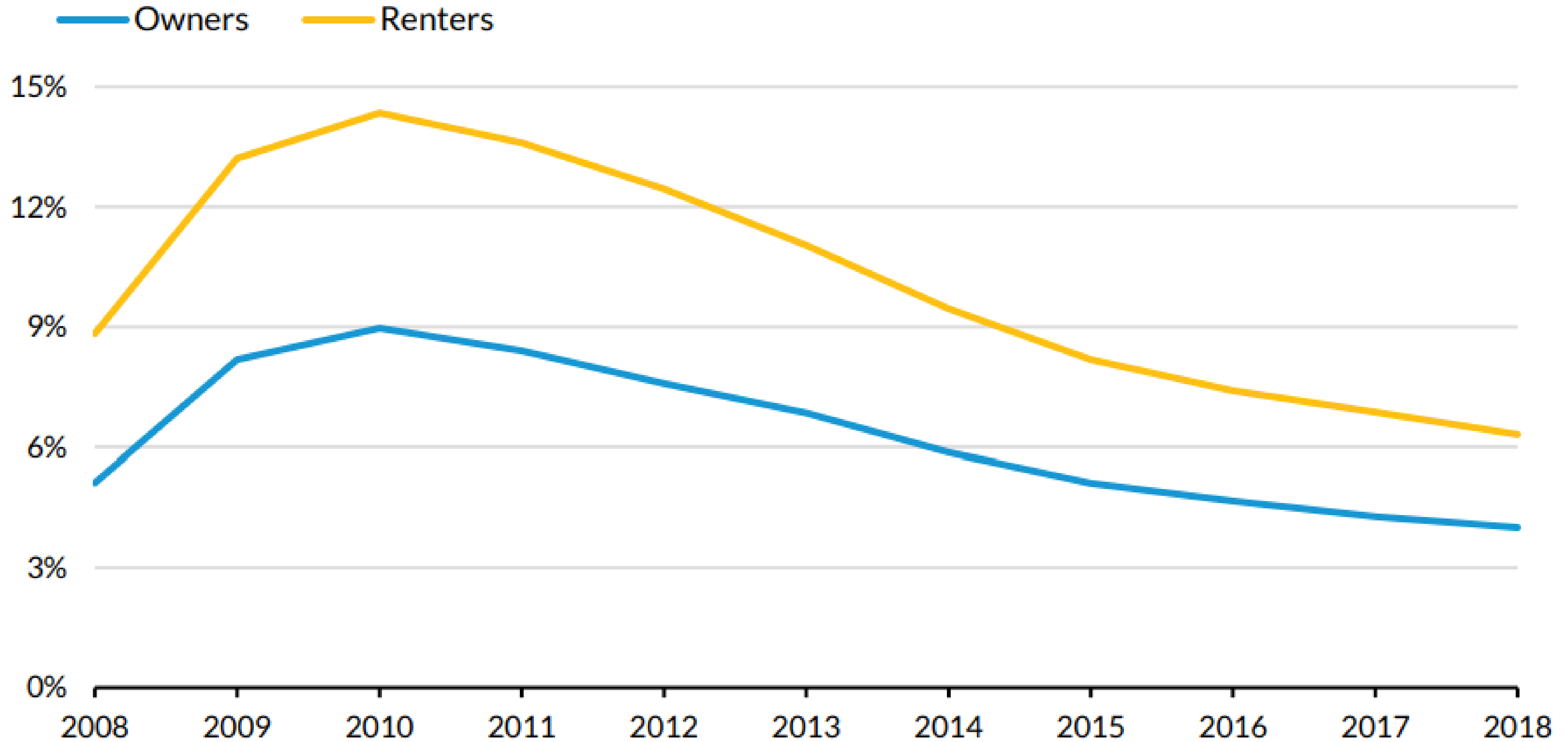
# Value of the US Single Family Housing Market



Sources: Federal Reserve Flow of Funds and Urban Institute. Last updated April 2020.

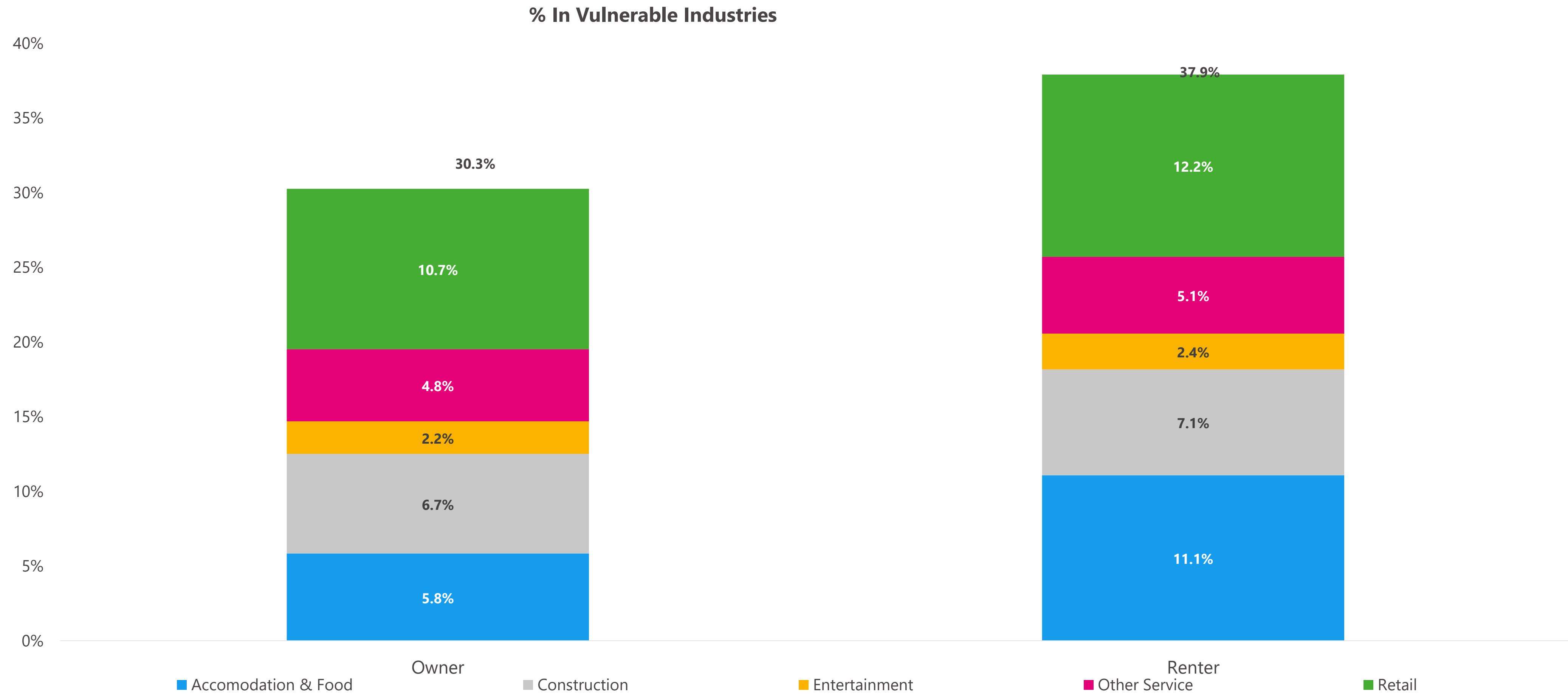
Note: Single family includes 1-4 family mortgages. The home equity number is grossed up from Fed totals to include the value of households and the non-financial business sector.

# Unemployment Rate by Housing Tenure



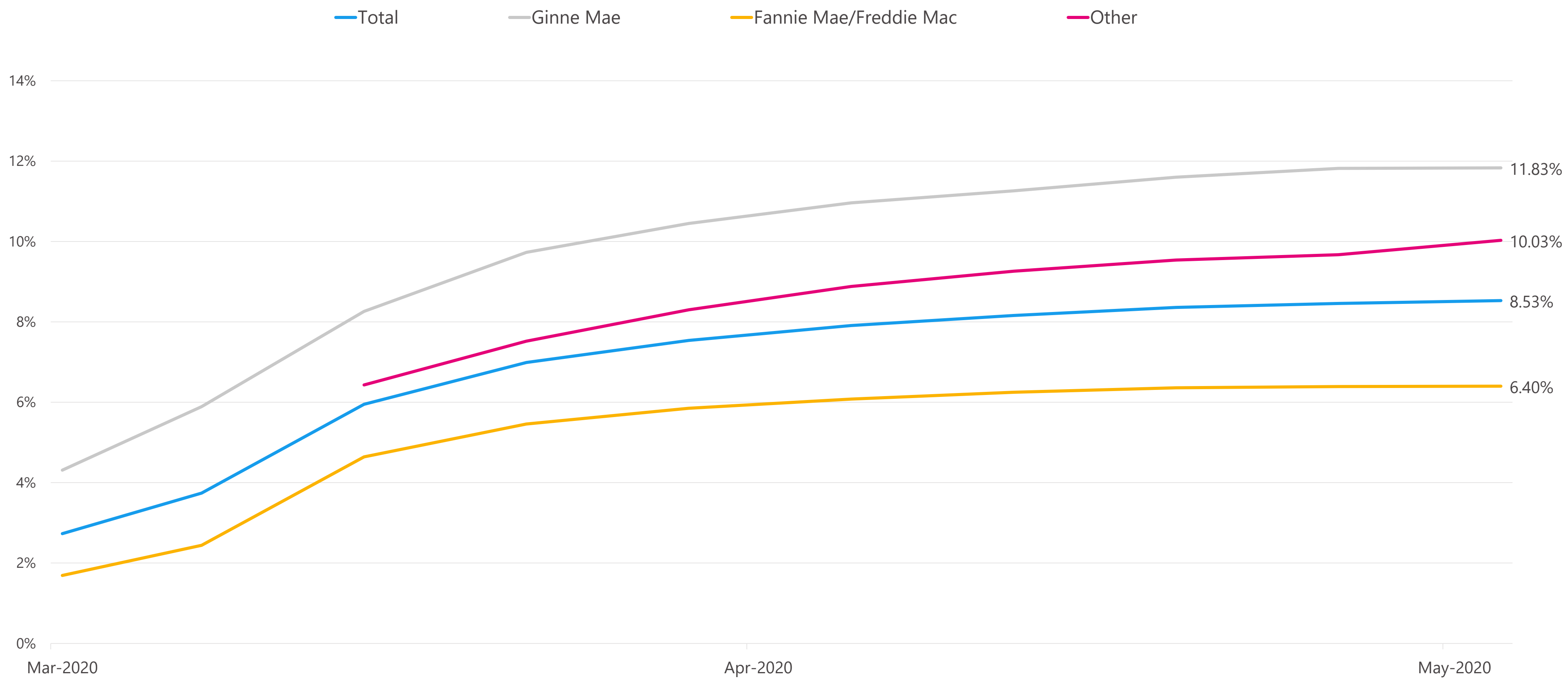
Source: American Community Survey.

# Homeowners are Less Likely to Work in the Five Most Vulnerable Industries



**Note:** The sample includes all individuals in the labor force.

# MBA Forbearance Estimate



Source: Mortgage Bankers Association.

# How Important Is Unemployment Insurance in Filling the Income Gap for Homeowners with a Mortgage?

## 10 Most-Populous States

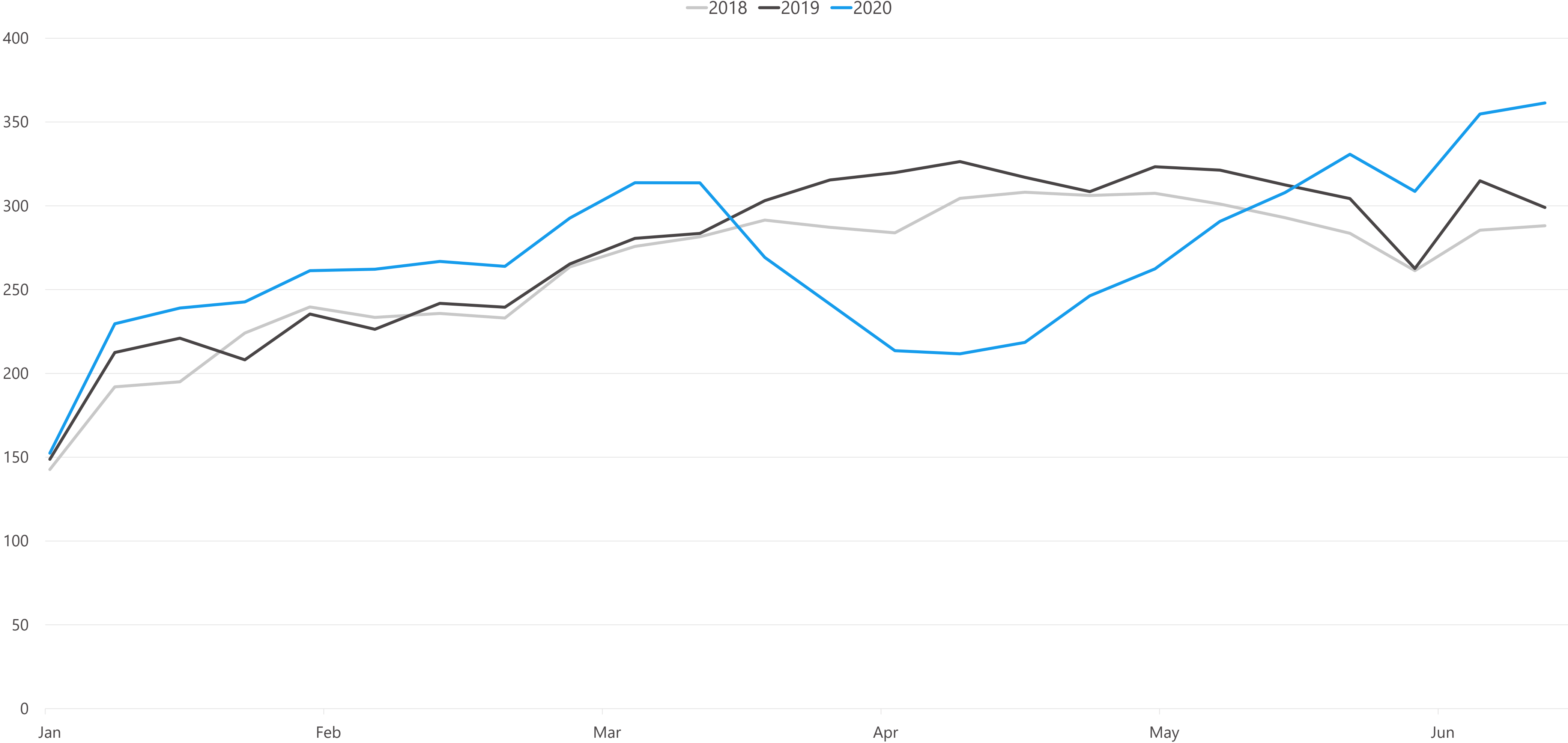
State	Homeowners with Median Household Income				Homeowners at the 25th Household Income Percentile			
	Annual HH income (\$)	Monthly HH income (\$)	Estimated UI benefit + CARES \$600/week (\$)	HH income minus total benefit (\$)	Annual HH income (\$)	Monthly HH income (\$)	Estimated UI benefit + CARES \$600/week (\$)	HH income minus total benefit (\$)
CA	111,300	9,275	4,547	4,729	65,000	5,417	4,547	870
TX	95,000	7,917	4,854	3,063	56,000	4,667	4,854	-187
FL	79,900	6,658	3,789	2,870	45,700	3,808	3,789	20
NY	107,600	8,967	4,811	4,156	63,400	5,283	4,811	473
PA	89,730	7,478	5,109	2,368	54,000	4,500	4,848	-348
IL	95,500	7,958	4,764	3,194	57,300	4,775	4,764	11
OH	83,000	6,917	5,400	1,517	50,000	4,167	4,681	-515
GA	88,000	7,333	4,178	3,155	50,500	4,208	4,178	30
NC	80,800	6,733	4,114	2,620	48,000	4,000	4,114	-114
MI	82,100	6,842	4,165	2,676	49,600	4,133	4,165	-32

**Sources:** American Community Survey and Bureau of Labor Statistics.

**Note:** CARES = Coronavirus Aid, Relief, and Economic Security; HH = household; UI = unemployment insurance.



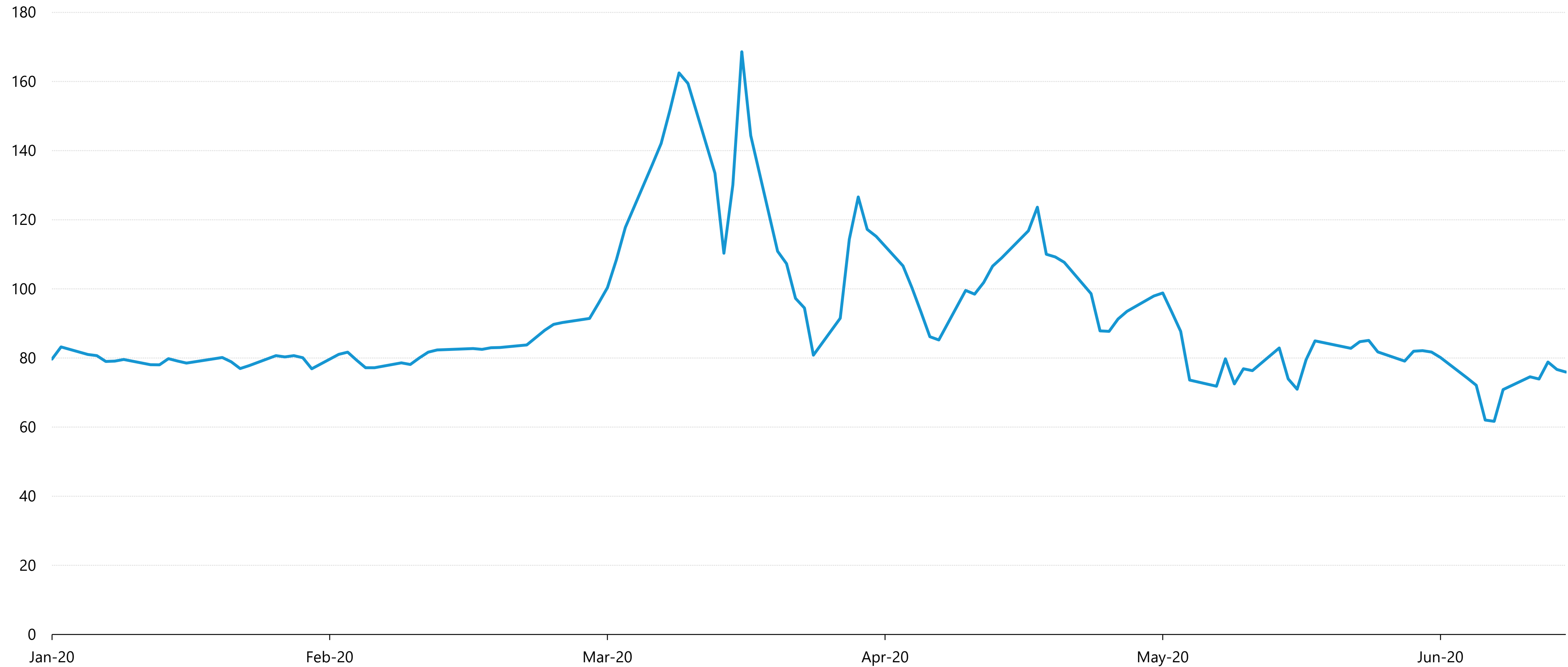
# MBA Purchase Applications Index



Sources: Mortgage Bankers Association (MBA) Weekly Mortgage Applications Survey.

# Fed Intervention Stabilized the Agency MBS Market

Spread, bps, 30-yr fixed mortgage rate – 10-yr Treasury

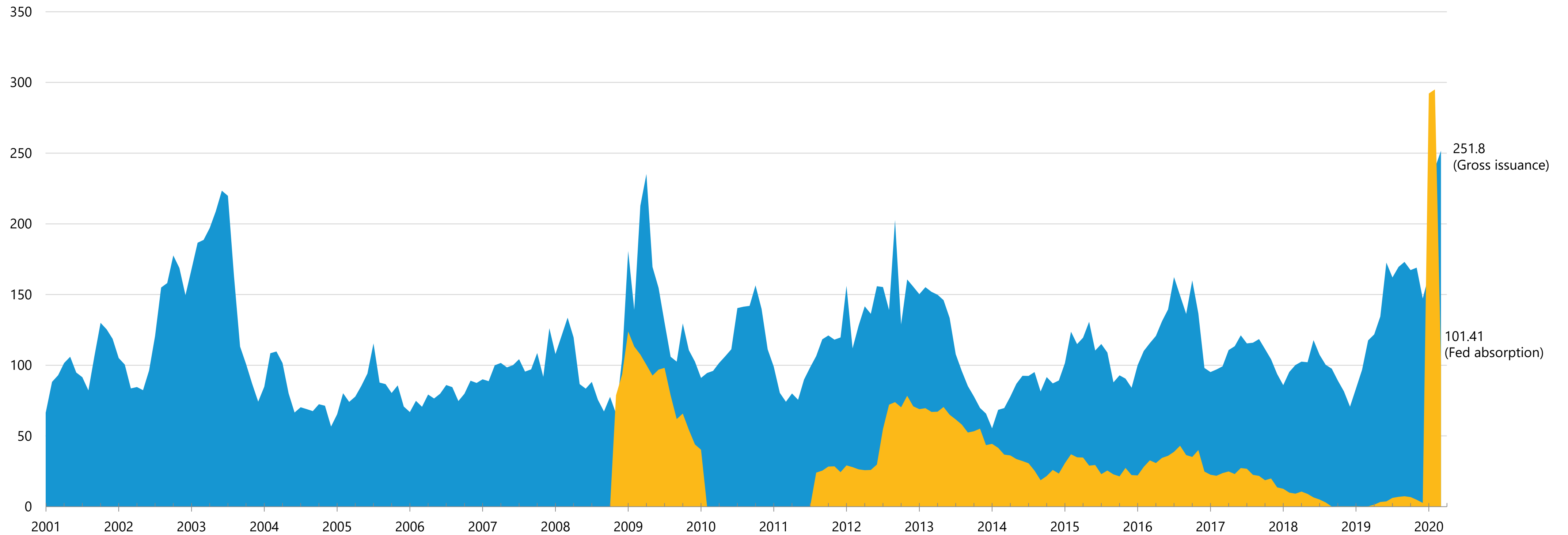


Source: US Treasury and Fannie Mae.

# Fed Absorption of Agency Gross Issuance

■ Gross issuance      ■ Total Fed purchases

(\$ billions)



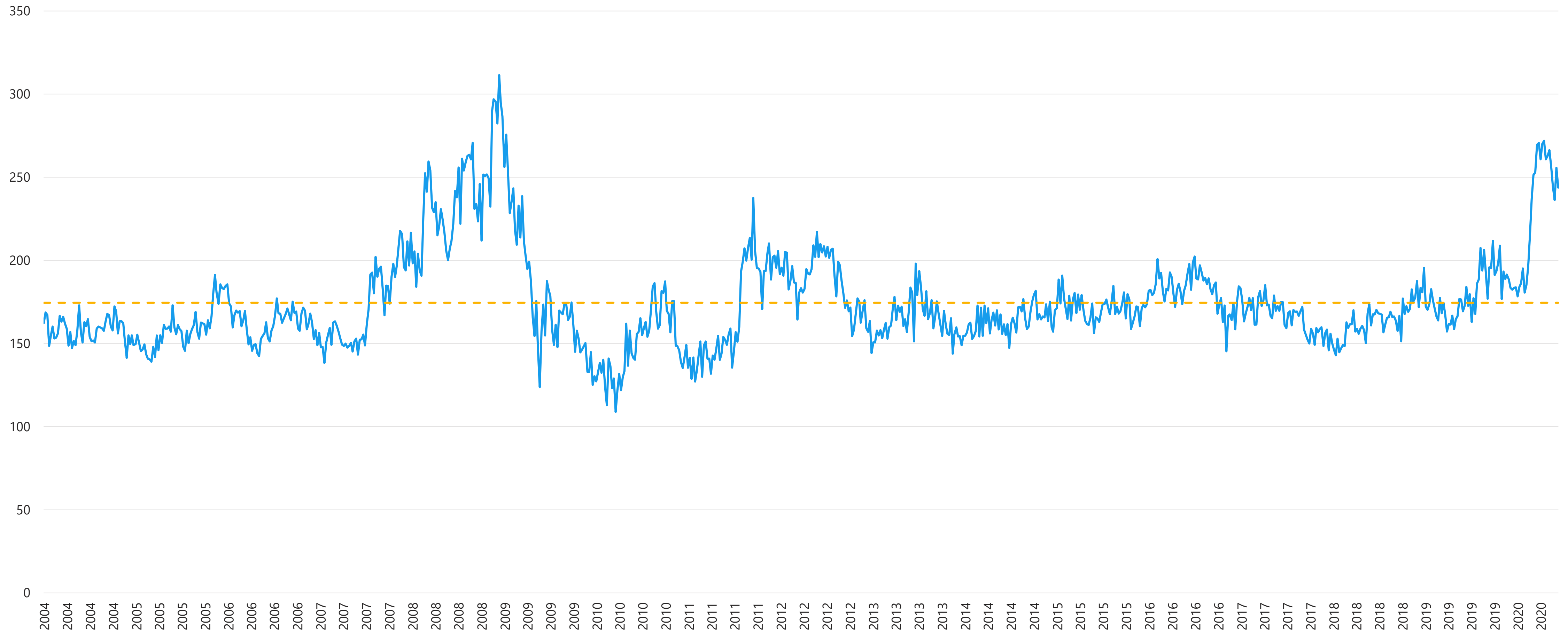
May 2020

Sources: eMBS, Federal Reserve Bank of New York and Urban Institute.

# Mortgage Rate High vs. Treasury

Spread, bps, PMMS rate vs. 10-yr Treasury

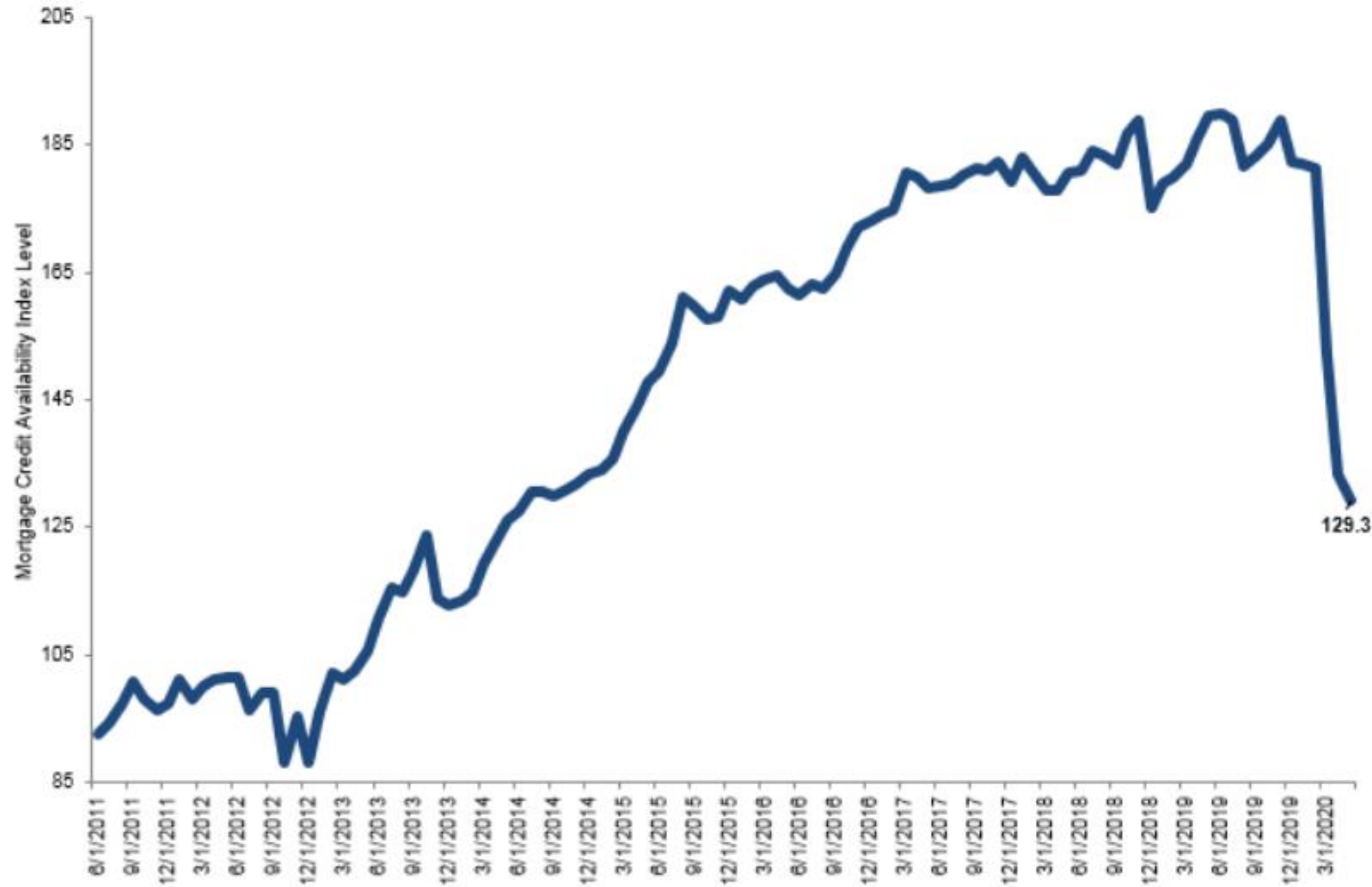
Average spread: 174.5558  
Last spread: 243.7977



Source: US Treasury, Fannie Mae, Moody's Analytics.

# MBA Mortgage Credit Availability Index

*NSA, 3/2012 = 100*



**Overall: 28.6%**

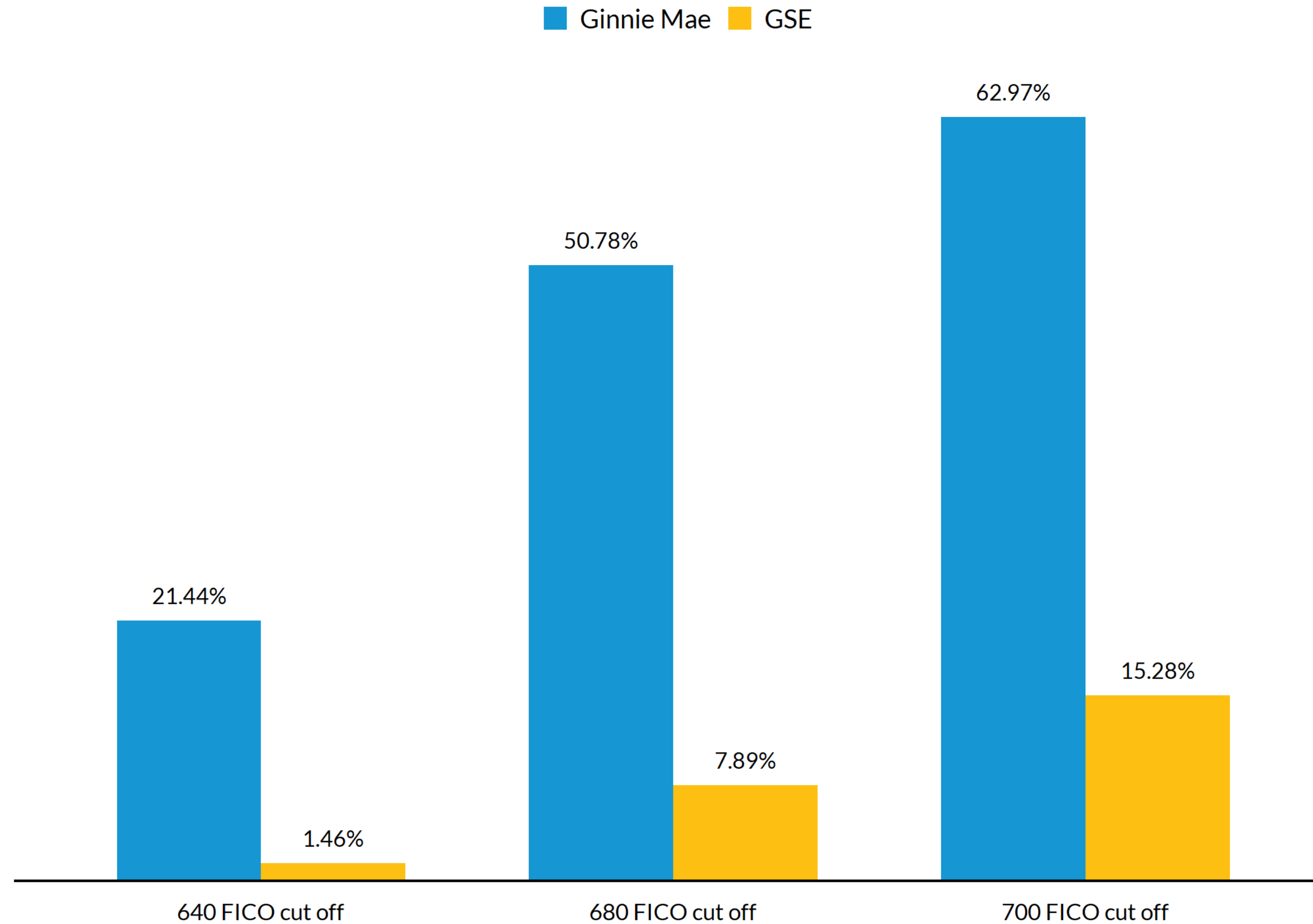
**Government: 16.1%**

**Conventional conforming: 15.8%**

**Jumbo: 53.3%**

Source: Mortgage Bankers' Association.

# Share of Agency Loans that Fail Different FICO Cut-offs, by Number of Loans



**Sources:** Urban Institute calculations from eMBS data.

**Note:** Based on agency lending in 2019.

# The Mortgage Credit Box: Already Tightening Going into COVID-19, Accelerated by the Virus

(% of mortgages with designated characteristics)

	<b>Ginnie Mae Purchase</b>	<b>Ginnie Mae Refi</b>	<b>Fannie Mae Purchase</b>	<b>Fannie Mae Refi</b>	<b>Freddie Mac Purchase</b>	<b>Freddie Mac Refi</b>
<b>% FICO &lt; 700</b>						
Jan, 2019	65.2	70.2	17.9	29.3	14.5	23.5
Jan, 2020	61.6	65.6	13.9	14.8	12.3	16.2
April, 2020	61.4	62.3	12.6	9.2	11.4	9.8
<b>% FICO &lt; 700; DTI &gt; 40</b>						
Jan, 2019	44.2	38.5	9.2	13.6	6.4	9.0
Jan, 2020	38.0	12.8	5.9	6.3	5.0	6.6
April, 2020	37.0	8.5	5.2	3.3	4.3	3.6

**Source:** Urban Institute calculations from eMBS data.

# FICO, DTI and LTV by Race/ethnicity (2018 originations)

Borrower Race/Ethnicity	FICO score	Median CLTV, purchase mortgages	Median CLTV, refinance mortgages	Debt-to-income ratio
Non-Hispanic White	748	90	72	38
Hispanic White	710	96.5	70.3	42
Black	691	96.5	76.6	42
Asian	759	80	65.9	39
Other	720	96.5	73.7	40
Total	741	90	72.1	39

Source: Urban Compilation from "Introducing New and Revised Data Points in HMDA", Consumer Financial Protection Bureau, August 2019.



# Policy Actions

- Stand up a Servicer Liquidity Facility at the Federal Reserve
- Open the Federal Reserve's Term Asset-Backed Lending Facility to AAA RMBS
- Expand the membership in the Federal Home Loan Bank System to those that have a major mortgage market presence (non-bank originators and REITS)
  - Currently only banks, insurance companies and CDFIs are eligible for membership

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Check the Housing Finance Policy Center [website](http://www.urban.org/center/hfpc) regularly:  
[www.urban.org/center/hfpc](http://www.urban.org/center/hfpc)

The screenshot displays the Housing Finance Policy Center website. At the top, the site title "Housing Finance Policy Center" is visible next to a "SUPPORT URBAN INSTITUTE" button. A navigation menu includes "About", "Staff", "Publications", "Projects", "Events", "Urban Wire Posts", "In the News", and "More". The main content area features a large line chart titled "Housing Finance at a Glance: March". The chart shows two data series: a blue line and a yellow line, both exhibiting significant volatility with a sharp dip in early 2008. Below the chart are navigation arrows. To the right of the chart, the text reads: "Housing Finance at a Glance: March. The most recent edition of At A Glance, the Housing Finance Policy Center's reference guide for mortgage and housing market data." Below this is a "LATEST WORK" section with three items:

- WORKING PAPER :: HOUSING AND HOUSING FINANCE**  
Image: Aerial view of a residential neighborhood.  
Title: "What Fueled the Financial Crisis?"  
Authors: Laurie Goodman, Jun Zhu  
Date: April 4, 2018
- URBAN WIRE POST :: HOUSING AND HOUSING FINANCE**  
Image: A person walking in a hallway.  
Title: "Where can renters afford to buy homes?"  
Authors: Laurie Goodman, Jun Zhu  
Date: March 20, 2018
- RESEARCH REPORT :: HOUSING AND HOUSING FINANCE**  
Image: A modern house with a lawn.  
Title: "Housing Affordability: Local and National Perspectives"  
Authors: Laurie Goodman, Wei Li, Jun Zhu  
Date: March 28, 2018



**Rob Chrane**  
CEO at Down Payment  
Resource



# Thank you!

To keep up with latest data on down payment programs and trends:

[DownPaymentResource.com/Reports](https://DownPaymentResource.com/Reports)

For the latest on the impact on DPA programs as a result of COVID-19:

[DownPaymentResource.com/Covid-19](https://DownPaymentResource.com/Covid-19)



**Sam Khater**  
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# Real Estate Professionals *Engagement Efforts*

REAL ESTATE  
COMPANIES

REALTOR®  
STATE & LOCAL  
ASSOCIATIONS

DIVERSE  
TRADE  
ASSOCIATIONS



**Carmen Mercado**  
*Senior Affordable Lending Manager*  
Single Family – Client & Community Engagement

# Real Estate Outreach Efforts

**It takes many hands to make home possible.**

Partnership and collaboration across the affordable ecosystem are critical to drive both business opportunities and making the dream of home a reality for families.



# Foundational Pillars

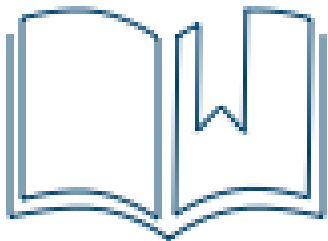
# ALL FOR HOME

Leadership based on focused pillars reflecting expertise, outreach and resources enabling the ecosystem to support homeownership:

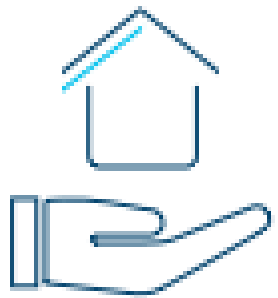
**Insights**



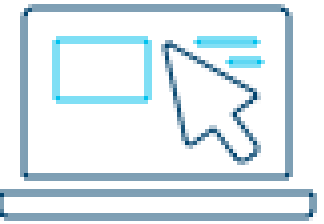
**Education**



**Mortgage Products**



**Business Solutions**



# Sharing Localized Data



- "Mortgage Ready"
- Affordability of Area
- Adequate Housing Stock
- Down Payments

# Expanding Affordable Lending

## CHOICERenovation®



Financing for renovations and repairs including home resiliency

## GreenCHOICE Mortgages®



Financing for energy- and water-efficiency home improvements

## Manufactured Housing including CHOICEHome®



Financing for factory-built HUD Code homes affixed to permanent foundations and titled as real property

## Shared Equity Homeownership

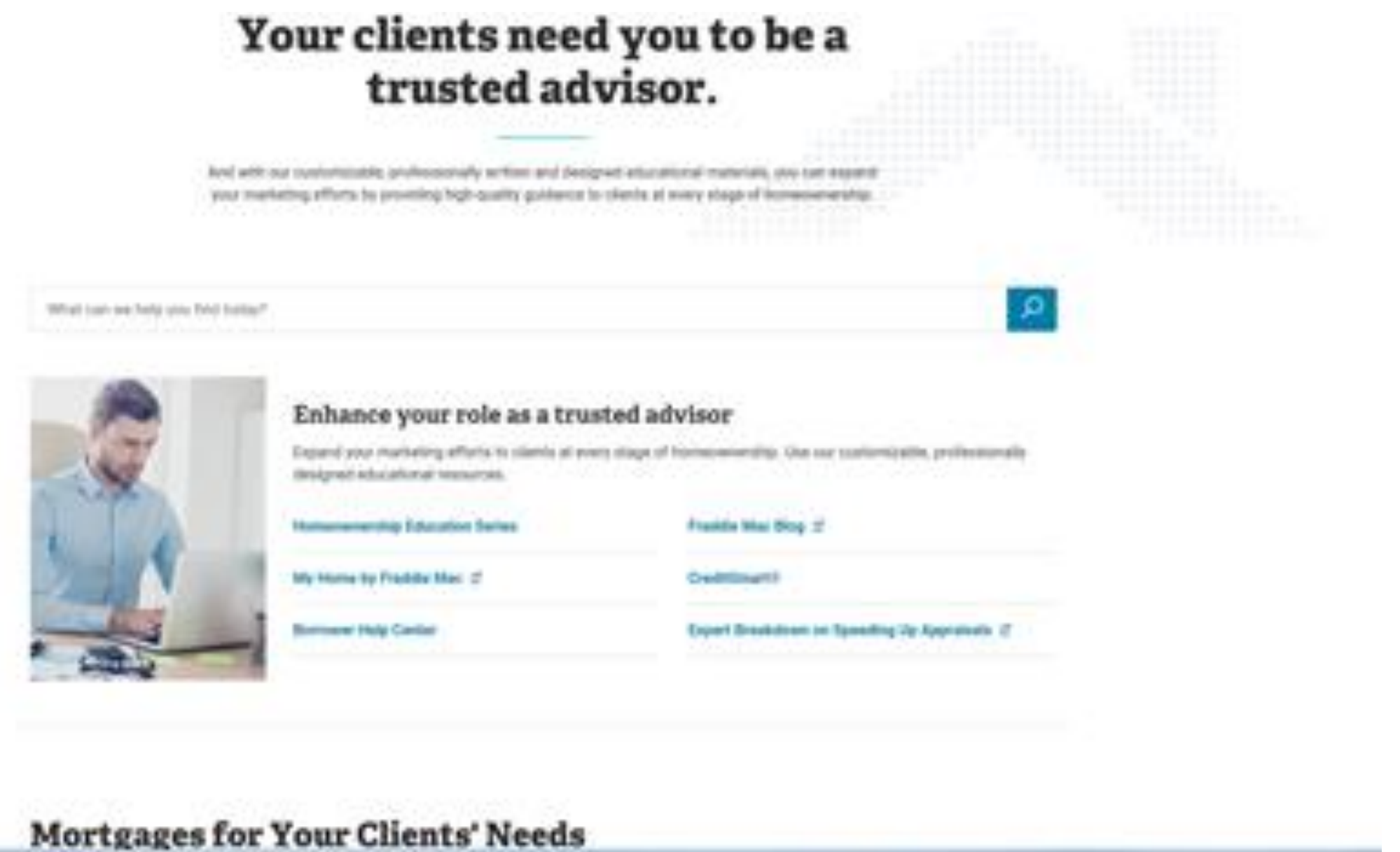


Financing for homes with lasting affordability administered by not-for-profits or state/local governments



# Real Estate Professional Resources Resource Center

- Online resource center to help Real Estate Professionals grow business with first-time homebuyers, low- to moderate-income buyers and within growing diverse communities
- Learn industry trends, inform on key topics that drive business and empower clients
- Subscribe for news, events, thought leadership and resources



**Visit:** [SF.FreddieMac.com/working-with-us/real-estate-professionals/overview](https://SF.FreddieMac.com/working-with-us/real-estate-professionals/overview)

# Down Payment Assistance

**Down Payment**  
RESOURCE

[FIND A PROGRAM](#) [HOW IT WORKS](#) [SUCCESS STORIES](#) [EDUCATION](#) [BLOG](#)

**Down payment money is out there.**  
We'll help you find it.

Let's see if you're eligible

“ I never knew these programs existed, but I found the down payment help we needed and we bought a home near family. ”  
— Anna Rendell

## Down Payment Resource Website\*

Helps lenders connect their borrowers with homeownership programs that can help with down payment

**VISIT:** [DownPaymentResource.com/are-you-eligible/](https://DownPaymentResource.com/are-you-eligible/)

# CreditSmart® Financial Education

The CreditSmart® curriculum offers financial education modules to meet the diverse homeownership needs of consumers. It features topics such as credit, money management, homeownership, foreclosure avoidance and more.

- Free, online program on a flexible, interactive platform designed to be accessible from multiple access points
- Multi-lingual options available
- Also offered through webinars and in-person workshops (where available)



**Prepare future borrowers for sustainable homeownership**

**Use CreditSmart workshops to gain entry to community partners and future homebuyers**

**VISIT:** [SF.FreddieMac.com/working-with-us/creditsmart/overview/](https://SF.FreddieMac.com/working-with-us/creditsmart/overview/)

# CreditSmart® Homebuyer U

Homebuyer U is a part of the CreditSmart® suite that focuses on homebuyer education:

- Available as a self-paced, online program that fulfills first-time homebuyer education requirements for obtaining a Home Possible® or HomeOne<sup>SM</sup> mortgage
- Six modules, each focused on a learning principle including credit, money management, and how to sustain and preserve your home purchase investment
- Interactive presentation of material including knowledge checks, ability to start/stop, videos, and voiceovers to provide a user-friendly experience
- Offered in English only

The collage displays three screenshots from the CreditSmart Homebuyer U program. The top screenshot, titled "Introduction to the Homebuying Process", shows a video player with a progress bar at 0:00:03 and a text block explaining that homeownership is a key component of the American dream but can be challenging for first-time buyers. The middle screenshot, titled "A Quick View of Your Homebuying Team", shows a video player with a progress bar at -30s and a text prompt "Please click below to watch a video." above an illustration of a homebuying team. The right screenshot, titled "Message from Freddie Mac", shows a video player with a progress bar at 01:36 and a video of a man in a suit. The bottom right screenshot shows the "CreditSmart® Homebuyer U Tutorial" title screen with a progress bar at 00:41.

**VISIT:** <http://www.freddiemac.com/CreditSmart/HomebuyerU>

# Freddie Mac Corporate COVID-19 Page



## Our COVID-19 Response

We are taking action to protect our employees, customers, homeowners and renters.

LEARN MORE



Freddie Mac staff is working to ensure that our employees, customers and borrowers are protected from the direct and indirect impacts of coronavirus (COVID-19). We are actively tracking the situation and making decisions based on guidance from public health authorities.

### Providing Assistance to Borrowers

We are taking action to help make sure homeowners with Freddie Mac-owned mortgages who are directly or indirectly impacted by COVID-19 are able to stay in their homes during this challenging time. This includes offering the following mortgage relief options for those who are unable to make their mortgage payments due to a decline in income:

- Providing mortgage forbearance for up to 12 months,
- Waiving assessments of penalties and late fees,
- Halting all foreclosure sales and evictions of borrowers living in Freddie Mac-owned homes until at least May 17, 2020,
- Suspending reporting to credit bureaus of delinquency related to forbearance,
- Offering loan modification options that lower payments or keep payments the same after the forbearance period.

Visit our consumer page on [My Home by Freddie Mac](#) to learn more about our mortgage relief options to help homeowners.

### Guidance for Lenders and Servicers

We are also providing additional guidance to our customers in both our Single-Family and Multifamily businesses:

**Announcements:**

- [Enhanced Relief for Homeowners Impacted by COVID-19](#)
- [Increased Flexibility to Buy and Sell During COVID-19](#)

### Relief for Homeowners and Renters

We're extending help to millions of homeowners and renters facing financial hardships as a result of COVID-19.

HOMEOWNERS

RENTERS

### CDC Resources

Information to help keep you and your family safe.

MORE

## Resource Page Includes:



- Summary COVID-19 Business Updates
- Resource Links

VISIT: <http://www.freddiemac.com/about/covid-19.html>

# #HelpStartsHere Interactive Guide for Homeowners Facing COVID-19 Hardships

[#HelpStartsHere](#) is a Freddie Mac initiative to broadly provide homeowners and borrowers with guidance and resources to overcome challenges due to COVID-19.

- [Link to the interactive digital guide for homeowners - Sustaining Homeownership in A Crisis: An Interactive Guide for Homeowners](#)



**SUSTAINING HOMEOWNERSHIP IN A CRISIS:**  
An Interactive Guide for Homeowners

**LEARN ABOUT YOUR OPTIONS:**

**UNDERSTAND**

**FORBEARANCE: WHAT IS IT?**  
If you're facing a short-term financial hardship and need temporary assistance with your mortgage, your servicer may offer you a forbearance.

**WHAT SHOULD YOU DO?**

**EXPLORE**

**OPTIONS AND ALTERNATIVES**  
If you have experienced job loss, reduced income, illness or other issues

Options to Explore

Mortgage Relief

Relief Eligibility

Prepare Documents

Identify Your Servicer

Work with Your Servicer

An aerial, black and white photograph of a suburban neighborhood. The houses are densely packed, with many trees interspersed among them. The perspective is from a high angle, looking down on the streets and rooftops. The overall tone is professional and serene.

# Thank You