

# HFA Central Region Symposium

May 18, 2023

**ALL FOR HOME**

Freddie Mac  
Single-Family

# Speaker Introduction



Sam Noel

Affordable Lending Manager  
Mission and Community Engagement  
Freddie Mac

Sam creates and executes affordable lending strategies, which empower mortgage and other industry partners who serve low- to moderate-income communities as well as families in underserved market areas.

# Agenda



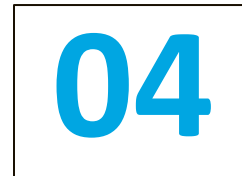
Introduction



Affordable  
Lending  
Overview



Economic  
Market Analysis



Panel  
Discussion

# Speaker Introduction



**Mike Dawson**

Vice President Strategy and Policy  
Single-Family Mission and Community Engagement  
Freddie Mac



# About Freddie Mac



# Making Home Possible for 52 Years

- Freddie Mac was [chartered by Congress in 1970](#) and operates in the Secondary Mortgage Market
- [Mission](#) to promote liquidity, stability, affordability and equality in housing – nationwide, in all economic conditions
- [Community mission](#)
  - Stabilize communities
  - Prevent foreclosures
  - Expand credit responsibly
  - Educate future homebuyers and counsel homeowners
  - Support affordable rental housing
- [Three main business lines](#)
  - Single-Family (1- to 4-unit for-sale properties)
  - Multifamily (5+-unit for-rent properties)
  - Capital Markets



# The Affordable Ecosystem

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

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





# Housing Finance Agencies (HFAs)





# HFAs Role and Impact

For more than 50 years, state housing finance agencies (HFAs) have played a central role in the nation's affordable housing system.



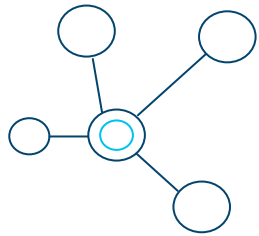
State HFAs have delivered more than \$600 billion in financing for the purchase, development, and rehabilitation of more than 8 million affordable homes and rental apartments.



HFAs serve very low-, low- and middle-income households, first-time homebuyers, and other specialty segments with limited funds for down payment and closing costs..

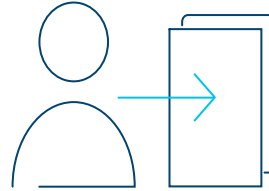
Source: NCSHA- State Housing Finance Agencies: The Center of the Affordable Housing System, 2022

# HFAs: Opportunities for You

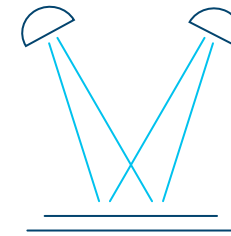


Reach more potential borrowers through HFA programs that:

- Provide low down payment options.
- Offer preferential pricing.



Most HFAs offer down payment assistance programs to further support borrower needs.



[Freddie Mac HFA Advantage<sup>®</sup>](#) is a competitive alternative to FHA financing offered exclusively to HFAs.



# Freddie Mac HFA Advantage<sup>®</sup>



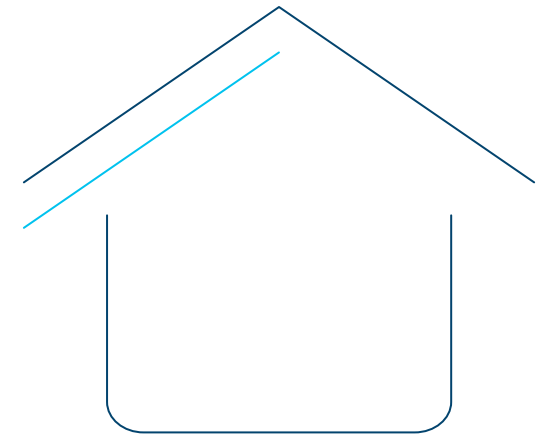
# Freddie Mac HFA Advantage®

HFA Advantage® mortgage is a conventional mortgage product available exclusively to HFAs seeking strategic solutions to diversify their product offerings and portfolio mix while expanding homeownership responsibly.

With new enhancements announced in August 2022 and expanded eligibility, HFA Advantage offers more homeownership opportunities to very low-, low- and moderate-income borrowers.

Key benefits include:

- Primary residences:
  - 97% LTV, 105% TLTV with Affordable Seconds® (1-unit).
  - 95% LTV, 105% LTV with Affordable Seconds® (2-4 unit). (NEW!)
- Non-occupying borrowers permitted. (NEW!)
- Manufactured homes with 95% LTV, 95% TLTV ratios. (NEW!)
- HFA income limits in lieu of Home Possible® Area Median Income limits.
- HFA determines homebuyer education requirements.
- Credit enhancement options including Custom Level mortgage insurance coverage.



# Why Choose HFA Advantage<sup>®</sup> over FHA?

## HFA Advantage<sup>®</sup>

- ✓ MI ends when LTV < 80%
- ✓ Custom Level MI\*: monthly premium
- ✓ MI only required if the LTV is 80% or higher
- ✓ No upfront MIP

## FHA

- ✗ MI stays for the life of the loan
- ✗ FHA: Upfront AND monthly premiums
- ✗ MI required regardless of the LTV
- ✗ Upfront MIP added to principal AND amortized

### WHAT THIS MEANS:

With more funds applied toward the principal up front, an HFA Advantage mortgage with PMI lets the borrower build equity faster

Mortgage Insurance

\*Custom Level Mortgage Insurance for loans made to borrowers with qualifying incomes less than or equal to 80% AMI.

# HFA Advantage- Mortgage Insurance

LTV Ratio	Mortgage Insurance Coverage For Borrowers Earning $\leq$ 80% AMI	Mortgage Insurance Coverage For Borrowers Earning $>$ 80% AMI*
Greater than 95% up to 97%	18%	35%
Greater than 90% up to 95%	16%	30%
Greater than 85% up to 90%	12%	25%
Greater than 80% up to 85%	6%	12%

\*Custom MI options may be available; consult with your HFA.

# The Value of Affordable Seconds

## Affordable Seconds<sup>®</sup>

What is it?

- A subsidized secondary financing option for first lien mortgages

What's the value?

- Can increase your originations for very low- to low-income borrowers
- Provides the borrower with additional sources for down payment, closing, financing, and prepaid costs

Can I use with HFA Advantage?

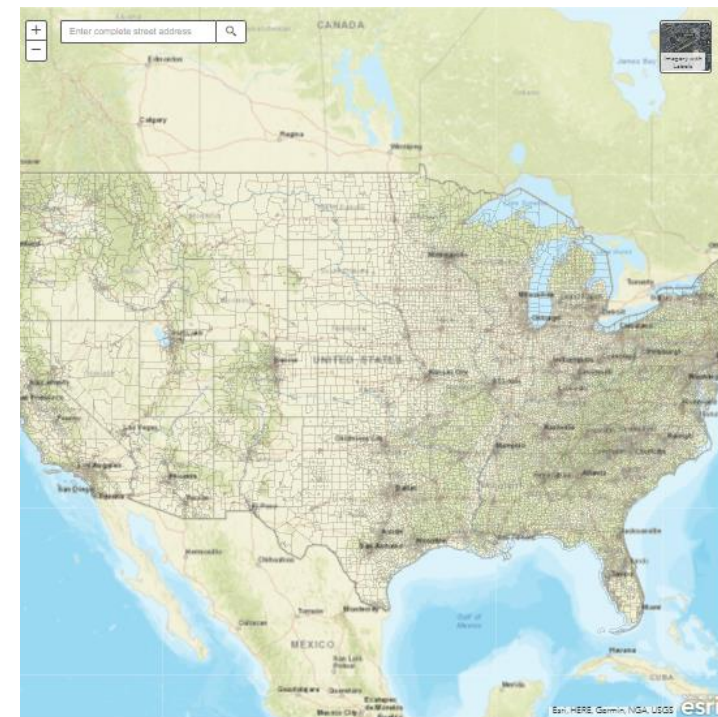
- Affordable Seconds are eligible for HFA Advantage<sup>1</sup>

<sup>1</sup> – HFA Advantage secondary financing source must be an Affordable Second; may not be a home-equity line-of-credit

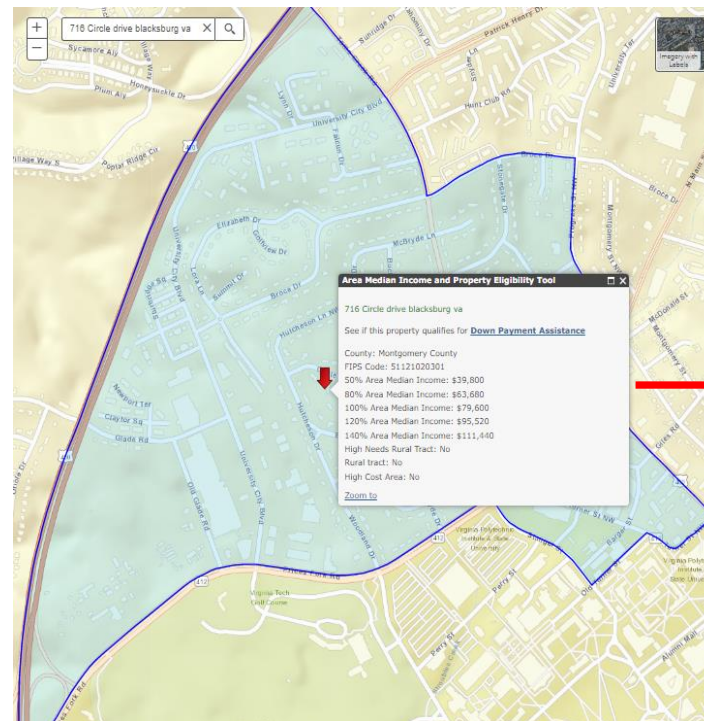
# Area Medium Income and Property Eligibility Tool

A user-friendly [map-based tool](#) to help determine if a loan is eligible for a credit fee cap.

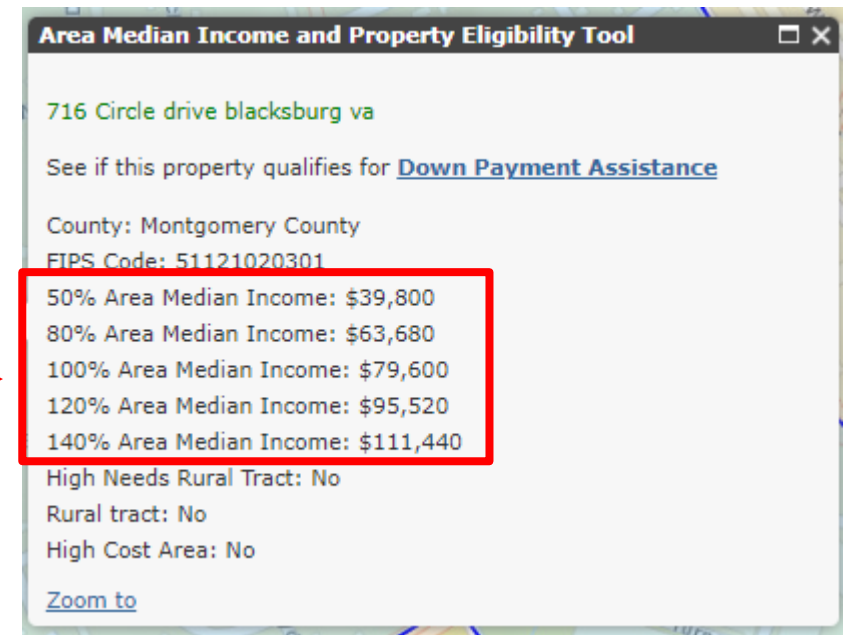
1. Enter a property's address



2. Receive a map location of property with pertinent information



3. Understand AMI requirements of the property to determine loan eligibility along with other valuable information





# Credit Fee in Price Waived for Affordable Offerings

## HFA Advantage

\$0 credit fees in price for all AMI levels



# HFA Advantage<sup>®</sup>

Visit the [HFA Advantage webpage](#) today!

The latest in product information at your fingertips!

- Product overview and factsheet.
- Convenient links to HFA Resource Center and other product-related articles and materials.

Origination & Underwriting Improving Workflow [Mortgage Products](#) Resources & Learning

## HFA Advantage<sup>®</sup>

The Freddie Mac HFA Advantage<sup>®</sup> mortgage is a conventional mortgage product available exclusively to housing finance agencies (HFAs) seeking strategic solutions to diversify their product offerings and portfolio mix while expanding homeownership responsibly.

### New HFA Advantage Enhancements

Freddie Mac is continually offering solutions to advance affordable homeownership which is why we've added new enhancements to HFA Advantage to help you qualify more very low, low- and moderate-income borrowers.

Whether your HFA is a Freddie Mac Seller/Servicer or sells through one or more Freddie Mac Seller/Servicer partners, HFA Advantage offers enhanced flexibility for maximum financing.

#### Who is HFA Advantage<sup>®</sup> for?

- Borrowers who qualify for HFA homeownership programs.
- First-time homebuyers, repeat buyers and borrowers seeking no cash-out refinances.
- Borrowers purchasing or refinancing one- to four-unit properties, condominiums, homes in planned unit developments (PUDs), and CHOICEHomes<sup>®</sup>.

[READ FACTSHEET PDF](#)

# Freddie Mac DPA One®

A one-stop shop that maximizes down payment assistance program utilization nation-wide and increases incremental originations by seamlessly connecting and matching DPA programs, lenders, counselors and borrowers

## Loan Officer Experience

We help loan officers **quickly find, understand and match** the best DPA programs to their borrowers by giving loan officers all the DPA **program information** they need **in one place** right **when they need it the most**.

**Easy borrower data entry** with both guided approach and quick search

**Best matching results** returns all eligible programs that have been loaded into DPA One by Freddie Mac.

*Easy to understand program details with most up to date program information that standardizes lexicon*

**Easy to understand program details** with most up to date program information that standardizes lexicon

**Program Comparison** of up to three programs with differences highlighted

**Share Program with Borrower** in pdf format via email from DPA One



## DPA Provider Experience

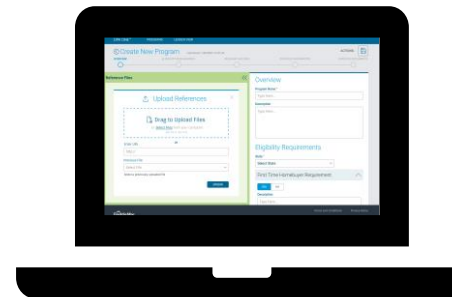
We help the DPA program providers **reduce submission errors** and **program requirements questions** from lenders by giving DPA program providers a **single, standardized, insights-rich place** to manage all DPA program information.

**Easy to update existing programs** with edit program, draft creation, publish, schedule publish, revision tracking

**Version tracking, display, archive** of programs in DPA One

**Create new program** from scratch or by copying existing program

**Easy to import information** by using side by side intuitive UI



**DPA One has 227 DPA Providers, 391 Programs and 57 Loan Officers** actively using as of 5/23/2023

# Freddie Mac HFA Resource Center

Visit the [HFA Resource Center](#) today!

A digital information hub designed to support and provide HFA professionals with resources and tools including:

- Hot Topic articles
- Popular resources
- Freddie Mac's Home Starts Here podcast series
- Events Calendar
- And more... all in one centralized location.

And don't forget to sign up to [receive the latest insights, updates and communications](#) from Freddie Mac!

**Get the latest Freddie Mac updates in your inbox.**

Enter your email address to be sure you always have the latest news from Freddie Mac Single-Family.

Your Email Address

Sign Up

## HFA Resource Center

An information hub designed for HFA staff and their business partners

### Hot Topics

We've compiled Freddie Mac's most current affordable and equitable housing research, insights, and thought leadership in one convenient place. Click any of the links below to explore more about how we can work together to help aspiring homebuyers overcome barriers and achieve responsible, sustainable homeownership.

- Freddie Mac Salutes Home Possible RISE Award® for HFA Advantage Volume Winners**  
The Freddie Mac HFA Advantage mortgage is a low-down payment offering like the Freddie Mac Home Possible® mortgage but has additional flexibilities for HFAs. Meet these organizations who are using all the mortgage tools in their toolkit to make homeownership a reality for the borrowers of the future.
- Closer Collaboration with HFAs Can Grow Business in Underserved Communities**  
Created to finance affordable housing activities, housing finance agencies (HFAs) are public entities that offer first mortgage loan products and down payment assistance. How can HFAs help pave the way for homeownership?
- 2022 State of Affordability**  
What are the key trends, challenges and opportunities in the housing market in 2022? Get up to speed on today's market and learn how the industry can collaborate to prompt impactful change and better serve homebuyers.
- What Drove Home Price Growth and Can it Continue?**  
Home prices, the best single indicator of whether market conditions favor buyers or sellers, jumped 33% nationally over the past two years. What is behind the strength of the housing market, and can it continue?
- Understanding Mortgage Readiness: A Roadmap for Getting More Americans into Homes**  
By knowing what it means to be mortgage ready, the homebuyer can better understand the borrower's needs.
- Together, We're Making an Impact Through Affordable Lending**  
This year, we have ambitious goals to increase homeownership opportunities for

### Housing Finance Agencies: A Key Partner in Equitable Housing

Different stakeholders within the mortgage and housing industry play a role in decreasing barriers to homeownership. Kasey Kior, Assistant Commissioner at Minnesota Housing, and Pamela Thurman, Director, Freddie Mac's Single-Family Equitable Housing Team discuss ways to address the array of complex issues communities of color face in attaining, sustaining and building wealth through homeownership.

[CHECK OUT THIS PODCAST EPISODE](#)

### HOME STARTS HERE PODCAST

# Freddie Mac CreditSmart®



CreditSmart® Essentials



CreditSmart® Homebuyer U



CreditSmart® Coach



CreditSmart® Military



CreditSmart® Multilingual

## Empower Your Clients Through Education

**CreditSmart** is a suite of free financial capability and homeownership education resources designed to empower consumers with the skills and knowledge to support them through every stage of their homeownership journey.

Every person has a unique homeownership journey which is why CreditSmart offers different paths to education and financial wellness.

# Speaker Introduction



**Rama Yanamandra**

Senior Economist  
Economic & Housing Outreach  
Freddie Mac

Responsible for analysis and forecasts of the macroeconomy with a special focus on housing and mortgage markets.



## Economy

- Economic growth picked up in H2 2022; expected to slow down this year
  - Prospect of a recession in 2023 rising
- Labor market remains strong with unemployment rate at 50-year lows.
- Inflation still above the Fed target

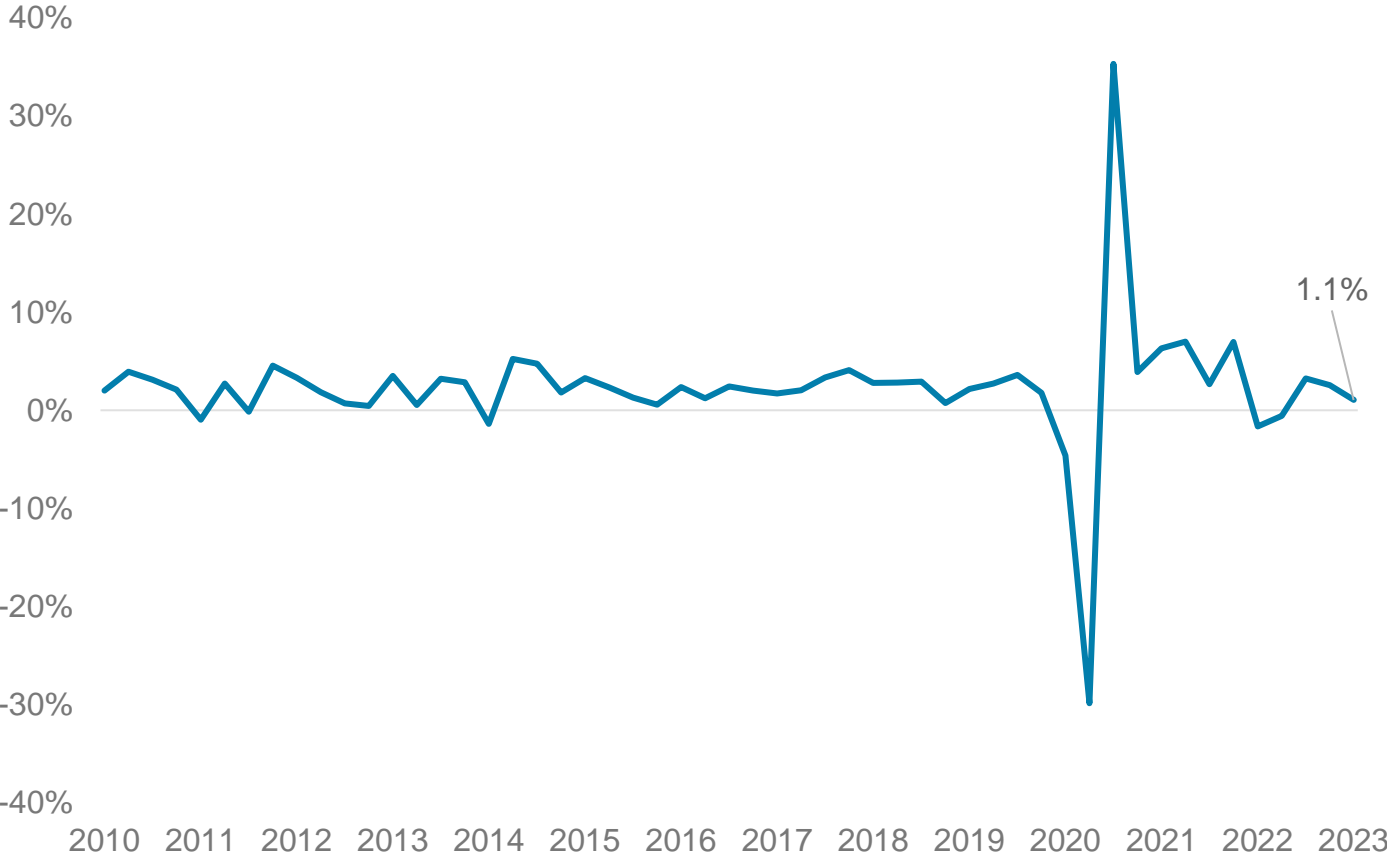
## Housing Market

- Mortgage rates rose at fastest pace in 40 years impacting affordability, purchase apps and home sales
- Housing supply increased but only modestly; New listings decline due to the rate lock-in effect
- Home prices saw the fastest deceleration in over four decades, but the cumulative increase in the last four years remains high. Home prices stabilizing now.
- Pandemic accelerated out-migration from large and expensive metro areas to more affordable small to mid-sized metro areas. But, in search of affordability, more people are being exposed to environmentally risky areas

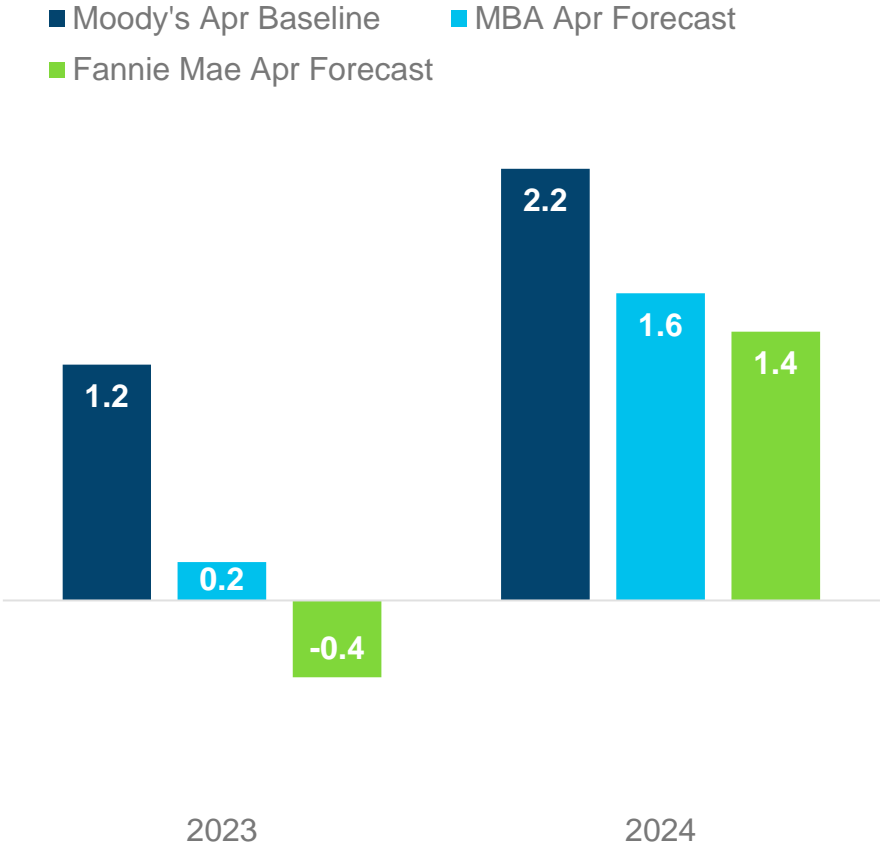
# GDP increased at an annual rate of 1.1% in the first quarter of 2023; Economic growth expected to slow in 2023 and 2024

However, not everyone has a recession baked into their forecast....

Real Gross Domestic Product,  
Annual Rate of Change, SA, Quarterly



GDP Forecast  
SAAR %

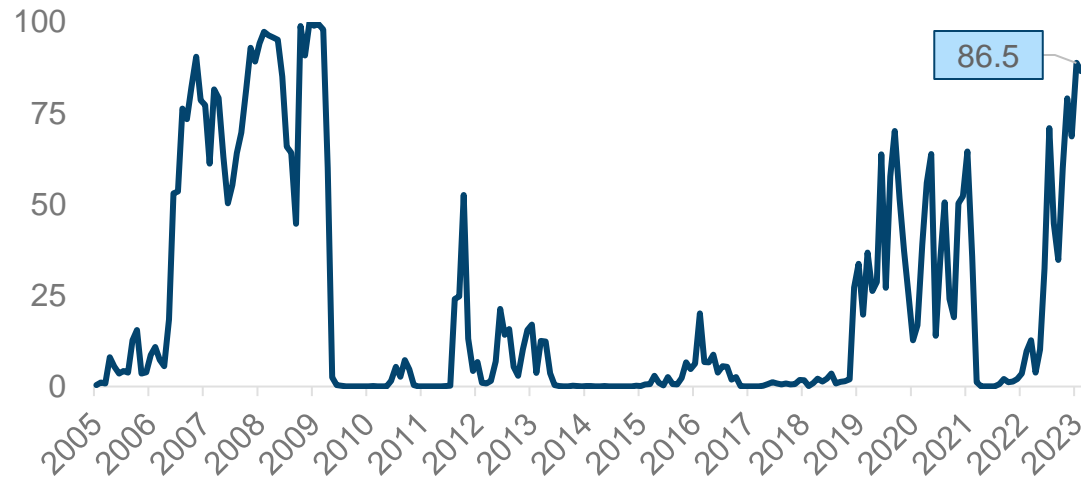


Source: BEA, Moody's, MBA, Fannie Mae  
Note: Data as of Q1 2023

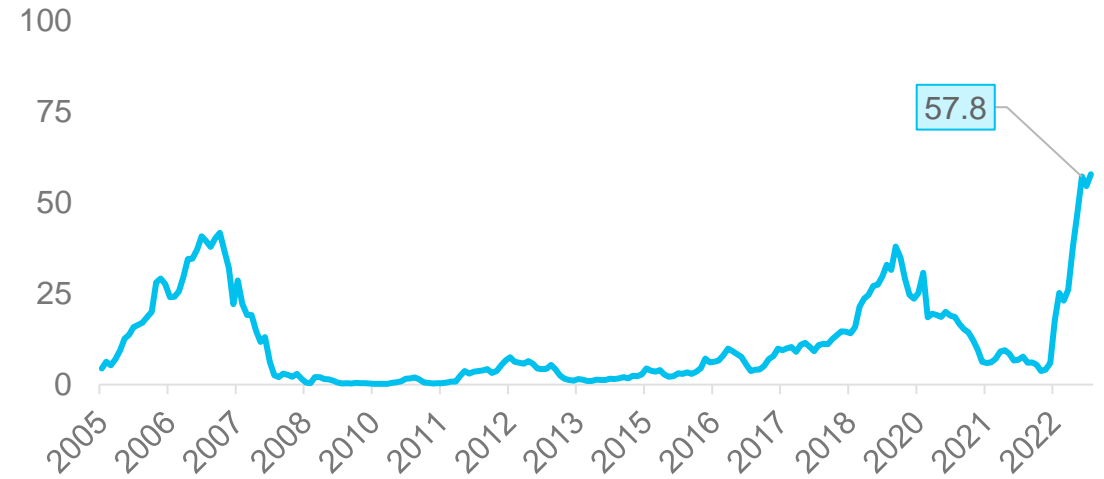


# The Probability of a Recession in the next 12 months Is Increasing

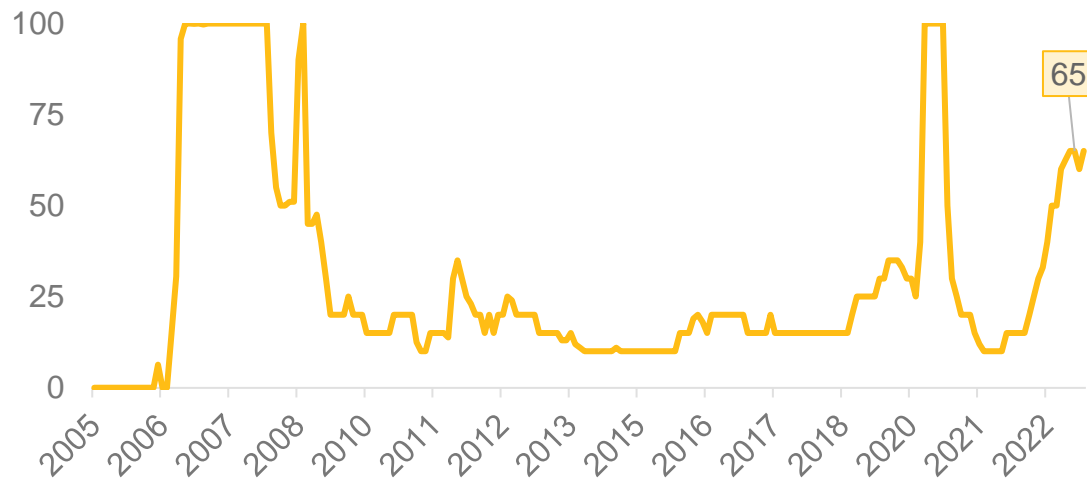
Moody's Analytics



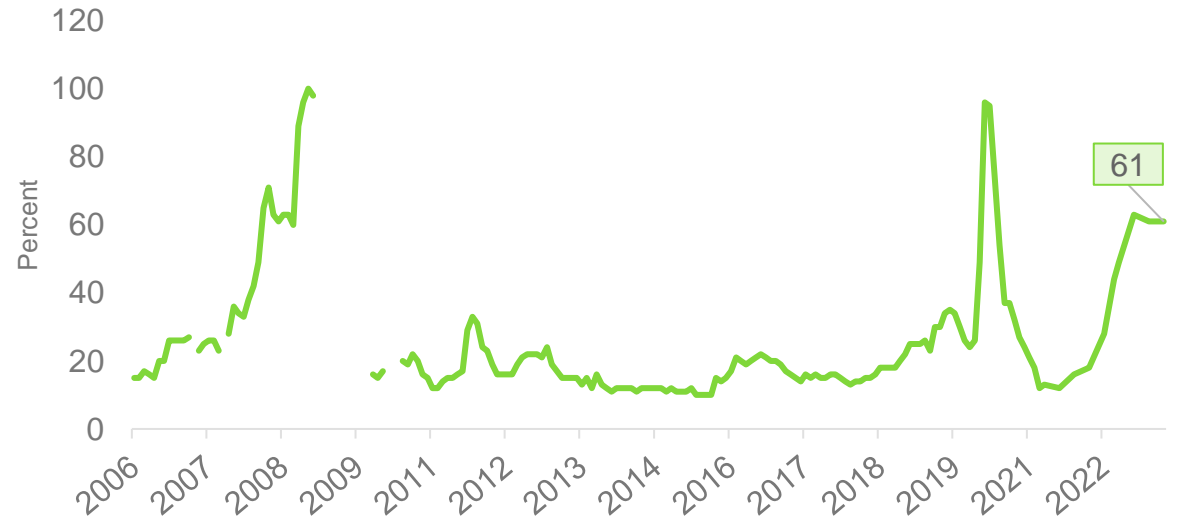
New York Fed



Bloomberg



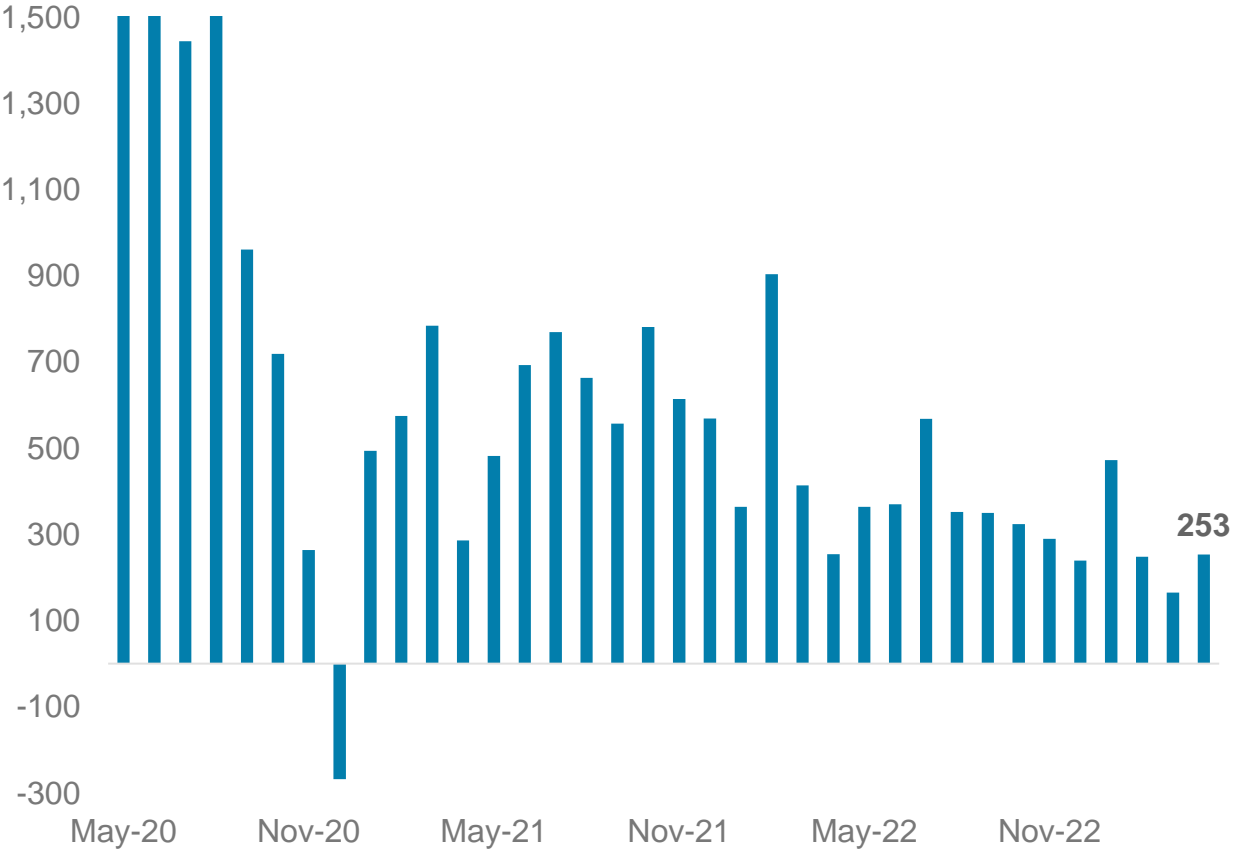
Wall Street Journal Recession Probability



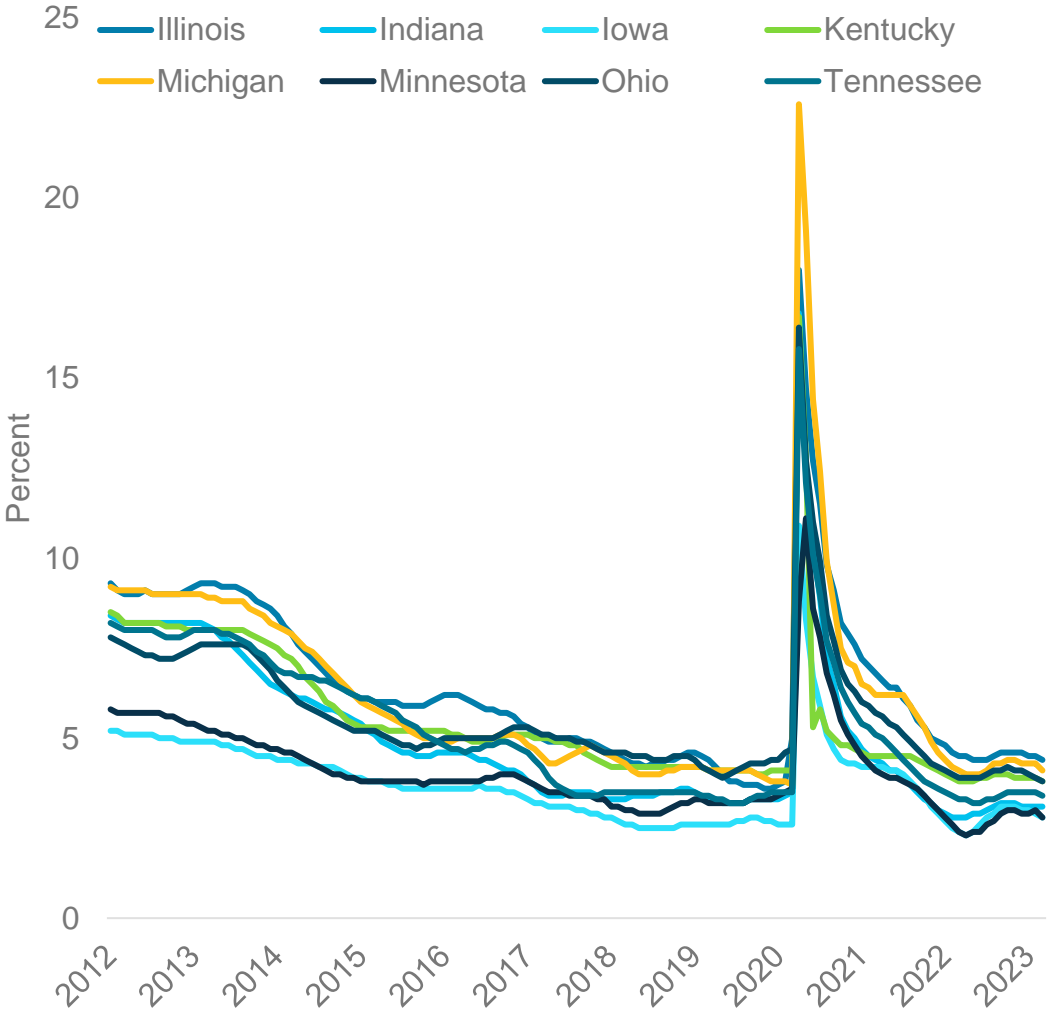
Source: Moody's Analytics, NY Fed, WSJ, Bloomberg

# Labor Market remains tight; the unemployment rate is at 3.4%

All Employees, Total Nonfarm, Monthly Change  
(Thousands of Persons, SA)



Unemployment Rate



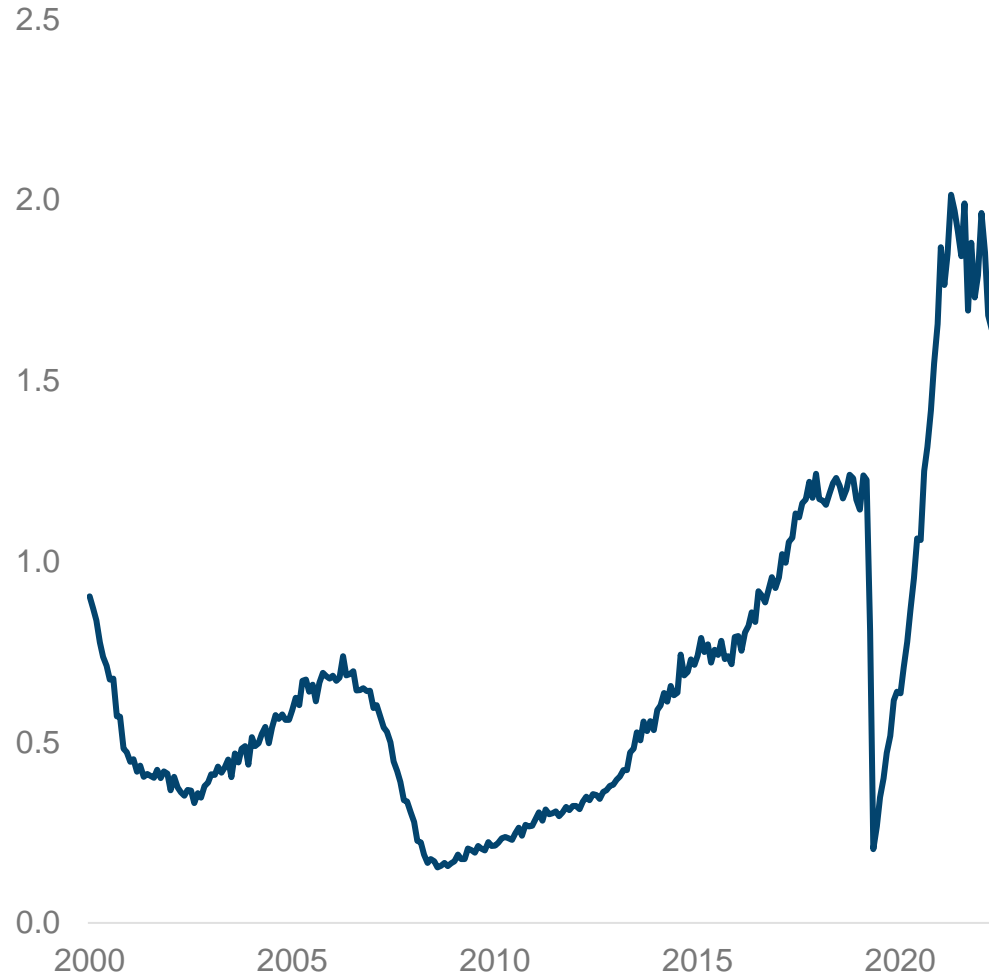
Source: BLS

# Job Openings Plentiful but some signs of cooldown are emerging



Although there are still more than one job available per unemployed person, job cuts on the rise

### Job Openings per Unemployed Person



Source: BLS  
Note: Data as of March 2023

### 'Labor Shortage' vs. 'Job Cuts' Related Mentions on S&P 500 Company Earnings Calls 3 Month Rolling Sum of Companies

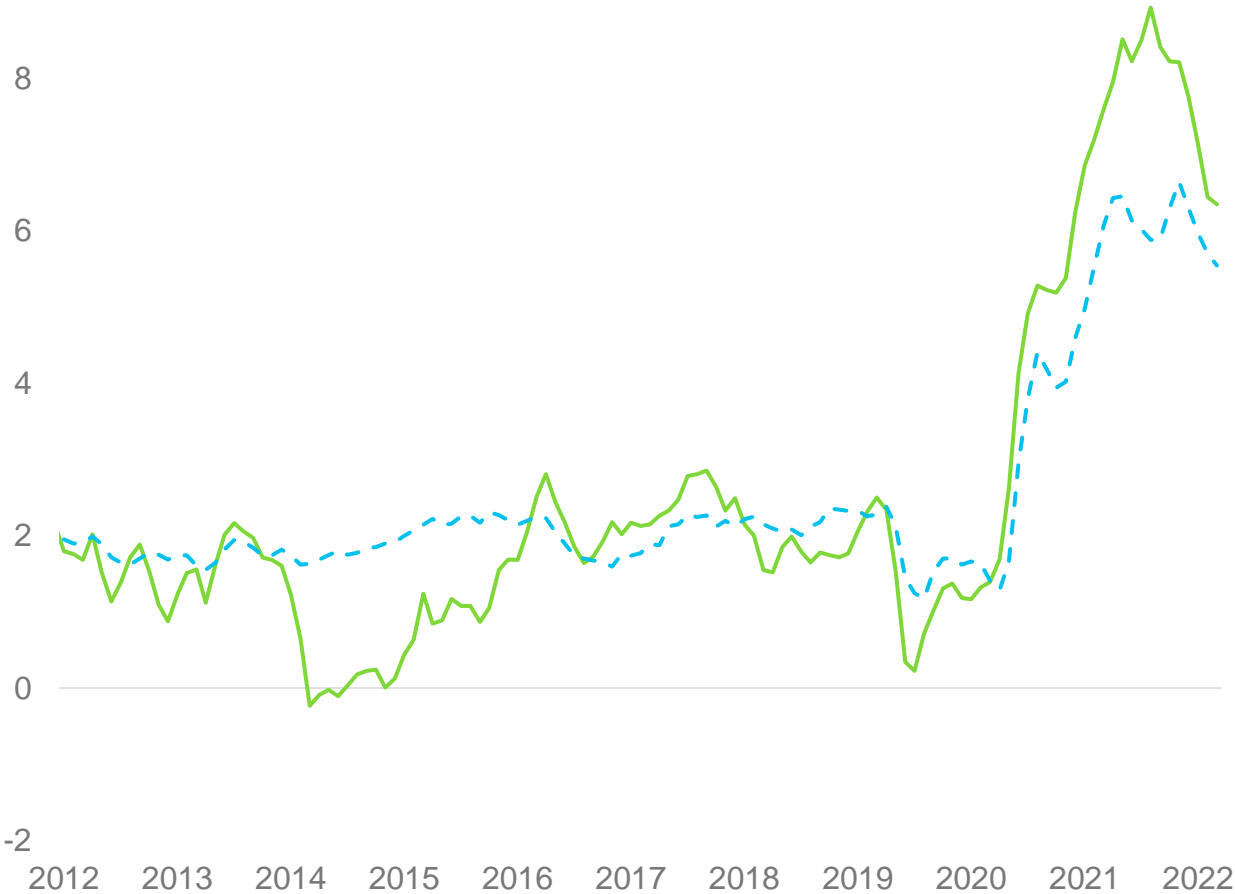


Note: List of S&P 500 Companies as of April 27, 2023  
Source: Bloomberg

# Inflation Remains Above Fed's Target; 'Sticky' Consumer Price Segments Continue to Increase

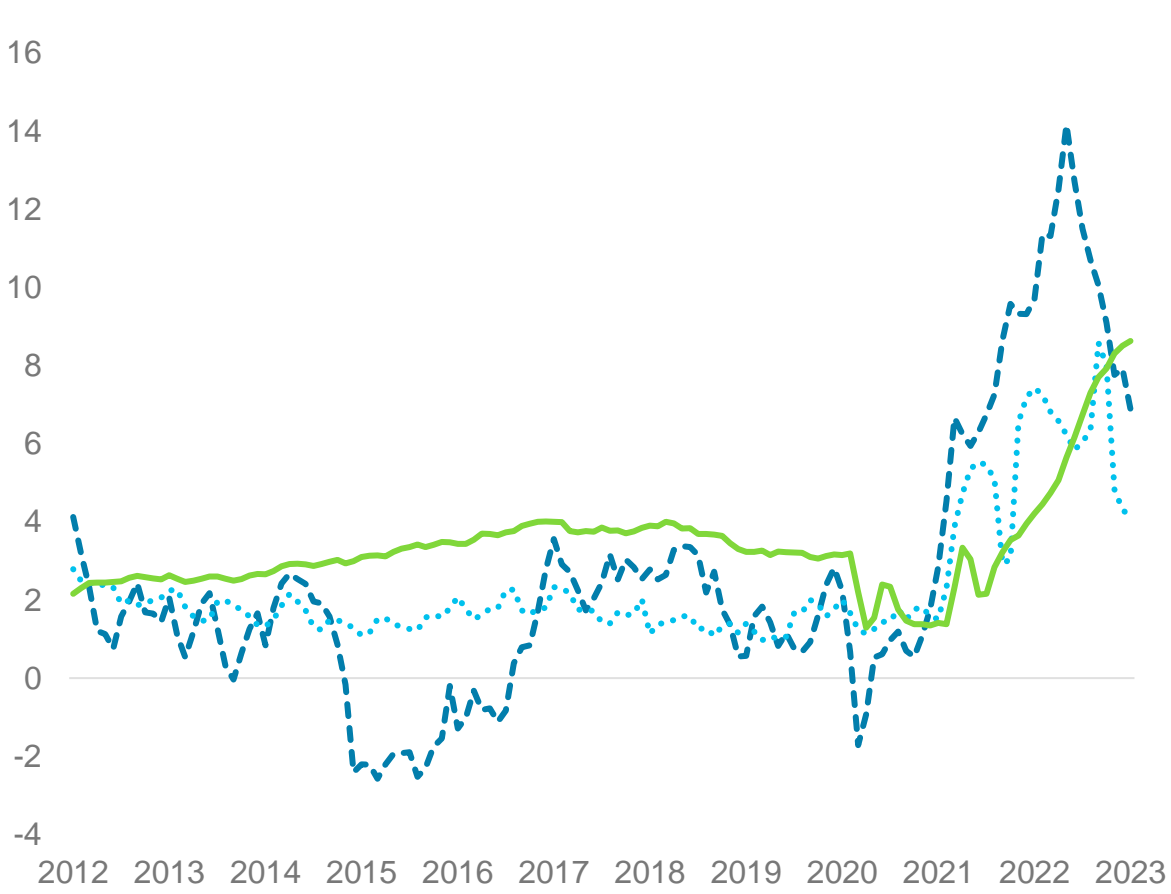
Inflation Measures (YoY %)

— CPI    - - - Core CPI



CPI by Frequency of Purchase (YoY %)

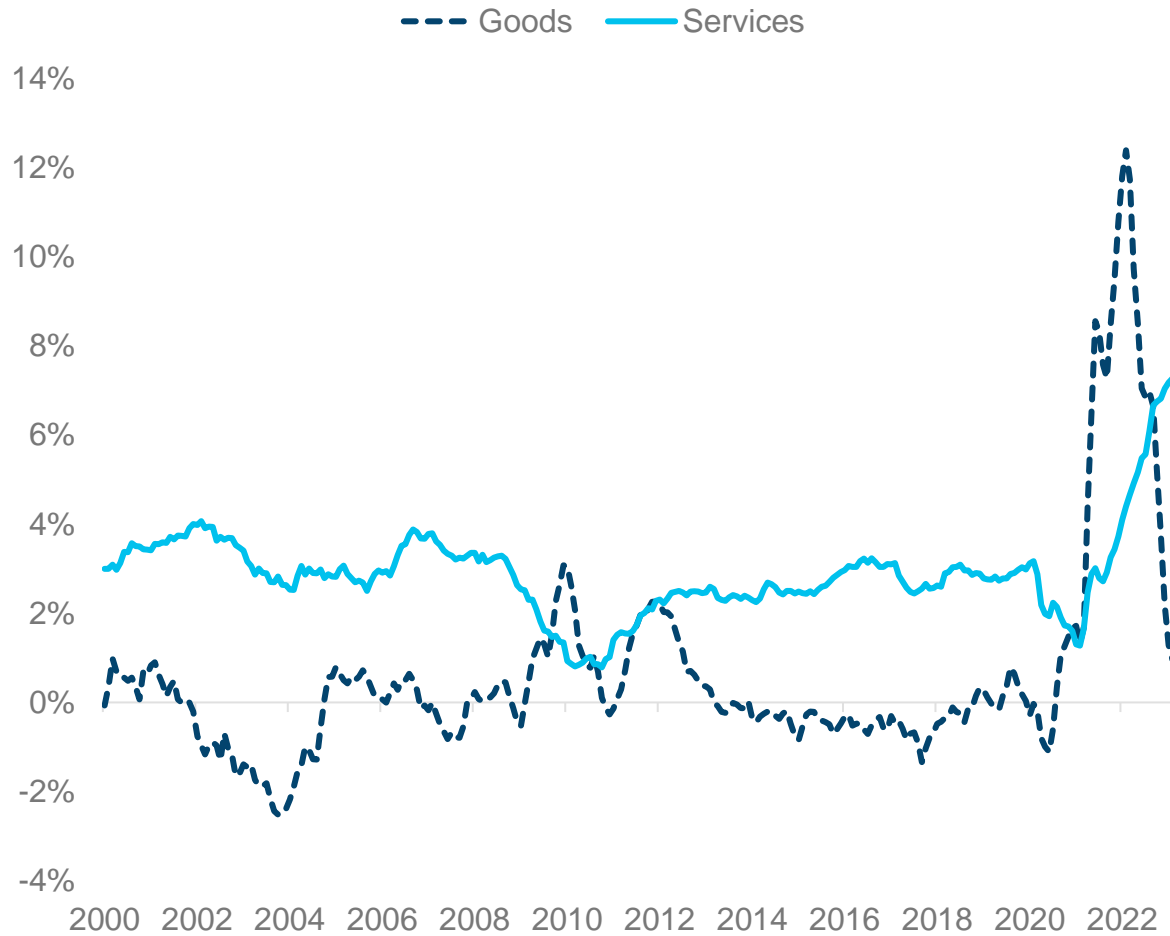
- - - Frequent    ..... Infrequent    — Contractual



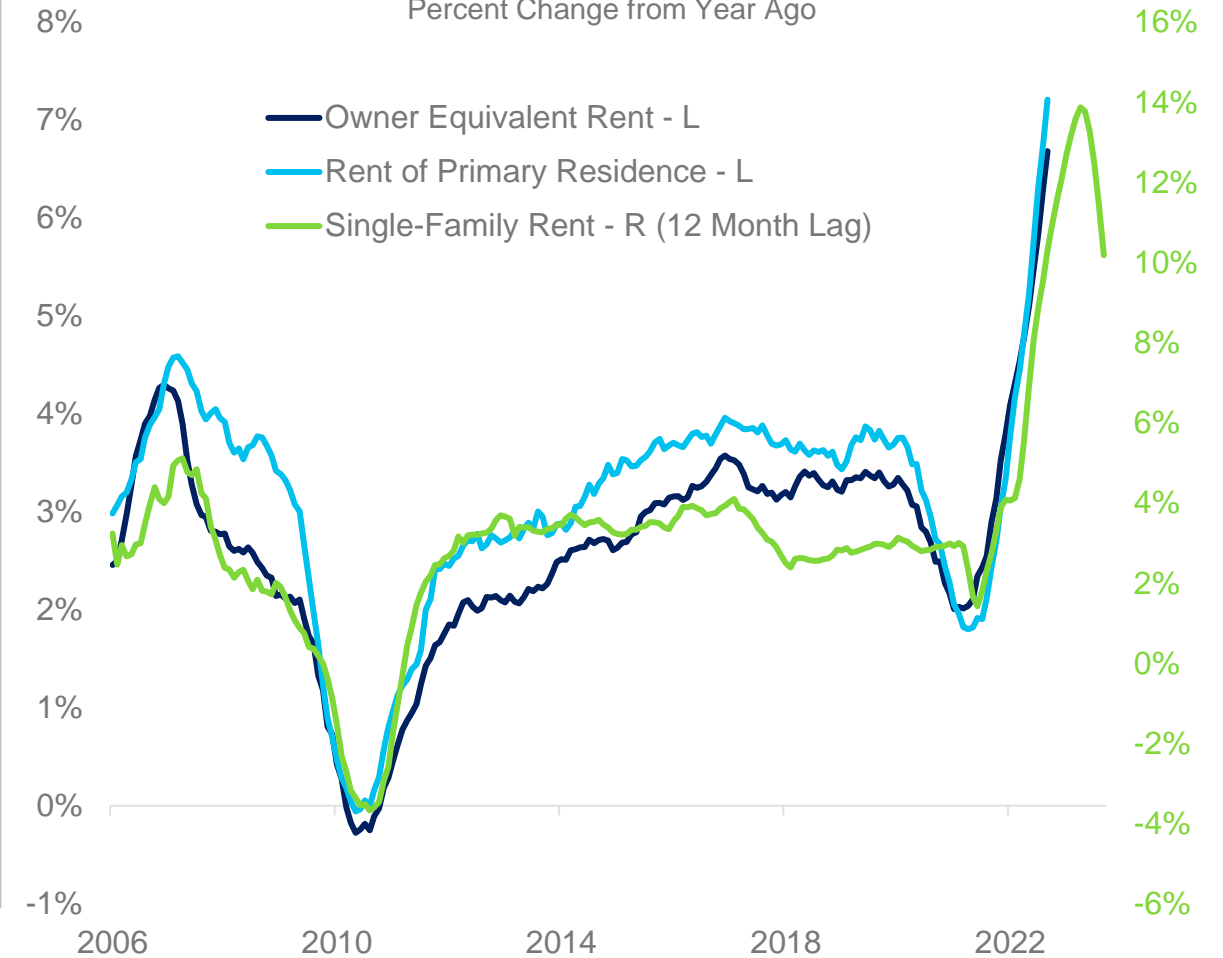
Source: BLS, BEA, Federal Reserve Bank of San Francisco

# Goods Inflation has Cooled Down and Services are Poised to Cool Due to Housing Slowdown

Goods vs Services Inflation  
Core CPI - Percent Change from Year Ago



Rents Impact Inflation With One-Year Lag  
Percent Change from Year Ago



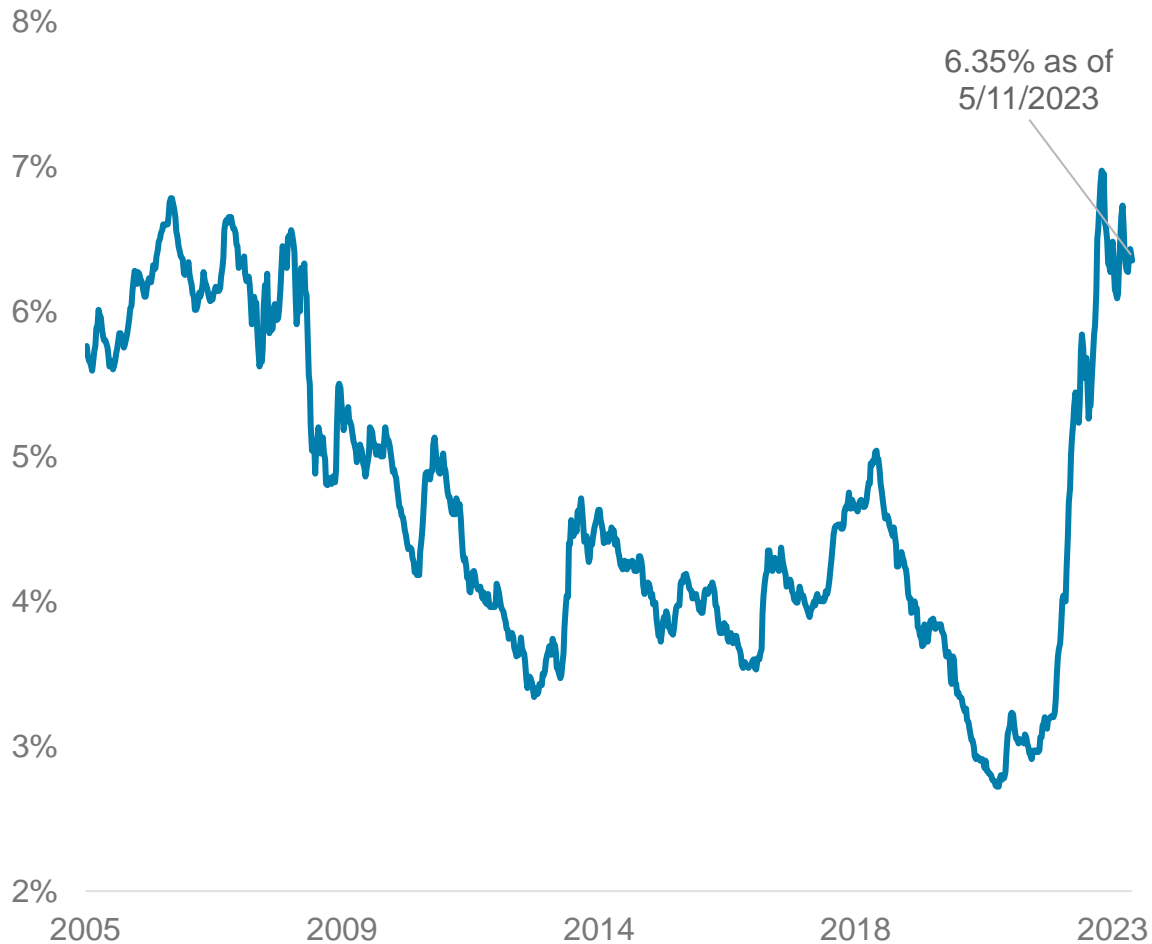
Source: BLS: Consumer Price Index for All Urban Consumers; BEA; FRB of Dallas

# Housing Market

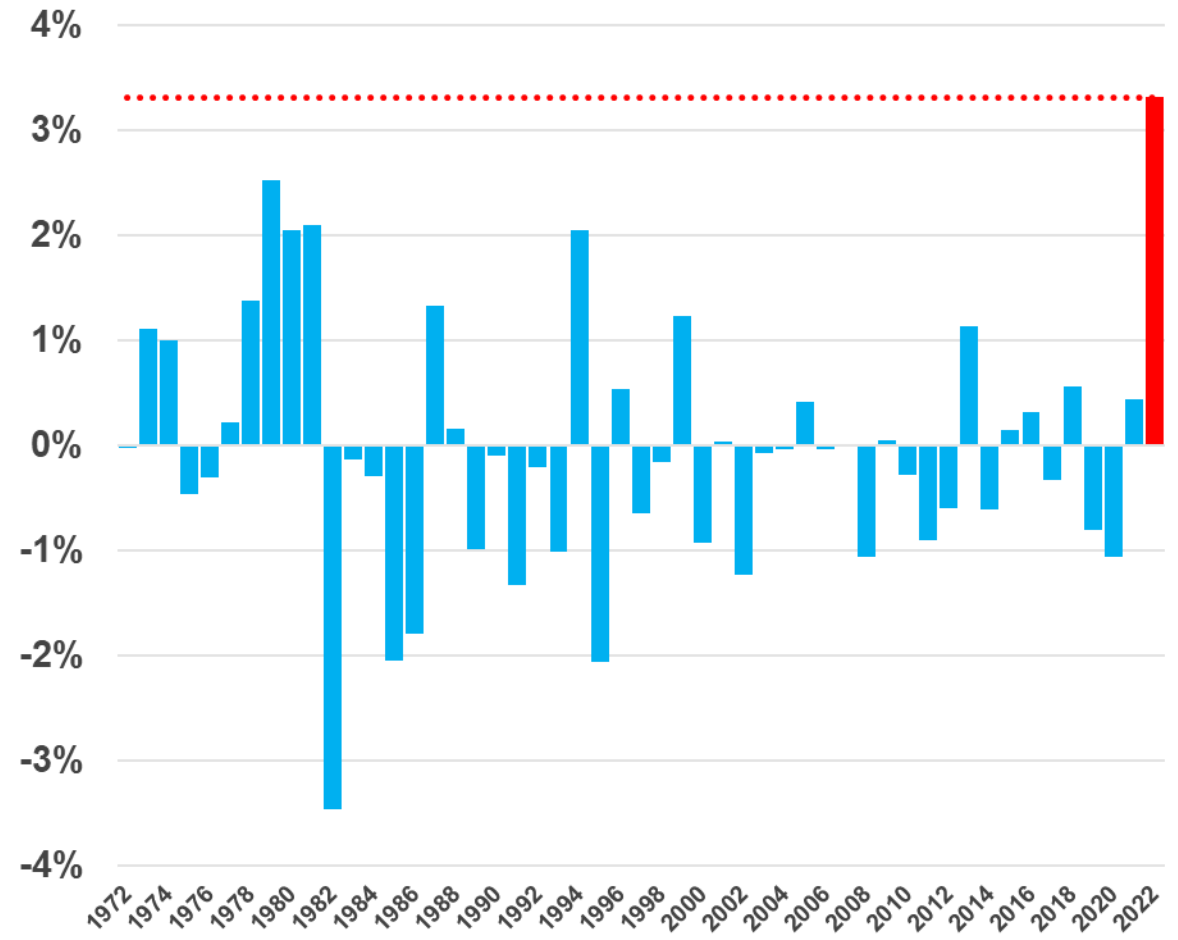
# Mortgage Rates Have Been Very Volatile Over the Last Year; Dispersion in Mortgage Rates Has Also Risen Dramatically



30-Year Fixed Rate Mortgage Rate  
PMMS Weekly Average



Annual change in 30-year fixed mortgage rate  
difference in last rate of each year 1972-2022 (p.p.)



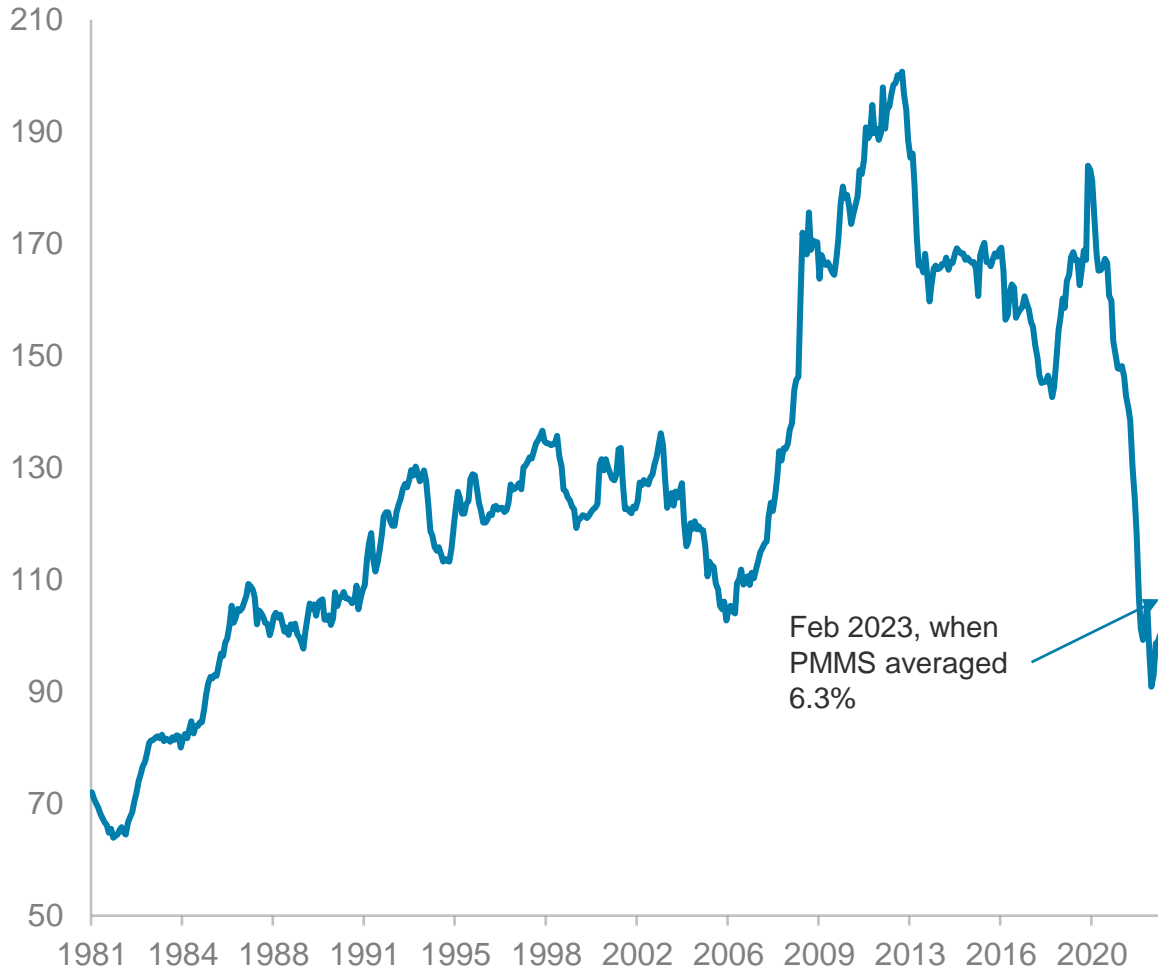
Source: Freddie Mac

Note: Dispersion is defined as the standard deviation in weekly mortgage rates

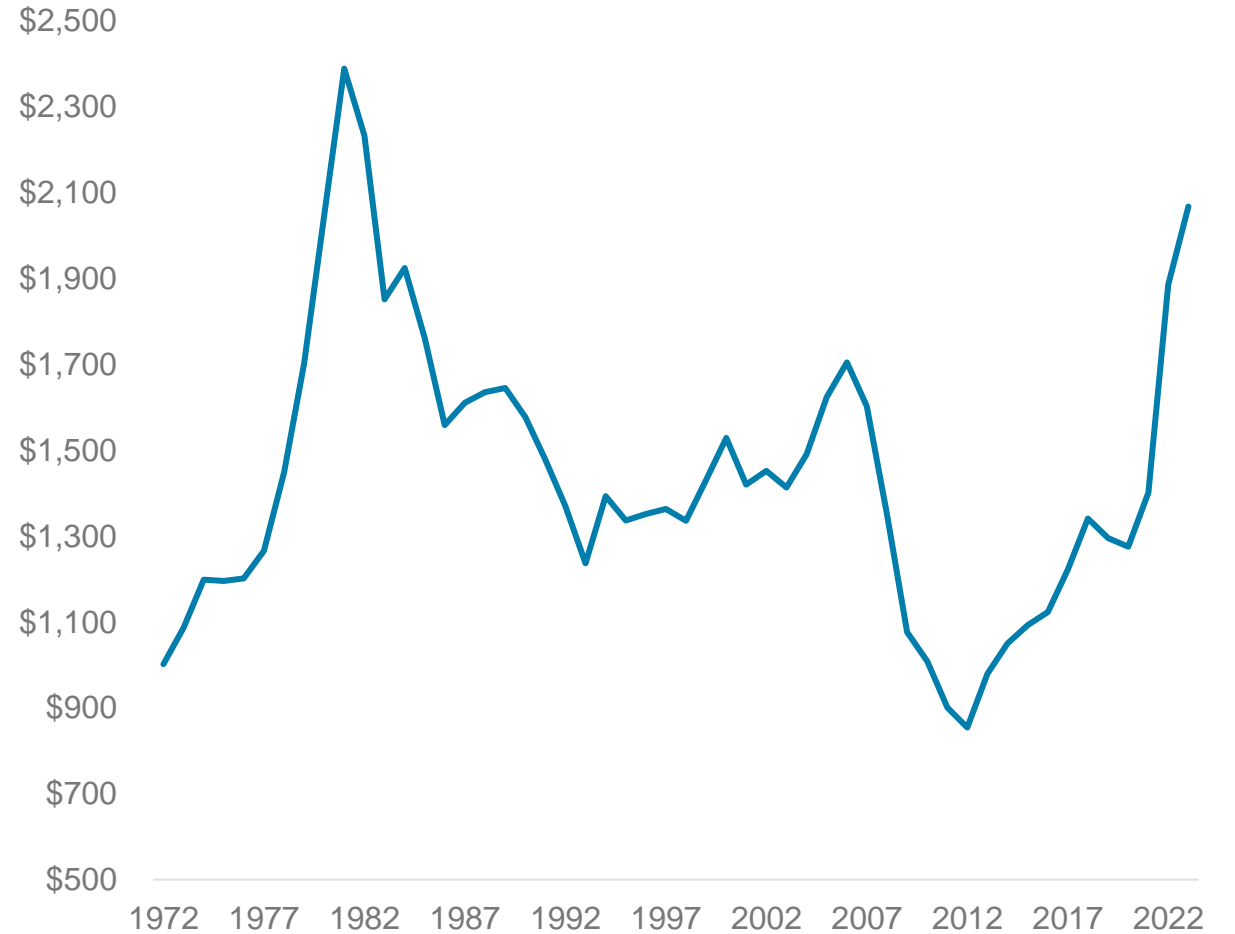
# Housing Affordability Plunged on Rising Rates



### NAR Fixed Rate Housing Affordability Index



### Monthly P&I Payment Needed for a Median Priced Home (inflation adjusted, assuming 30-year fixed rate and 20% down)



Source: NAR/Freddie Mac

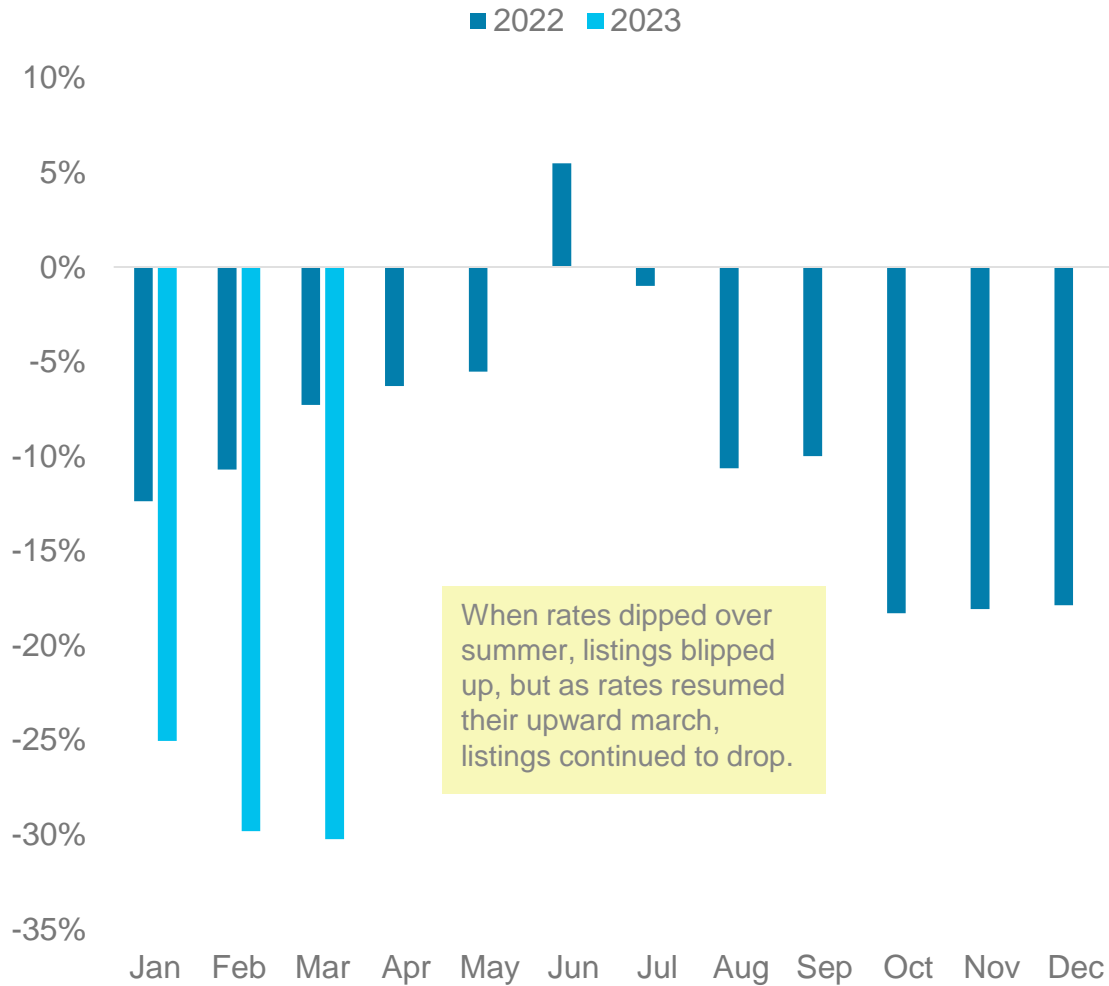
Note: Calculations based on Mortgage Rate as of Feb 2023 – 6.3%. The second chart is annual numbers except the 2023 value, which is based on our current estimate.



# New Listings Fall as Rate Lock-In Effect Dampens Repeat Buyer Activity

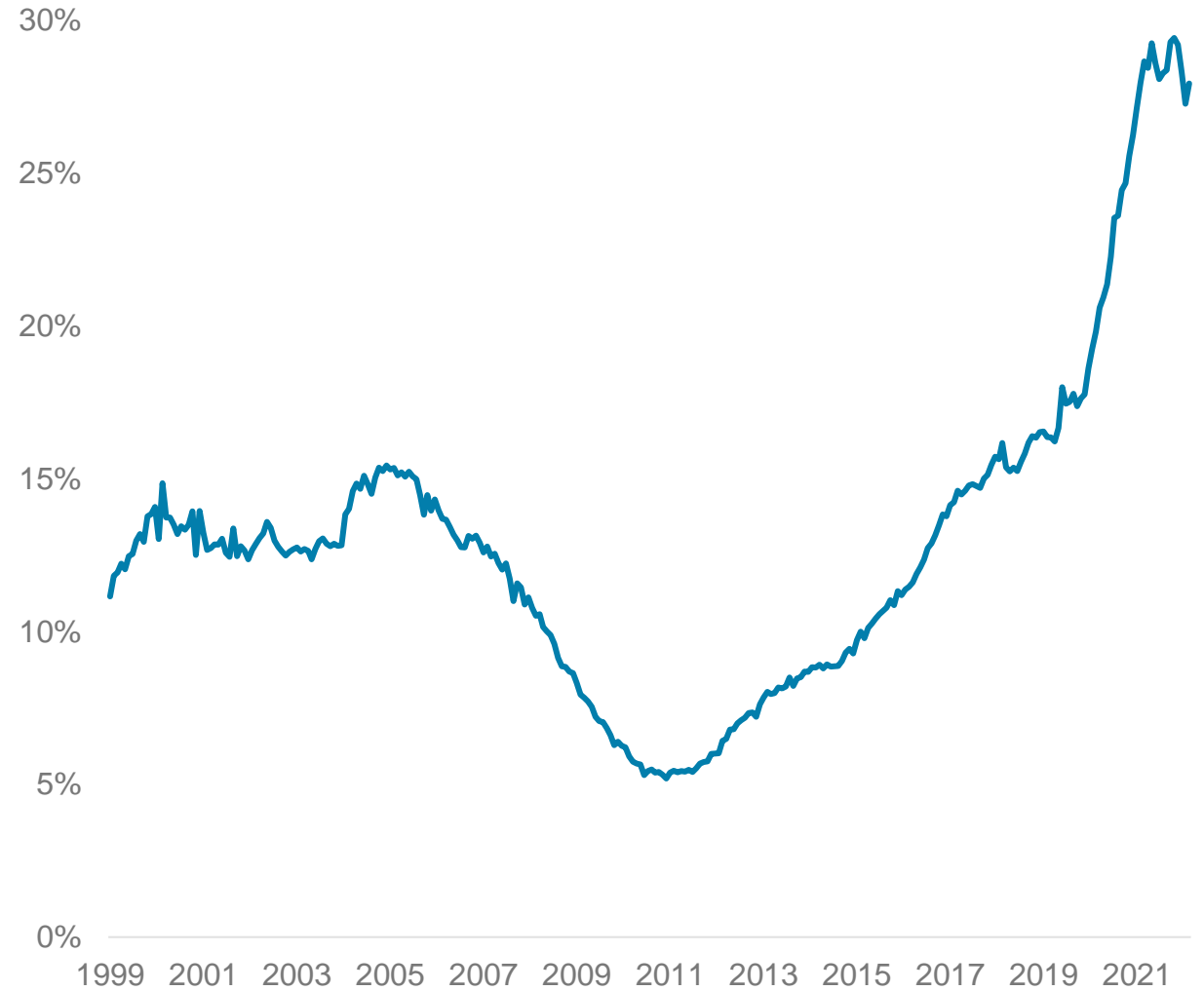


Change in New Listings in 2022/2023 vs. Avg of 2016-2019



When rates dipped over summer, listings blipped up, but as rates resumed their upward march, listings continued to drop.

Share of New Inventory in Total Inventory

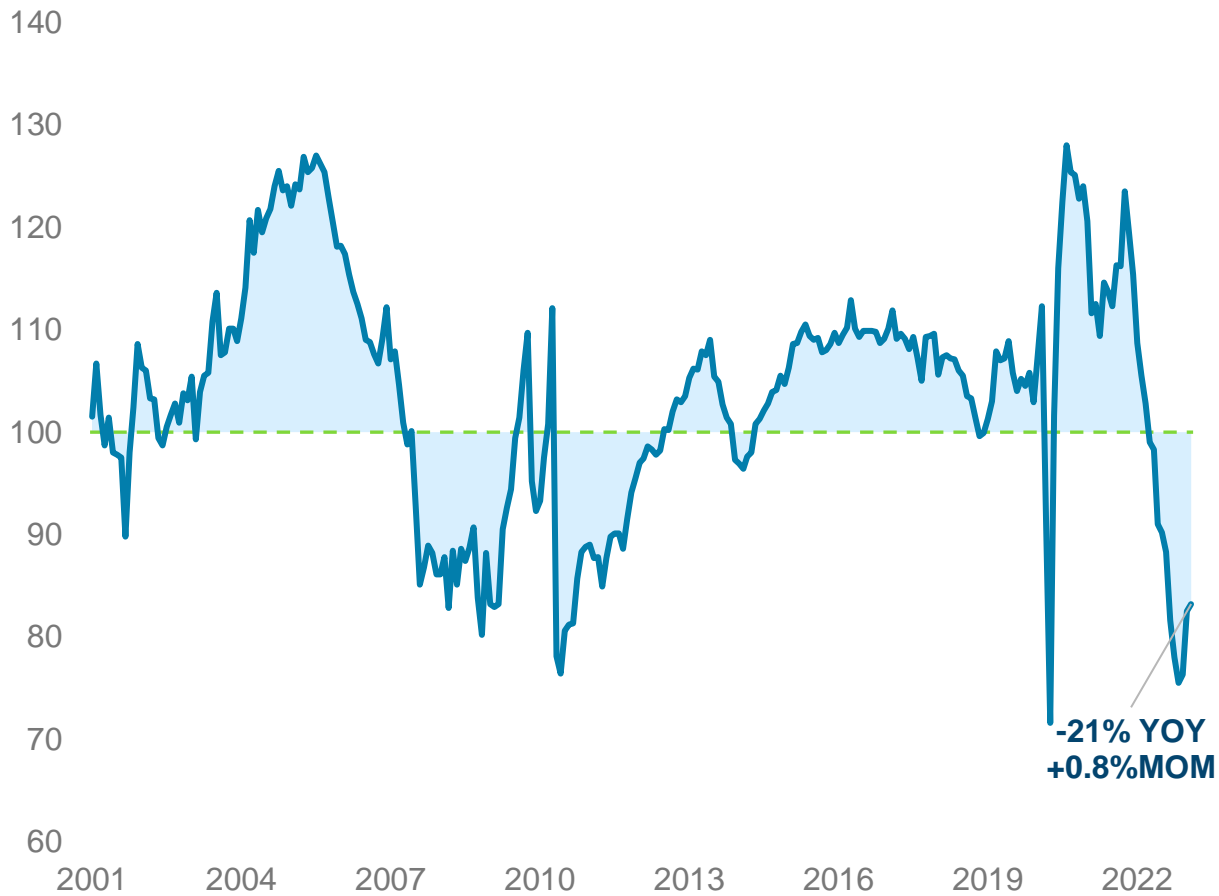


Source: Freddie Mac using CoreLogic MLS data

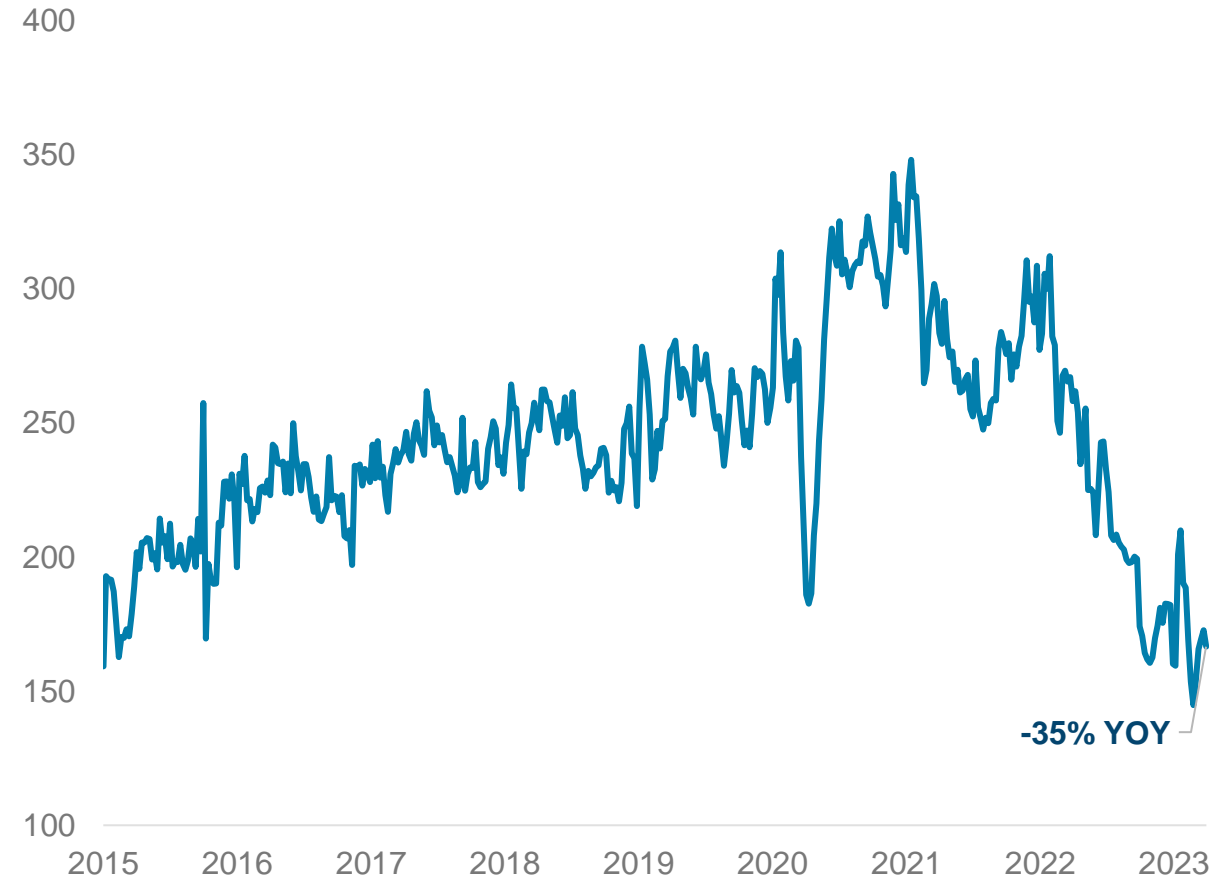
# Rapid Decline in Affordability Has Led to a Contraction in the Purchase Market



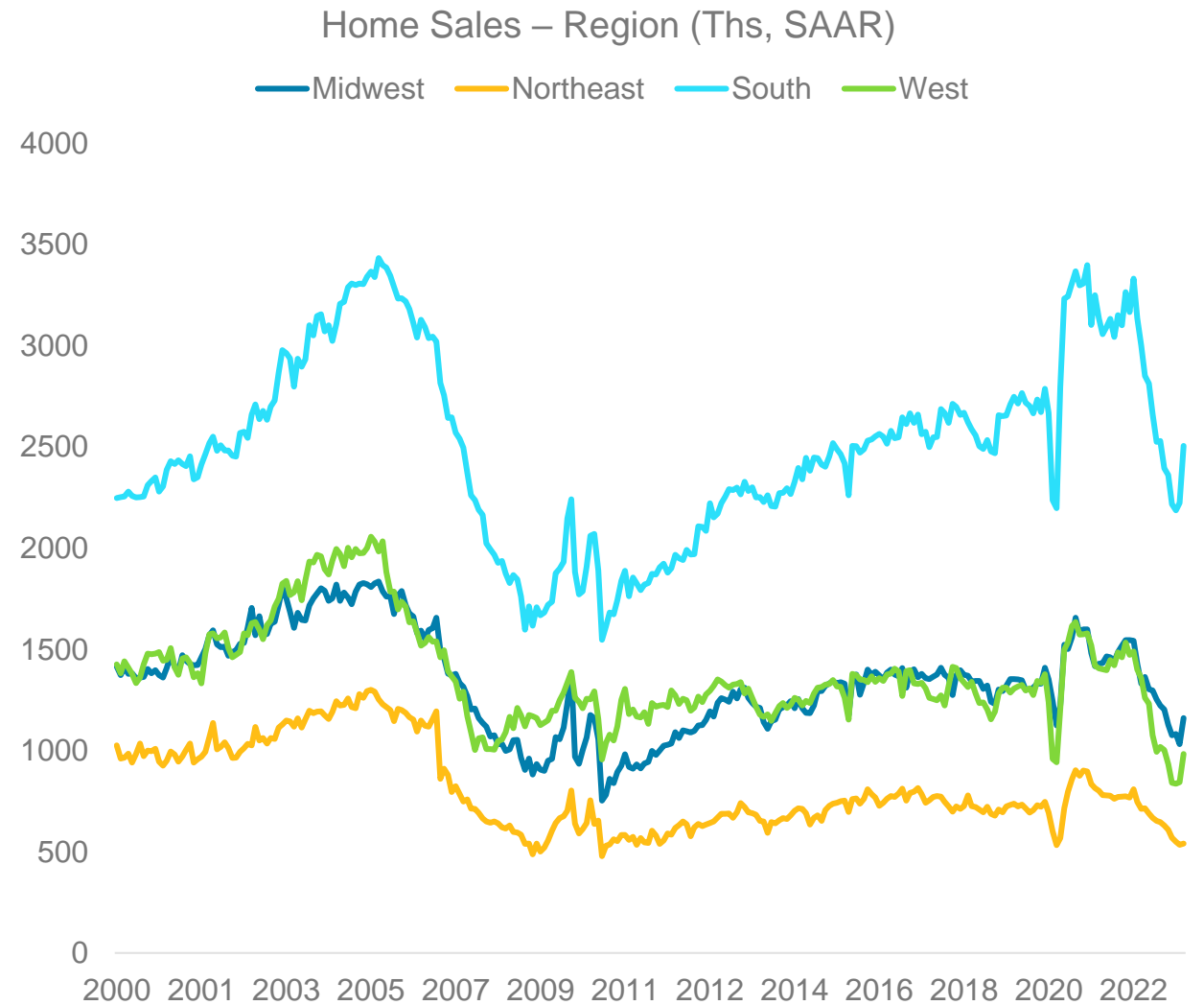
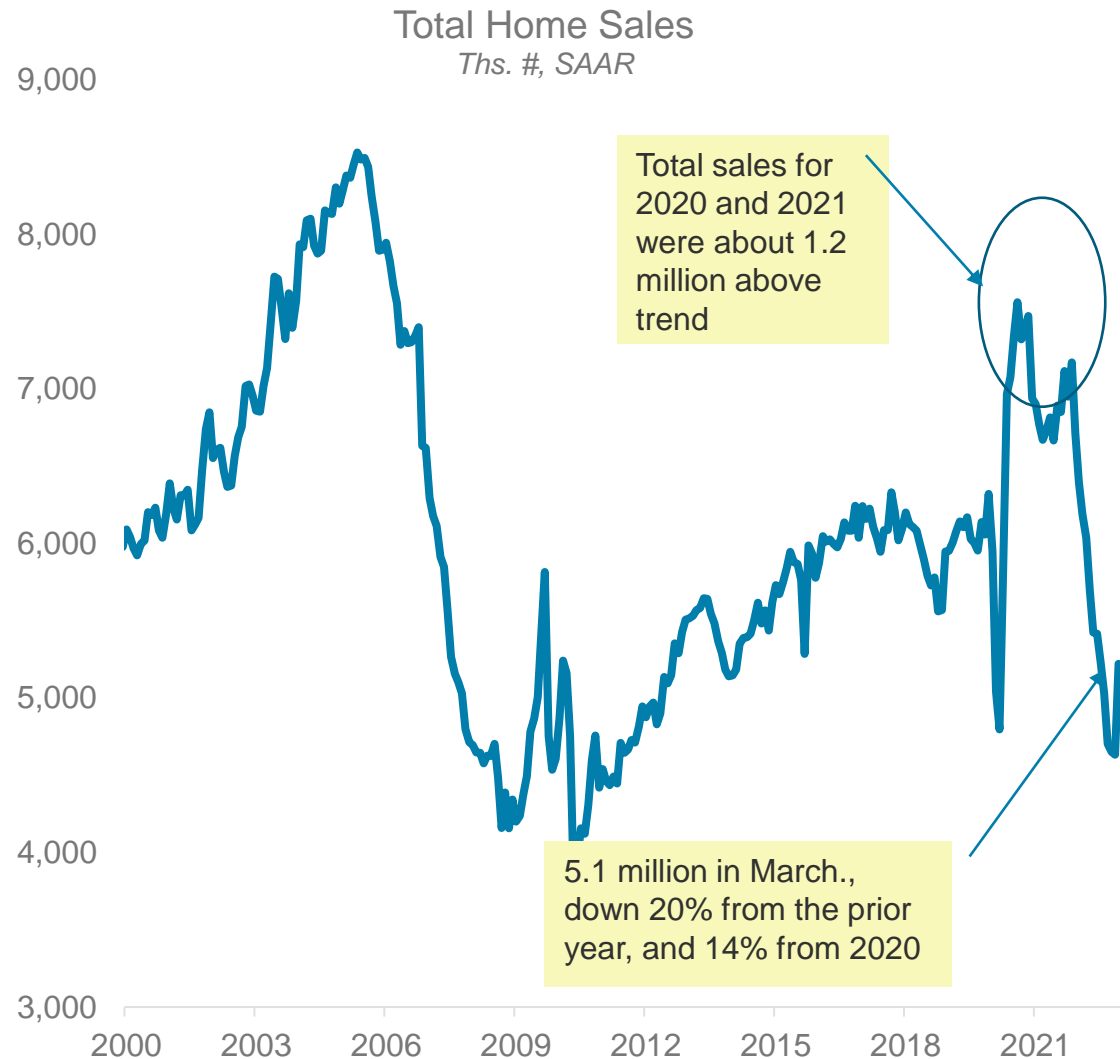
Pending Home Sales Index (SA)



MBA Applications Survey: Purchase Activity  
Index 16mar1990=100, SA



# Home Sales Cooled Due to Rapidly Rising Rates and Deteriorating Affordability

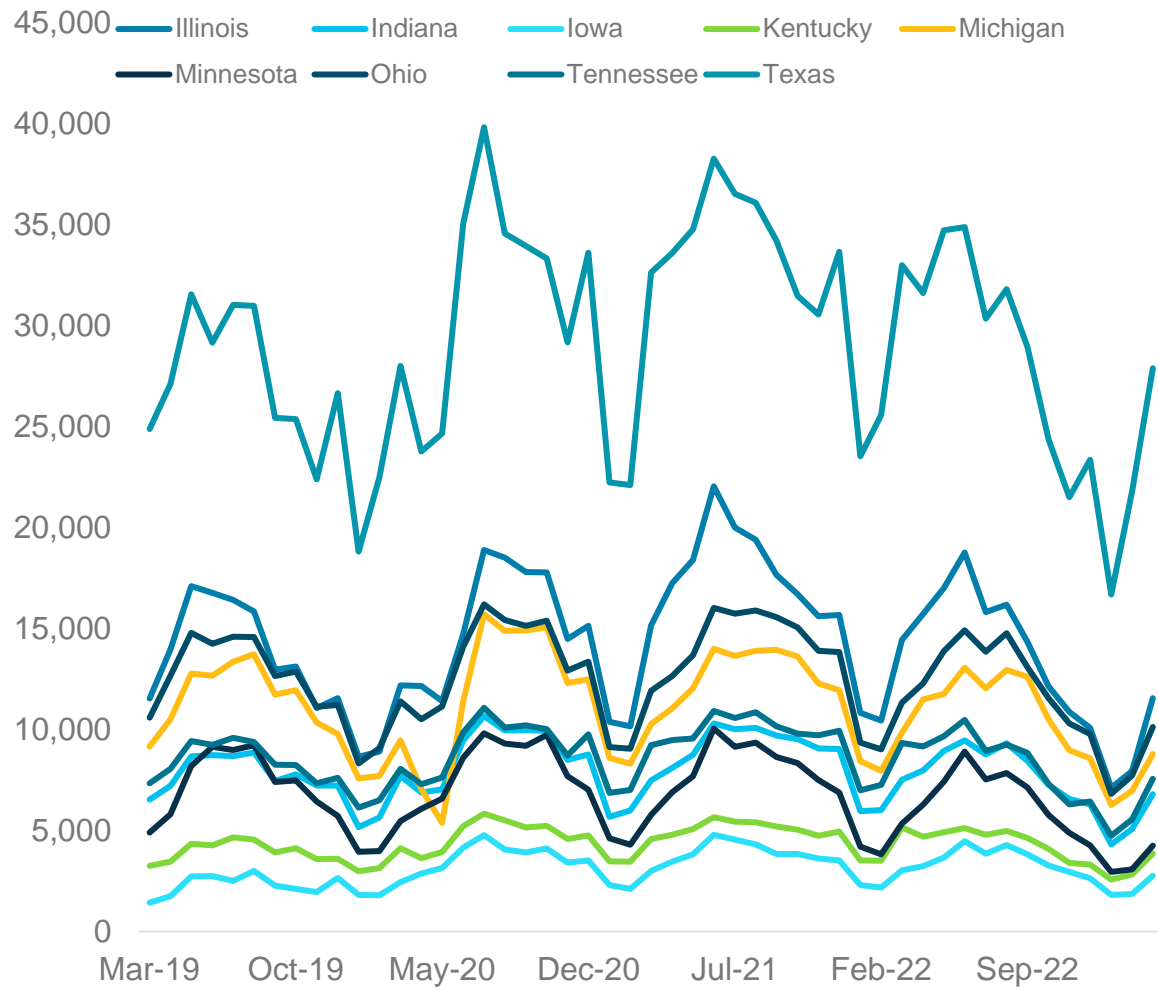


Sources : National Association of Realtors (NAR); U.S. Census Bureau. Total sales includes new and existing SF until 1999, when existing condos and coops are included

# Housing Market in the Central Region

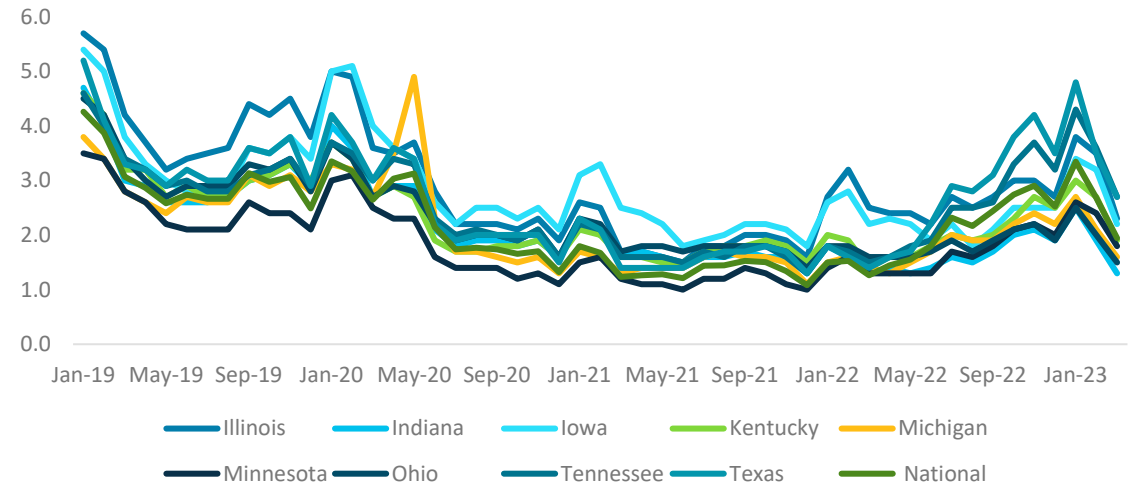


### Home Sales

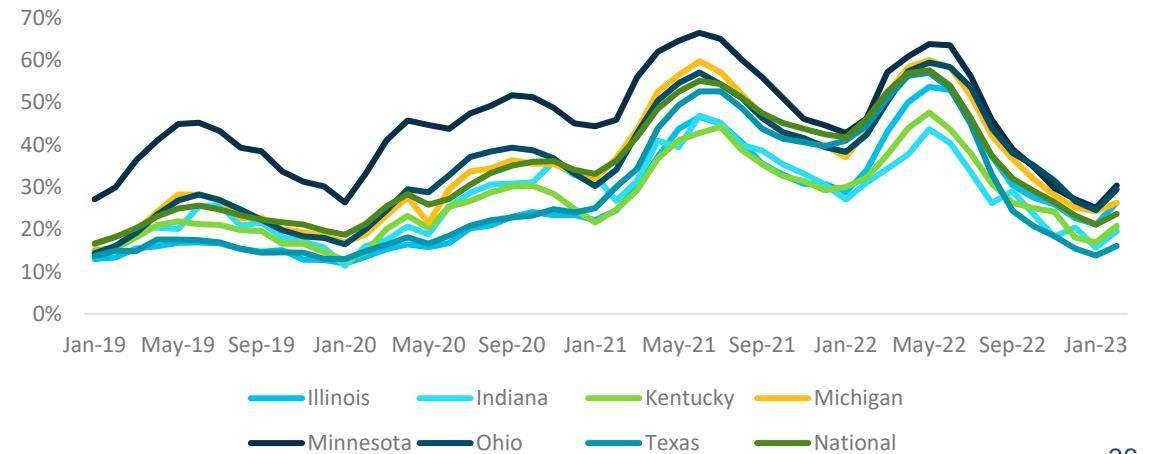


Source: Redfin

### Months Supply



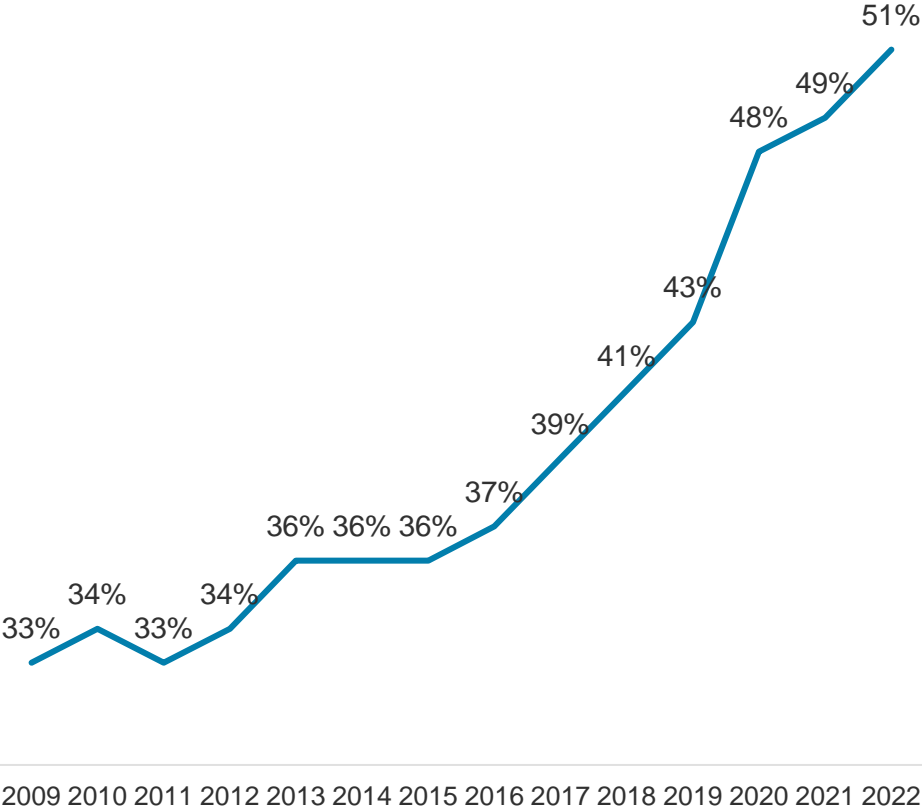
### % Sold above listing price



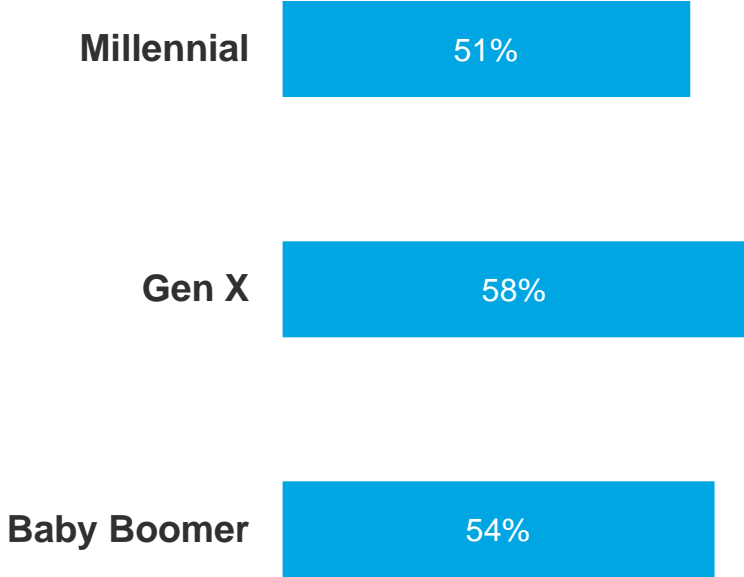
# Share of millennials homebuyers is below older generations, but increasing



### Millennial Homeownership Rate



### Homeownership Rate when aged 26-41



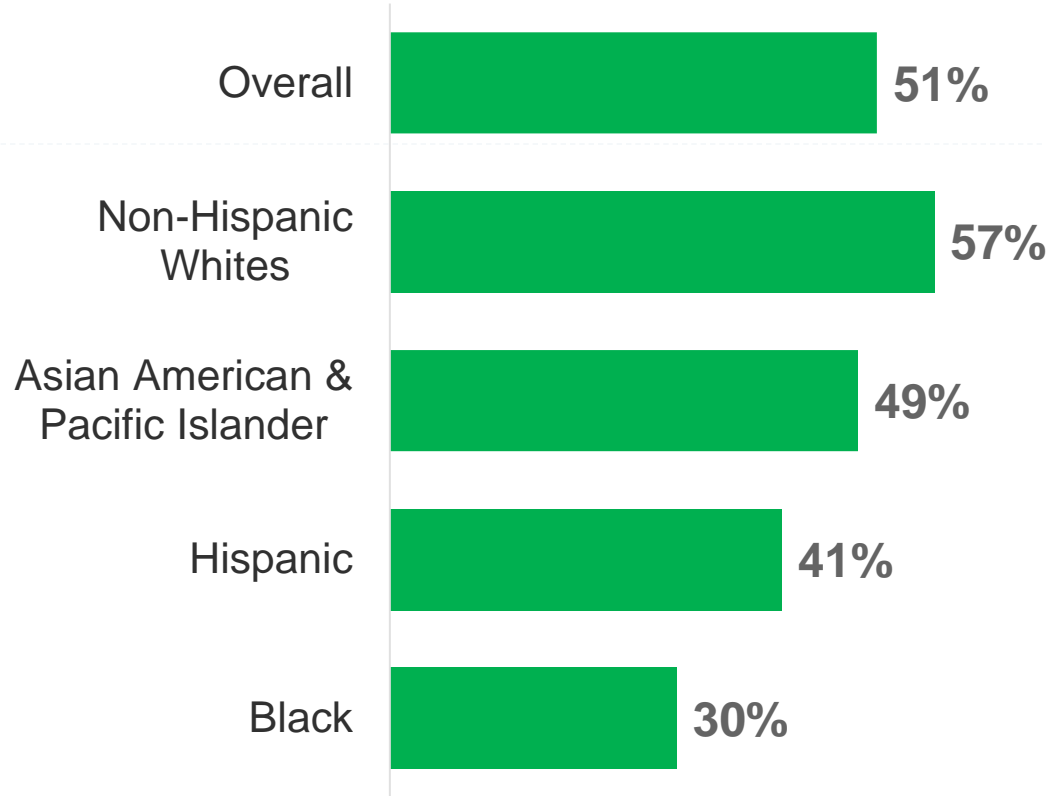
2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

Source: CPS Annual Social and Economic (March) Supplement 202203

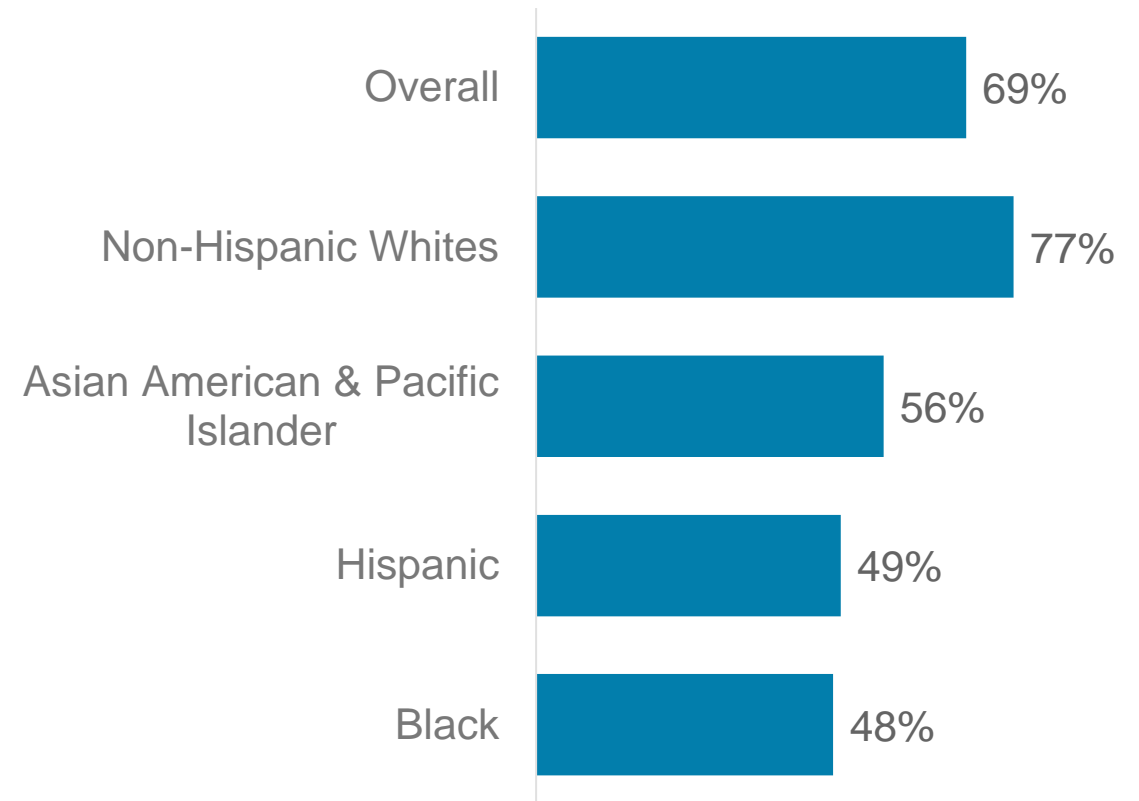
# Gap In homeownership across races/ethnicities could be one of the drivers of lower overall millennial homeownership rate



Millennial Homeownership Rate by Race and Ethnicity



Homeownership Rate by Race & Ethnicity



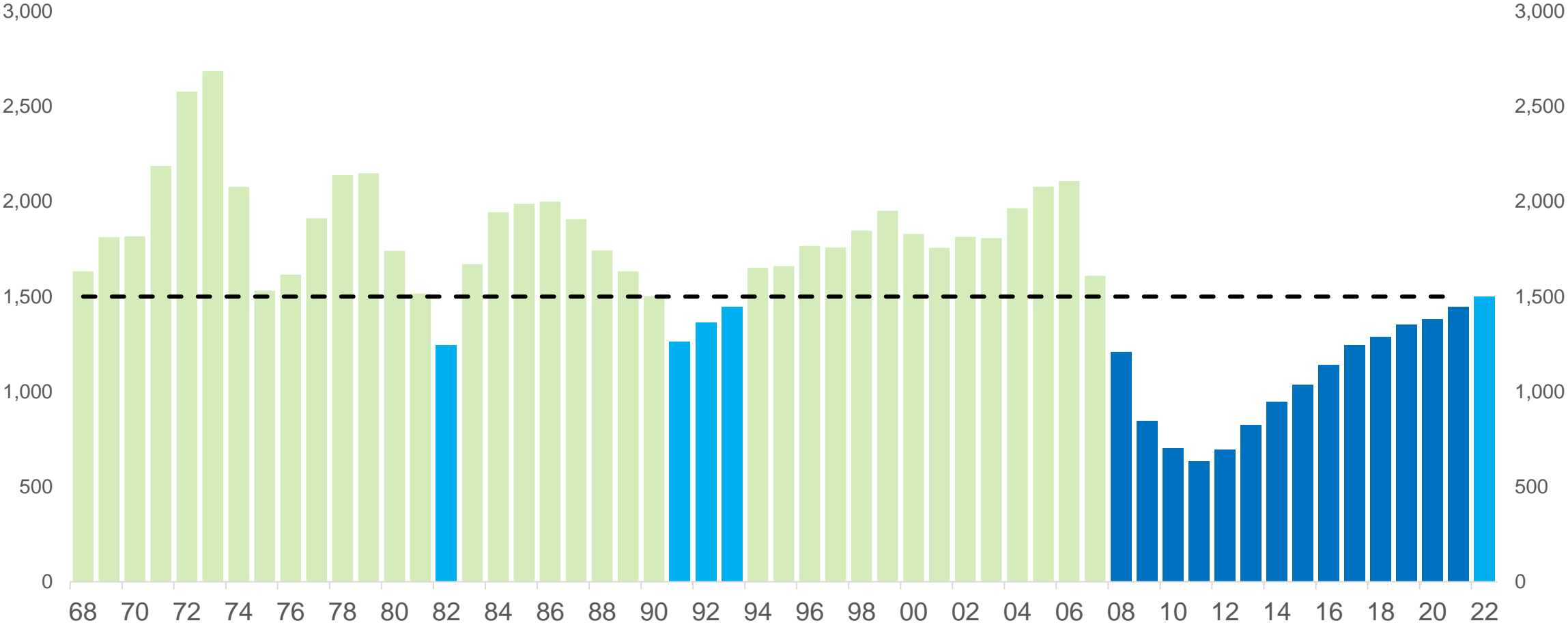
Source: CPS Annual Social and Economic (March) Supplement 202203

# New Housing Completions Improved in 2022 but Still Below Pre-GFC Levels...



## U.S. new housing supply low relative to history

U.S. annual housing completions and manufactured home shipments (1000s)



Source: U.S. Census Bureau and Department of Housing and Urban Development, Institute for Building Technology & Safety

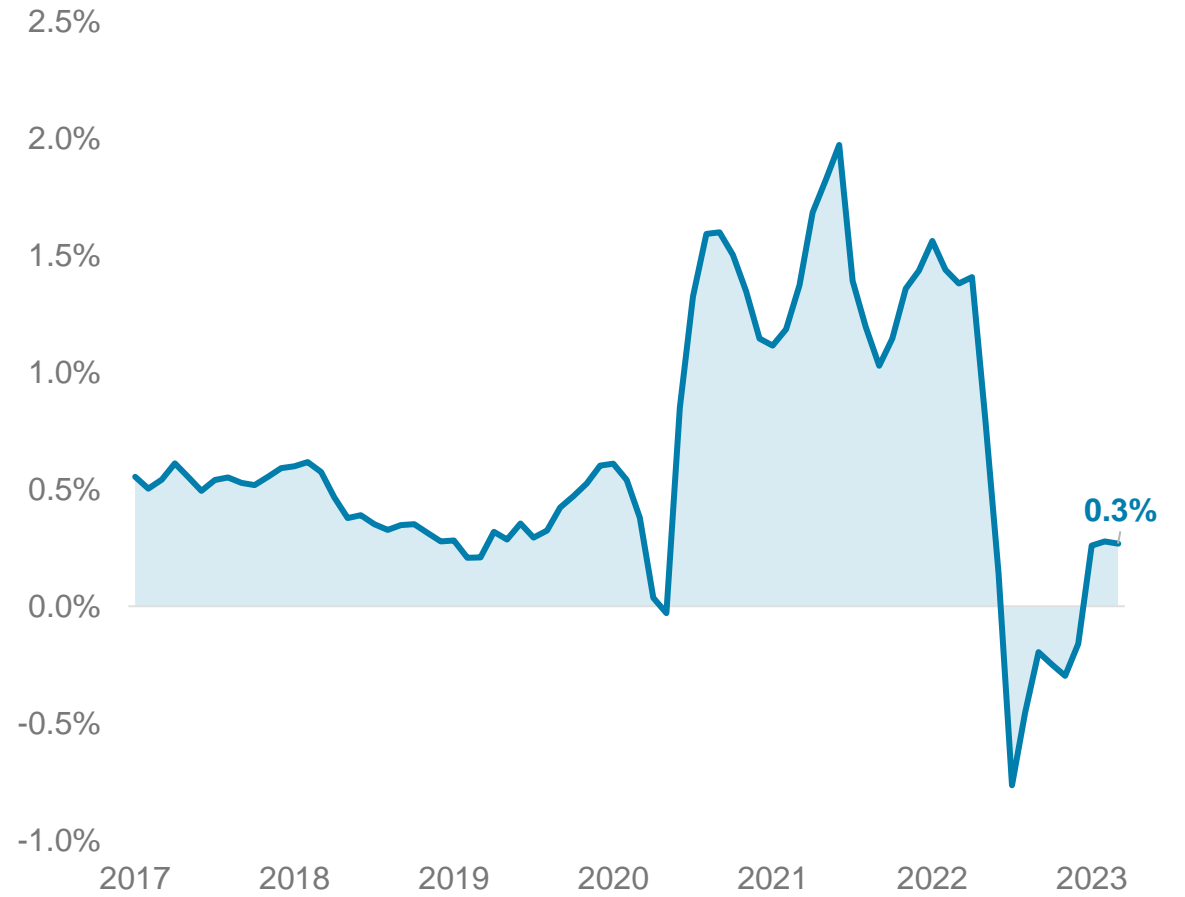
# Home Price Growth Stabilized



Freddie Mac House Price Index - March 2023 (YoY %, SA)



Freddie Mac House Price Index - March 2023



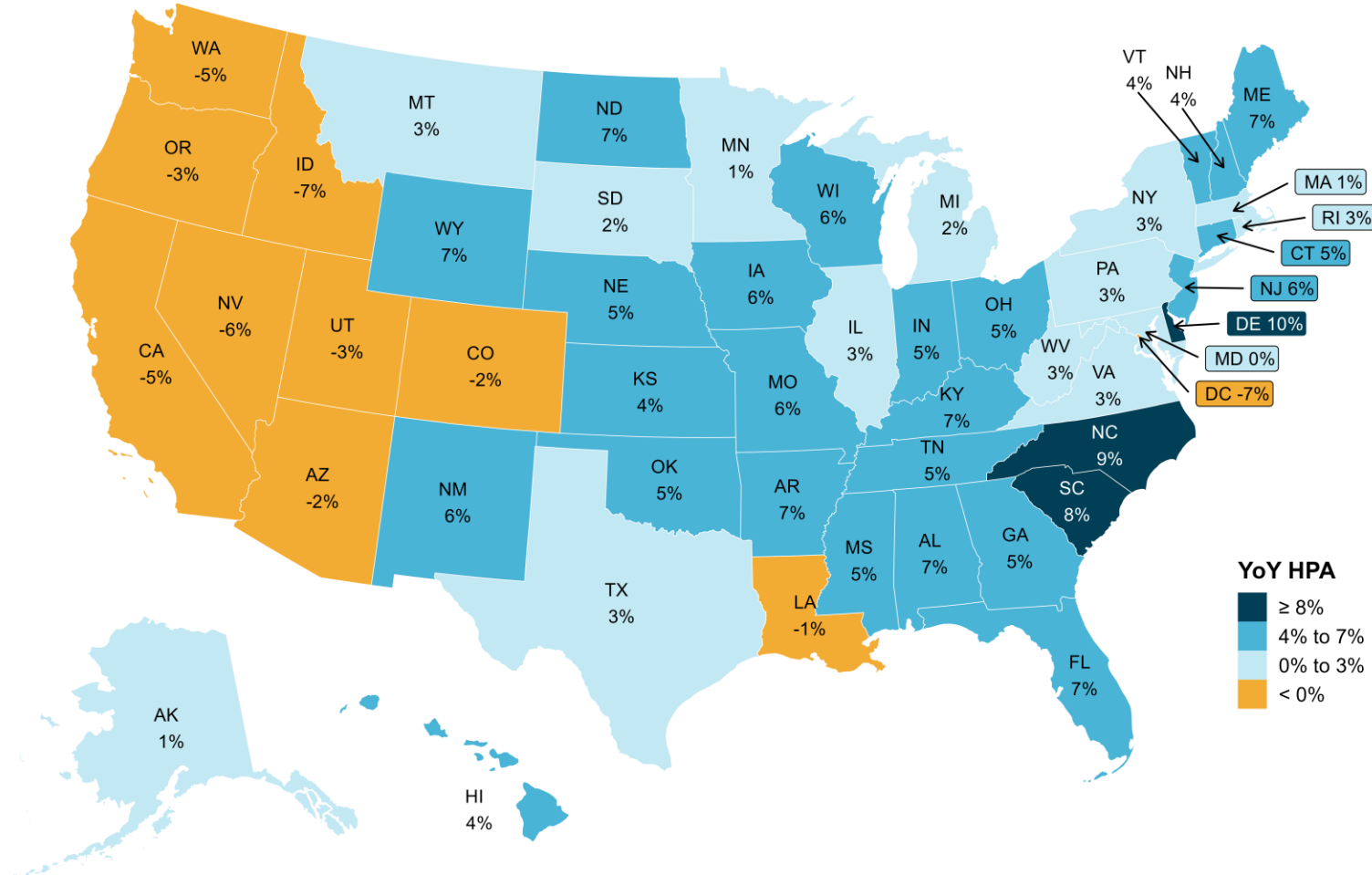
Source: Freddie Mac



# Prices in Western Markets are Declining, While the Rest of the Country Still Showing Positive Growth



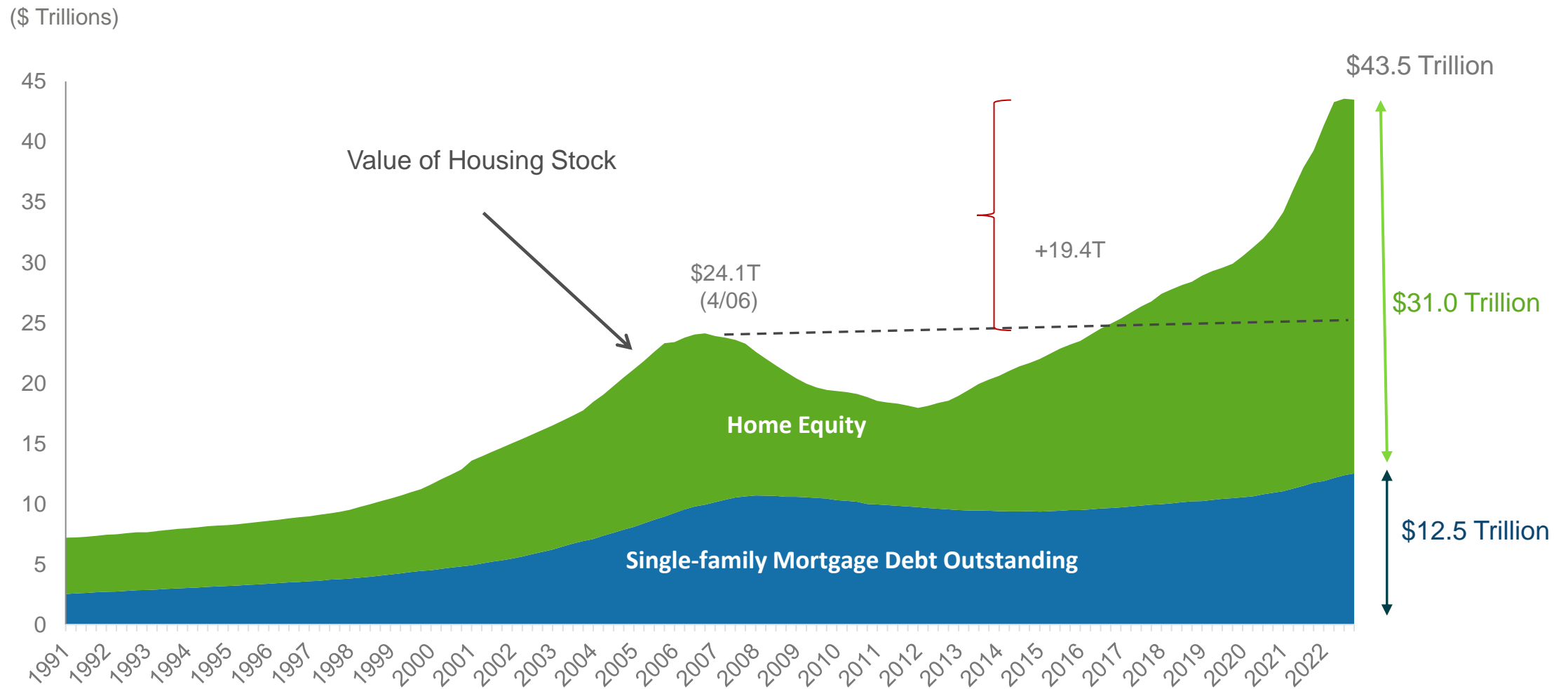
**United States: 1.1%**  
**Year-Over-Year Growth March 2023**



**YoY HPA**

- ≥ 8%
- 4% to 7%
- 0% to 3%
- < 0%

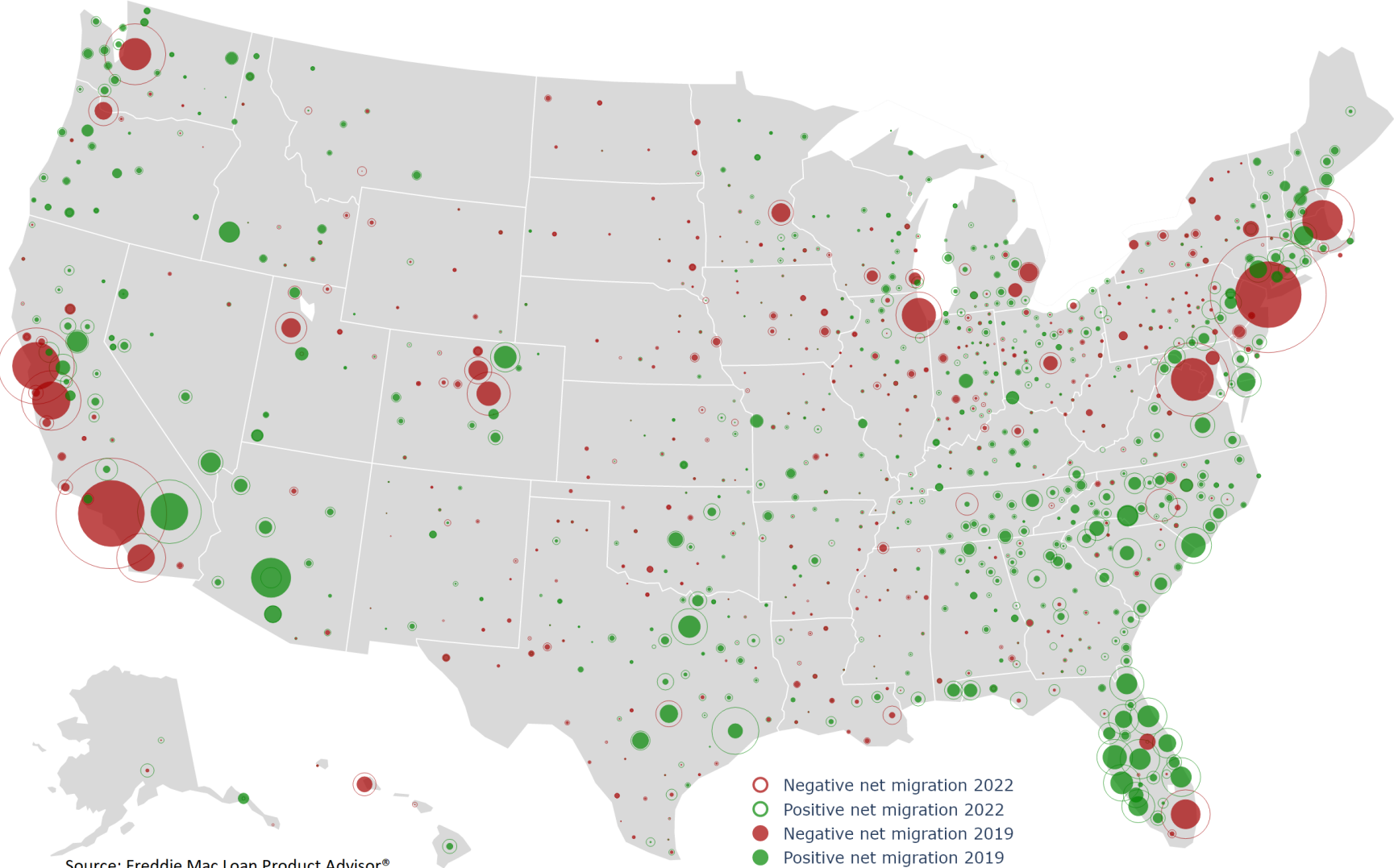
# Rising Home Prices Help Build Equity for Existing Homeowners



Note: Value of U.S. housing stock includes homes with and without underlying mortgages. U.S. home equity is the difference between the value of the U.S. housing stock and the amount of U.S. single-family mortgage debt outstanding.

Source: Federal Reserve Board's Financial Accounts of the United States, Table B. 101. Data as of Dec 31, 2022

# Homebuyers Are Flocking to Many Small and Medium Markets, Especially in Southeast and Interior Markets



Source: Freddie Mac Loan Product Advisor®

# To Conclude

- Economic growth is expected to slow as Fed raises interest rates
- Inflation is moderating but still above fed target
- Home purchase activity has cooled significantly, but prices are resilient on low inventory
- Affordability pressures are pushing people out of expensive large metros to mid and small-sized metros and towards environmentally risky areas
- Homeowners have built significant equity which could act as a buffer were house prices to decline

# Panelists



**Bridgette Homer**

Lending Program  
Manager, Capital Are...



**Geoff Cooper**

Vice President -  
Product Developmen...



**Kasey Kier**

National Community  
Development...



**Kimberly Barnes-  
Henson**

President, Texas  
Association of Real...



**Rhonda Kimble**

Homeownership  
Director, Iowa Financ...

Questions?

An aerial, black and white photograph of a suburban neighborhood. The houses are densely packed, with many trees interspersed throughout. A road or driveway runs through the center of the frame. The overall scene is peaceful and residential.

# Thank You