

HFA Eastern Regional Symposium

April 19, 2023

ALL FOR HOME

Freddie Mac
Single-Family

Speaker Introduction



Email: James_Hall@freddiemac.com

James Hall

Affordable Lending Manager
Freddie Mac

James manages relationships with lenders, housing finance agencies, housing intermediaries and other key stakeholders on behalf of Freddie Mac, to educate and better serve, well deserving families.

Agenda



Introduction



Economic
Market Analysis



Celebration of
Excellence



Panel
Discussion



Affordable
Lending
Overview

Celebrating Excellence in 2022



Top HFA Volume Producers

Large Market HFAs (state population over 6mm)

1. Virginia (VHDA)
2. Maryland (DHCD)
3. Florida (FHFC)
4. New Jersey (NJHMFA)
5. North Carolina (NCHFA)

Small Market HFAs (state population under 6mm)

1. Delaware (DSHA)
2. Alabama (AHFA)
3. Connecticut (CHFA)
4. District of Columbia (DCHFA)



Top HFA Advantage[®] Loan Officers

First

Regan Turnbull: Evolve Bank and Trust (DSHA)

Second

Matthew Borgerson: First Home Mortgage (DCHFA, DHCD)
Lola Pol: Capital Bank Home Loans (DCHFA)

Third

Chad Rankin: Guild Mortgage (Mass Housing)
Alexis Vining: Homeside Financial (DCHFA & DHCD)

Fourth

Carol DeGrace: Huntington Valley Bank (NJHMFA)
Keith Turner: Homestead Funding (CHFA)

Fifth

Don Gay: Fairway Independent Mortgage Corp (VHDA)

Speaker Introduction



Mike Dawson

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



About Freddie Mac



Making Home Possible for 50 Years

- Freddie Mac was [chartered by Congress in 1970](#) and operates in the Secondary Mortgage Market
- [Mission](#) to promote liquidity, stability, and affordability 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



Leading the Future of Home

Insights



Insights through research studies, thought leadership, speaking opportunities, expert contributions and data to position our clients and partners for success.

Education



Events, training and financial literacy curricula to help better prepare borrowers for homeownership and to promote responsible and sustainable behaviors.

Mortgage Products



Mortgage offerings that meet borrower needs and scenarios to include: low down payments, refinances, first-time homebuyer, energy-efficient properties, factory-built housing and renovation mortgages.

Business Solutions



Services, resources, tools and technologies that enable housing professionals to serve as trusted advisors and to select the best solutions for their borrower.



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.



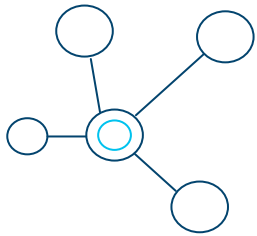
State HFAs have delivered more than \$600 billion in financing for the purchase, development, and rehabilitation of more than 8 million affordable homes and rental apartments.



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..

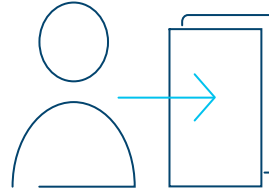
Source: NCSHA- State Housing Finance Agencies: The Center of the Affordable Housing System, 2022

HFAs: Opportunities for You

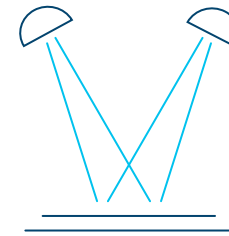


Reach more potential borrowers through HFA programs that:

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



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



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

Creating Affordability For Many Types of Borrowers

First-time homebuyers and very low- to moderate-income borrowers

Refinance and repeat borrowers with limited home equity

Changing demographics and greater opportunities: first-time homebuyers, millennials, multi-generational households, seniors, Hispanics, Asians, Black Americans

Relevant for the ever-growing condominium market

Product that supports financing for manufactured housing, energy-efficient properties and property renovations





Freddie Mac HFA Advantage[®]



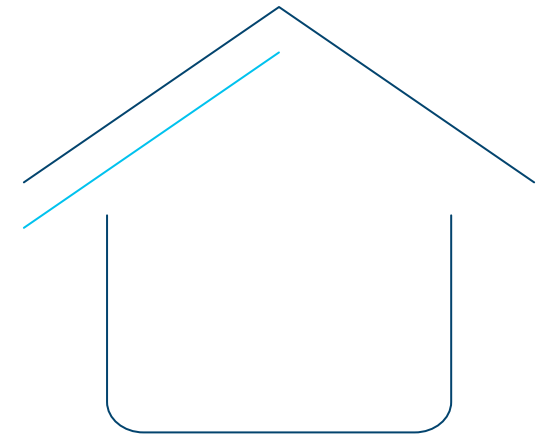
Freddie Mac HFA Advantage®

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.



HFA Advantage[®] Mortgage

One-four-unit primary residences

Purchase and no cash-out refinancing

Non-occupying borrowers

Manufactured Housing

Flexible funding options for down payment and closing costs

High loan-to-value (LTV) conventional offering that's **an excellent alternative to FHA** lending requirements and mortgage premiums.

Adopts the requirements of Home Possible[®] but with **added flexibilities for HFAs.**

HFA-established income limits

Available to first-time homebuyers, repeat buyers, and borrowers seeking no cash-out refinances

Loan Product Advisor[®], manual UW, or alternative UW system subject to prior approval

Flexible MI options available

No reserves required

Why Choose HFA Advantage[®] over FHA?

HFA Advantage[®]

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

OR
OR
OR
OR

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®

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 Advantage¹

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

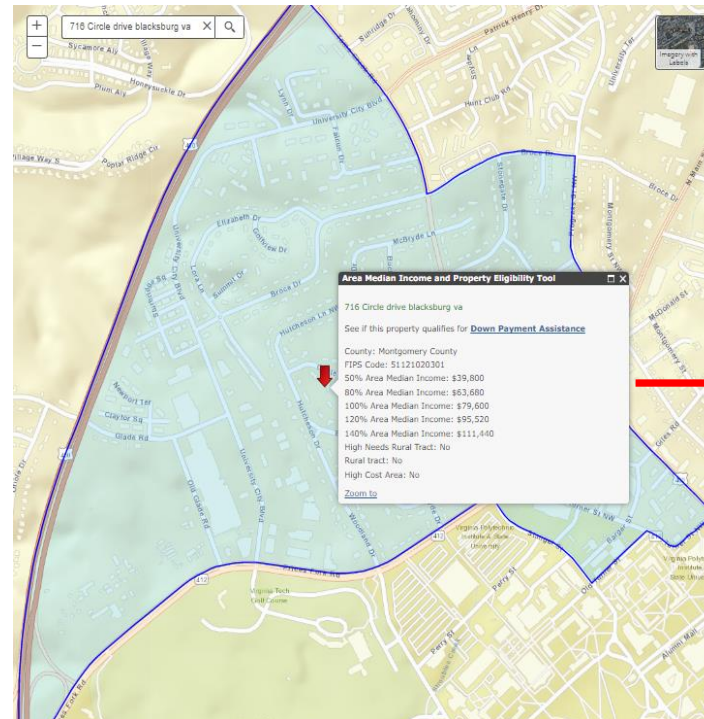
Area Medium Income and Property Eligibility Tool

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

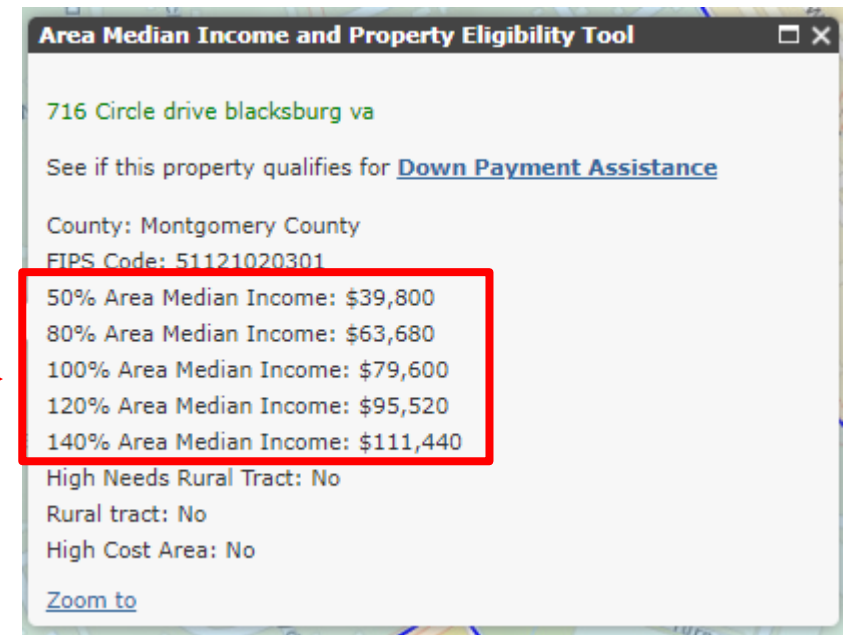
1. Enter a property's address



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[®]

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[®]

The Freddie Mac HFA Advantage[®] 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[®] 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[®].

[READ FACTSHEET PDF](#)

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 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

Easy borrower data entry with both guided approach and quick search

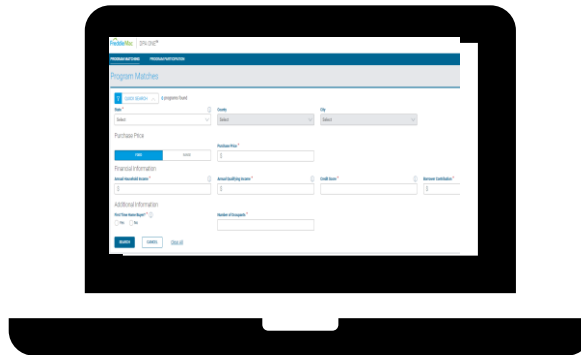
Best matching results from 221 programs mapped for 122 DPA Providers (10% of total US programs)

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

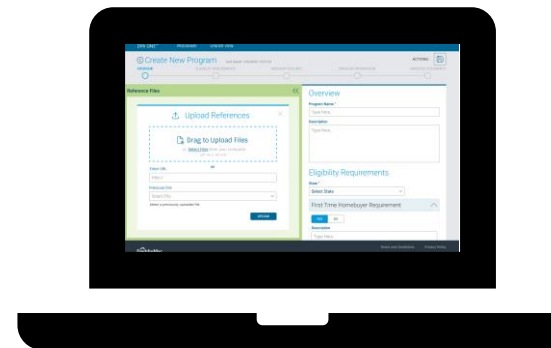
Program Comparison of up to three programs with differences highlighted

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

Loan Officer Experience



DPA Provider Experience



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

Version tracking, display, archive of programs in DPA One

2023 Releases

Create new program from scratch or by copying existing program

Easy to import information by using side by side intuitive UI

Additional Planned 2023 Explorations and Releases:

- Program match with Freddie Mac Affordable Seconds Guidelines
- Communication feature between Loan Officers and DPA providers
- Link to DPA provider reservation system
- Just-in-time learning of program changes

Speaker Introduction



Email: Ajita_Atreya@freddiemac.com

Ajita Atreya, Ph.D

Freddie Mac Senior Economist
Economic & Housing Research

Ajita is a senior economist responsible for research, analysis and forecasts of the macroeconomy with a special focus on housing and mortgage markets.

Economic and Housing Market Outlook

2023 HFA Eastern Regional Symposium

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Overview

Economy



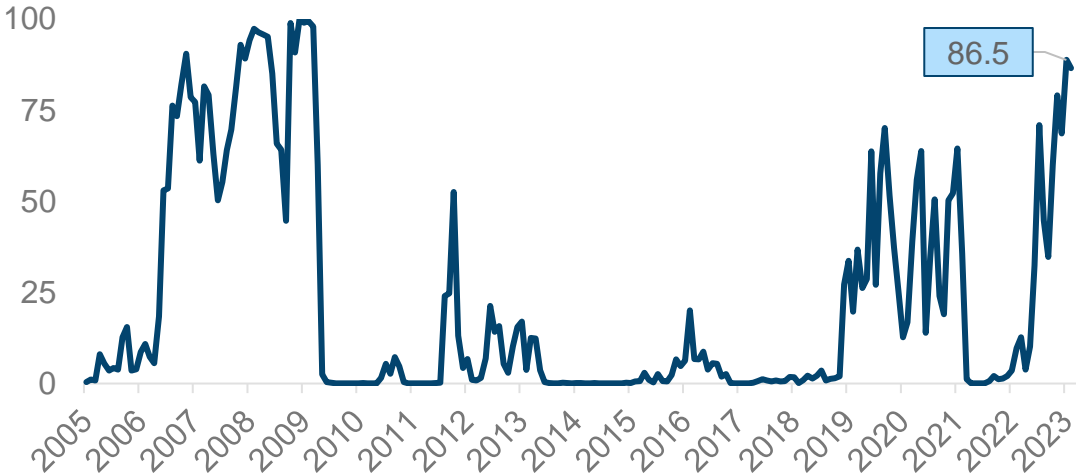
- Economic growth is slowing, and the prospect of a recession in 2023 is rising
- While some indicators already signal a dark economic outlook, some economic activities considered by NBER for determining business cycle turning points are now weakening, except for the labor market
 - GDP continues to grow, although at a slower pace; personal income and expenditures are still positive but quickly depleting

Housing Market

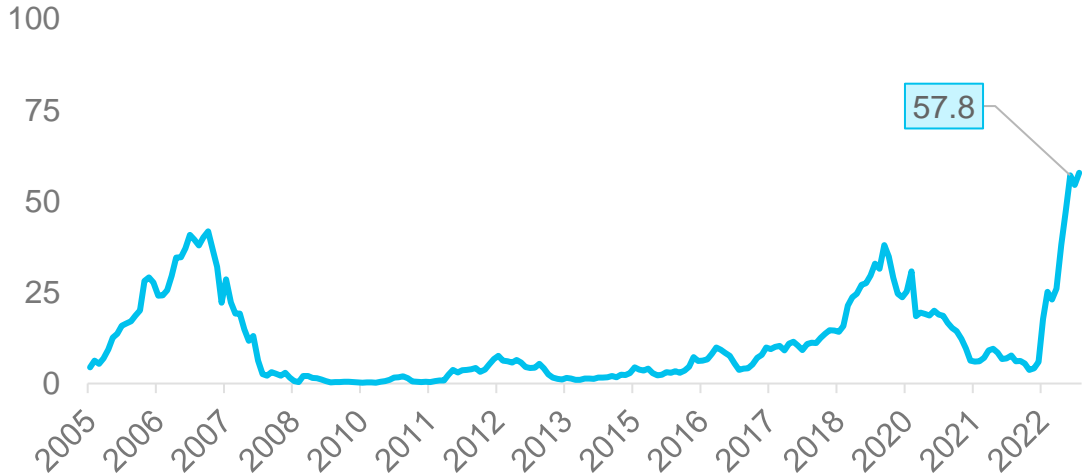
- Mortgage rates increased significantly, leading to a substantial decline in housing affordability and cooling the housing market notably with a significant contraction in purchase apps and home sales
- Housing supply has only increased modestly, and it remains near a historic low, particularly the new listing fall, as the rate lock-in effect dampens repeat buyer activity
- Entry-level supply has been declining for decades while the demand remains high, particularly from first-time homebuyers causing entry-level home prices to soar
- Home prices saw the fastest deceleration in over four decades, but the cumulative increase in the last four years remains high. However, the home price boom is going into slow reverse in some markets
- Pandemic accelerated out-migration from large and expensive metro areas to more affordable small to mid-sized metro areas.
- Homeowners built significant equity on high home prices but extracted much less than in the mid-2000 boom

The Probability of a Recession in the next 12 months Is Ramping Up

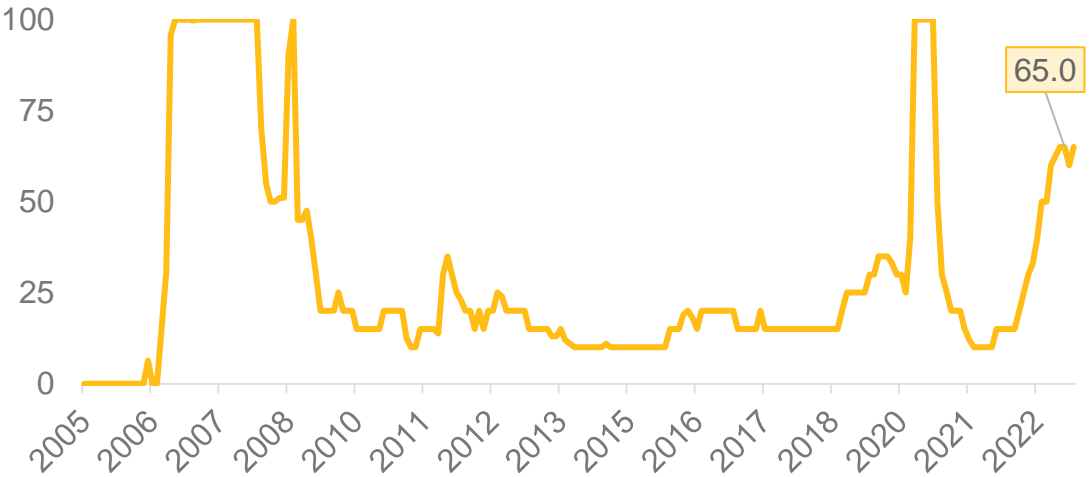
Moody's Analytics



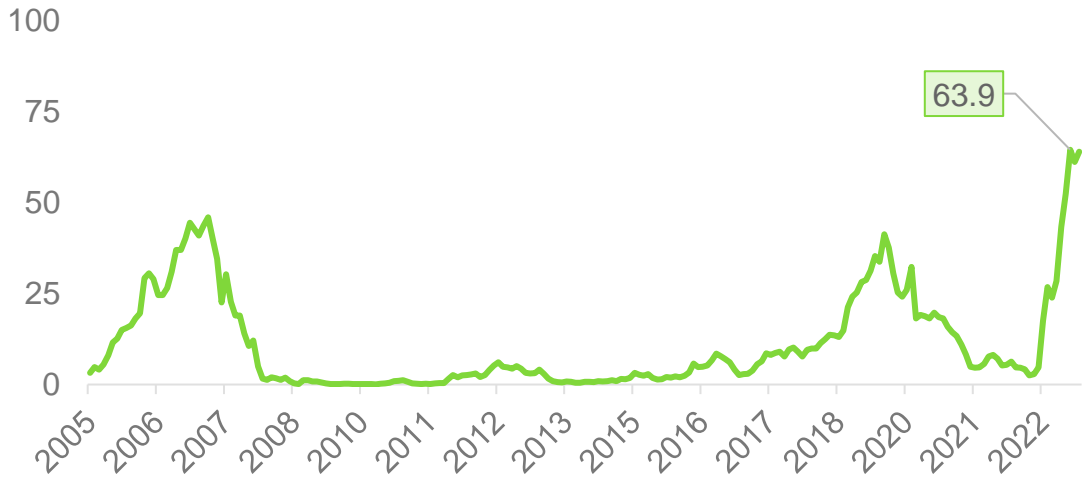
New York Fed



Bloomberg



Cleveland Fed

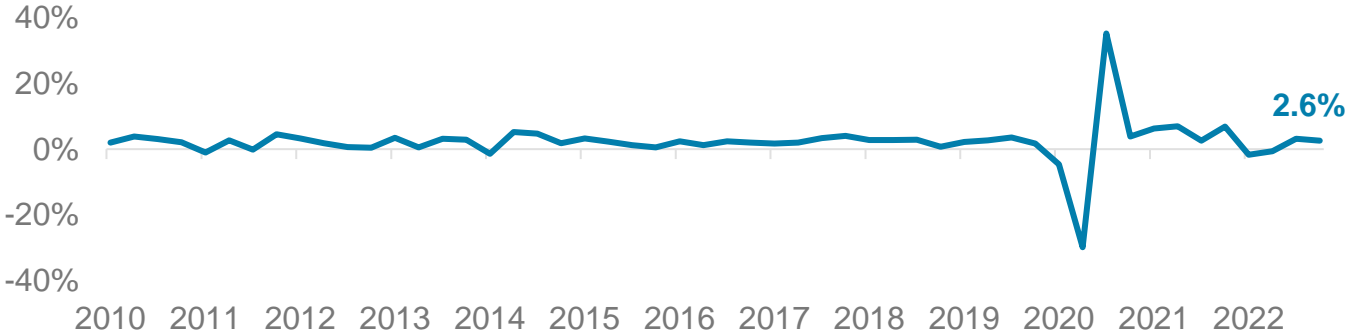


Source: Moody's Analytics, NY Fed, Bloomberg, Cleveland Fed

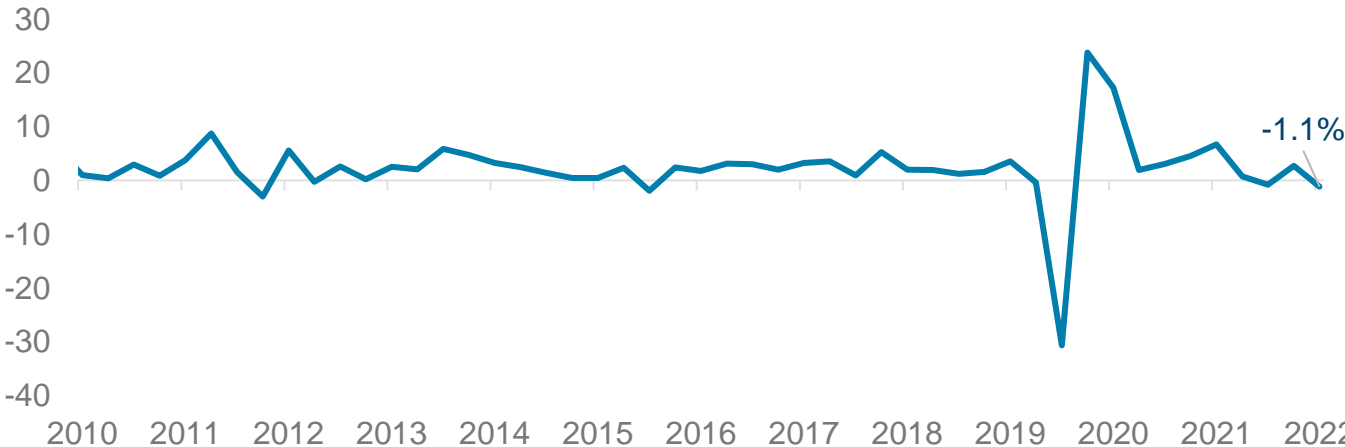
Indicator 1: GDP and GDI

GDP increased at an annual rate of 2.6% in the fourth quarter of 2022; Economic growth expected to slow in 2023 and 2024

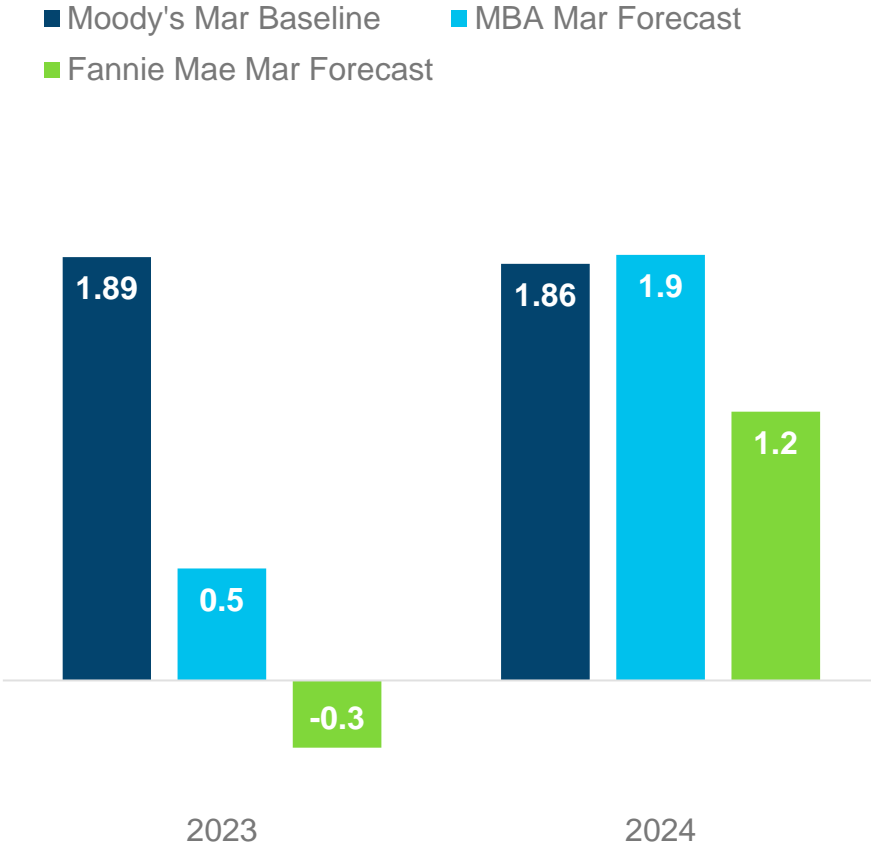
Real Gross Domestic Product,
Annual Rate of Change, SA, Quarterly



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



GDP Forecast
SAAR %

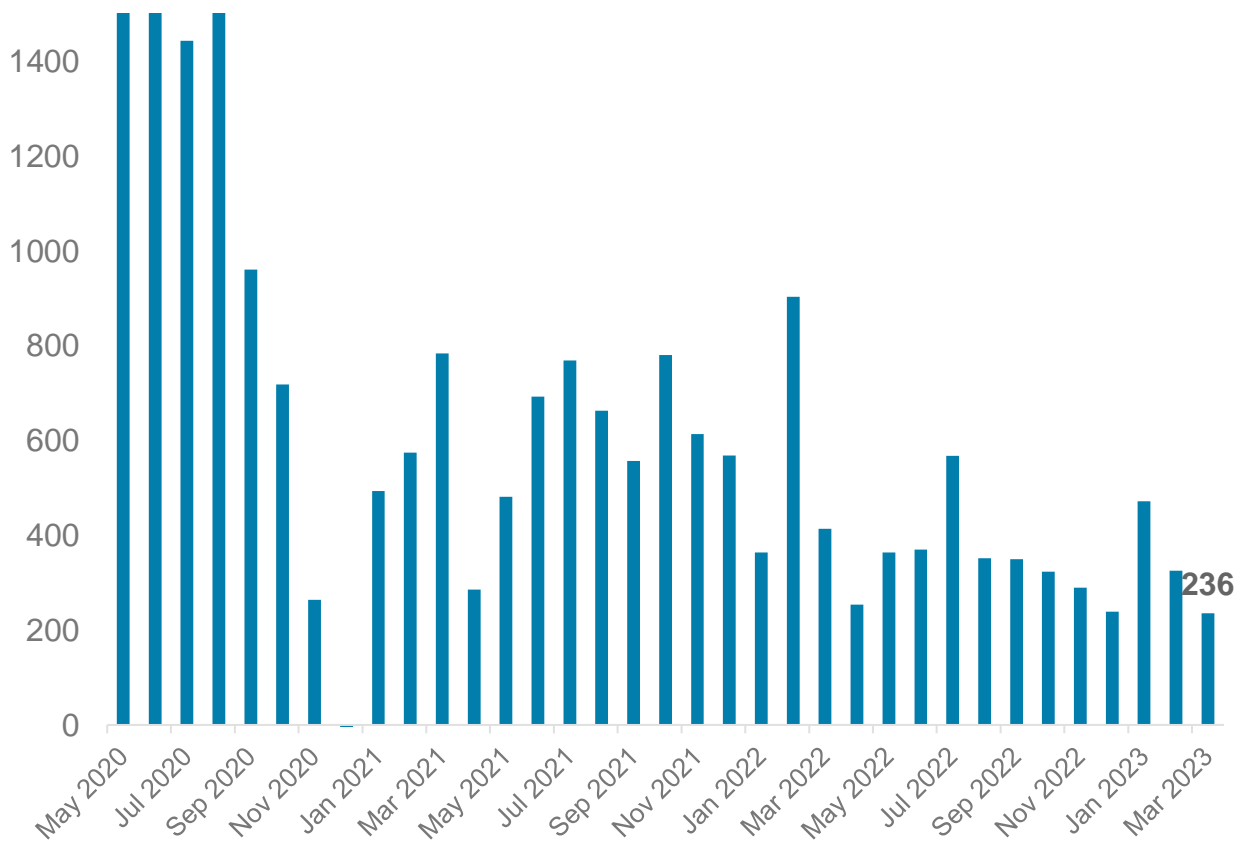


Source: BEA, Moody's, JP Morgan Chase, Bloomberg, Goldman Sachs

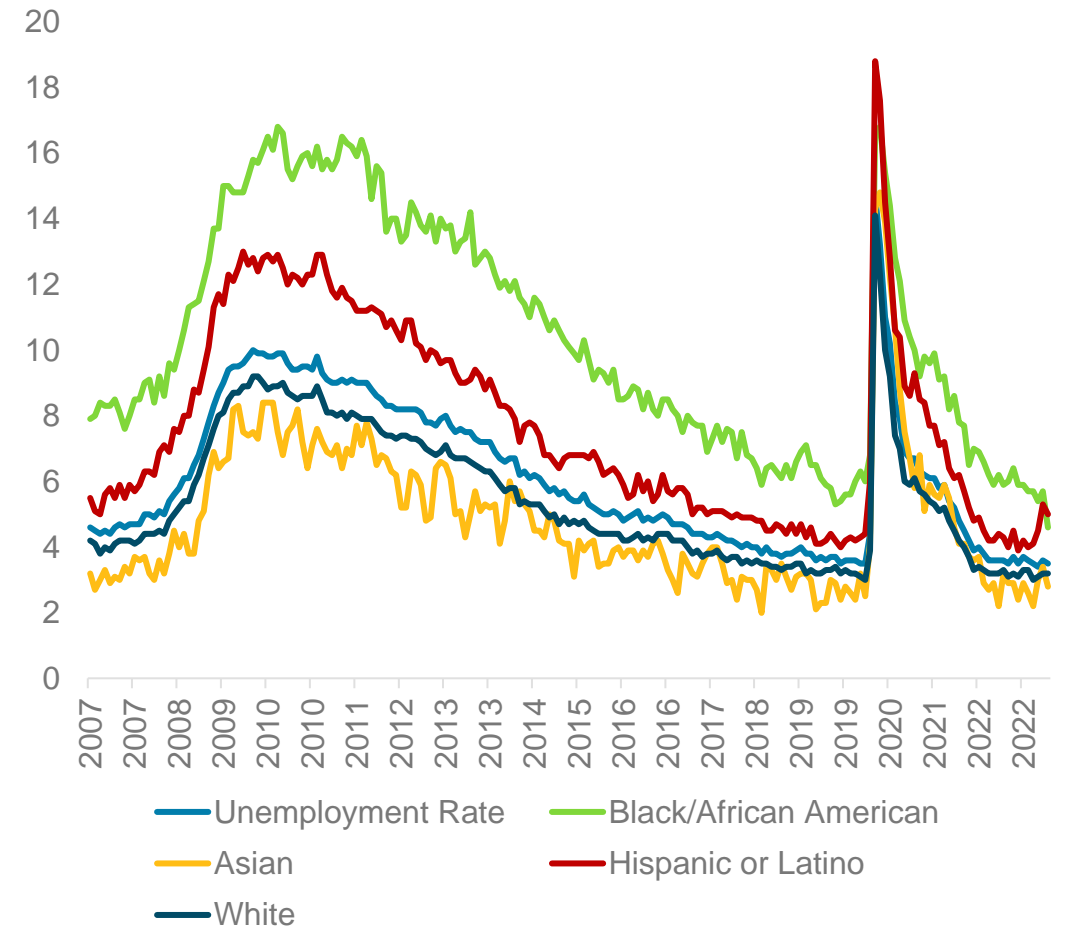
Indicator 2: Nonfarm Payroll and Unemployment Rate

Labor Market remains tight; the unemployment rate is at 3.5%

All Employees, Total Nonfarm, Change, Thousands of Persons, Monthly, Seasonally Adjusted



Unemployment Rate (%)



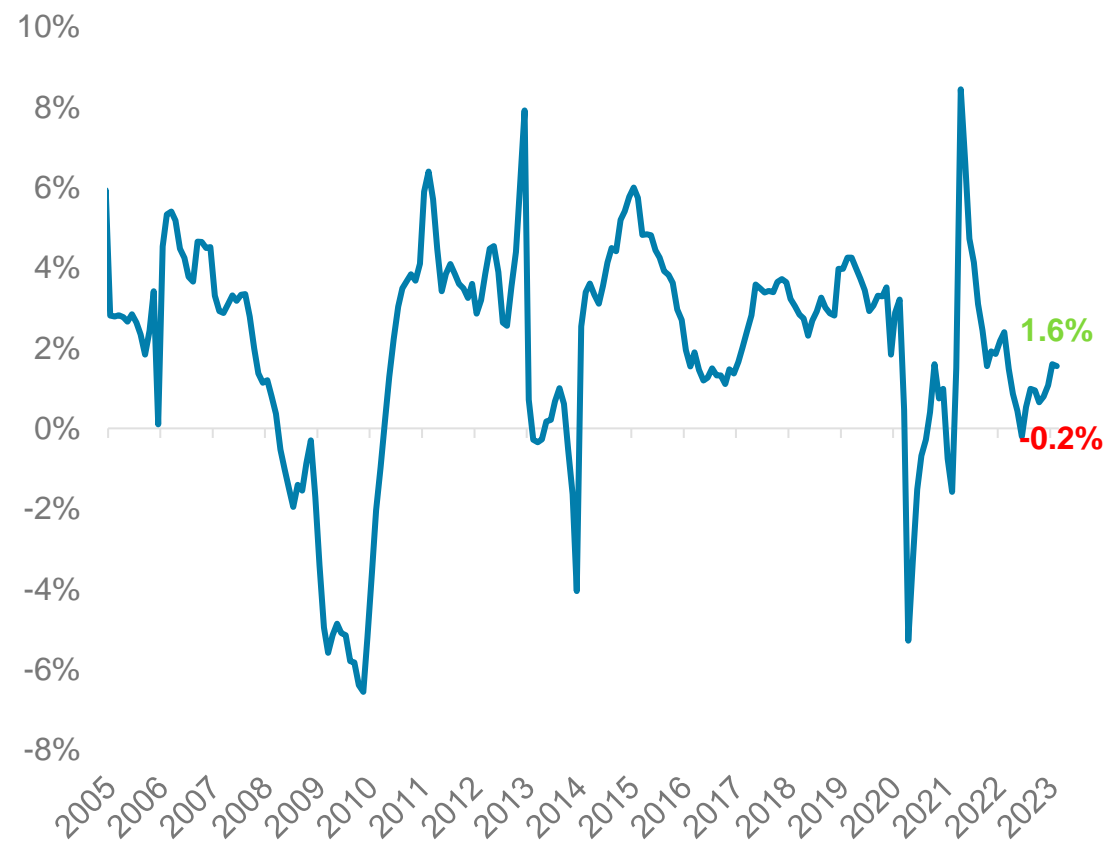
Source: BLS

Indicator 3: Real Personal Income excluding current transfer receipts; Real Personal Consumption Expenditure

Real personal income and consumption are still positive

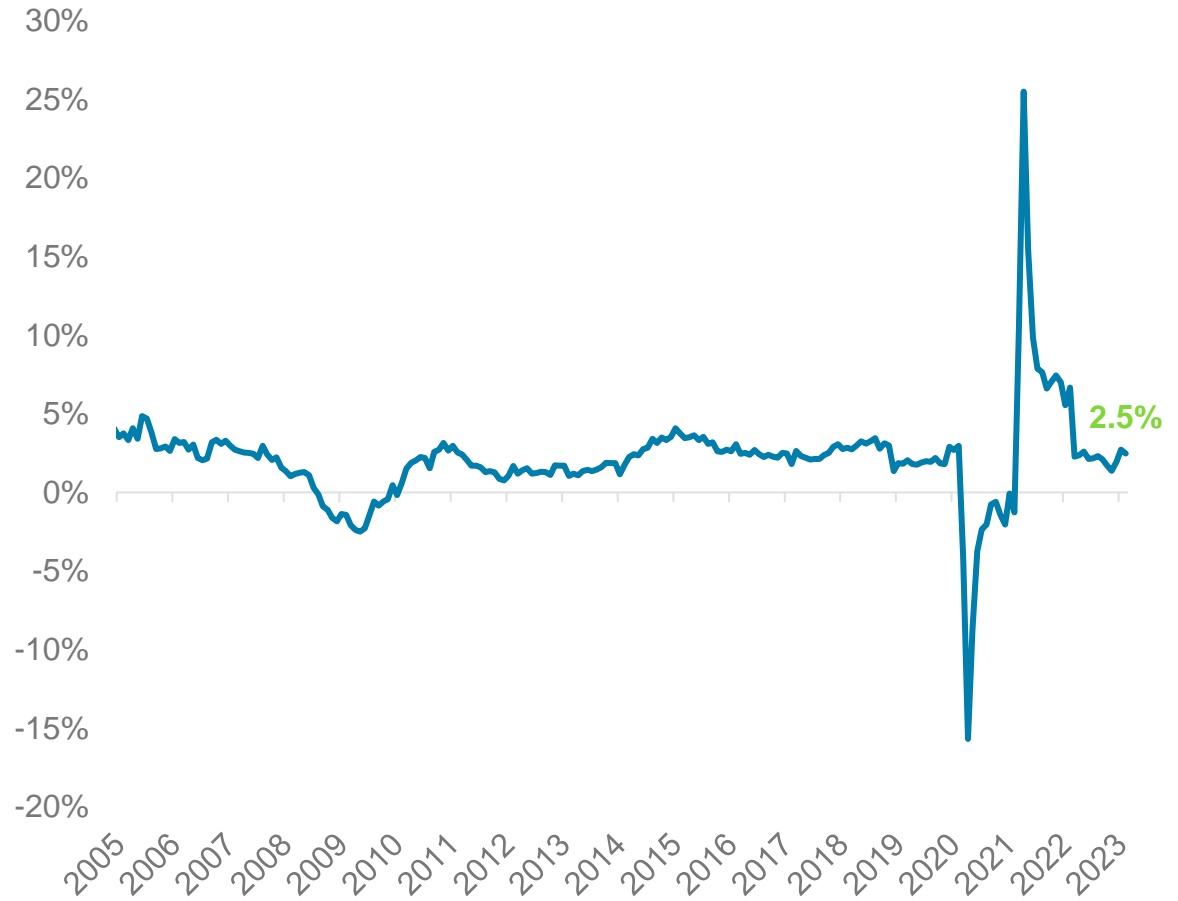
Real Personal Income Excluding Current Transfer Receipts

Percent Change from Year Ago, Monthly, Seasonally Adjusted Annual Rate



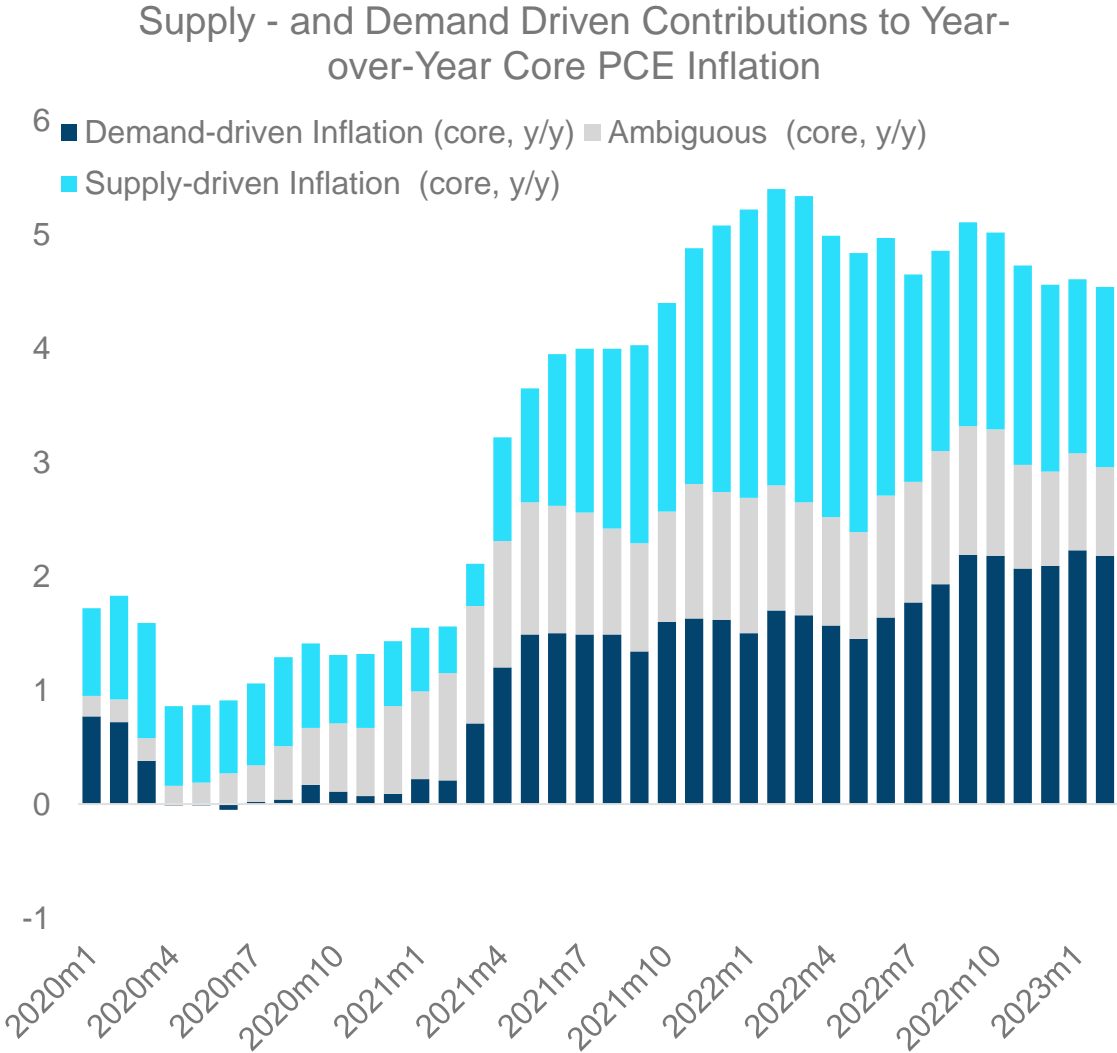
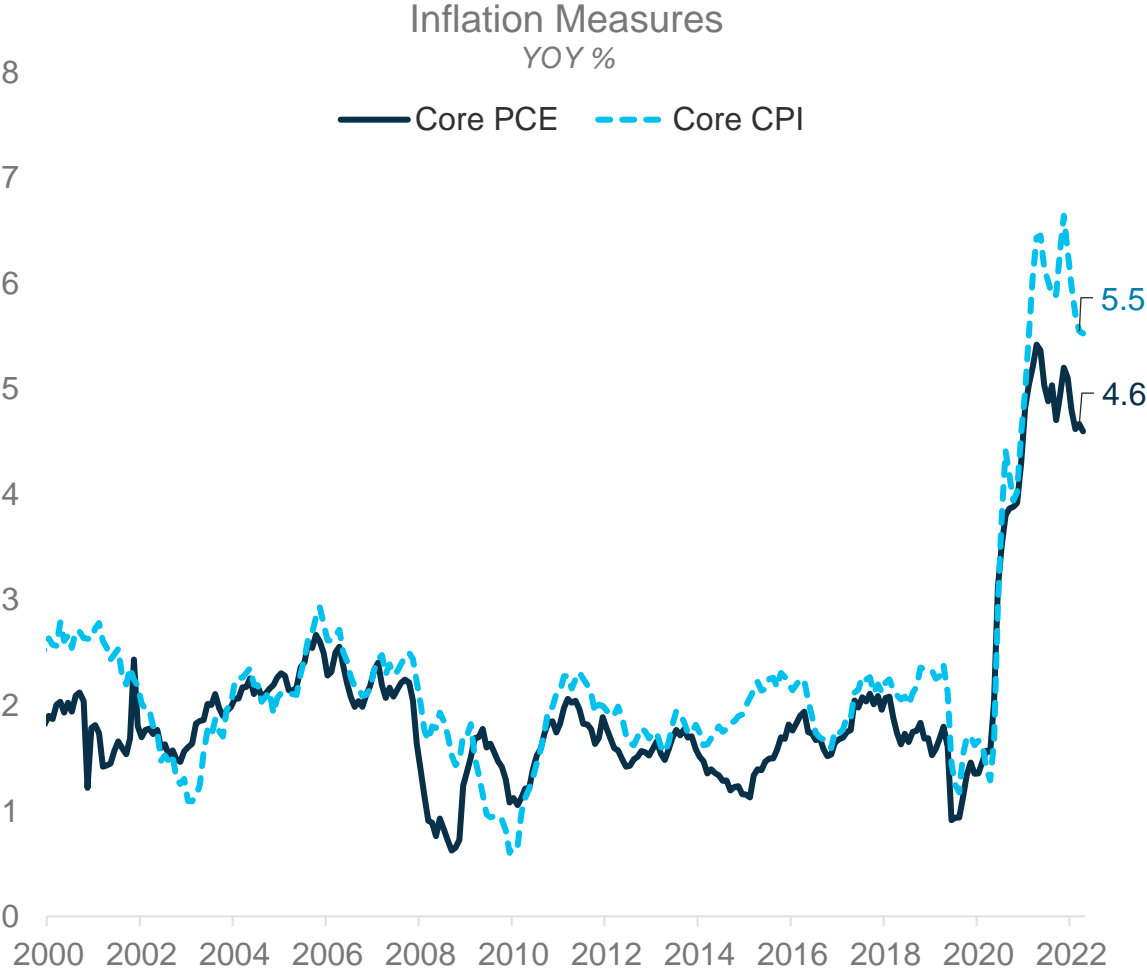
Real Personal Consumption Expenditures

Percent Change from Year Ago, Monthly, Seasonally Adjusted Annual Rate



Source: BEA

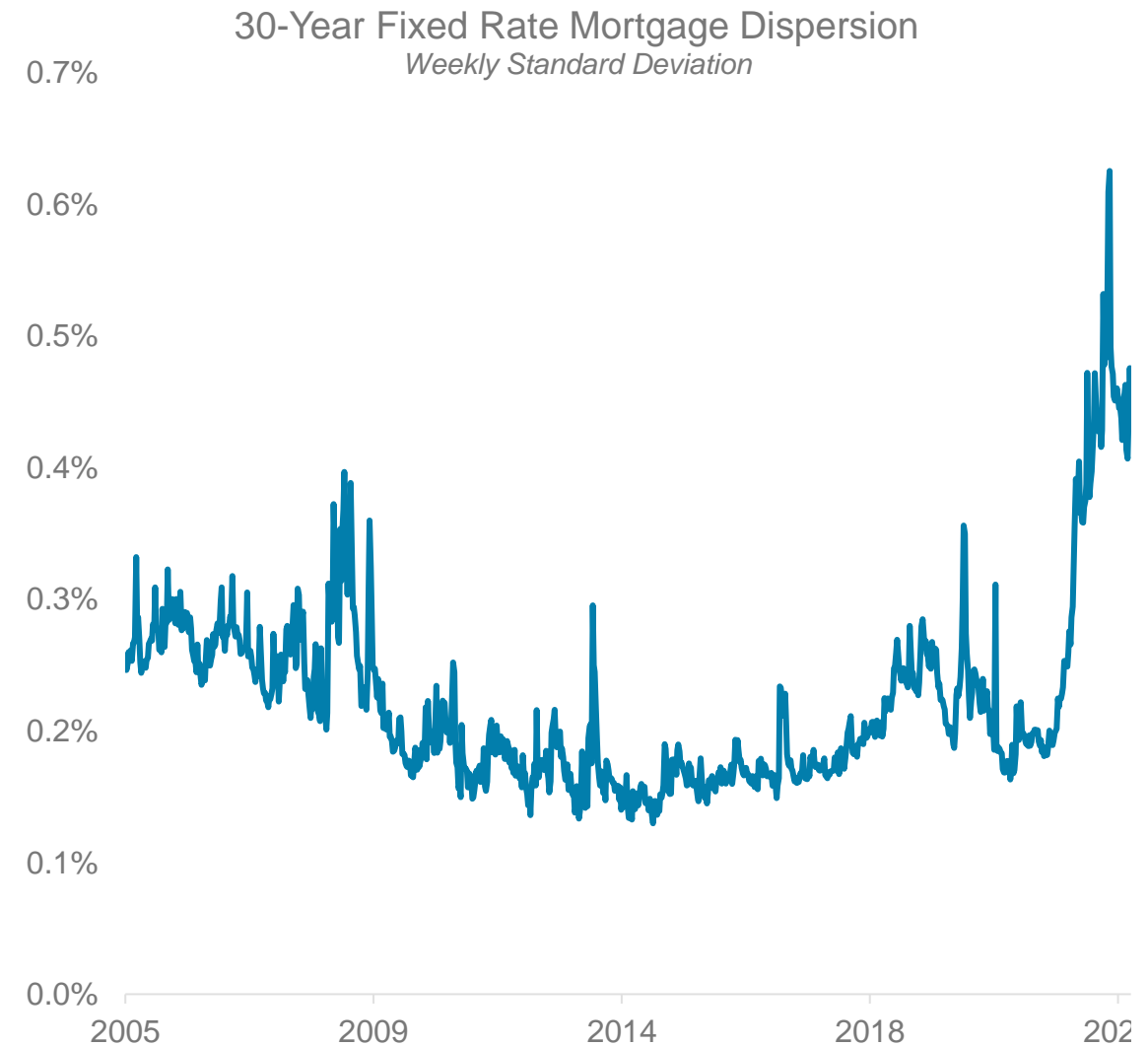
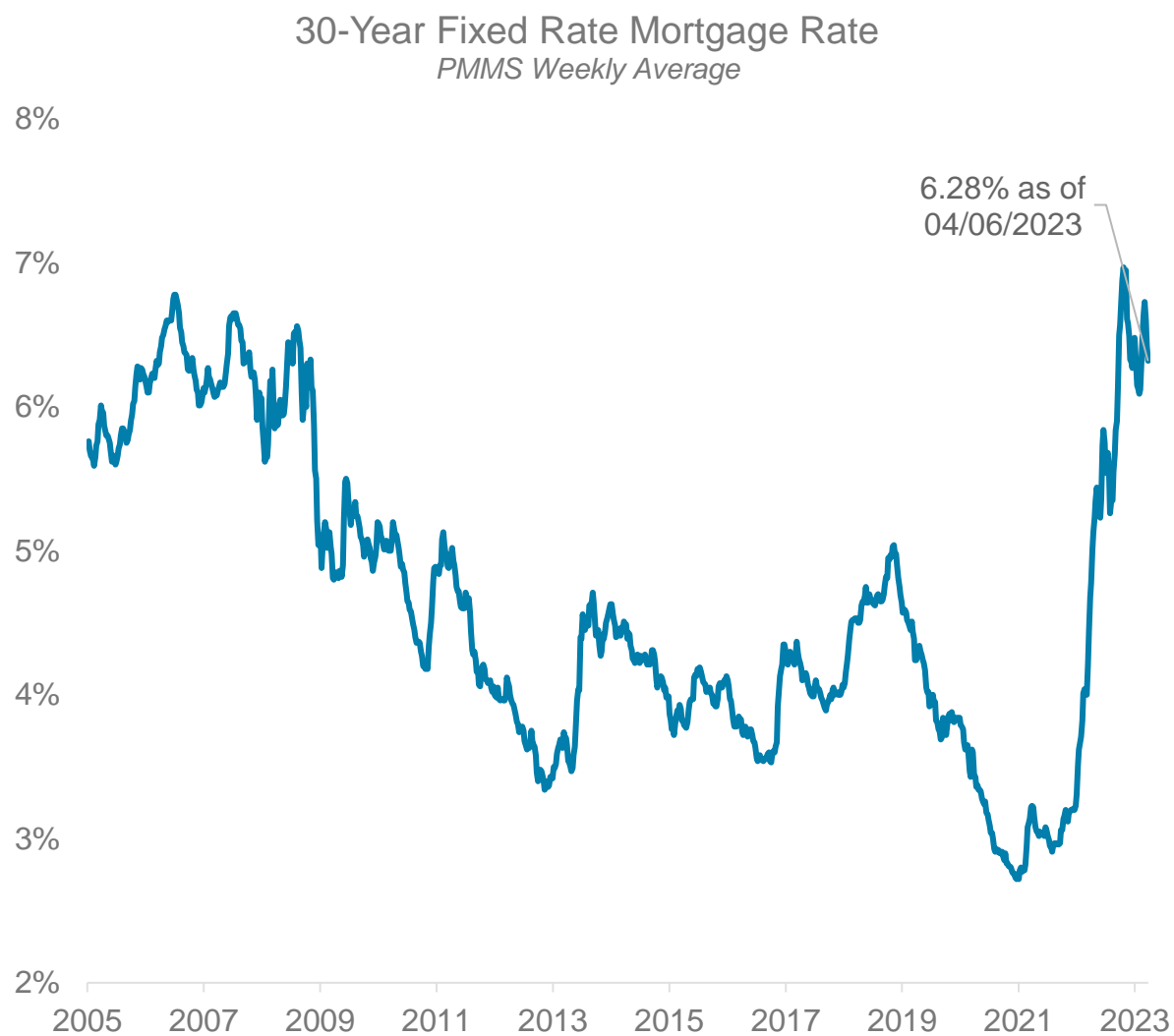
Inflation Remains Above Feds Comfort Level Mostly Driven by Demand



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

Housing Market

Mortgage Rates Fell Over the Last Four Weeks But Still Remains High; Dispersion in Mortgage Rates Has Also Risen Dramatically



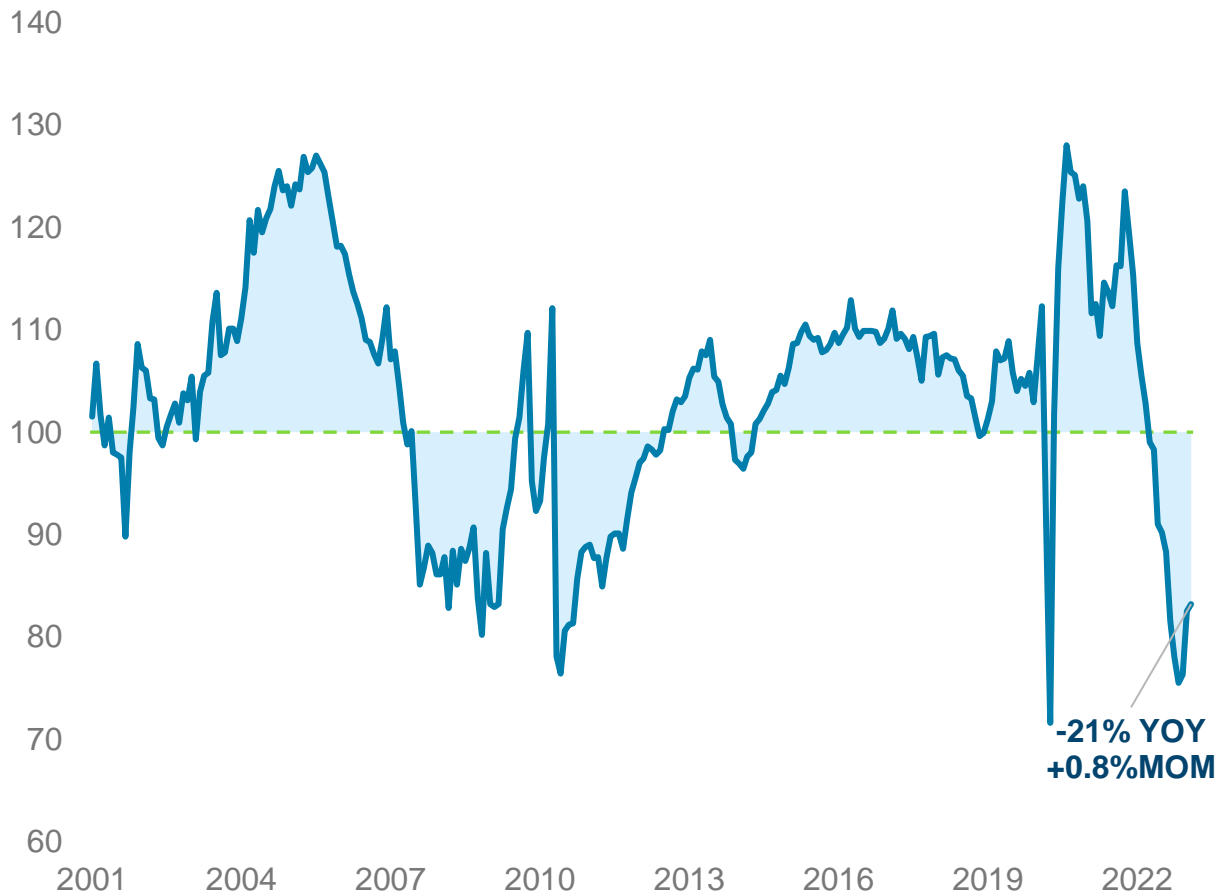
Source: Freddie Mac

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

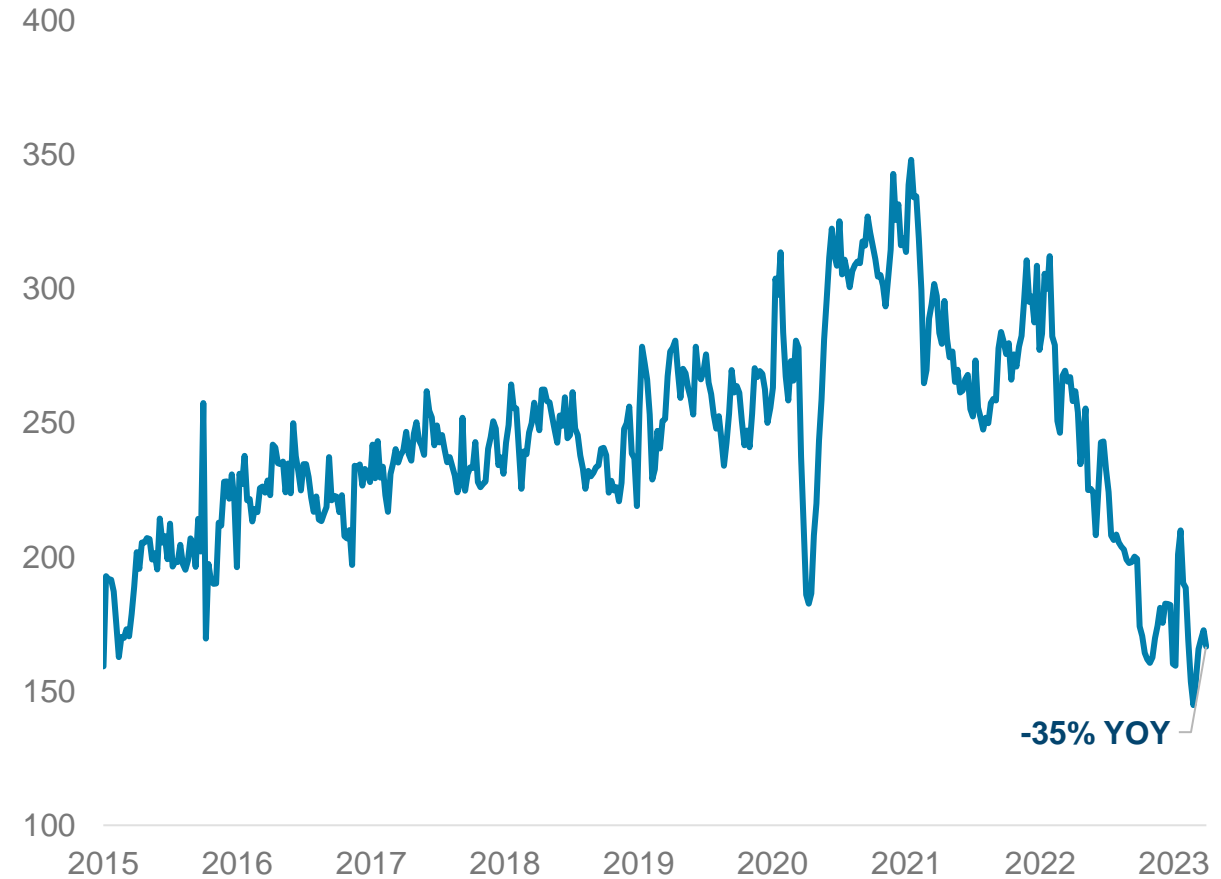
Rapid Decline in Affordability Has Led to a Contraction in the Purchase Market



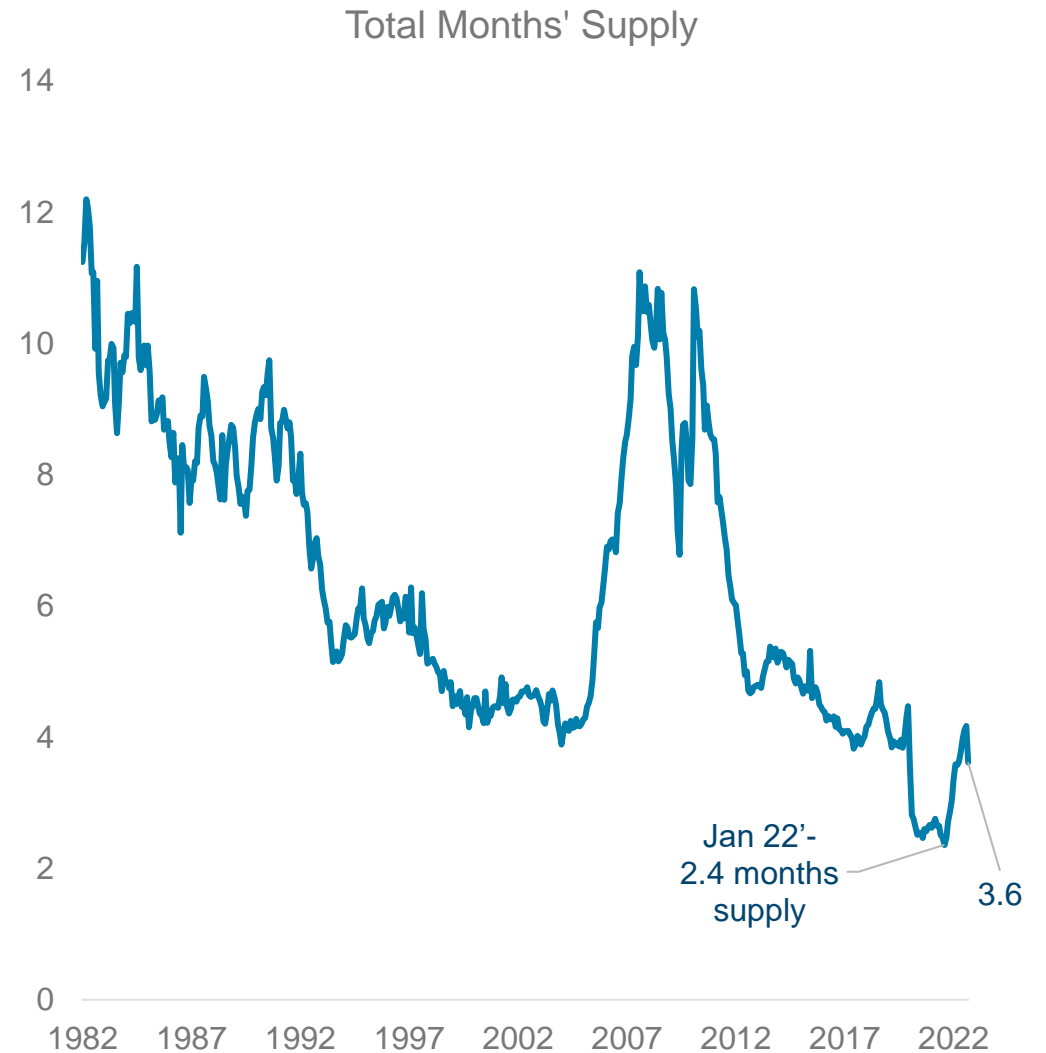
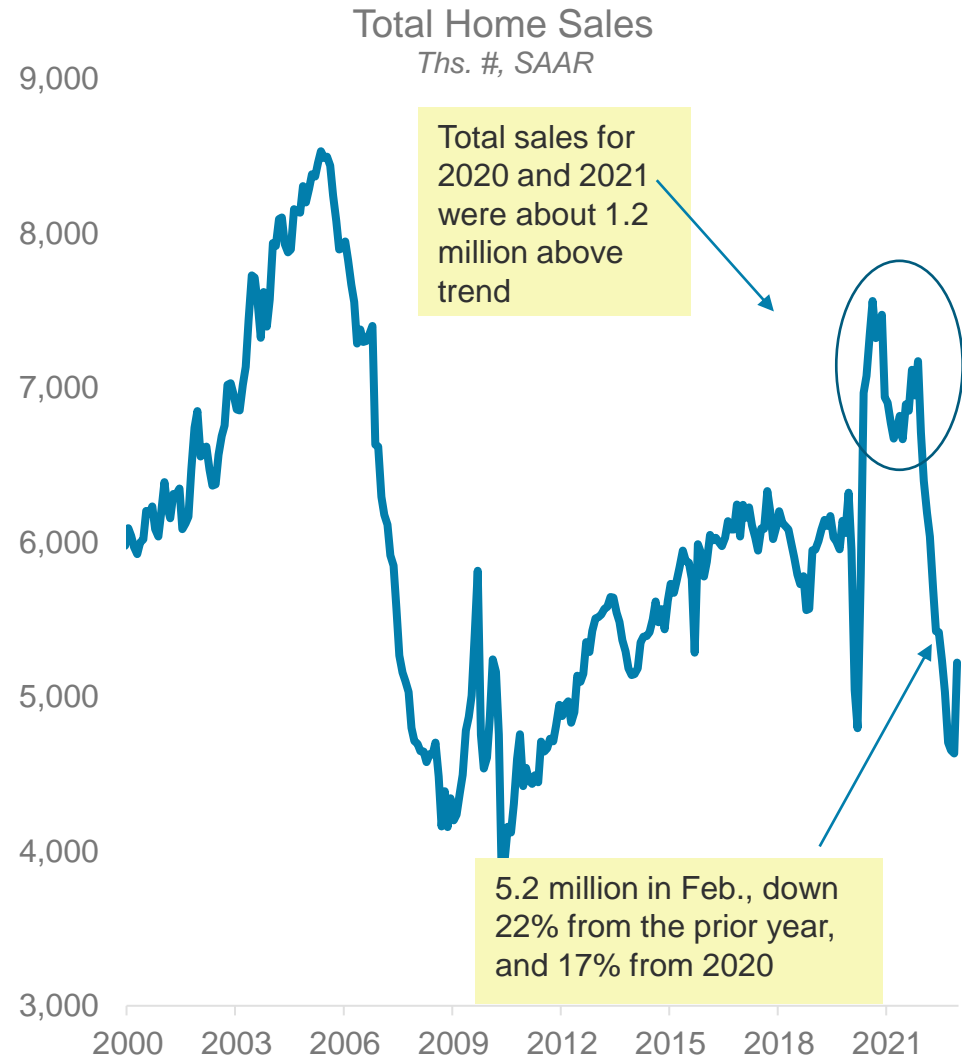
Pending Home Sales Index (SA)



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

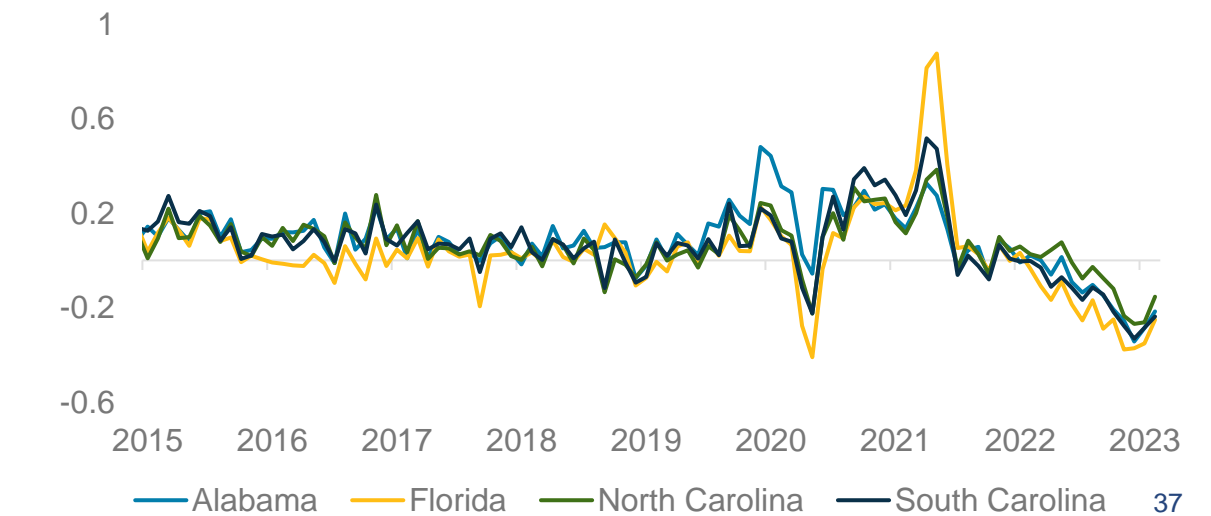
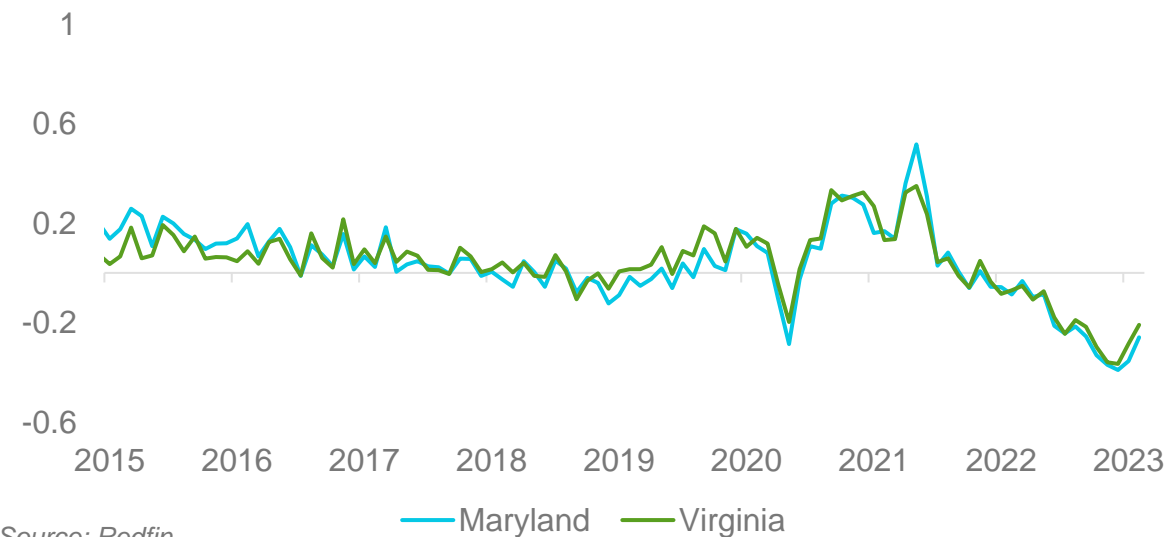
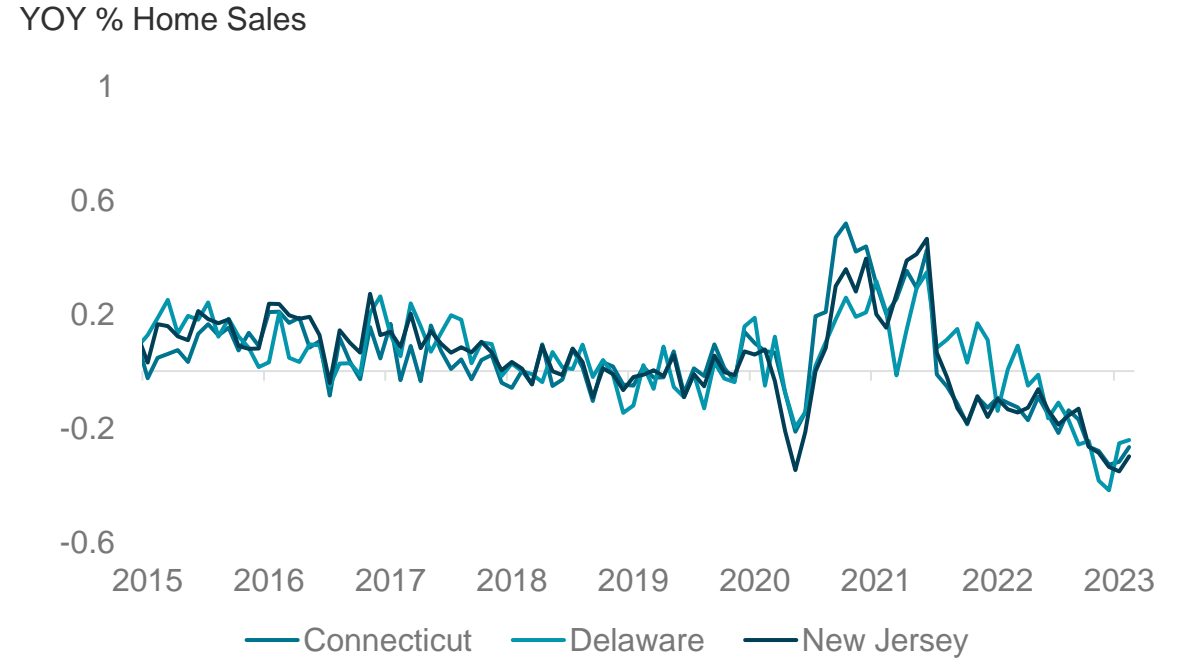
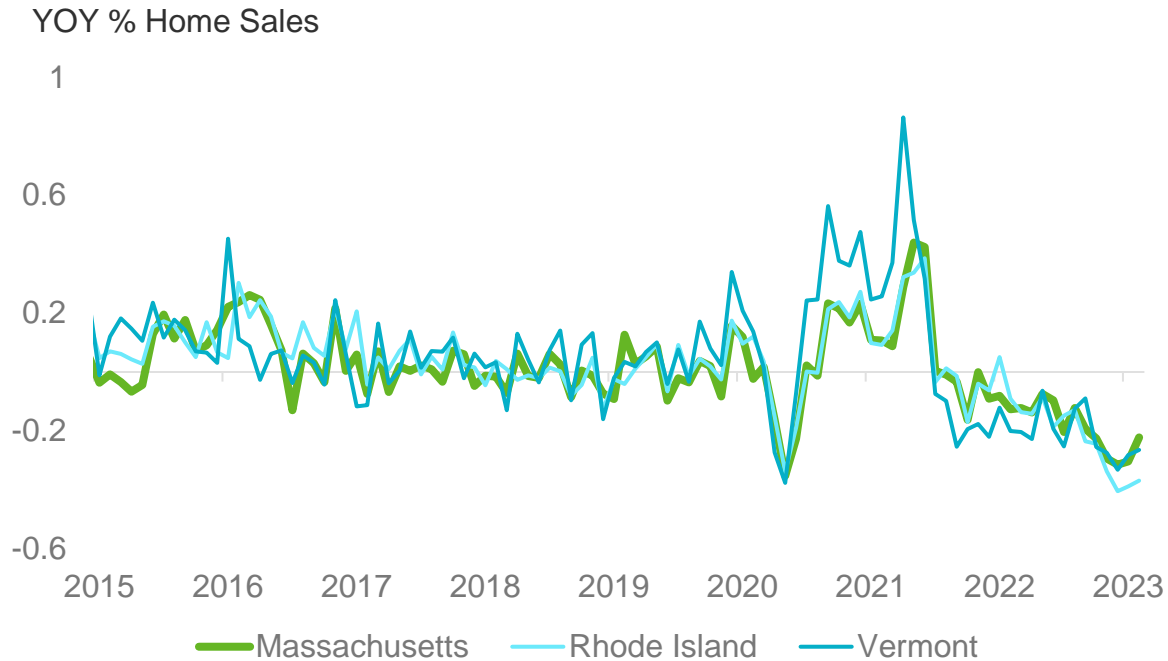


Home Sales Cooled Due to Rapidly Rising Rates and Deteriorating Affordability



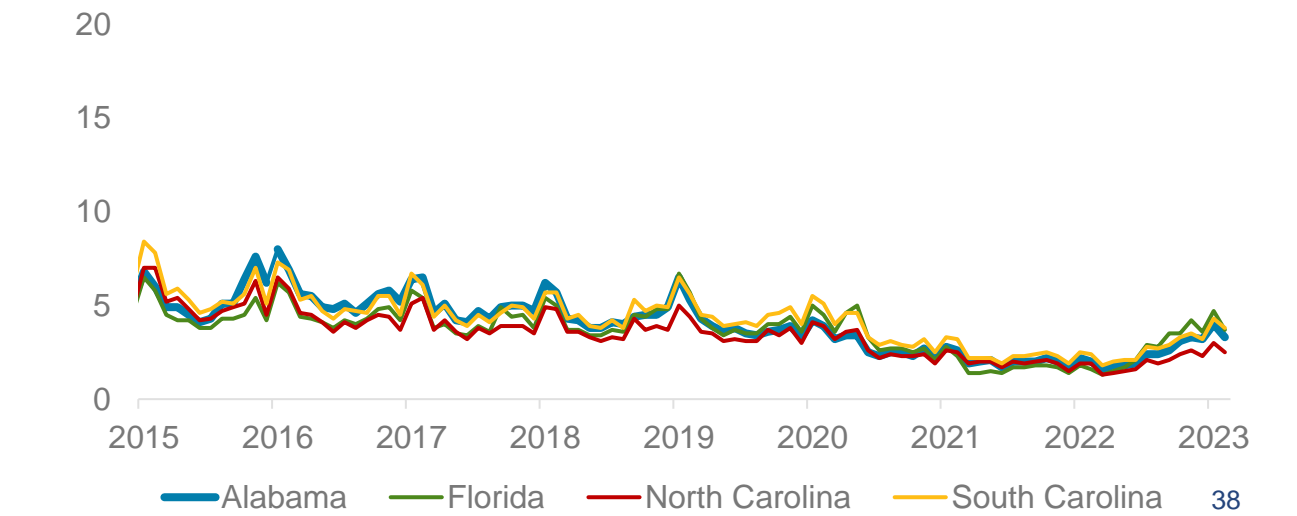
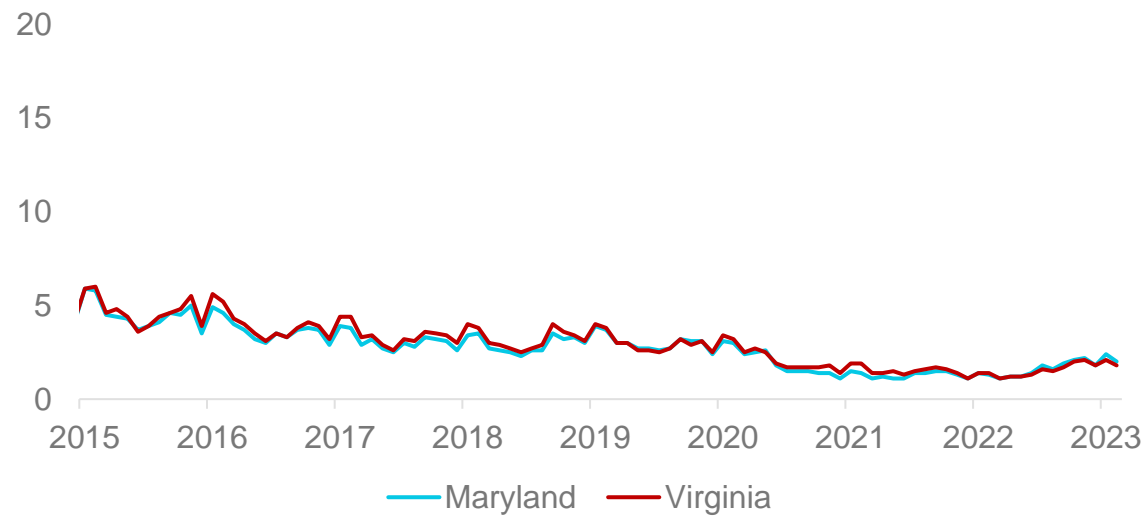
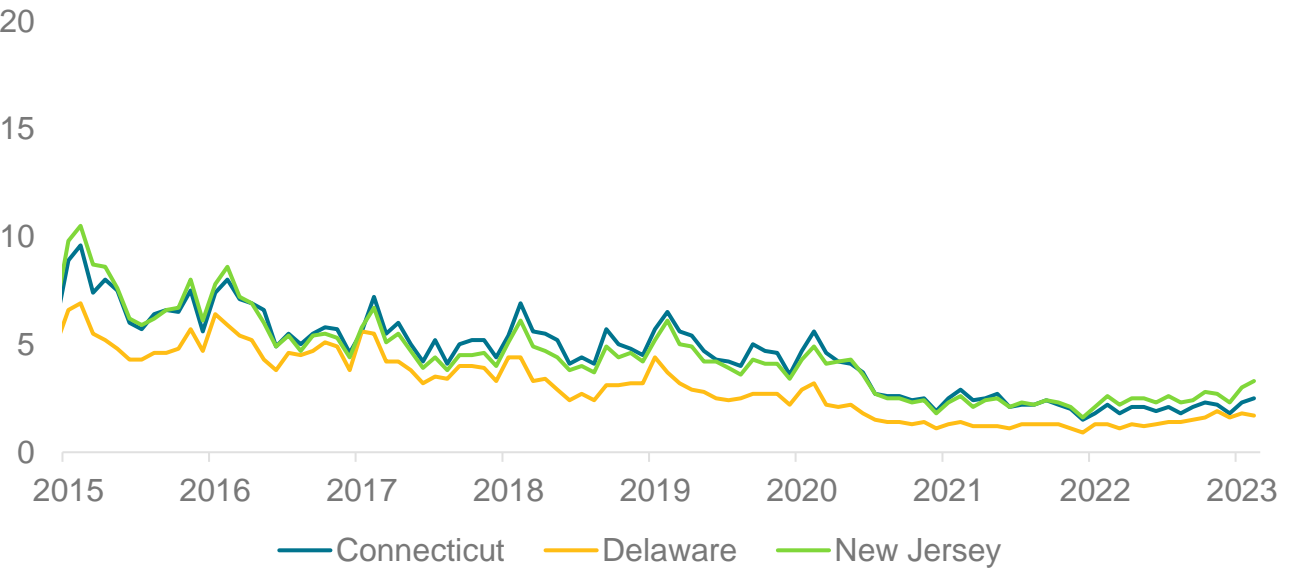
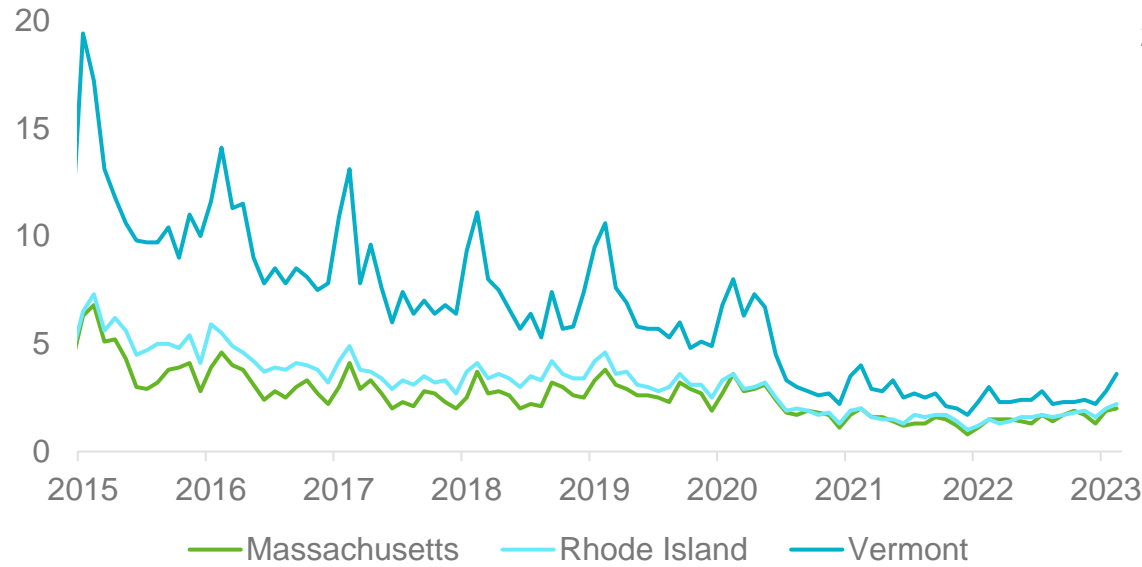
Sources : National Association of Realtors (NAR); U.S. Census Bureau. Total sales includes new and existing SF until 1999, when existing condos and coops are included

Home Sales are Picking Up Slightly As we Enter Spring Homebuying Season



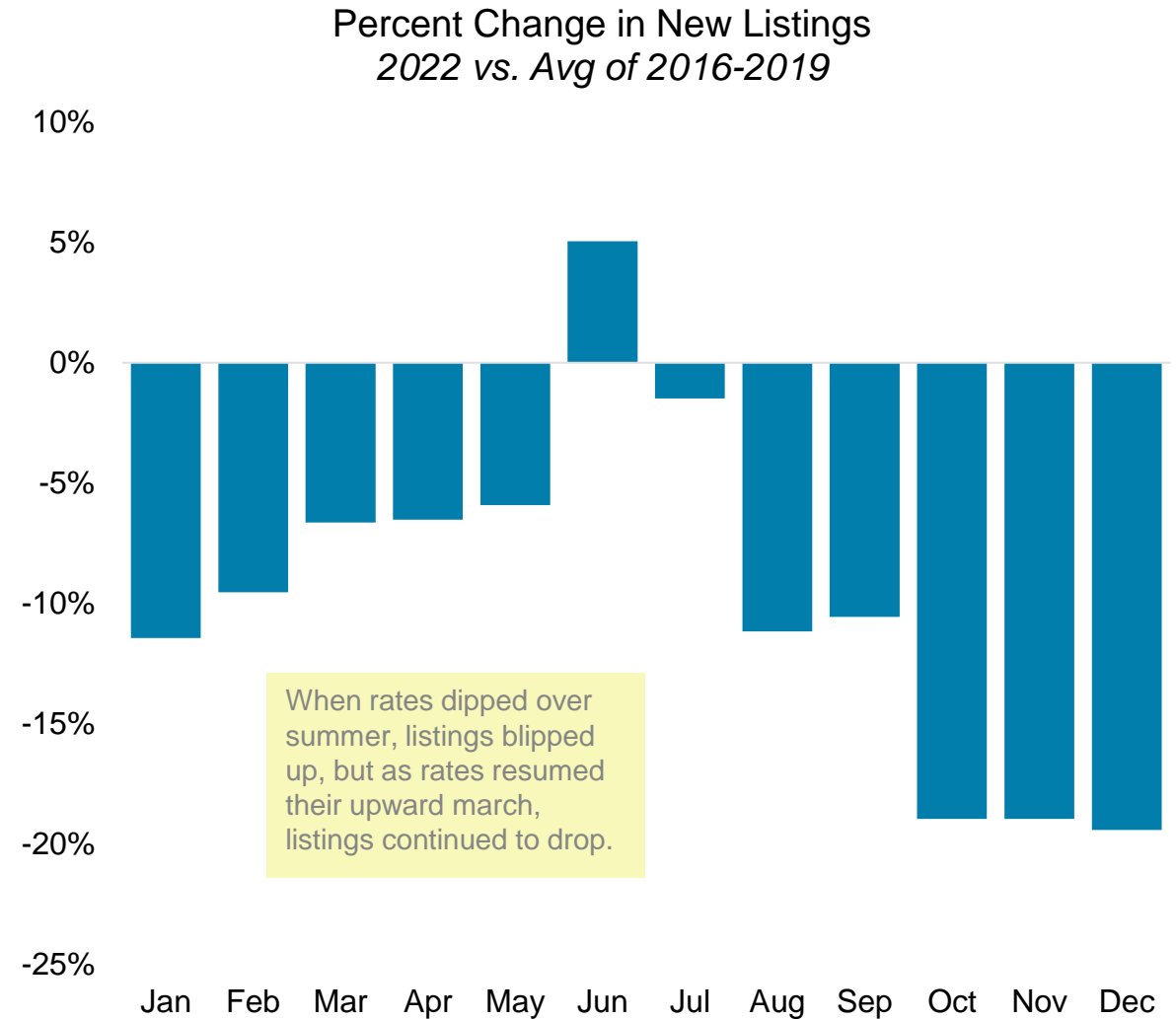
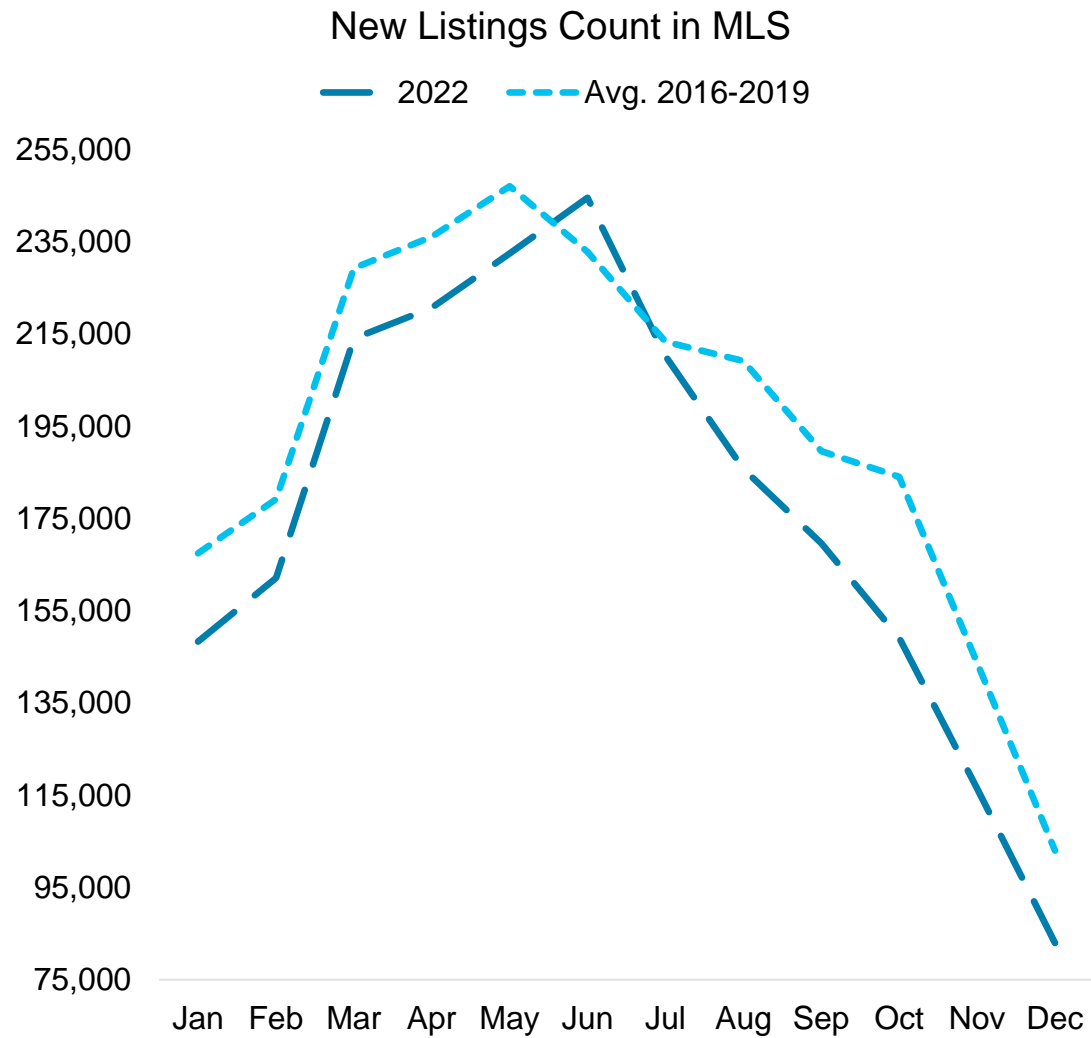
Source: Redfin

Months' Supply in the Northeast is Growing While Falling in The Southeast



Source: Redfin

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

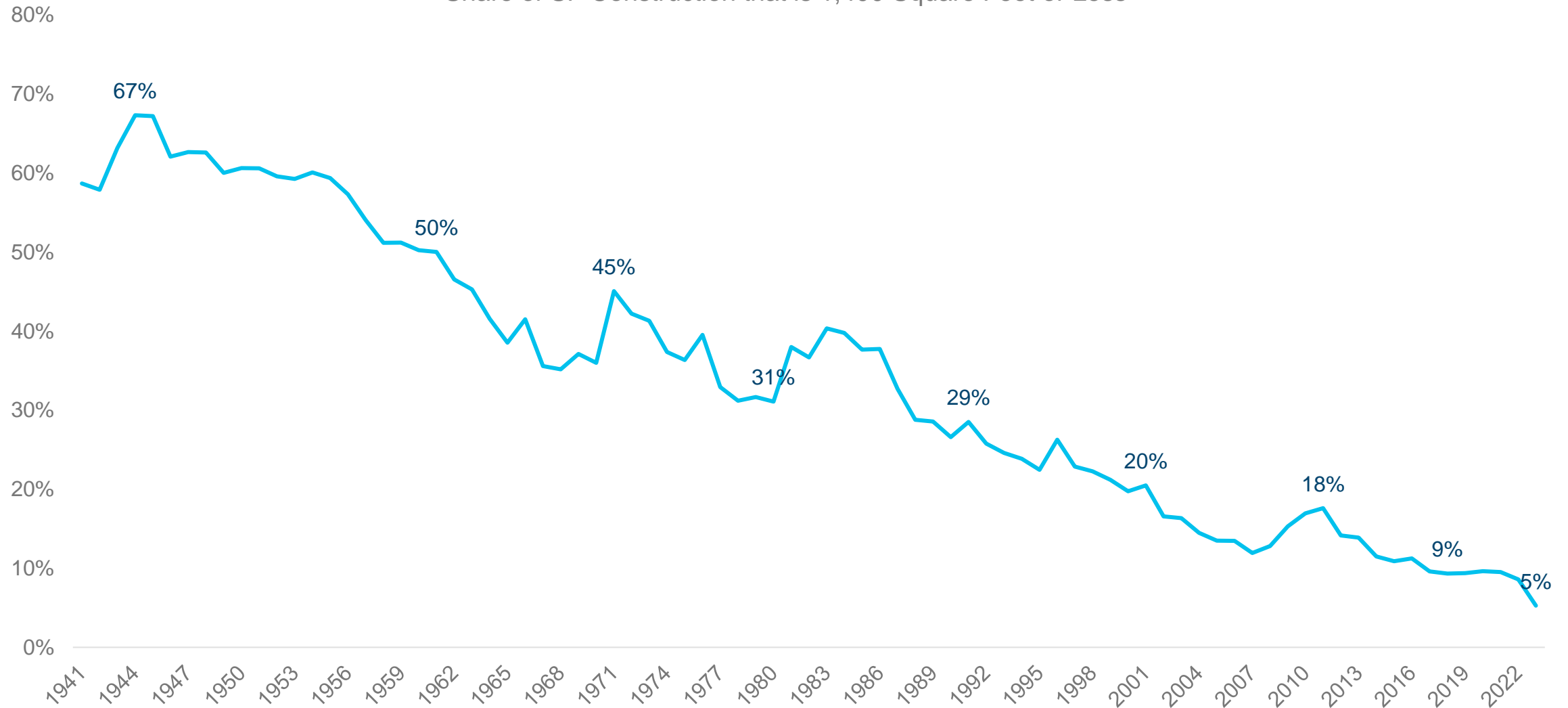


Source: Freddie Mac using CoreLogic MLS data

....and Entry-Level Supply Had Been Declining for Decades...



Share of SF Construction that is 1,400 Square Feet or Less



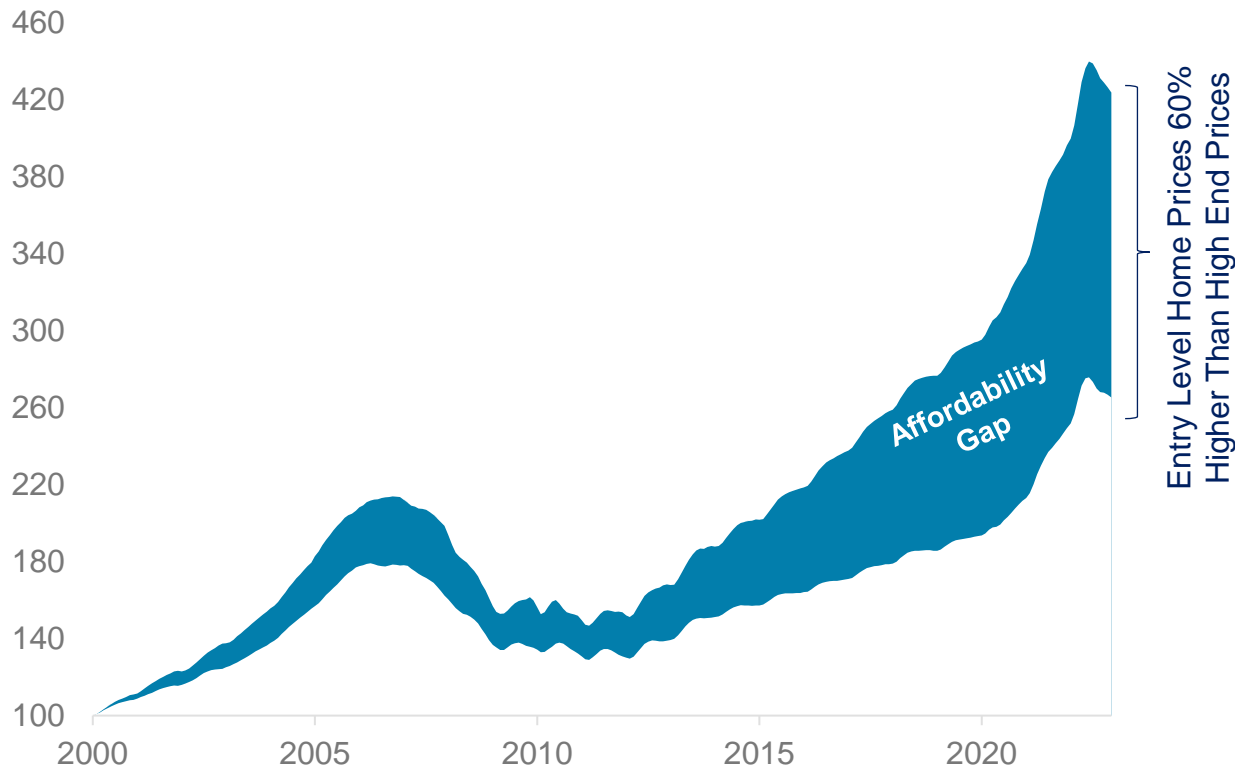
Source: Census and CoreLogic

Chronic Supply Shortage and High Entry-Level Demand Caused Entry-Level Prices to Soar



Entry-Level Home Prices Skyrocket

Affordability Gap Rapidly Rising
Cumulative Gap Between Entry Level and High End Home Prices –
Home Price Index Level



Renters Scramble For Shrinking Inventory

Number of Renter Household Per Homes For Sale



Source: NAR, Census and CoreLogic. Entry level home prices are homes that sell at 75% of the median or below. High end home prices sell at 125% of the median or higher. Last data point December 2022.

Home Prices are Still Up Nationally on a Year-Over-Year Basis and the Monthly Home Price Declines Have Stabilized



Freddie Mac House Price Index - February 2023
Percent Change from Year Ago, SA



Freddie Mac House Price Index - February 2023
Percent Change from Month Ago, SA

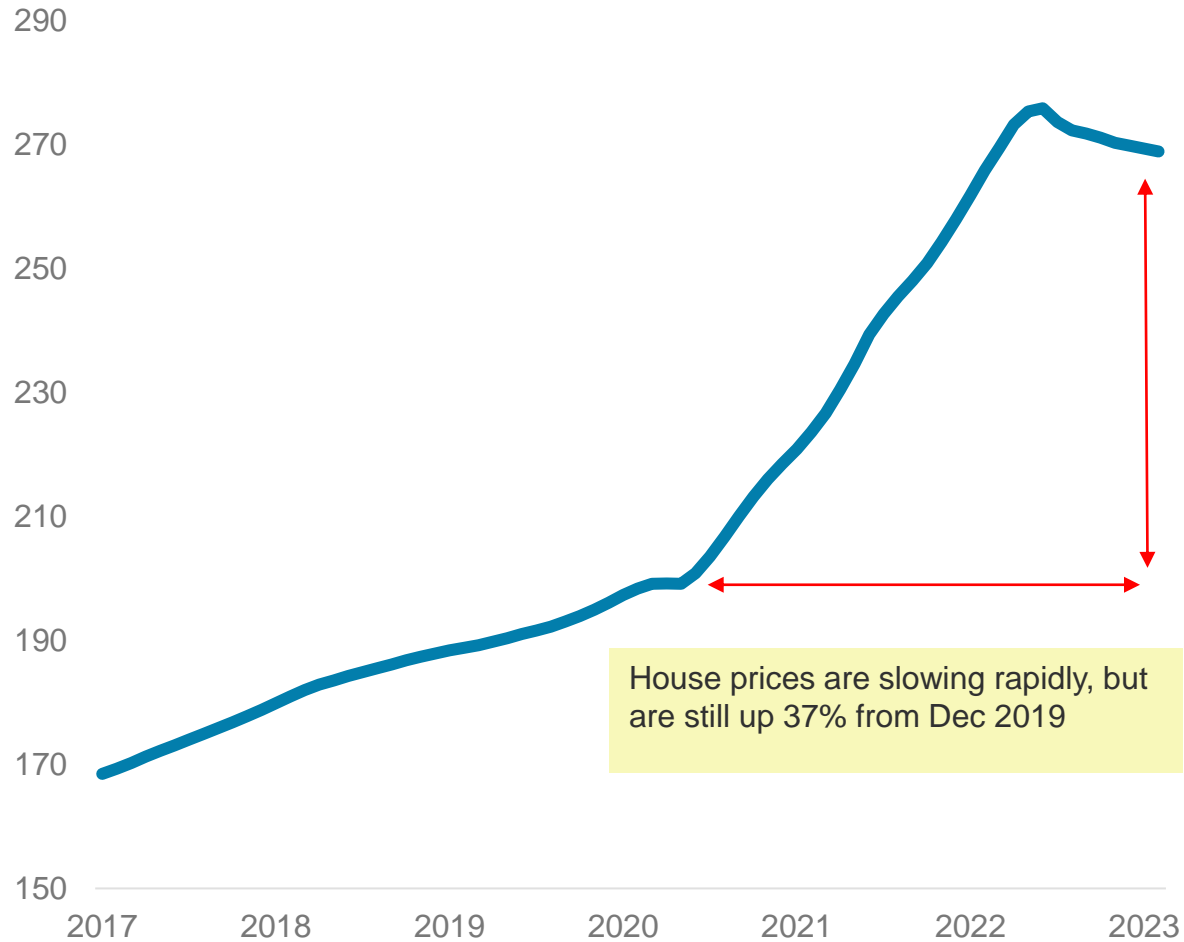


Source: Freddie Mac

Home Price Boom Going into Slow Reverse in Some Markets



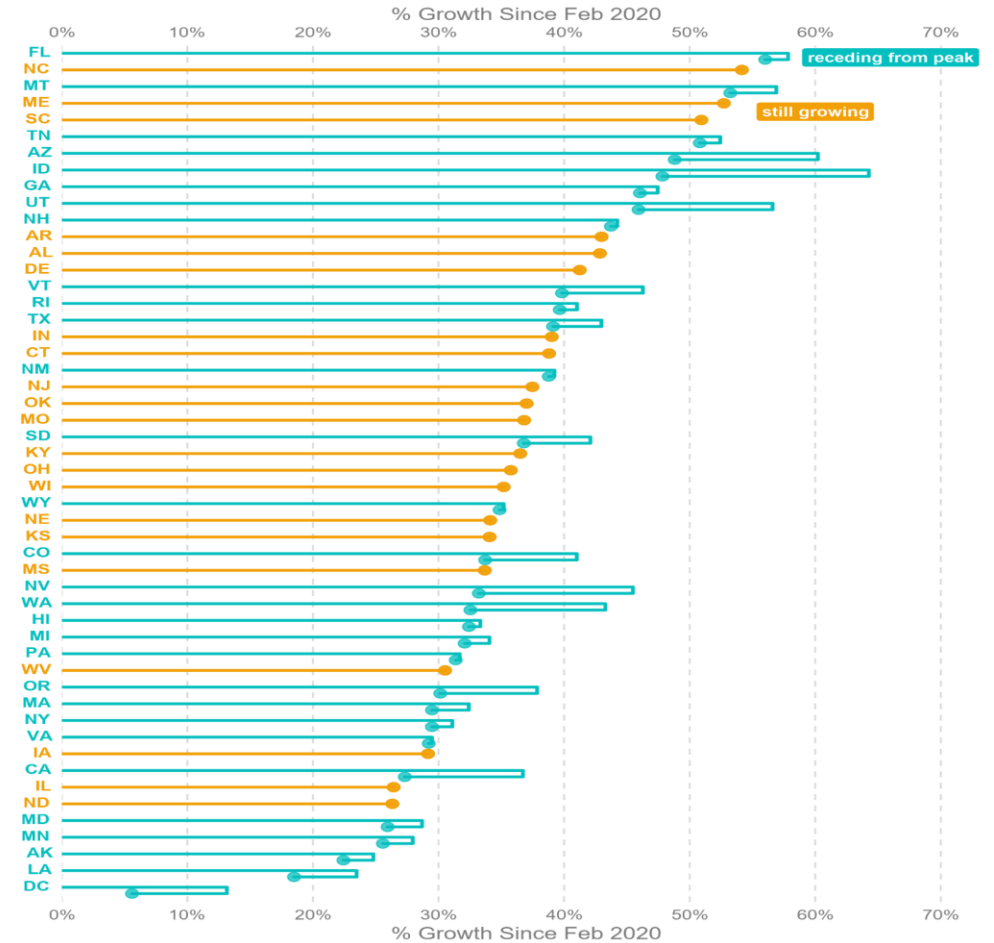
Freddie Mac House Price Index
U.S. Index Dec 2000 = 100; Seasonally Adjusted



Source: Freddie Mac.

Most States' House Prices Have Began to Turn From Start of Pandemic

February 2020 to February 2023 Cumulative Growth in House Prices

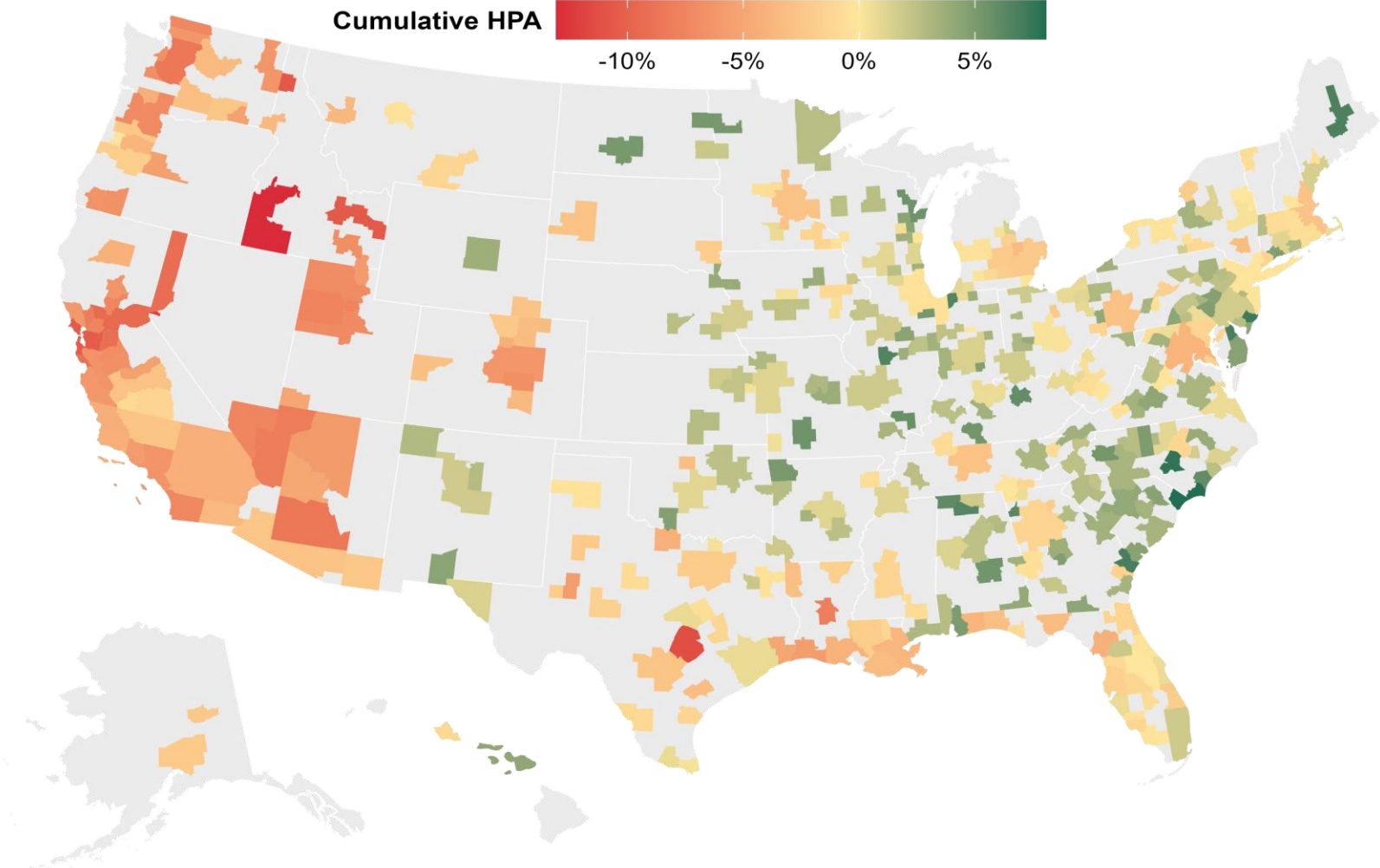


Source: Freddie Mac House Price Index (SA)
@GenaroVillaJr

Prices in Western Markets are Rapidly Declining, and the Slowdown is Spreading to the Majority of Markets...



Cumulative MSA House Price Appreciation from May 2022 to February 2023

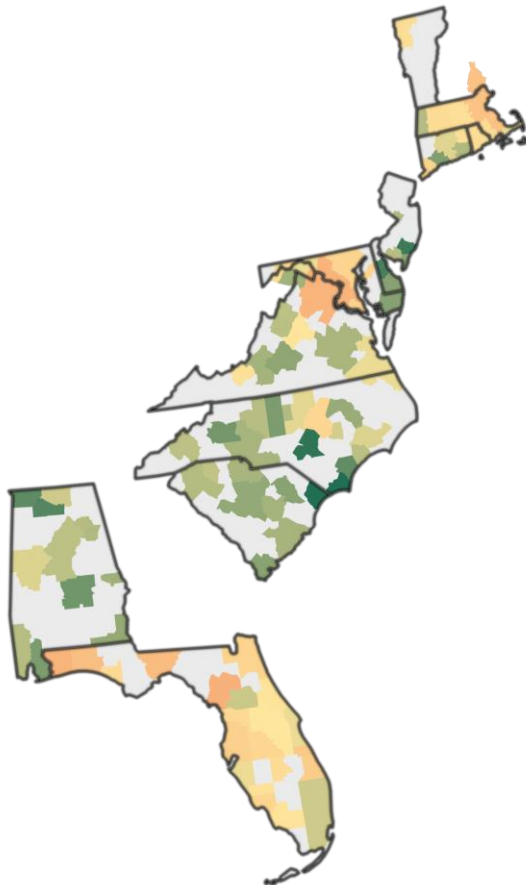


Source: Freddie Mac House Price Index, SA

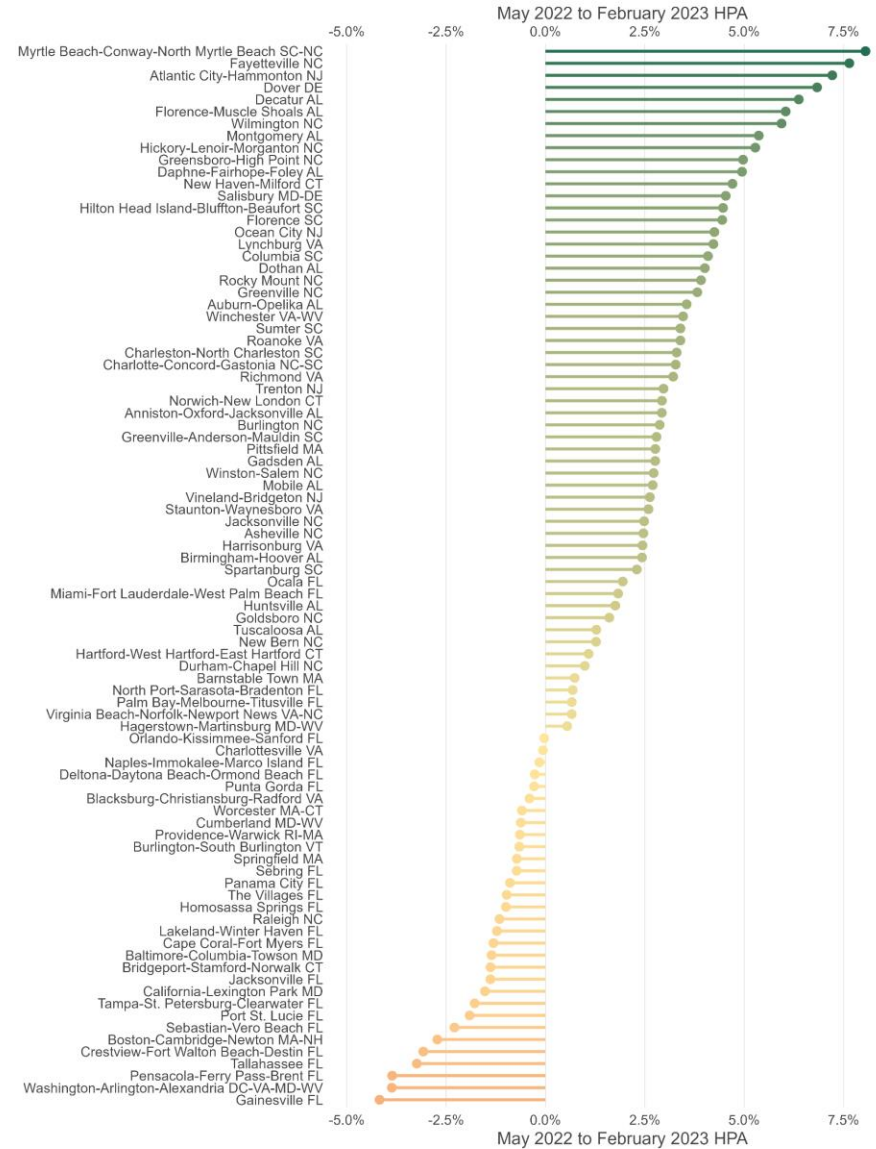
...But the Majority of the Eastern Regional Markets Remain Resilient



Cumulative MSA House Price Appreciation from May 2022 to February 2023



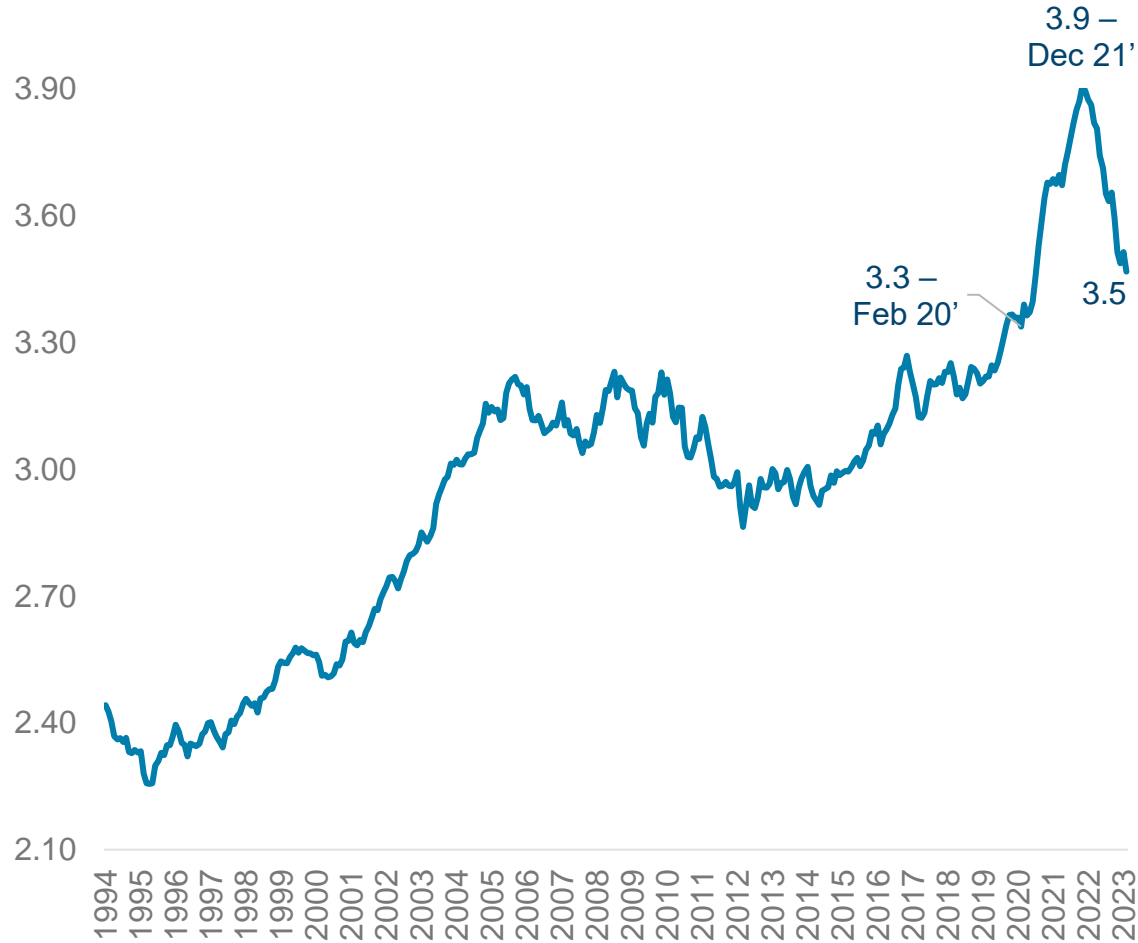
Source: Freddie Mac House Price Index, SA



Price to Income Ratios Have Recently Declined, But They Remain Well Above Pre-Pandemic Levels Affecting Affordability



Price to Income Ratio for Purchase Borrowers

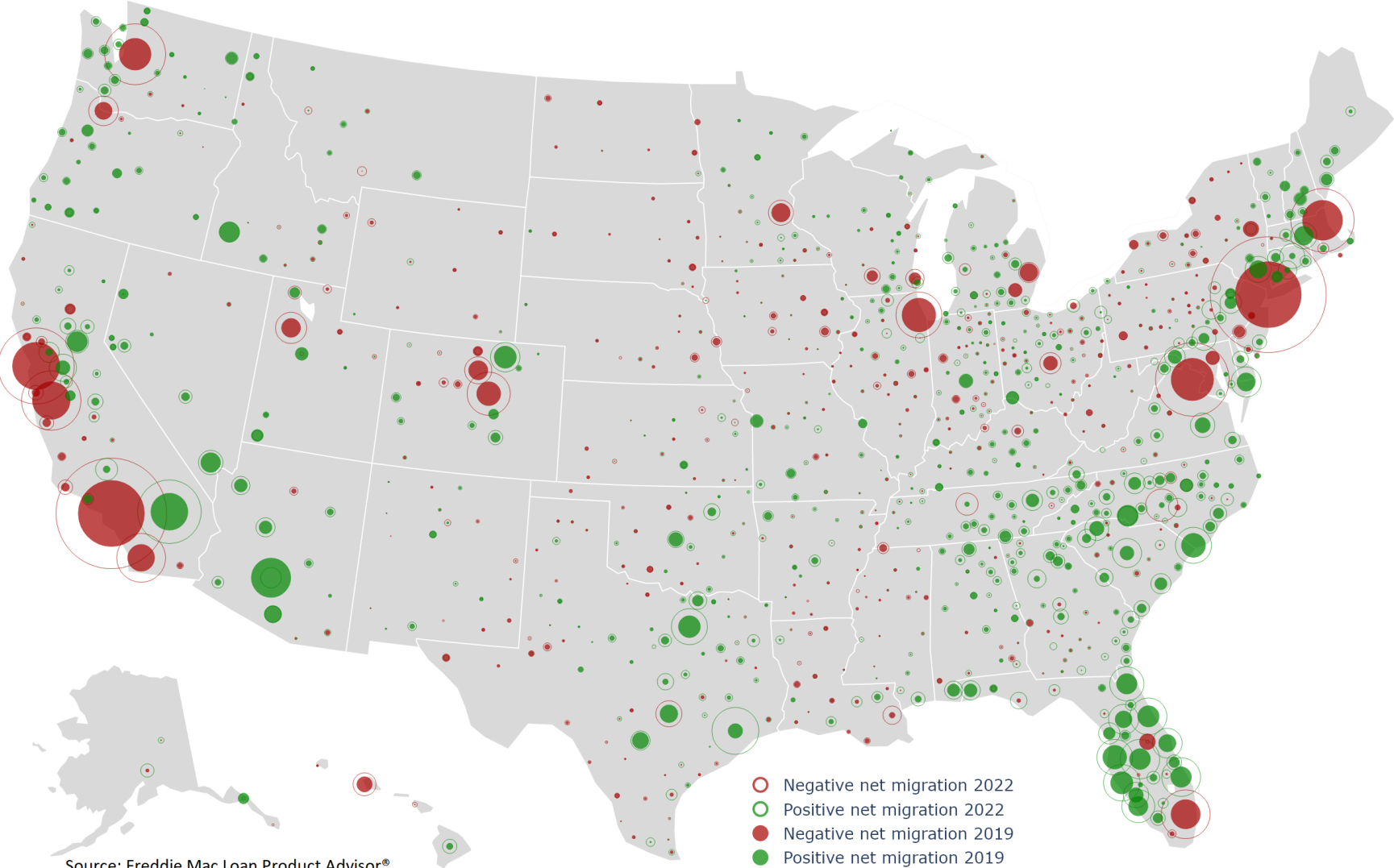


Housing Affordability Index (SA)



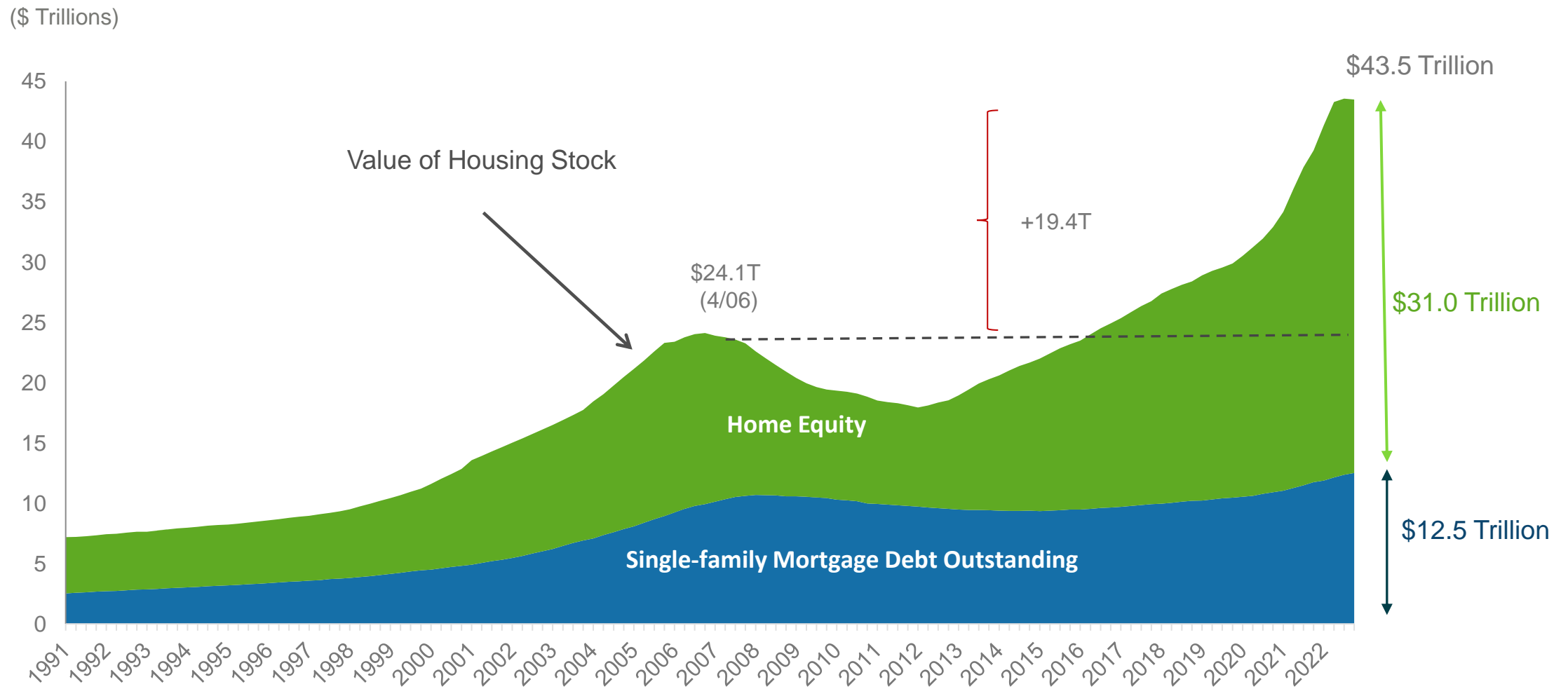
Sources : Freddie Mac, purchase owner occupied loans only; National Association of Realtors

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



Source: Freddie Mac Loan Product Advisor®

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

To Conclude

- Economic growth is expected to slow as Fed raises interest rates
- Inflation is moderating and is demand-driven more than supply
- 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
- Homeowners have built significant equity but are extracting less than during the boom in the 2000s

Panelists



Matthew Borgerson
Senior Mortgage Loan Originator
First Home Mortgage



Lakesha White
Manager Business Development
NJ Housing and Mortgage Finance
Agency



Carrie Hamaker
Single-Family Administrator
Alabama Housing Finance Authority



Lisa May
Director of Advocacy and Public Policy
Maryland REALTORS®



Albert Martinez
Account Manager
Essent Guaranty

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

Thank You