Freddie Mac
Single-Family

Top Market Themes Q1 2021

Market Research and Insights

April 2021

Overview

Stimulus, Vaccination & Economic Recovery
- Fiscal and monetary policy support kept the economy afloat
- COVID cases improving and vaccine distribution picking up
- Economic prospects looking up on vaccines and stimulus

New Housing Trends
- Intensified Migration to Southern and Western Regions
- Fewer moves into urban neighborhoods
- Increased moves to lower density areas

Housing Affordability on Decline
- Housing shortage worsened during the pandemic
- Double digit house price appreciation
- Risk to affordability

Forbearance Trends
- Share of loans in forbearance on decline
- Forbearance drove lower housing inventory
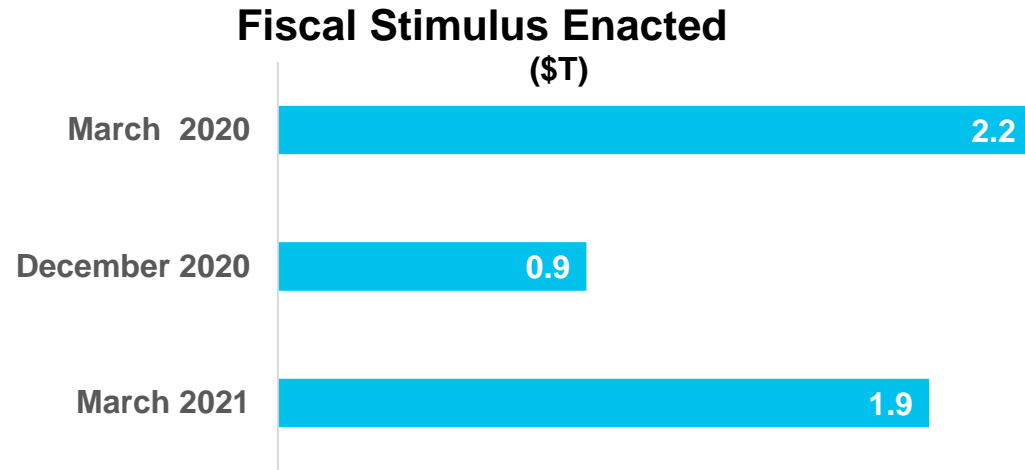- Forbearance prevented defaults and foreclosures

Stimulus, Vaccination & Economic Recovery

# Monetary and Fiscal Policy Support along with Healthy Pace of Vaccination are Stimulating Economic Revival

Monetary and Fiscal Policy Support

Fiscal Stimulus Enacted
($T)

March 2020	2.2
December 2020	0.9
March 2021	1.9

- Stabilized financial markets
- Record low interest rates boost housing market activity
- Helped to sustain many commercial businesses
- Enhanced unemployment benefits
- Created record-high savings rates
- Support for struggling homeowners and renters
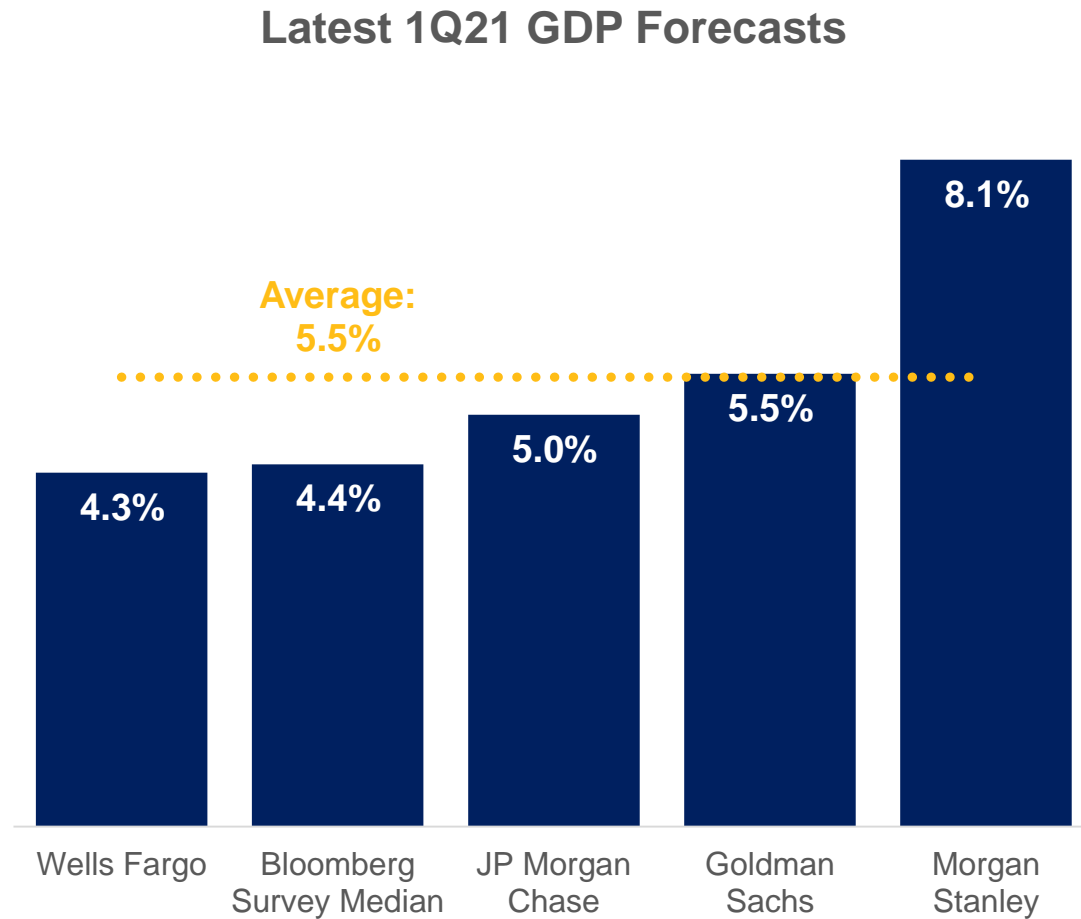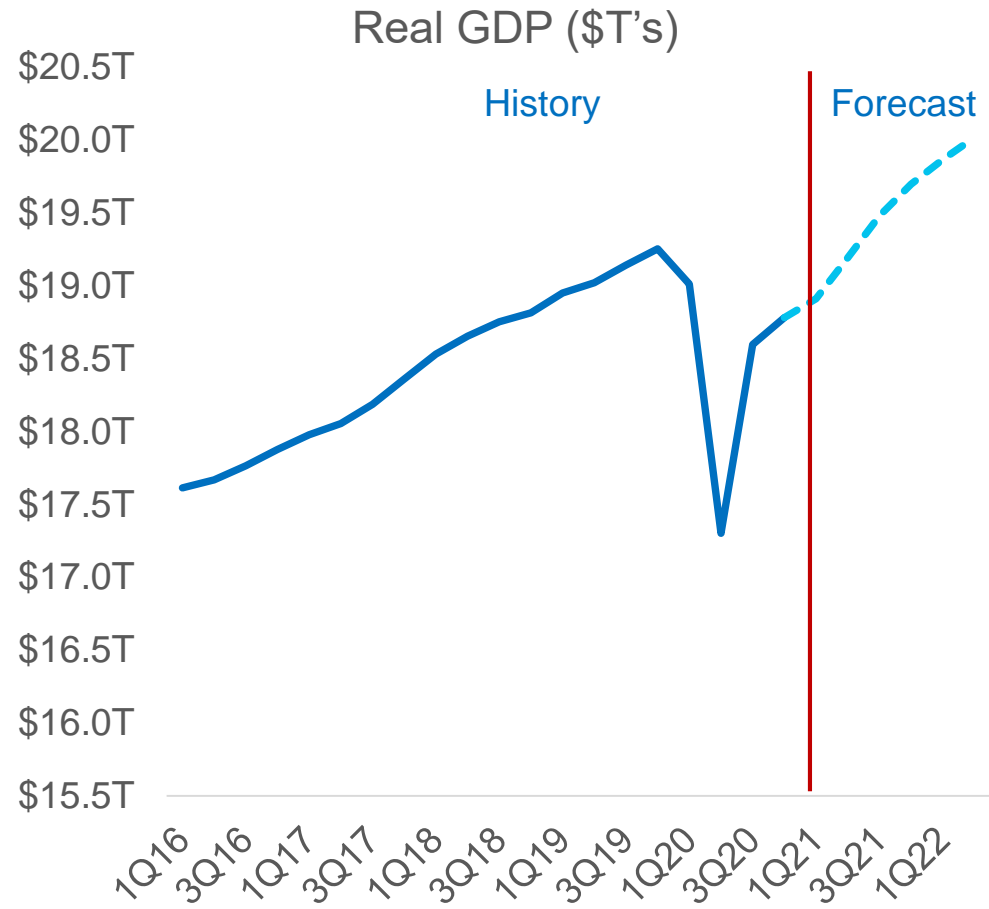- Risks: Inflation & Debt

Vaccination Underway Nationwide

At current pace

0% — Jan.
10%
26% — 24-Mar
50% — 11-May
70% — 20-Jun
90% — 29-Jul
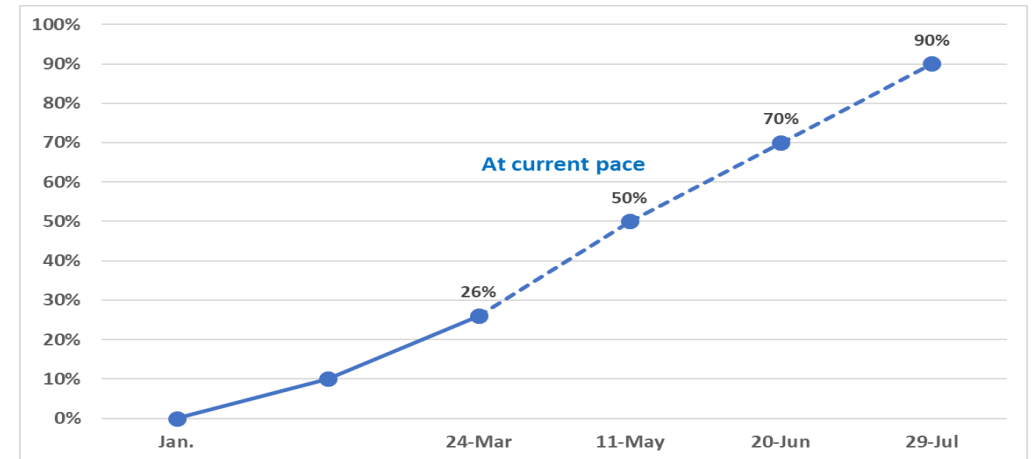
- 37% of US population received at least one dose
- At a Current pace 90% of US population can be vaccinated by end of July 2021

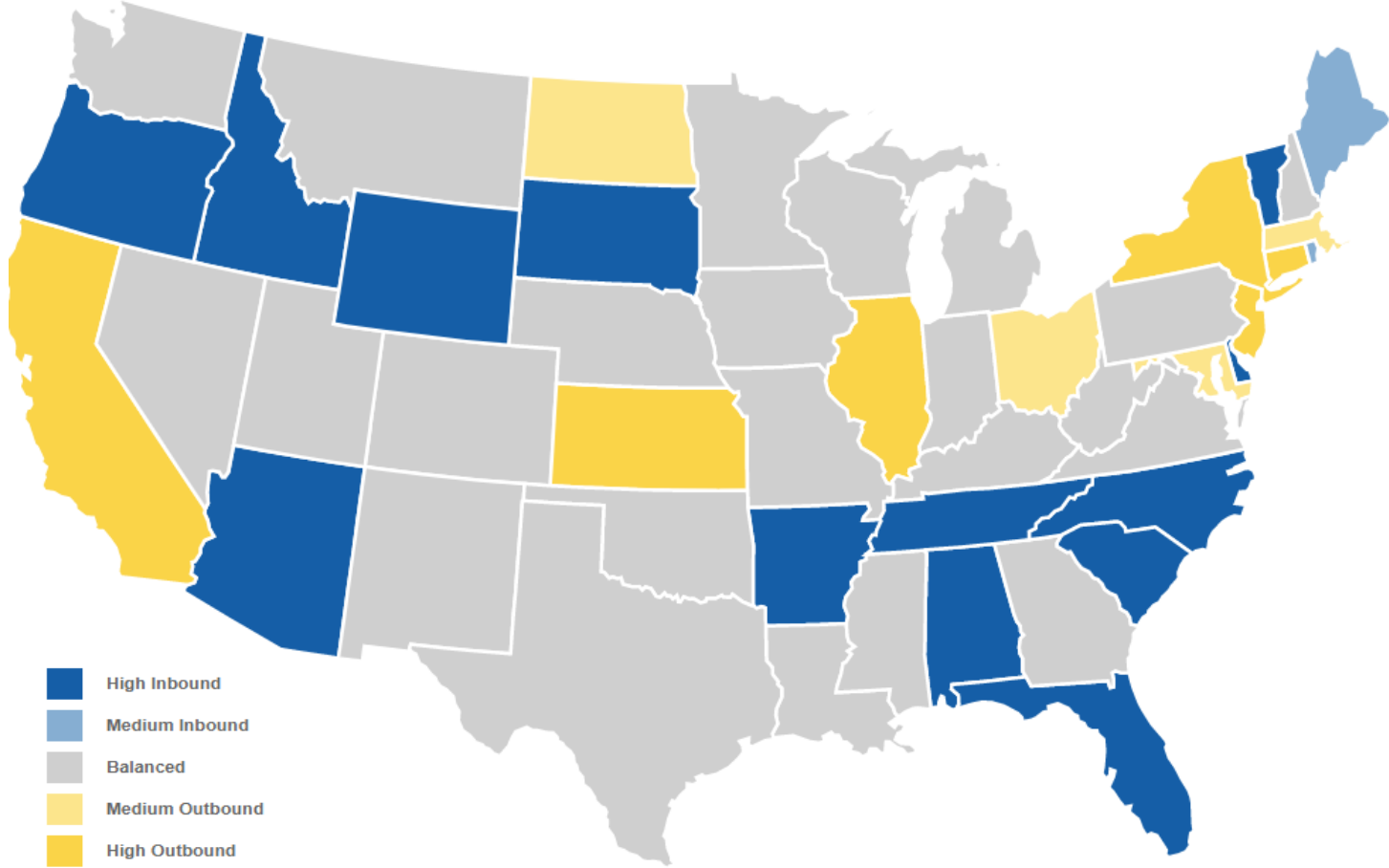# Economy Stalled End of Last Year but Prospects Improving

Real GDP ($T's)

History   Forecast

Latest 1Q21 GDP Forecasts

Average: 5.5%

Wells Fargo	Bloomberg Survey Median	JP Morgan Chase	Goldman Sachs	Morgan Stanley
4.3%	4.4%	5.0%	5.5%	8.1%

Source: BLS

New Housing Trends

The Pattern of Migration to Western and Southern States Has Accelerated in 2020

Source: United Van Lines

The Top Inbound States

2020	2019	2018
1. Idaho	1. Idaho	1. Vermont
2. South Carolina	2. Oregon	2. Oregon
3. Oregon	3. Arizona	3. Idaho
4. South Dakota	4. South Carolina	4. Nevada
5. Arizona	5. Washington	5. Arizona
6. North Carolina	6. District of Columbia	6. South Carolina
7. Tennessee	7. Florida	7. Washington
8. Alabama	8. South Dakota	8. North Carolina
9. Florida	9. North Carolina	9. South Dakota
10. Arkansas	10. New Mexico	10. District of Columbia

The Top Outbound States

2020	2019	2018
1. New Jersey	1. New Jersey	1. New Jersey
2. New York	2. Illinois	2. Illinois
3. Illinois	3. New York	3. Connecticut
4. Connecticut	4. Connecticut	4. New York
5. California	5. Kansas	5. Kansas
6. Kansas	6. Ohio	6. Ohio
7. North Dakota	7. California	7. Massachusetts
8. Massachusetts	8. Michigan	8. Iowa
9. Ohio	9. North Dakota	9. Montana
10. Maryland	10. Iowa	10. Michigan

Legend:
- High Inbound
- Medium Inbound
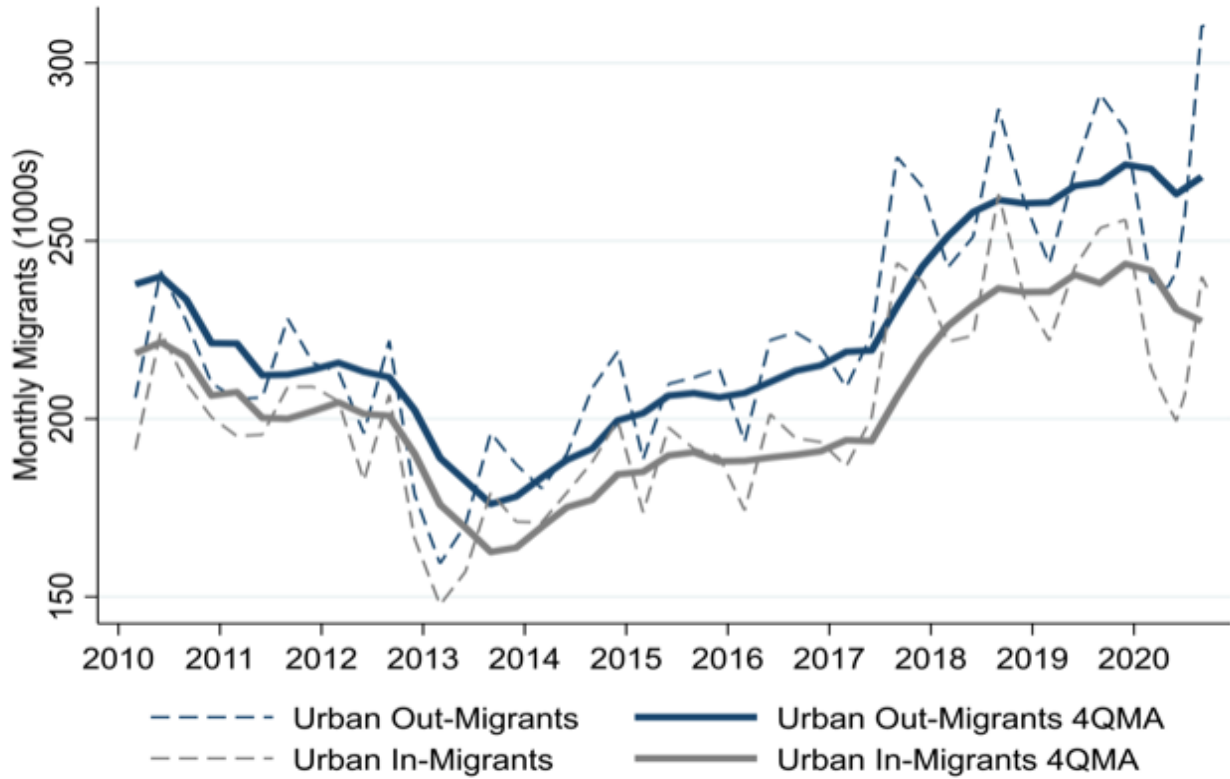- Balanced
- Medium Outbound
- High Outbound

Fewer Moves <u>into</u> Urban Neighborhoods is a Predominant Reason for the 2020 Spike in Net Out-Migration

Net Out-Migration from Urban Neighborhoods

Estimated Gross Migration into and from Urban Neighborhoods
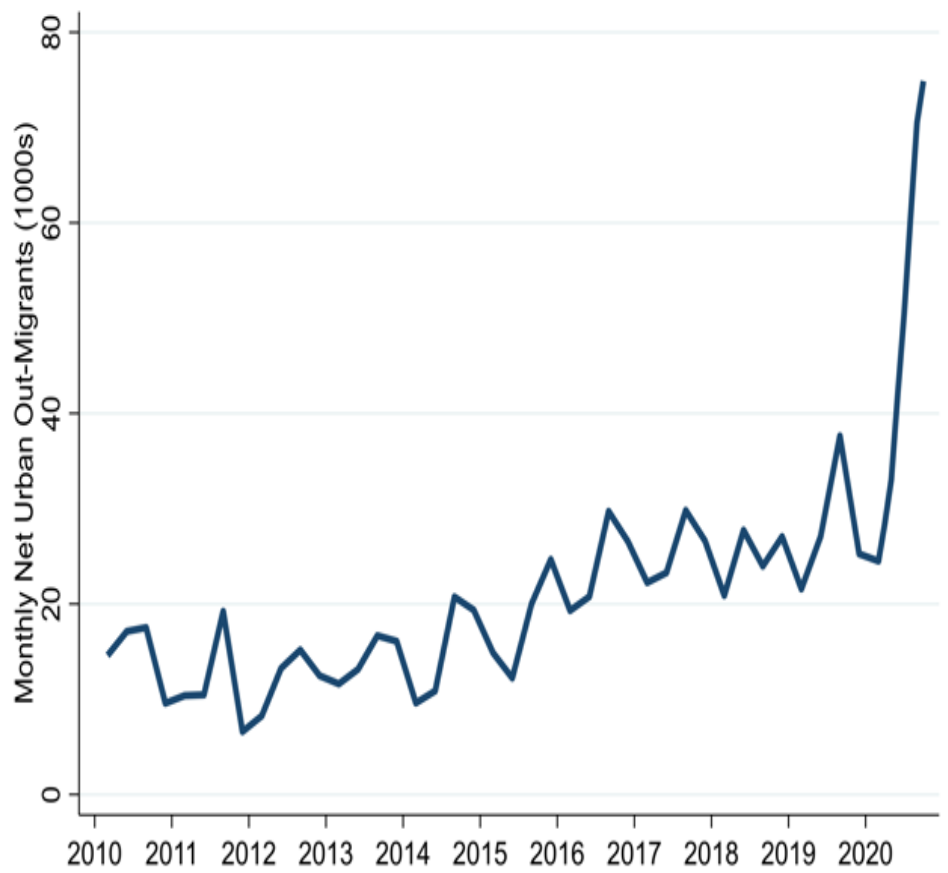
Source: Federal Reserve Bank of Cleveland

Note: 4QMA - four-quarter moving average of the estimated flows to smooth out seasonality

# Share of Moves to Lower Density Increased During the Pandemic

Median Relocation Distance has increased

Share of Moves to Lower Density Increased during the Pandemic

2018 2019 2020
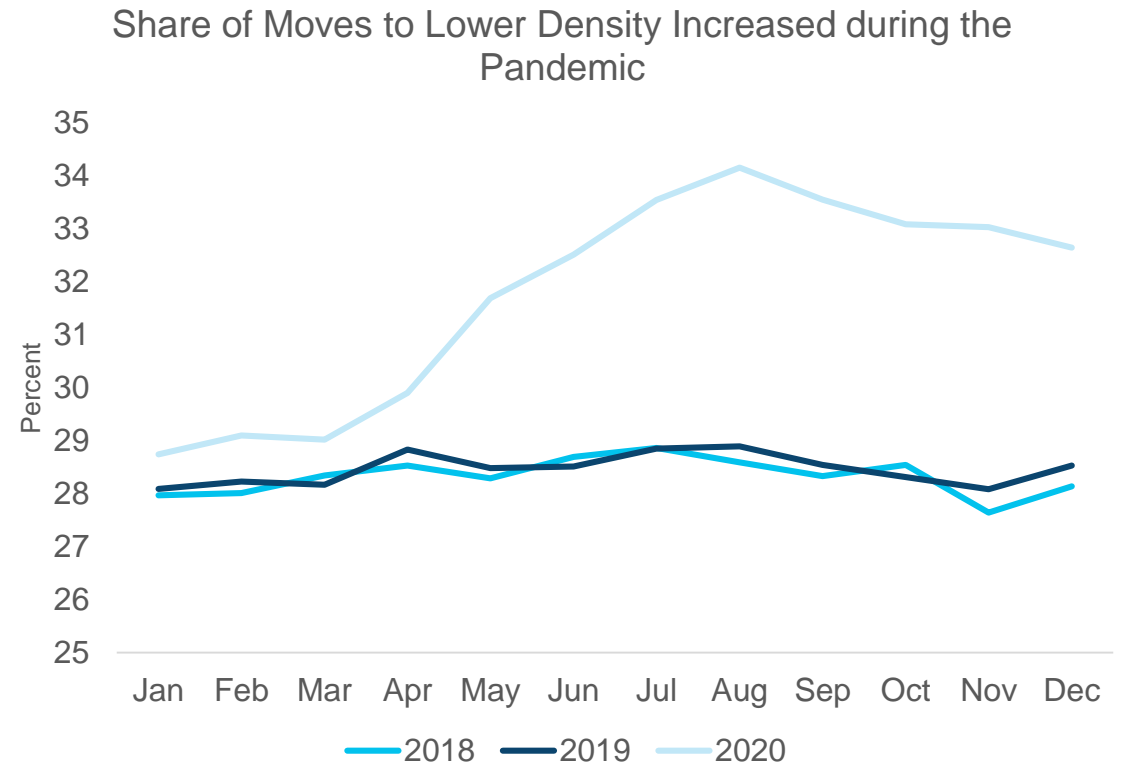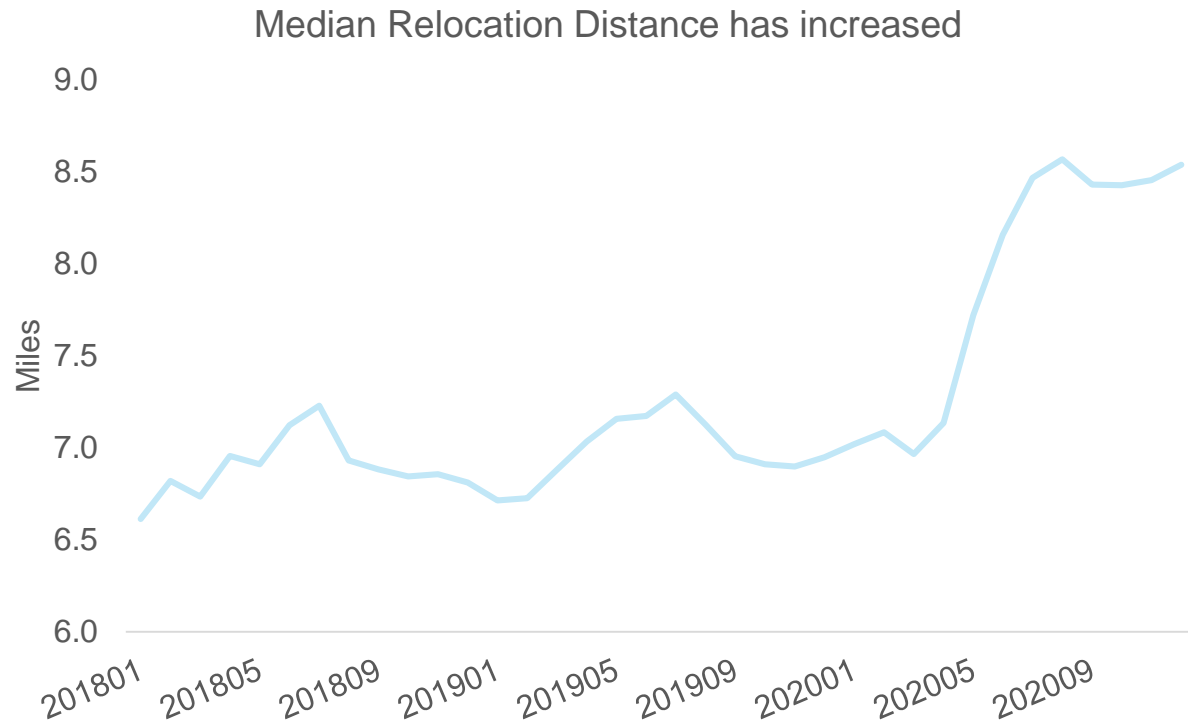
Source: Freddie Mac LPA data

Housing Affordability on Decline

Housing Shortage Worsened During the Pandemic: 3.8M Housing Units Needed to Match Rising Demand

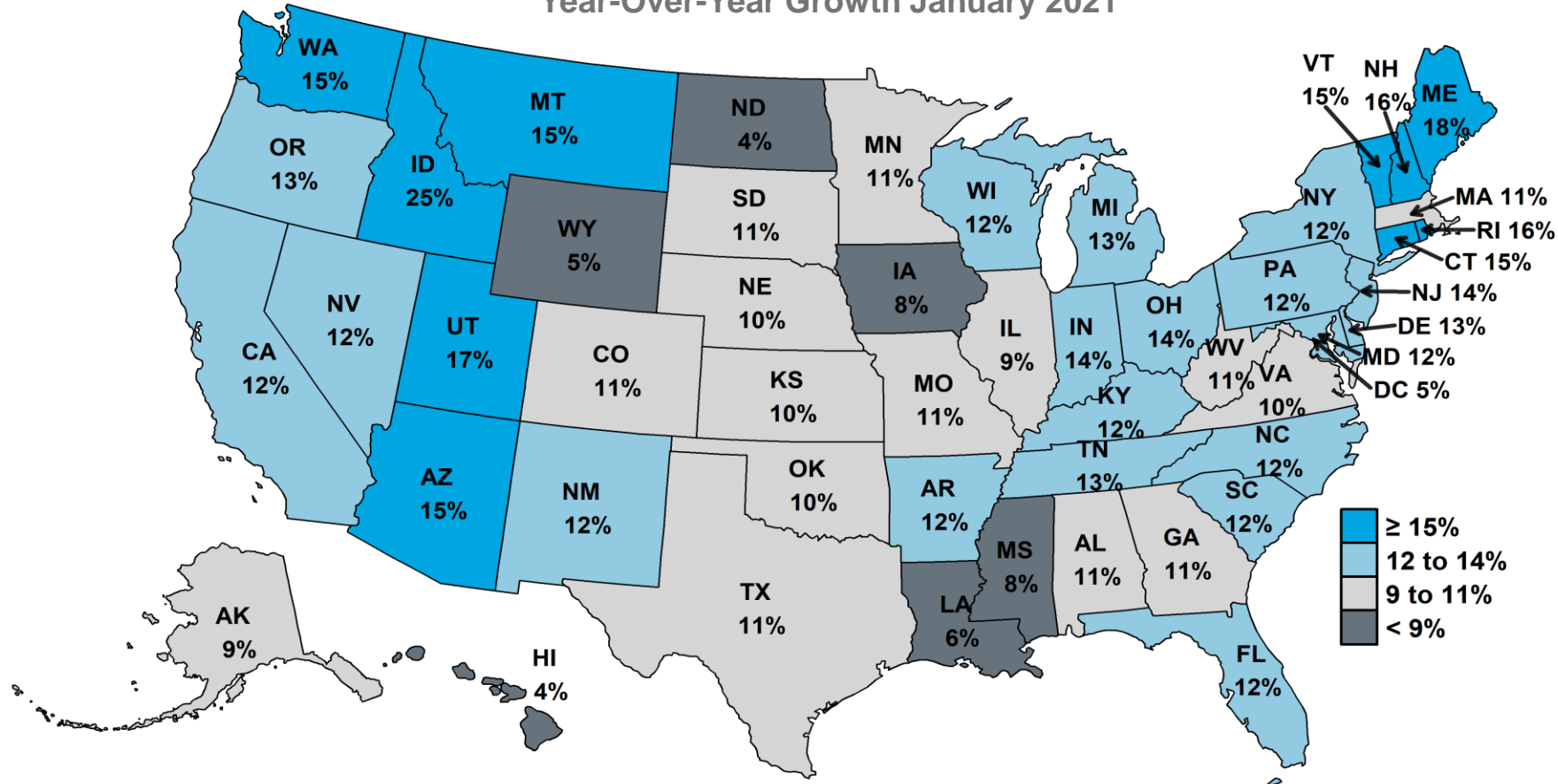Housing shortage went up by 52% in the past two and a half years

Housing Shortage
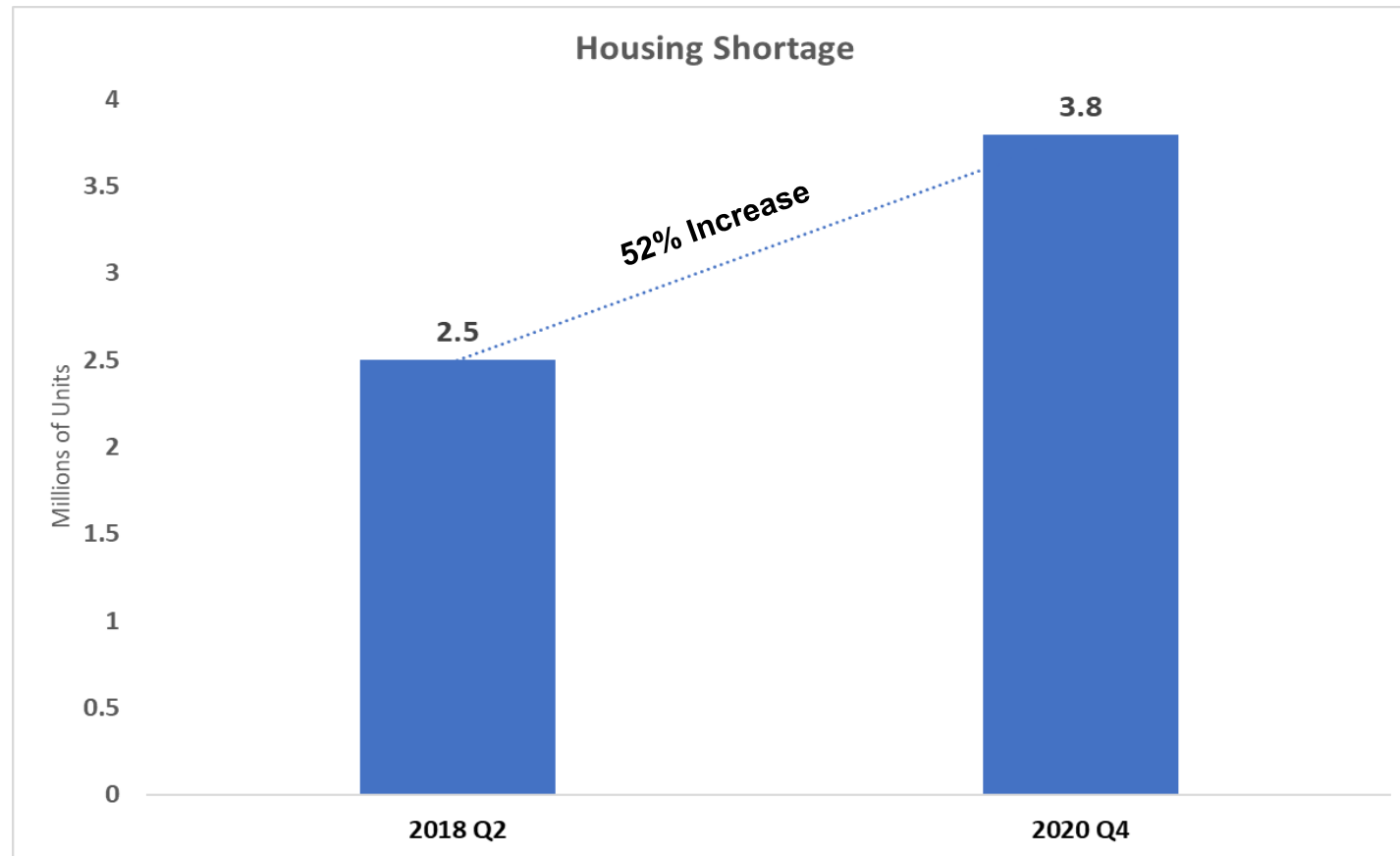
Source: Update to Freddie Mac Economic and Housing Research Insight: "The Major Challenges of Inadequate U.S. Housing Supply"
Current housing stock, households, and vacancy rate estimates based on the U.S. Census Bureau's Current Population Survey/Housing Vacancy Survey.

House Price Appreciation Continues to be Strong

United States: 12.1%
Year-Over-Year Growth January 2021

WA 15%
OR 13%
MT 15%
ID 25%
ND 4%
MN 11%
VT 15%
NH 16%
ME 18%
WI 12%
MI 13%
NY 12%
MA 11%
RI 16%
CT 15%
NV 12%
UT 17%
WY 5%
SD 11%
IA 8%
PA 12%
NJ 14%
DE 13%
CA 12%
CO 11%
NE 10%
IL 9%
IN 14%
OH 14%
WV 11%
MD 12%
DC 5%
KS 10%
MO 11%
KY 12%
VA 10%
AZ 15%
NM 12%
OK 10%
AR 12%
TN 13%
NC 12%
SC 12%
MS 8%
AL 11%
GA 11%
TX 11%
LA 6%
FL 12%
AK 9%
HI 4%

Legend:
- ≥ 15%
- 12 to 14%
- 9 to 11%
- < 9%

1   The Freddie Mac House Price Index for the U.S. is a value-weighted average of the state indexes where the value weights are based on Freddie Mac's single-family credit guarantee portfolio.   Other indices of home prices may have different results, as they are determined using different pools of mortgage loans and calculated under different conventions. The Freddie Mac House Price Index for the U.S. is a non-seasonally adjusted monthly series. Percent changes were rounded to nearest whole percentage point

Source: Freddie Mac

Affordability is Declining as House Prices and Rates Increase

YoY down payment amount went up by 13%, whereas average monthly payments increased by 4%
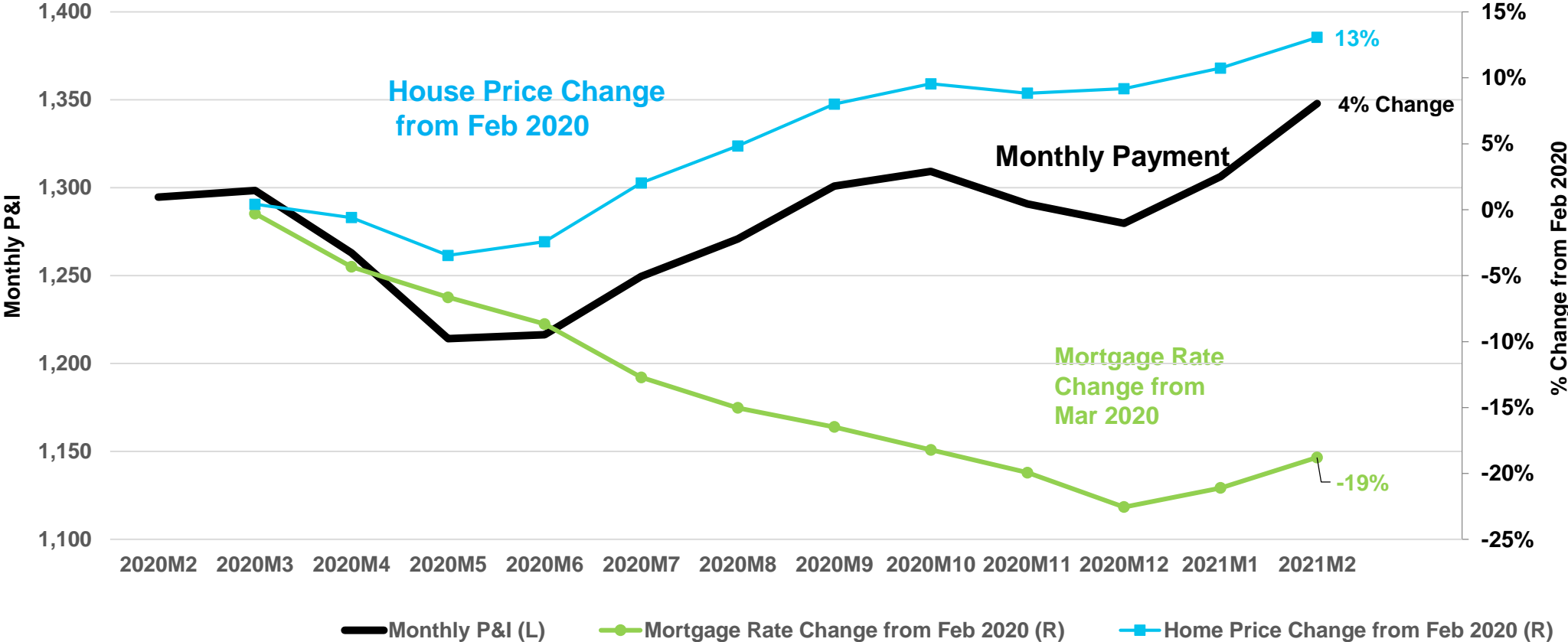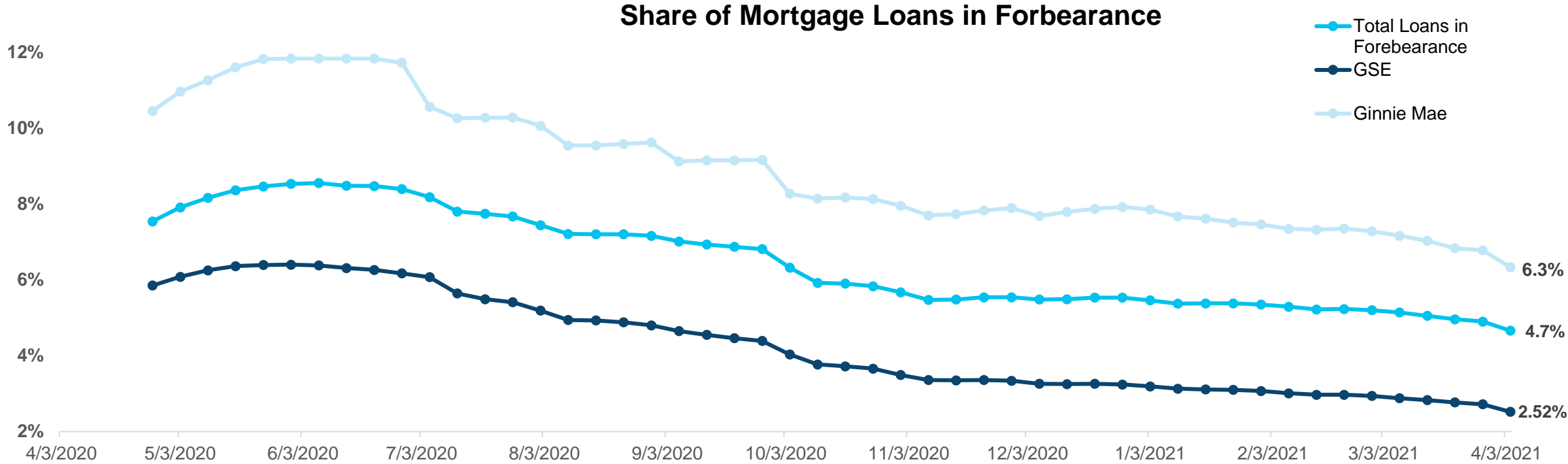

Source: NAR, Moody's, Freddie Mac

Forbearance Trends
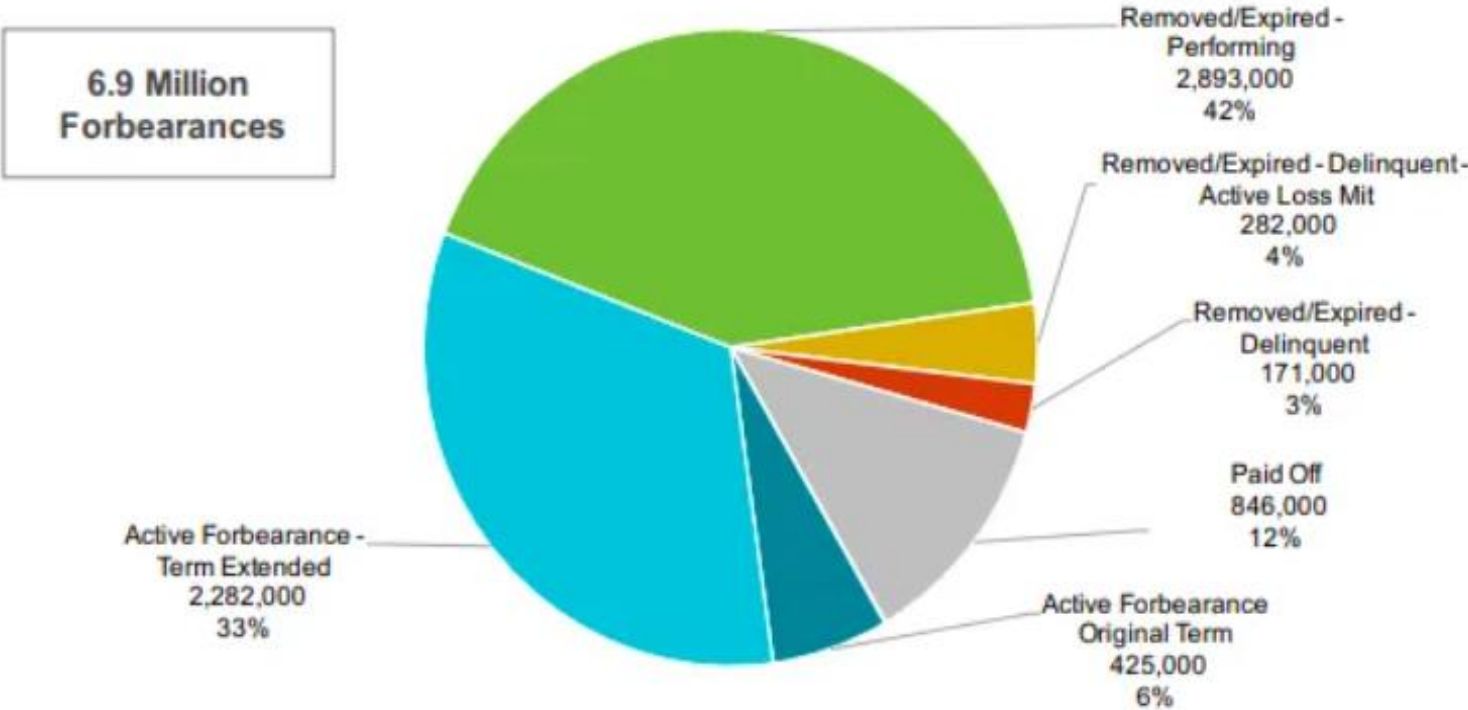
Share of Loans in Forbearance Declined for the 6th week

Share of Mortgage Loans in Forbearance

Legend:
- Total Loans in Forebearance
- GSE
- Ginnie Mae

Labeled end values: 6.3%, 4.7%, 2.52%

Total Market Active Forbearances Account for 39% of All Loans That Entered the Program Since April 2020

6.7% of all loans that exited forbearance (4.3M) are now delinquent

**Total Market:** Current Status of COVID Related Forbearances
(As of Feb. 2021)

6.9 Million Forbearances

Removed/Expired - Performing
2,893,000
42%

Removed/Expired - Delinquent - Active Loss Mit
282,000
4%

Removed/Expired - Delinquent
171,000
3%

Paid Off
846,000
12%

Active Forbearance Original Term
425,000
6%

Active Forbearance - Term Extended
2,282,000
33%

Forbearances Drive Lower Housing Inventory and Home Price Growth

Forbearance supports house prices partly through restricting new listings by borrowers experiencing negative labor market shocks

Change in County Unemployment Rate and House Price Growth
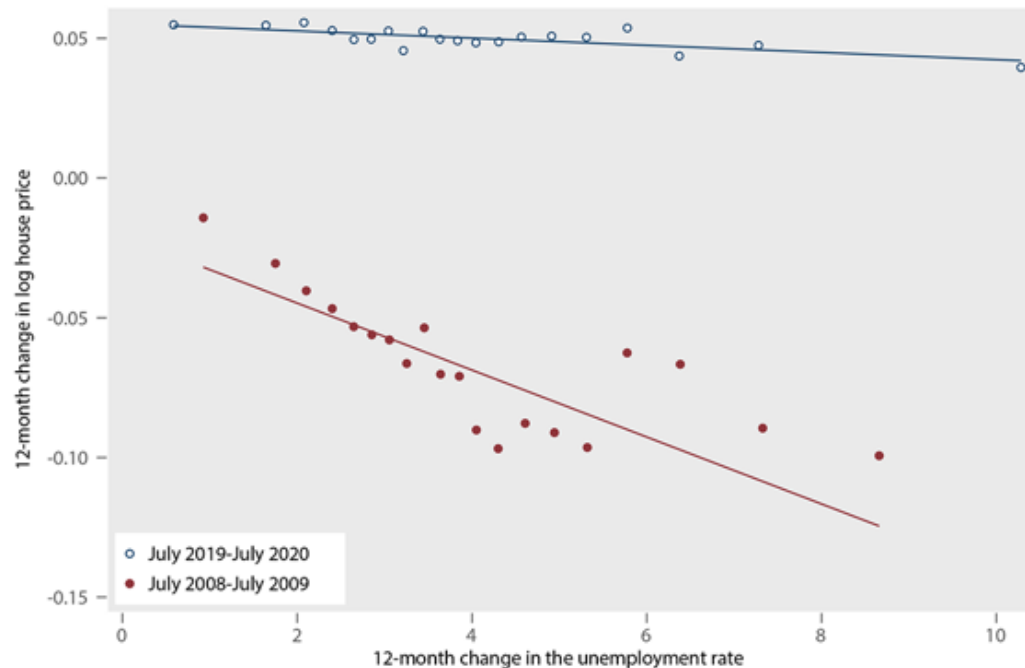
Note: Binscatter of change in log house prices and the unemployment rate, both measured at the county level.
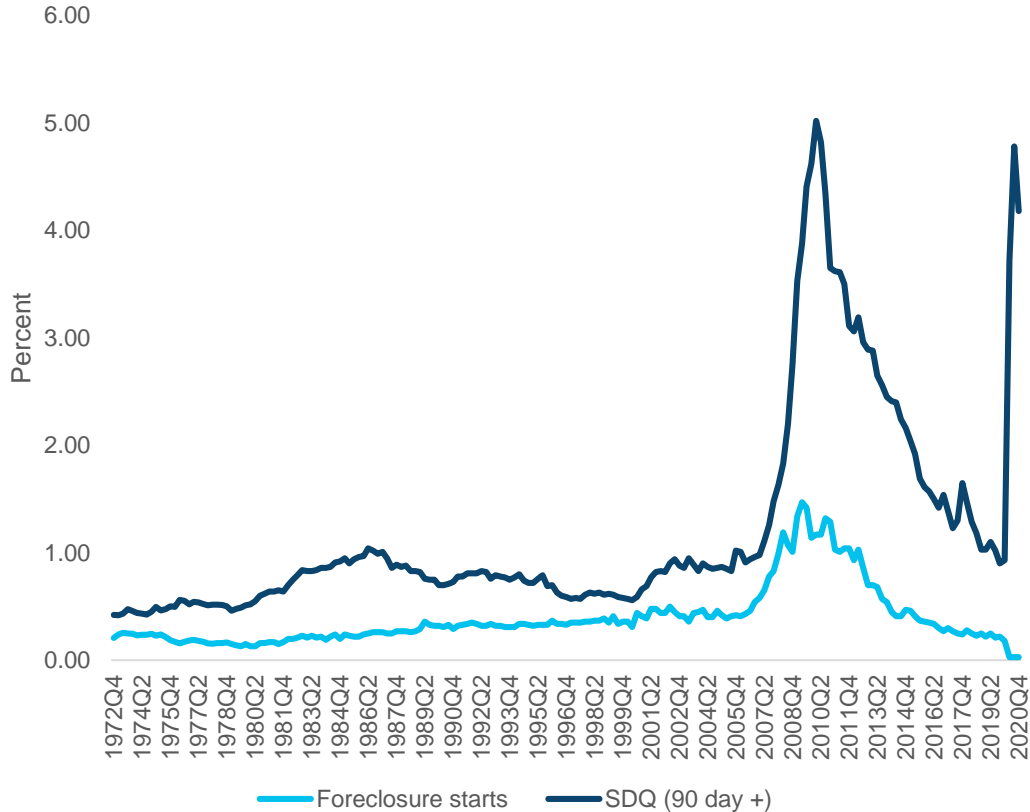
Source: Federal Reserve

Impact of Forbearances

60% of the YoY (Apr-Aug) House Price Growth

40% of the year-over-year decline in new listings

How Many Foreclosures Did Forbearance Prevent? About 370K foreclosures

FCL and SDQs

Foreclosure starts — SDQ (90 day +)

Foreclosures in 2021Q1- various scenarios

	All	Conventional	FHA	VA
Foreclosures if 2020 trends had continued	11,919	10,232	1,671	646
Foreclosures if 2009-19 trends continued	384,888	219,005	127,631	33,695
Total Foreclosures prevented	372,969	208,773	125,960	33,048
Total Foreclosures prevented (%)	97%	95%	99%	98%