

Exploring the Future of Homeownership with Freddie Mac





Our Agenda

1. Introduction
2. Economic Update
3. Homebuyer Trends
4. Homebuyer Barriers and Needs
5. Low Down Payment Solutions
6. Tools and Resources
7. Q&A



David Mendez
Affordable Lending Manager
Seller Engagement

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

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

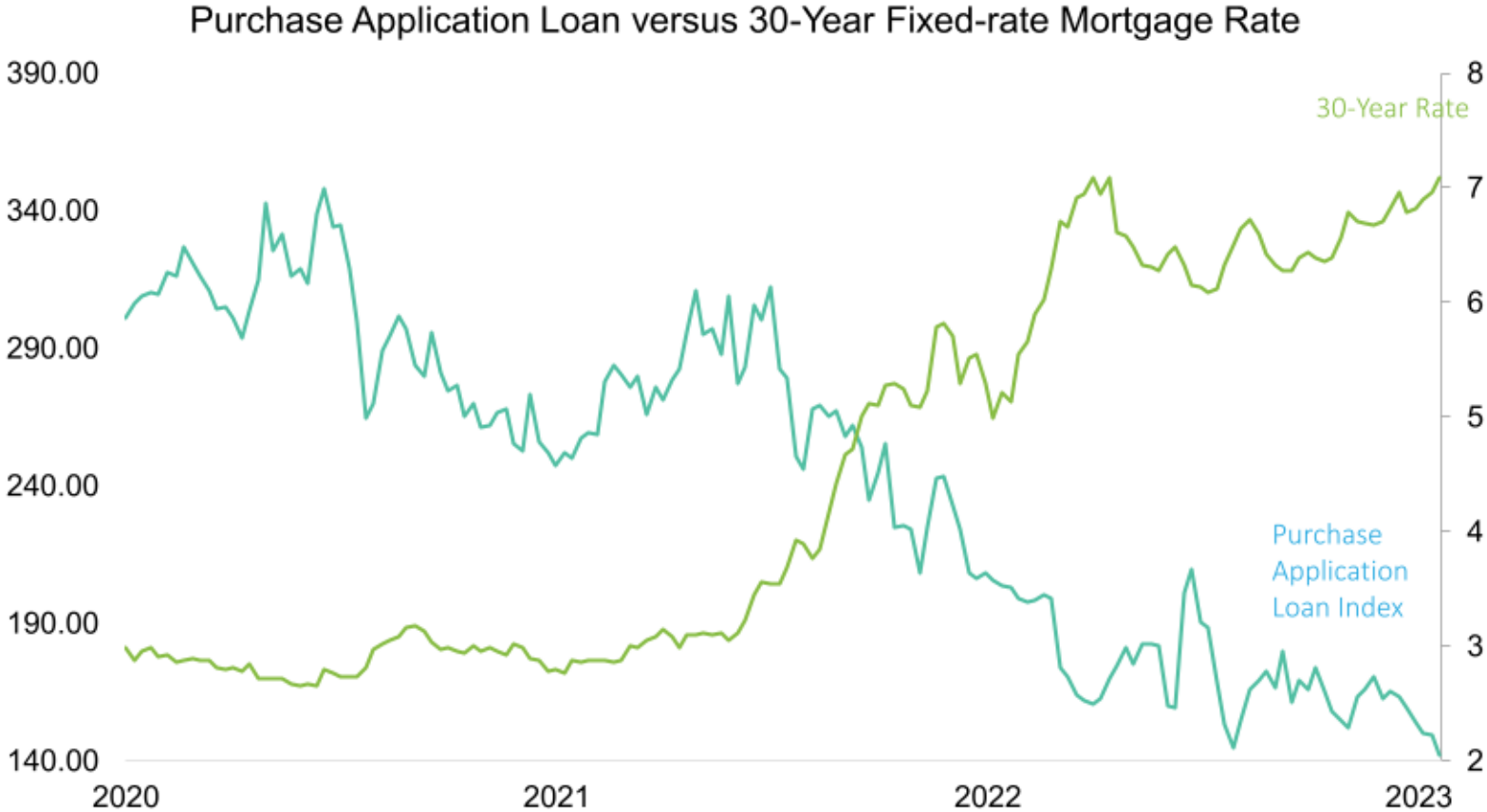




Economic Update

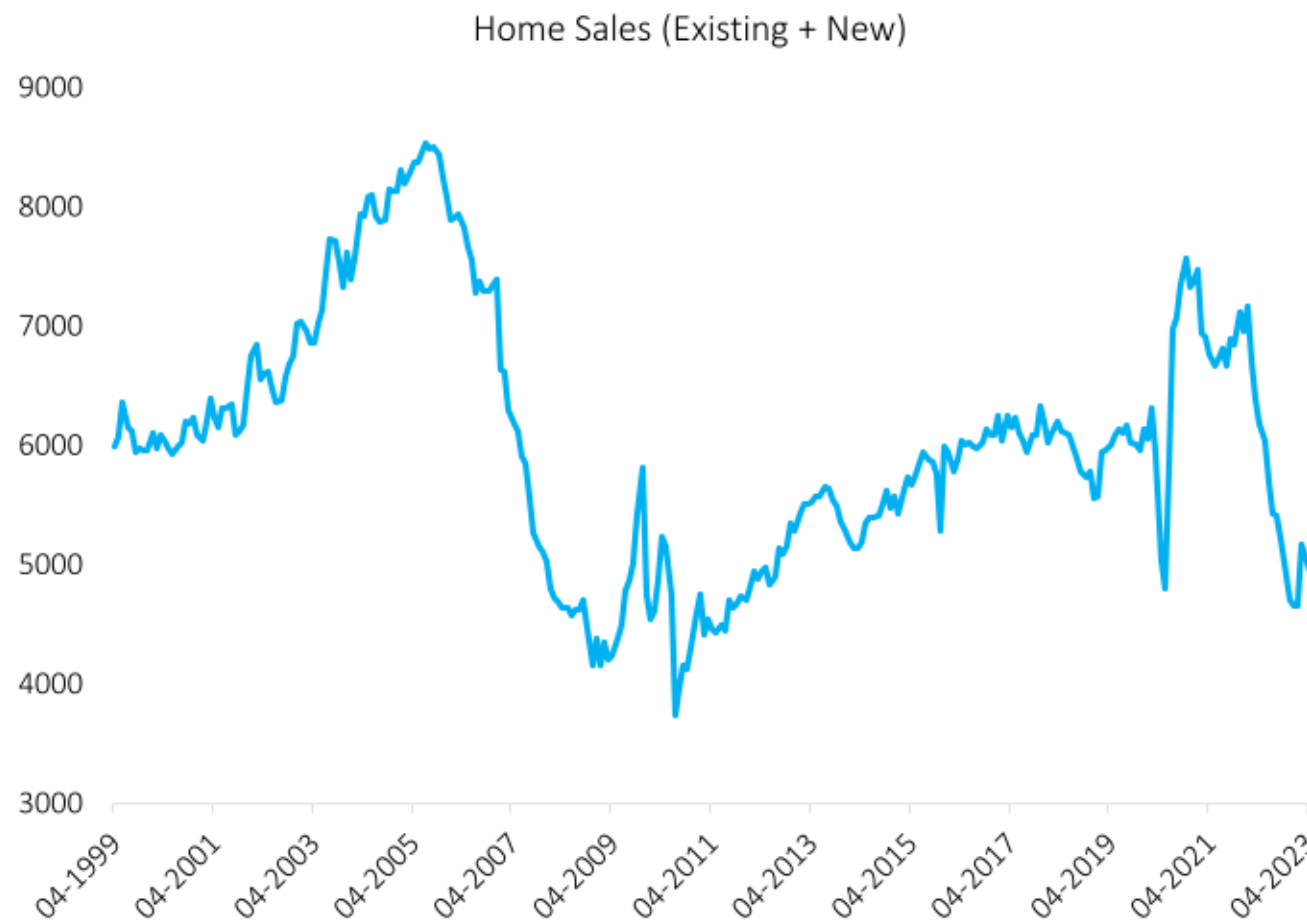


Purchase apps continue to fall on rising rates and high house prices





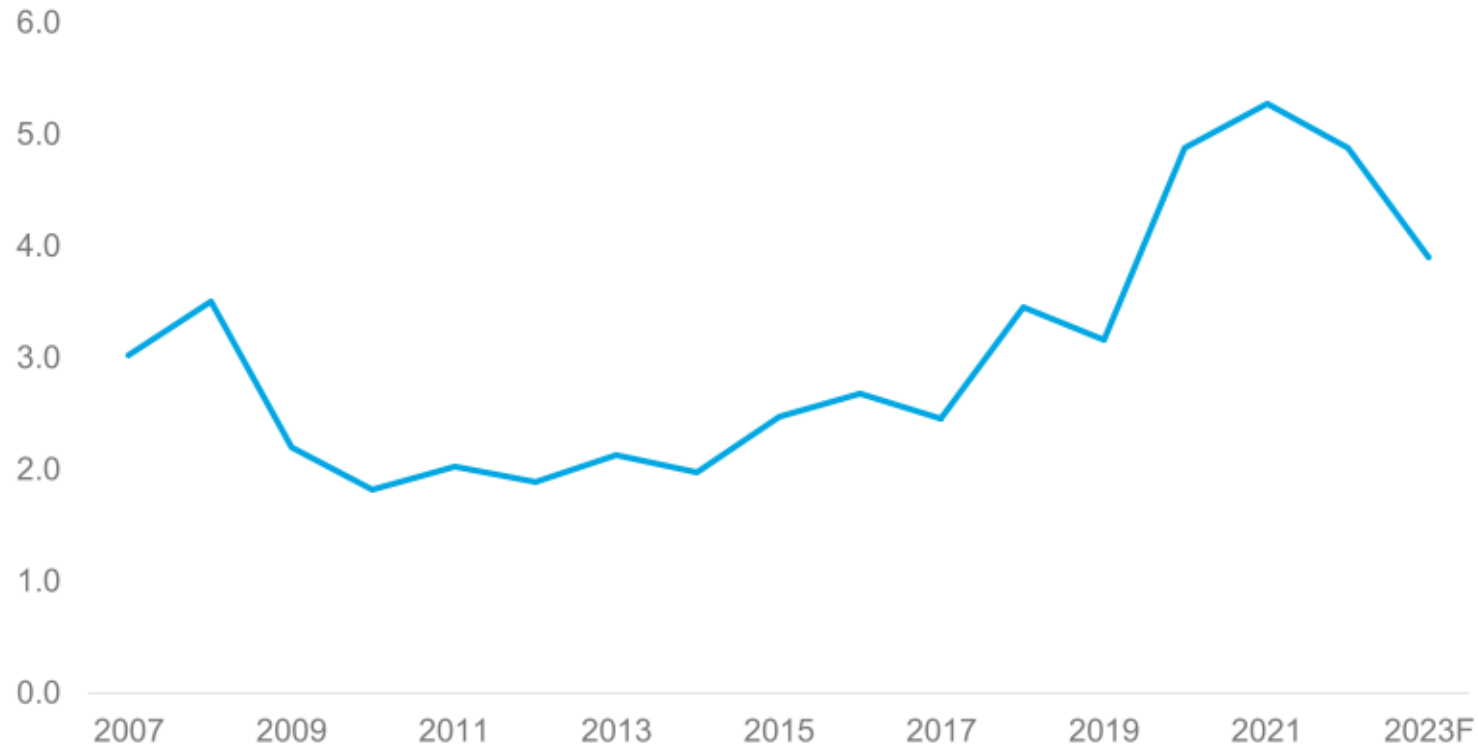
Home Sales Declining On Rising Rates



Wages increased during the Pandemic and remain above the pre-pandemic levels



Hourly Wage Growth (%YOY)

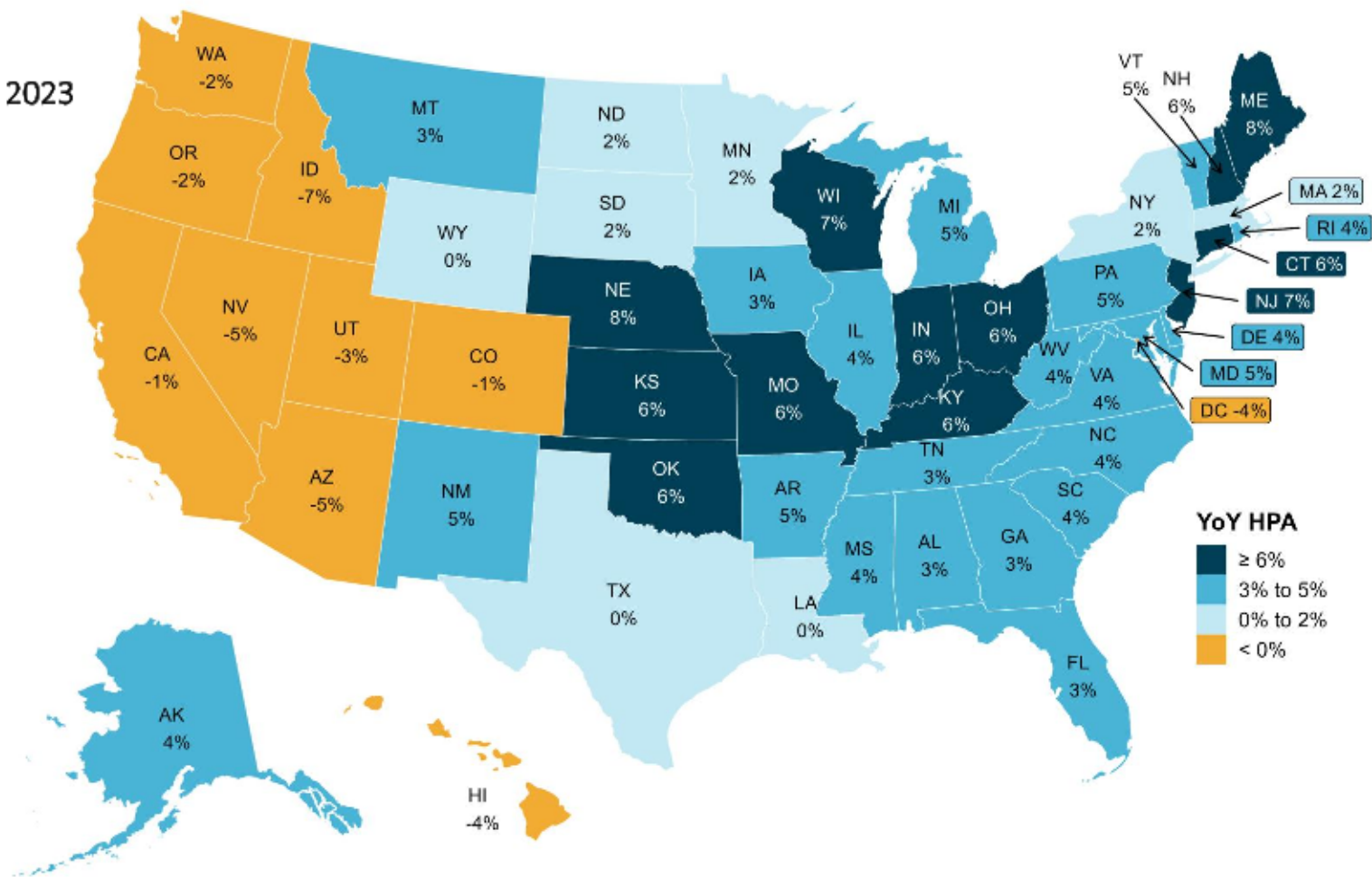


Source: BLS; White House



House prices grew by 2.9% Year over Year in July 2023

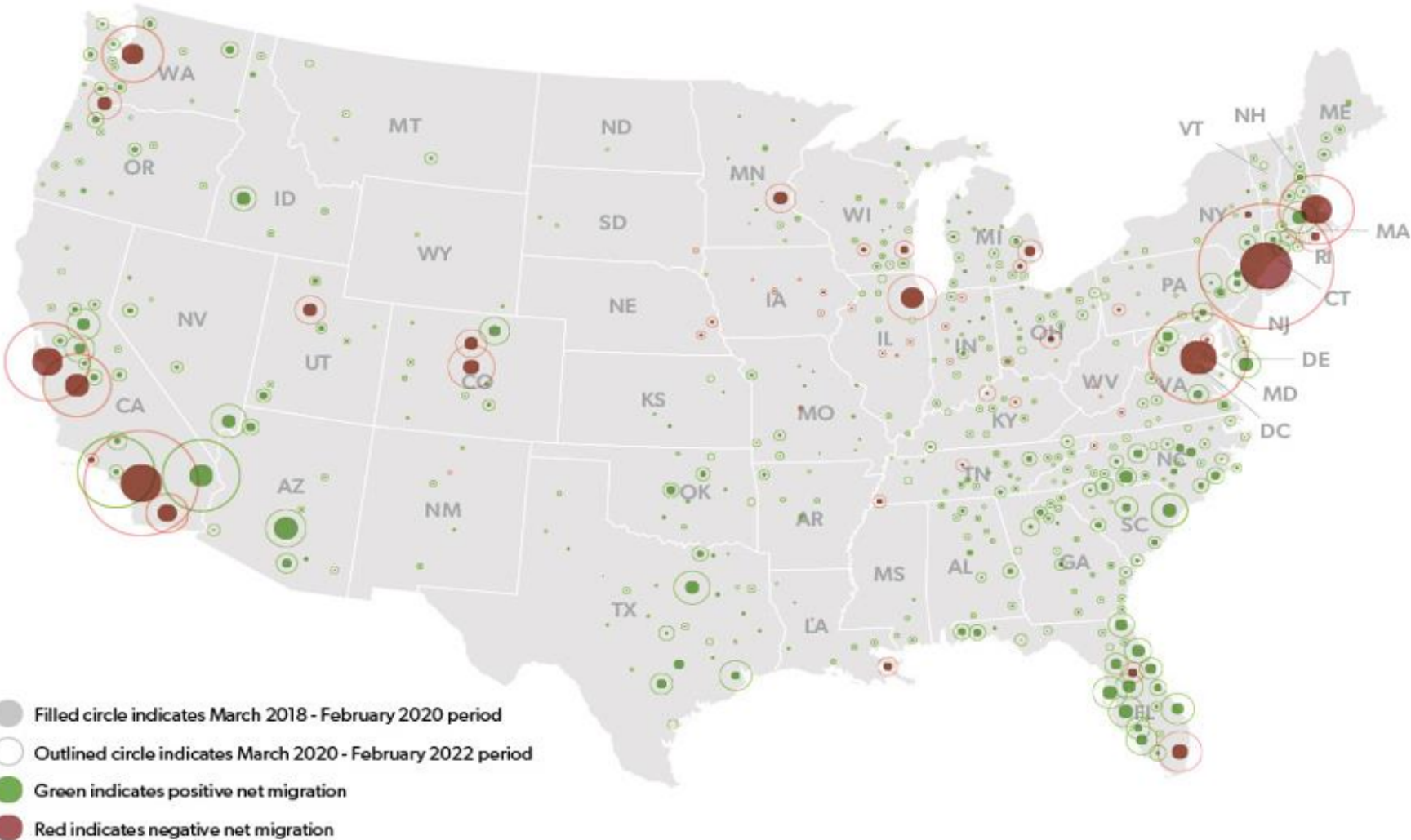
United States: 2.9%
Year-Over-Year Growth July 2023



Migration patterns driving shifts in homebuying activity



Pre- and Post-Pandemic Net Domestic Migration by Metro



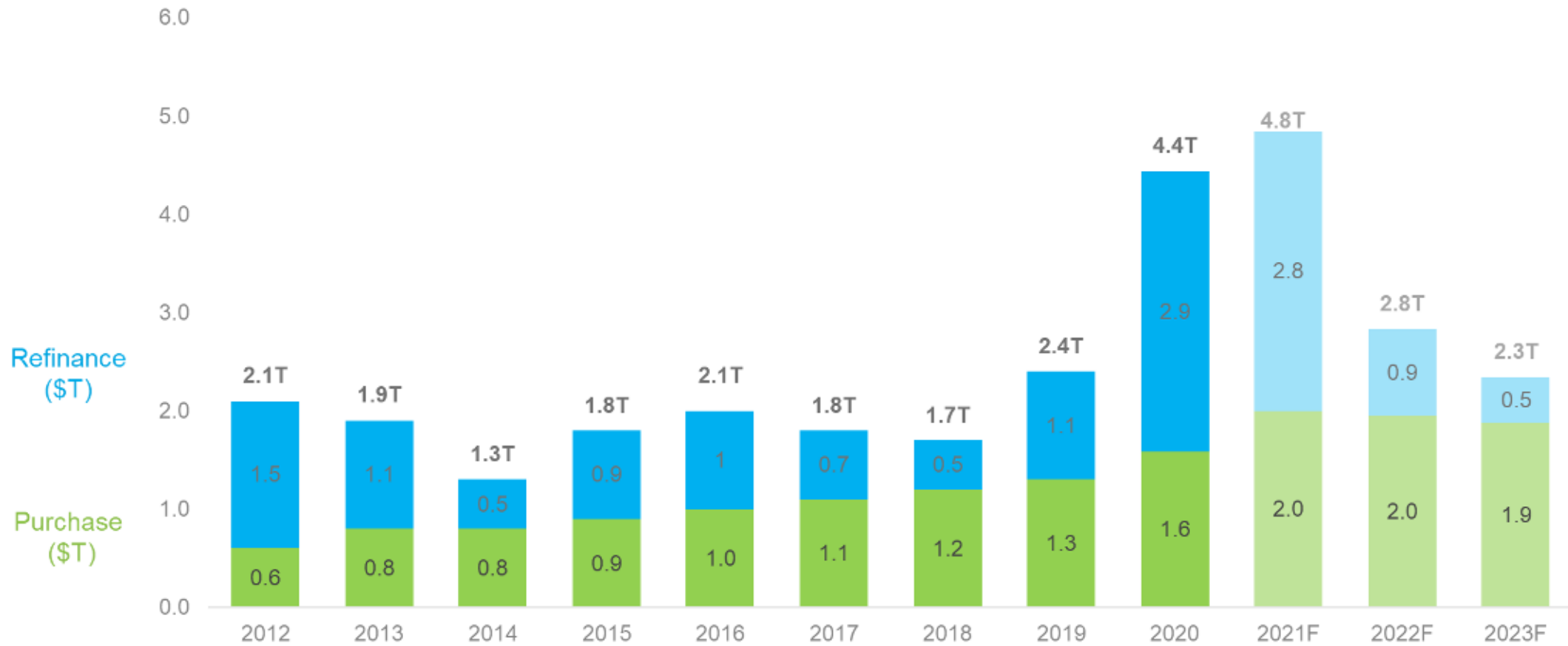


Outlook of Homebuyer Trends

Future demand shifting towards purchase market



Annual Single-Family Mortgage Originations (\$Trillions)



Freddie Mac Q32022 Economic and Housing Research Outlook
Note: Totals may not add due to rounding ; * Includes only 1st liens

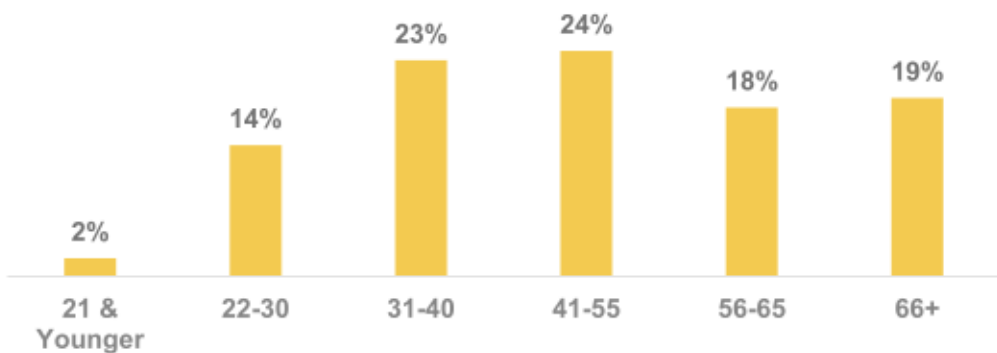
Recent homebuyer pool is diverse



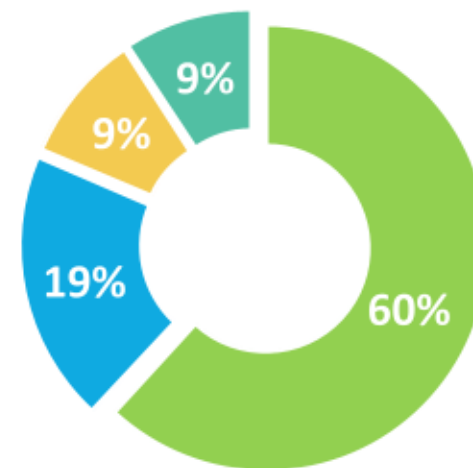
More than 1/3 of recent homebuyers are **first-time homebuyers**



Nearly 40% of buyers are **40 years old or younger**



Single female share of home purchases nearly double of single males

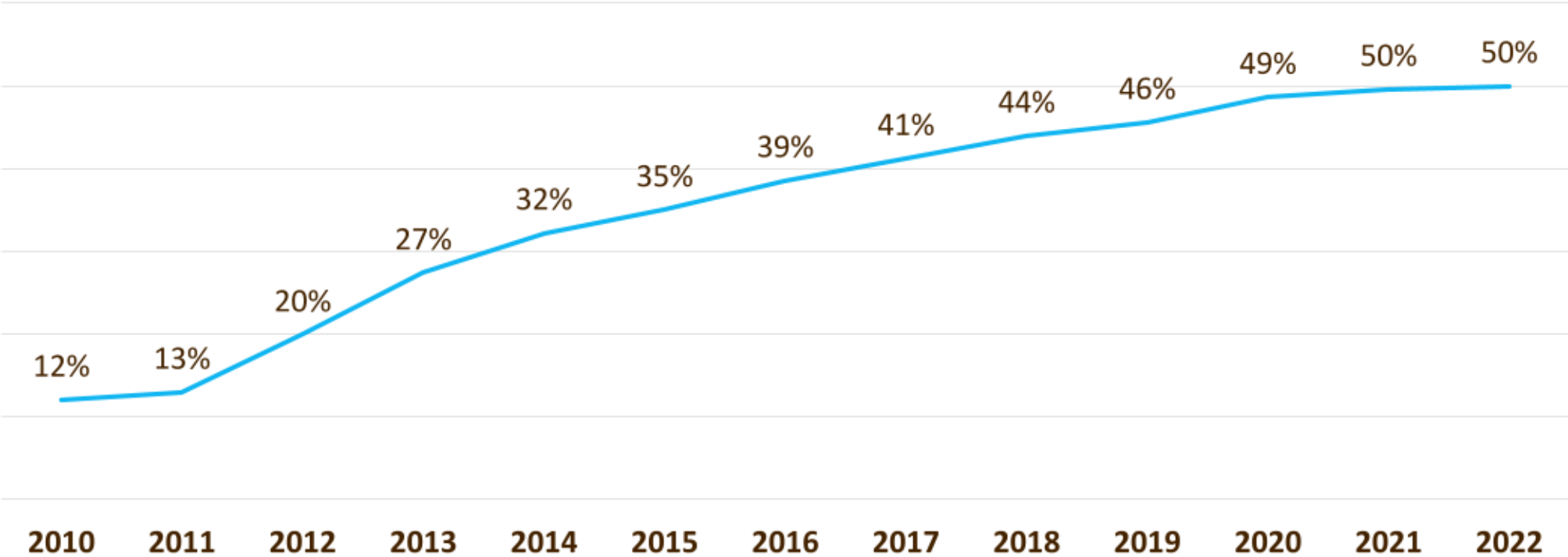


- Married
- Single Females
- Single Males
- Unmarried Couples

Millennials Obtained Half of All Purchase Money Mortgage Loans in 2022



Percent of Purchase Mortgages Issued to Millennial Buyers, Acquired by Freddie Mac

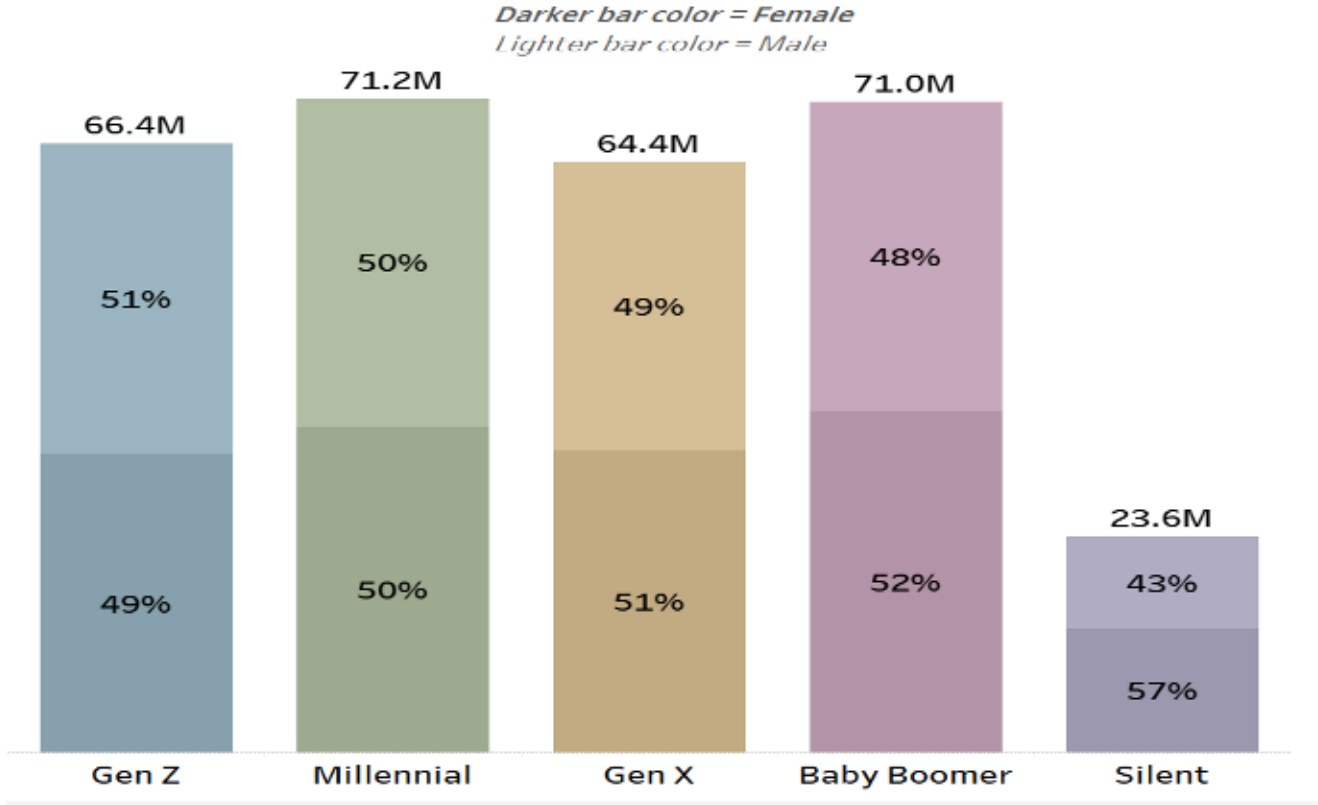


Source: Freddie Mac Acquisition Data

Millennials and Gen Z will drive the housing market activity for years to come



U.S. Population Generation Distribution



(Note: 2019 U.S. total population stood at 329M, not all the generation groups are represented in this chart.)



Homebuyer Barriers and Needs



Down payment is the top homeownership barrier for renters ages 25-45, and few are aware of assistance options

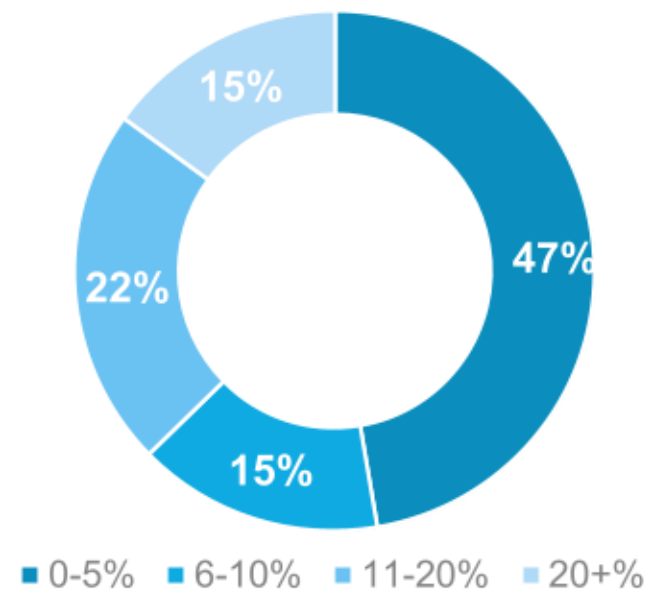
67% of renters (ages 25-45) perceive down payment as the biggest barrier to homeownership



Familiarity with

- Down payment assistance programs **30%**
- Different type of mortgage products **33%**

2020 FTHB Millennial Down Payment % Distribution



42% Believe that they are required to put a 20% down payment on a home... or ... they were unsure



2021 Median Down Payment
13% for all homebuyers
7% for first-time home buyers



Qualifying for a mortgage as a first-time homebuyer perceived as a major challenge



48% of potential FTHBs (ages 25-45) cite ability to qualify for a mortgage as a **barrier to homeownership**



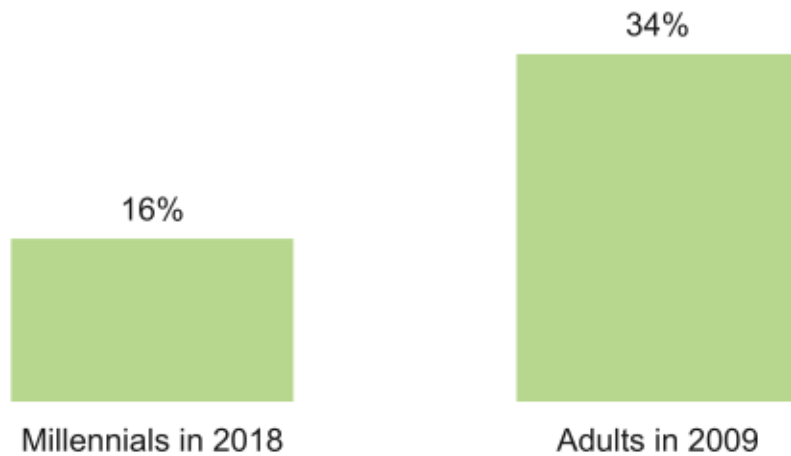
Top Impediments

- Debt
- Unhealthy credit
- Rising home prices
- Record low affordable housing inventory

Millennials are less financially literate than older generations



Share of survey participants who are considered to be Financially literate



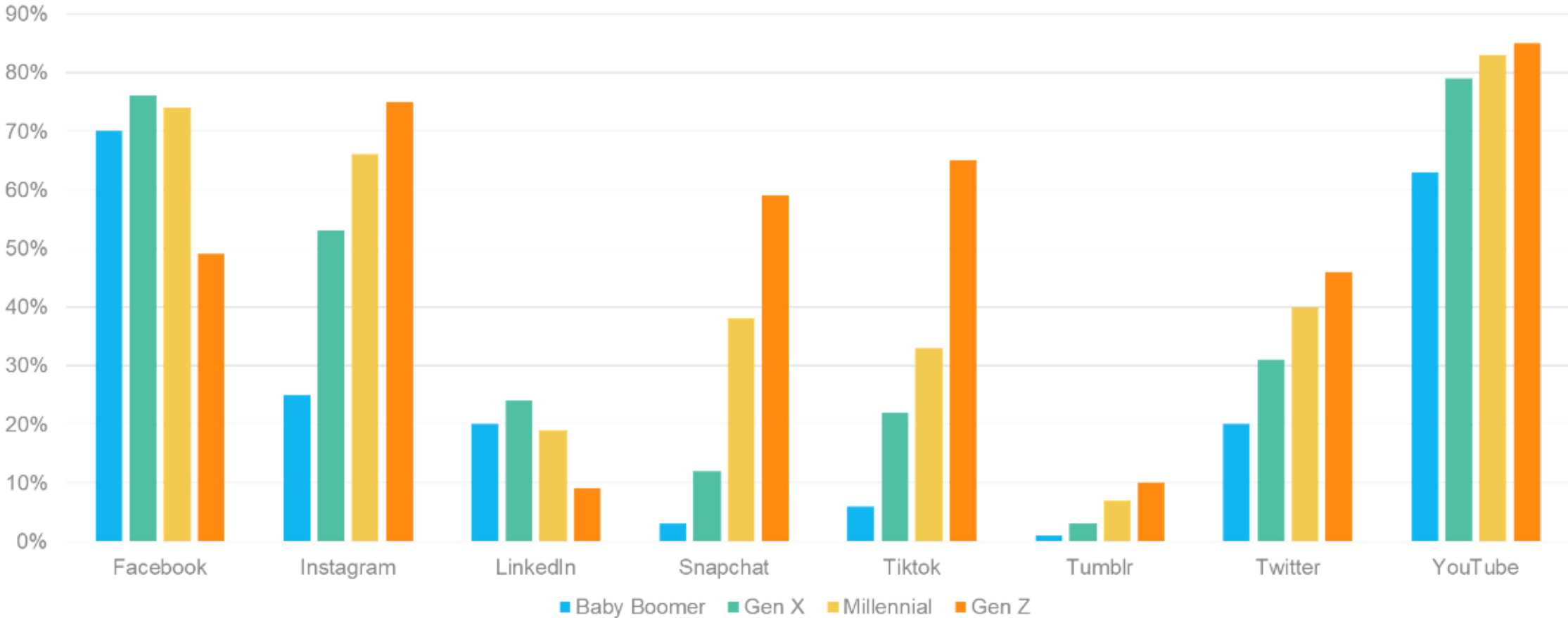
Even though millennials are more educated, only 16% of them could be considered financially literate in 2018, compared to 34% of adults assessed at the same age range in 2009.



Studies find that fintech tool usage is often tied to poor money management. The increased tool usage, in part, explains the lower levels of millennial financial literacy as millennials leverage fintech tools more than older adults.



Consumers' preferred media channels vary by generation



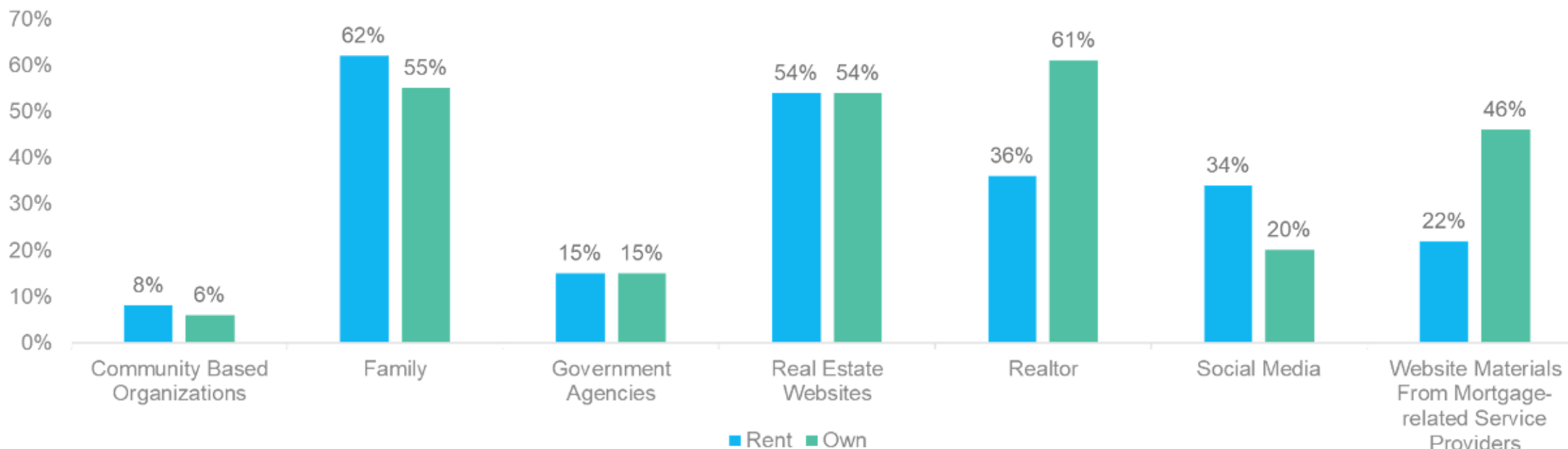
Q: Which of the following social media platforms do you use on a regular basis? Please select all that apply.

Types of tools that consumers use to learn about the homebuying process differ depending on homeownership status



Real estate websites are a common educational sources for both renters and homeowners. However, renters also rely heavily on family while homeowners rely on realtors as an additional source of knowledge.

Tools Used when Learning about Homeownership



Q: Which of the following educational sources / tools do you have experience using when learning about the homeownership and home purchasing process? Please select all that apply.



HFA Advantage[®] Mortgage

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



Loan Product Advisor (LPA)

Loan Product AdvisorSM

Select **HFA Advantage** in the “Offering Identifier” field within the “Mortgage Type and Loan Terms” section of Loan Product Advisor.

If using a Loan Origination Software (LOS) system, please contact them to verify what field and value to enter. Some LOS systems may have you enter “251”.

How to Identify an HFA Advantage Mortgage

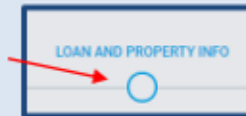
Depending on your LOS, an HFA Advantage mortgage may be identified with one of three options:

- HFA Advantage (LPA v5.0.06 and higher)
- Home Possible Advantage for HFAs (LPA Legacy), or
- Using the code 251.

Direct Access Users

When entering data into LPA (v5.0.06 and higher) using the **Freddie Mac Loan Advisor[®] single sign-on portal**:

1. Access the **Loan and Property Info** metro stop from the navigation menu.



2. Select **HFA Advantage** from the **Offering Identifier** drop down selection.



Loan Product AdvisorSM Feedback Certificate

Verify the loan was submitted correctly by ensuring the value entered in the “Offering Identifier” field is showing **HFA Advantage**. This is found in the “Mortgage Information” section of the Loan Product Advisor feedback.

Mortgage Details

PRODUCT TYPE 30 Year Fixed Rate	AMORTIZATION TYPE Fixed	AMORTIZATION MONTHS 360	LOAN AMOUNT \$108,450.00	INTEREST RATE 3.3750%
LOAN PURPOSE Purchase	PURCHASE PRICE \$115,000.00	ESTIMATED PROPERTY VALUE \$115,000.00	APPRAISED PROPERTY VALUE N/A	NUMBER OF UNITS 1
PROPERTY TYPE Site Built	OCCUPANCY Primary Residence	REFINANCE TYPE N/A	CASH OUT AMOUNT N/A	NEW CONSTRUCTION N/A
OFFERING IDENTIFIER HFA Advantage	INTEREST RATE BUYDOWN No	SALES CONCESSIONS N/A	ARM QUALIFYING RATE N/A	ARM QUALIFYING PITI N/A
AFFORDABLE SECOND \$10,000.00	SECONDARY FINANCING \$10,000.00	HELOC BALANCE N/A	HELOC LIMIT AMOUNT N/A	LENDER SUBMITTED RESERVES \$16,569.85

← LPA version 5.2 and prior

LPA version 5.3 →

Loan Details

BORROWER NAME NaN-	ADDITIONAL BORROWER NaN-	APPRAISAL IDENTIFIER	LENDER LOAN NUMBER 227
MORTGAGE TYPE Conventional	DOCUMENTATION LEVEL Standard	PROPERTY ADDRESS VINELAND, NJ 08361	
PROGRAM IDENTIFIER(S) HFA Advantage			

Down Payment Assistance: Non-Amortizing Subordinate Financing

Table 1: Direct Access Users

When entering the data into LPA (v5.0.06 and higher) using the Loan Advisor single sign-on portal:

1. Access the **Loan and Property Info** metro stop
2. **Other New Mortgage Loans on the Property You are Buying or Refinancing** section, enter the information as shown.

Other New Mortgage Loans on the Property You are Buying or Refinancing

Creditor Name *

Creditor Type * Business Individual

Lien Type *

Monthly Payment

Loan Amount / Amount Drawn *

Is the Other New Mortgage an Affordable Second? Yes No

Is the Affordable Second Payment Deferred? Yes No

HELOC * Yes No

Funds Source Type *

Select the source of the Affordable Second from the drop down selection

***Tip!** If the Affordable Second **does not** require a payment before the due date of the 61st monthly payment under the first lien mortgage, the Monthly Payment/Initial Principal and Interest Payment Amount **must be equal to zero** ("0.00").

Down Payment Assistance: Amortizing Subordinate Financing

Table 3: Direct Access Users

When entering the data into LPA (v5.0.06 and higher) using the Loan Advisor single sign-on portal:

1. Access the **Loan and Property Info** metro stop
2. **Other New Mortgage Loans on the Property You are Buying or Refinancing** section, enter the information as shown.

Other New Mortgage Loans on the Property You are Buying or Refinancing

Creditor Name *	Creditor Type *	Lien Type *	Monthly Payment
Example ←	<input checked="" type="radio"/> Business <input type="radio"/> Individual	Second Lien ↓	\$ 100.00
Loan Amount / Amount Drawn *	Is the Other New Mortgage an Affordable Second?	Is the Affordable Second Payment Deferred?	
\$ 15000.00 ←	<input checked="" type="radio"/> Yes ← <input type="radio"/> No	<input type="radio"/> Yes <input checked="" type="radio"/> No ←	
HELOC *	Funds Source Type *	Select the source of the Affordable Second from the drop down selection	
<input type="radio"/> Yes <input checked="" type="radio"/> No ←	Local Agency ↓		

Reminder: If the Affordable Second **requires** a payment **before** the due date of the 61st monthly payment under the first lien mortgage, the Monthly Payment/Initial Principal and Interest Payment Amount **must be** entered.

Mortgage Details

Mortgage Details

PRODUCT TYPE 30 Year Fixed Rate	AMORTIZATION TYPE Fixed	AMORTIZATION MONTHS 360	LOAN AMOUNT \$285,000.00	INTEREST RATE 7.1250%
LOAN PURPOSE Purchase	PURCHASE PRICE \$305,000.00	ESTIMATED PROPERTY VALUE \$300,000.00	APPRAISED PROPERTY VALUE \$300,000.00	NUMBER OF UNITS 1
PROPERTY TYPE Condo Mid-rise Project	OCCUPANCY Primary Residence	REFINANCE TYPE N/A	CASH OUT AMOUNT N/A	NEW CONSTRUCTION N/A
INTEREST RATE BUYDOWN No	SALES CONCESSIONS N/A	ARM QUALIFYING RATE N/A	ARM QUALIFYING PITI N/A	LENDER SUBMITTED RESERVES \$22,942.48
AFFORDABLE SECOND \$15,000.00	TOTAL SUBORDINATE FINANCING \$15,000.00	HELOC BALANCE N/A	HELOC LIMIT AMOUNT N/A	



Purchase eligibility and AUS Risk Class

Loan Product Advisor Feedback Certificate Results

Upon successful submission of an HFA Advantage mortgage, the following results are returned.

Assessment Summary Section

The **Assessment Summary** section of the LPA Feedback Certificate displays the **Purchase Eligibility** and **Risk Class** results for the transaction.

Assessment Summary	
BORROWER NAME PATRICIA E MMHXRDPW	
Assessment Summary	
PURCHASE ELIGIBILITY	RISK CLASS
 ELIGIBLE	 ACCEPT

Risk Class	
ACCEPT Representation and warranty relief for credit reputation and ratios	CAUTION No representation or warranty relief

Purchase Restriction Messaging

Purchase Restriction Messages

Freddie Mac
Single-Family

Message Summary 51

PURCHASE RESTRICTION MESSAGES	DATA QUALITY AND SYSTEM MESSAGES	AFFORDABLE LENDING AND ACCESS TO CREDIT MESSAGES	EMPLOYMENT AND INCOME MESSAGES	ASSETS AND RESERVES MESSAGES	PURCHASE ELIGIBILITY	RISK CLASS
3	1	6	5	11	INELIGIBLE	CAUTION
RESULTS	RESULTS	RESULTS	RESULTS	RESULTS	RESULTS	RESULTS

Purchase Restriction Messages

CODE	MESSAGE
PUR0247	TLTV ratio of 98.00% excluding the Affordable Second amount must be less than or equal to 97%.
PUR0108	LTV ratio of 98.00% must be less than or equal to 97% for an HFA Advantage Mortgage.
PUR0020	The loan was submitted with a debt-to-income ratio of (52), which exceeds the maximum allowable limit.

Assessment Summary

BORROWER NAME

PATRICIA E
MMHXRDPW

Assessment Summary

PURCHASE ELIGIBILITY

INELIGIBLE

RISK CLASS

CAUTION

- Purchase eligibility must be “Eligible”.
- Ineligible reason messages will be clearly displayed on the feedback certificate

Caution Related Feedback Messaging

Assessment Summary

PURCHASE ELIGIBILITY

 **ELIGIBLE**

 **RESULTS**

AUS RISK CLASS

 **CAUTION**

 **RESULTS**

Credit And Liabilities Messages

CODE	MESSAGE
FCL0175	Caution Factor: Credit History. Based on the credit report(s), a combination of credit history factors impacted the risk class.
FCL0268	Caution Factor: Debt-To-Income Ratio. Based on the application, the qualifying DTI ratio is 45.00%.
FCL0374	Caution Factor: Loan-To-Value/Total Loan-To-Value. Based on the application, the LTV/TLTV impacted the risk class.
FCL0375	Caution Factor: Utilization of credit. Based on the credit report(s), utilization of credit impacted the risk class.



Additional Tools and Resources

Making the Right Match For Down Payment Assistance



About DPA One®

- Freddie Mac developed DPA One® as a free, online tool to host down payment assistance programs nationwide and ease the matching efforts within the business-to-business mortgage ecosystem.
- DPA One facilitates the partnerships between housing professionals and DPA program providers in reaching the shared goal of helping more borrowers get into homes.



Value Proposition

Lenders / Loan Officers / Housing Counselors

Allows housing professionals to **quickly find, understand and match the best DPA programs to their clients** by providing all the DPA program information they need in one place right when they need it most.

DPA Program Providers

Can easily manage DPA programs in a standardized format so that **information is efficiently delivered through one centralized mechanism, reducing submission errors** and program requirement questions from housing professionals.

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Thank you