



Mortgage Market Update

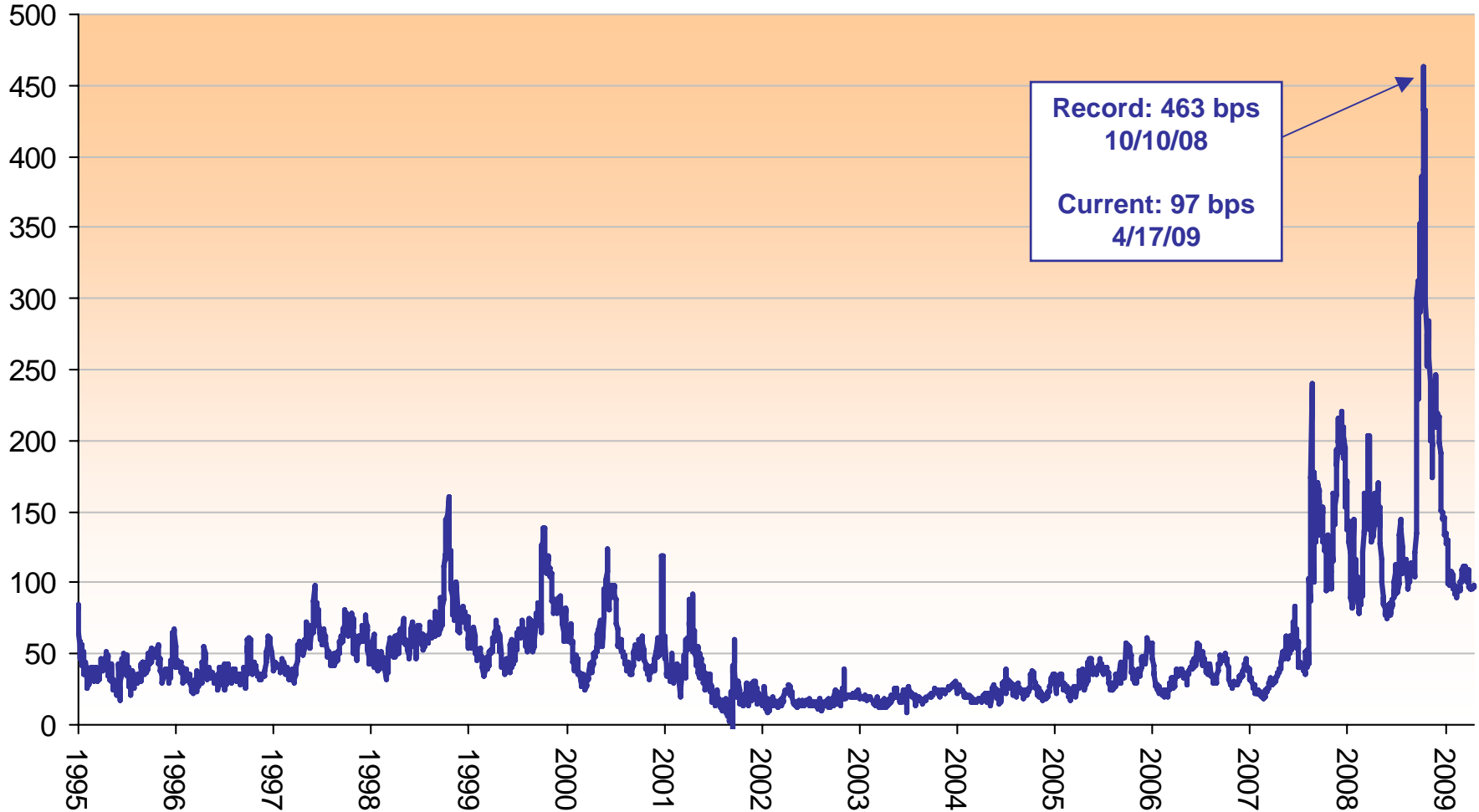
NABE RURT Conference Call
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Deputy Chief Economist

- **Financial sector rescues ease banking crisis**
 - Financial markets moving toward more normal operation
 - ...But still under strain
 - Outcome of the stress test remains a question mark
 - Many obstacles still in plan to purchase troubled assets from banks
- **Homeowner plans about to come on line**
 - Streamlined refi of GSE loans
 - Modification of qualifying borrowers
 - GSEs playing central role
- **FHA steps up to the plate**
 - Market share has swelled since mid-2008

3-Month LIBOR Spread to Treasuries is Returning to More Normal Levels

Basis Points



Federal Govt. Stabilization Efforts Are Large ... and in Line with the Need

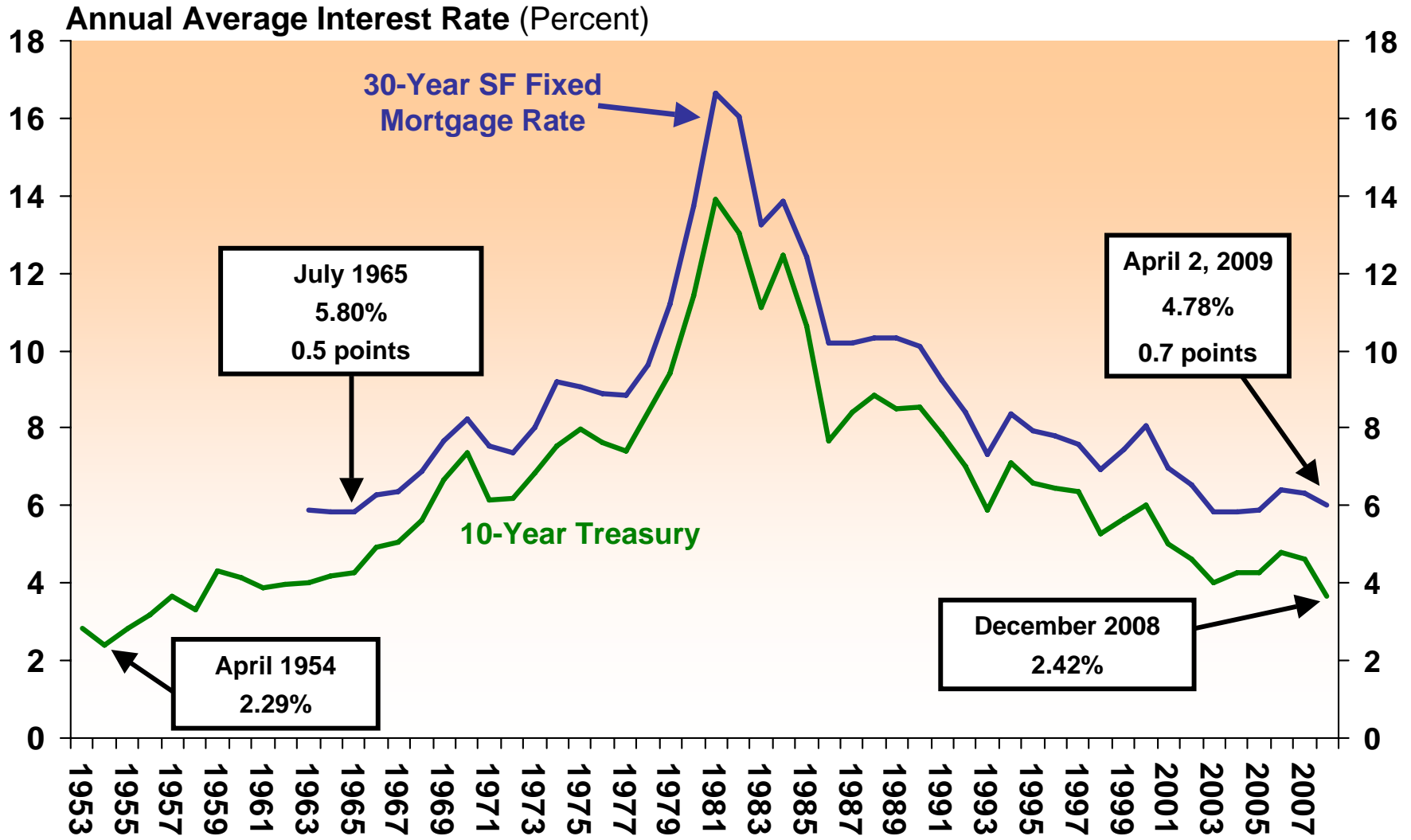
Resources Devoted to Financial Stabilization Efforts

Program (Dollars in Billions)	Treasury (TARP)	Federal Reserve	FDIC	Total
Total	700.0	2,326.1	1,410.9	4,437.0
Outlays	492.9	0.0	29.5	522.4
Loans	30.0	2,009.1	0.0	2,039.1
Guarantees	67.5	317.0	1,381.4	1,765.9
Uncommitted TARP Funds	109.6	0.0	0.0	109.6

Making Home Affordable – The Obama Plan

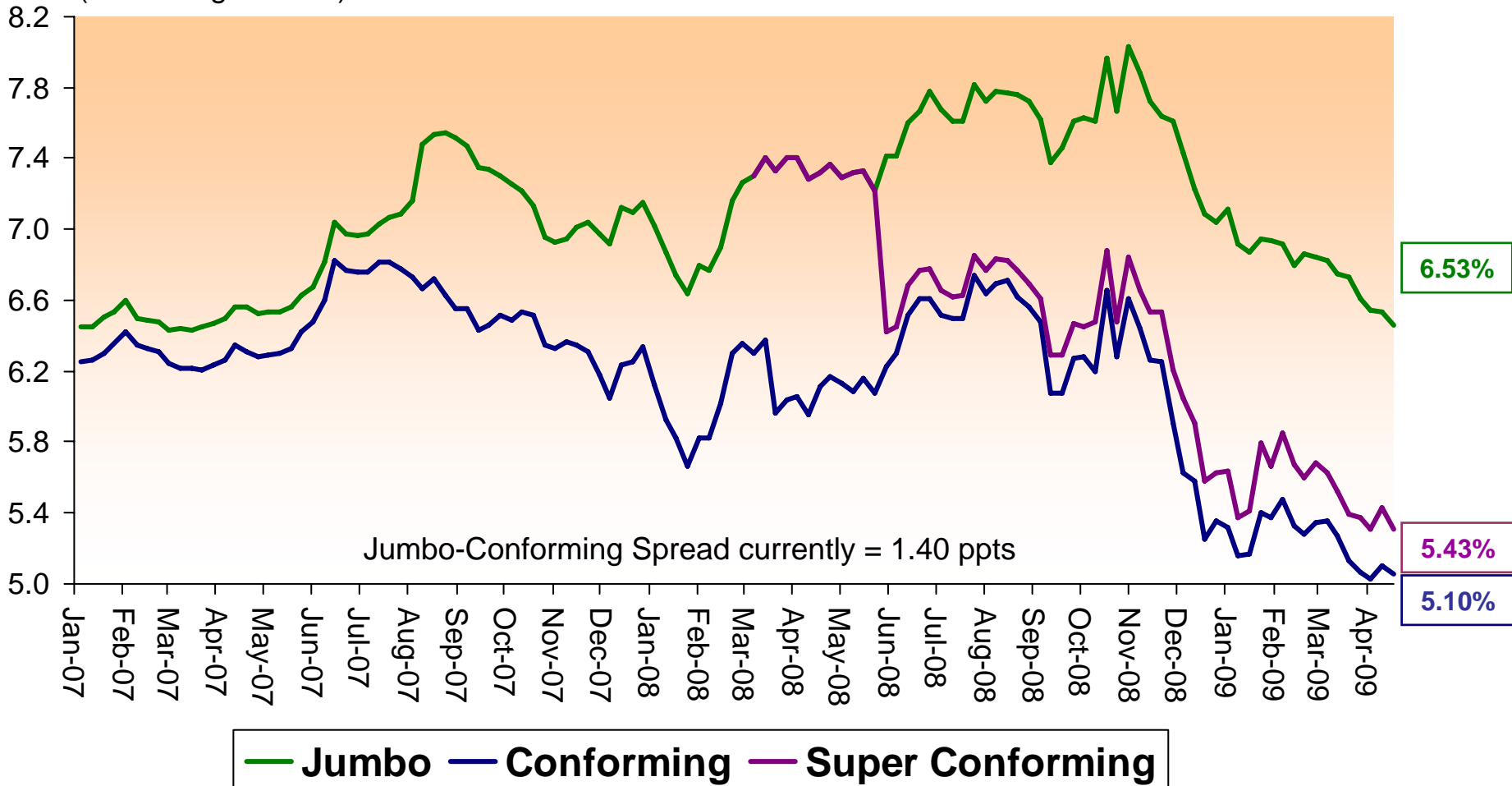
- GSE Refinance Program that allows responsible homeowners to refinance if their current LTV \leq 105%
 - Administration estimates 4-5 million homeowners may benefit
- \$75 billion Home Affordable Modification Program
 - Administration estimates 3-4 million homeowners may benefit
 - Requires participation by Financial Stability Plan Participants
 - Clear and consistent guidelines for loan modifications and incentives to both borrowers and lenders for successful completion of loan mods, including principal reduction
 - Changes to bankruptcy laws to allow modification of mortgages
 - Greater FHA role
- Support for low mortgage rates by strengthening confidence in Freddie Mac and Fannie Mae

Mortgage Rates Are At a 50-Year Low



Conforming Rates Have Fallen; Jumbo Rates, Less So

Effective Interest Rate for 30-Year Fixed-Rate Mortgages Assuming LTV of 80% & Prime Credit (Percentage Points)



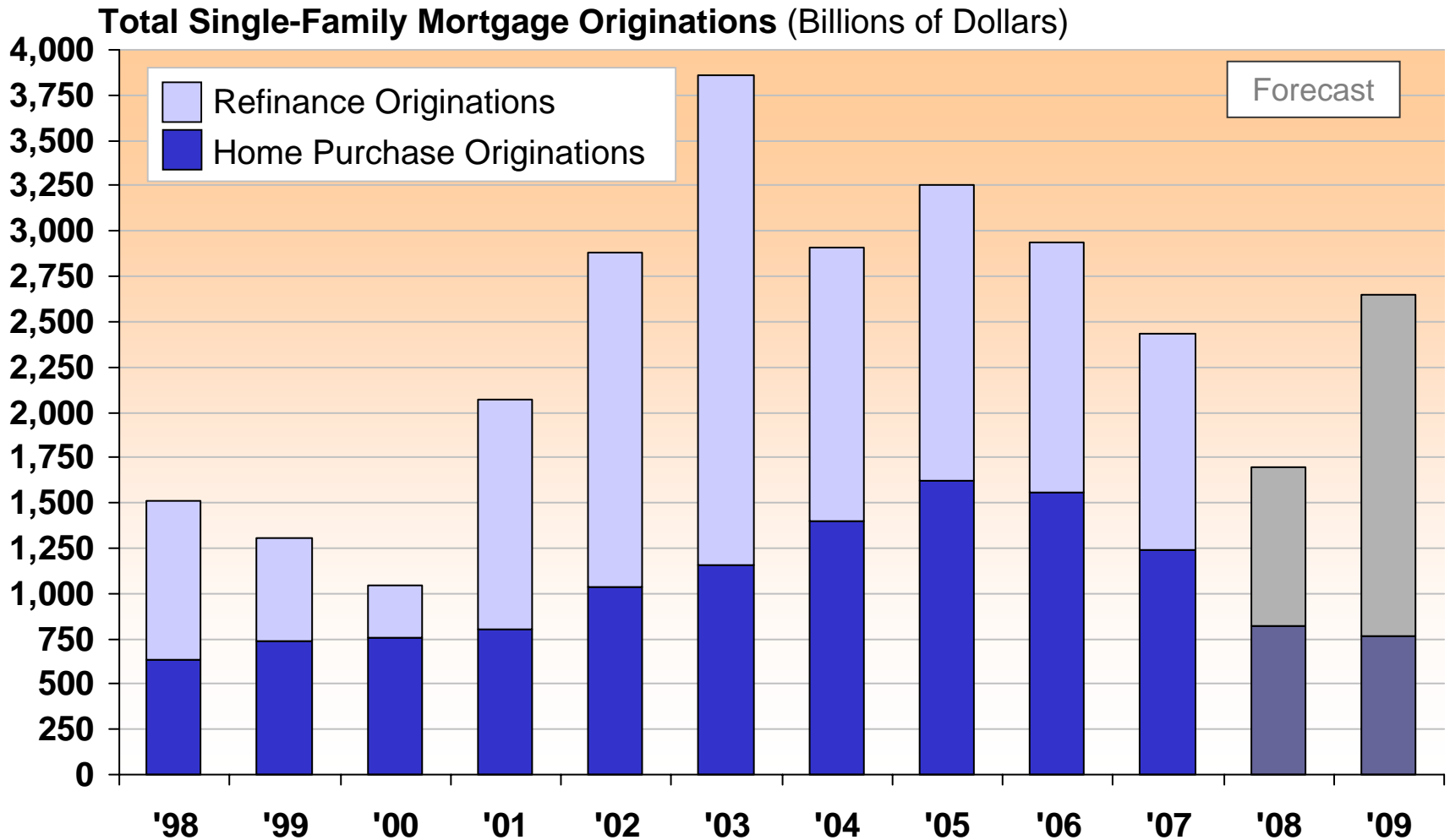
Source: HSH Associates (last data: week ending April 17, 2009)
Note: Effective rate adds fees and points to the interest rate.

Refinance Applications Are Responding to Record Low Interest Rates

MBA Applications Survey Conventional Market Refinance Index
(3/16/90=100, SA)

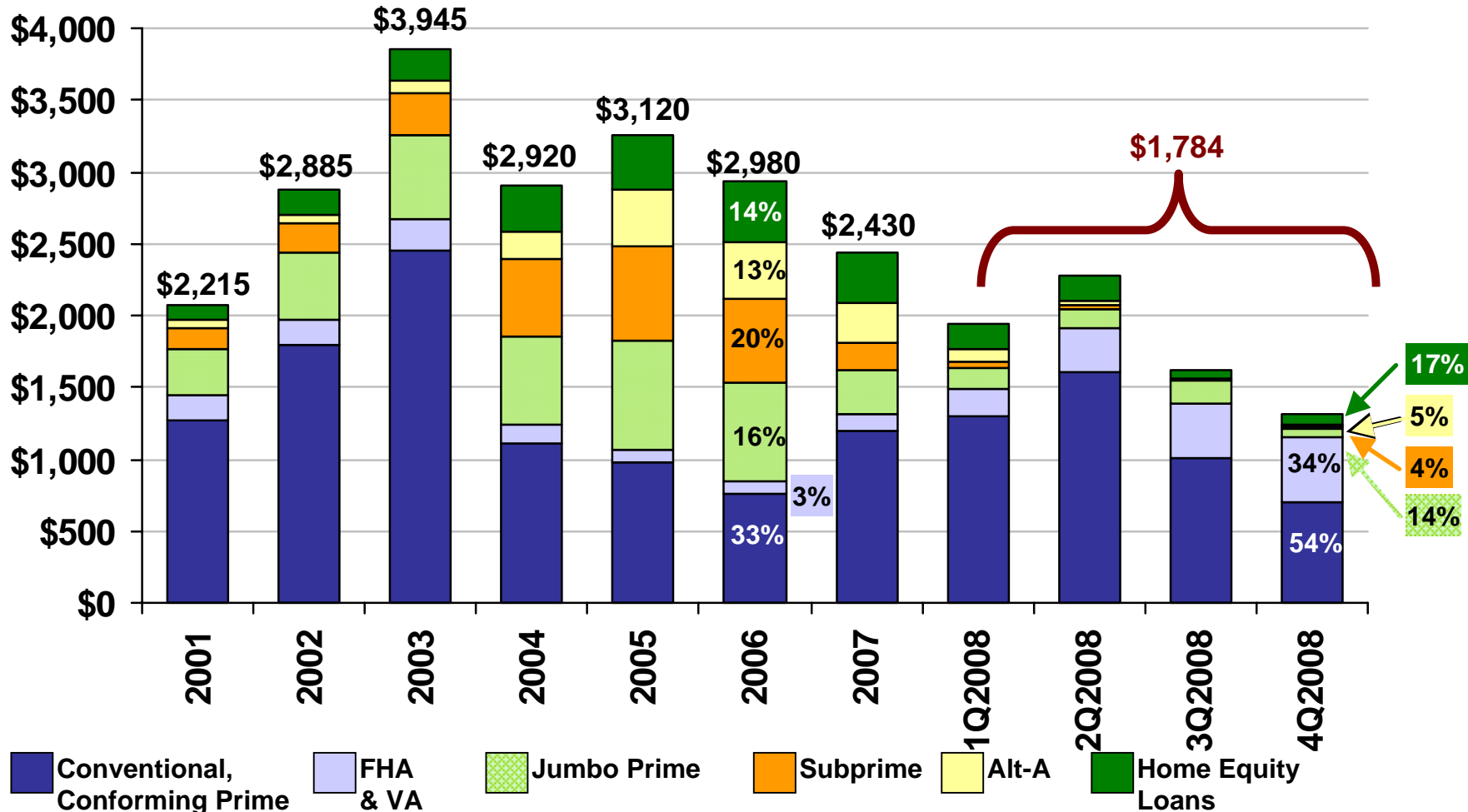


Fewer Sales But More Refis Result in an Increase in Expected 2009 Originations



Subprime and Alt-A Loans Were 33% of Market in 2006 But Only 3% in 2008

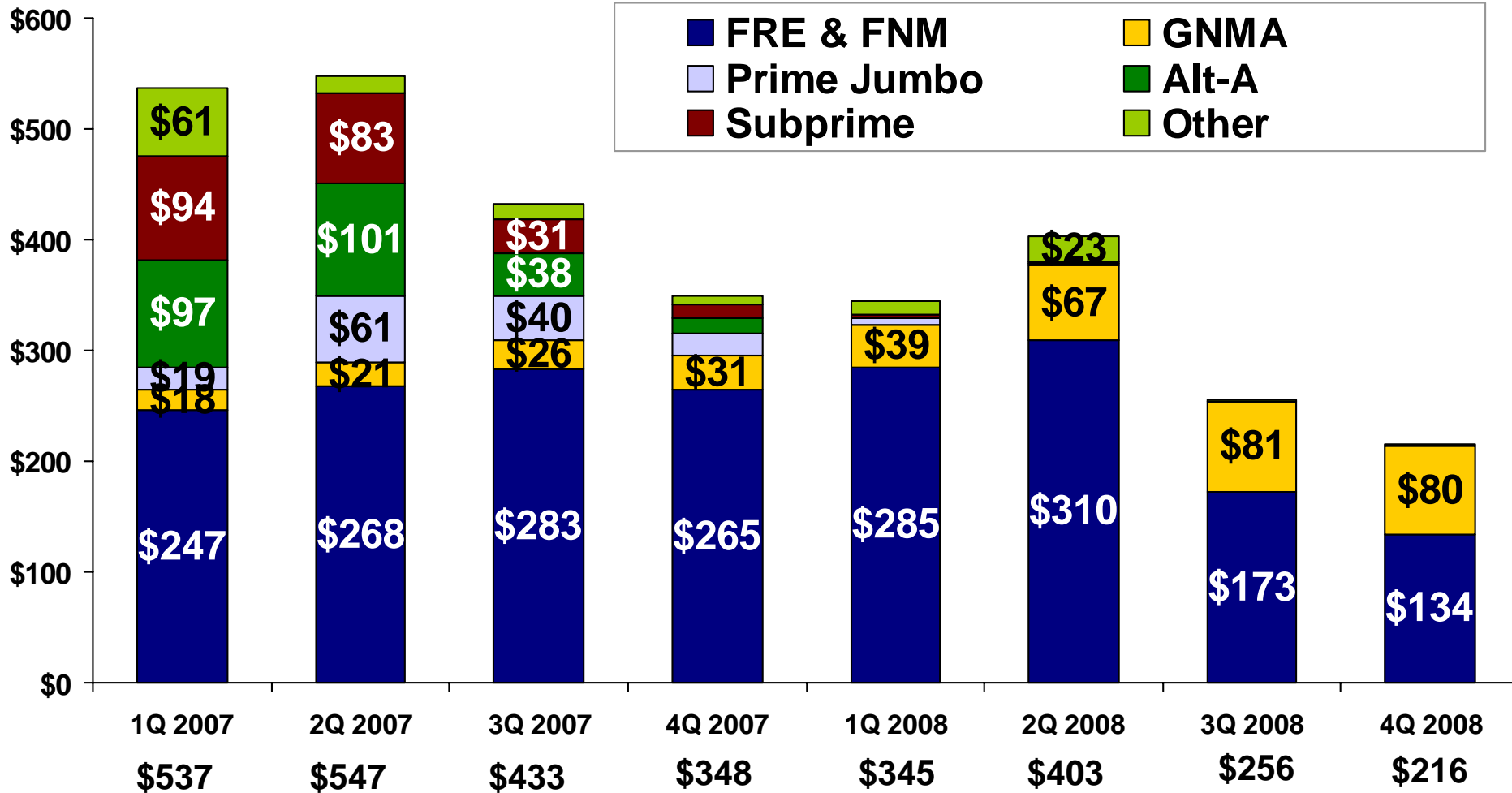
Market Share of Originations by Product Segment
(\$ Billions, quarterly numbers annualized)



Source: Inside Mortgage Finance, Freddie Mac (by dollar amount); Note: 2Q2008 values adjusted to reflect the undercount of Fannie Mae and FHA activity in the IMF data.

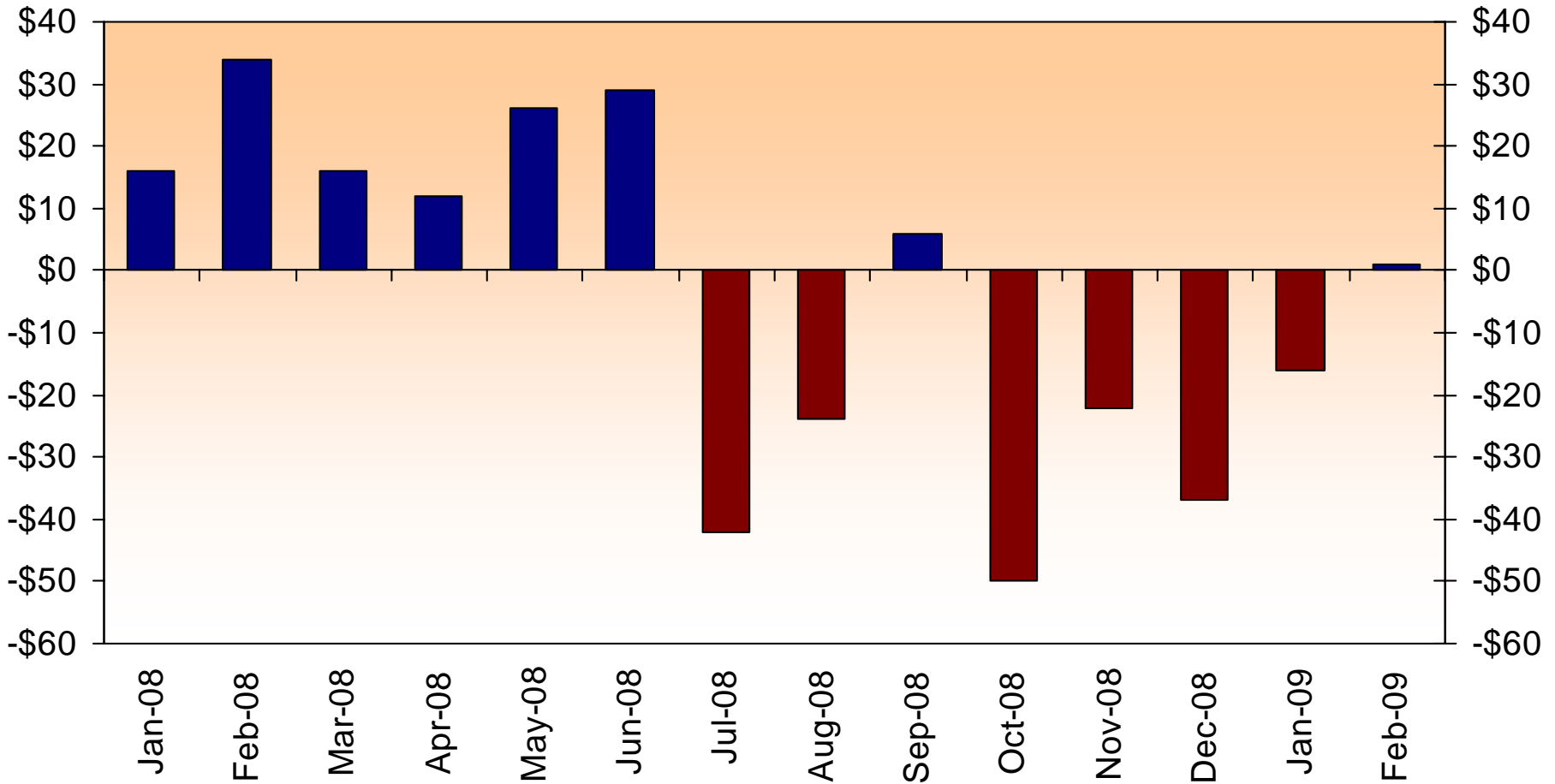
Private-Label MBS Issuance Has Evaporated

Dollar Amount of Issuance (Billions)



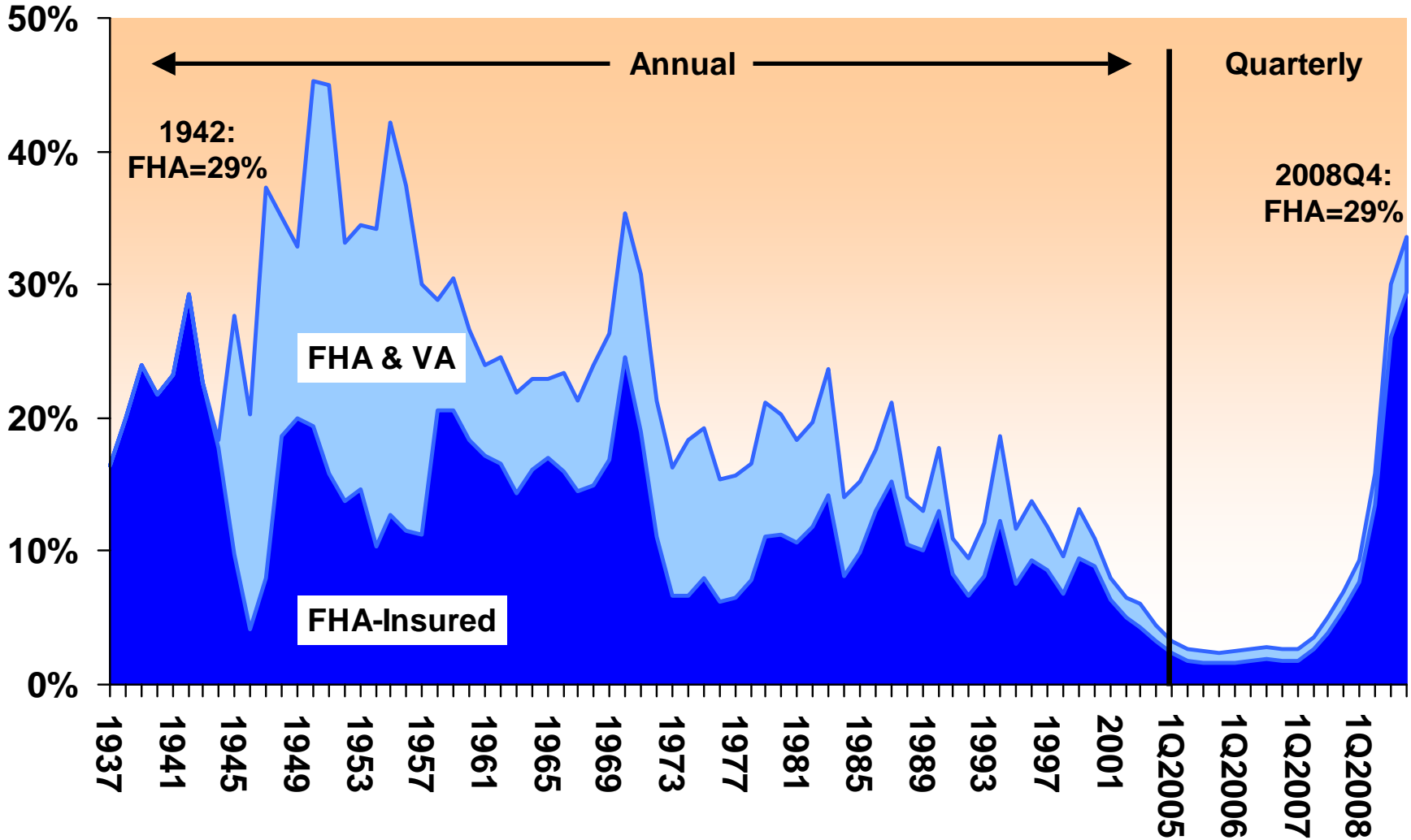
Net Foreign Purchases of Agency MBS Turned Positive in February

Dollar Amount of Net Purchases (Billions)



FHA Lending Is Up Sharply: Largest Share Since 1942

Share of Single-Family Originations



Sources: HUD (1935-1997), Freddie Mac & Inside Mortgage Finance (1998 – Present)



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