

Key Opportunities for Building the Future of Home

Unlocking Solutions to Affordable
Homeownership



Freddie Mac
Single-Family

ALL FOR
HOME

HOME



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Introduction

Freddie Mac wants to help the housing ecosystem look at the housing affordability problem from every angle: home prices outpacing wages, growing student debt, rising rents, a lack of entry-level housing on the market and the lingering impact of the Great Recession. They're all inhibiting the growth of homeownership, but housing professionals can help solve for them.

All For HomeSM is an expanded way of thinking about affordable lending and access to credit. Freddie Mac is committed to leading the future of home through insights, education, mortgage products and business solutions and are focused on prompting industry dialogue, providing subject matter expertise and inspiring collaboration to solve some of our most significant affordability challenges. Not one company, or role can do it on their own. It will take the entire affordable ecosystem, working together, to make a significant impact. All in. All of us. All For Home.

AN **ALL FOR HOME** INSIGHT





SECTION
01

Down Payments, Mortgage Financing and Debt



Raising Down Payment Cash

Many prospective homebuyers find saving for a down payment to be the biggest challenge they have to overcome, but their perception of this obstacle may not match reality. In recent years most borrowers put down considerably less than 20 percent, according to [recent Freddie Mac research](#).

 Perception	 Research Shows
<p>Borrowers are required to put 20 percent down on a house.</p>	<p>13% The average down payment for homebuyers overall was actually 13 percent.</p> <p>7% For first-time homebuyers, the average down payment was 7 percent.</p>
<p>Most homebuyers use personal savings to finance their down payment.</p>	<p>↓ 9% While savings is a common source of down payment funding, a National Mortgage Database (NMDB) survey shows the percentage of respondents using savings dropped 9 percent (since 2013).</p> <p>23% 23 percent of NMBD survey respondents reported funding their down payment with a gift or loan from friends or family.</p>
<p>Saving for an adequate down payment can take a significant amount of time.</p>	<p>NEARLY 1,300 Nearly 1,300 state agencies and housing finance agencies offer down payment assistance.</p> <p>3% Options like Freddie Mac's Home Possible® mortgage allow qualified borrowers to put down as little as 3 percent.</p>



Down Payment Perception by Generation

Although the **majority of Baby Boomers surveyed weren't fazed** by a 20 percent down payment – driving their plans for homeownership – housing professionals have an opportunity to understand options to suit their individual circumstances.

QUESTION: If lenders started requiring homebuyers to put 20% down on a home, how would that impact your perception of owning?

No change as I already planned to put down 20%	Would have to postpone buying a home for a short amount of time	Would have to postpone buying a home for a significant amount of time	Don't know if I'd ever be able to own a home
22% Millennial	14% Millennial	32% Millennial	32% Millennial
26% Gen X	14% Gen X	26% Gen X	34% Gen X
41% Baby Boomer	13% Baby Boomer	20% Baby Boomer	26% Baby Boomer

Both **millennials and Gen X respondents reported that they would have to postpone** their plans for homeownership long-term or don't know if they could ever afford a home if a 20 percent down payment was required.





How Can Housing Professionals Help?

OFFER HOMEOWNERSHIP EDUCATION

Housing professionals can provide education and resources to educate around down payments and implications to homeownership:

- ➔ The importance of credit.
- ➔ The homebuying and mortgage process.
- ➔ Solutions to help borrowers easily identify down payment assistance programs.
- ➔ How to stay in their current homes in the face of adversity.
- ➔ The responsibility of homeownership.

TEACH BORROWERS ABOUT DOWN PAYMENT ASSISTANCE OPTIONS

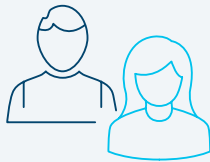
Ease the path to homeownership by communicating down payment assistance and options that remove some of the barriers for low- to moderate-income borrowers. [Freddie Mac's Home Possible®](#) mortgage helps housing professionals expand their market opportunity while providing opportunities for more borrowers to realize the milestone of homeownership by offering:

- ➔ A low three percent down payment option.
- ➔ Multiple qualifying options.
- ➔ Flexibility to address common challenges.





Rising Home Prices and Affordability Perceptions



HOUSING PRICES VS. INCOME GROWTH

First-time homebuyers are inundated with news and data about how difficult the housing market can be today. For example, home prices have grown four times faster than household income, according to [a Freddie Mac study](#), making the transition from renting to owning even more difficult for some.



INCREASING HOME AND RENTAL PRICES

Many prospective homebuyers may choose to remain in the rental market because of high home prices. But while home prices have been rising quicker than average incomes, rental prices are not far behind. For example, 82 percent of renters view renting as more affordable than homeownership – up 15 points from February 2018.



Since 1960:

**HOME
PRICES
INCREASED
4X
FASTER
— THAN —
INCOME**

**MEDIAN HOME
PRICES
INCREASED
121%
— WHILE —
INFLATION-ADJUSTED
INCOME
ONLY ROSE 29%**

**MEDIAN GROSS
RENT
INCREASED
MORE THAN 2X
FASTER
— THAN —
THE GROWTH
OF ADJUSTED
INCOME**

Source: A Timeline of Affordability: How Have Home Prices and Household Incomes Changed Since 1960. Clever, July 2019



OWNING VS. RENTING

While the disparity between home prices and income present significant challenges, [a Freddie Mac survey](#) reveals that affordability perceptions impact homeowners and renters in a big way. According to the survey, 82 percent of renters view renting as more affordable than homeownership.

Also, the majority of renters and homeowners surveyed see renting as a more affordable option. In fact, both homeowners and renters reported having difficulties affording housing costs – with 44 percent of renters and 35 percent of owners moving to be able to afford housing costs.

The percentage of people saying they've made changes to afford their monthly housing payments, as of April 2019:

62%

Among Renters

47%

Among Owners



SECTION
02

Location and Migration





Housing Affordability and Migration Trends

HOMEBUYERS ARE MAKING DIFFERENT DECISIONS ABOUT WHERE THEY LIVE AND WORK

Americans are moving from coastal states in search of affordable housing. Companies are helping make it happen—creating tens of thousands of jobs in the country's inland states. Housing professionals in these markets stand to profit from this wave of new borrowers, especially from millennials who are today's biggest homebuyers nationwide.



The relocation movement is expected to accelerate as younger millennials form millions of new households and age into the prime homebuying bracket of 32 to 38 years.

Source: [Location, Location, Location: Bi-Coastal Migration Boosting Homebuying in Inland States](#)

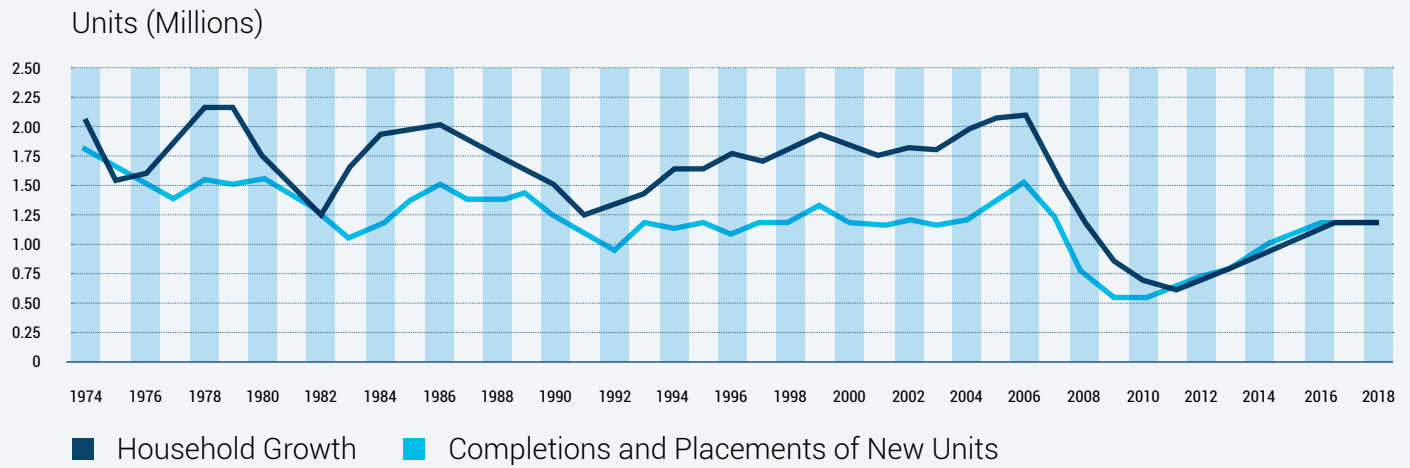


Three Factors Impacting Housing Shortages and Availability

1. SLUGGISH NEW HOME CONSTRUCTION

Compared with 1980-2016 annual averages, construction of single-family homes was down 13 percent across the country. But which regions are experiencing the largest gap between housing demand and supply of new construction homes? According to [a Harvard University study](#), Western and Southern metropolitan areas are experiencing lagging construction in contrast with household growth.

HOUSEHOLD GROWTH IS OUTPACING NEW HOME CONSTRUCTION



Source: Harvard University Joint Center for Housing Studies 2019 State of the Nation's Housing

2. AGING HOUSING INVENTORY

Nearly 80 percent of America's housing inventory is [at least 20 years old](#), and, of those homes, 38 percent were built before 1970. Areas particularly hard hit by aging housing stock are California, the Midwest, Mid-Atlantic and Northeastern regions of the country.

3. SENIORS ARE STAYING IN THEIR HOMES LONGER

Seniors born after 1931 are staying in their homes longer, resulting in [higher homeownership rates](#) for this group relative to previous generations. This trend accounts for about 1.6 million houses held back from the market through 2018, representing about one year's typical supply of new construction.





How Can Housing Professionals Help?

1. HELP BORROWERS OVERCOME RENOVATION MYTHS

1.7 Million
OLDER HOUSING UNITS
WERE DEMOLISHED
AND REMOVED BETWEEN
2009 AND 2016

According to the [National Association of Realtors](#), if those homes had been renovated, available housing inventory would have more than doubled by 2017.

Although renovating older homes can help borrowers solve for aging housing and lack of availability, many potential borrowers think renovations require cash financing. But homeowners with little or no equity or extra cash have more options than they may think. [Dispel the perception of cash-only renovation financing](#) through borrower education around alternatives.

2. PREPARE FOR A FLOOD OF AVAILABLE OWNER-OCCUPIED HOUSING

According to [Zillow research](#), when Baby Boomers do begin leaving their homes, it could impact housing stock, with retirement destinations experiencing the highest turnover.

If the number of future retirees choosing to make common retirement destinations their home doesn't coincide with past generations and local demand, some regions may see a surplus of available housing.

Top Ten Regions with the Most Housing Expected to Be Released into the Market by Seniors

- | | |
|-----------|---------------|
| 📍 Tampa | 📍 Knoxville |
| 📍 Tucson | 📍 Pittsburgh |
| 📍 Miami | 📍 Cleveland |
| 📍 Orlando | 📍 Albuquerque |
| 📍 Dayton | 📍 Greensboro |





SUBURBAN HOMEOWNERSHIP AND THE COST OF COMMUTING

Homebuyers are keeping peripheral areas alive and often migrating to the suburbs and exurbs, where housing is more affordable. This trend in suburban homebuying also indicates a cascading series of compromises in the interest of beginning to accumulate long-term wealth. And it affects the majority of essential workforce homeowners: 62 percent find it somewhat, fairly or very difficult to [find affordable housing](#) "close to work," meaning a commute of 25 minutes or less.

Three Ways Homeowners Are Making Different Choices Based on Their Commutes



1. PRICE

30%

chose a cheaper home



2. LOCATION

26%

chose a lower cost region



3. SIZE

24%

chose a smaller home





How Can Housing Professionals Help?

While exploring lower cost regions can provide buyers with more affordable housing options, it can also drive up commuting costs.

GUIDE BORROWERS THROUGH THE PROCESS BY HELPING THEM FACTOR IN:



COMMUTE TIME



GAS PRICES



PARKING AVAILABILITY



TOLL COSTS



PUBLIC TRANSPORTATION



SECTION
03

Affordable Solutions and Opportunities

Next Steps for Housing
Professionals



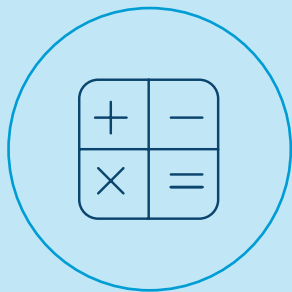
Four Ways Housing Professionals Can Support Homebuyers



1 **Partner** with other professionals in the housing ecosystem.



2 **Connect** borrowers with housing counselors who can provide guidance and serve as a trusted advisor.



3 **Leverage** fintech resources to help borrowers build and maintain credit.



4 **Prepare** borrowers for sustainable homeownership with financial literacy and education.



Innovative Housing Solutions

It takes a broad set of solutions, and people from across the housing ecosystem, to solve for borrower and industry challenges and to make the dream of home simpler, faster and more affordable.



MANUFACTURED HOUSING



TINY HOUSES / CONTAINER HOUSES



RENOVATIONS



OPEN ZONING



LOW DOWN PAYMENT MORTGAGES



SWEAT EQUITY



GRANTS



[FIND AN AFFORDABLE MORTGAGE SOLUTION](#)



Helping you help future borrowers.

[Read more about the Borrower of the Future®](#)

AN **ALL FOR HOME** INSIGHT

Learn more about how [Freddie Mac All For HomeSM](#) is building the future of home through insights, education, mortgage and business solutions.



We know that with the collaboration, creativity and focus of the entire ecosystem, we can be successful in building the future of home.

Danny Gardner, Senior Vice President
Single-Family Affordable Lending and Access to Credit

