



# Facts and Figures on New Mortgage Products

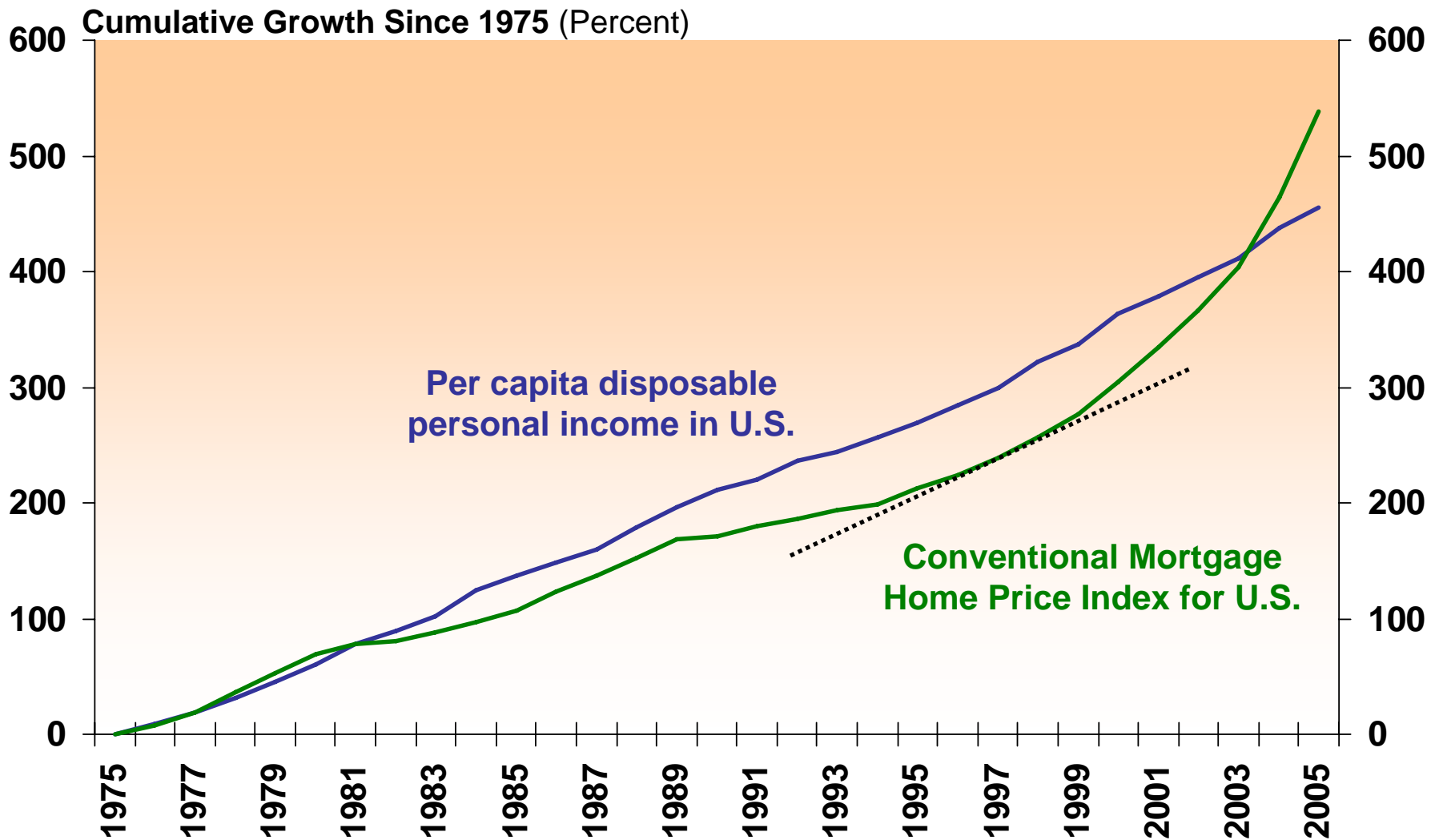
Protecting Consumers in the New Mortgage  
Marketplace - Federal Trade Commission  
Workshop

Washington, DC

May 24, 2006

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Deputy Chief Economist

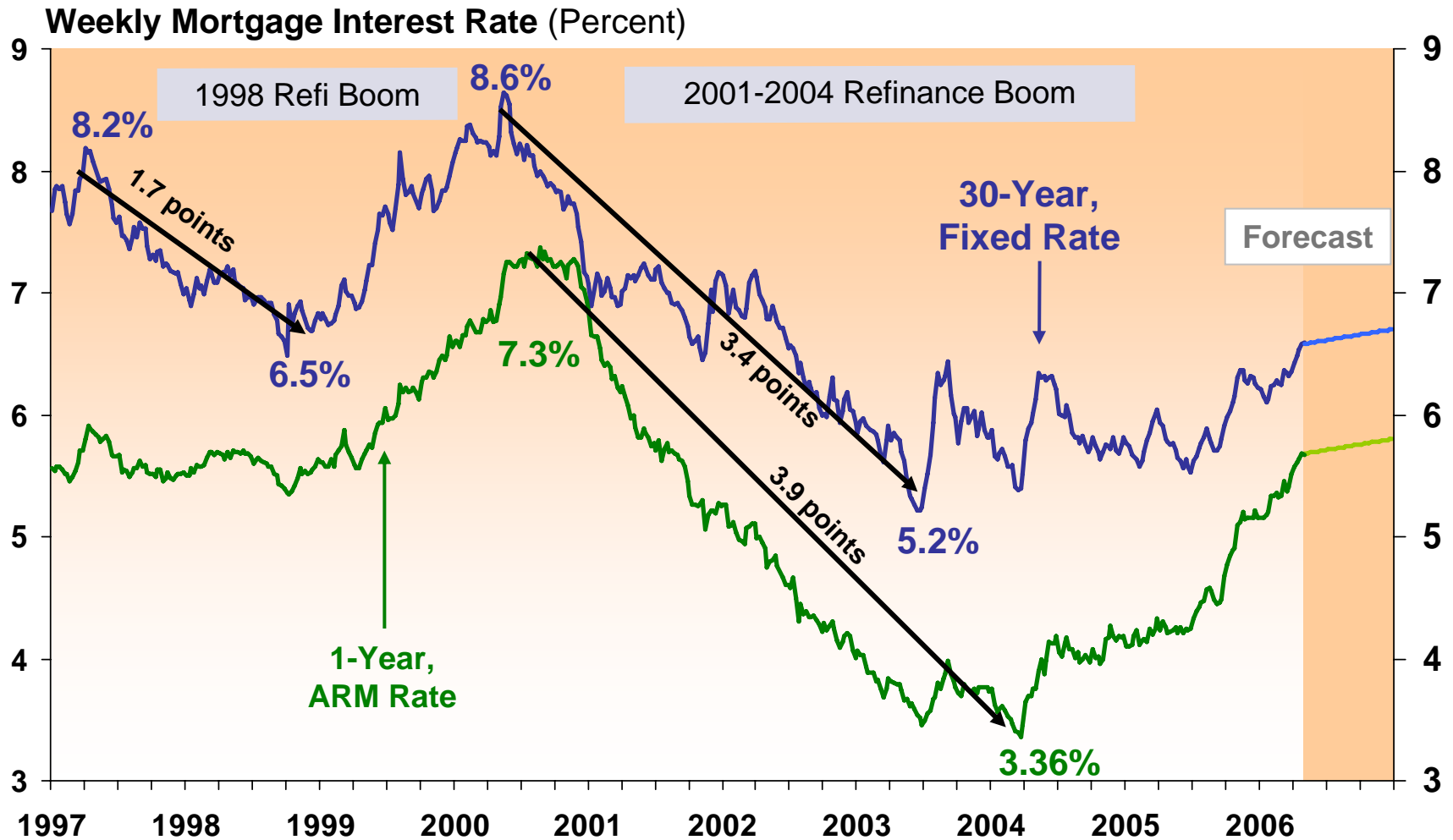
# Home Price Appreciation Has Outpaced Income Growth in Recent Years



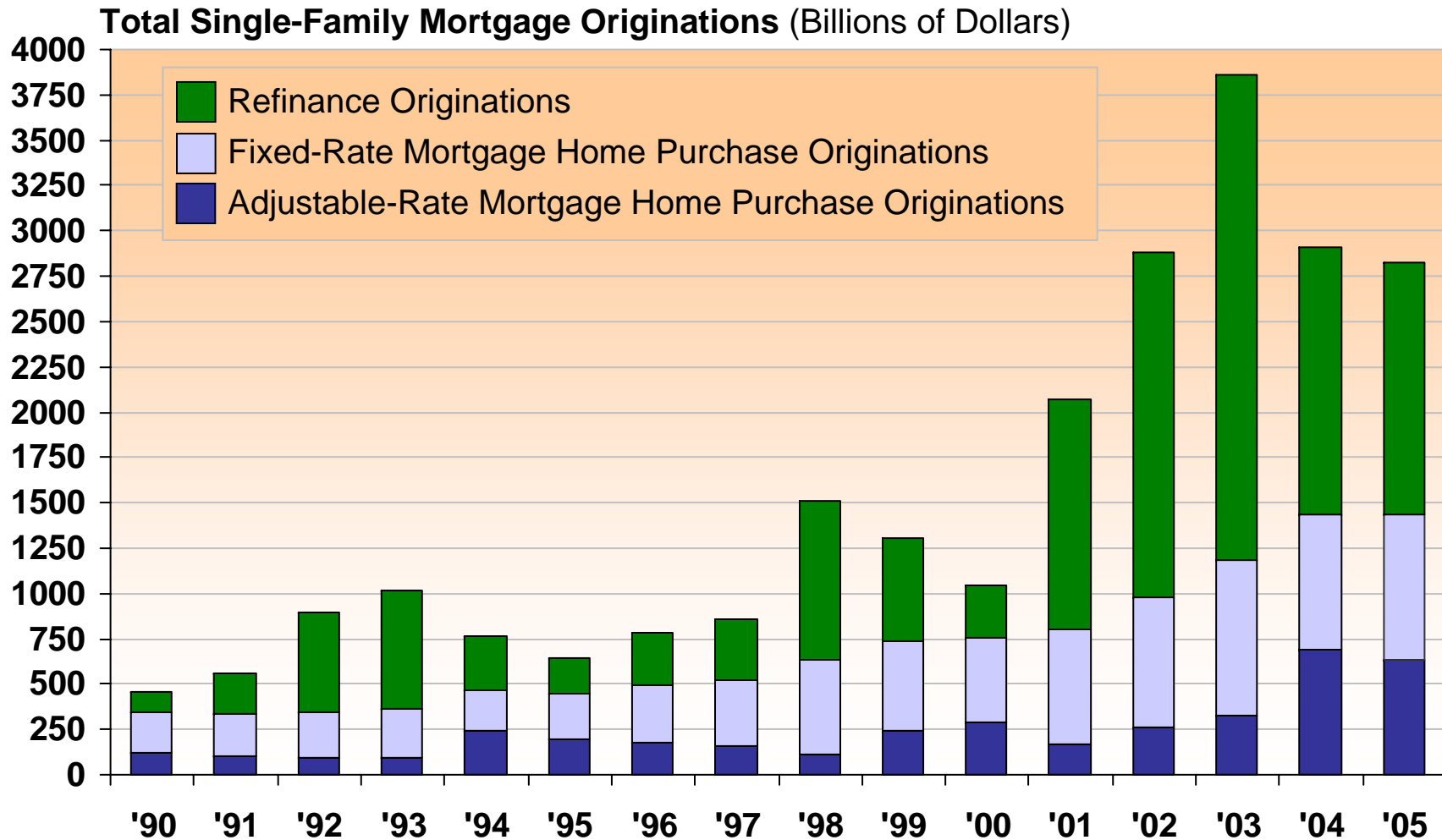
Source: Freddie Mac, Bureau of Economic Analysis

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# Mortgage Rates Came Down Rapidly 2000-2003, But Are Now Trending Up



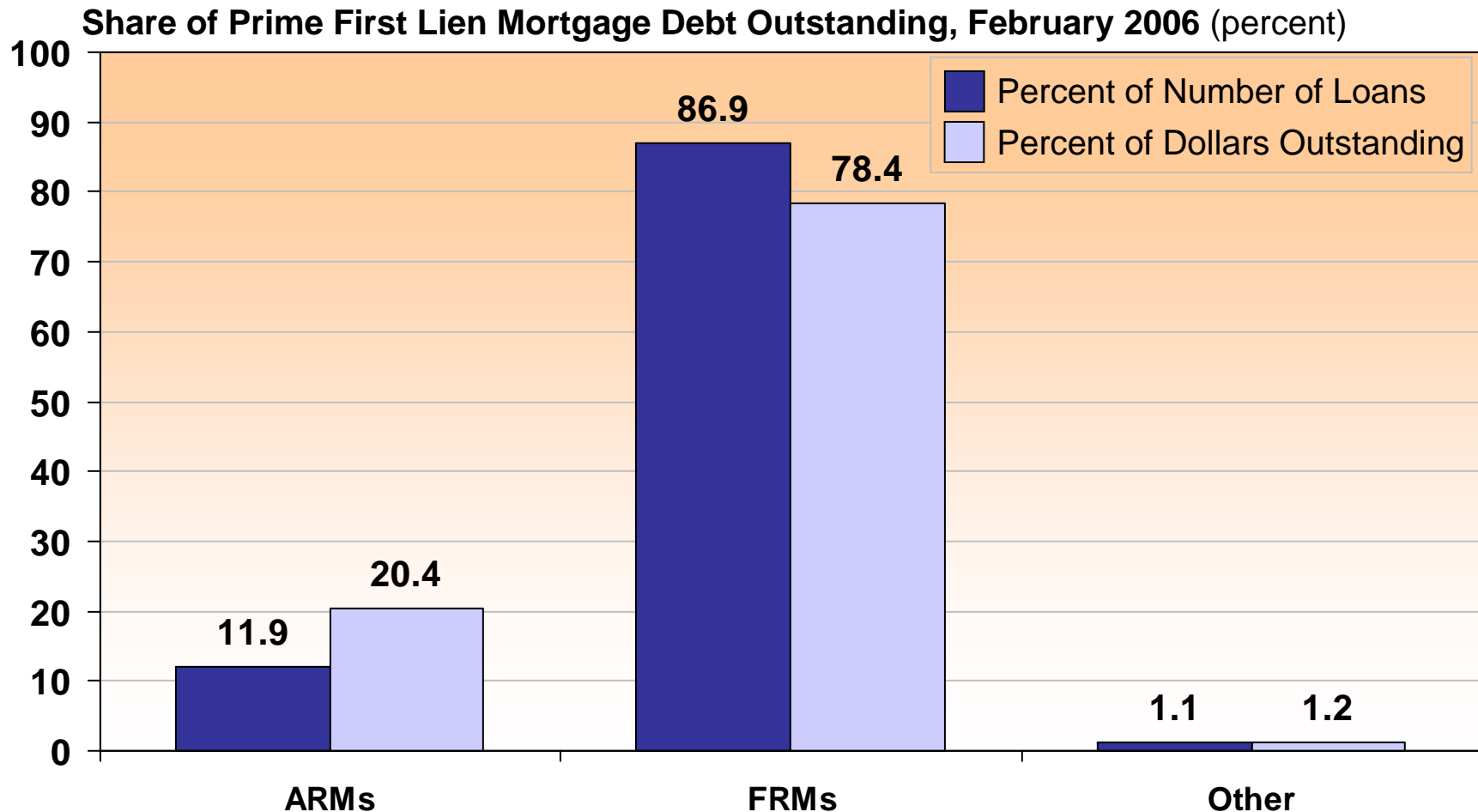
# ARMs Have Always Been an Important Source of Home Purchase Mortgages



Source: U.S. Department of Housing and Urban Development, Freddie Mac, Federal Housing Finance Board

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# Fixed Rate Mortgages Are the Bulk of Prime First Lien Mortgages Outstanding

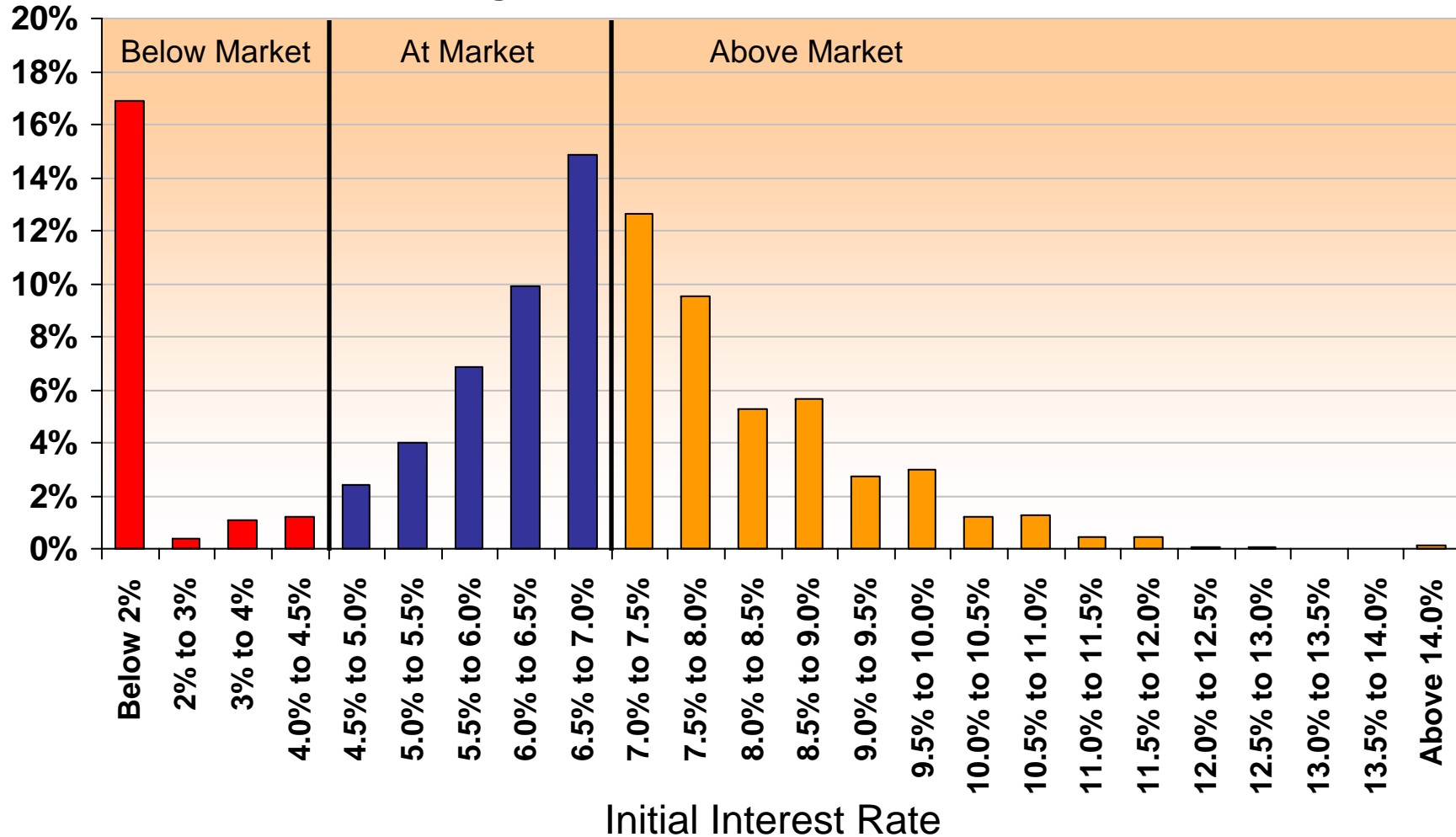


Source: LoanPerformance-a unit of First American Real Estate Solutions

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# The Distribution of Initial Interest Rates on ARMs Originated in the Last 2 Years

Share of Active ARMs originated in 2004 and 2005

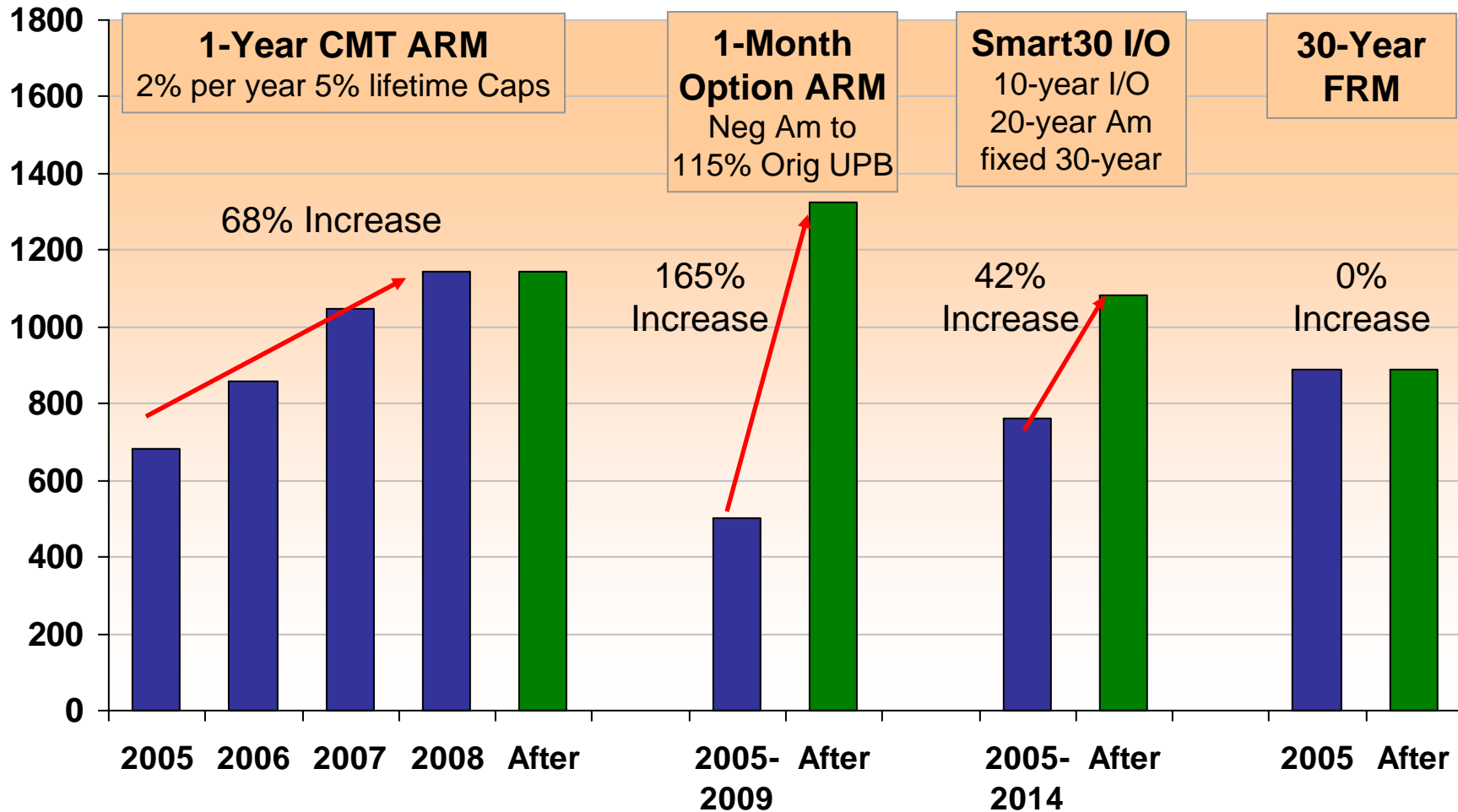


Source: "Mortgage Payment Reset: The Rumor and the Reality" by Christopher L. Cagan, First American Real Estate Solutions, February 8, 2006

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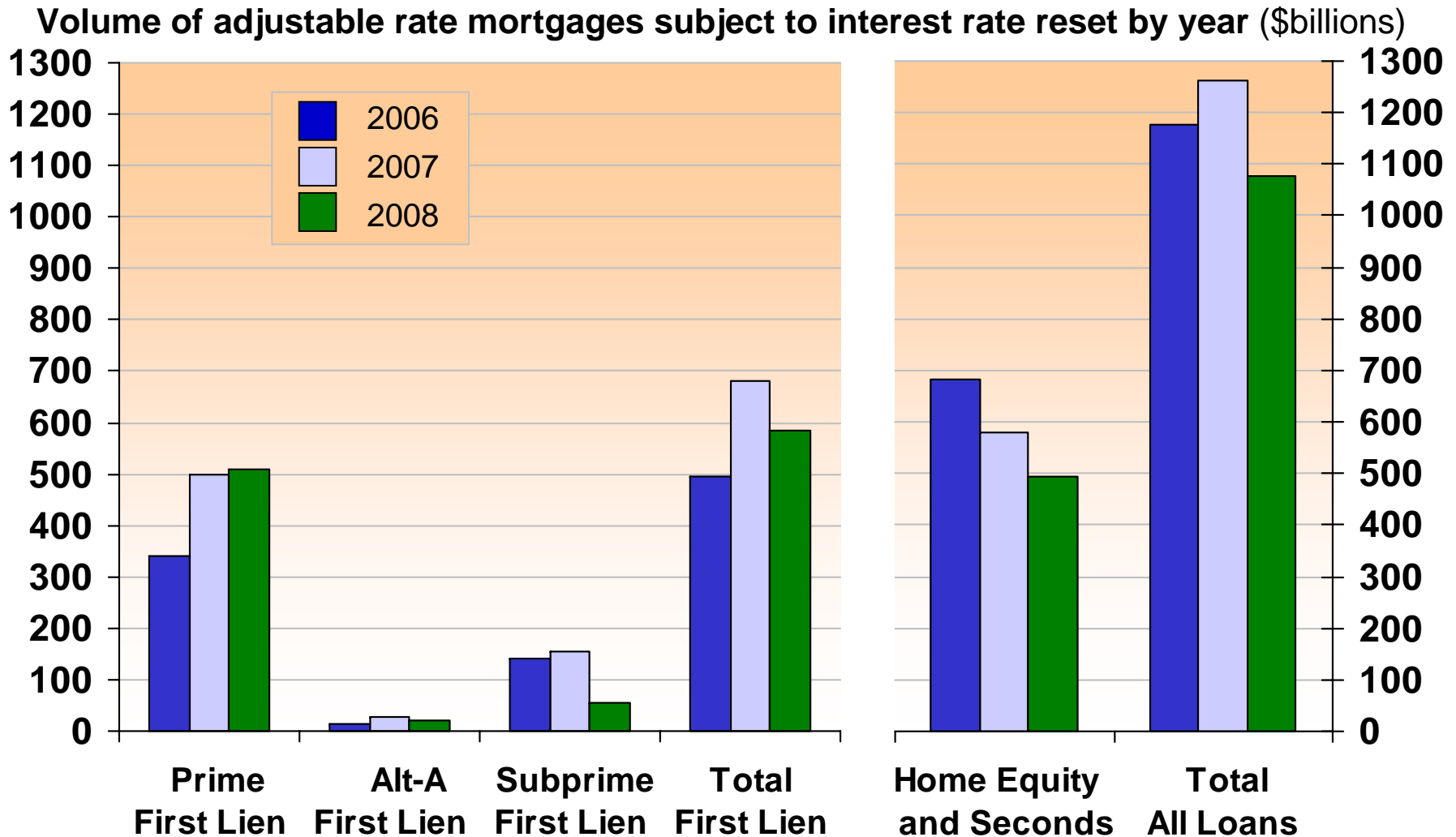
# ARMs: Lower Initial Payments, Higher Payments Later

**Example: Monthly Mortgage Payment on \$150,000 Original Balance Loan**



Source: Primary Mortgage Market Survey<sup>SM</sup>, Quicken Loans, E-Loan

# \$500 Billion in First Lien ARMs Reset in 2006 - Roughly 6% of All Mortgage Debt



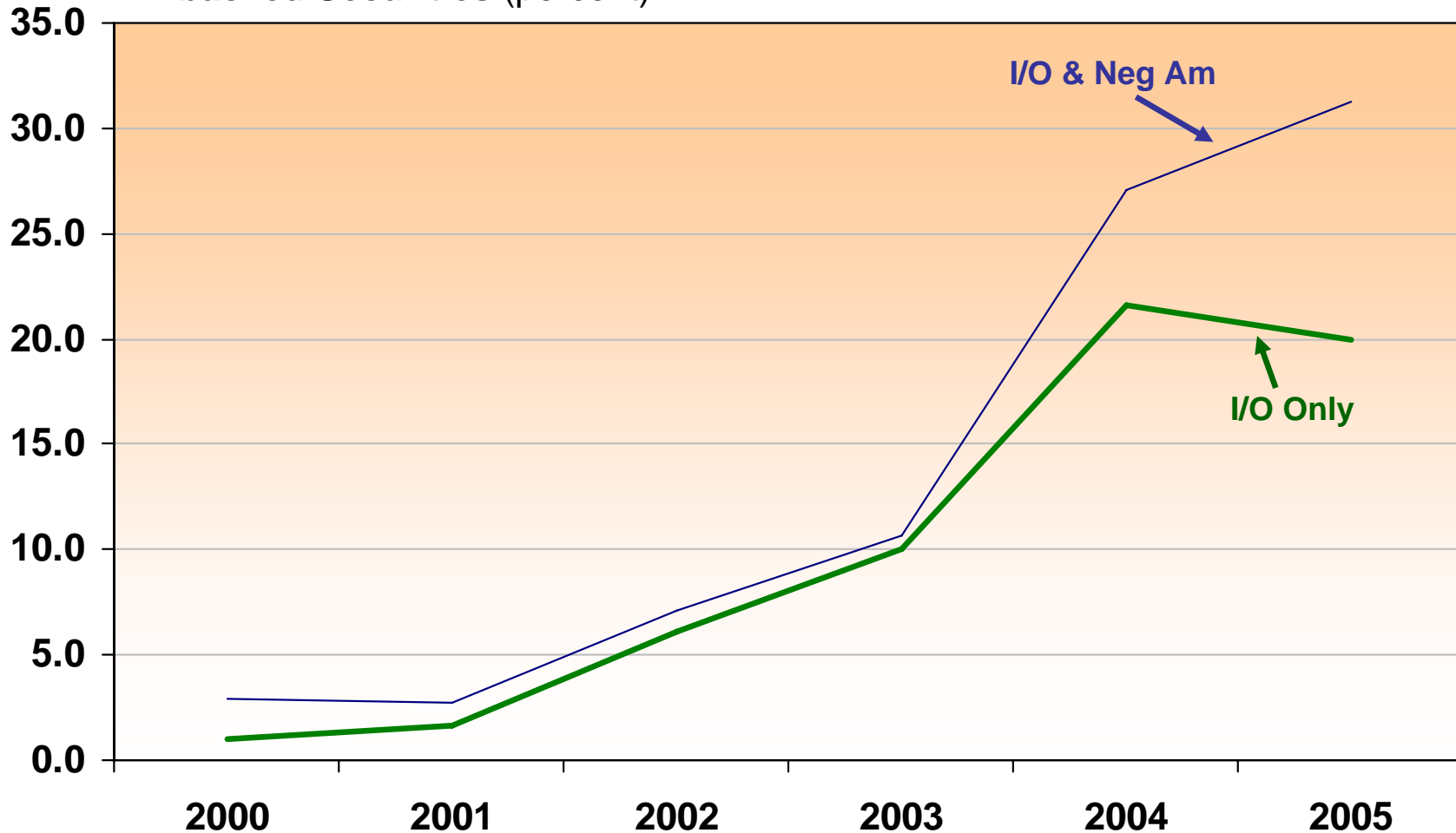
Source: Freddie Mac, JP Morgan Chase Bank, Citigroup, and Credit Suisse First Boston - updated May 2006

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# Non-traditional ARMs Have Grown Rapidly

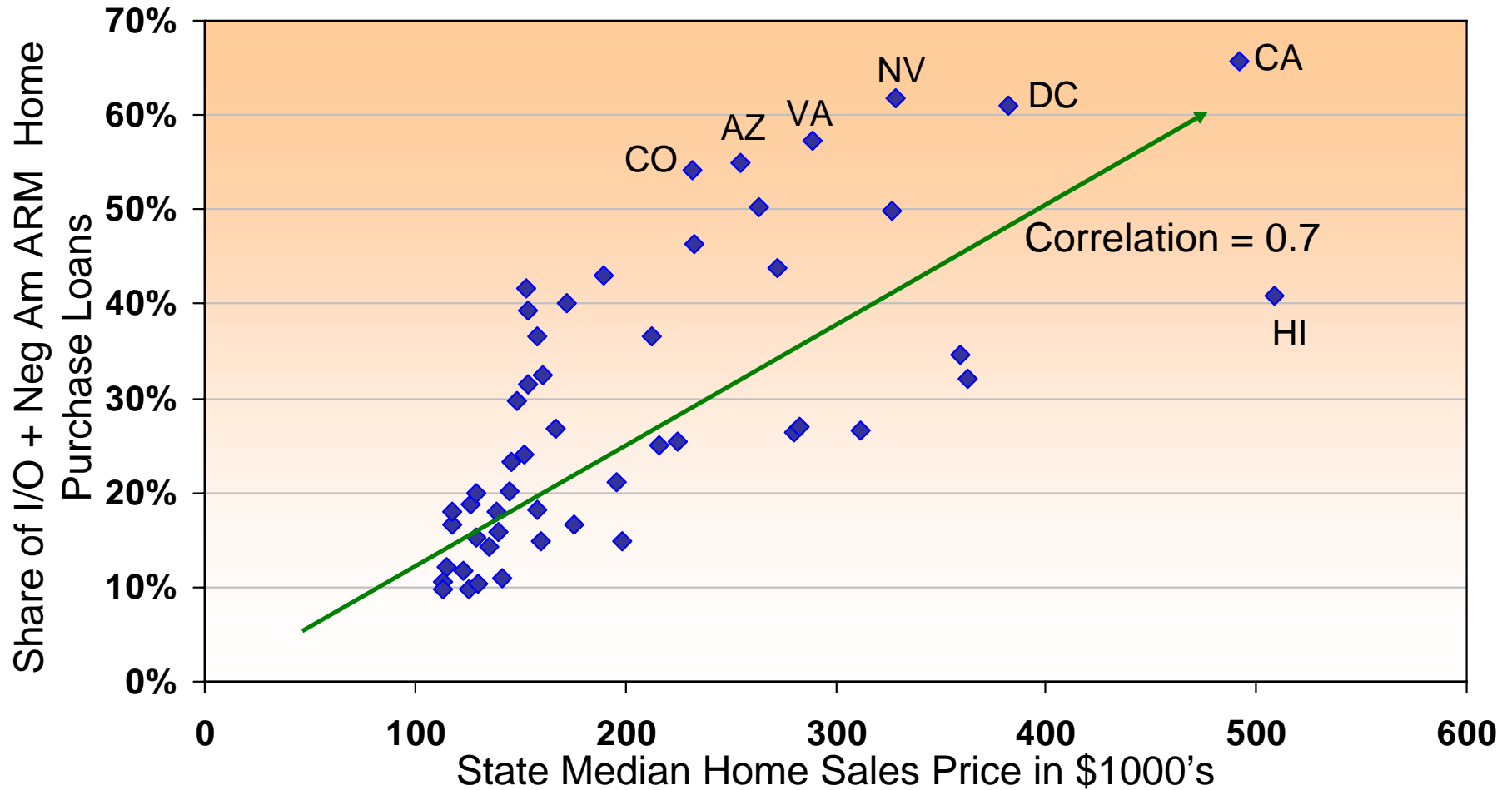
Interest-Only & Negative Amortization Share of Originations in Private-Label ARM-backed Securities (percent)



Source: LoanPerformance-a subsidiary of First American RES  
(issues through September 2005)

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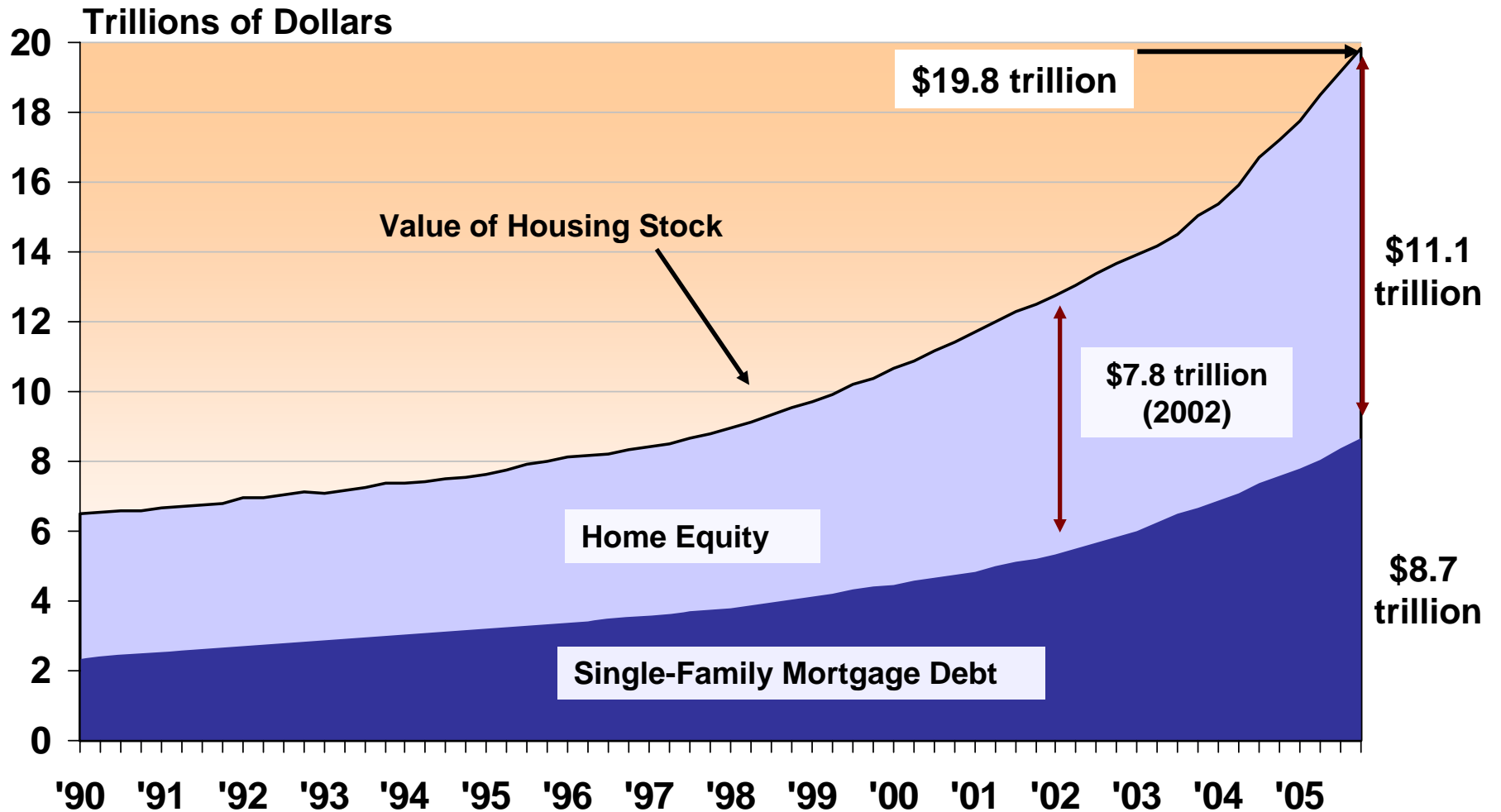
# I/O and Neg Am Share of Purchase Loans Increases With Median Home Price



Source: LoanPerformance-a subsidiary of First American Real Estate Solutions (Private label ARM MBS issues through December 2005 of 2005 Home Purchase Loans), Moody's Economy.com

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# Homeowners Hold Over \$11 Trillion in Equity



Source: Board of the Governors of the Federal Reserve System

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# Job Loss Is the Leading Hardship Reason Among All Delinquent Borrowers

<b>Hardship Reason</b>	<b>1999-2005</b>
<b>Unemployment or curtailment of income</b>	<b>41.5%</b>
<b>Illness in the Family</b>	<b>18.9%</b>
<b>Excessive obligation</b>	<b>10.3%</b>
<b>Marital difficulties</b>	<b>8.4%</b>
<b>Death in the Family</b>	<b>3.9%</b>
<b>Property problem or casualty loss</b>	<b>2.1%</b>
<b>Extreme hardship</b>	<b>3.3%</b>
<b>Inability to sell or rent property</b>	<b>1.6%</b>
<b>Employment transfer or military service</b>	<b>0.9%</b>
<b>All other reasons</b>	<b>9.0%</b>

Source: Freddie Mac



## Where to Get More Information

Look for regular updates to our economic forecast, commentary and data at

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[www.freddiemac.com/news/finance/data.html](http://www.freddiemac.com/news/finance/data.html)

Contact us at [chief\\_economist@freddiemac.com](mailto:chief_economist@freddiemac.com)

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