

Prepared for Camacol 2025
**Global Economic Outlook, Comparing Housing Finance Systems, and Affordable
Housing Initiatives**

October 2025

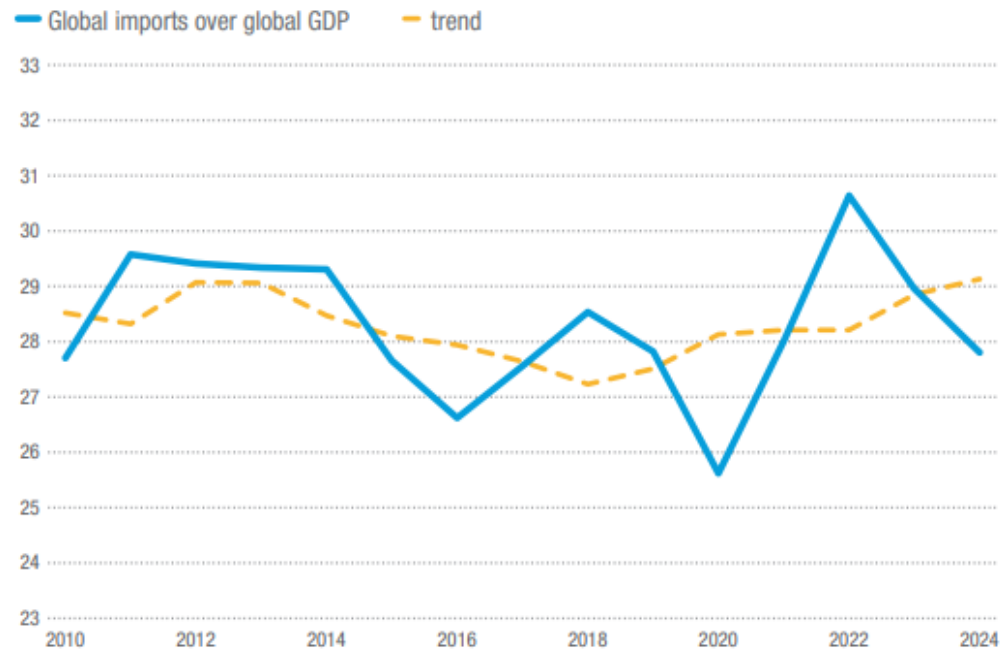
Presented by:

Mike Fratantoni, Ph.D., Chief Economist
Mortgage Bankers Association
Washington, DC USA

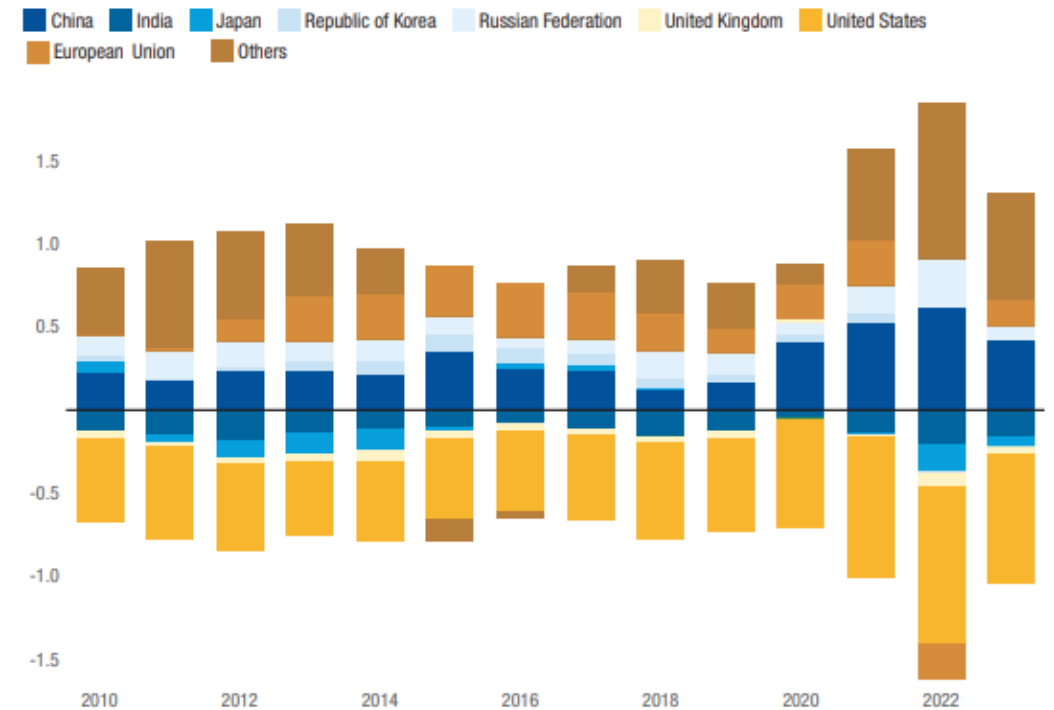
Global Economic Outlook

Globalization Moving in Reverse

Trade-to-GDP ratio has stabilized but declined in the last two years
Imports of goods and services, per cent of gross domestic product at current prices



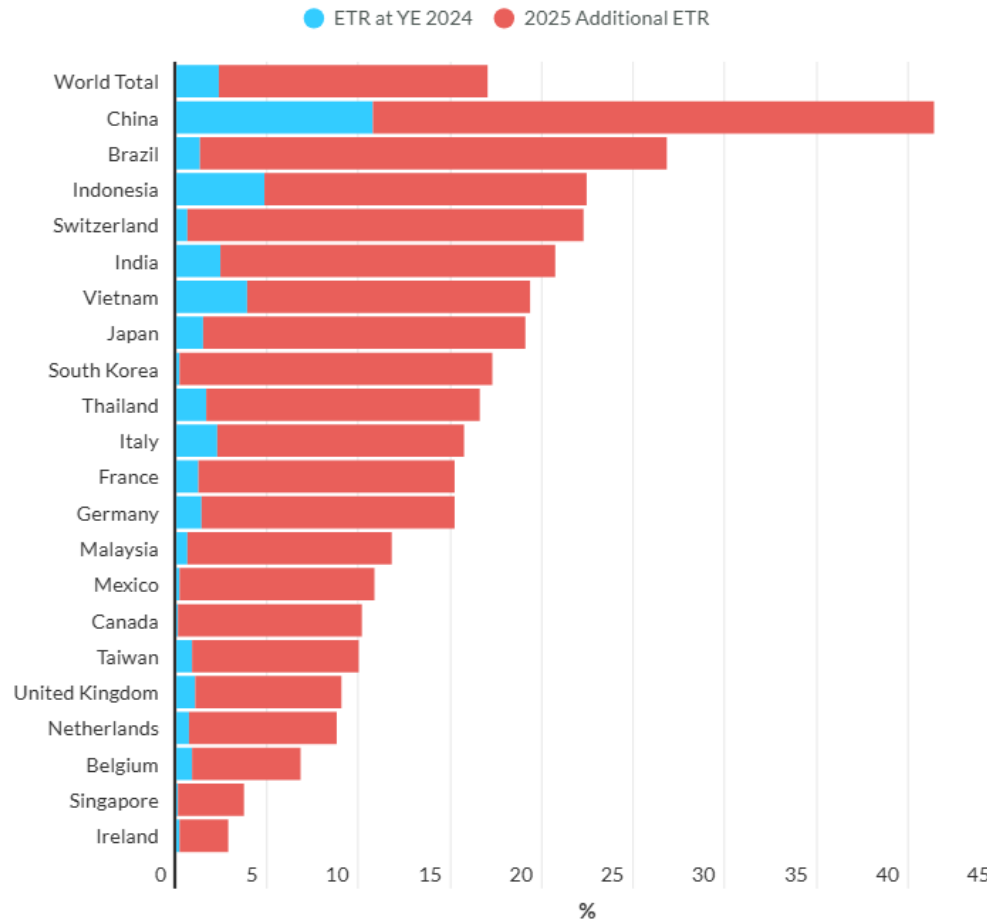
Global trade imbalances peaked in 2022 but remained relatively large in 2023
Trade balance of goods and services, US\$ trillion



Globalization Moving in Reverse

U.S. Effective Tariff Rate by Country

Major trading partners, ordered by 2024 U.S. import amount (USD)



As of Aug. 1, 2025

Source: Fitch Ratings, U.S. Census

FitchRatings

IMF Growth Outlook

World Growth (2.8% in 2025, 3% in 2026)

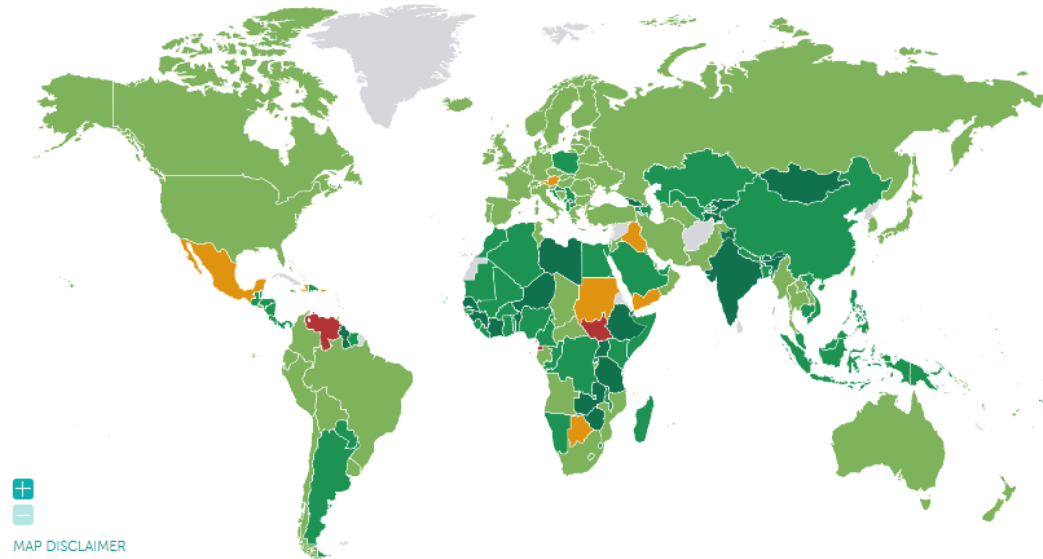
Colombia (2.4% in 2025, 2.6% in 2026)

Real GDP growth ⁱ

Annual percent change

MAP (2025)

6% or more 3% - 6% 0% - 3% -3% - 0 less than -3% no data

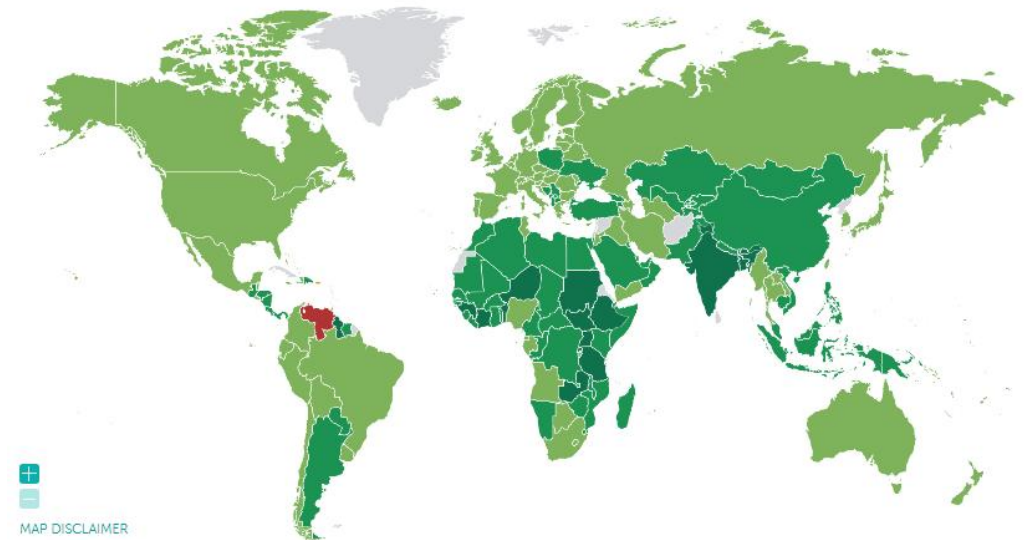


Real GDP growth ⁱ

Annual percent change

MAP (2026)

6% or more 3% - 6% 0% - 3% -3% - 0 less than -3% no data



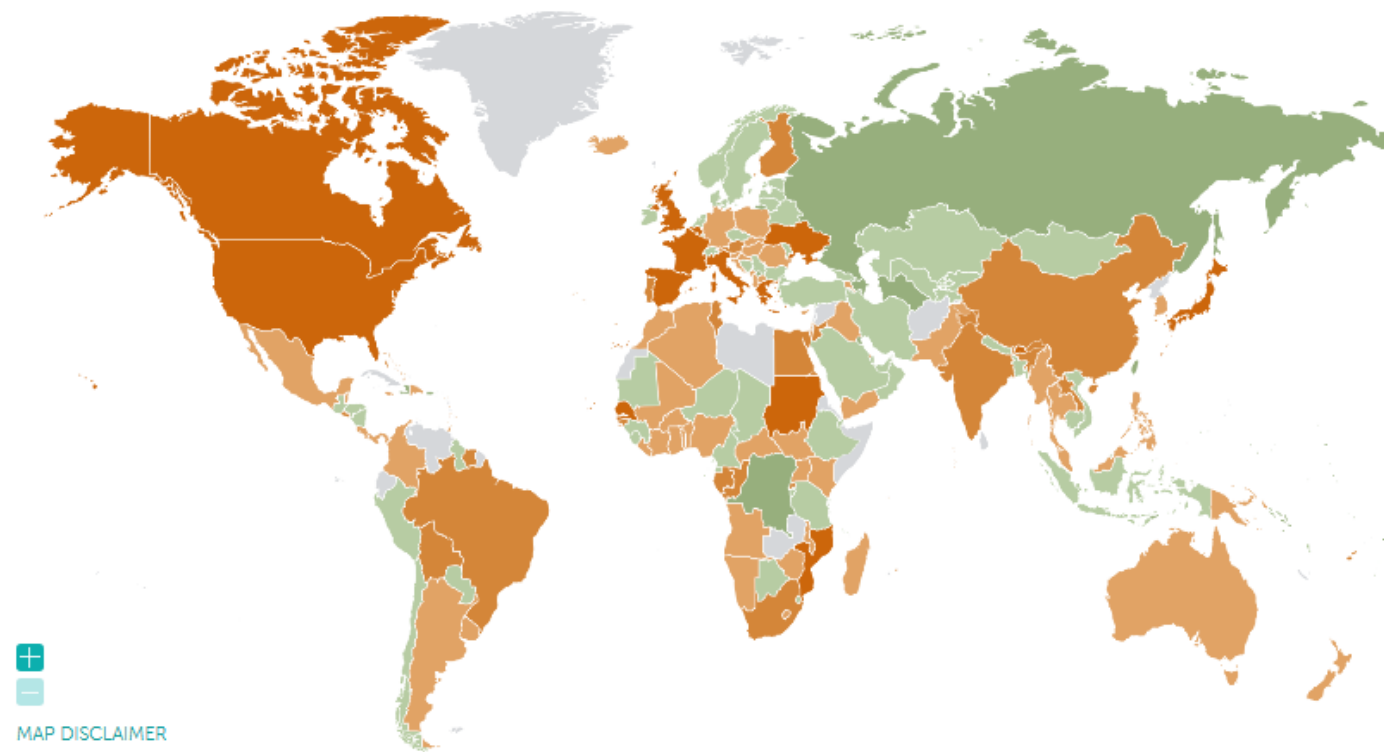
Challenging Fiscal Situations Worldwide

General government gross debt ⁱ

Percent of GDP

MAP (2025)

100% or more 75% - 100% 50% - 75% 25% - 50% Less than 25% no data



LIST (2025)

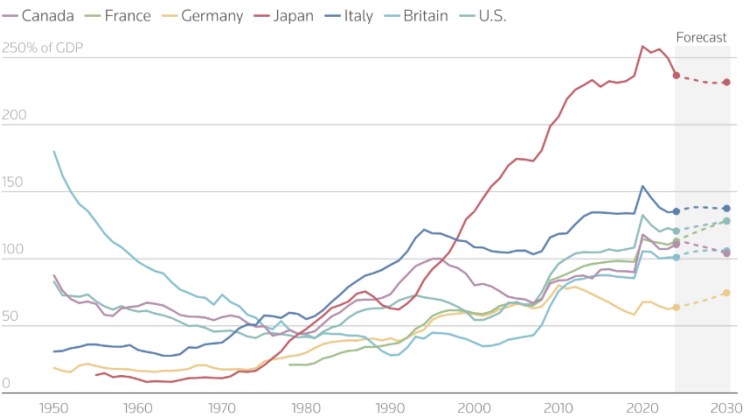
Country Region Analytical group

Country ▼	Value
Chile	43
China, People's Republic of	96.3
Colombia	59.7
Comoros	32.5
Congo, Dem. Rep. of the	16.3
Congo, Republic of	91.4
Cook Islands	no data
Costa Rica	59.7
Côte d'Ivoire	58.1
Croatia	55.9
Cuba	no data
Curacao	no data
Cyprus	60.3
Czech Republic	44.2
Denmark	26.6

Challenging Fiscal Situations Worldwide

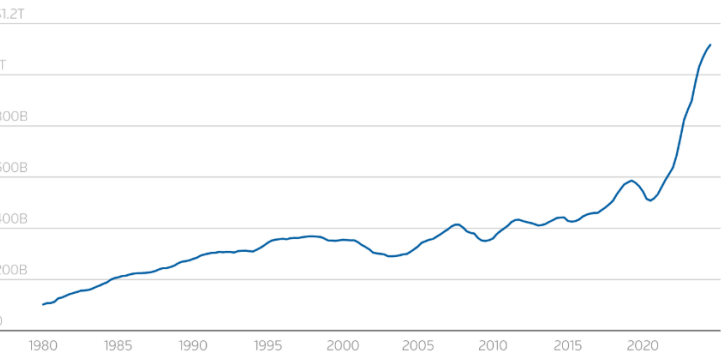
G7's debt problem

France, Germany, UK and U.S. debt-to-GDP ratio are projected to rise over the next five years



Source: IMF

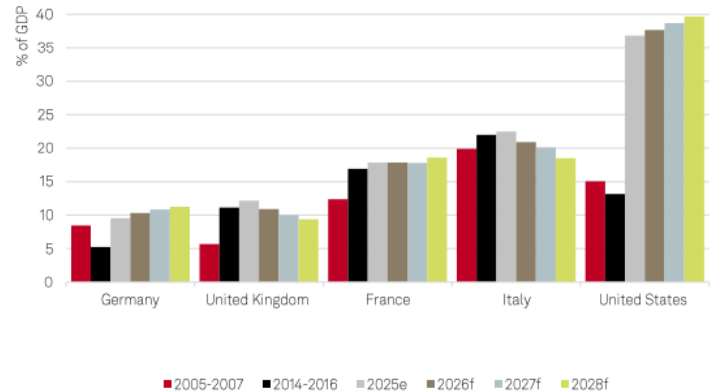
Interest on U.S. debt is piling up



Note: Quarterly federal government expenditures on interest payments in billions of dollars, seasonally adjusted annual rate
A line chart showing the growth of interest payments on US federal debt from 1980 to the present.

Gross Borrowing Needs (including short term debt)

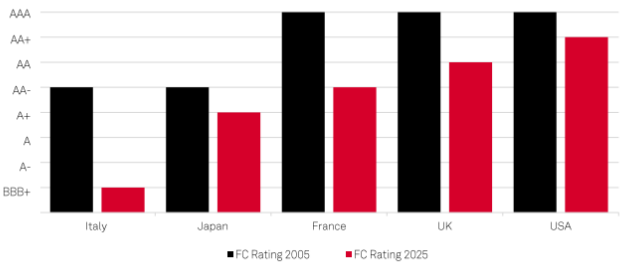
Annual refinancing needs + GG Balance; ppts. of GDP; average 2005-2007; average 2014-2016; 2025-2028f



Source: S&P Global Ratings.

Sovereign Credit Quality has Deteriorated Across Major Developed Economies

Foreign Currency Rating, 2005-2025

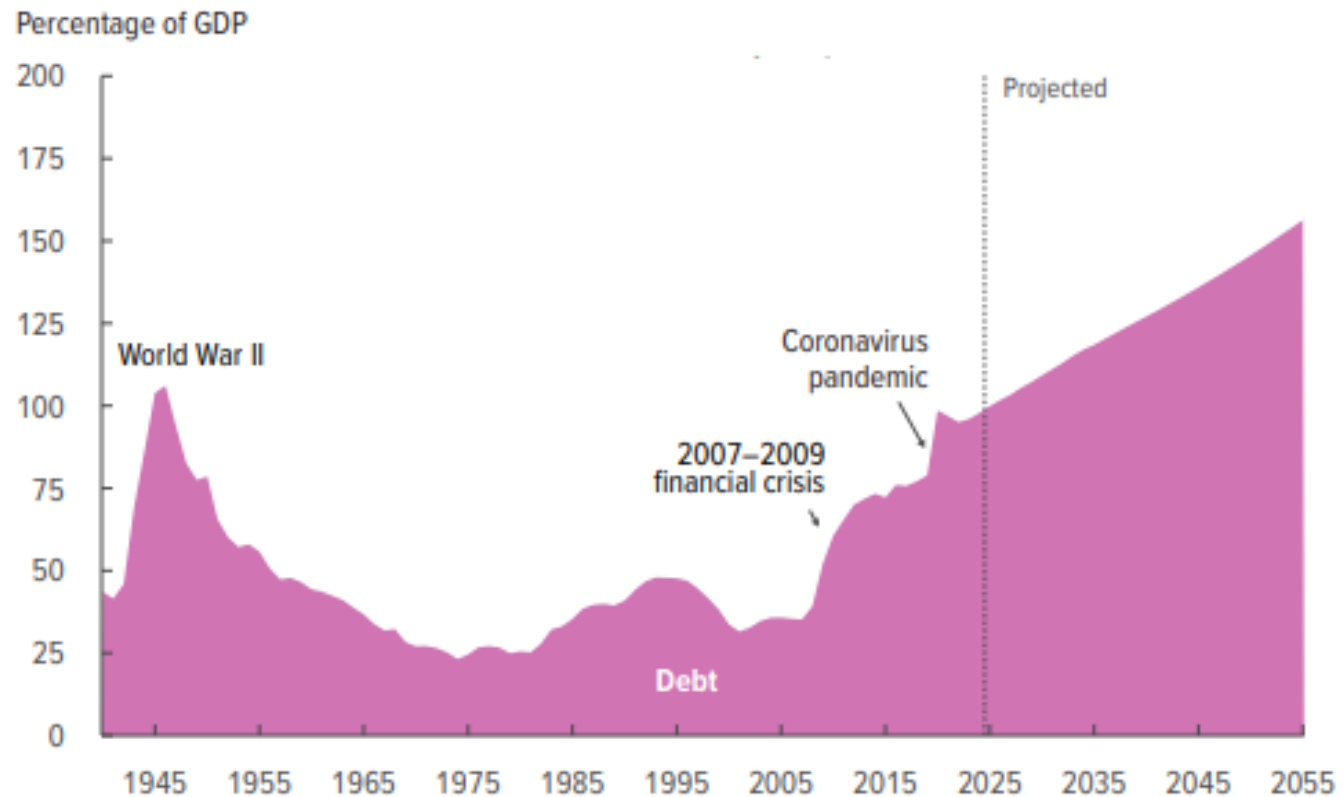


Source: S&P Global Ratings.

US Federal Debt Projected to Increase Rapidly

Federal Debt Held by the Public

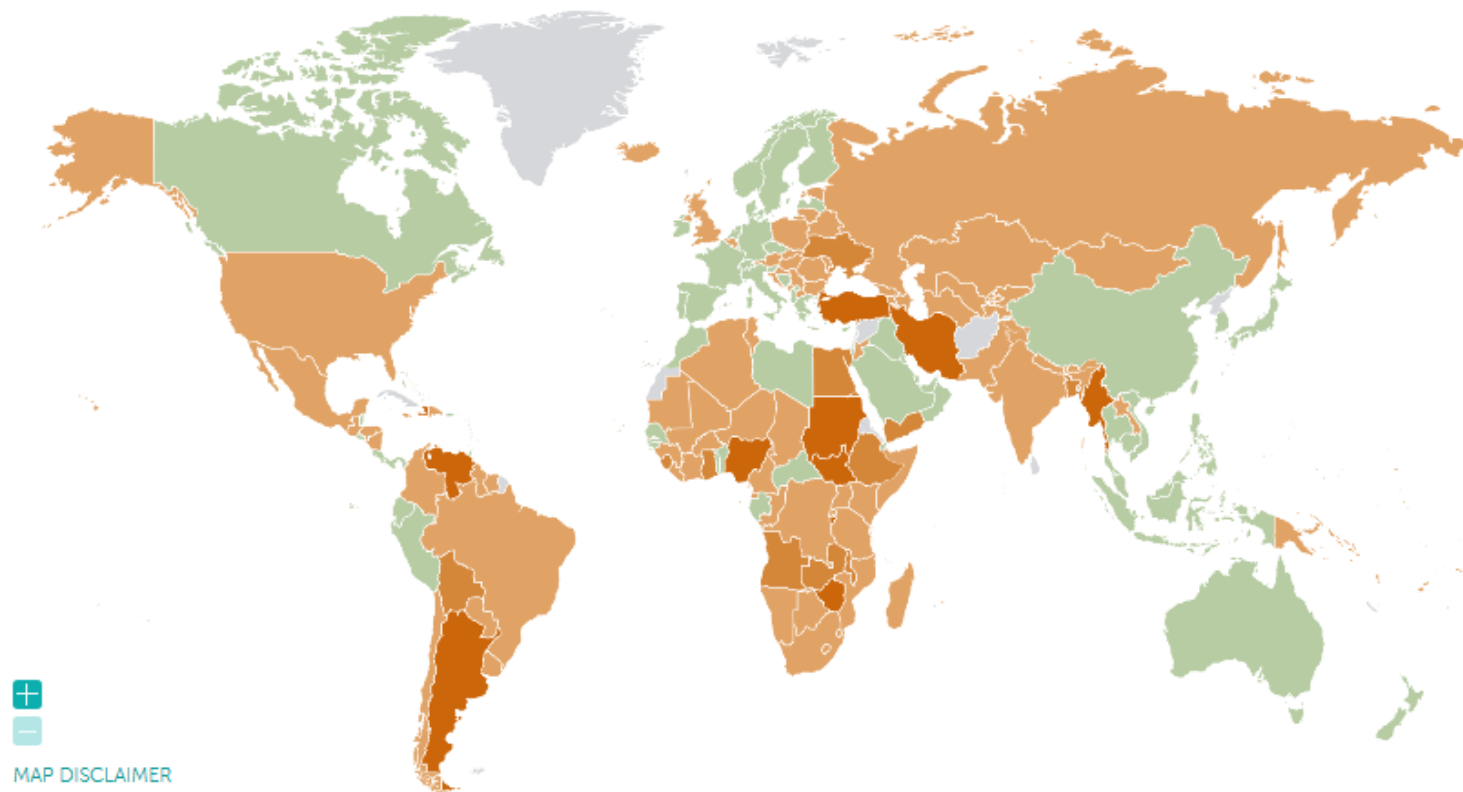
Debt increases in relation to GDP, exceeding any previously recorded level in 2029 and continuing to soar through 2055. It is on track to increase even more thereafter.



Central Banks Reacting to Growth and Inflation Challenges

MAP (2025)

● 25% or more ● 10% - 25% ● 3% - 10% ● 0% - 3% ● less than 0% ● no data

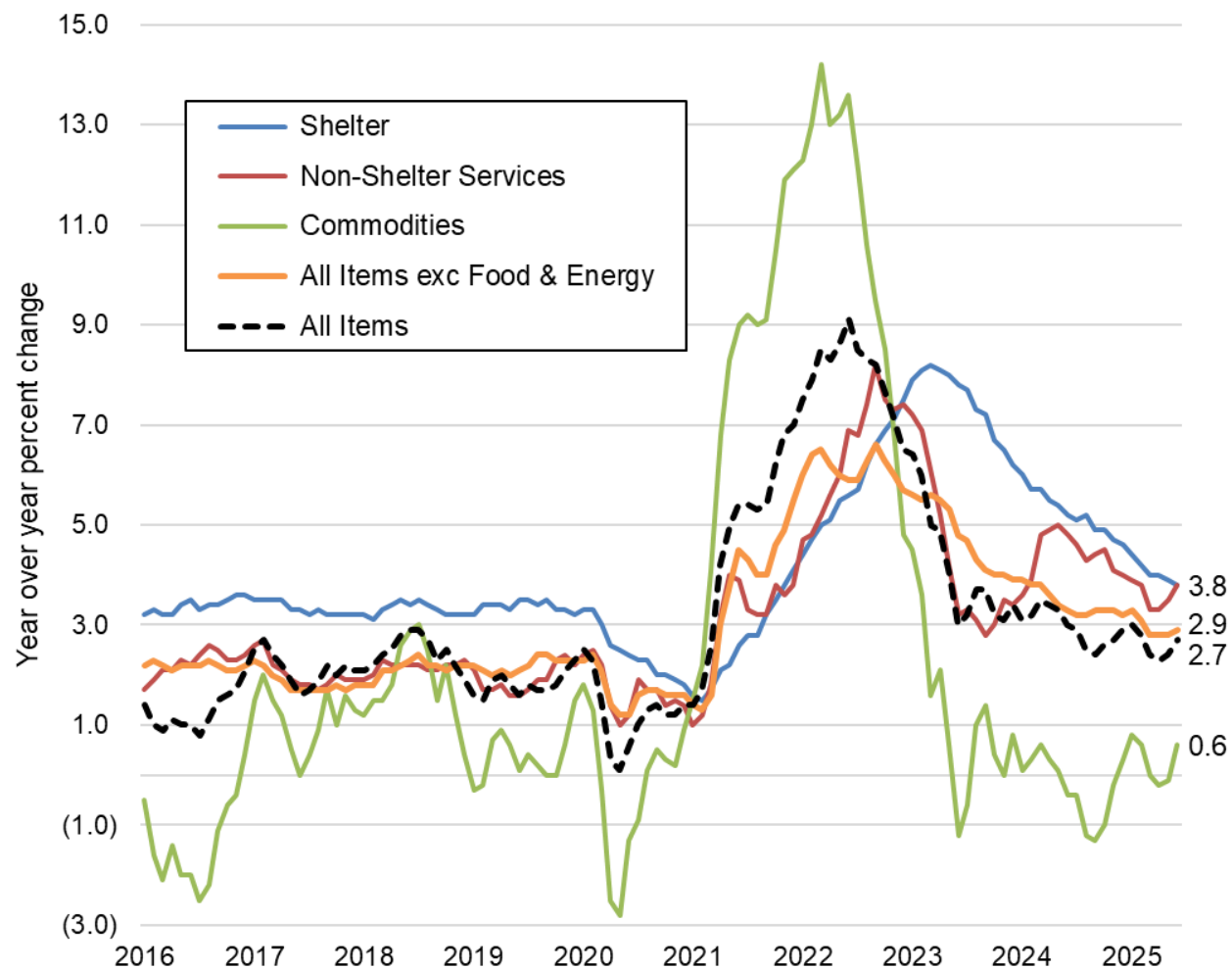


LIST (2025)

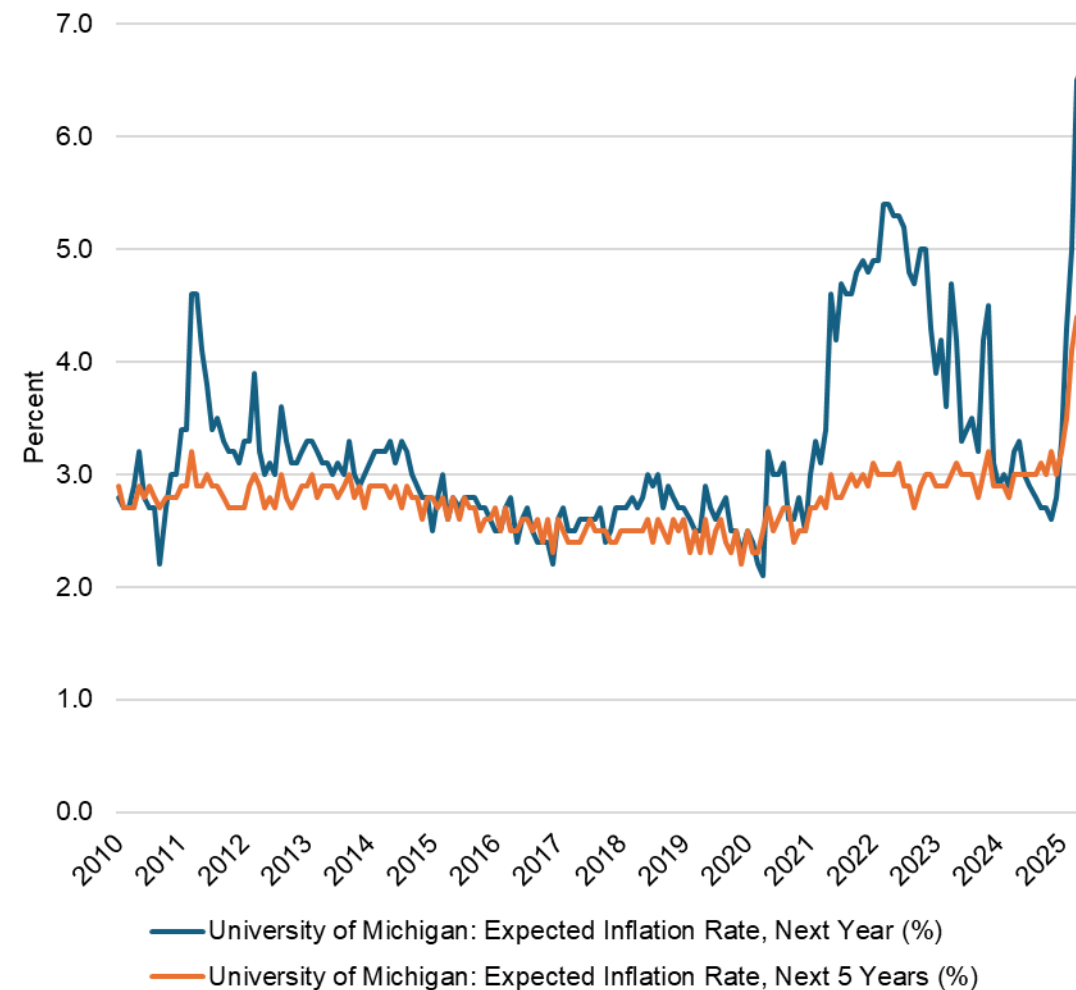
Country	Region	Analytical group
Country ▾		Value
Chile		4.4
China, People's Republic of		0
Colombia		4.7
Comoros		2.2
Congo, Dem. Rep. of the		8.9
Congo, Republic of		3.3
Cook Islands		no data
Costa Rica		2.2
Côte d'Ivoire		3
Croatia		3.7
Cuba		no data
Curacao		no data
Cyprus		2.3
Czech Republic		2.5
Denmark		1.9

Inflation Moderating in US...But Expectations Elevated

CPI Inflation

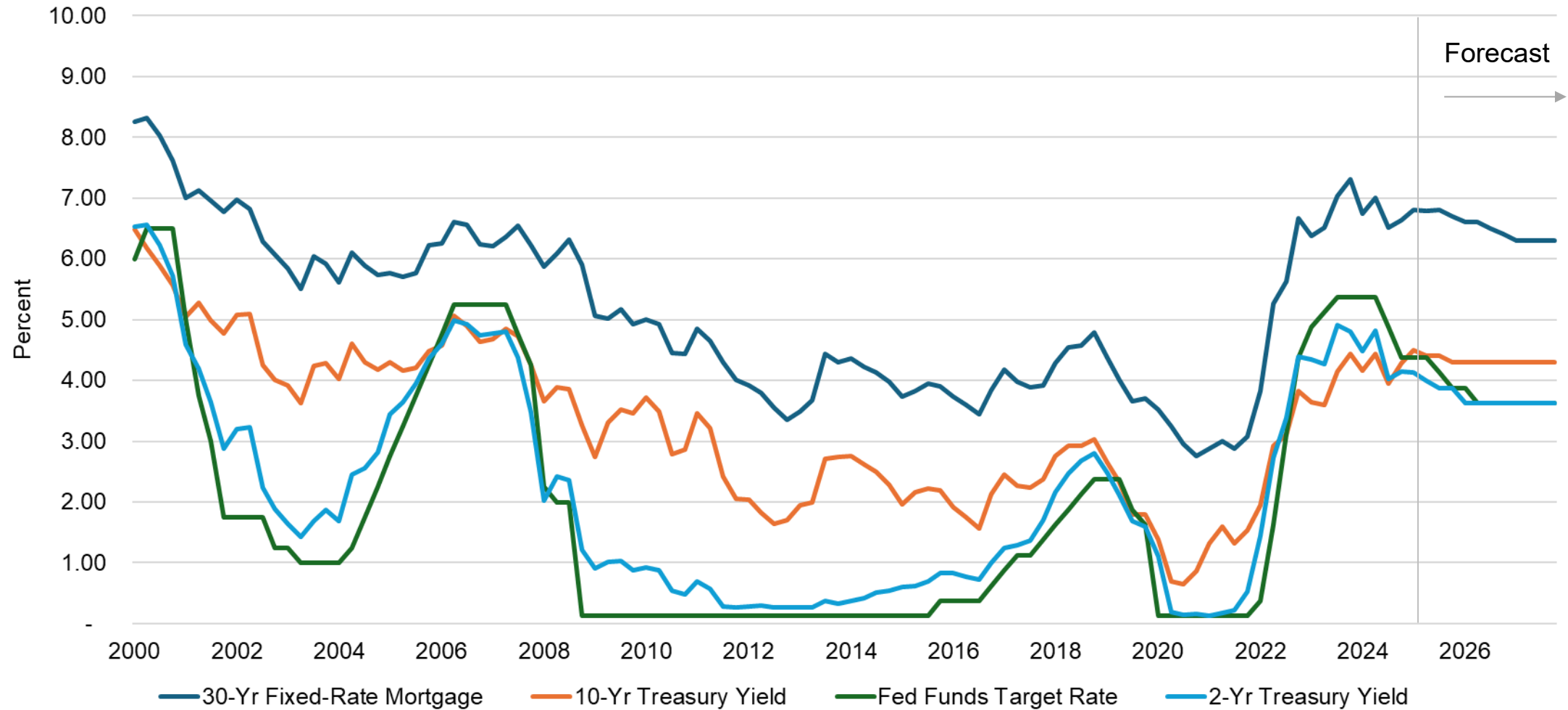


Consumer Inflation Expectations



Rate Outlook for US

History and Forecast of Key Interest Rates



Comparing Housing Finance Systems

Lessons from Consulting Assignments

Big picture issues

- Macroeconomic stability
- Household income levels and growth
- Housing availability, location, and quality
- Clear title
- Tax and legal frameworks
- Primary mortgage market structure and depth
- Secondary mortgage market
- Mortgage lending is risk management
 - Credit risk
 - Interest rate risk
 - Collateral risk
 - Compliance risk

Lessons Learned from Great Financial Crisis

Need for:

- Consistent consumer regulation
- Sufficient capital for risk
- Focus on sustainability, not just initial purchase

Lessons Learned from International Consulting

- South Africa
 - Developing lending in former township areas
- Mexico
 - Evolving lending landscape
- South Korea
 - Interest rate risk, payment shock
- Ireland
 - Crisis resolution, lengthy foreclosure timelines

Comparing Mortgage Systems: Michael Lea paper

“5 aspects of mortgage system design:

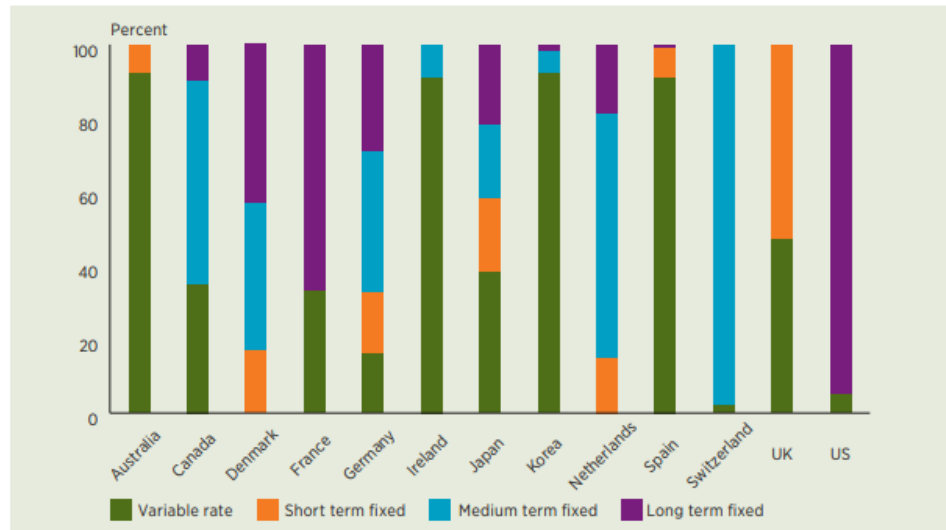
1. Interest rate determination: fixed vs. adjustable-rate mortgages
2. Prepayment penalties and restrictions
3. Loan term and amortization limits
4. Mortgage default and foreclosure
5. Consumer protection regulation”

Table 1
Government Mortgage Market Support

Country	Government Mortgage Insurer	Government Security Guarantees	Government Sponsored Enterprises
Denmark	No	No	No
Germany	No	No	No
Ireland	No	No	No
Netherlands	NHG	No	No
Spain	No	No	No
U.K.	No	No	No
Australia	No	No	No
Canada	CMHC	CMHC	No
Japan	No	JHF	Possible
Korea	No	No	Korean Housing Finance Corp.
Switzerland	No	No	No
U.S.	FHA	GNMA	Fannie Mae, Freddie Mac, FHLBs

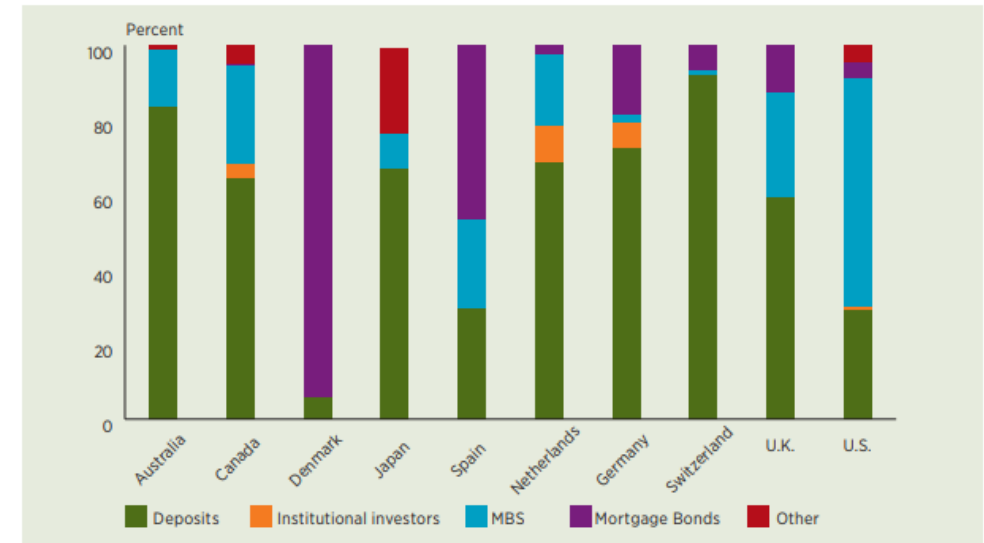
Michael Lea paper

Figure 5
Mortgage Product Interest Variability



Source: RBA, CHMC, KHFC, EMF, GPG, MBA and S&P.

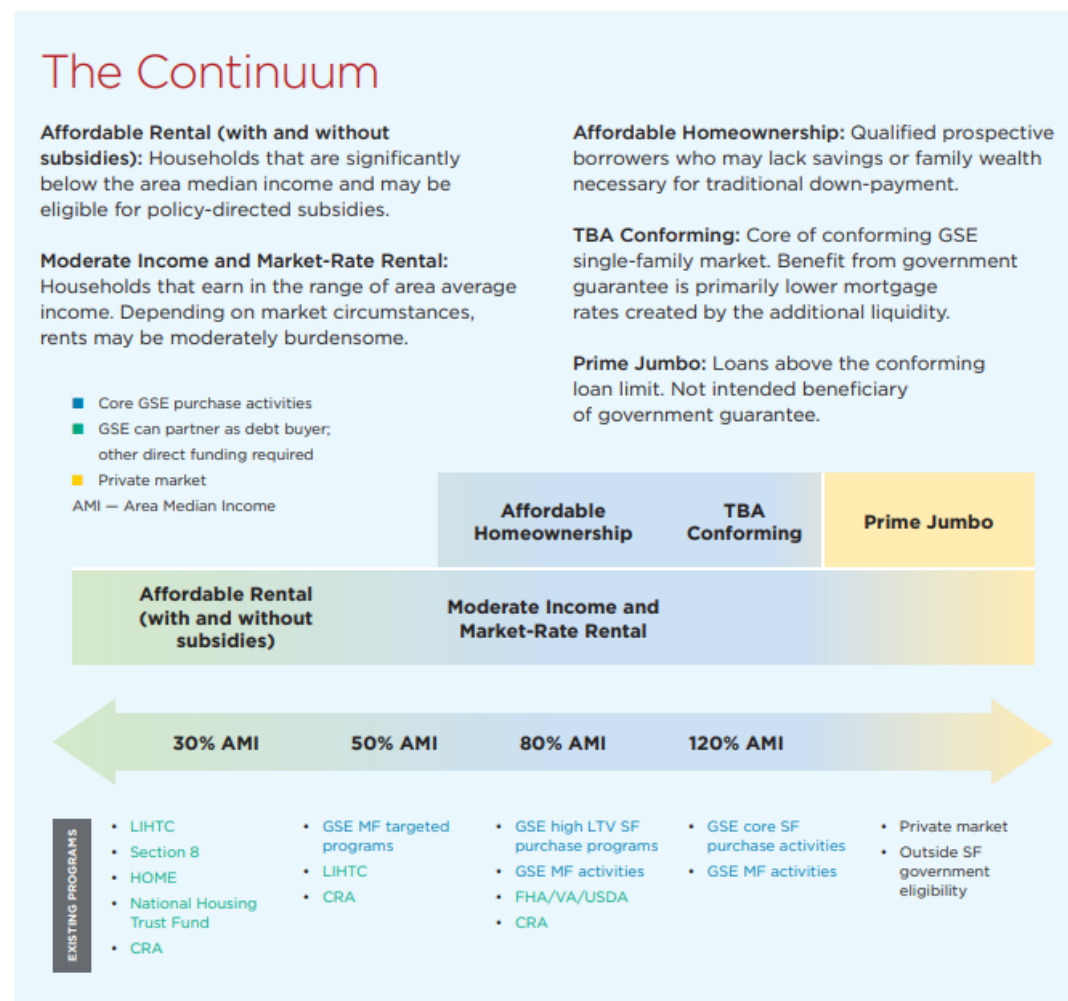
Figure 11
Developed Country Mortgage Funding



Source: ABS, CMHC, EMF, ESF, FRB, Merrill Lynch Europe, AU, CA, U.S. 2008, Japan 2006.

Affordable Housing Challenges and Initiatives in the US

Addressing Affordable Housing Requires a Continuum of Approaches



Affordable Housing – Different Approaches

“Much of the discussion of, and most of the programs established to address, affordable housing needs can be broken into three broad categories:

- The housing needs of low- and very-low-income households, whose **incomes are not enough to cover the costs of building and maintaining safe and decent housing.**
- The need for moderate-income, workforce housing, and the **struggle to supply adequate affordable housing near job centers.**
- The housing needs of special populations, who have special **housing requirements that are not naturally met in full by the housing market”**

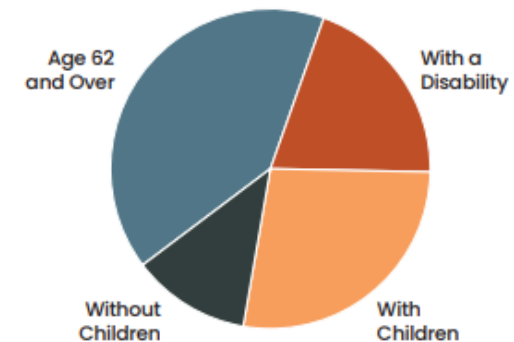
Table 2. Selected Federal Housing Programs, 2013

Program	Subsidized Units Available	% Occupied	Number of People: Total	% Very Low Income	% Extremely Low Income	Average Months on Waiting List
Public Housing	1,150,867	94	2,335,398	91	72	13
Housing Choice Vouchers	2,386,237	92	5,360,333	96	76	23
Mod Rehab	22,499	89	32,585	99	88	9
Section 8 NC/SR	840,900	96	1,246,697	96	73	n.a.
Section 236	126,859	93	155,842	93	71	n.a.
Multi-Family Other	656,456	95	945,692	98	78	n.a.
LIHTC	1,974,163	97	n.a.	n.a.	n.a.	n.a.

Source: U.S. Department of Housing and Urban Development, Picture of Subsidized Households; CohnReznick, *The Low Income Housing Tax Credit Program: A Performance Update Analysis*.

Most Assisted Households Are Older, or Include Children or People with Disabilities

Share of HUD-Assisted Households (Percent)



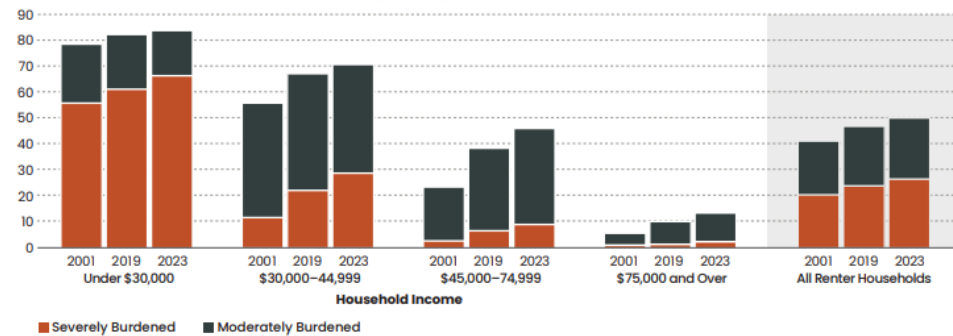
Notes: Categories are based on the head of household or their spouse. Households age 62 and over may also have a disability or have children in the household. Households with a disability may also have children.

Source: JCHS tabulations of HUD, 2024 Public Use Microdata Sample.

Measuring Affordability – State of the Nation’s Housing Report

Renter Cost Burdens Are Rising Fastest Among Middle-Income Households

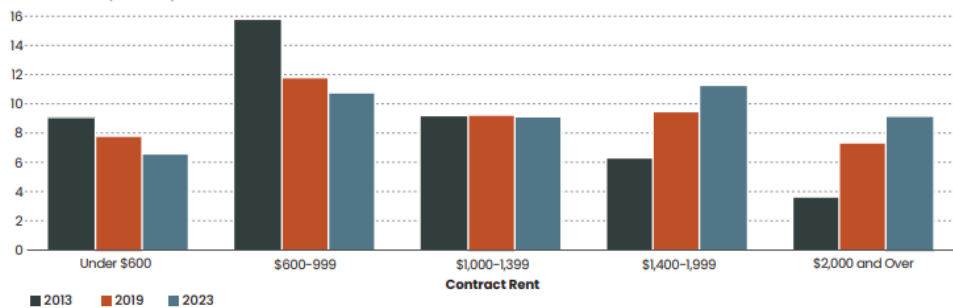
Share of Renter Households with Cost Burdens (Percent)



Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Moderately (severely) cost-burdened households spend more than 30% (more than 50%) of income on housing and utilities.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Stock of Lower-Rent Units Declines Further

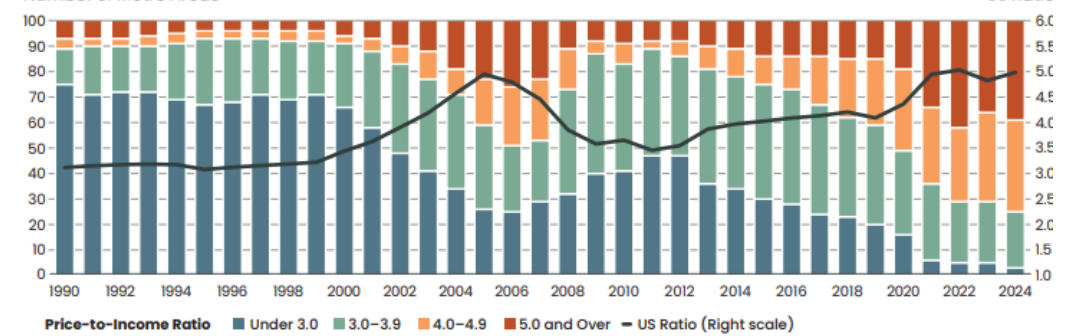
Rental Units (Millions)



Notes: Rents are adjusted for inflation using the CPI-U for All Items Less Shelter. Units that are occupied but do not receive payment are excluded. Contract rents exclude utility costs.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Home Prices Are Historically High Relative to Incomes

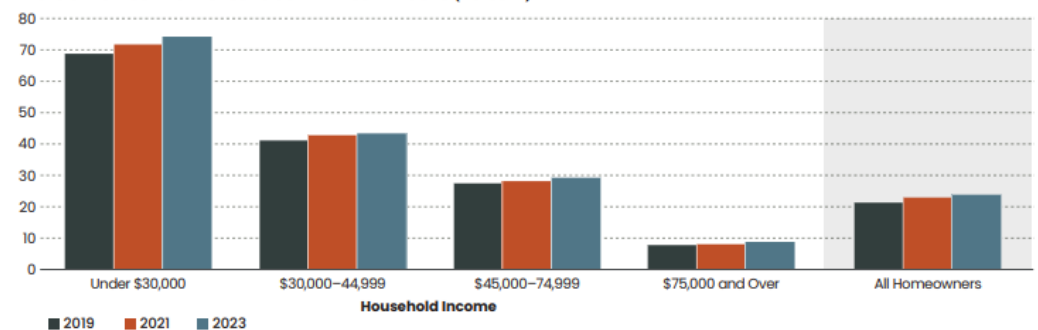
Number of Metro Areas



Notes: Price-to-income ratios are for the 100 largest metro areas by population. Income data for 2024 are based on Moody’s Analytics forecasts.
Source: JCHS tabulations of NAR, Metropolitan Median Area Prices; Moody’s Analytics estimates.

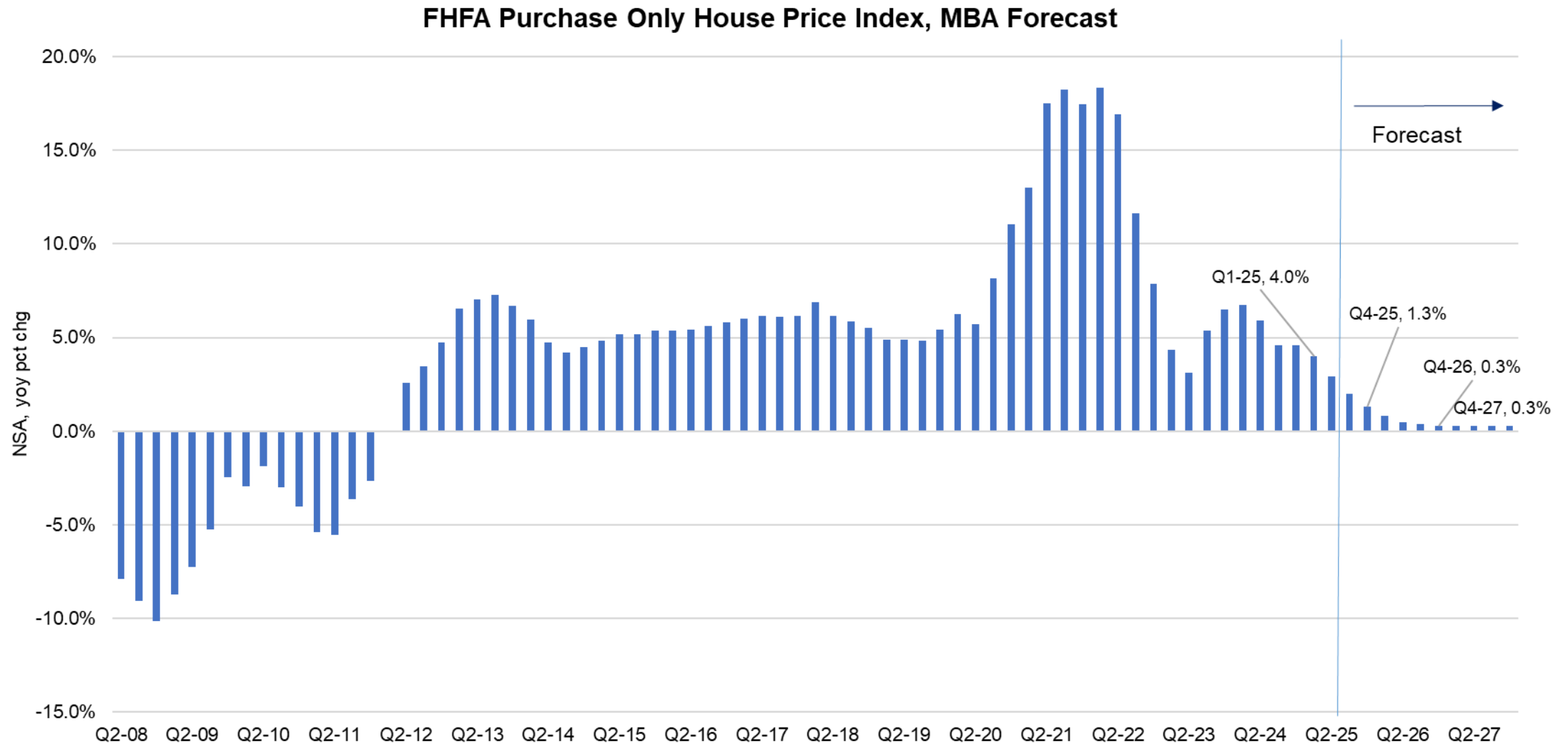
Cost-Burden Rates Are Highest and Rising Fastest for Lower-Income Homeowners

Share of Homeowner Households with Cost Burdens (Percent)



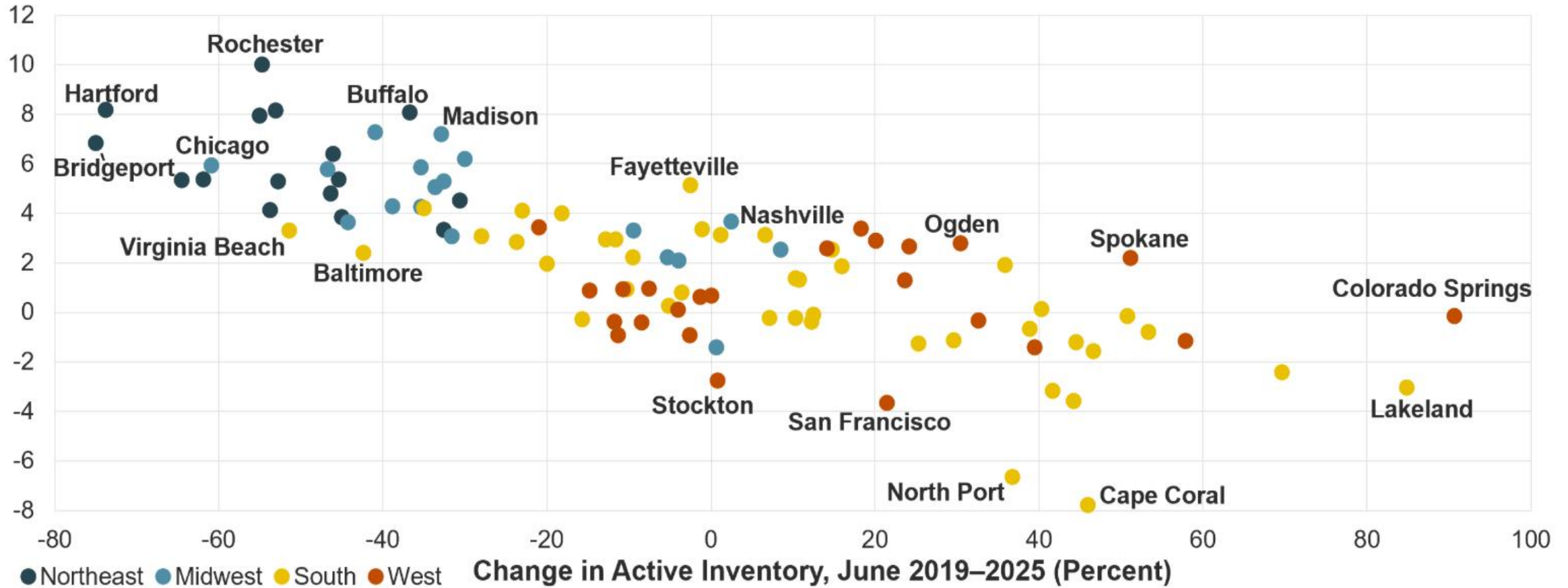
Notes: Household incomes are adjusted for inflation using the CPI-U for All Items. Cost-burdened households spend more than 30% of income on housing and utilities.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

House Price Appreciation Moderating



Home Prices Falling Where Inventory Is Highest

Change in Home Price Index, June 2024–2025 (Percent)



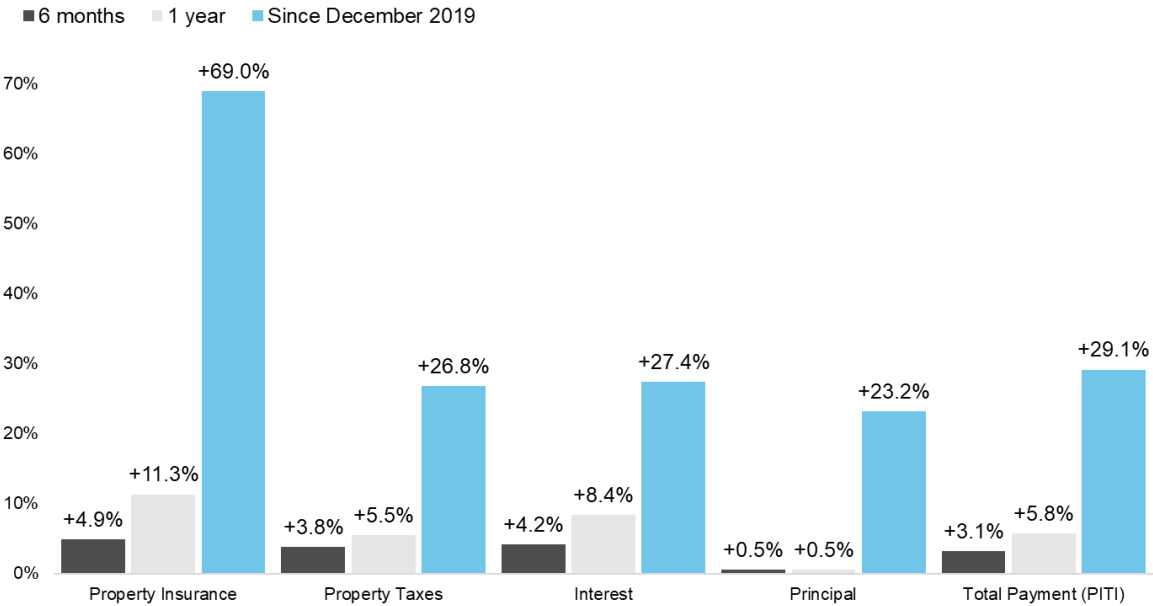
Note: Data are for the 100 largest metros by population.

Source: JCHS tabulations of Realtor.com data; Freddie Mac House Price Index.

The average property insurance payment rose by +4.9% over the first half of 2025 and is up +11.3% from the same time last year

While that marks a new record high, the rate of growth has slowed from the same time last year

Change in average principal, interest, tax, and insurance payments over time



Source: ICE, McDash +Property Insurance
Analysis of mortgaged single-family residences observed in the ICE McDash database

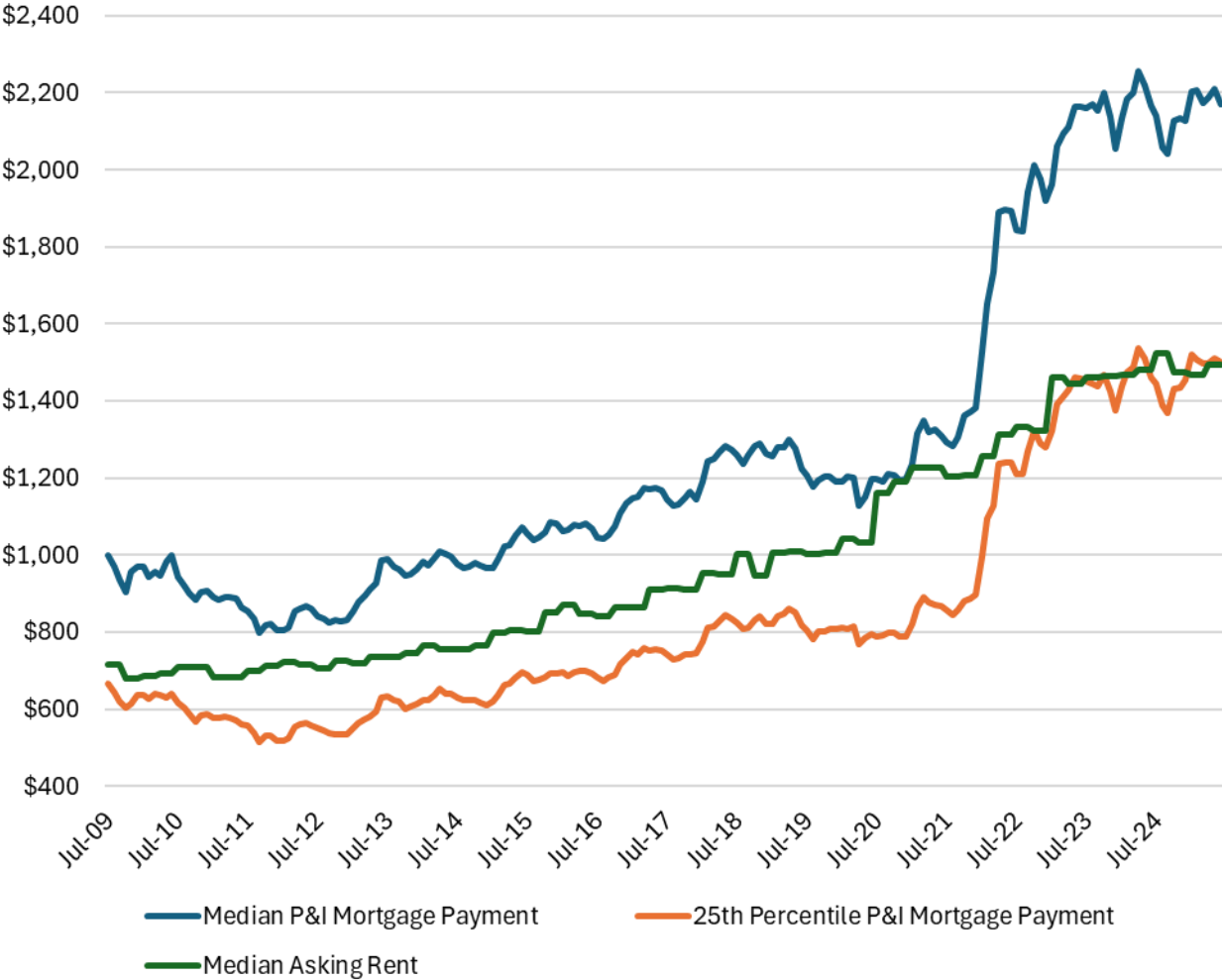
Average annual insurance premium per \$1000 of coverage
(Mortgaged single family residences)



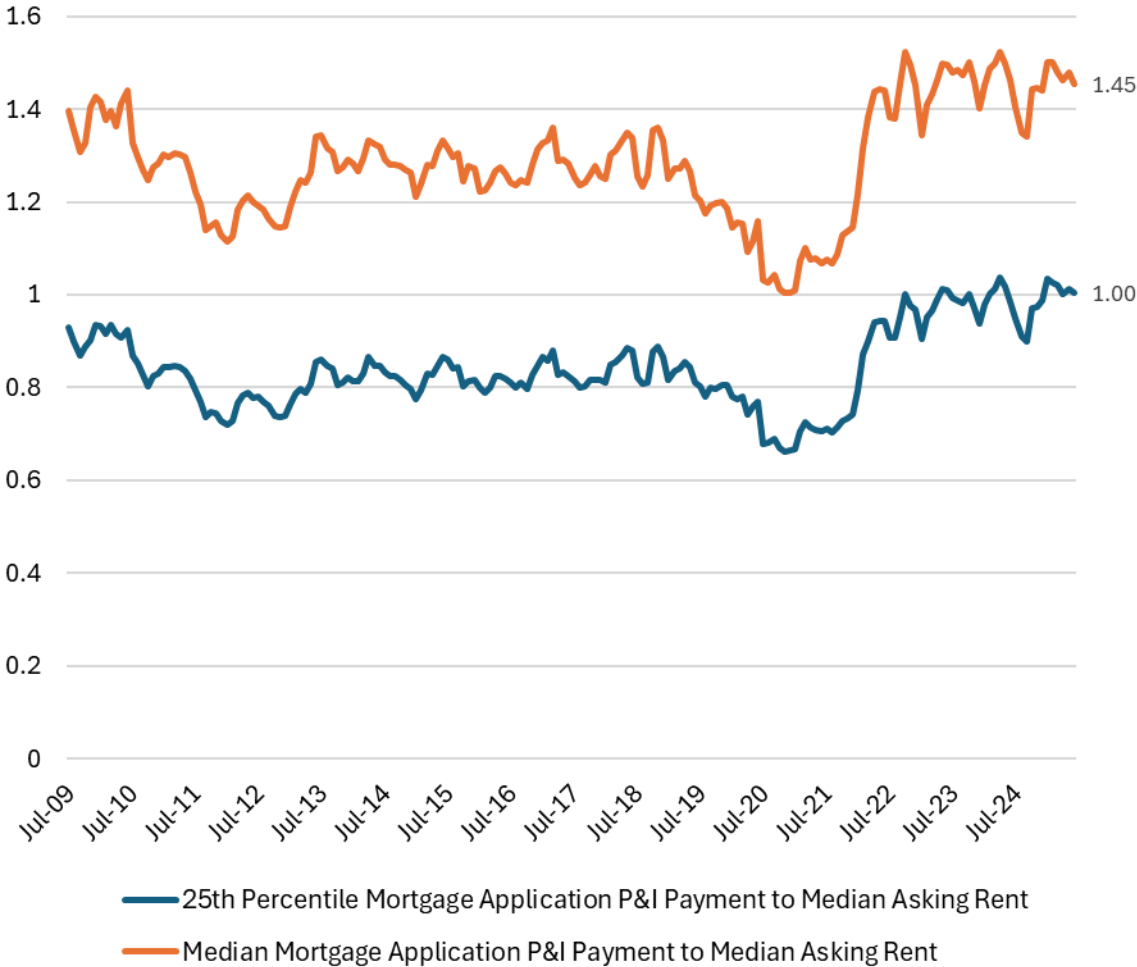
Source: ICE, McDash +Property Insurance
Analysis of mortgaged single-family residences observed in the ICE McDash database

Mortgage Payments are Elevated Relative to Rents

National Median Asking Rents and Mortgage Payments

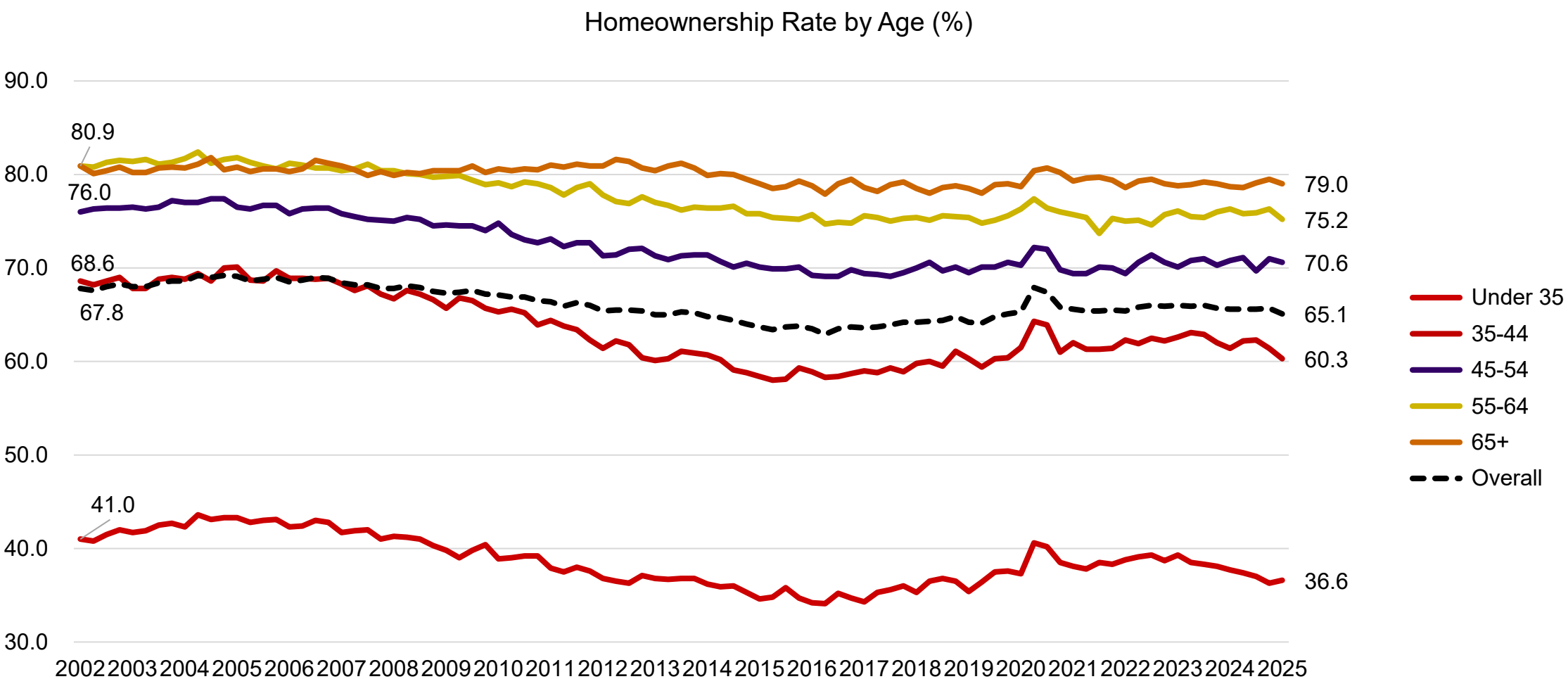


Mortgage Payment to Rent Ratio



Sources: MBA Weekly Applications Survey, Bureau of Labor Statistics, U.S. Census Bureau

US Homeownership Rate by Age



Addressing the cost of new construction

- Townhomes, condos, “missing middle”
- Modular and manufactured homes
- 3-D printed homes
- Consolidation among builders
- The 4 Ls
 - Labor
 - Land
 - Laws
 - Lumber

Rehabilitation and Preservation

- Net Increase in Supply
- Filtering – Properties Become More Affordable Over Time
- Preservation Requires Investments
- Financing Vehicles for Rehabilitation

Outreach and education: Addressing the Gaps

- Market Gap
- Resource Gap
- Trust Gap
- Information Gap

Programs and products

- Downpayment Assistance
- Shared Equity Mortgage
- Restrictive Covenants on Land Use

New Initiatives

- Office to Housing Conversions
- Tangled Title

Regulatory trends

- Housing emergency?
- NIMBY vs. YIMBY
- State efforts to have localities increase density
- LIHTC and similar tax provisions
- Transit oriented development

Contact Information

Mike Fratantoni, Ph.D.

Chief Economist & Senior Vice President | Research and Industry Technology

(202) 557-2935; mfratantoni@mba.org