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Cash-out refinancing loans shrink sharply

Freddie Mac says percentage of homeowners tapping their equity through mortgage refinancing falls to lowest level since 2004.

By Beth Braverman, CNNMoney.com contributing writer
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NEW YORK (CNNMoney.com) -- The percentage of homeowners who refinanced with a Freddie Mac-owned loan in the first quarter of 2008 and received mortgages with loan amounts higher than their original mortgages, fell to the lowest levels since early 2004.

New figures show that 56% of homeowners with Freddie Mac ([FRE](#), [Fortune 500](#)) owned loans received more than \$29 billion in home equity through refinancing in the quarter. This represents the smallest cash-out refinancing percentage since the second quarter of 2004. In the fourth quarter of 2007 77% of refinances involved cash out.

Because credit has become more difficult to get, the quality of borrowers qualifying for cash-out refinance loans has significantly increased, said Mark Zandi, chief economist for Moody's Economy.com.

"Lenders are only refinancing those with 50% equity or more," he said. "There are a lot of home owners out there who don't have any debt besides their mortgage."

Zandi said many of these prime borrowers decided to refinance as interest rates have sharply declined. Freddie Mac expects 30-year fixed mortgage rates to average between 5.8% and 6.0% for prime loans over 2008. ■

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