

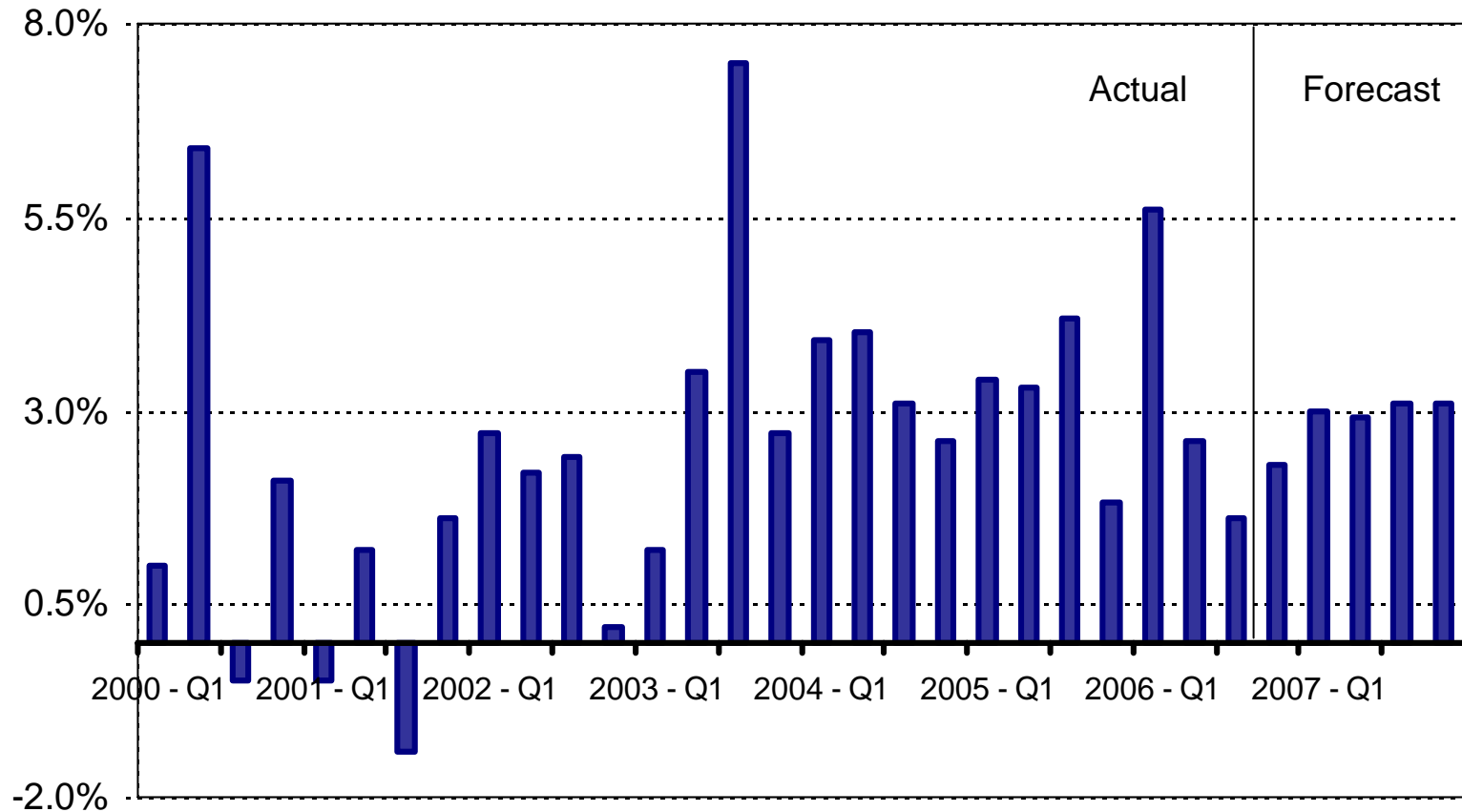
The Outlook for the Economy and the Housing and Mortgage Markets

Orawin Velz
Director, Economic Forecasting

November 8, 2006
Residential Underwriting Forum
San Antonio, Texas

Real Gross Domestic Product

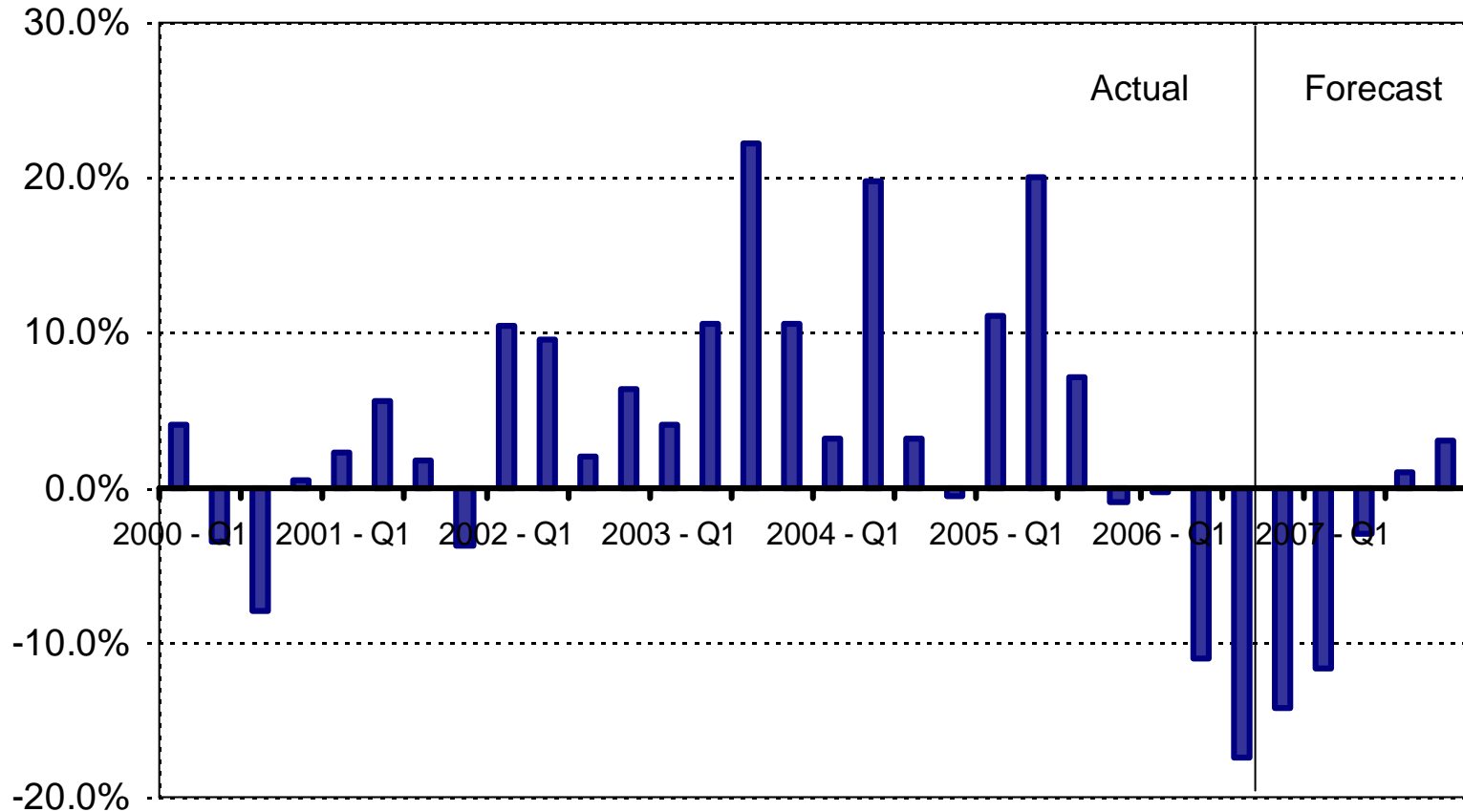
Annual Percent Change



Source: Bureau of Economic Analysis, MBA Forecast

Real Residential Investment

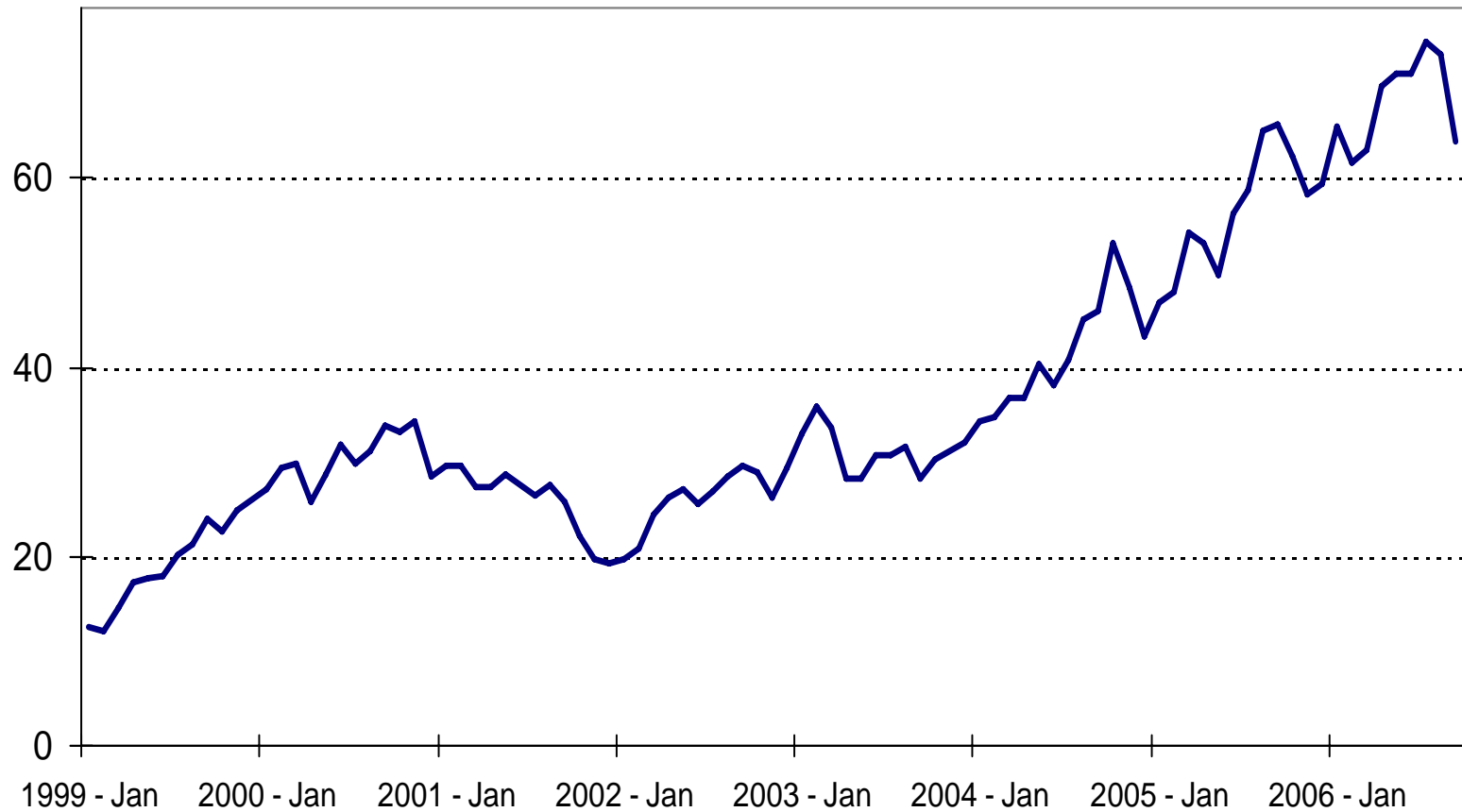
Annual Percent Change



Source: Bureau of Economic Analysis, MBA Forecast

Domestic Oil Price: West Texas Intermediate

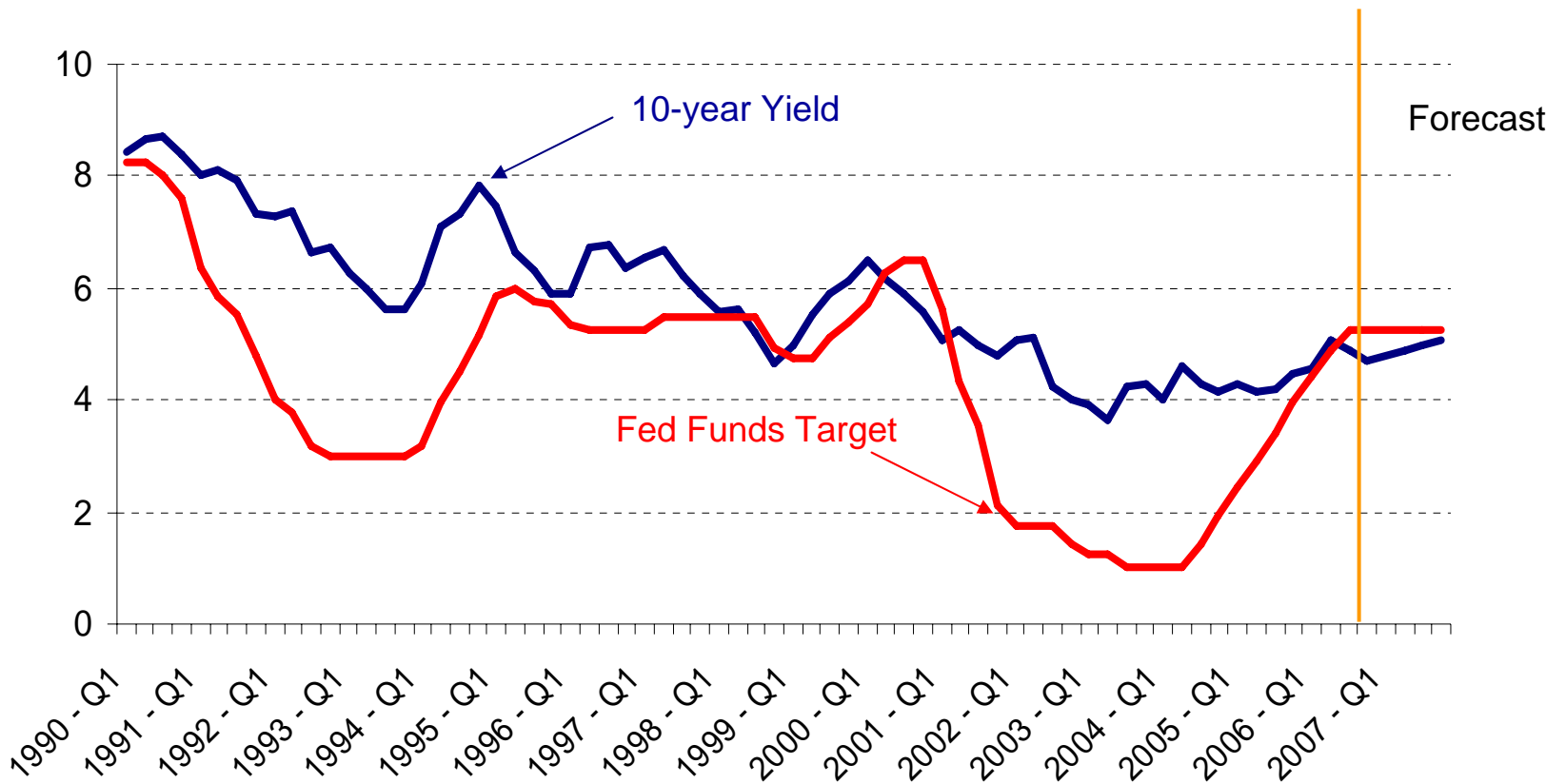
\$/Barrel



Source: Wall Street Journal

Fed Funds Rate and 10-Year Treasury Yield

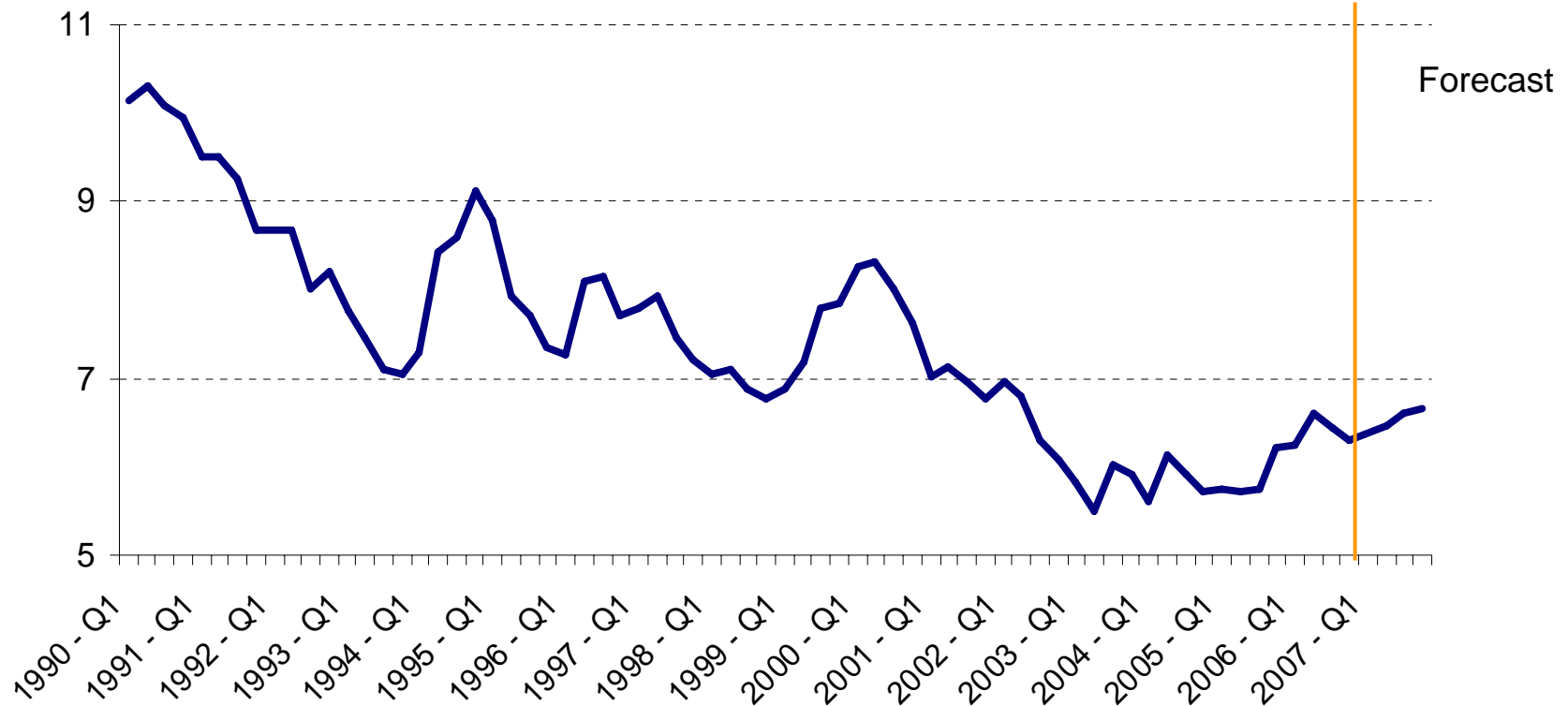
Percent



Source: Federal Reserve Board

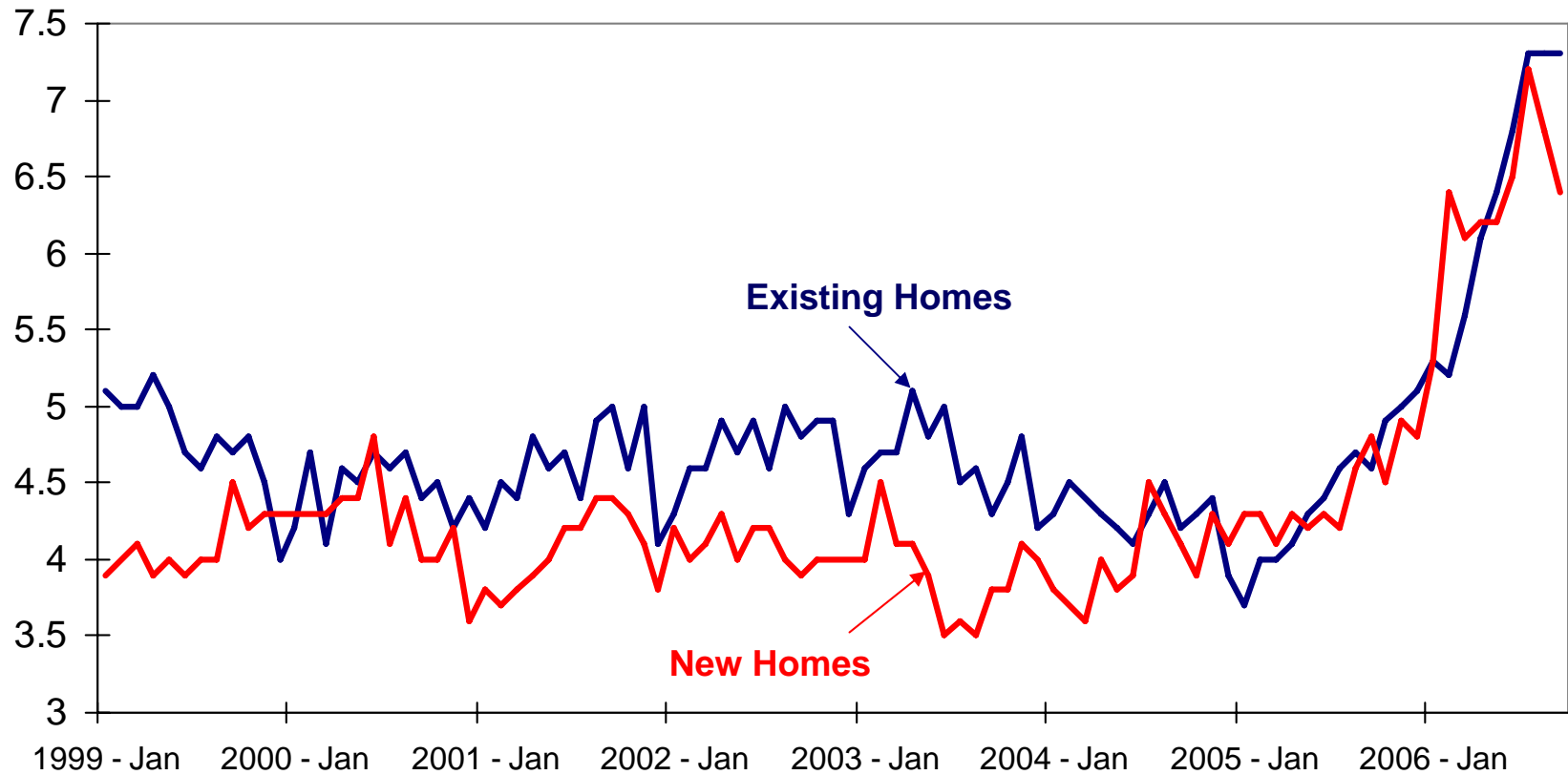
30-Year Fixed Mortgage Rate

Percent



Source: Federal Reserve Board

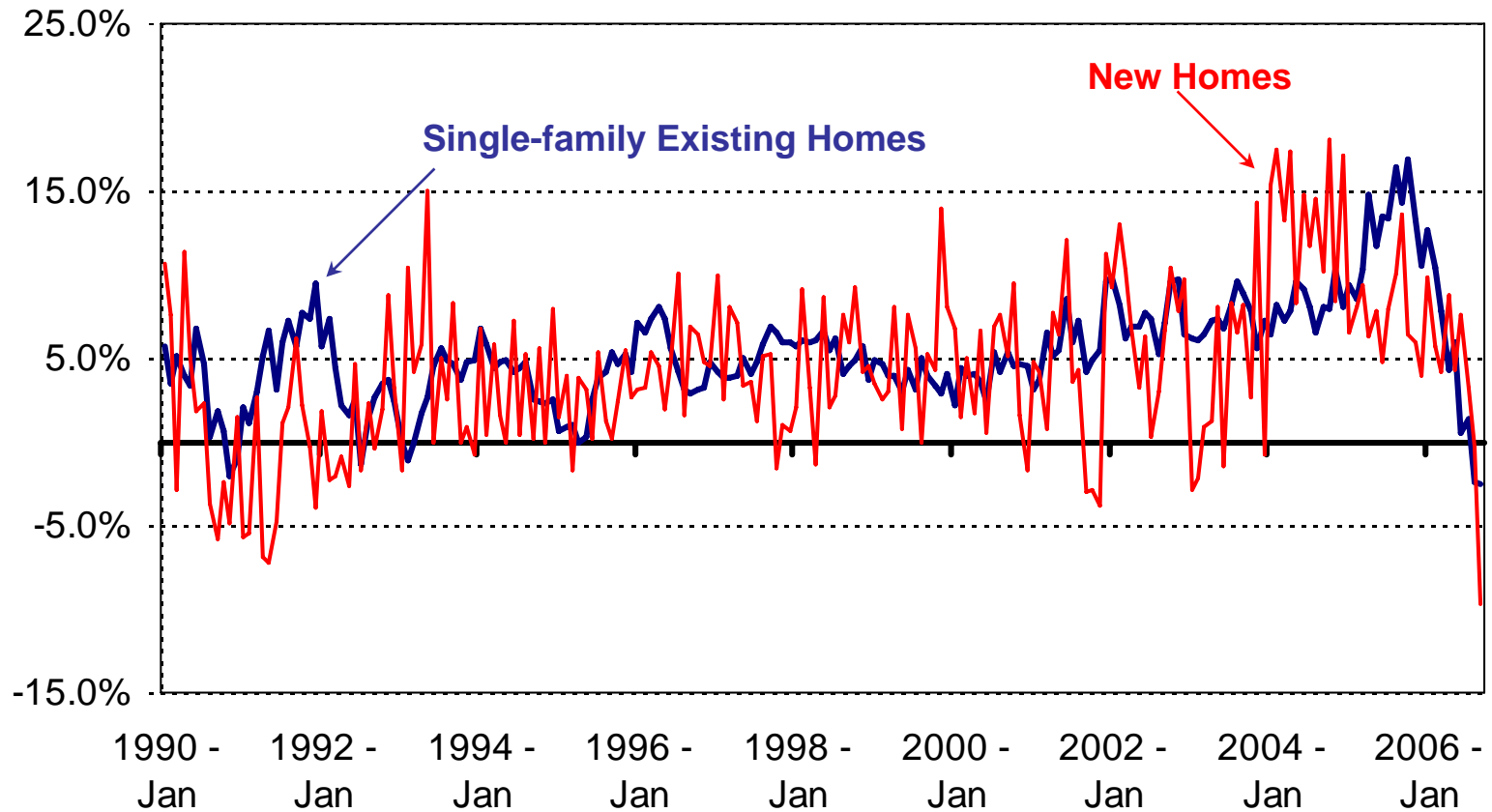
Months Supply (Inventory/Sales Ratio) of New and Existing homes



Source: Bureau of the Census and the National Association of Realtors

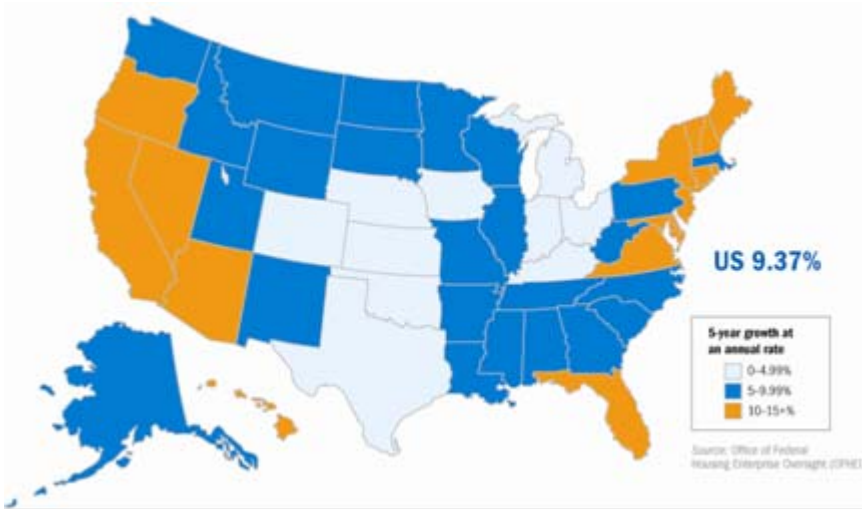
Home Price Appreciation

Year-over-Year Percent Change

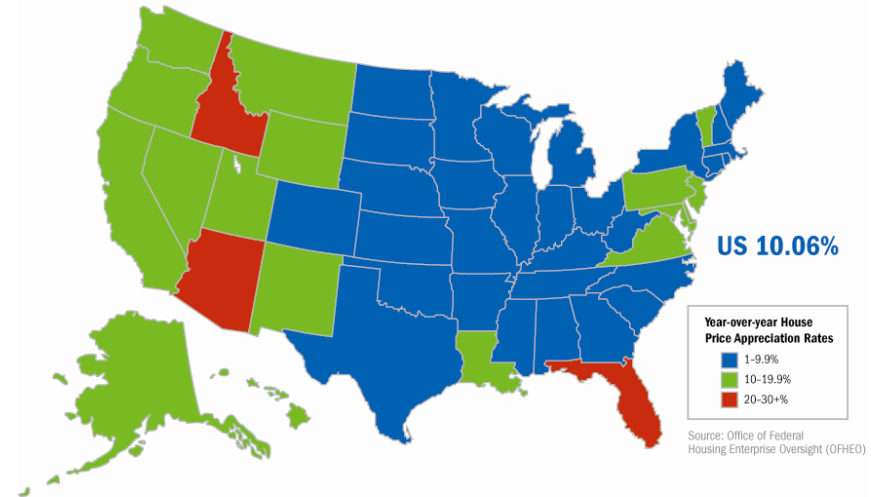


Source: National Association of Realtors and Census Bureau

5-Year Average Home Price Growth, Yearly



State-level Home Price Growth Rates, Second Quarter 2005 to Second Quarter 2006

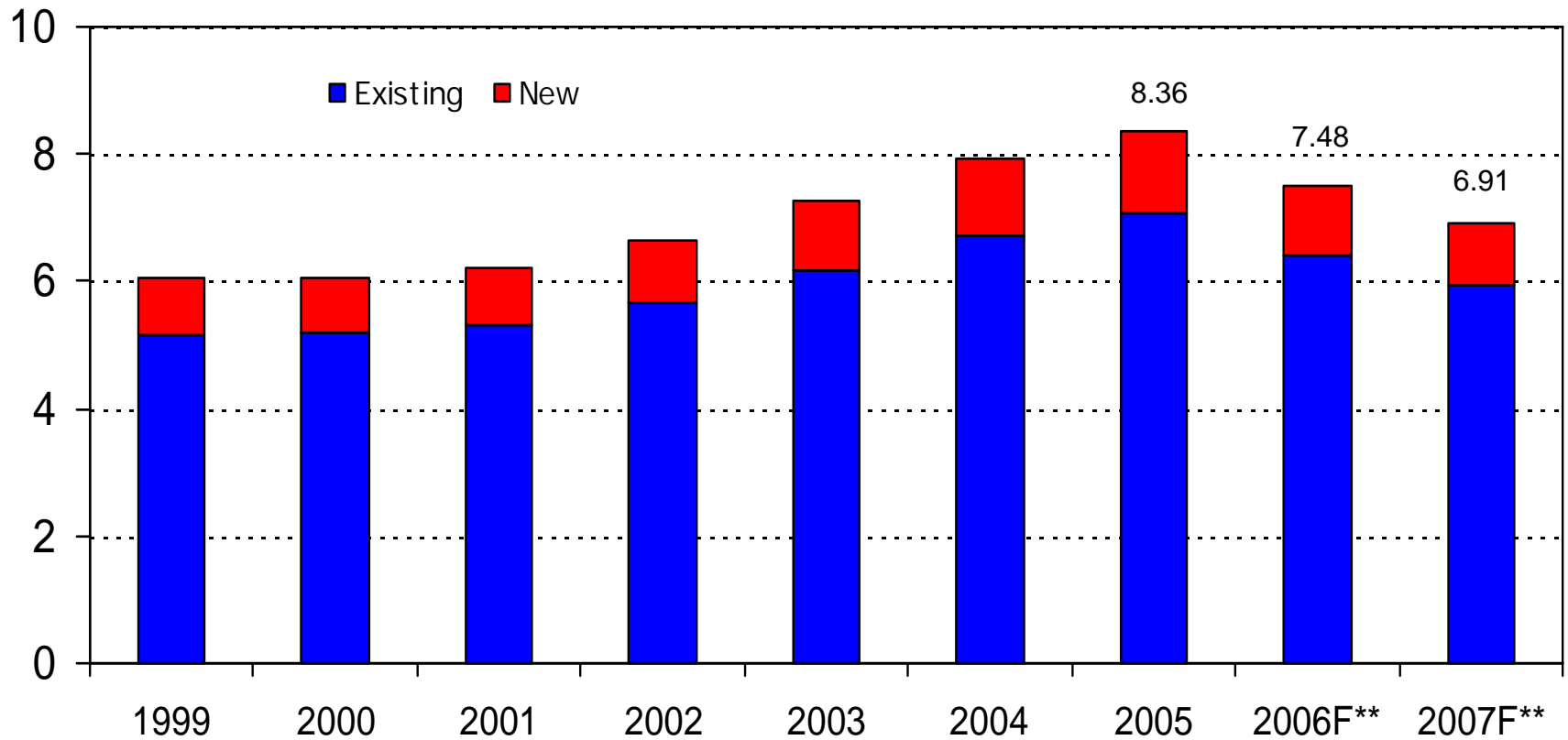


Annualized Quarterly Home Price Growth Rates, Second Quarter 2006



Total Home Sales*

Millions of homes



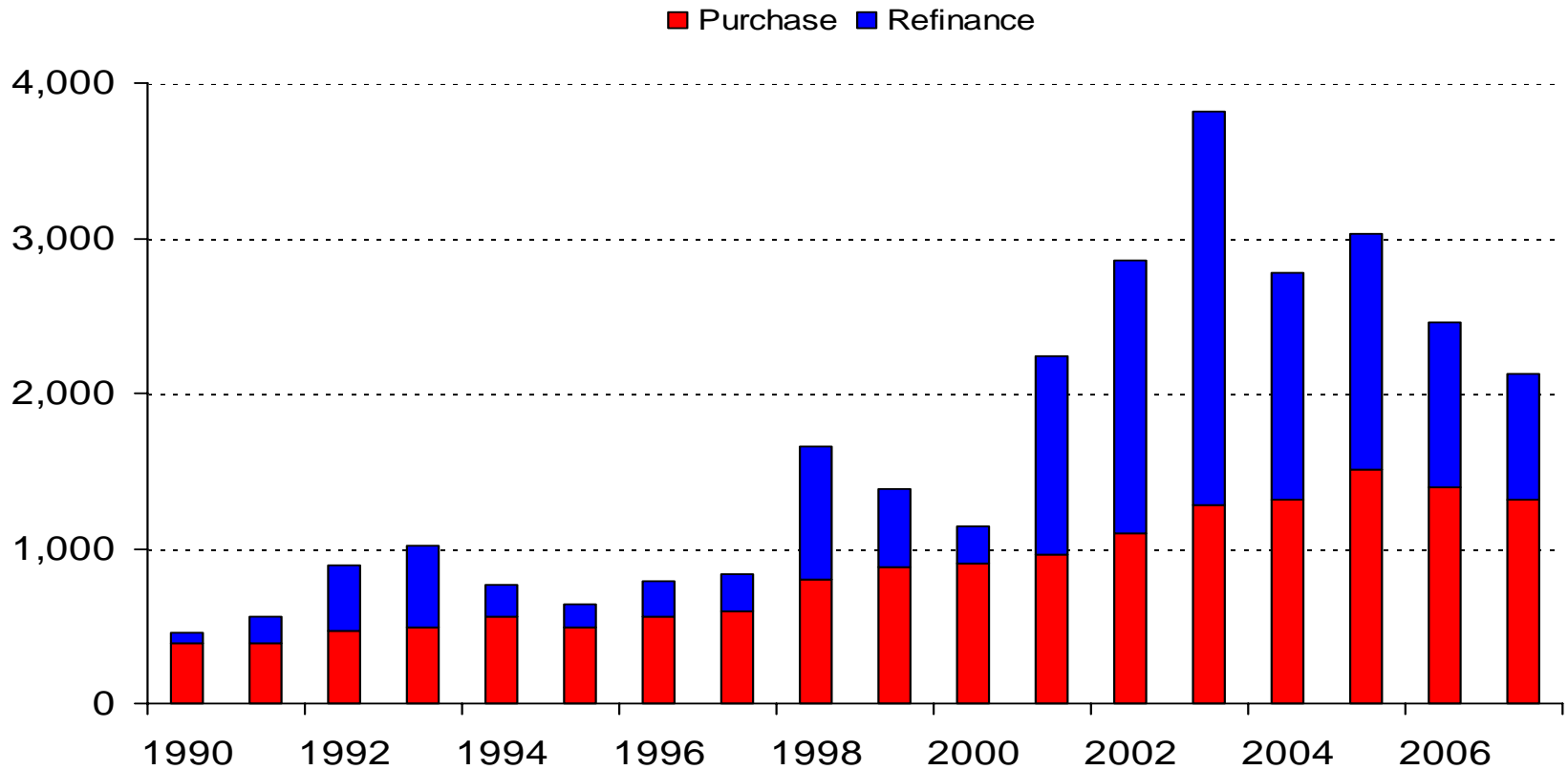
* The sum of existing home sales (including condos) and new home sales.

** F Forecast

Source: National Association of Realtors and Census Bureau

Annual Mortgage Production

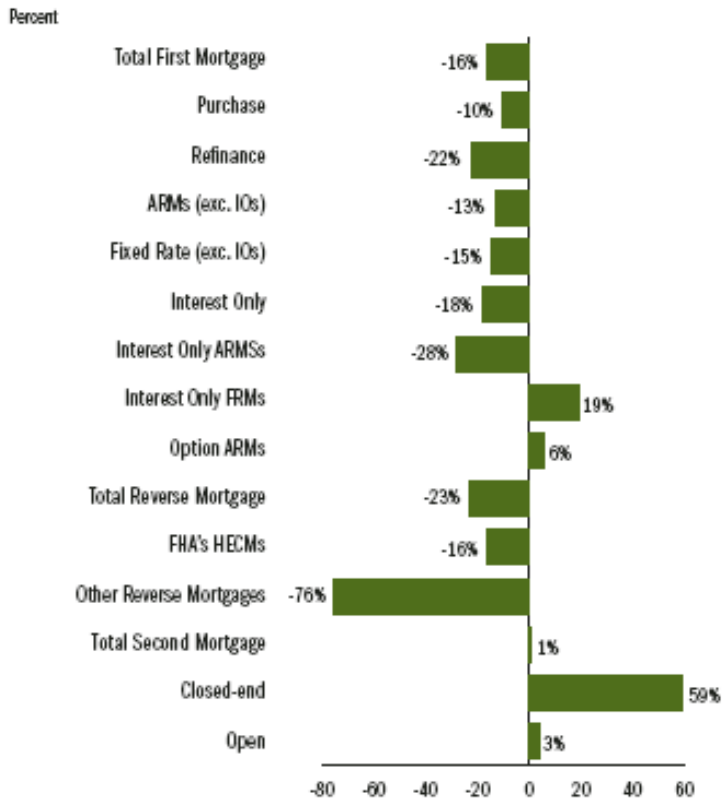
Billions of Dollars



Source: Mortgage Bankers Association and Department of Housing and Urban Development

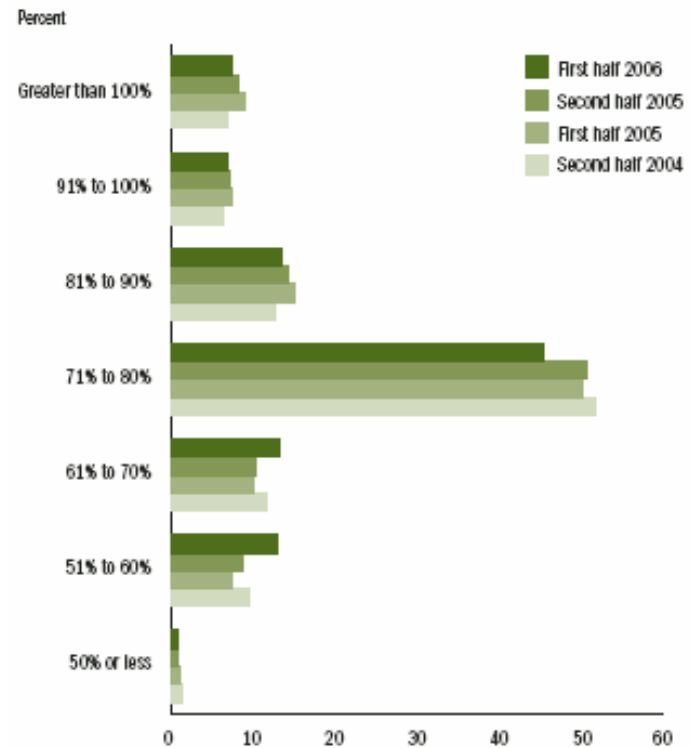
Mortgage Origination Volumes Down; Move Towards Option ARMs, Fixed-Rate IOs and Closed-end Seconds; Average LTV Unchanged, but Distribution has Shifted

Percent Change of Originations (Dollar Volume)



Based on percent change in dollar volume for repeater companies from second half 2005 to first half 2006.

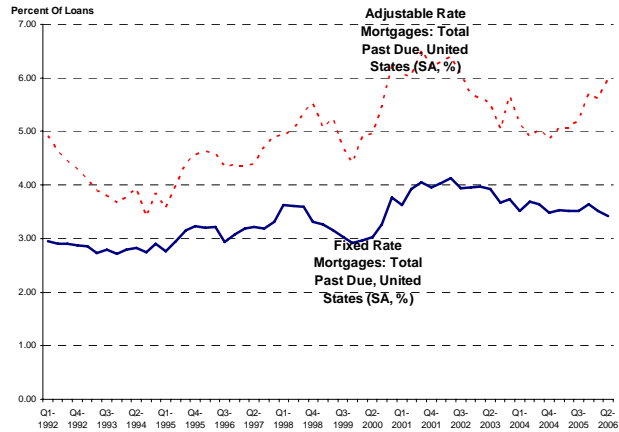
First Mortgages LTV distribution



Based on percent share of dollar volume. Distributions based on all survey participants and is not restricted to repeater companies.

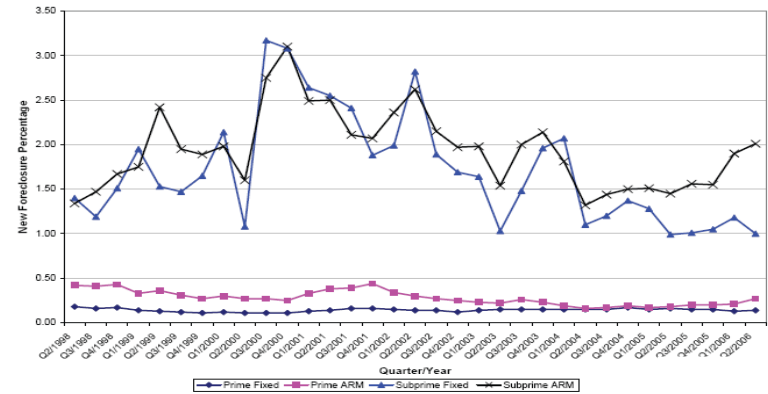
Source: MBA's 2006 Mortgage Originations Survey (Midyear)

Fixed Rate Mortgage vs. Adjustable Rate Mortgage Total Delinquencies



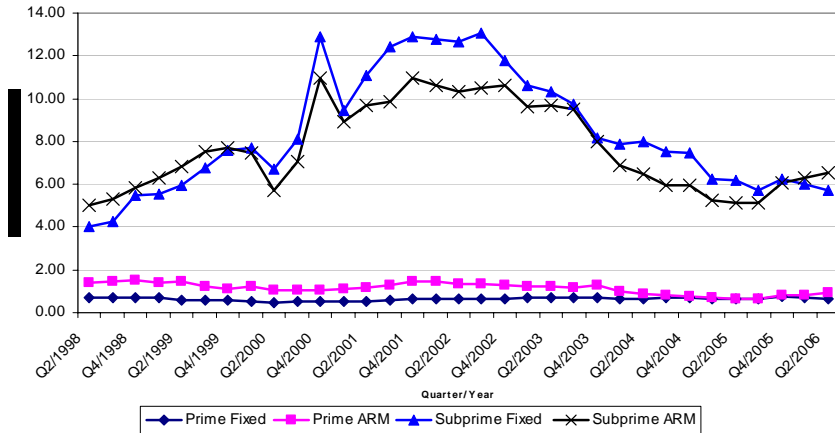
Source: MBA National Delinquency Survey (Q2, 2006).

Fixed Rate Mortgage vs. Adjustable Rate Mortgage New Foreclosures



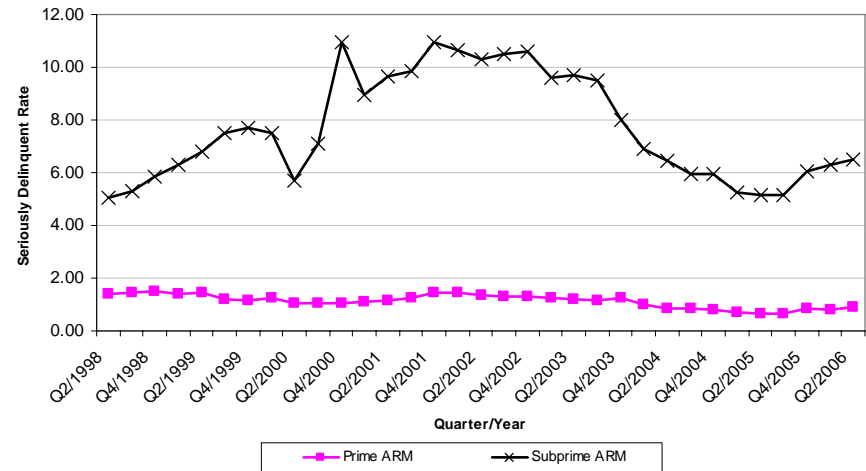
Source: MBA National Delinquency Survey (Q2, 2006)

Fixed Rate Mortgage vs. Adjustable Rate Mortgage Serious Delinquencies



Source: MBA National Delinquency Survey (Q2, 2006).

Prime vs. Subprime Adjustable Rate Mortgage Serious Delinquencies



Source: MBA National Delinquency Survey (Q2, 2006).

Contact Information/Resources

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- **MBA Homepage:** www.mortgagebankers.org
- **Forecasts:** [http://www.mortgagebankers.org/ResearchandForecasts/
EconomicOutlookandForecasts](http://www.mortgagebankers.org/ResearchandForecasts/EconomicOutlookandForecasts)