



Closing General Session: Economic/Housing Outlook

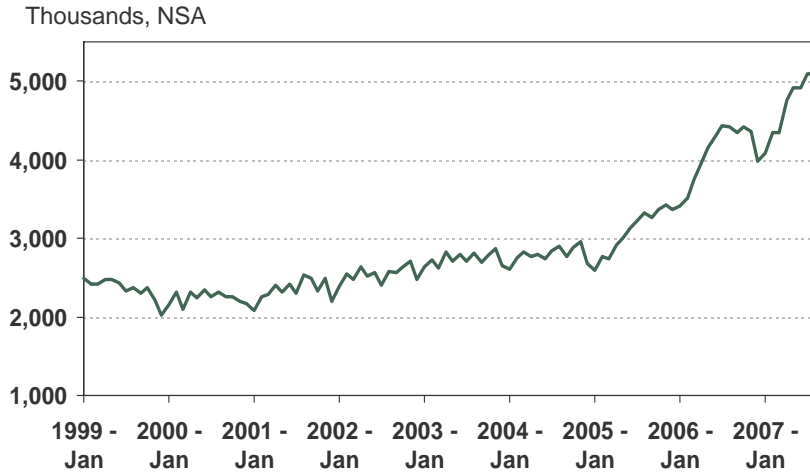
Doug Duncan, Ph.D.

**Senior Vice President and Chief Economist
Mortgage Bankers Association**

How Many Homes Are Available For Sale?



Inventory of Total Properties

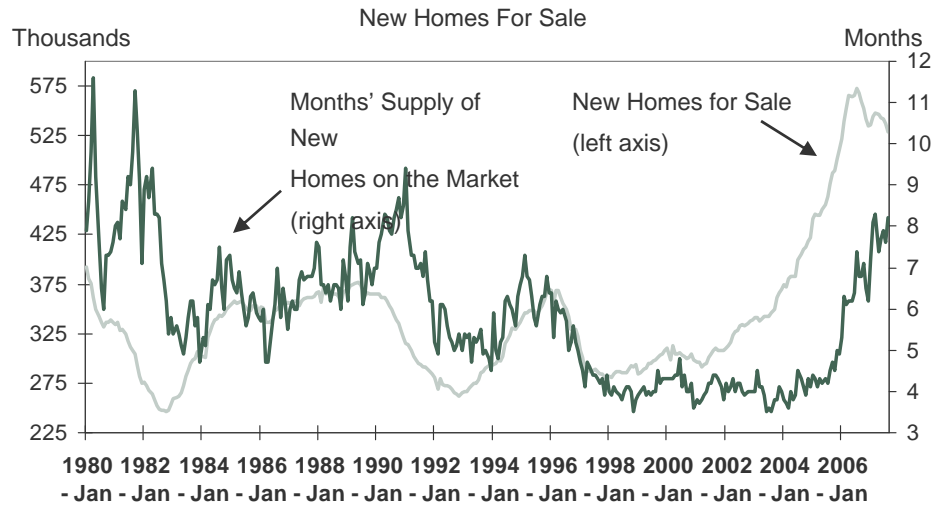


Source: Bureau of the Census and the National Association of Realtors

Months' Supply of Existing Single-Family Homes

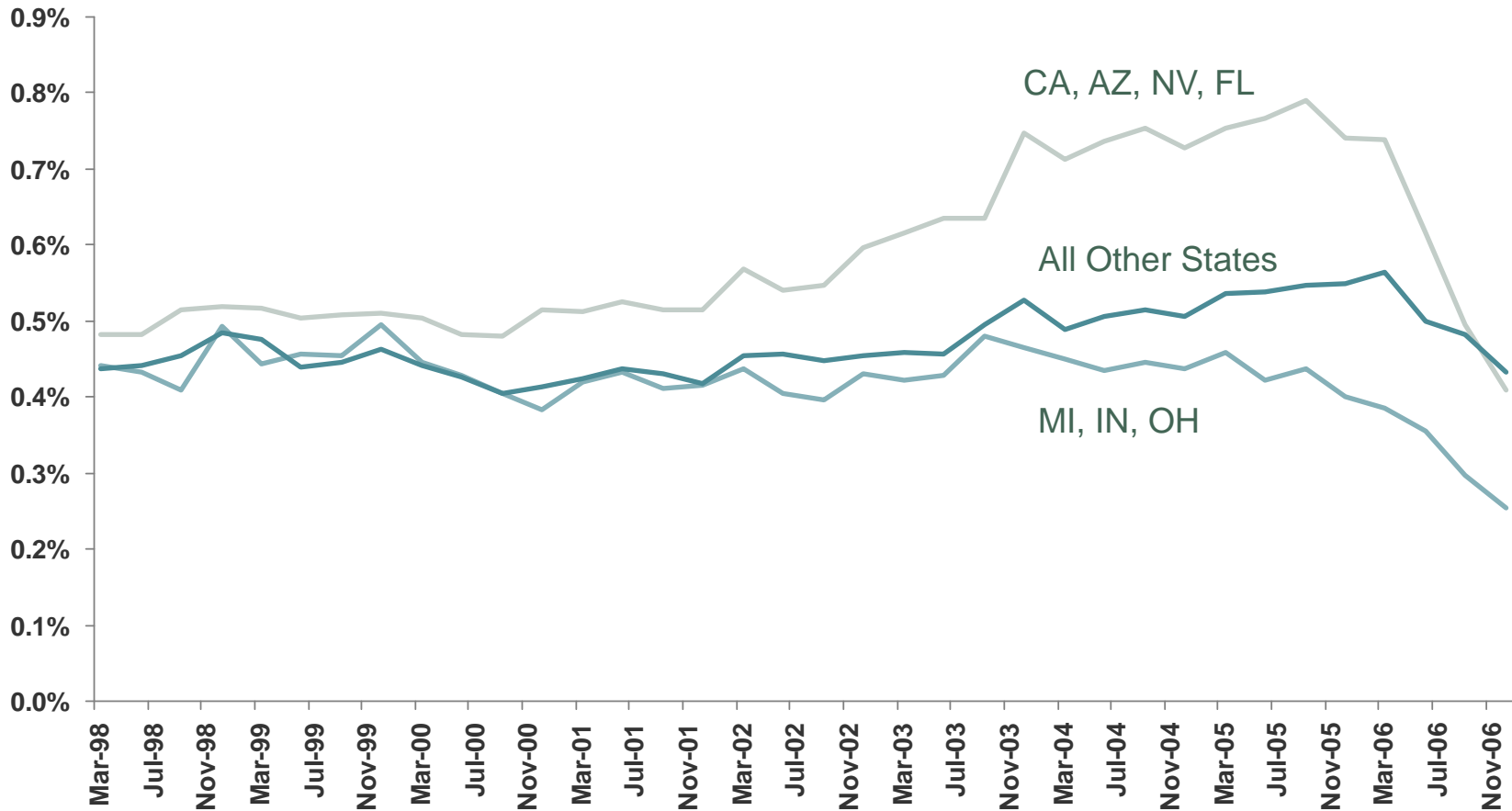


Source: National Association of Realtors



Source: Census Bureau

Housing Starts Per Capita



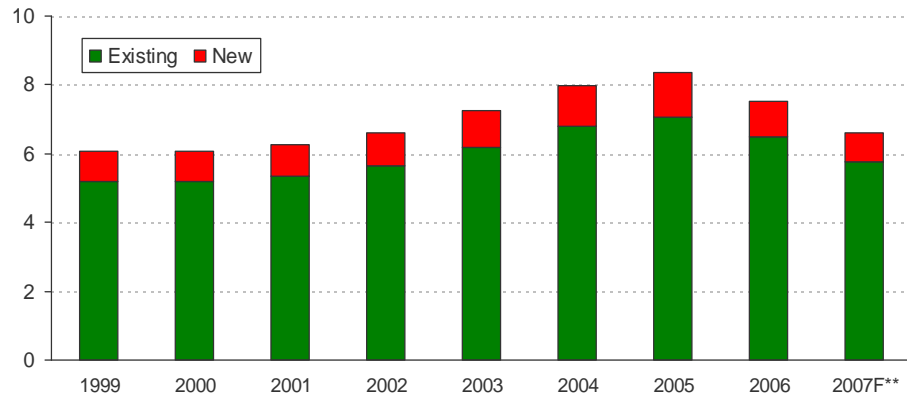
Source: The Federal Reserve Bank of New York and Economy.com

How Many Homes Are Sold?



Total Home Sales*

Millions of homes



Source: Census Bureau and National Association of Realtors

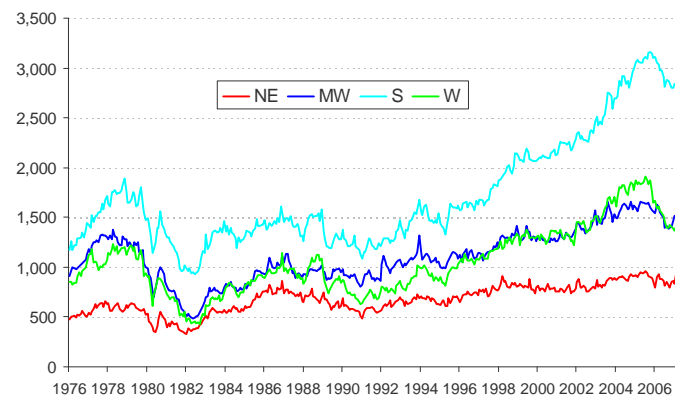
* The sum of existing home sales (including condos) and new home sales

**F Forecast

Forecast 13.1% decline from 2006 to 2007 in terms of total sales.

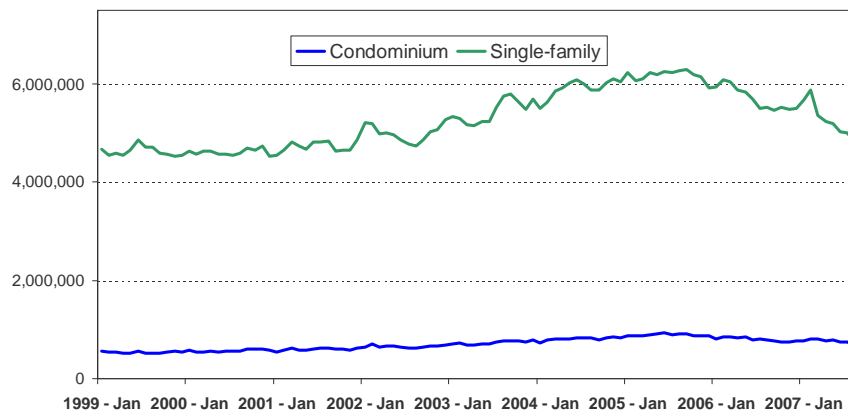
Total Single-family Home Sales by Region

Thousands, SAAR



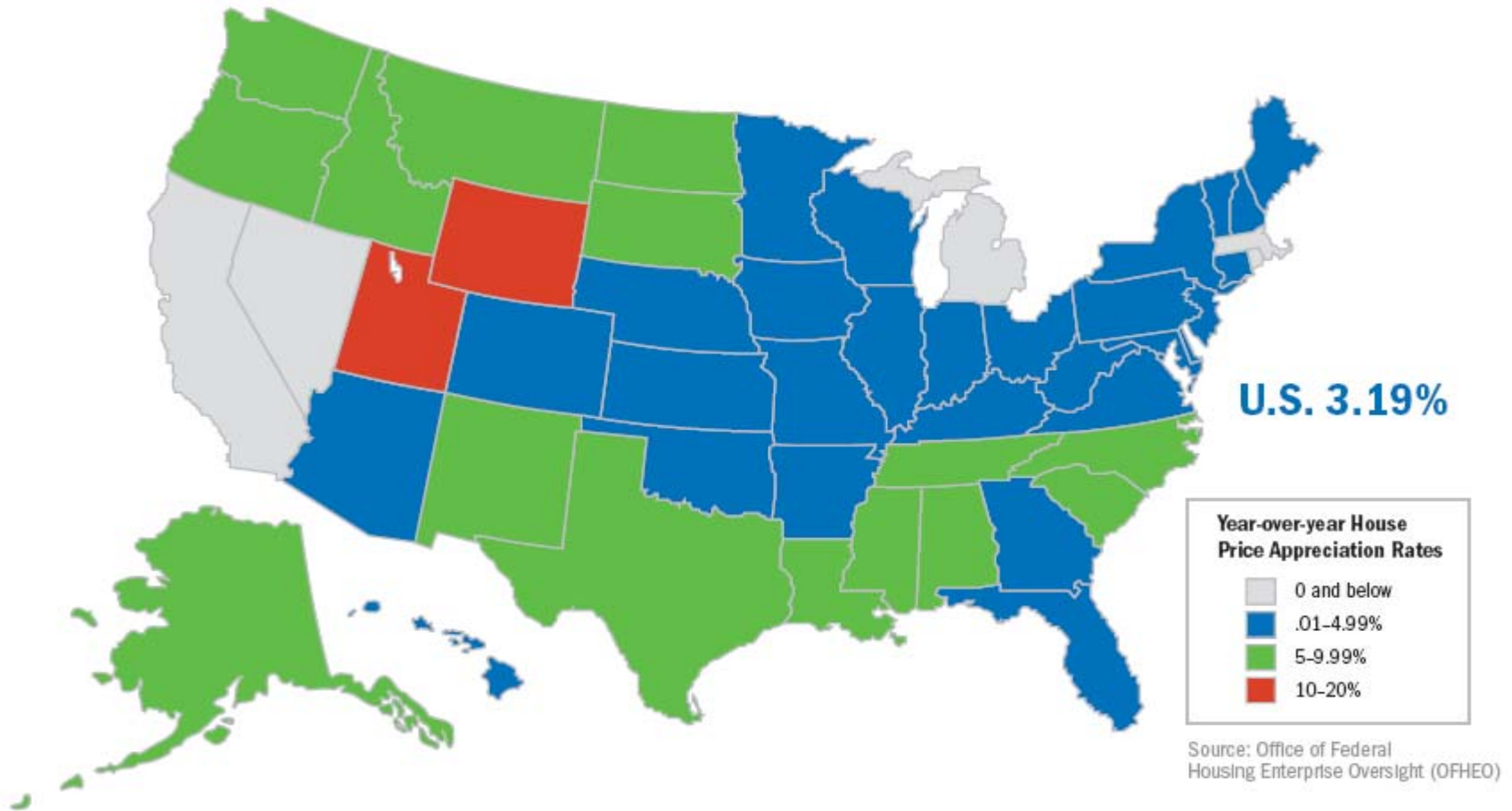
Source: Census Bureau and National Association of Realtors

Existing Home Sales: Single-Family versus Condos



Source: National Association of Realtors

State-Level Home Price Growth Rate: 2006Q2 to 2007Q2



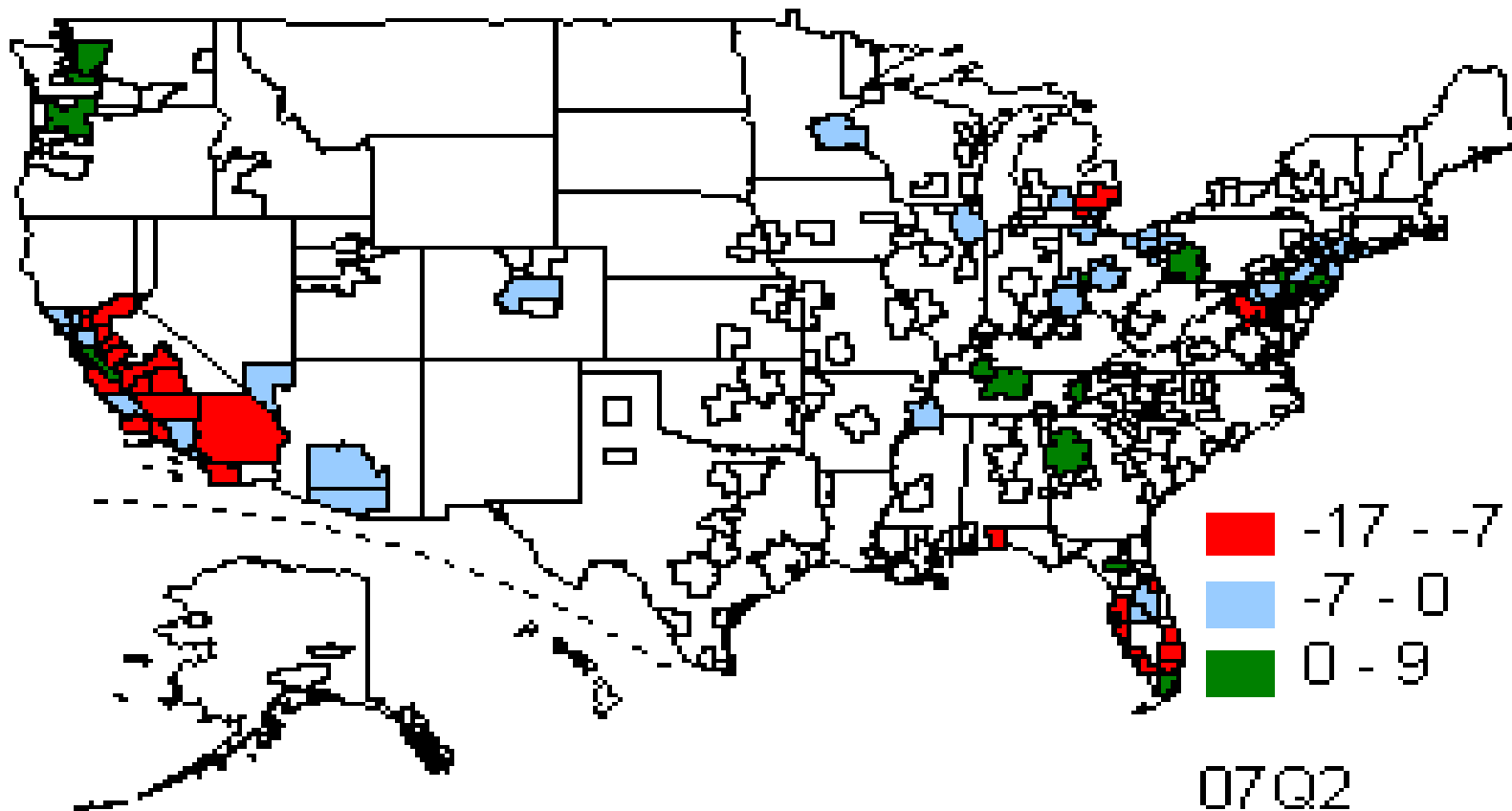
Source: Office of Federal Housing Enterprise Oversight

Case-Shiller House Price Index for Selected MSAs: 2007Q2

National Home Price declined 3.2 percent from a year ago

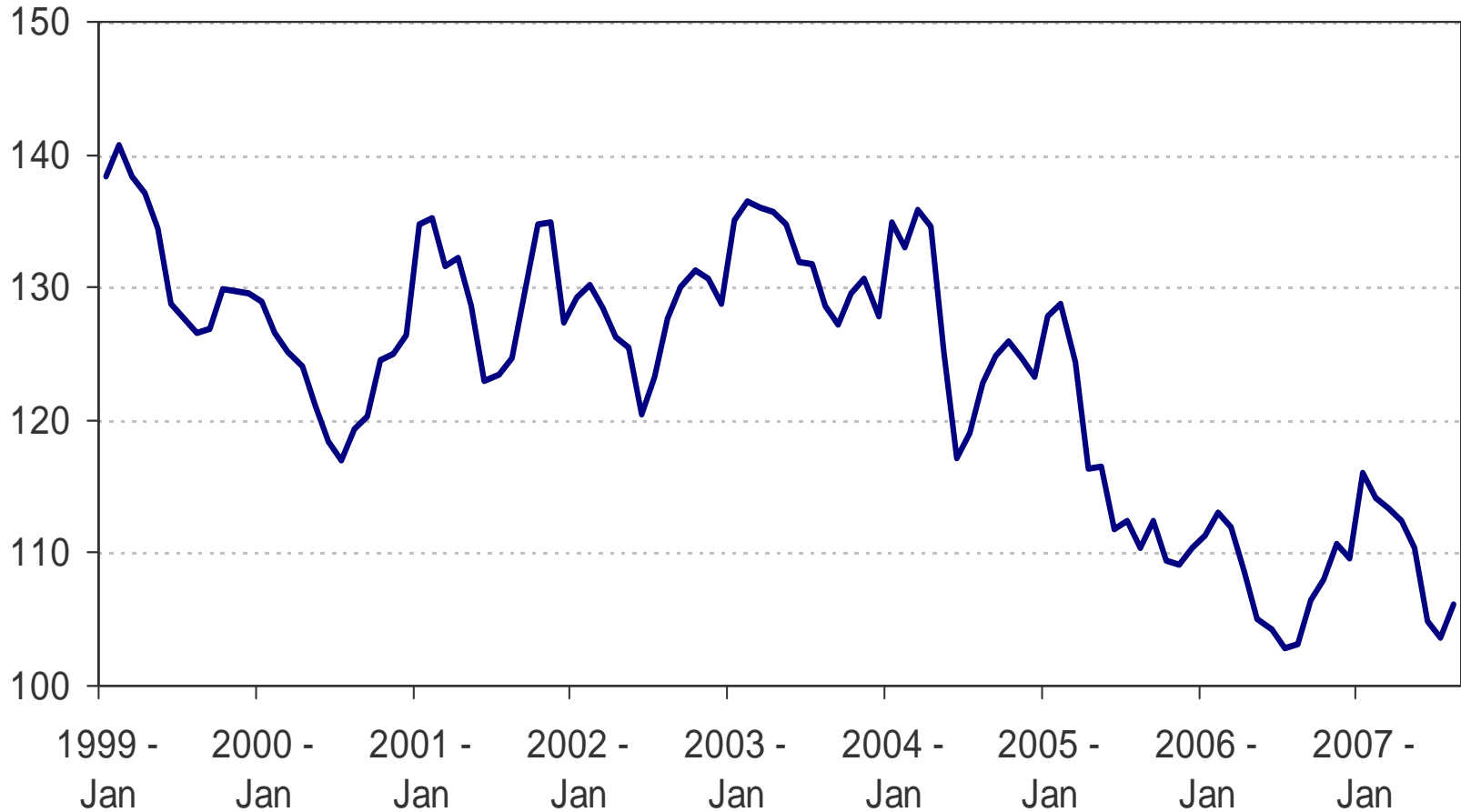


Year-over-Year Home price Change



Source: Fiserv Lending Solutions

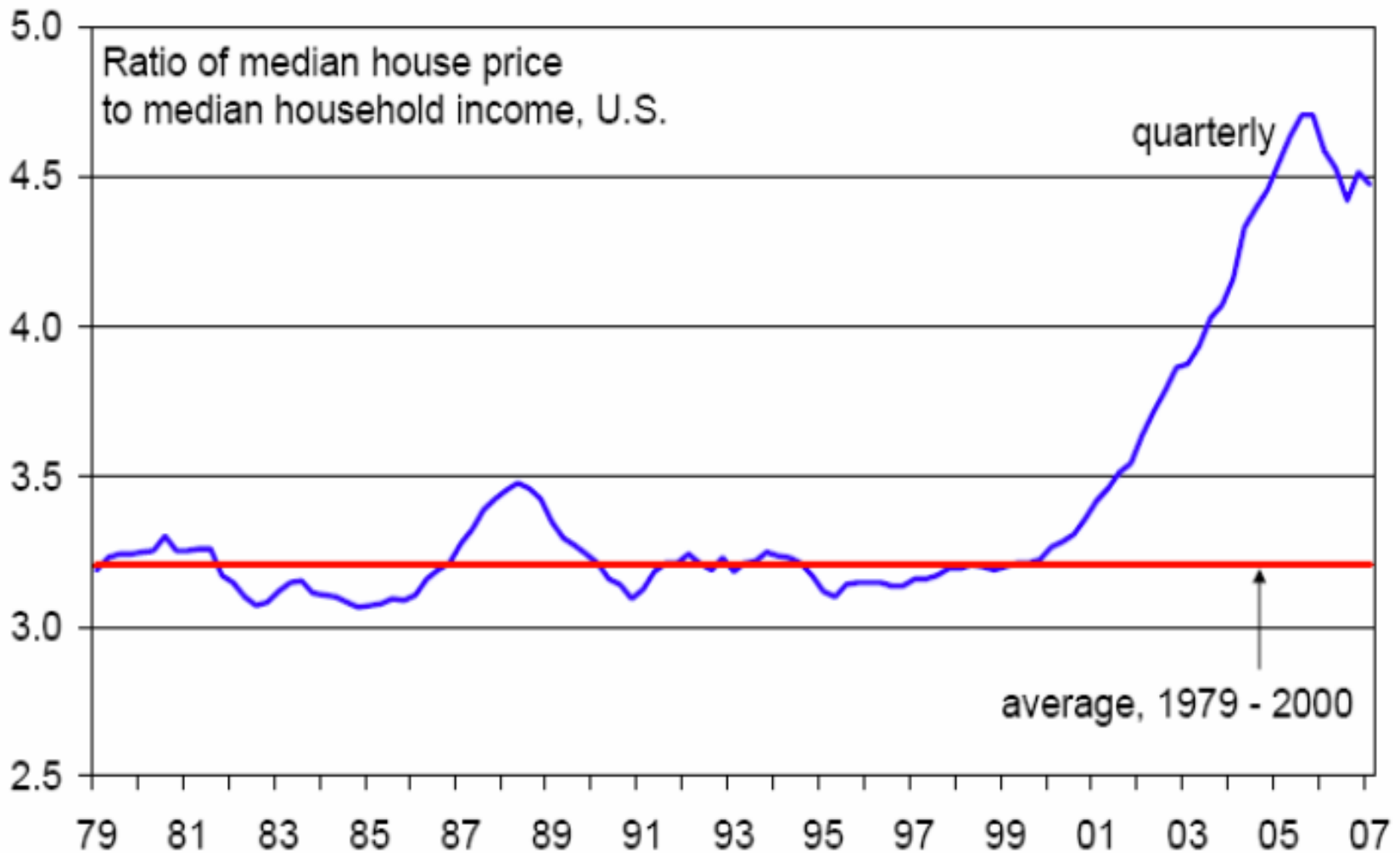
Housing Affordability Composite Index



Index = 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home.

Source: National Association of Realtors

Affordability Deteriorated during the Housing Boom



Source: National Association of Realtors and the Census Bureau

30-Year Fixed Rate Mortgage Yield*

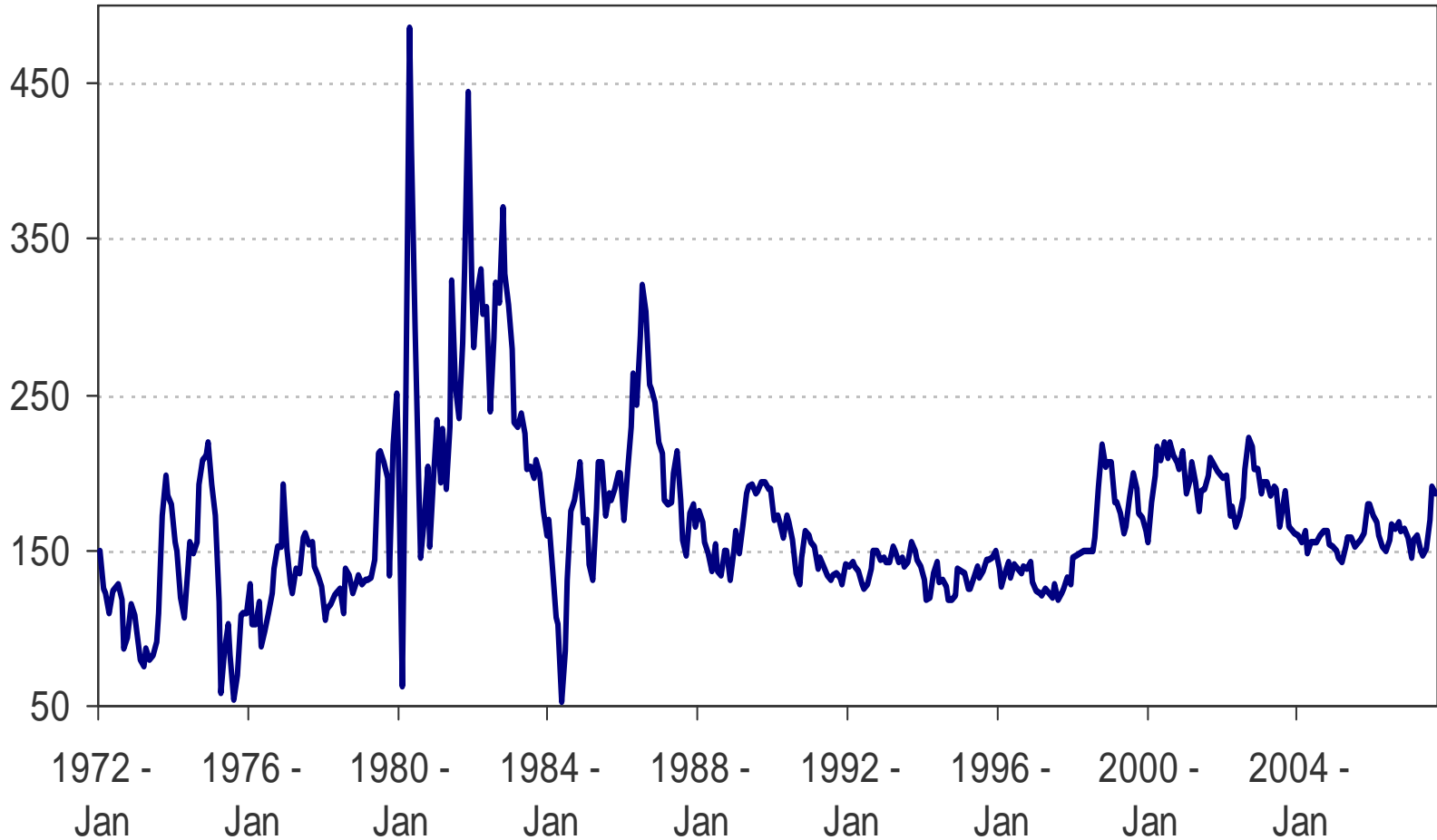


* Contract interest rates on commitments for first mortgages from Freddie Mac Primary Mortgage

Yield Spread: 30-Year Fixed Mortgages* and 10-Year Treasuries*



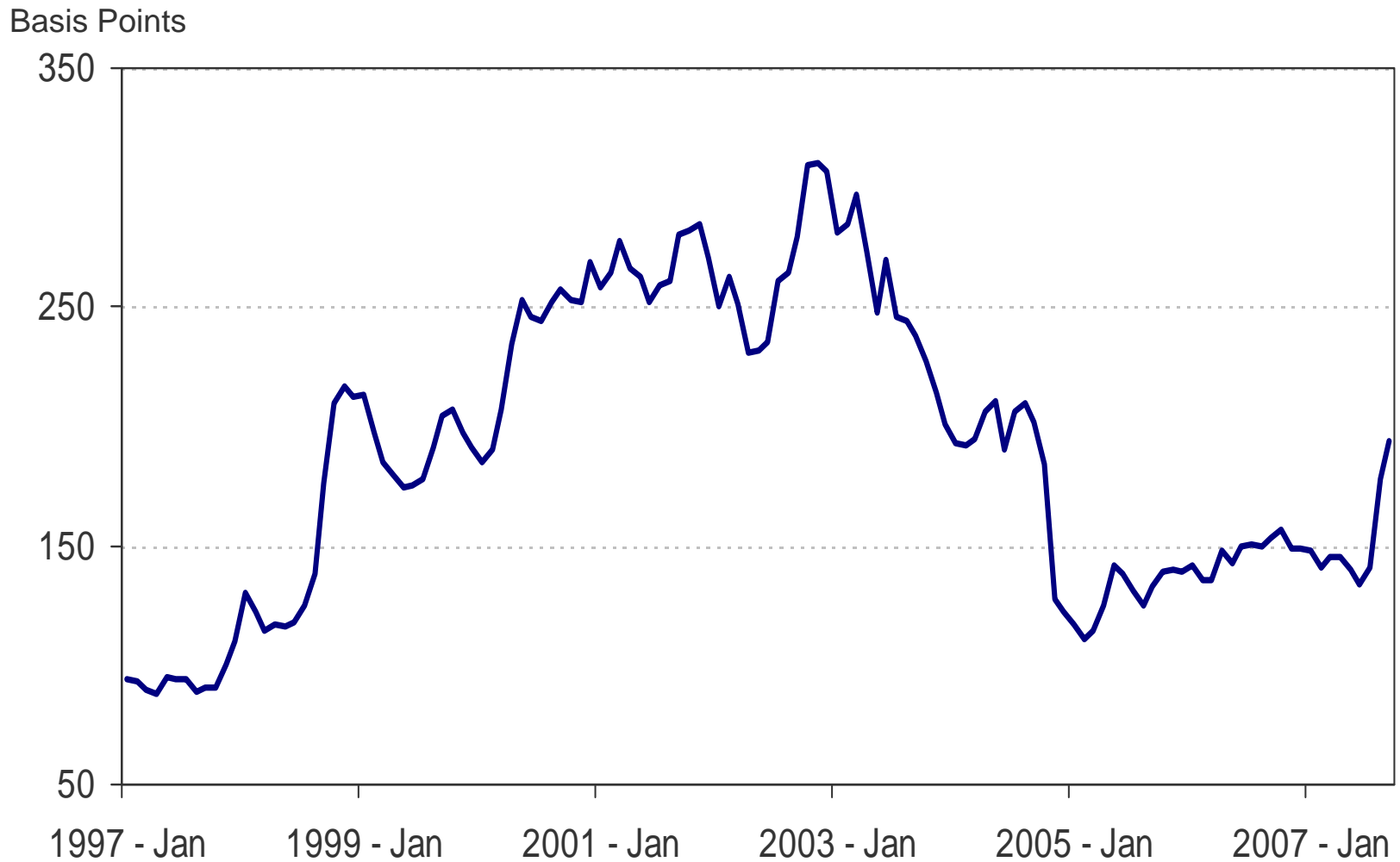
Basis Points



* Contract interest rates on commitments for first mortgages from Freddie Mac Primary Mortgage Market Survey. ** Treasury constant maturities

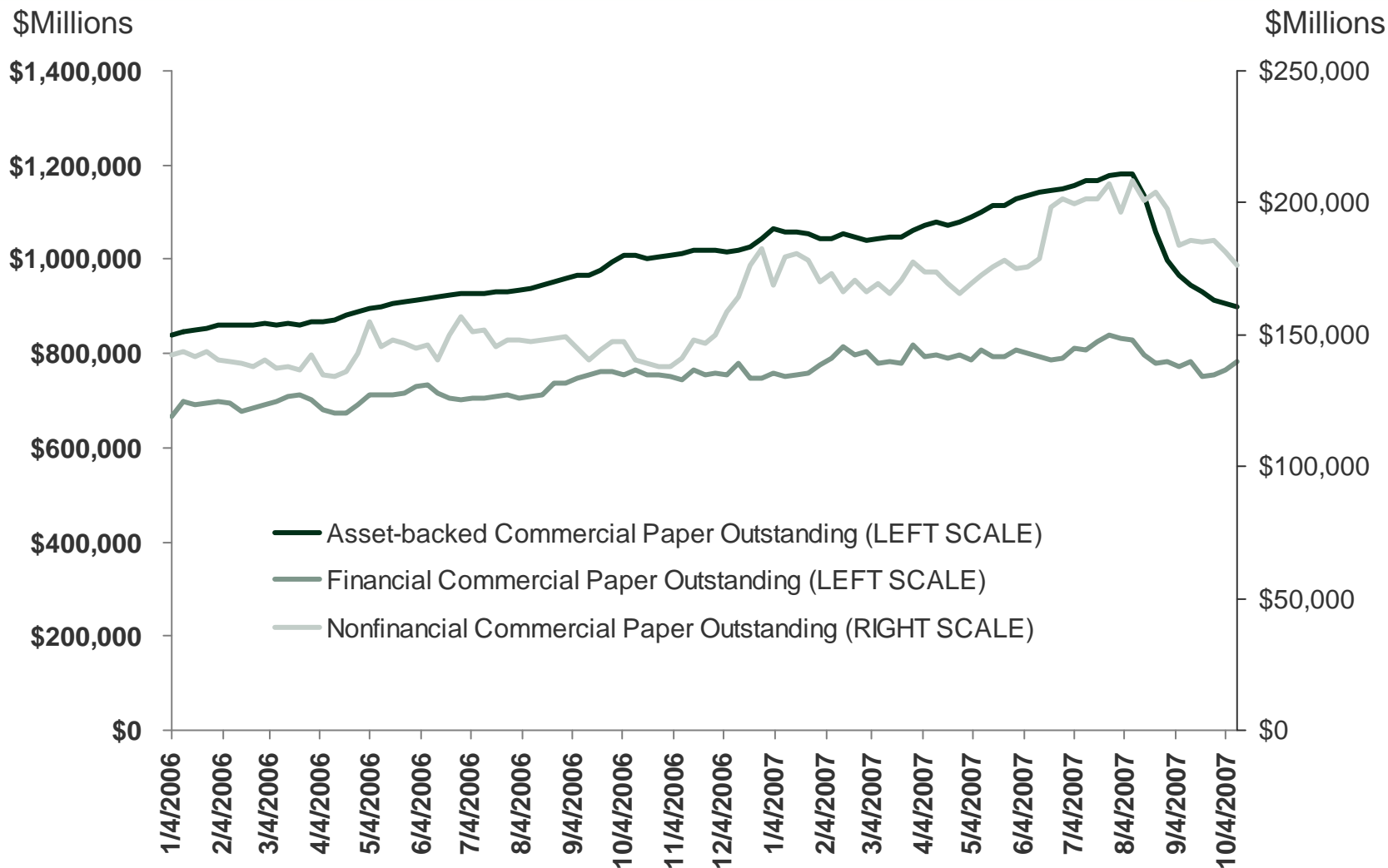
Source: Federal Reserve Board

Yield Spread: BBB* and Treasuries**



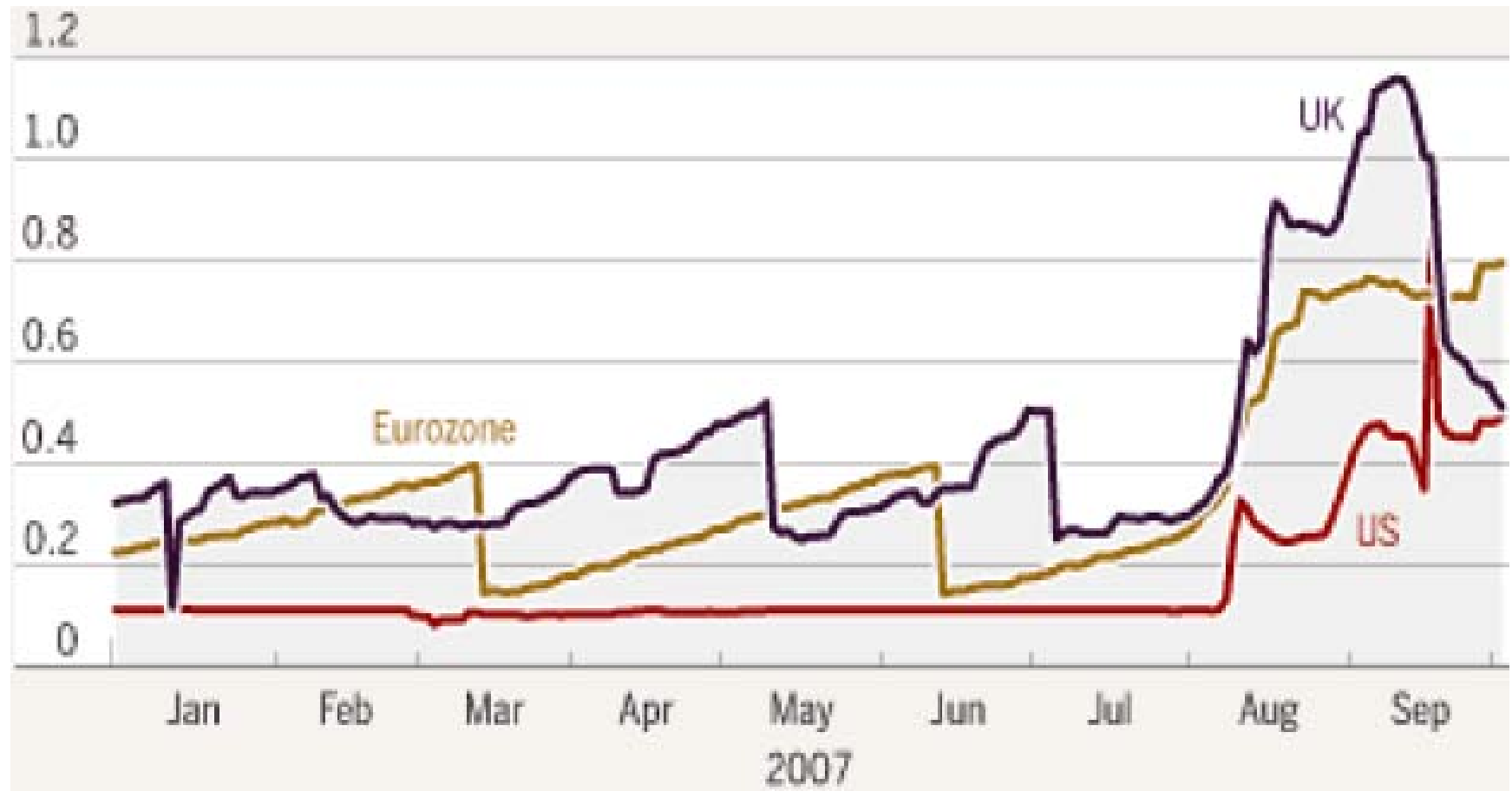
Source: Federal Reserve Board and Standard and Poor's

Commercial Paper Outstanding; seasonally adjusted



Source: Federal Reserve Board

3-month Libor spreads over central banks policy rates (%)



Source: Wolf, M., "Securitisation: life after death," *Financial Time*, Oct 2, 2007

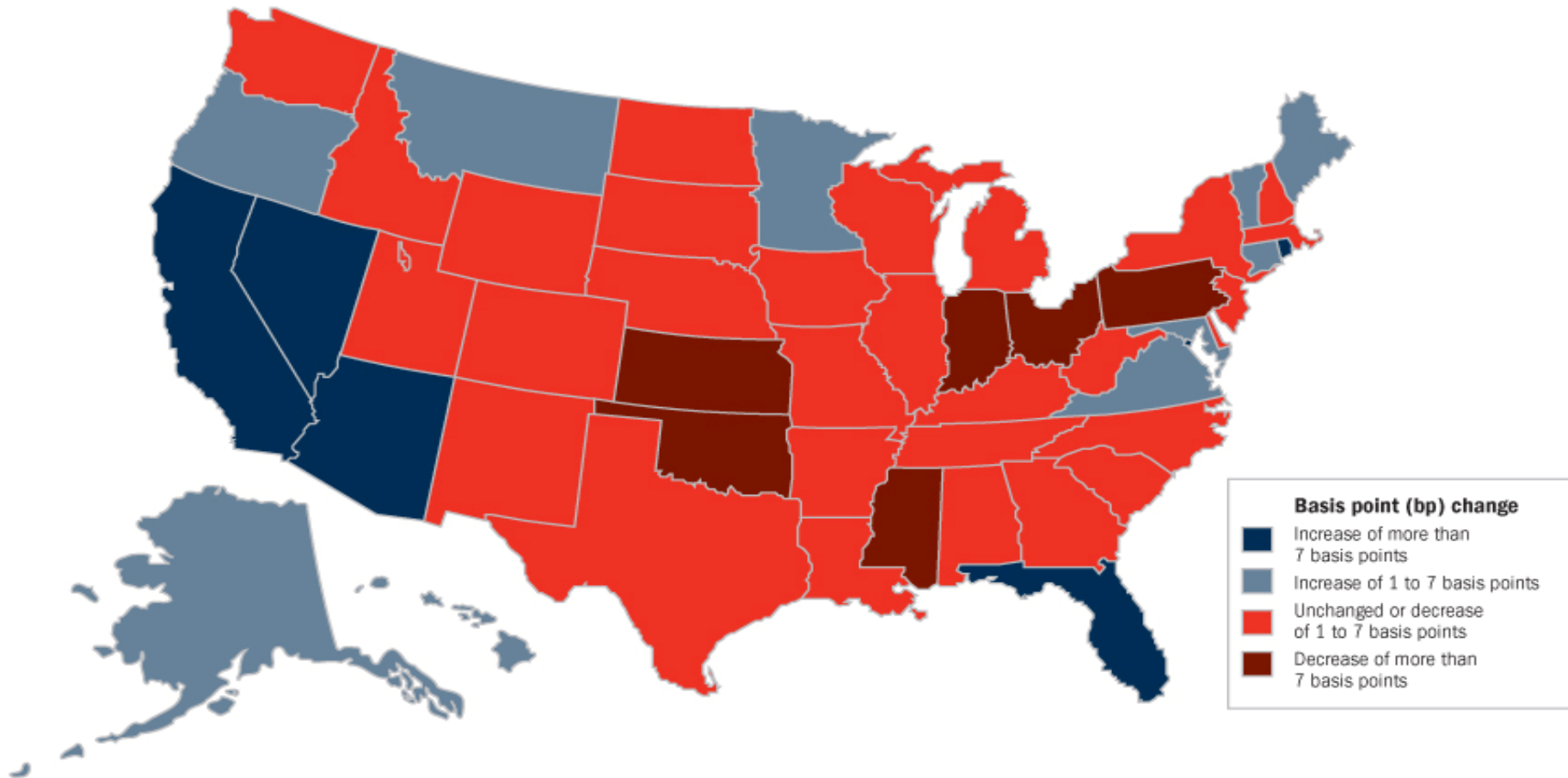
Product Type Composition of Loans Outstanding in Q2 2007



As of Q1 2007				As of Q2 2007				
Percent of Homeowners with No Mortgage	35.0%			Percent of Homeowners with No Mortgage	35.0%			
Percent of Homeowners with A Mortgage	65.0%	For Homeowners With A Mortgage		Percent of Homeowners with A Mortgage	65.0%	For Homeowners With A Mortgage		
Prime Fixed		40.0%	Prime Fixed	61.5%		39.9%	Prime Fixed	61.5%
Prime ARM		10.3%	Prime ARM	15.8%		9.9%	Prime ARM	15.2%
Subprime Fixed		3.7%	Subprime Fixed	5.7%		4.3%	Subprime Fixed	6.6%
Subprime ARM		5.0%	Subprime ARM	7.7%		4.8%	Subprime ARM	7.4%
FHA Fixed		4.1%	FHA Fixed	6.3%		4.0%	FHA Fixed	6.4%
FHA ARM		0.3%	FHA ARM	0.5%		0.3%	FHA ARM	0.5%
VA		1.6%	VA	2.5%		1.8%	VA	2.5%
Total	100.0%		Total	100.0%		Total	100.0%	100.0%

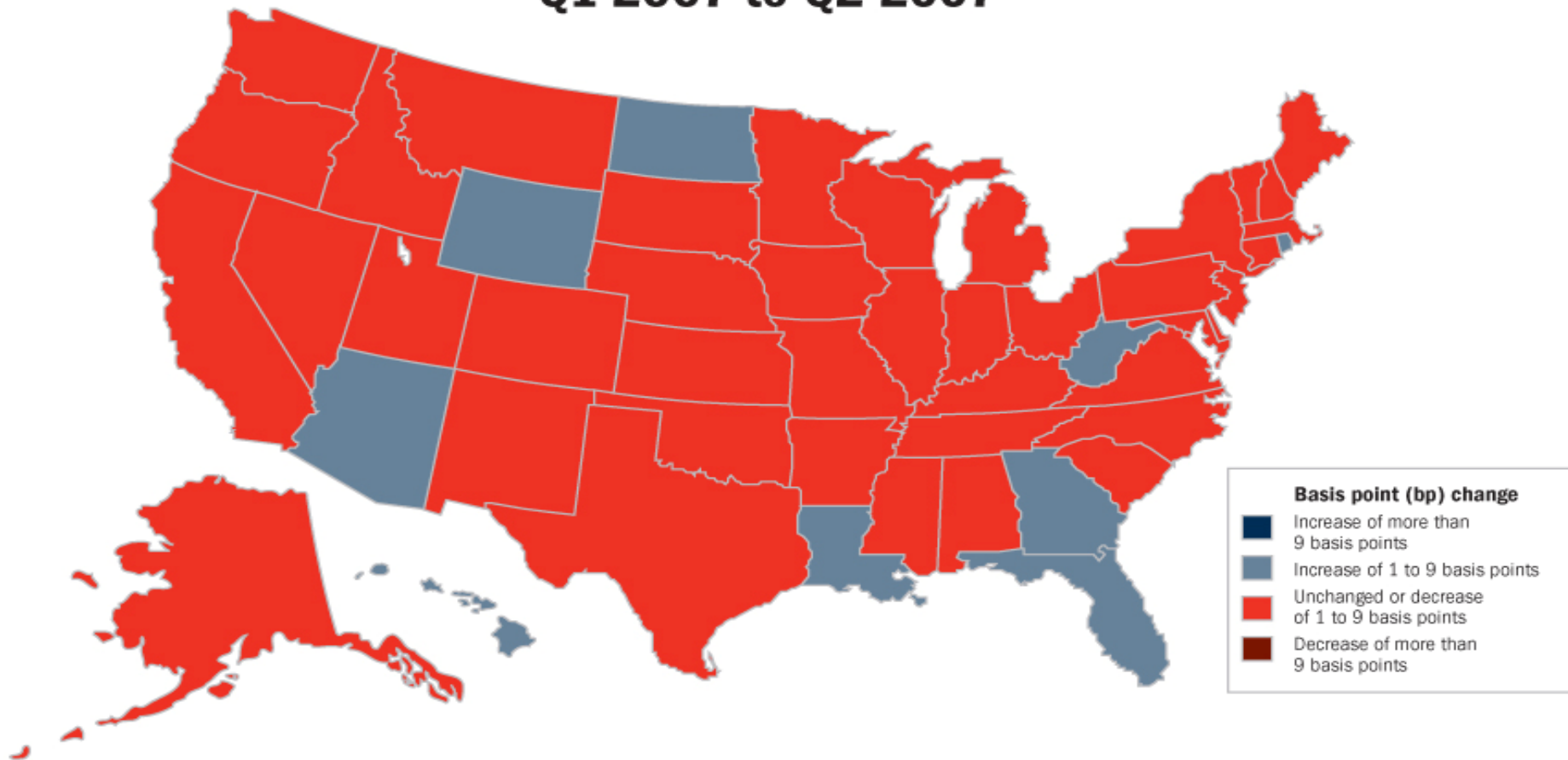
Source: MBA National Delinquency Survey and 2005 American Housing Survey

Change in All Foreclosure Starts, Q1 2007 to Q2 2007



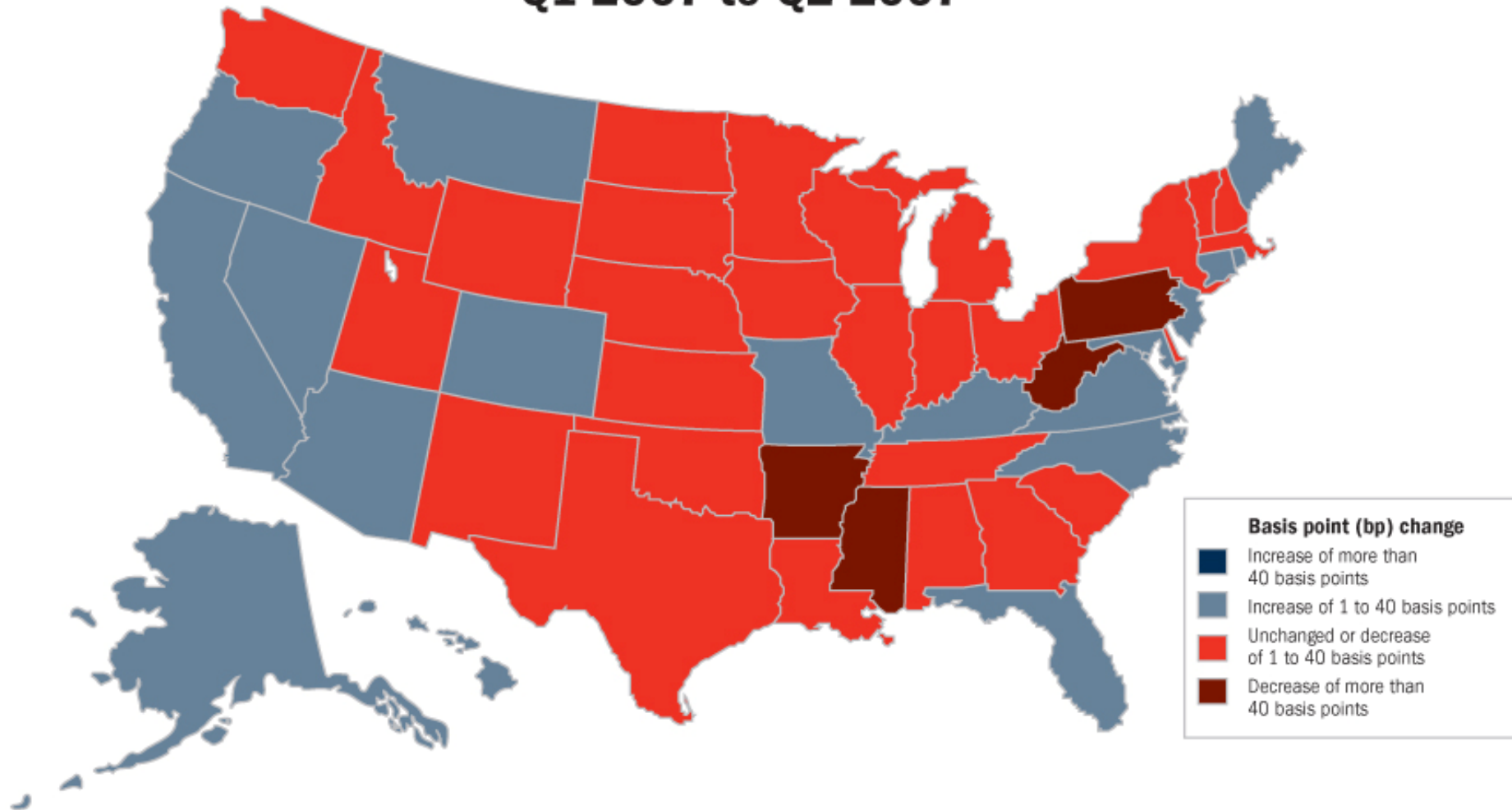
Source: MBA National Delinquency Survey

Change in Prime Fixed Loan Foreclosure Starts, Q1 2007 to Q2 2007



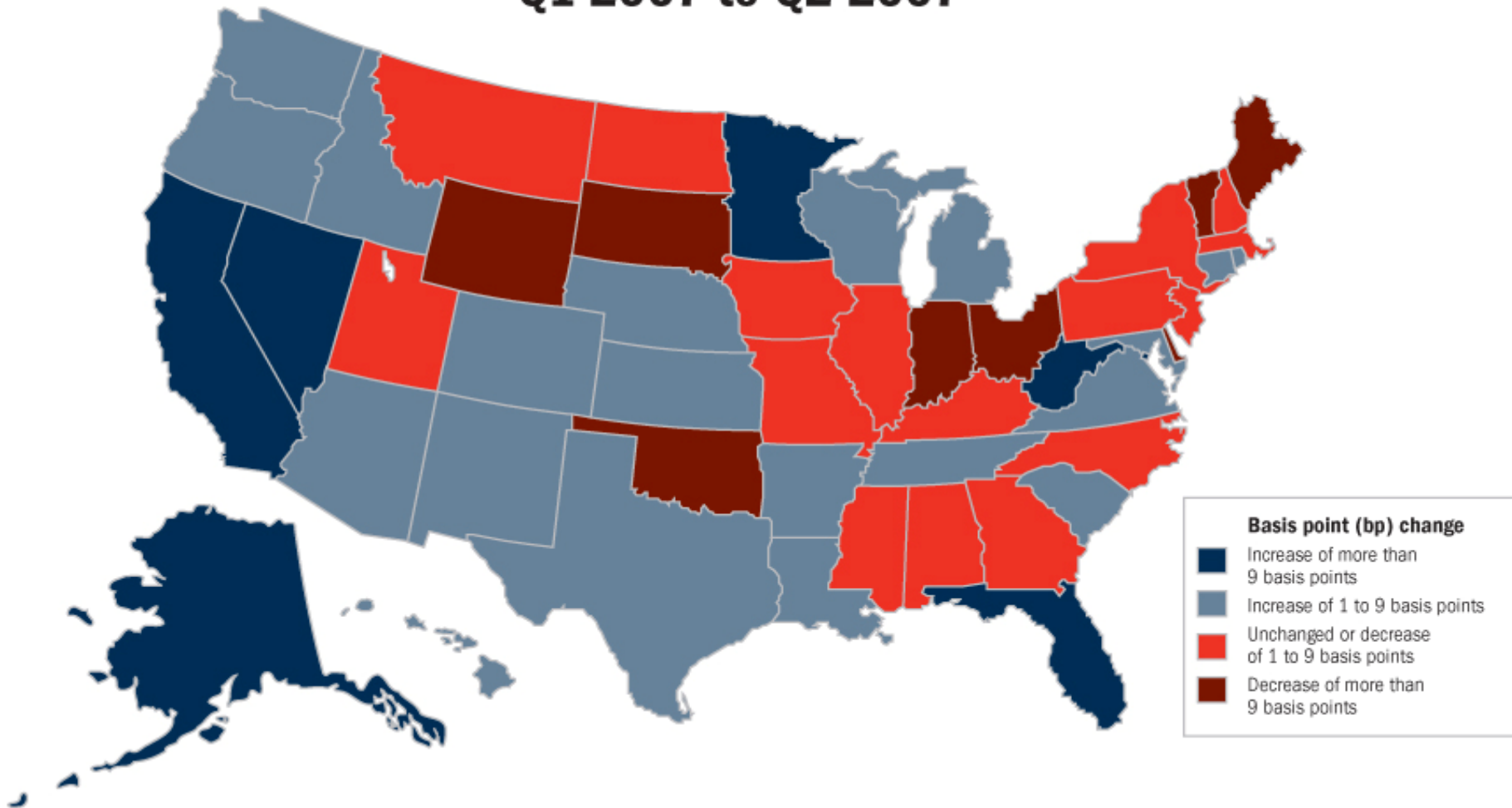
Source: MBA National Delinquency Survey

Change in Subprime Fixed Loan Foreclosure Starts, Q1 2007 to Q2 2007



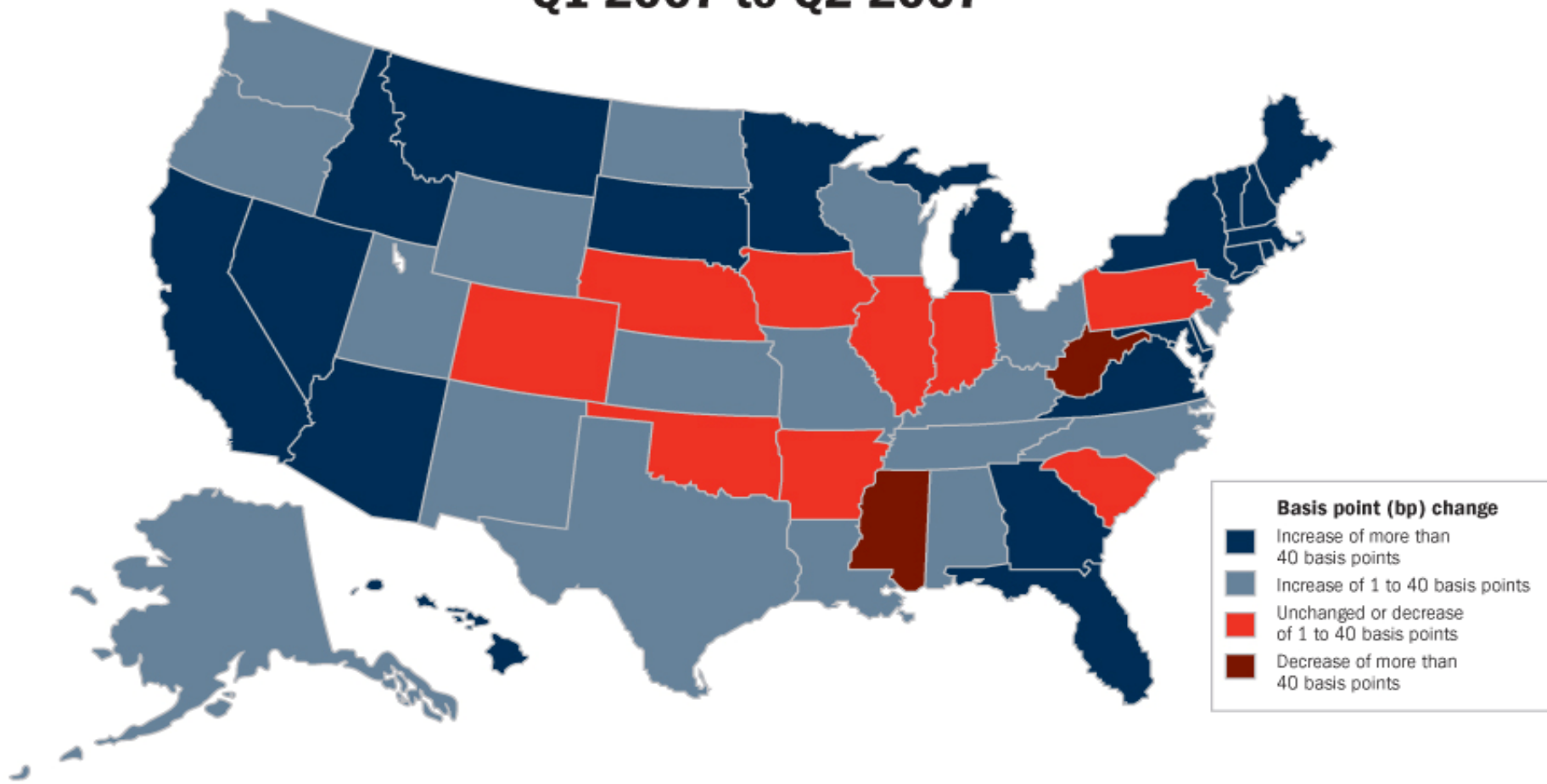
Source: MBA National Delinquency Survey

Change in Prime ARM Loan Foreclosure Starts, Q1 2007 to Q2 2007



Source: MBA National Delinquency Survey

Change in Subprime ARM Loan Foreclosure Starts, Q1 2007 to Q2 2007



Source: MBA National Delinquency Survey

Top 5 and Bottom 5 States Ranked by Seriously Delinquent Rate

Based on data as of Q2 2007



Prime Fixed		Prime ARM		Subprime Fixed		Subprime ARM		FHA	
1 Ohio	1.86	1 Mississippi	4.89	1 Ohio	11.64	1 Ohio	22.85	1 Michigan	10.83
2 Indiana	1.57	2 Michigan	4.65	2 Mississippi	9.92	2 Michigan	21.08	2 Ohio	8.36
3 Mississippi	1.48	3 Indiana	4.45	3 Indiana	9.55	3 Indiana	19.28	3 Indiana	7.49
4 Louisiana	1.39	4 Ohio	4.33	4 Michigan	9.47	4 Iowa	17.96	4 Louisiana	7.15
5 Michigan	1.34	5 Oklahoma	3.98	5 Louisiana	9.29	5 Mississippi	17.86	5 South Carolina	7.05
US	0.67	US	2.02	US	5.84	US	12.40	US	5.18
47 Virginia	0.25	47 Wyoming	0.95	47 Hawaii	2.52	47 Idaho	6.56	47 Montana	1.85
48 Washington	0.23	48 District of Columbia	0.93	48 Utah	2.39	48 Arizona	6.10	48 North Dakota	1.83
49 California	0.22	49 Idaho	0.78	49 Wyoming	2.37	49 Washington	5.55	49 Wyoming	1.62
49 Oregon	0.22	49 Oregon	0.78	50 Oregon	2.24	50 Oregon	5.41	50 Alaska	1.52
51 Wyoming	0.17	51 Washington	0.69	51 Alaska	1.53	51 Utah	4.29	51 Idaho	1.34

Source: MBA National Delinquency Survey

Percent of Defaults Due to Non-Owner Occupied Loans

Prime Loans		
	Percent of prime defaults due to non-owner occupied loans as of June 30, 2007	Share of prime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	32%	29%
Arizona	26%	29%
Florida	25%	32%
California	21%	14%
All other states	13%	15%
Total US	16%	17%

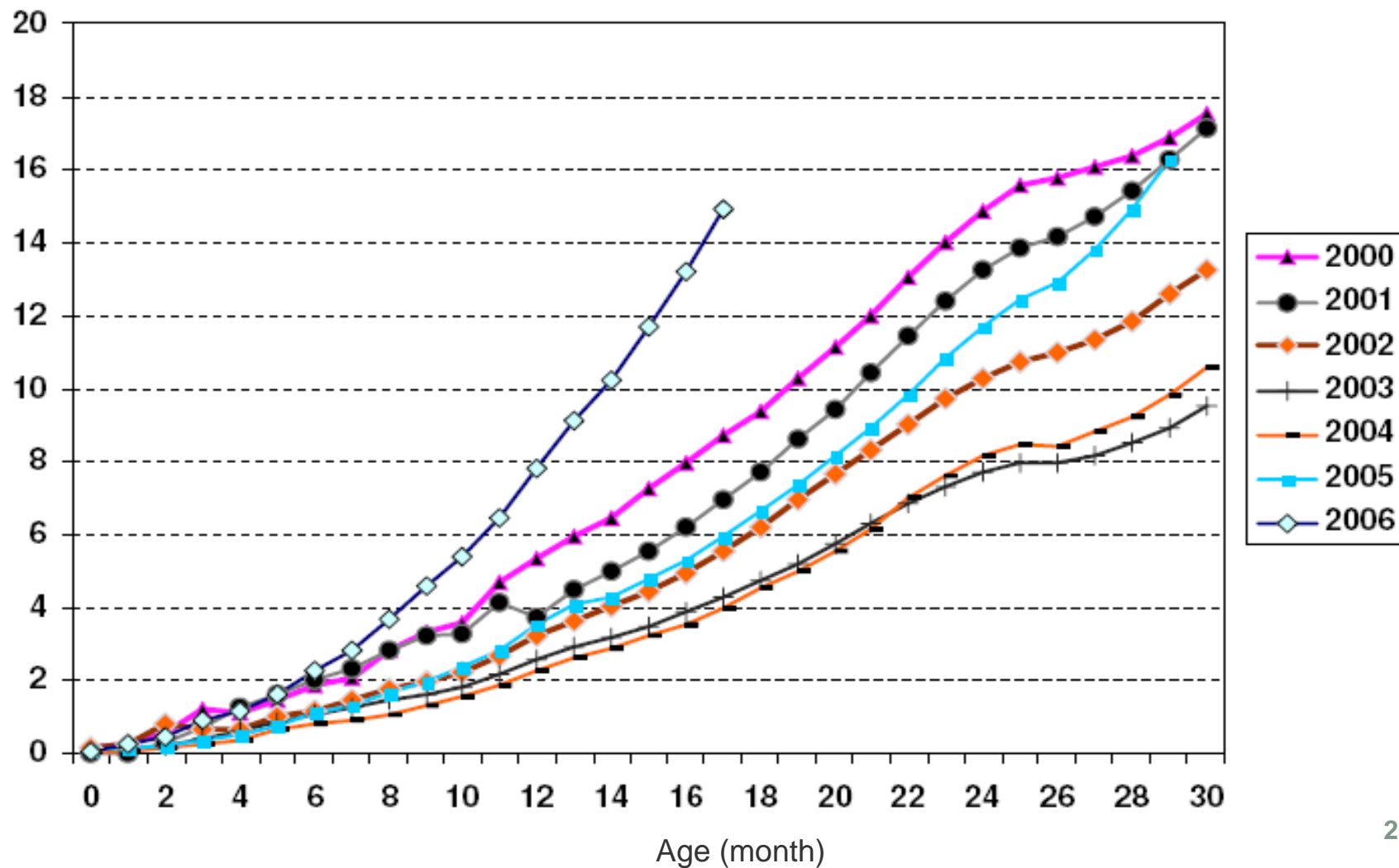
Subprime Loans		
	Percent of subprime defaults due to non-owner occupied loans as of June 30, 2007	Share of subprime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	24%	14%
Arizona	18%	14%
Florida	14%	15%
California	15%	7%
All other states	11%	10%
Total US	12%	10%

Source: MBA, Home Mortgage Disclosure Act 2005 Report

Subprime Delinquencies by Vintage:

2006 Twice Historical Norm

60-day plus Delinquency Rate



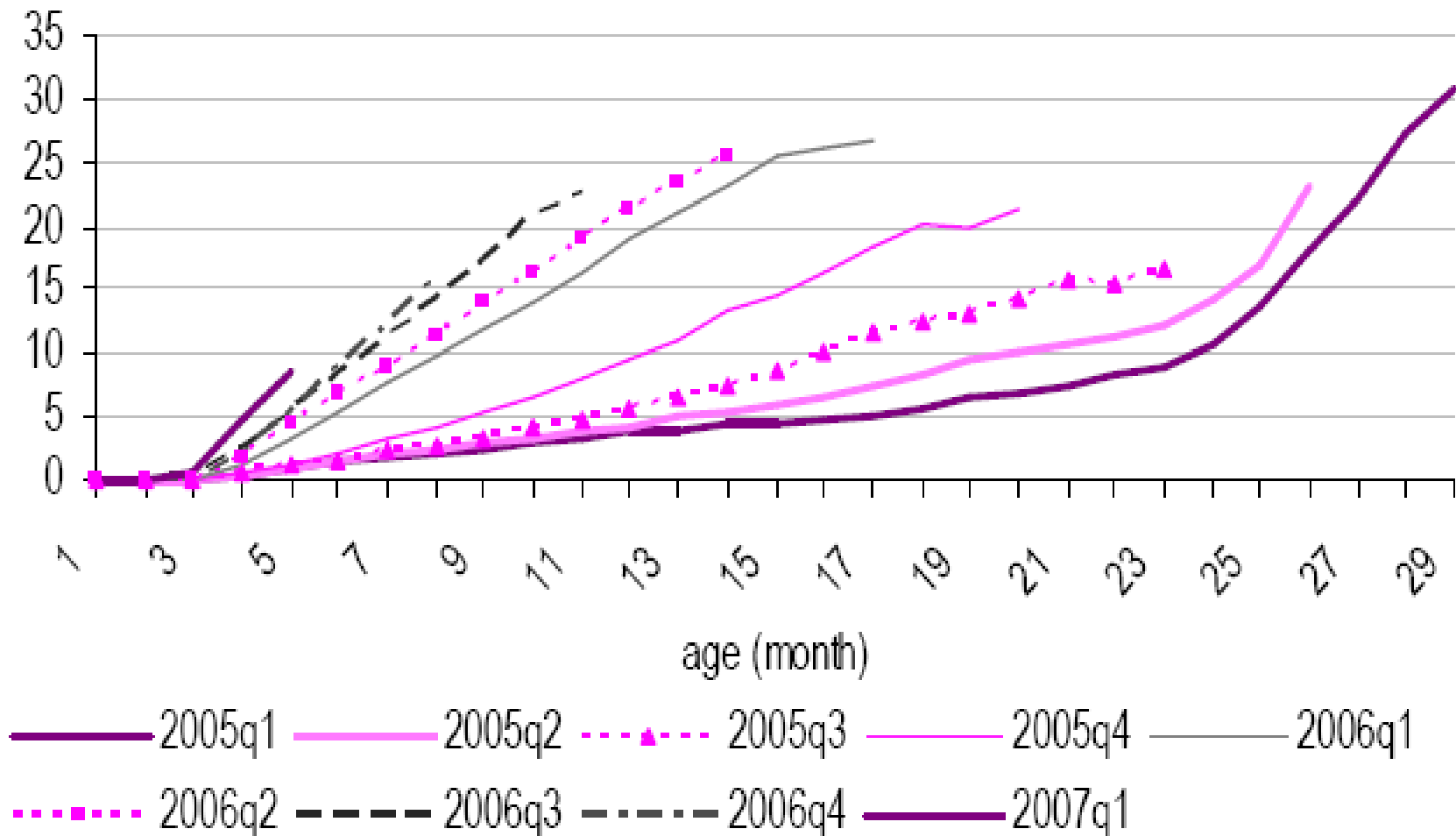
Source: UBS

Delinquencies of 2/28 ARM* by Vintage:

2007 Performance Worse than 2006



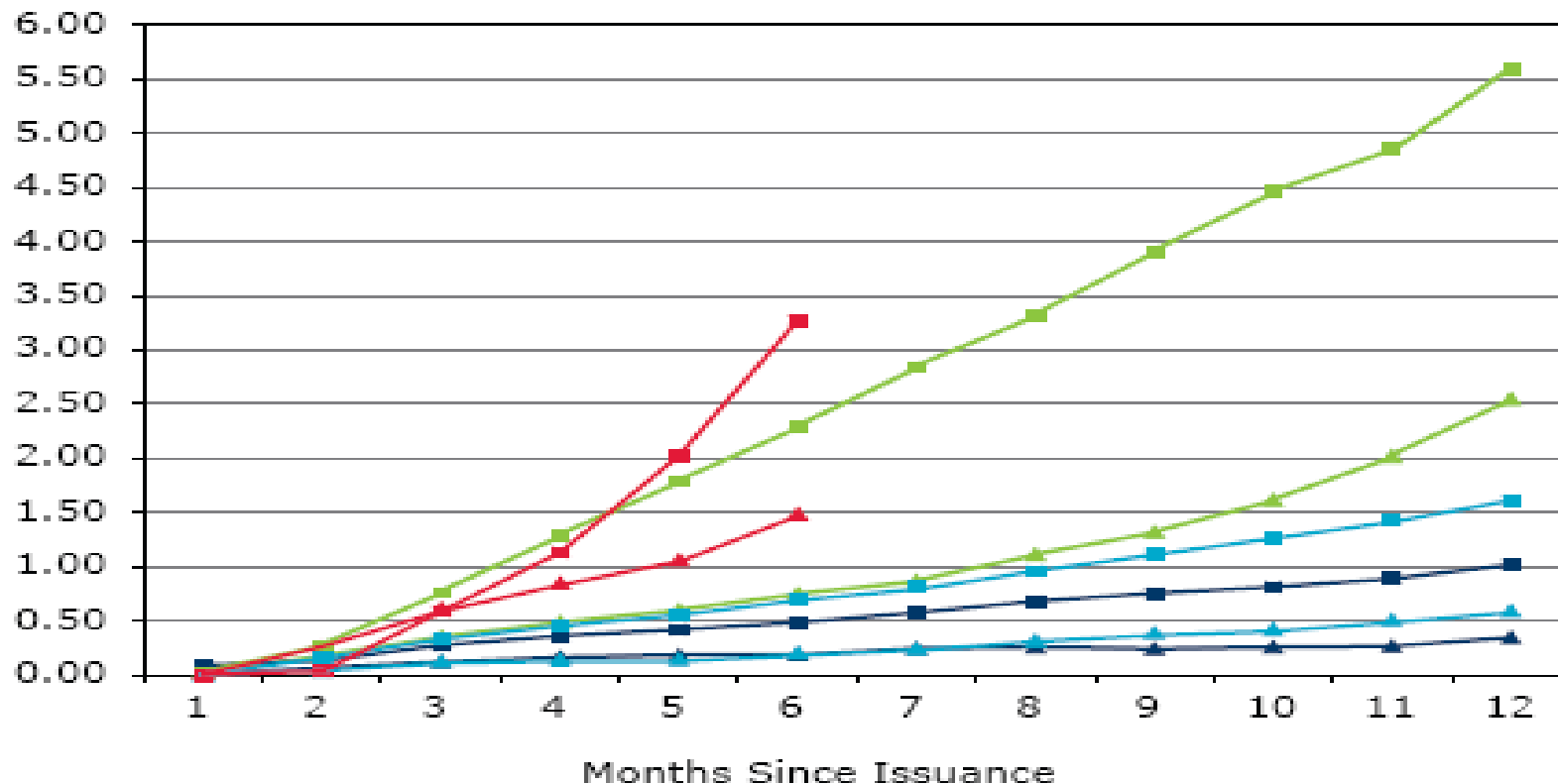
60-day plus Delinquency Rate



*Stable home price appreciation states, first liens, purchase, Low Doc, CLTV>=100, 625<=FICO<650

Option ARM and Alt-A Delinquency by Vintage

60-day plus Delinquency Rate (%)



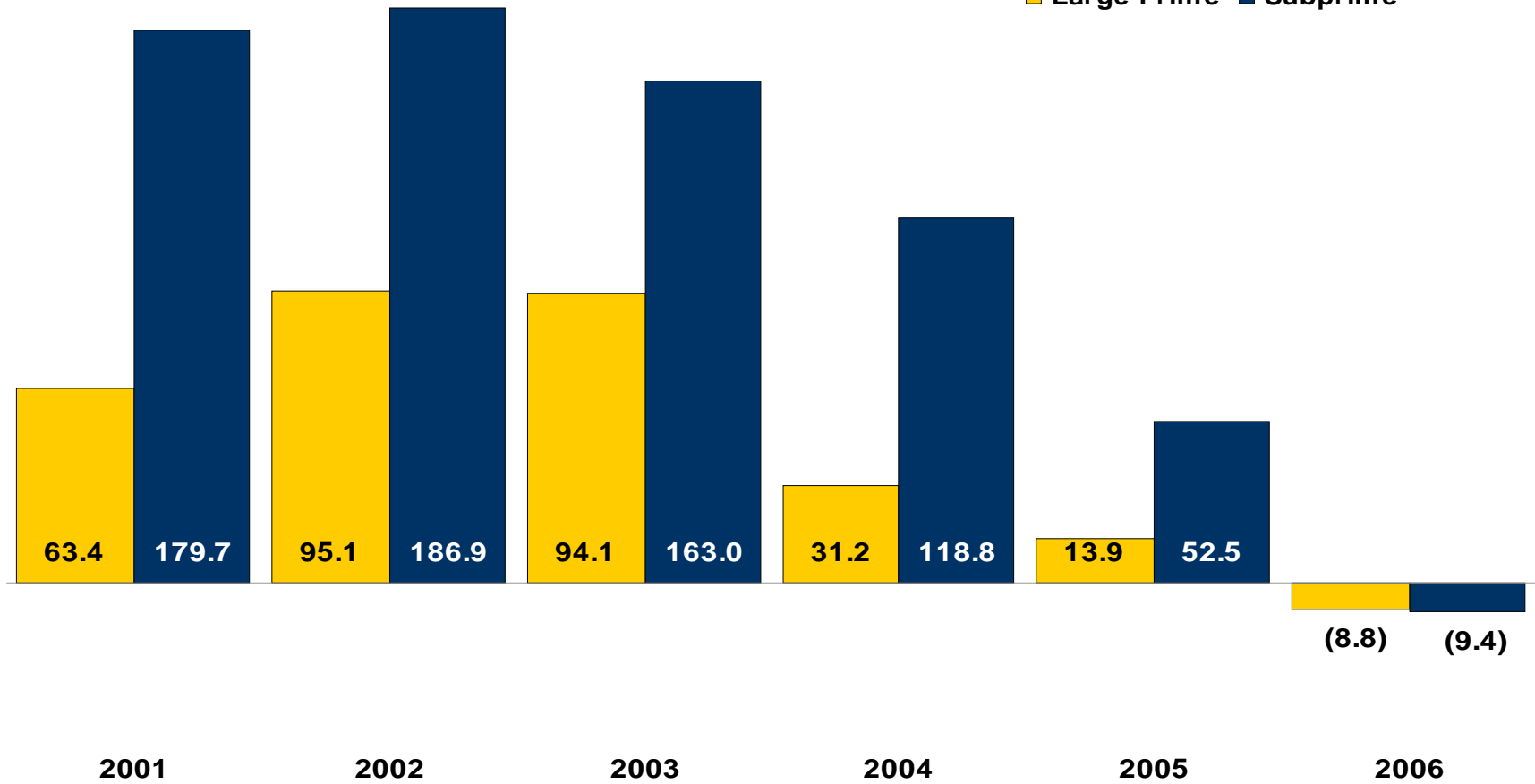
- Option ARM 2004
- Option ARM 2005
- Option ARM 2006
- Option ARM 2007
- Alt-A ARM 2004
- Alt-A ARM 2005
- Alt-A ARM 2006
- Alt-A ARM 2007

Source: Intex

Average Production Net Income

Basis points

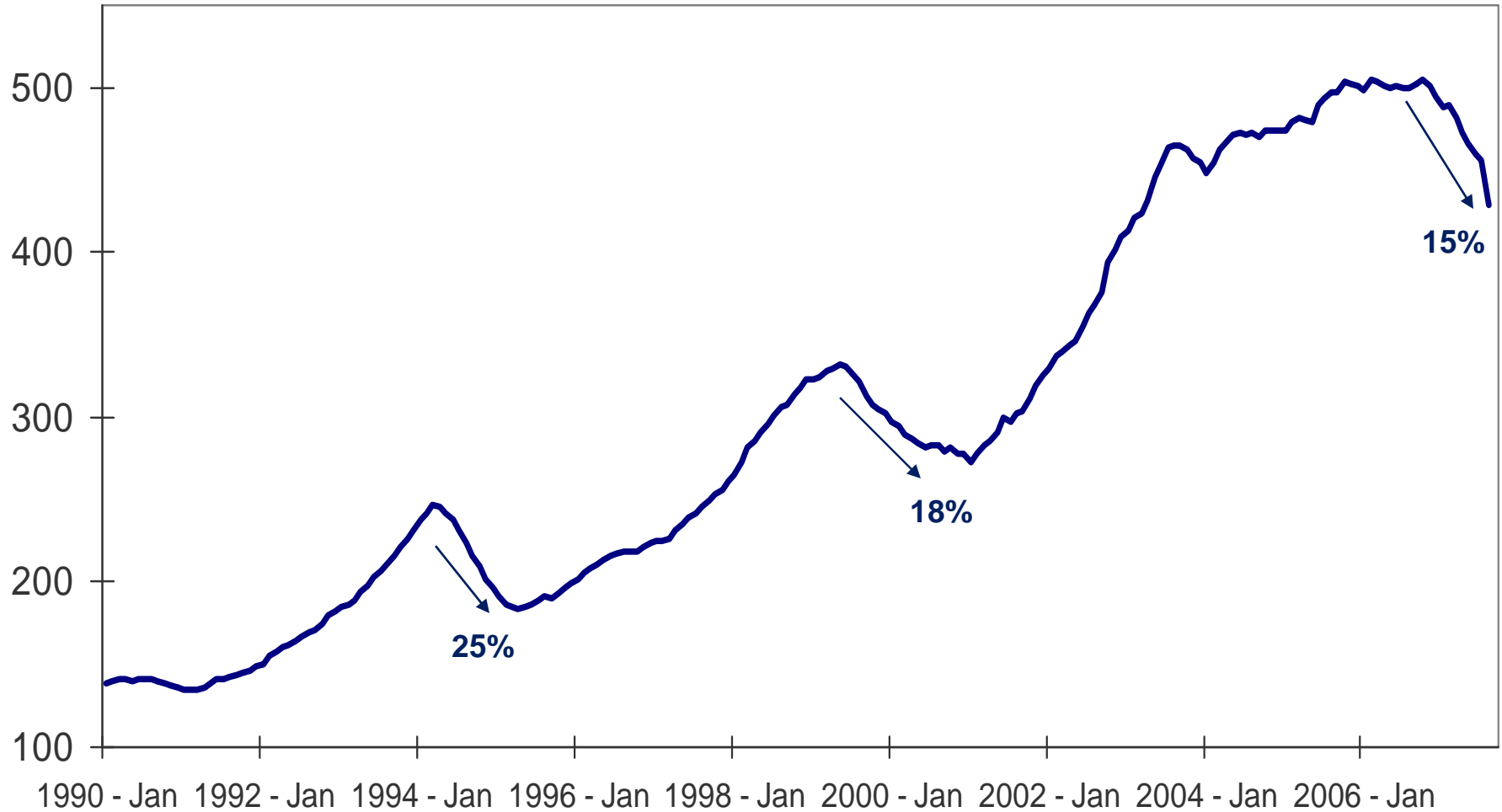
■ Large Prime ■ Subprime



Source: MBA/STRATMOR

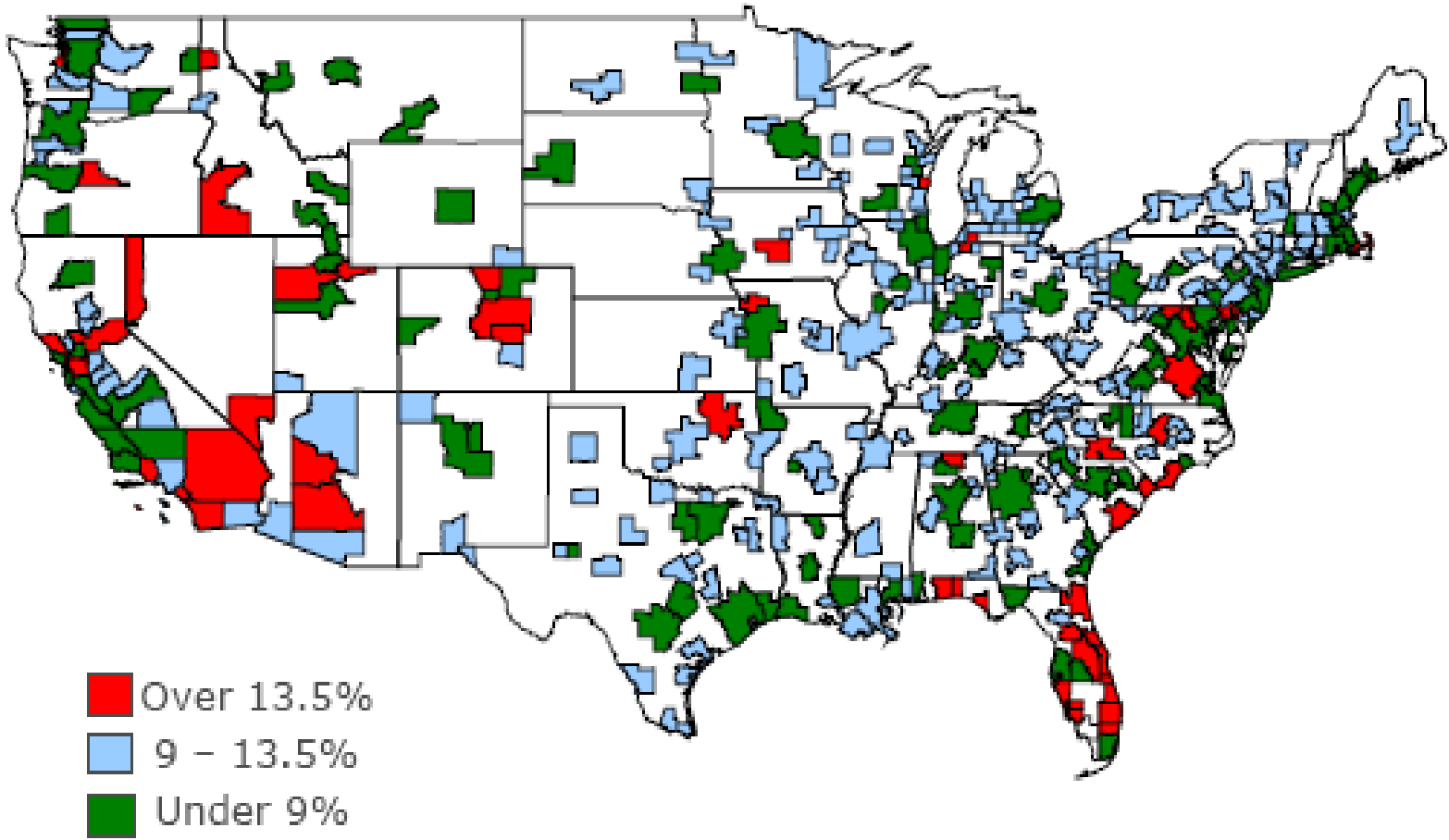
Employment in Mortgage Industry

Thousands



Source: Bureau of Labor Statistics

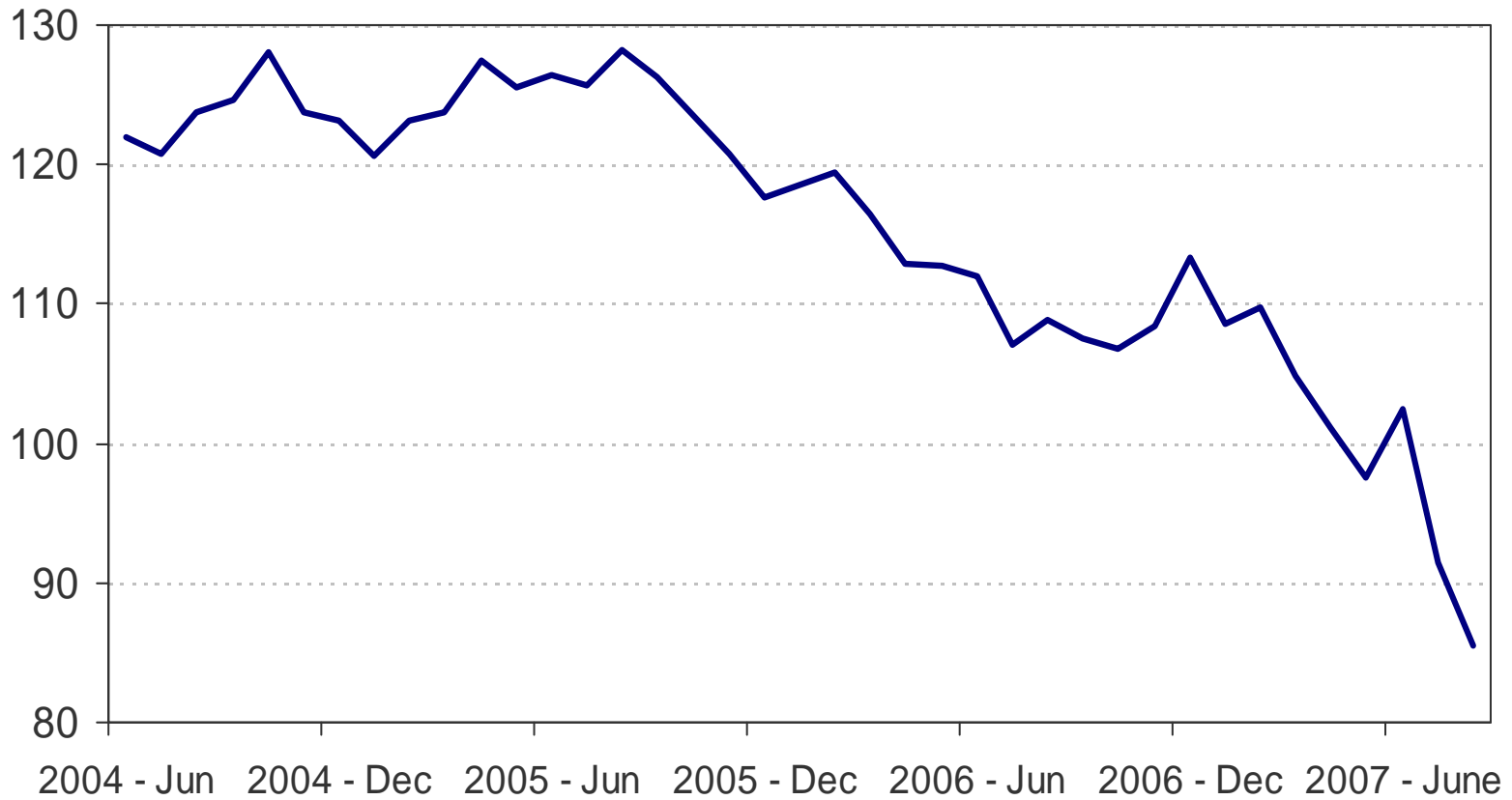
Real Estate-related as a Share of Total Employment, 2006Q2



Source: Bureau of Labor Statistics, Moody's Economy.com

Pending Home Sales Index

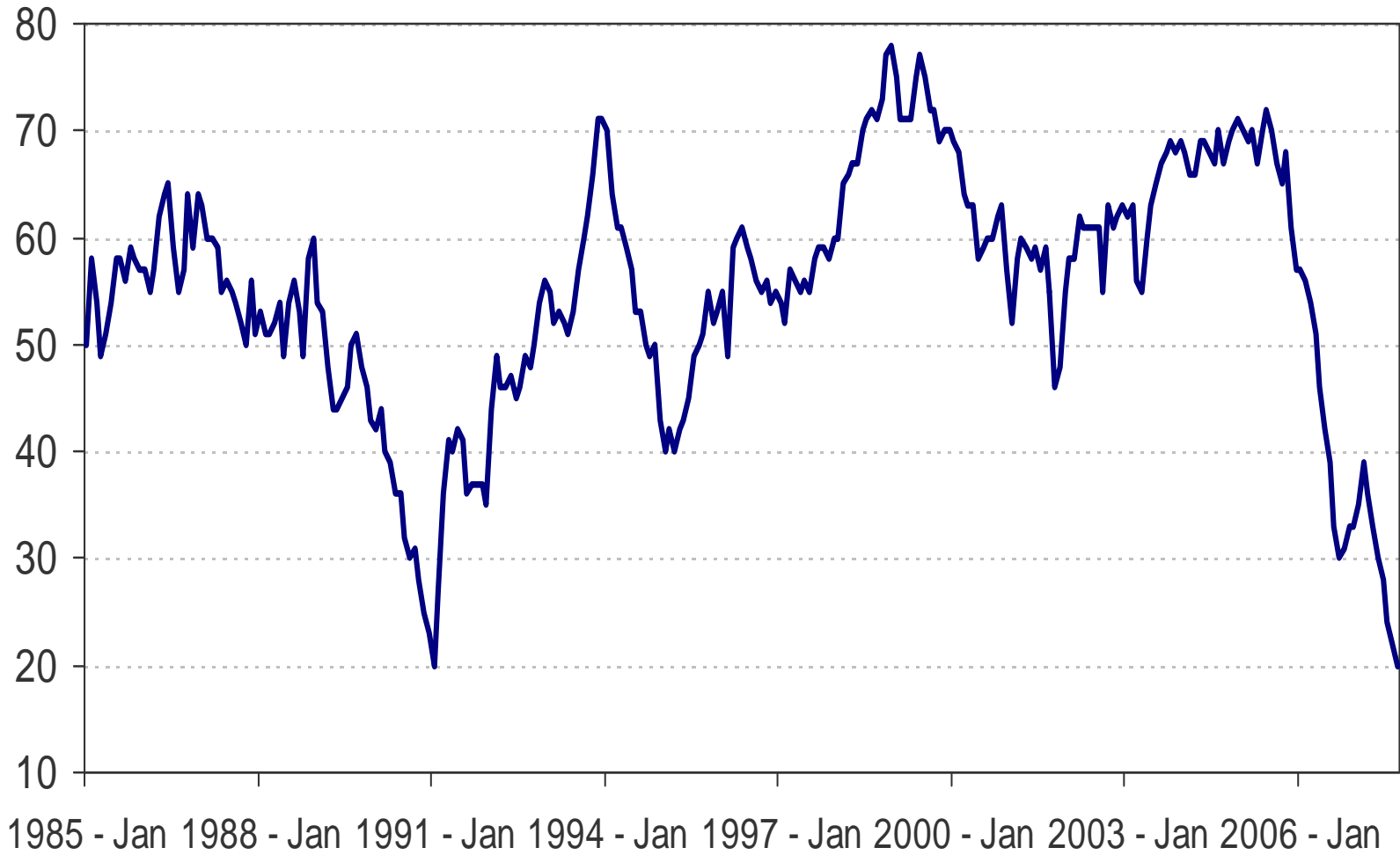
Index: 2001 = 100



Source: National Association of Realtors

Housing Market Index

Index = 100 means all home builders view the market as good



Source: National Association of Home Builders

Forecast Summary



	2006.1	2006.2	2006.3	2006.4	2007.1	2007.2	2007.3	2007.4	2008.1	2008.2	2008.3	2008.4	2009.1	2009.2	2009.3	2009.4	2006	2007	2008	2009
Housing Measures (000)																				
Total Housing Starts	2,127	1,861	1,704	1,555	1,460	1,464	1,319	1,199	1,142	1,141	1,168	1,194	1,220	1,250	1,285	1,320	1,801	1,360	1,161	1,269
% change	2.8	-12.5	-8.4	-8.8	-6.1	0.3	-10.0	-9.1	-4.7	-0.1	2.4	2.2	2.2	2.5	2.8	2.7	-12.9	-24.5	-14.7	9.3
Single-family	1,752	1,520	1,393	1,232	1,172	1,166	998	900	850	850	875	900	925	950	975	1,000	1,465	1,059	869	963
% change	1.5	-13.2	-8.4	-11.6	-4.8	-0.5	-14.3	-9.9	-5.6	0.0	2.9	2.9	2.8	2.7	2.6	2.6	-14.6	-27.7	-18.0	10.8
Multi-family	376	341	311	323	288	299	320	299	292	291	293	294	295	300	310	320	336	301	292	306
% change	9.4	-9.2	-8.8	3.9	-10.7	3.6	7.2	-6.7	-2.2	-0.5	0.8	0.4	0.3	1.8	3.3	3.2	-4.7	-10.2	-3.0	4.7
Total Existing Home Sales	6,863	6,627	6,287	6,263	6,423	5,917	5,368	5,174	5,145	5,127	5,102	5,206	5,266	5,356	5,446	5,541	6,478	5,720	5,145	5,402
% change	-1.5	-3.4	-5.1	-0.4	2.6	-7.9	-9.3	-3.6	-0.5	-0.4	-0.5	2.0	1.1	1.7	1.7	1.7	-8.4	-11.7	-10.1	5.0
New Home Sales	1,132	1,086	994	986	853	868	805	752	744	730	724	744	759	774	788	802	1,051	819	736	781
% change	-10.4	-4.1	-8.5	-0.8	-13.5	1.8	-7.2	-6.6	-1.1	-1.8	-0.8	2.8	1.9	1.9	1.8	1.9	-18.1	-22.0	-10.2	6.1
Total Existing Home Prices	216.9	226.8	225.0	219.3	214.0	223.9	223.1	207.2	210.7	217.7	218.0	205.3	209.3	219.1	218.1	212.5	221.9	217.0	212.9	214.7
% change	-3.8	4.6	-0.8	-2.6	-2.4	4.6	-0.4	-7.1	1.7	3.3	0.2	-5.8	2.0	4.7	-0.5	-2.5	1.0	-2.2	-1.9	0.9
New Home Prices	244.8	246.1	236.2	245.1	255.9	240.2	226.5	238.3	242.5	239.6	224.9	236.8	242.1	243.1	227.6	241.8	246.5	240.2	235.9	238.6
% change	2.0	0.5	-4.0	3.7	4.4	-6.1	-5.7	5.2	1.7	-1.2	-6.1	5.3	2.2	0.4	-6.4	6.2	2.3	-2.5	-1.8	1.1
Interest Rates (%)																				
30-Year FRM Contract Rate	6.2	6.6	6.6	6.2	6.2	6.4	6.6	6.5	6.6	6.7	6.8	6.8	6.8	6.8	6.8	6.8	6.4	6.4	6.7	6.8
10-Year Treasury Yield	4.6	5.1	4.9	4.6	4.7	4.8	4.7	4.7	4.8	4.9	5.0	5.0	5.0	5.0	5.0	5.0	4.8	4.7	4.9	5.0
1-Year Treasury ARM	5.3	5.7	5.7	5.5	5.5	5.6	5.7	5.5	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.5	5.6	5.6	5.7
1-Year Treasury Yield	4.6	5.0	5.1	5.0	5.0	4.9	4.5	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.9	4.7	4.3	4.3
Total 1-4 Family (Bil.\$)	610	729	697	690	631	694	550	438	527	461	450	451	454	435	430	454	2,726	2,313	1,889	1,774
Purchase	305	408	376	310	271	354	314	241	251	258	252	242	250	265	267	268	1,400	1,180	1,003	1,050
Refinance	305	321	321	379	360	340	237	197	276	203	198	209	205	170	164	186	1,326	1,133	886	724
Refinance Share (%)	50	44	46	55	57	49	43	45	52	44	44	46	45	39	38	41	49	49	47	41
ARM Share (%)	28	25	19	14	11	11	13	13	13	14	14	14	15	16	16	16	22	12	14	15

* MBA estimate

Notes: Housing starts and home sales are seasonally adjusted at annual rates.

Median home prices and mortgage originations are not seasonally adjusted.

Refinance Share is percent of total dollar volume of originations.

ARM share is percent of total number of conventional purchase loans.

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Research and Forecasts:

<http://www.mortgagebankers.org/ResearchandForecasts/EconomicOutlookandForecasts>

Research Data:

<http://www.mortgagebankers.org/ResearchandForecasts/ProductsandSurveys>

MBA Research DataNotes:

<http://www.mortgagebankers.org/ResearchandForecasts/EconomicOutlookandForecasts/DataNotes.htm>

Research Institute for Housing America:

<http://www.housingamerica.org/sitemap.html>

Home Loan Learning Center:

<http://www.homeloanlearningcenter.com/default.html>

MBA Newslink:

<http://www.mortgagebankers.org/NewsandMedia/MBANewsLink>