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Home Truths and Trends in a Changing Market

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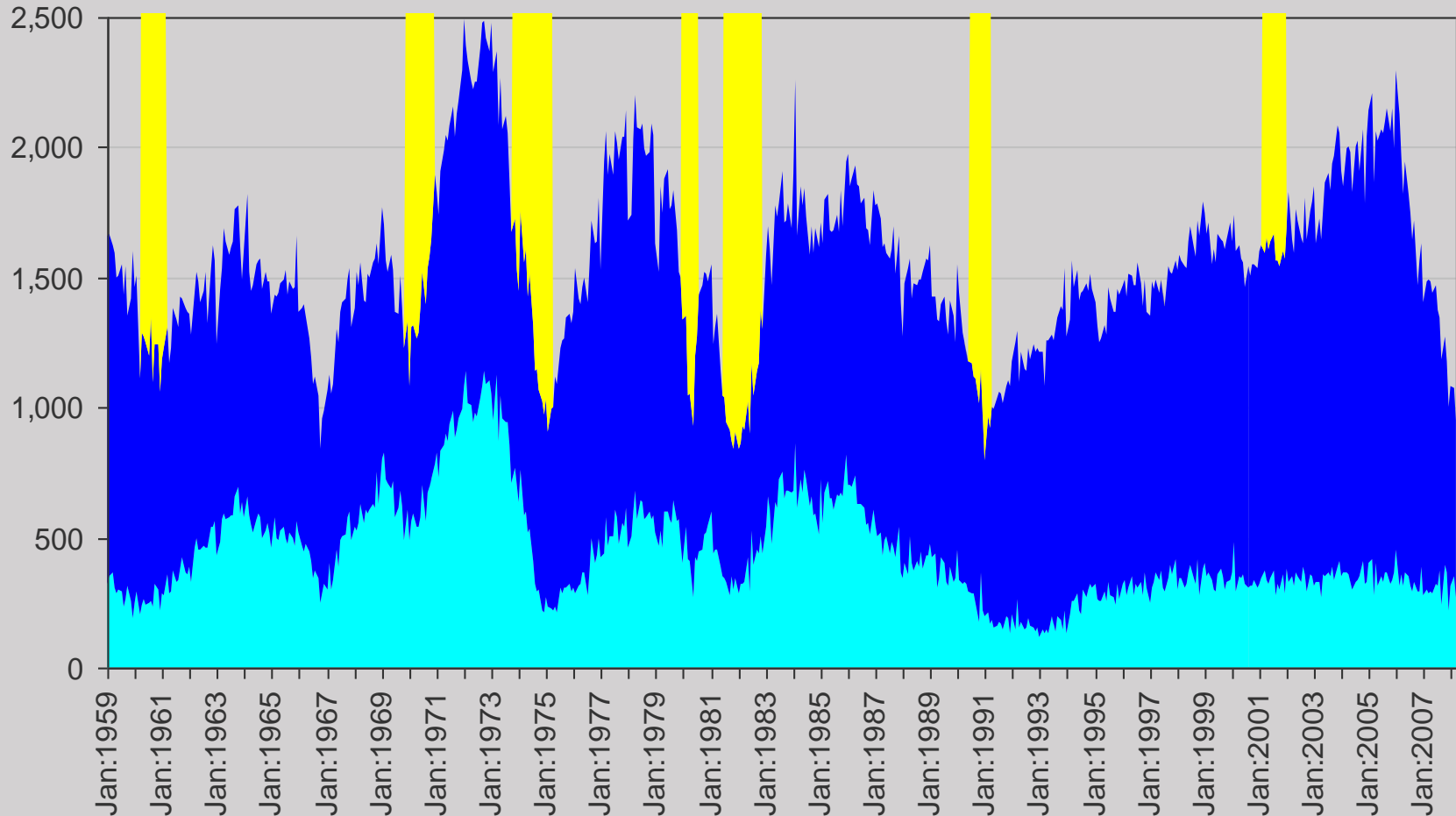
Daily News

Family Abandons American Dream, Mails in Keys to Home

Recently in South Florida, a family of four emulated many other American homeowners in an act that is absolutely inconsistent with the American dream of owning a home. They mailed in the keys to a home they owned for two years and walked away from their mortgage obligation. The 28-year-old father lost his job and the couple had fallen behind on their monthly payments. Several payments piled up before he found a new job. His new income was sufficient to carry the monthly mortgage obligation.

But the couple faced a dilemma. Making up the back payments would strap them financially. They considered selling, but discovered that they were underwater – the house was now worth less than they

Seasonally Adjusted Annual Rate



Yellow bars indicate recession

1. Housing cycles will happen.
2. The American Dream endures.
3. The American housing finance system works.
4. The all-American mortgage works.
5. It's not just home-*buying*, it's home-*owning*.
6. We're all invested in successful homeowners.
7. Stretch lending is progress.
8. Housing needs capital.
9. Fannie Mae is part of the solution.

- Foreclosures are rapidly increasing.
- Home inventories remain high.
- Home price values in key markets continue to see deterioration and pose equity risk to borrowers.
- Fraud risk is increasing.
- Liquidity remains for prime conforming product.

- Equity / “skin in the game” matters.
- Sound underwriting standards will help the recovery.
- Loans will have fewer risk layers going forward.
- Appraisals must reflect the value of the collateral.
- Loan quality control is more important than ever.
- Post-funding QC is good as a feedback loop, but it is too late to stop a bad loan from occurring.

