

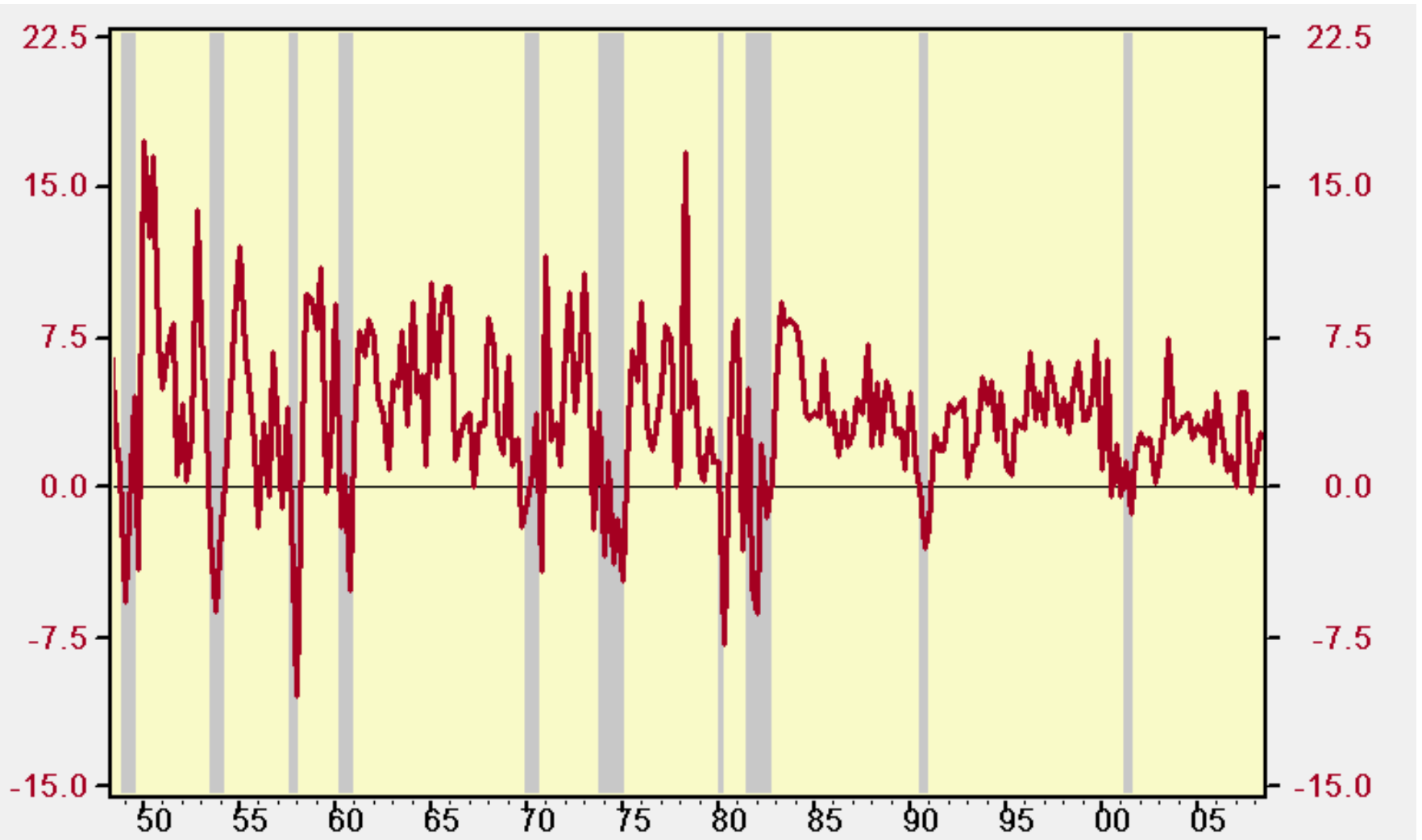


**MBA's ANNUAL 08 SF**  
**CONVENTION & EXPO**  
WINNING STRATEGIES FOR THE NEW AGE  
OCTOBER 19-22 MOSCONE WEST

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Research & Economics

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Head of ABS and Non-Conforming MBS Research  
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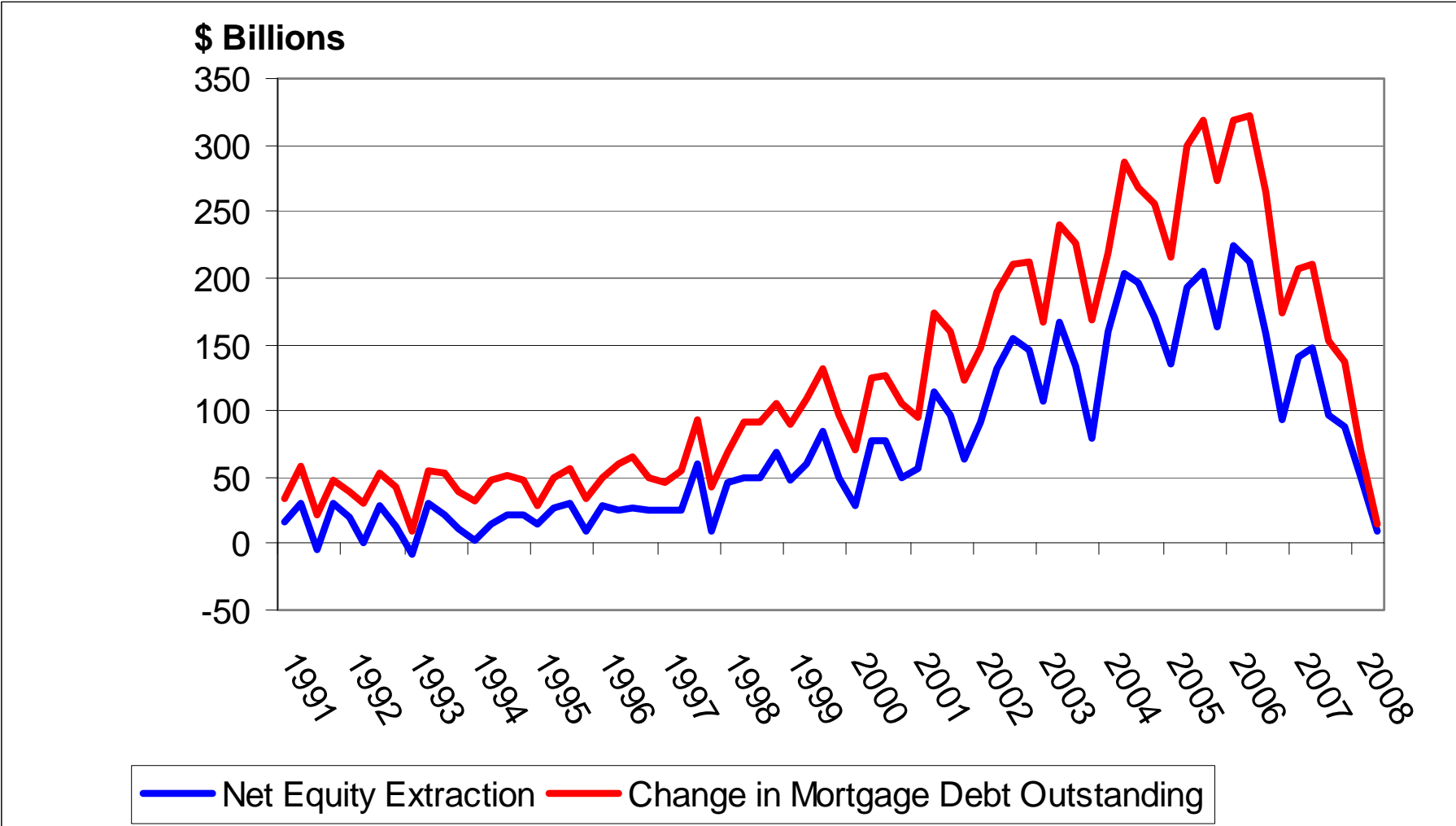
# Percent Change in GDP 1948-2008



Source: Bureau of Economic Analysis

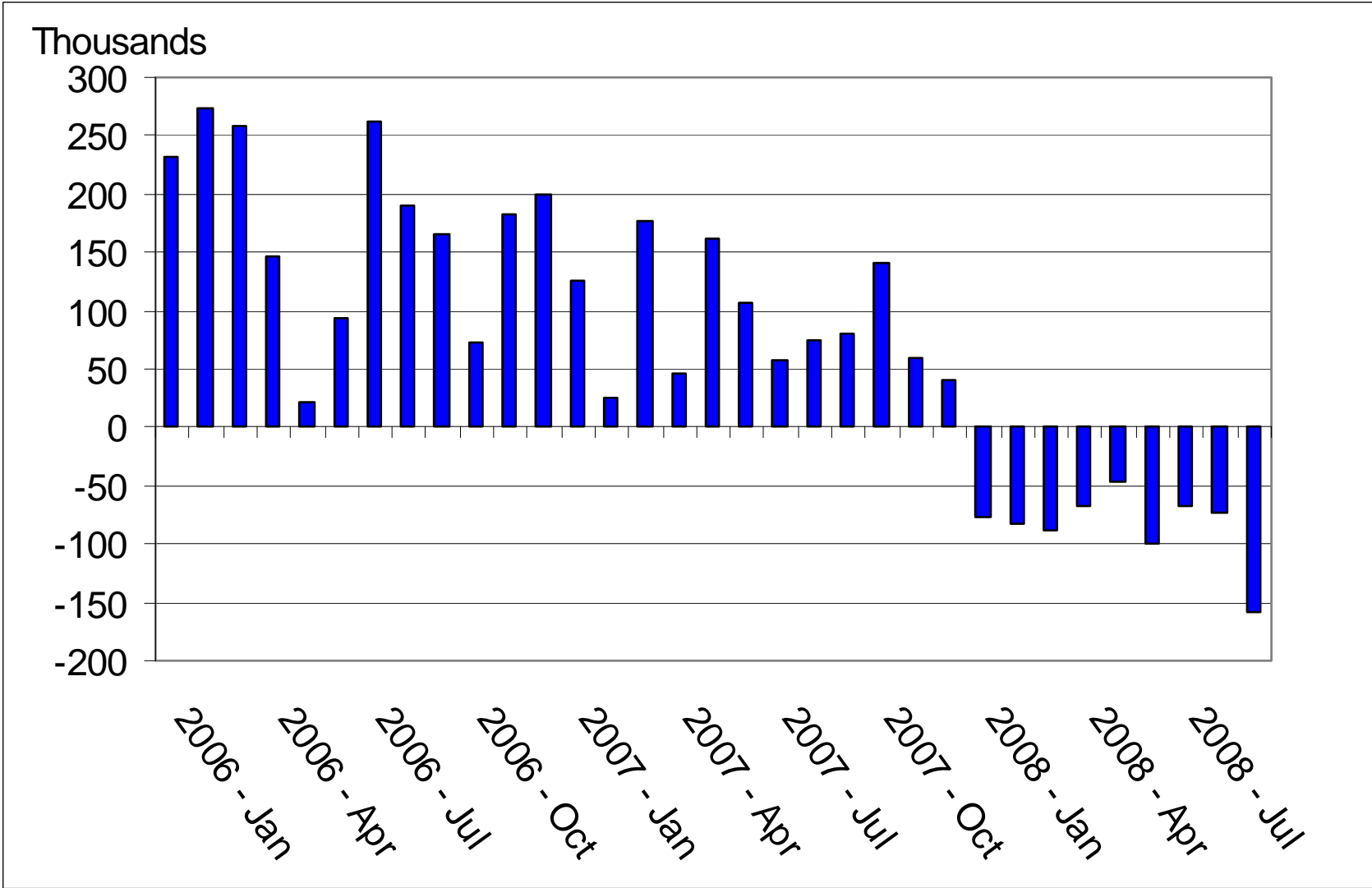
	2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>Percent Change, Annual Rate</i>								
Real Gross Domestic Product	0.9	2.8	0.0	-2.6	-1.8	-0.7	0.7	2.3
Personal Consumption Expenditures	0.9	1.2	-2.8	-2.6	-1.5	0.2	0.3	1.4
Business Fixed Investment	2.4	2.5	-3.2	-6.0	-10.2	-11.6	-6.3	0.1
Residential Investment	-25.1	-13.3	-14.4	-16.1	-10.5	-7.2	2.0	13.8
Govt. Consumption & Investment	1.9	3.9	2.9	2.4	2.4	1.8	1.8	1.7
<i>Billions of Chain 2000\$</i>								
Net Exports	-462	-381	-360	-348	-329	-324	-315	-295
Inventory Investment	-10	-51	-6	-19	-29	-28	-16	-19

# Net Home Equity Extraction vs. Change in Mortgage Debt Outstanding



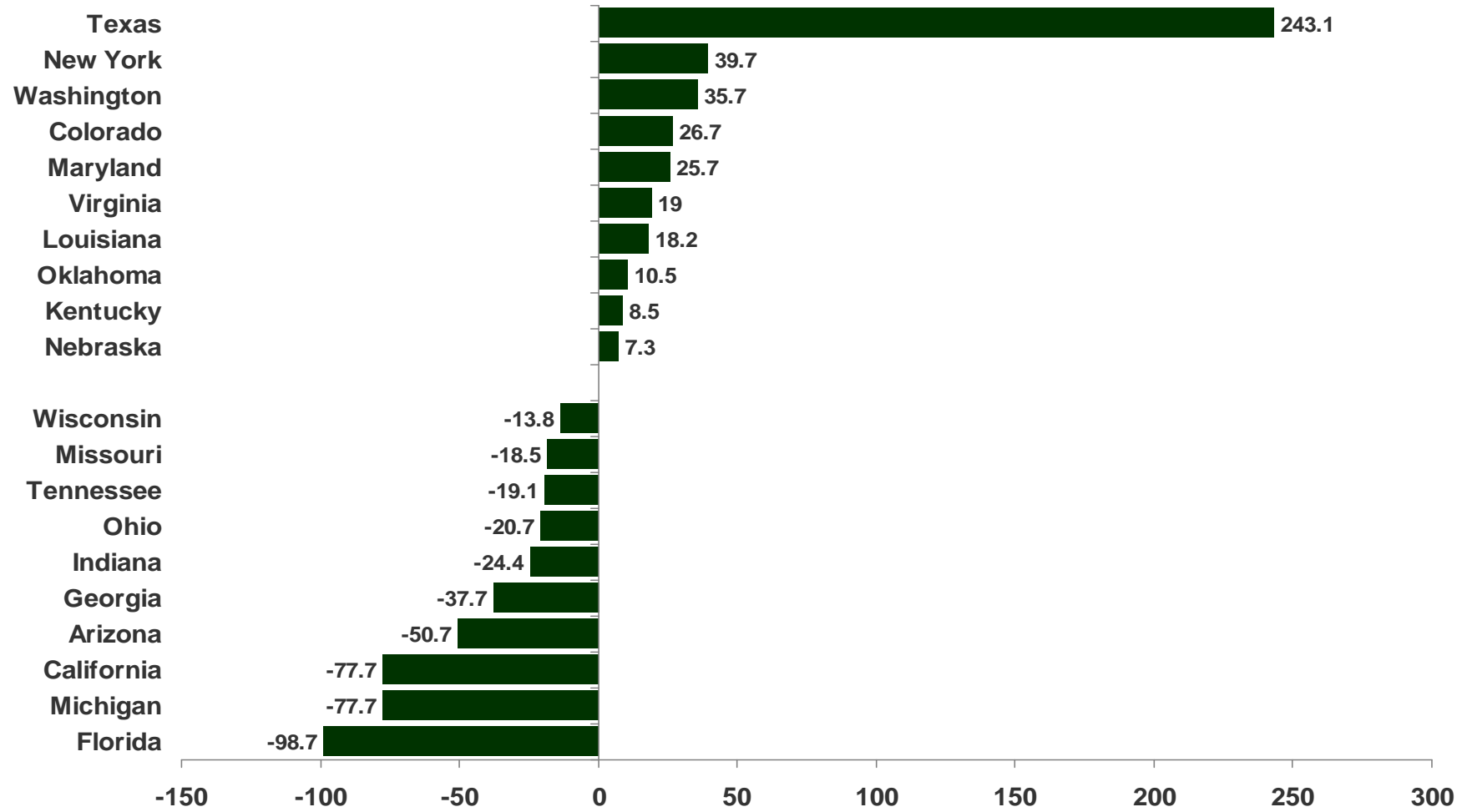
Source: Greenspan & Kennedy, Federal Reserve

# Monthly Changes in Employment (Seasonally Adjusted)



Non-farm Payroll Employment Source: BLS

# Employment Change: Top-ten and Bottom-ten States: August 2007 to August 2008 (in thousands)



Source: Bureau of the Labor Statistics

# Payroll Employment – Not Seasonally Adjusted 2006 - 2008

Thousands

140,000

139,000

138,000

137,000

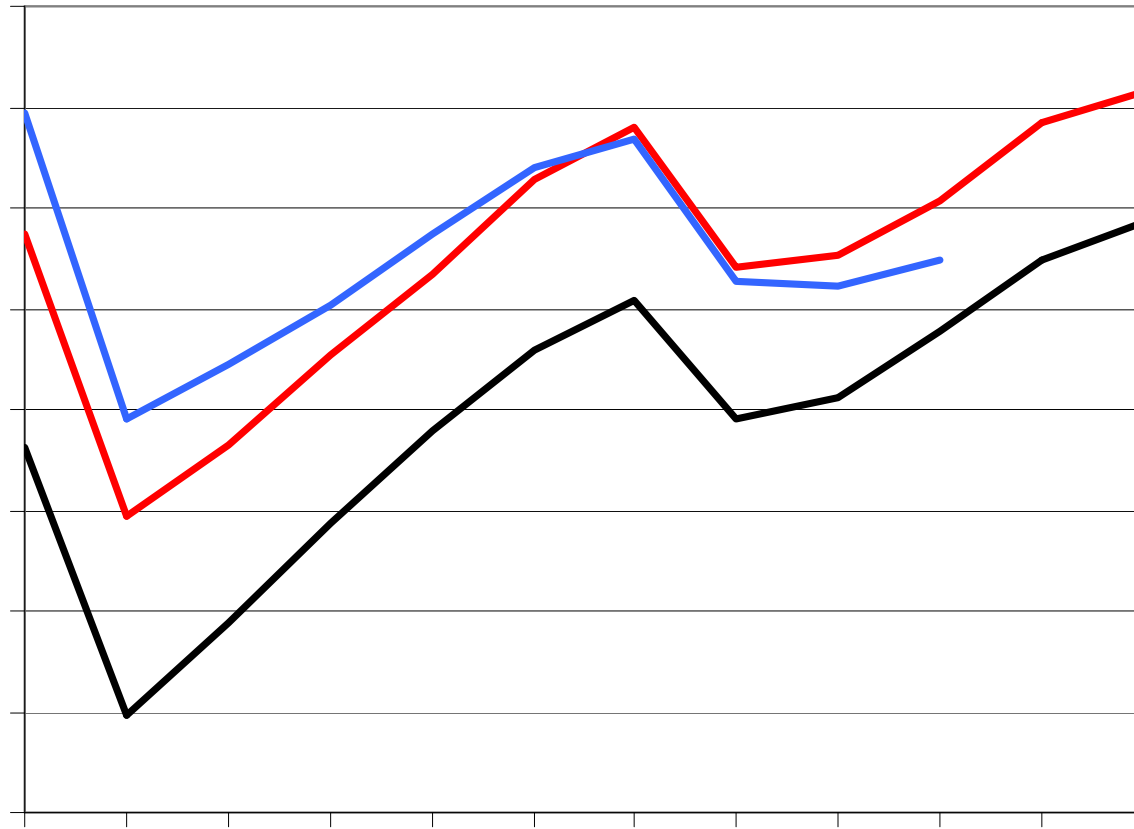
136,000

135,000

134,000

133,000

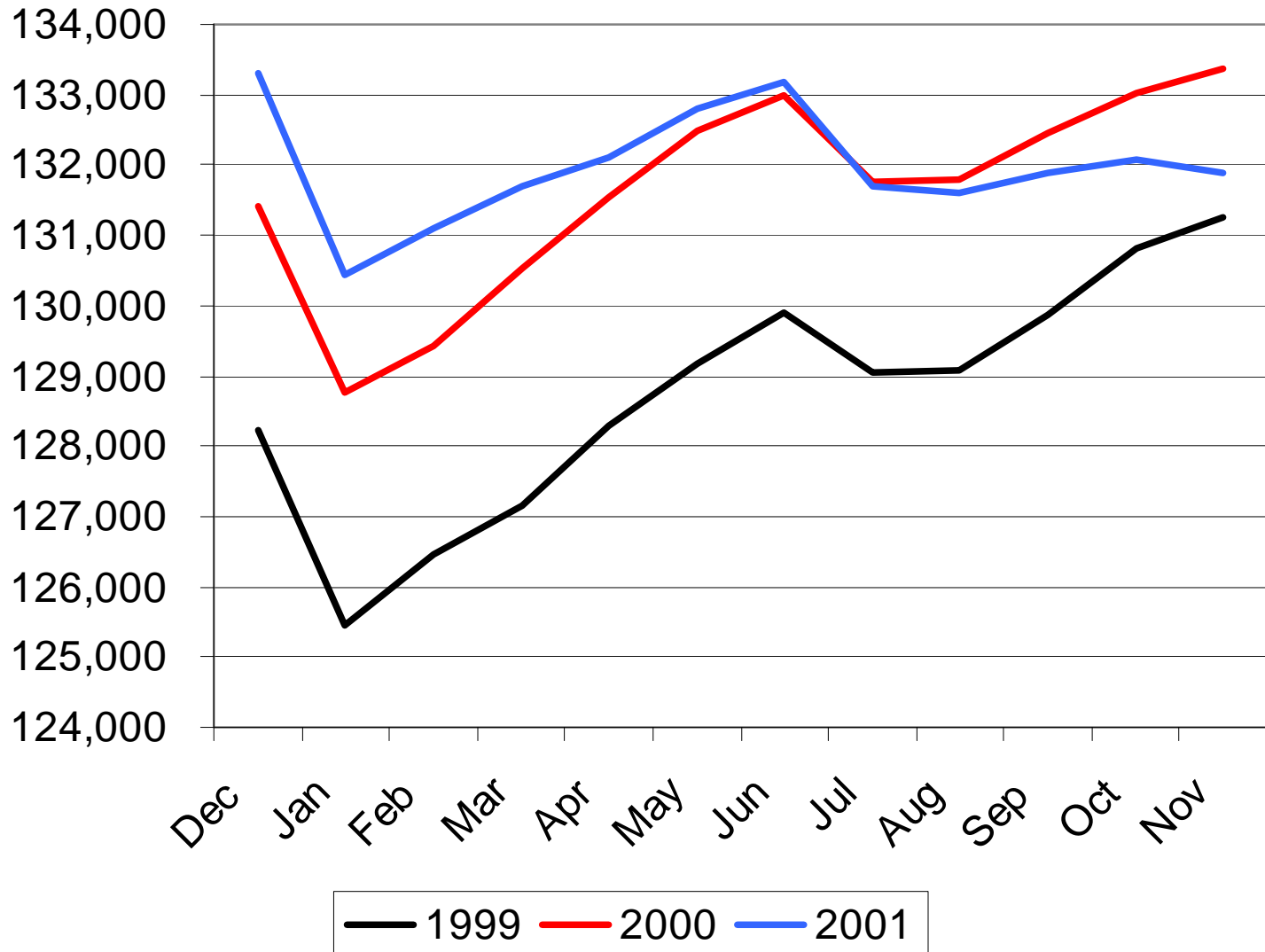
132,000



— 2006 — 2007 — 2008

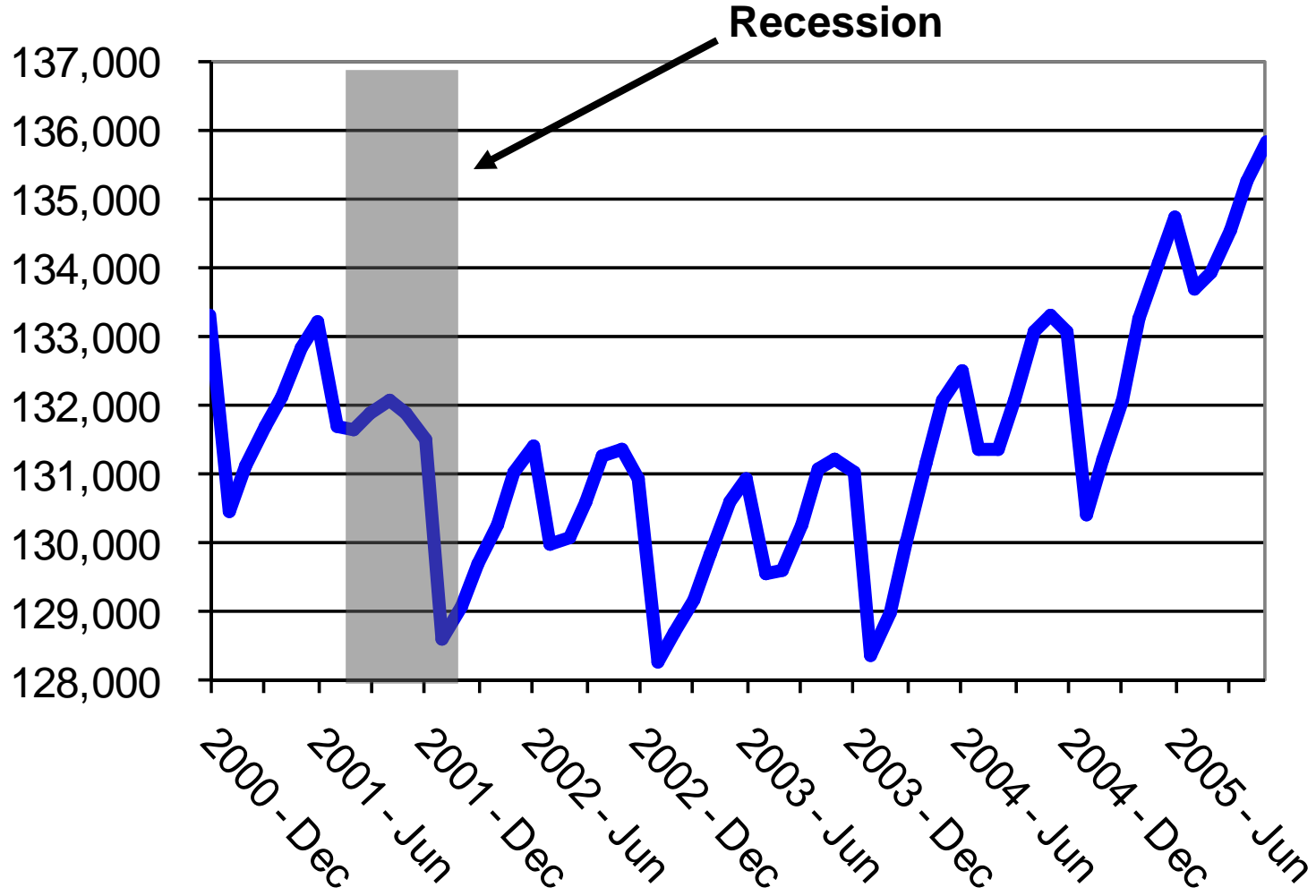
# Payroll Employment – Not Seasonally Adjusted 1999 - 2001

Thousands

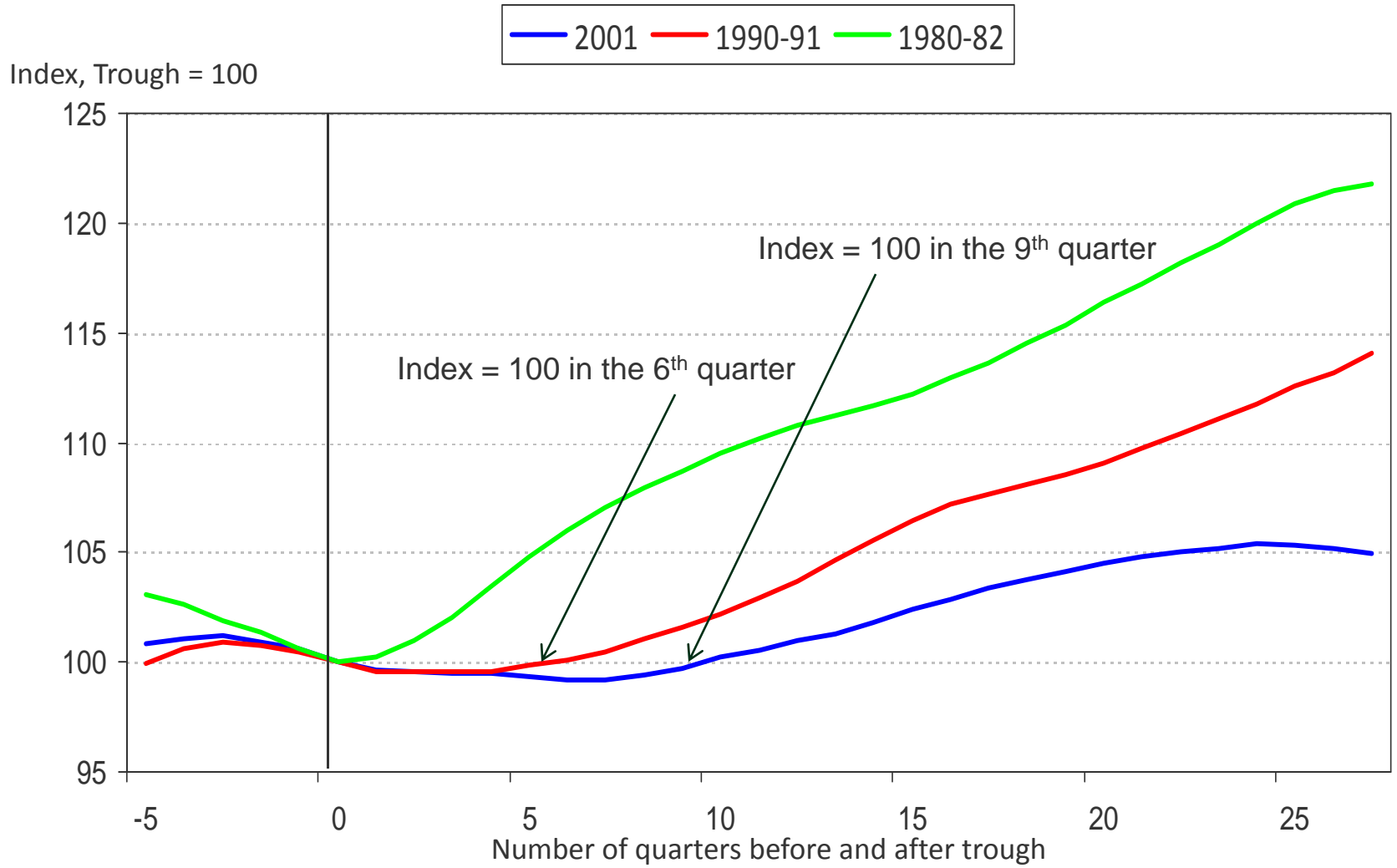


# Payroll Employment Post 2001 Recession

Thousands



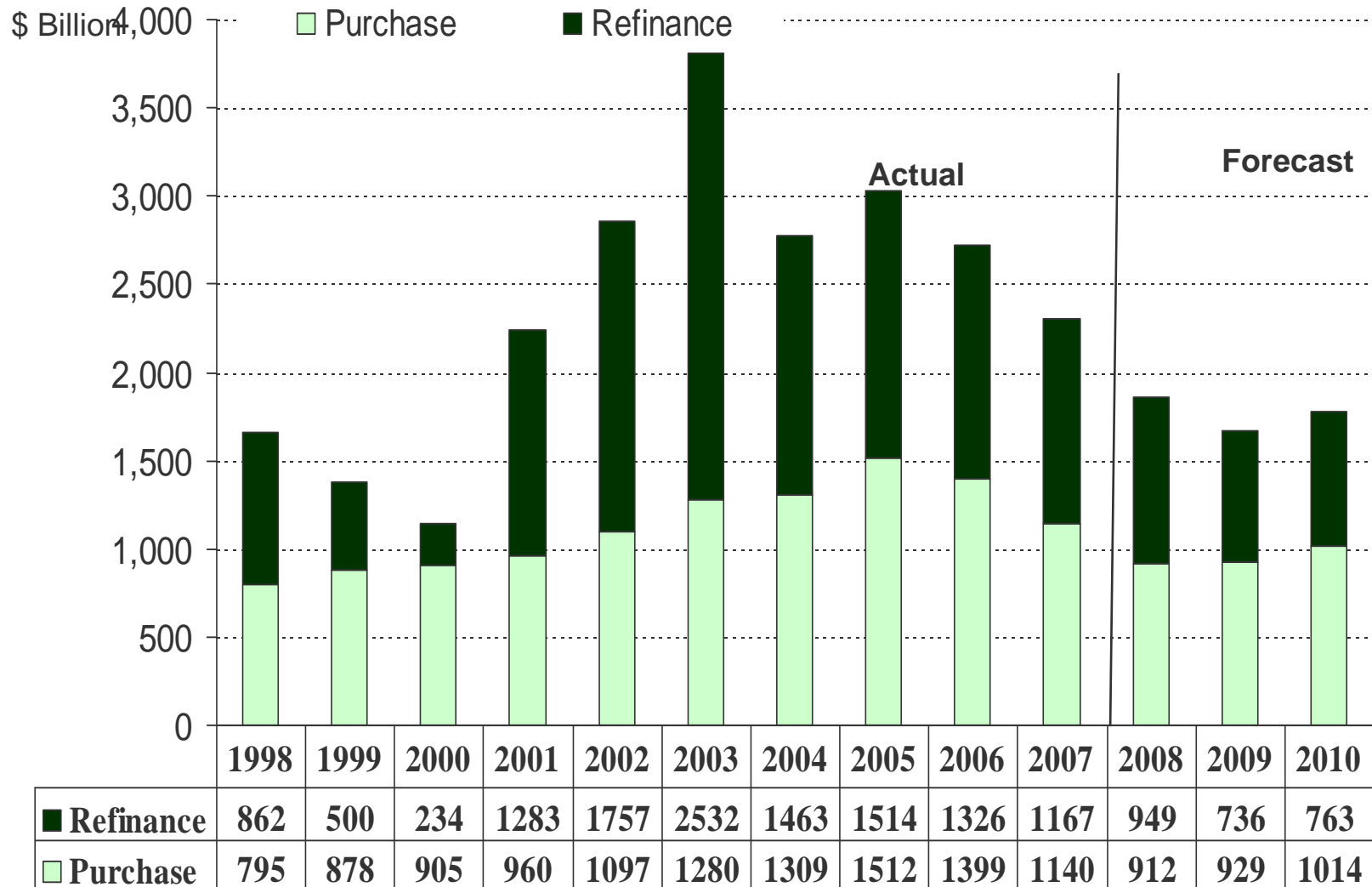
# Payroll Employment – Time to Recovery after Recession



The level of payrolls in the quarter when the recession ended is set to 100

Source: Bureau of the Labor Statistics, MBA calculation

# Annual Mortgage Production



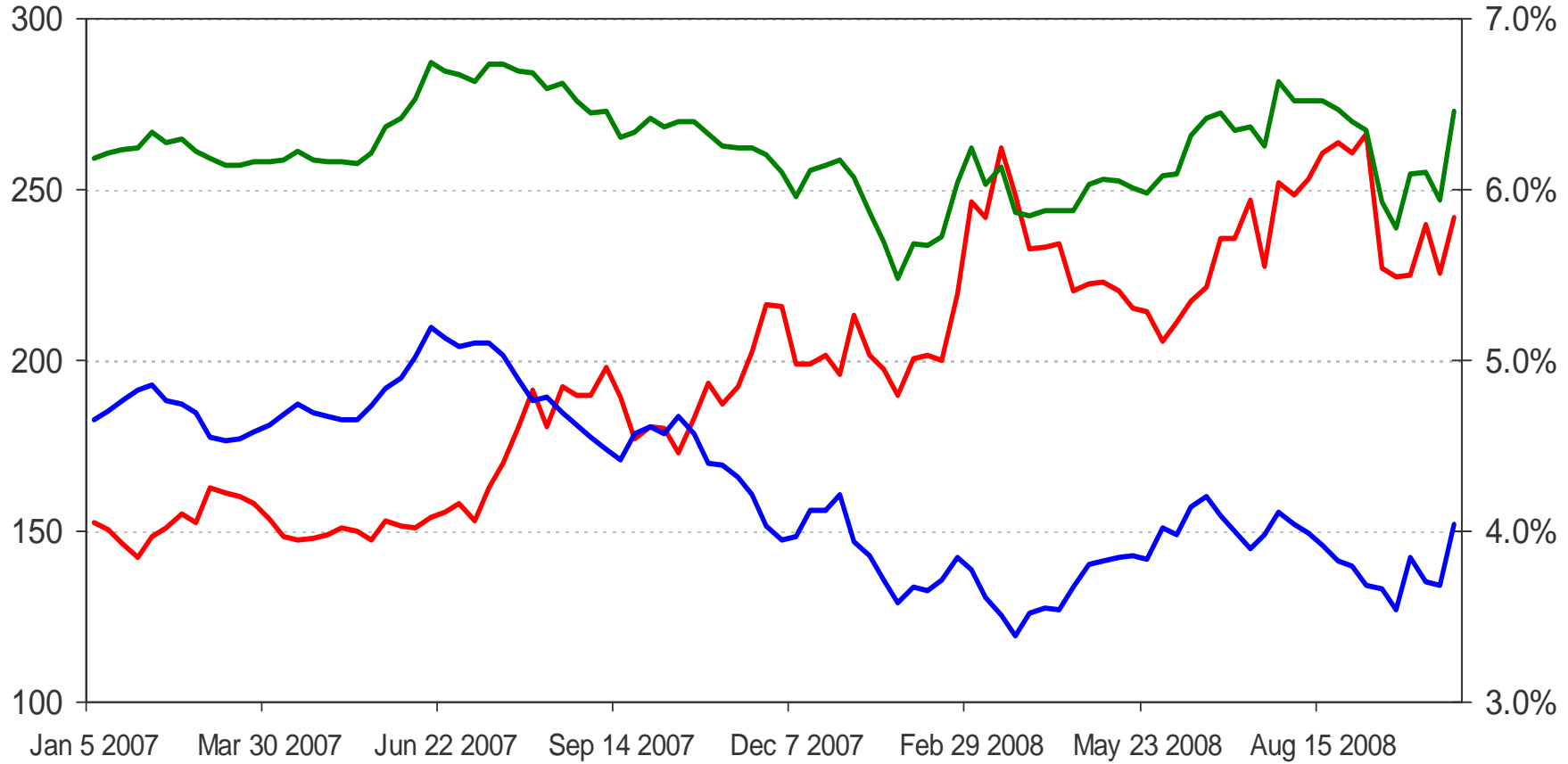
Source: Mortgage Bankers Association

# Yield Spread: 10-Year Treasury Notes and 30-Year Fixed Mortgages



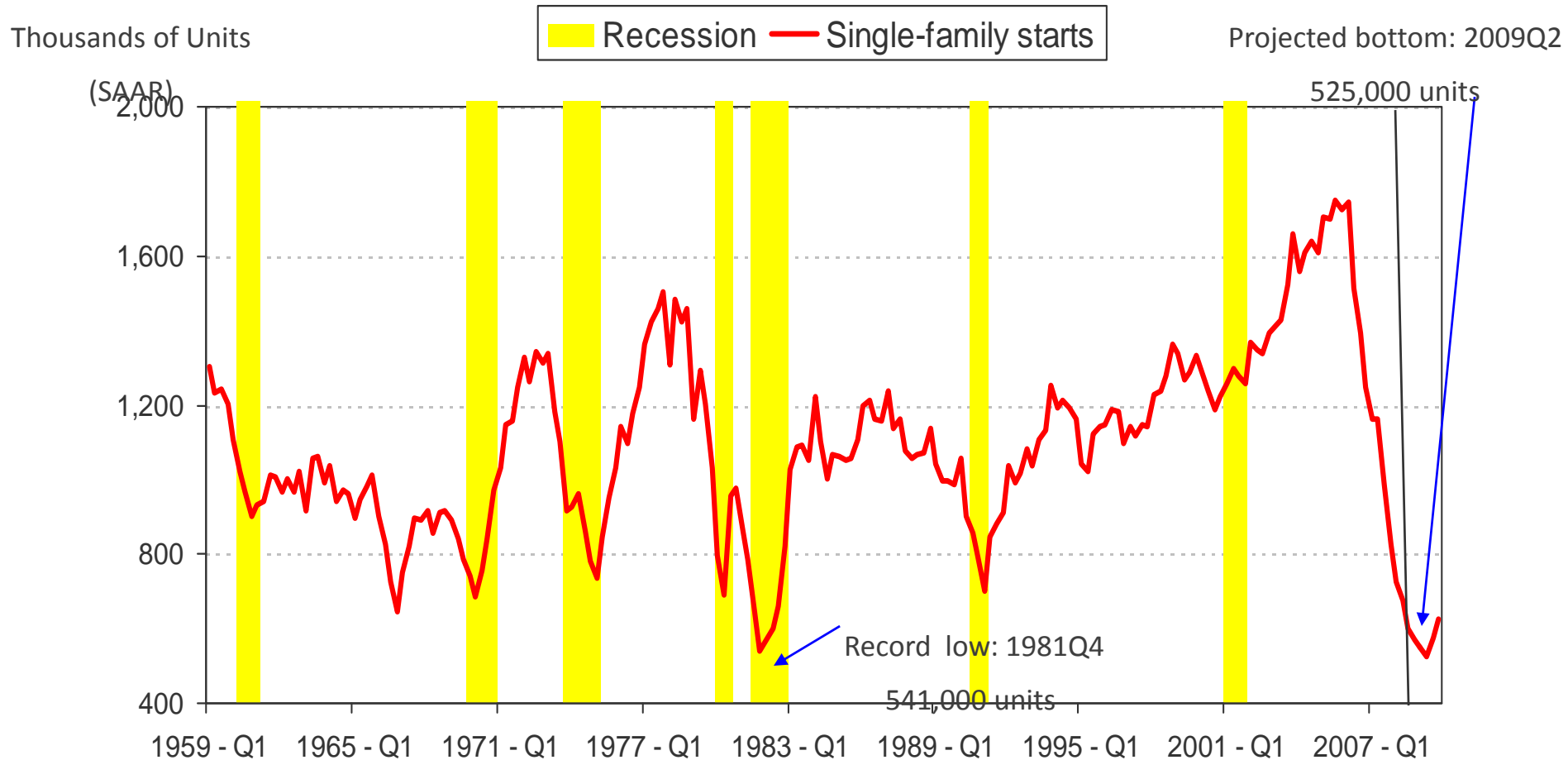
Spread (Basis Points)

Interest rates



Source: Federal Reserve Board and Freddie Mac

# Housing Starts: The Worst Single-Family Housing Downturn



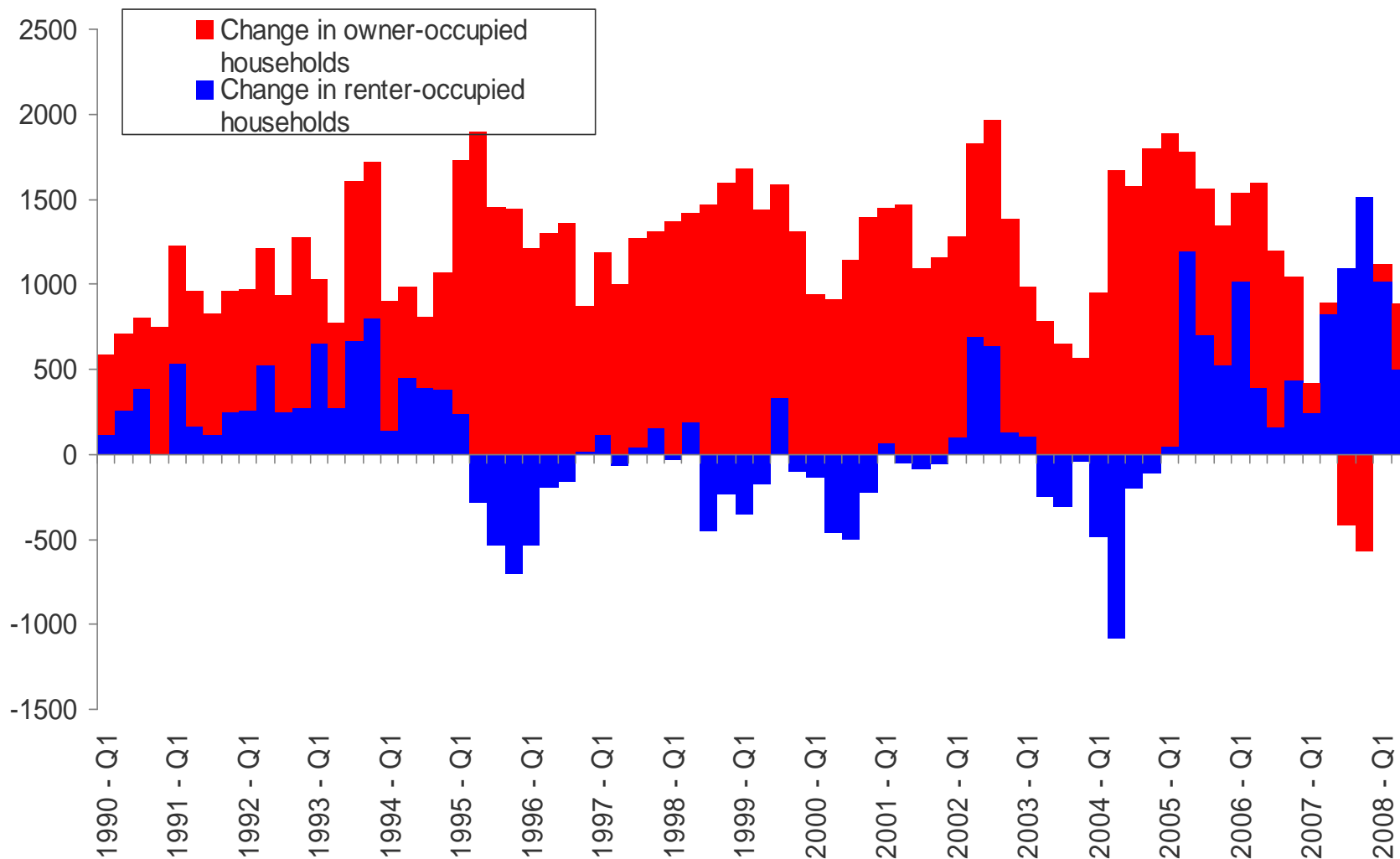
\*The largest peak-to-trough decline in single-family starts was in the 1980 recession (a 58 percent drop);

The drop in the current cycle to date = 70 percent

Source: Census Bureau

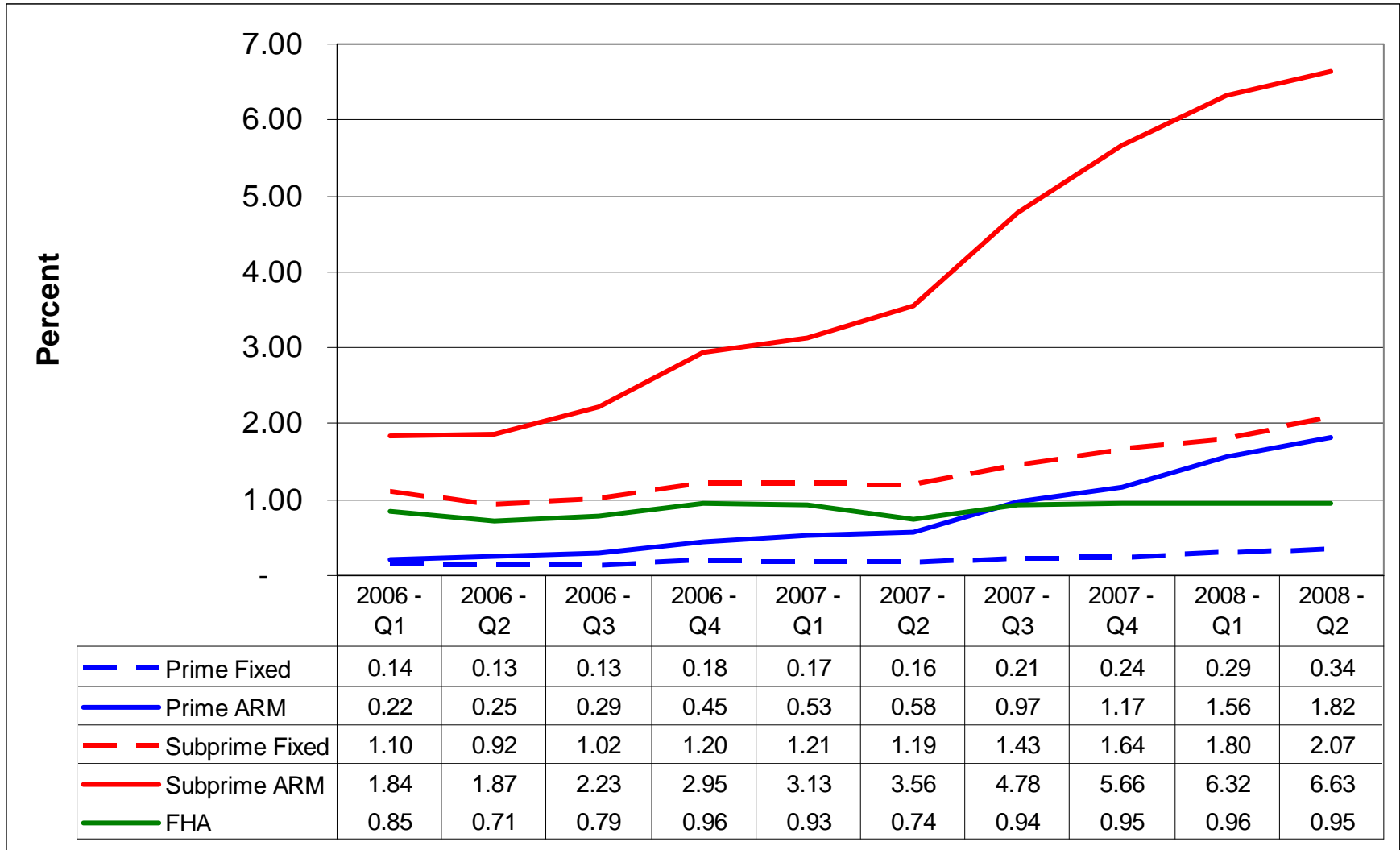
# Change in Number of Owner- and Renter-occupied Households, Year-over-year (additive)

Thousands of households



Source: Census Bureau and MBA

# Foreclosures Started by Loan Type (NSA)



# Share Foreclosures by Loan Type

<b>Product</b>	<b>Percent of US Loans Outstanding</b>	<b>Percent of US Foreclosures Started</b>
Prime Fixed	65%	21%
Prime ARM	14%	23%
Subprime Fixed	6%	13%
Subprime ARM	6%	36%
FHA	8%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Foreclosures in “Sand” States

<b>All Loans</b>		
<b>State</b>	<b>Percent of US Loans Outstanding</b>	<b>Percent of US Foreclosure Starts</b>
California	13%	22%
Florida	8%	16%
Nevada	1%	3%
Arizona	3%	4%
<b>Total</b>	<b>25%</b>	<b>46%</b>

**CA, FL, AZ & NV share of increase: 87%**

# Foreclosures in “Sand” States

<b>Prime Fixed</b>		
<b>State</b>	<b>Percent of US Loans Outstanding</b>	<b>Percent of US Foreclosure Starts</b>
California	11%	10%
Florida	18%	18%
Nevada	2%	2%
Arizona	3%	3%
<b>Total</b>	<b>34%</b>	<b>33%</b>

<b>Prime ARM</b>		
<b>State</b>	<b>Percent of US Loans Outstanding</b>	<b>Percent of US Foreclosure Starts</b>
California	28%	38%
Florida	11%	20%
Nevada	2%	4%
Arizona	4%	5%
<b>Total</b>	<b>45%</b>	<b>66%</b>

**CA & FL Share of Prime ARM increase: 78%**

# Foreclosures in “Sand” States

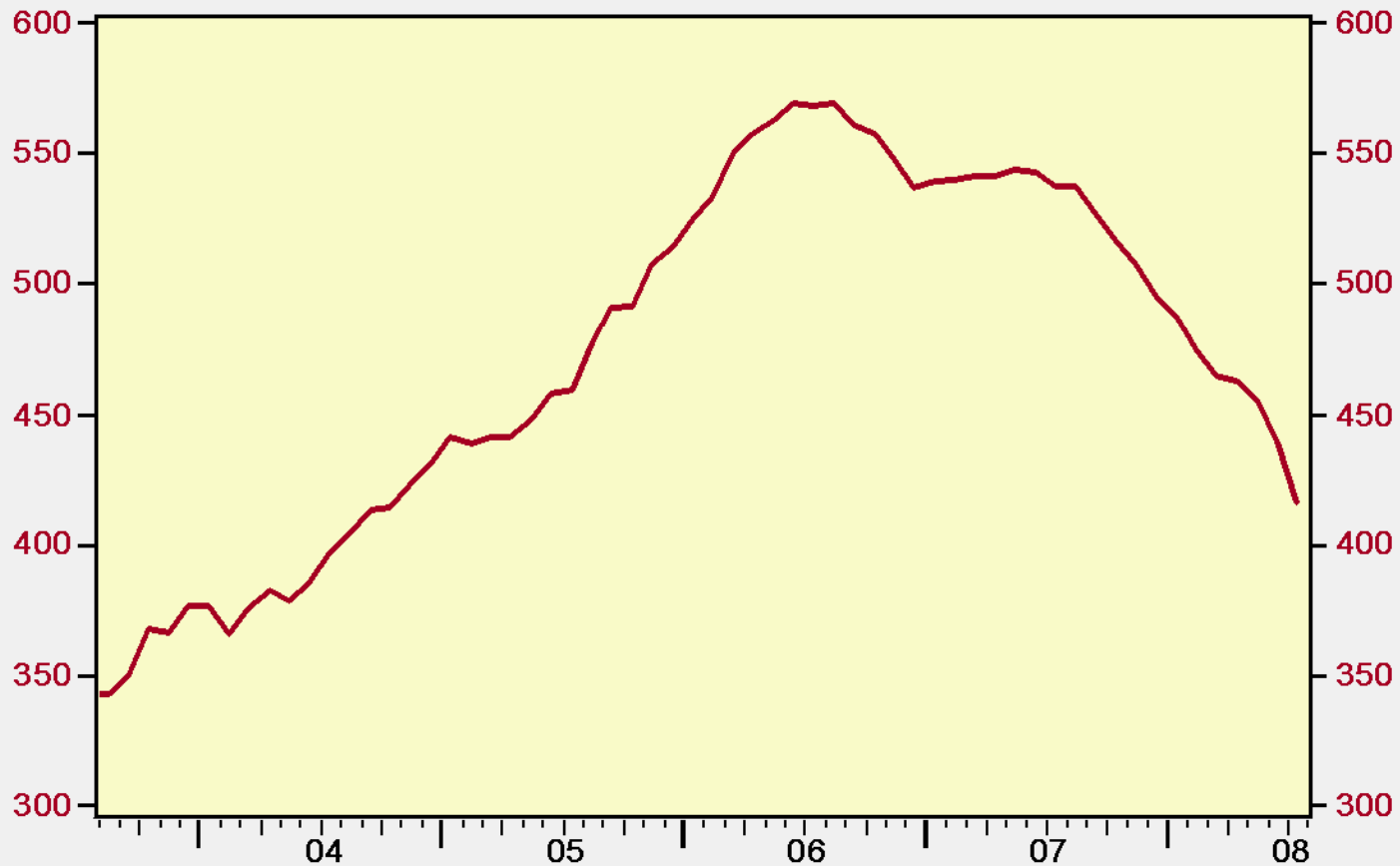
<b>Subprime Fixed</b>		
<b>State</b>	<b>Percent of US Loans Outstanding</b>	<b>Percent of US Foreclosure Starts</b>
California	11%	12%
Florida	9%	14%
Nevada	1%	1%
Arizona	2%	3%
<b>Total</b>	<b>23%</b>	<b>30%</b>

<b>Subprime ARM</b>		
<b>State</b>	<b>Percent of US Loans Outstanding</b>	<b>Percent of US Foreclosure Starts</b>
California	18%	26%
Florida	12%	17%
Nevada	3%	3%
Arizona	5%	5%
<b>Total</b>	<b>38%</b>	<b>52%</b>

**CA & FL Share of Prime ARM increase: 58%**

## New 1-Family Houses For Sale: United States

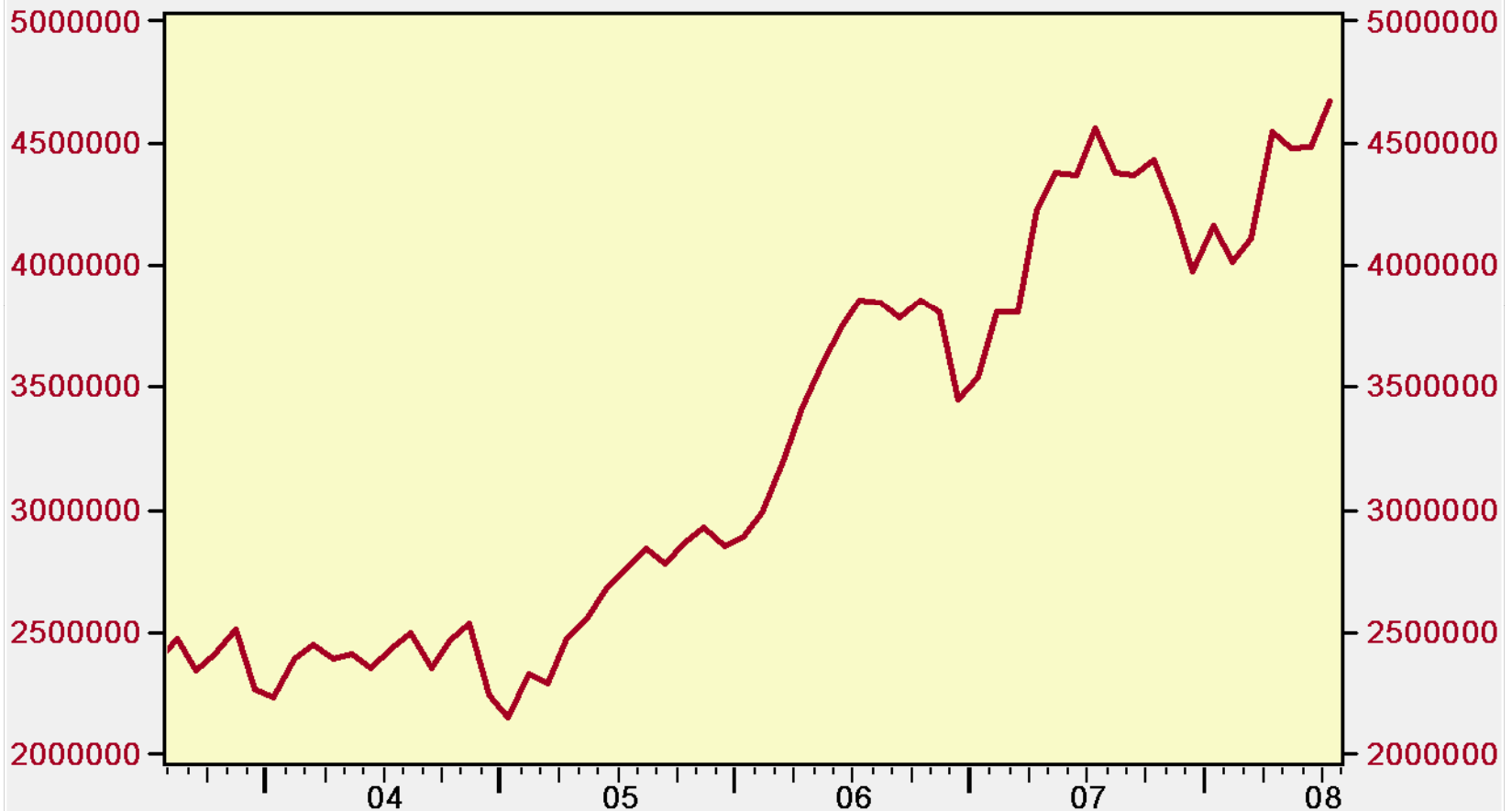
NSA, Thous



Source: Census Bureau

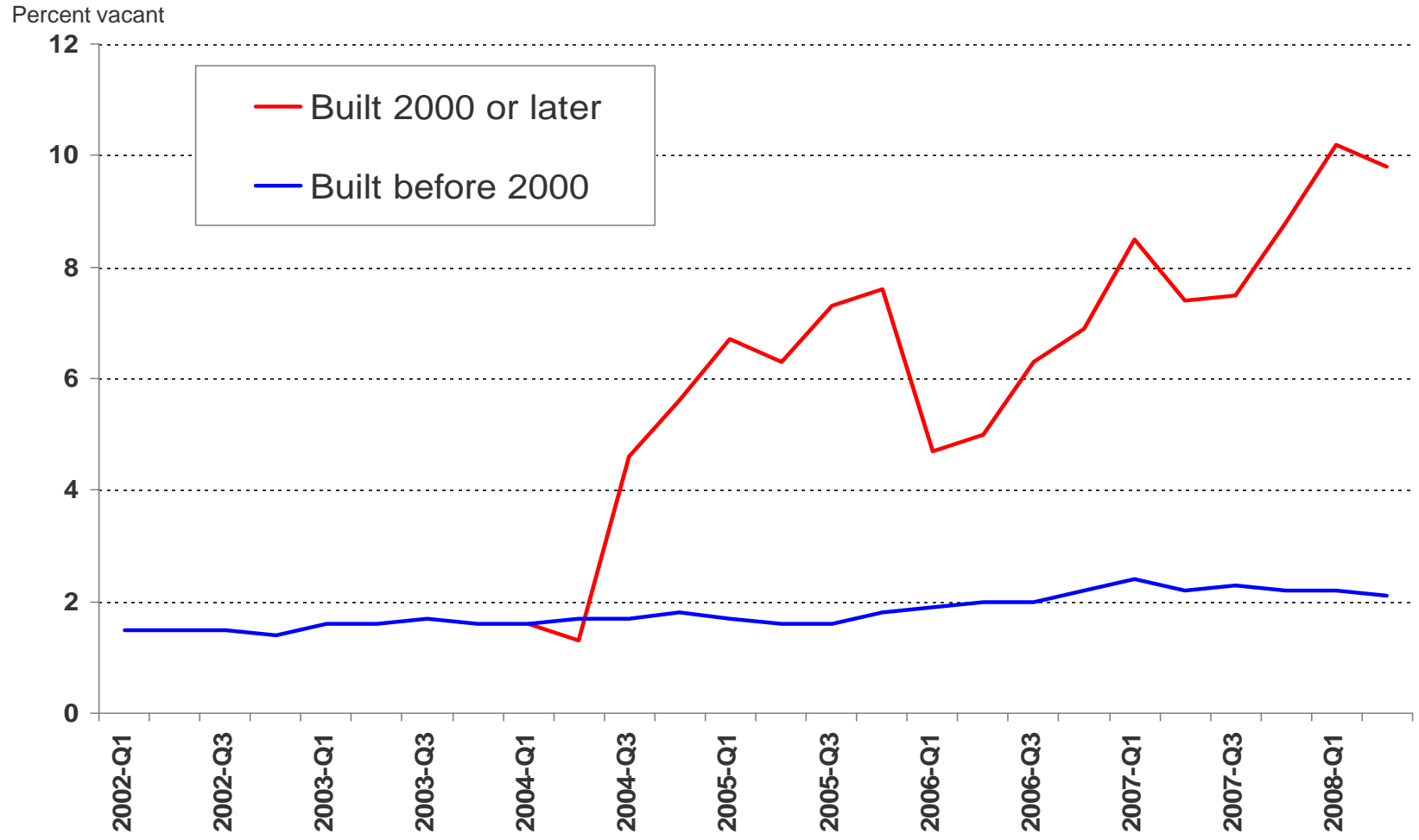
## NAR Total Existing Homes Avail for Sale at EOP, United States

Units, NSA



Source: National Association of Realtors

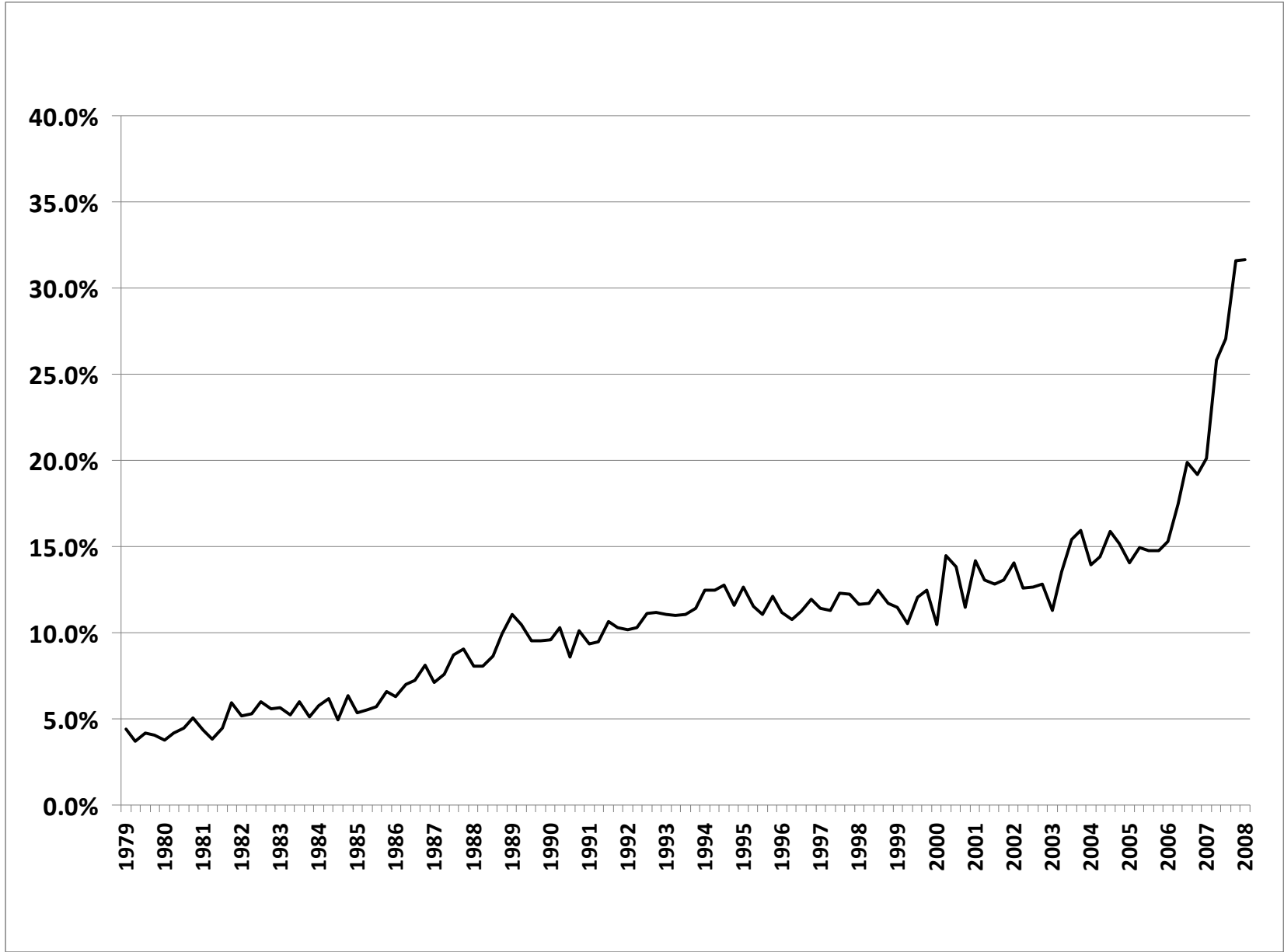
# Homeowner Vacancy Rate, by Year Structure Built



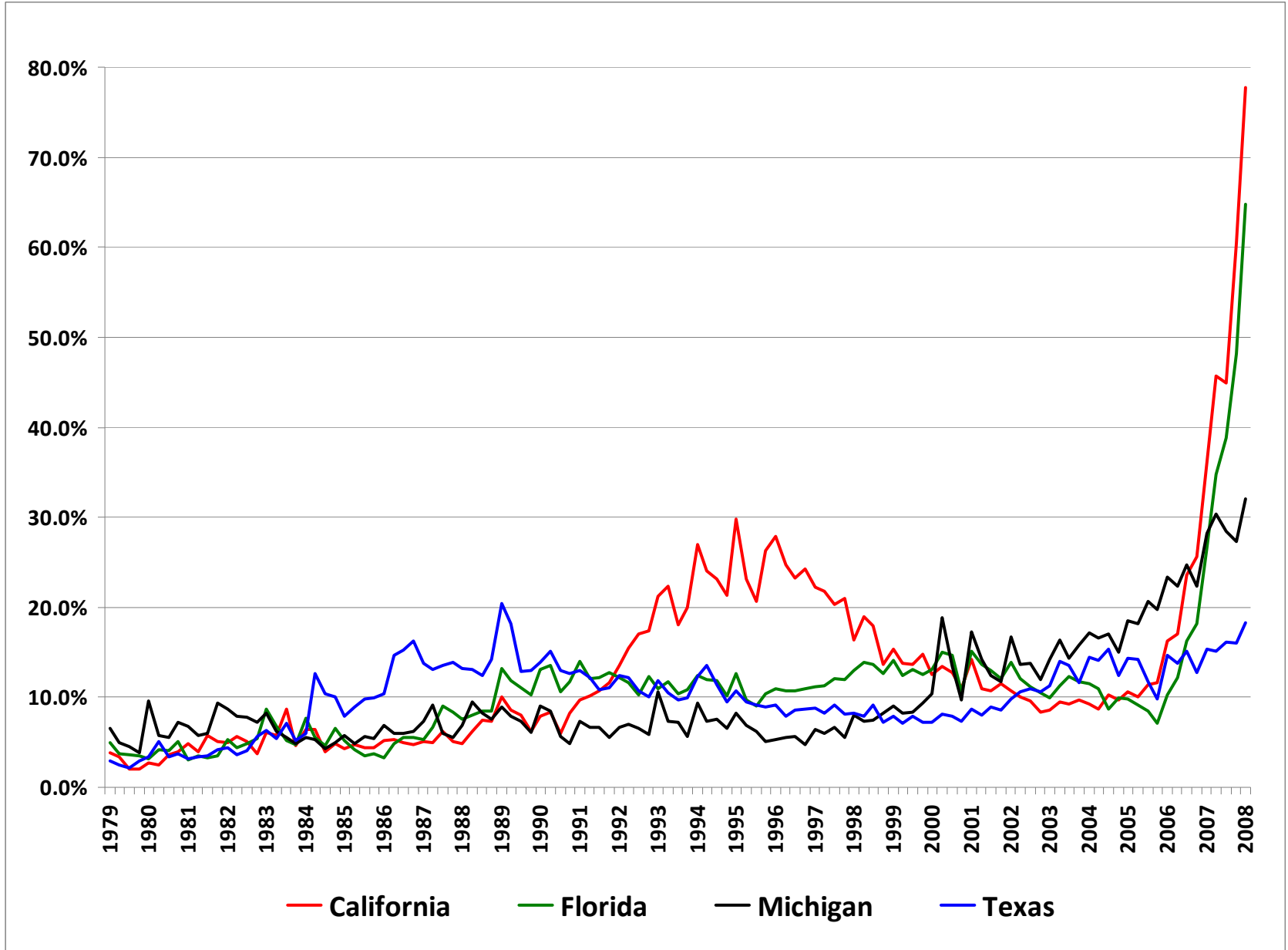
Source: Census

Vacancy rate for "Built before 2000" is the simple average of the vacancy rates of properties built during each decade prior to the 2000s.

# Roll Rates – 30 Day Past Due to Foreclosure Start



# Roll Rates – 30 Day Past due to Foreclosure Start



# 30 Day Delinquency and Foreclosure Start Rates

