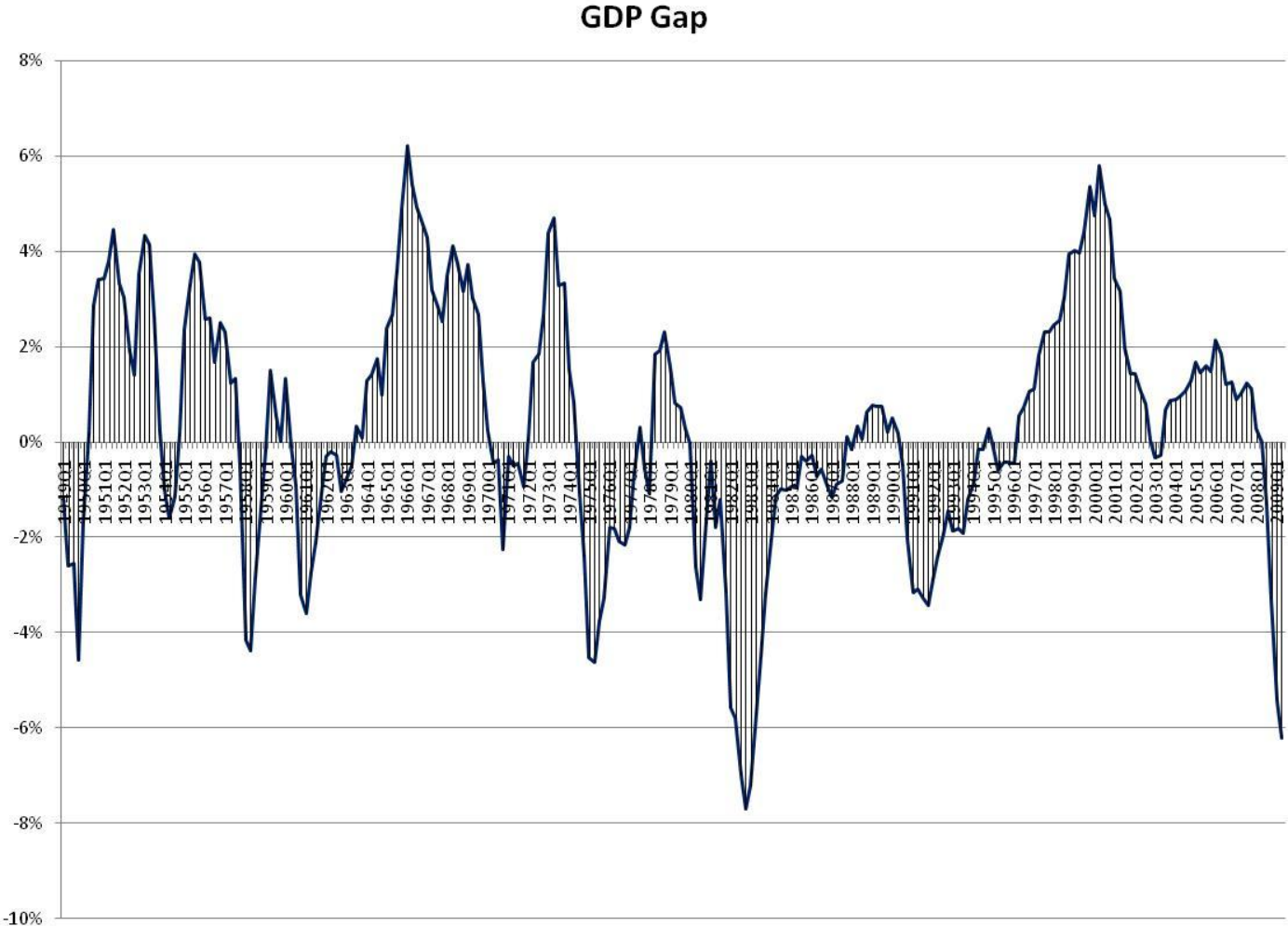


**Regulatory Compliance Conference
Presentation on the Economic Environment
September 15, 2009**

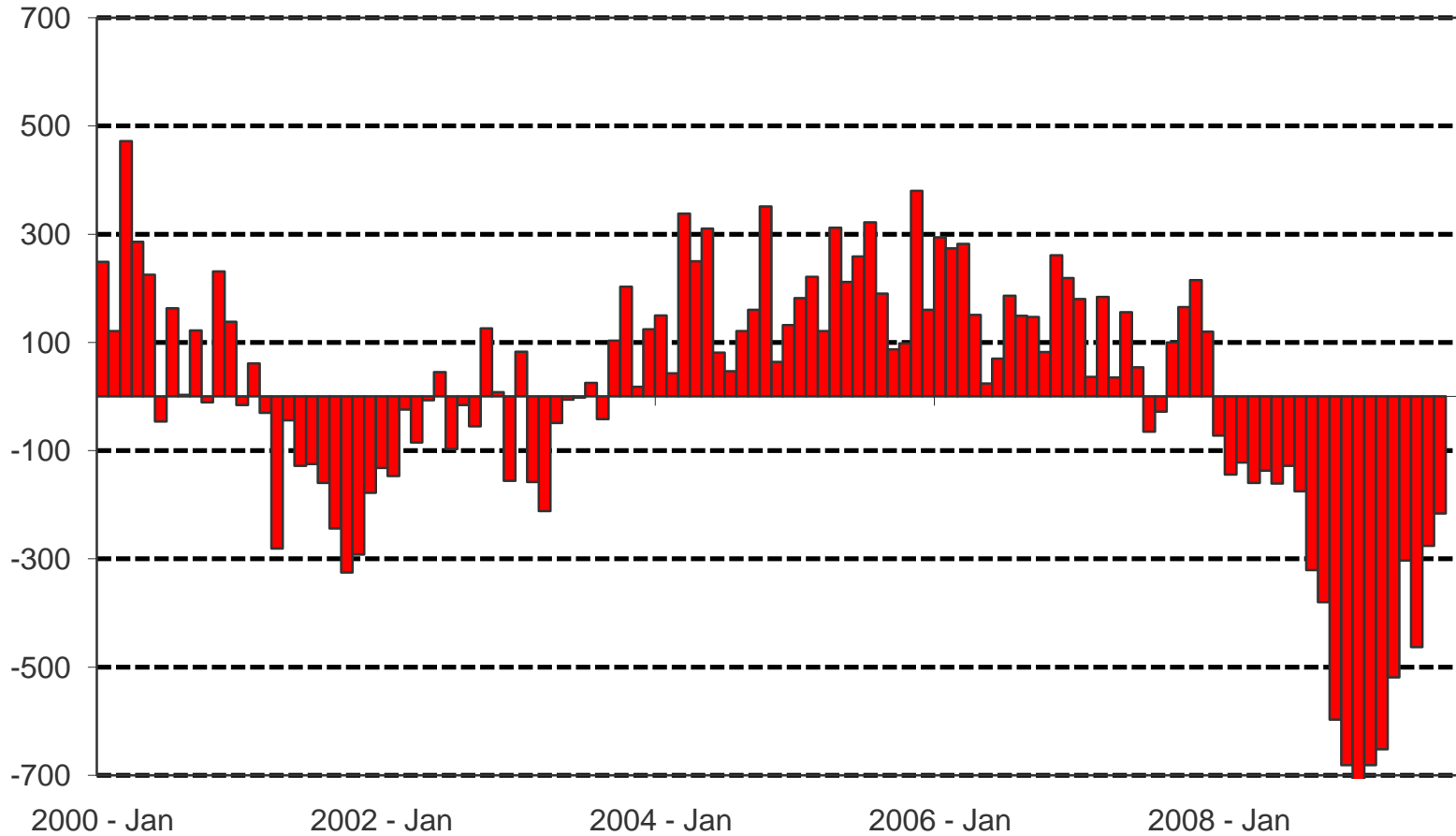
**Mike Fratantoni
VP, Research & Economics
Mortgage Bankers Association**



GDP Gap is the difference between potential and actual GDP. Potential GDP (as estimated by the CBO) measures what GDP would be if the economy were at full employment. Sources: St. Louis Fed, BEA.

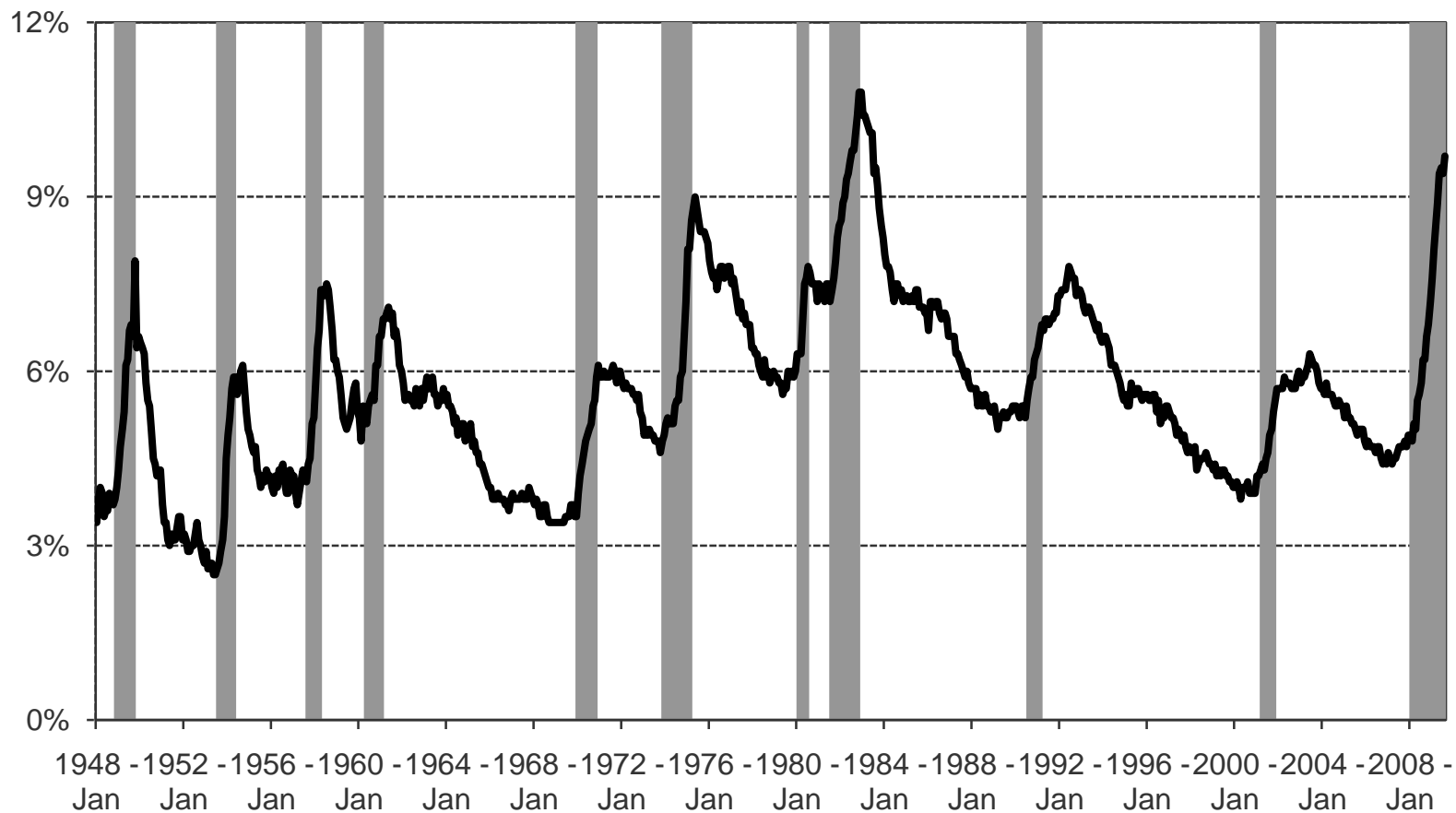
Monthly Change in Nonfarm Payrolls

in thousands



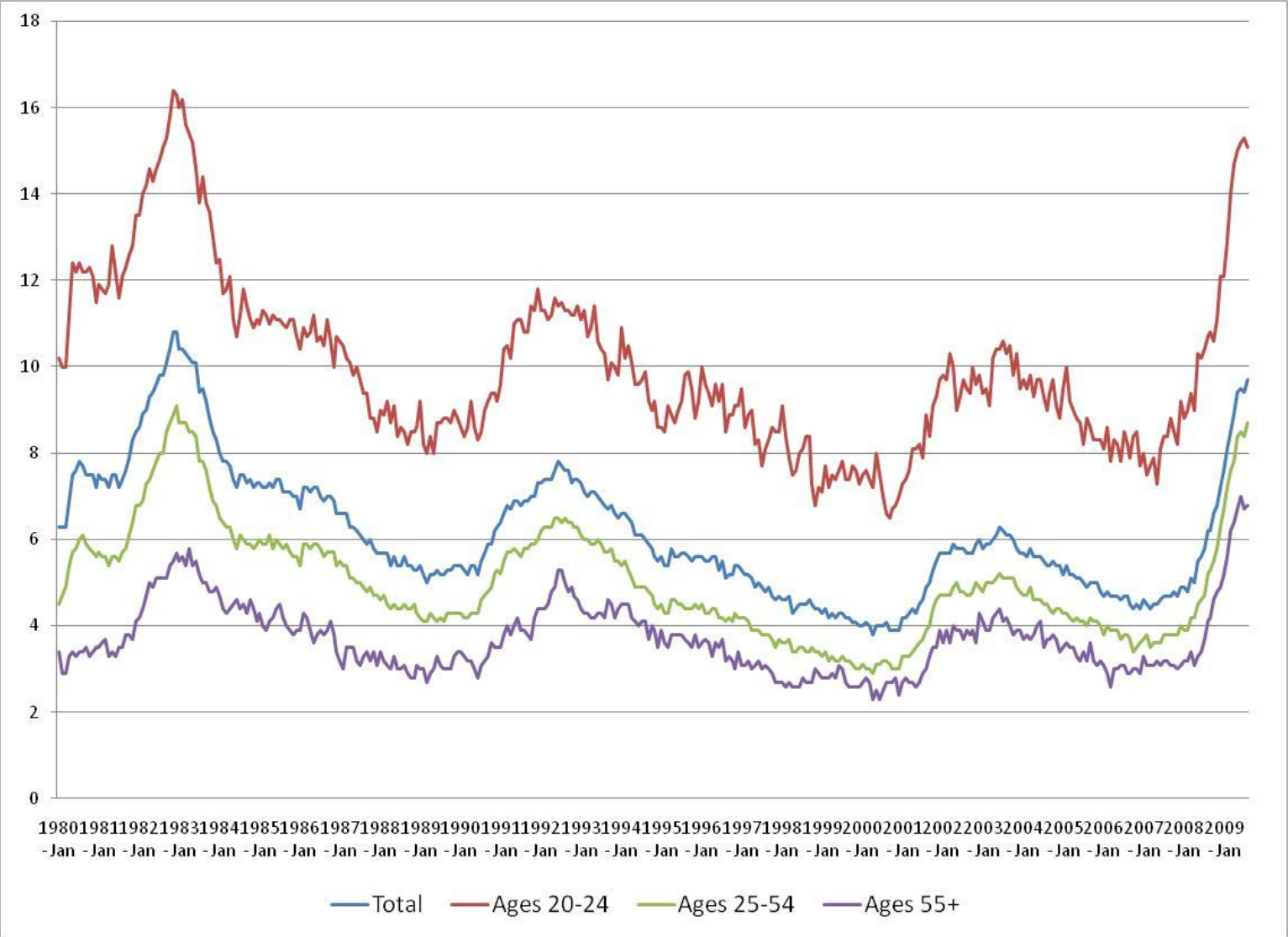
Source: Bureau of Labor Statistics

Unemployment Rate



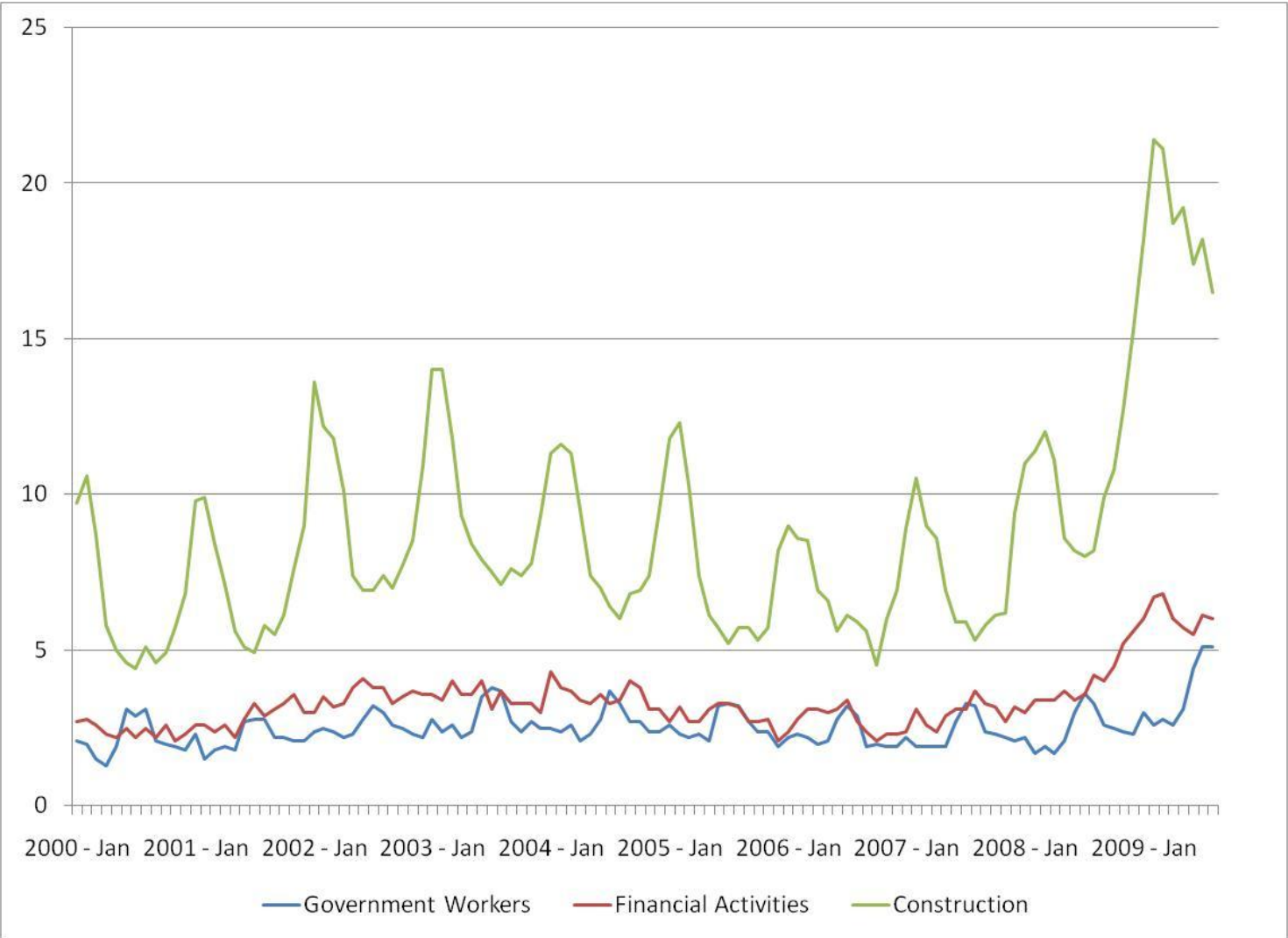
Source: Bureau of Labor Statistics

Unemployment Rates by Age



Source: BLS

Unemployment Rates by Industry

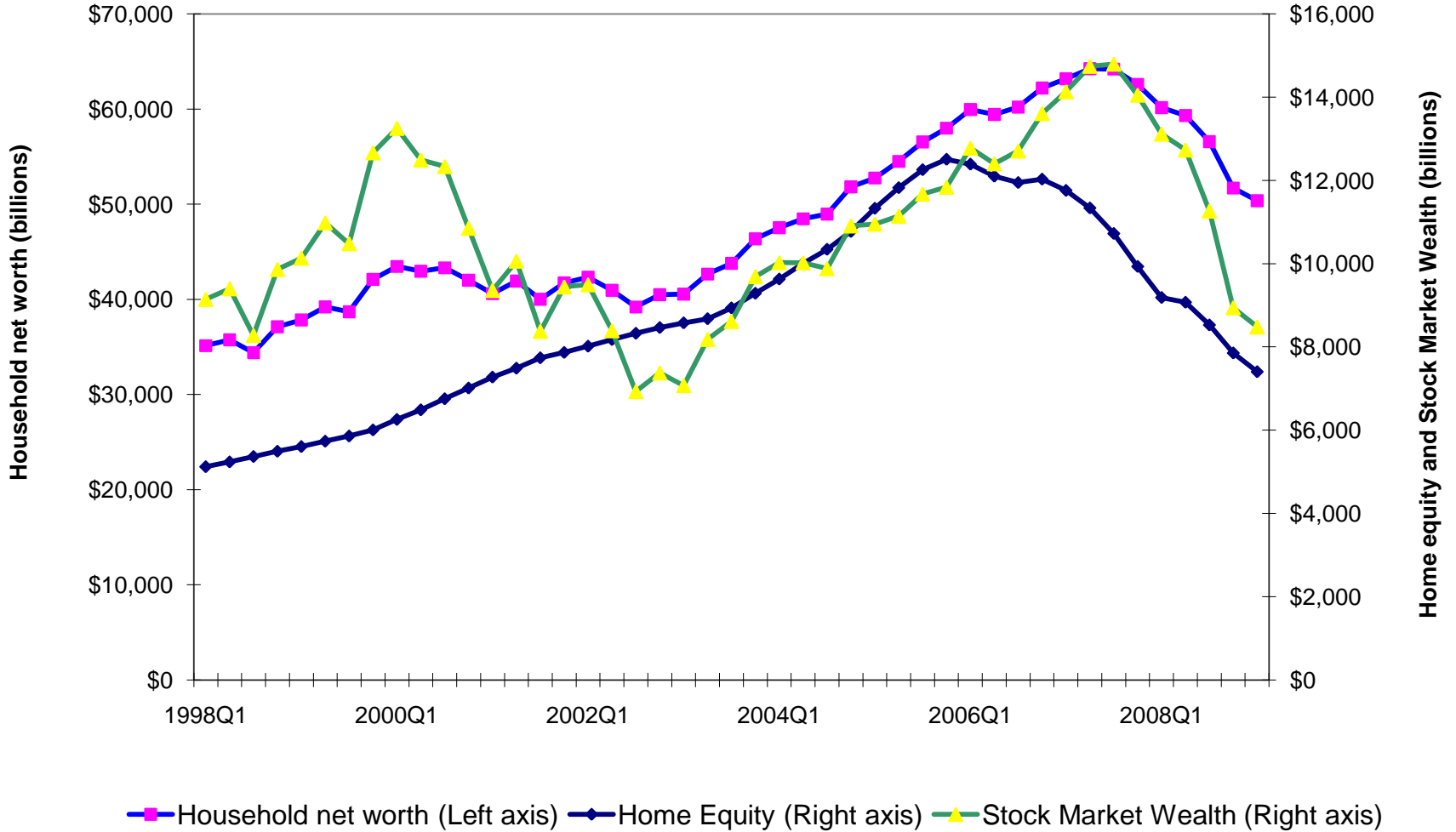


Source: BLS, Employment Situation, Unemployment by Industry, NSA

Regional and State Unemployment Rates (Seasonally Adjusted)

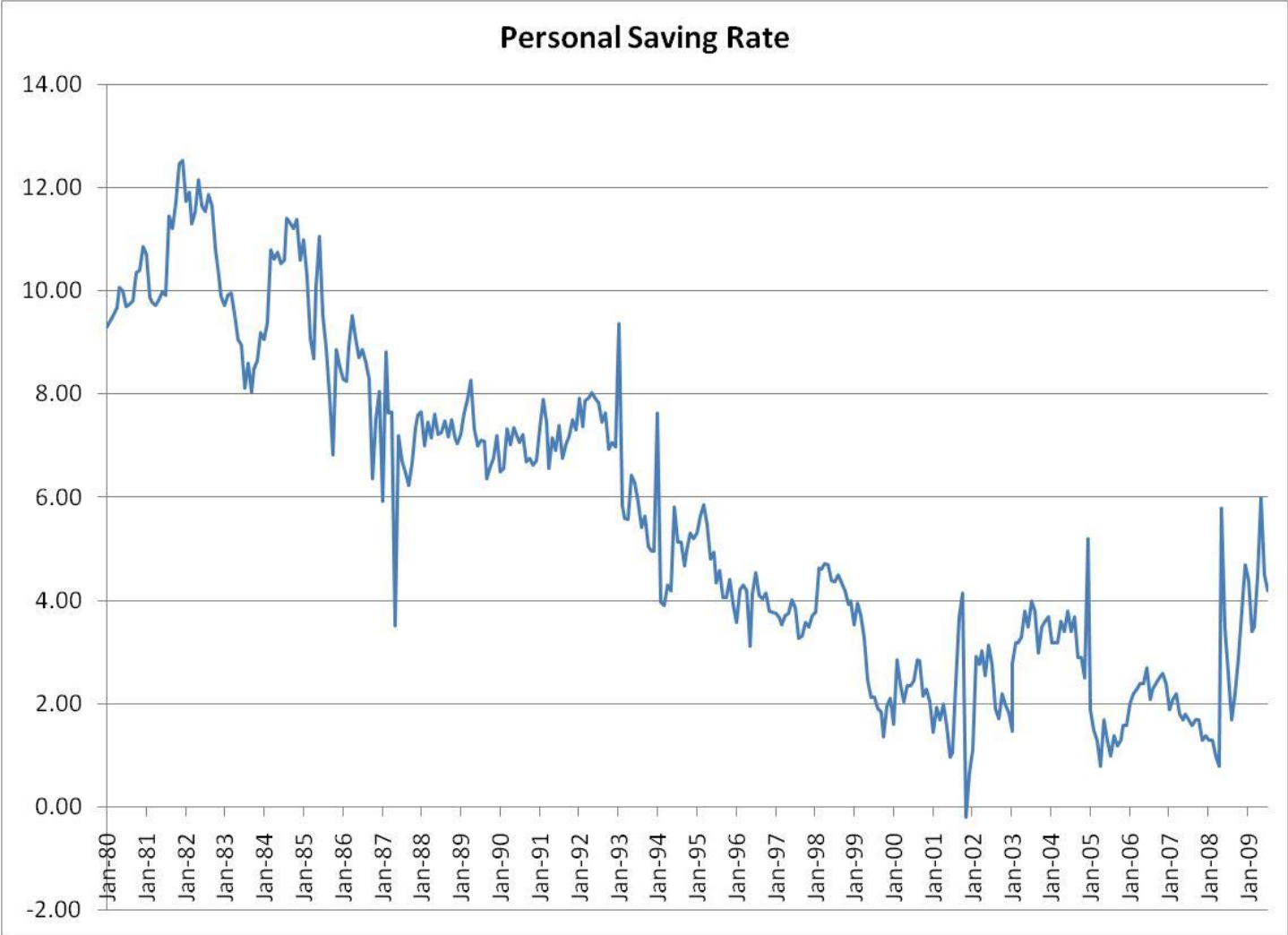
	July-08	June-09	July-09
Regions			
US	5.8	9.5	9.4
Northeast	5.4	8.6	8.7
South	5.6	9.2	9.3
Midwest	6.2	10.2	10.2
West	6.3	10.2	10.5
	July-08	June-09	July-09
States			
Arizona	5.7	8.7	9.2
California	7.3	11.6	11.9
Colorado	4.9	7.6	7.8
Florida	6.3	10.7	10.7
Illinois	6.7	10.3	10.4
Massachusetts	5.2	8.6	8.8
New Jersey	5.5	9.2	9.3
New York	5.4	8.7	8.6
Texas	4.9	7.5	7.9
Washington	5.3	9.2	9.1
	July-08	June-09	July-09
Metro areas			
Chicago	6.5	10.5	10.5
Los Angeles-Glendale	7.7	11.2	11.9
Miami	5.8	10.7	11.1
New York	5.4	9.4	9.6
Seattle	4.6	8.8	8.9
Detroit	8.7	16.3	16.4

Measures of Household Wealth



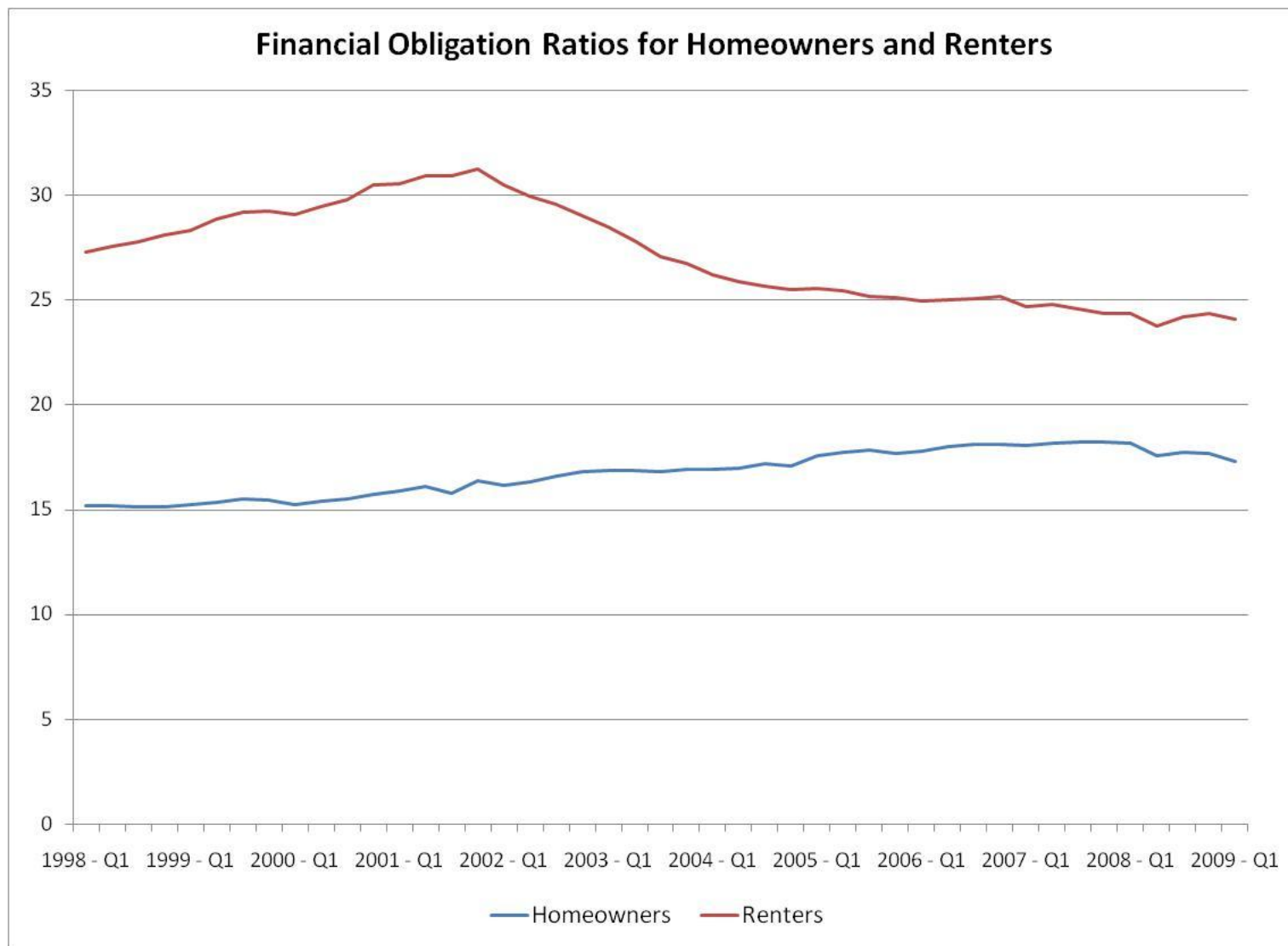
Source: Federal Reserve Board

Personal Saving Rate



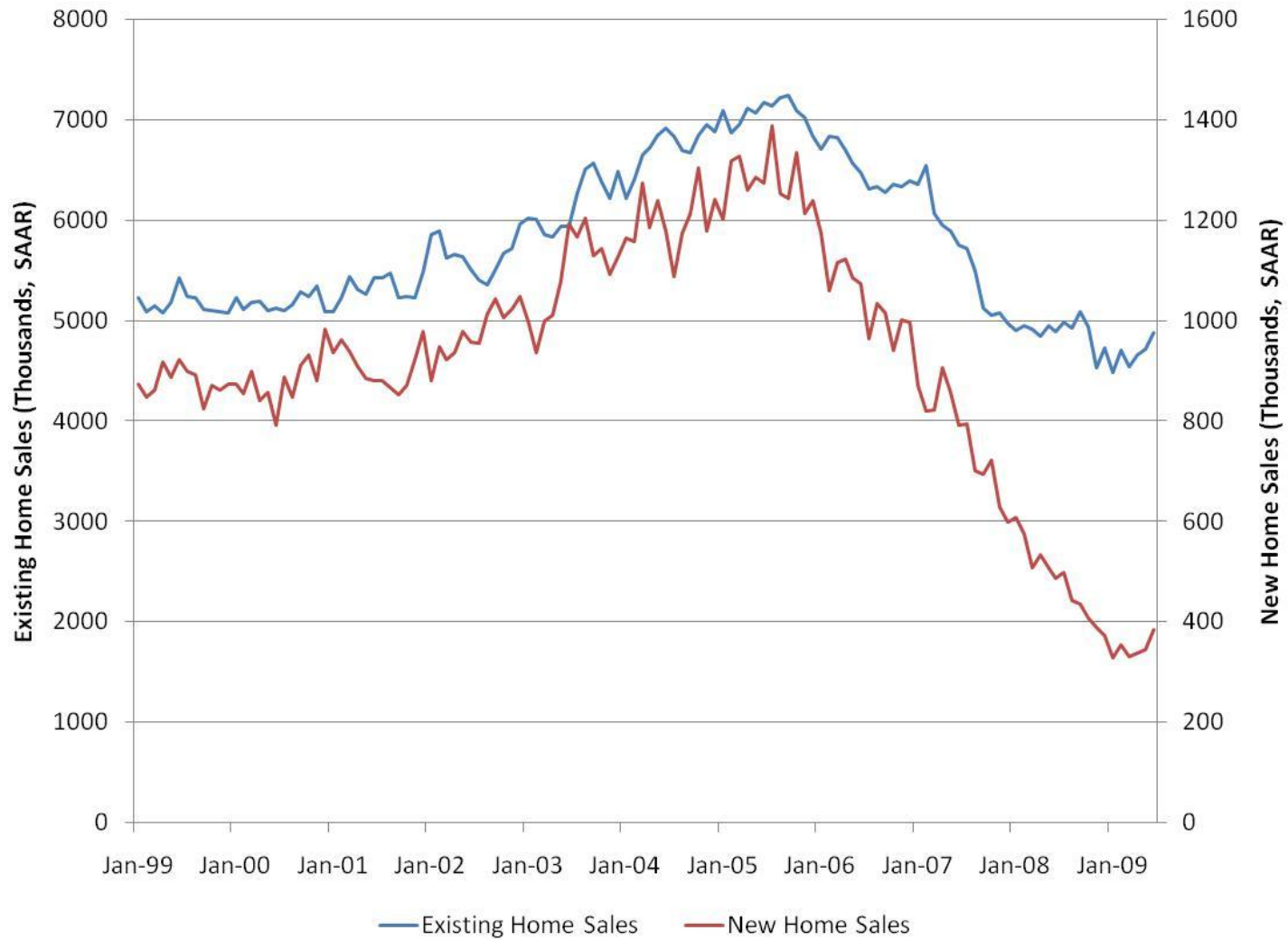
Source: Bureau of Economic Analysis

Consumer Indebtedness



Source: Federal Reserve

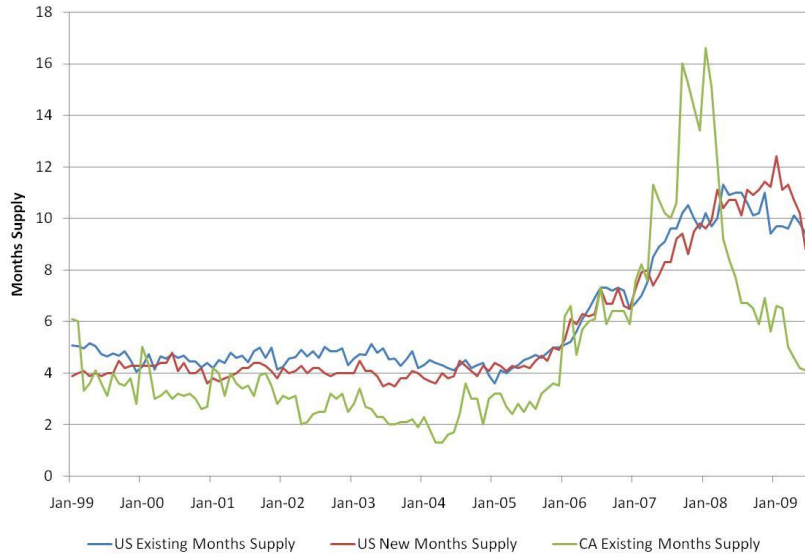
Home Sales



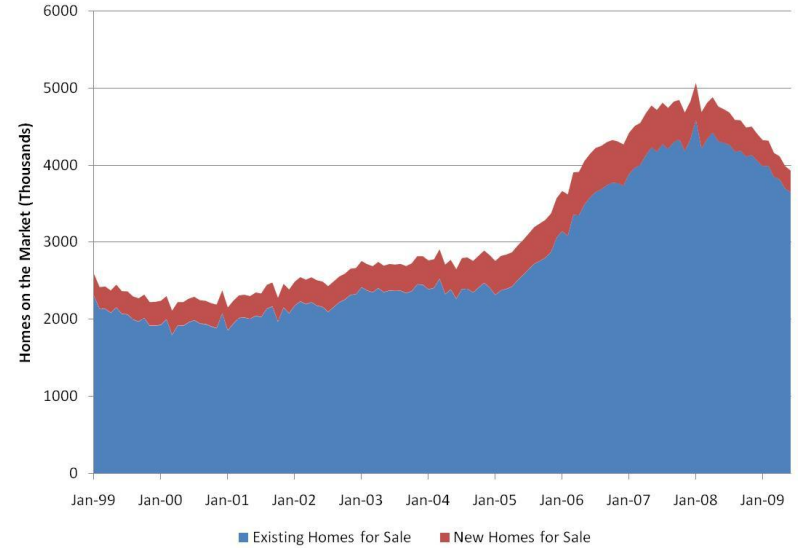
Sources: Census and NAR

Inventories and Vacancies

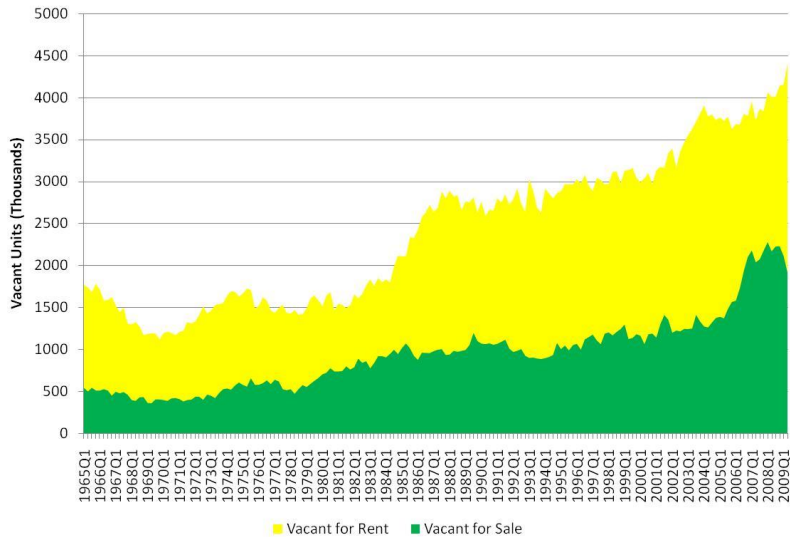
Months Supply



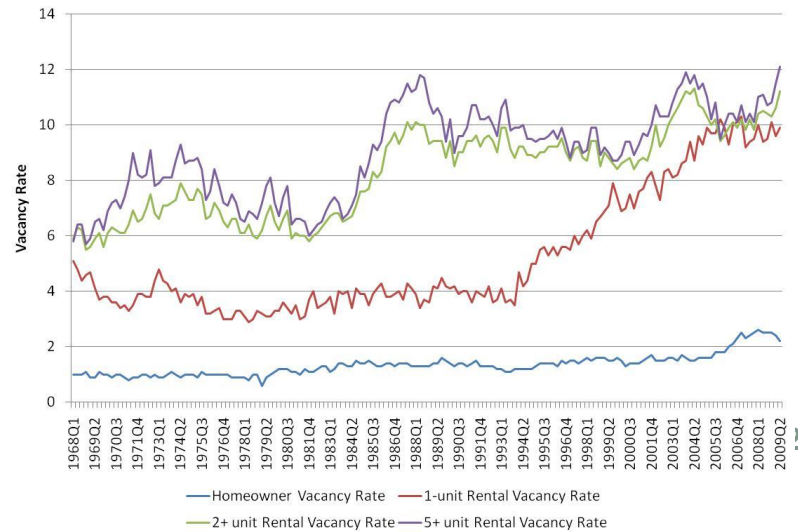
Homes on the Market



Vacant Units

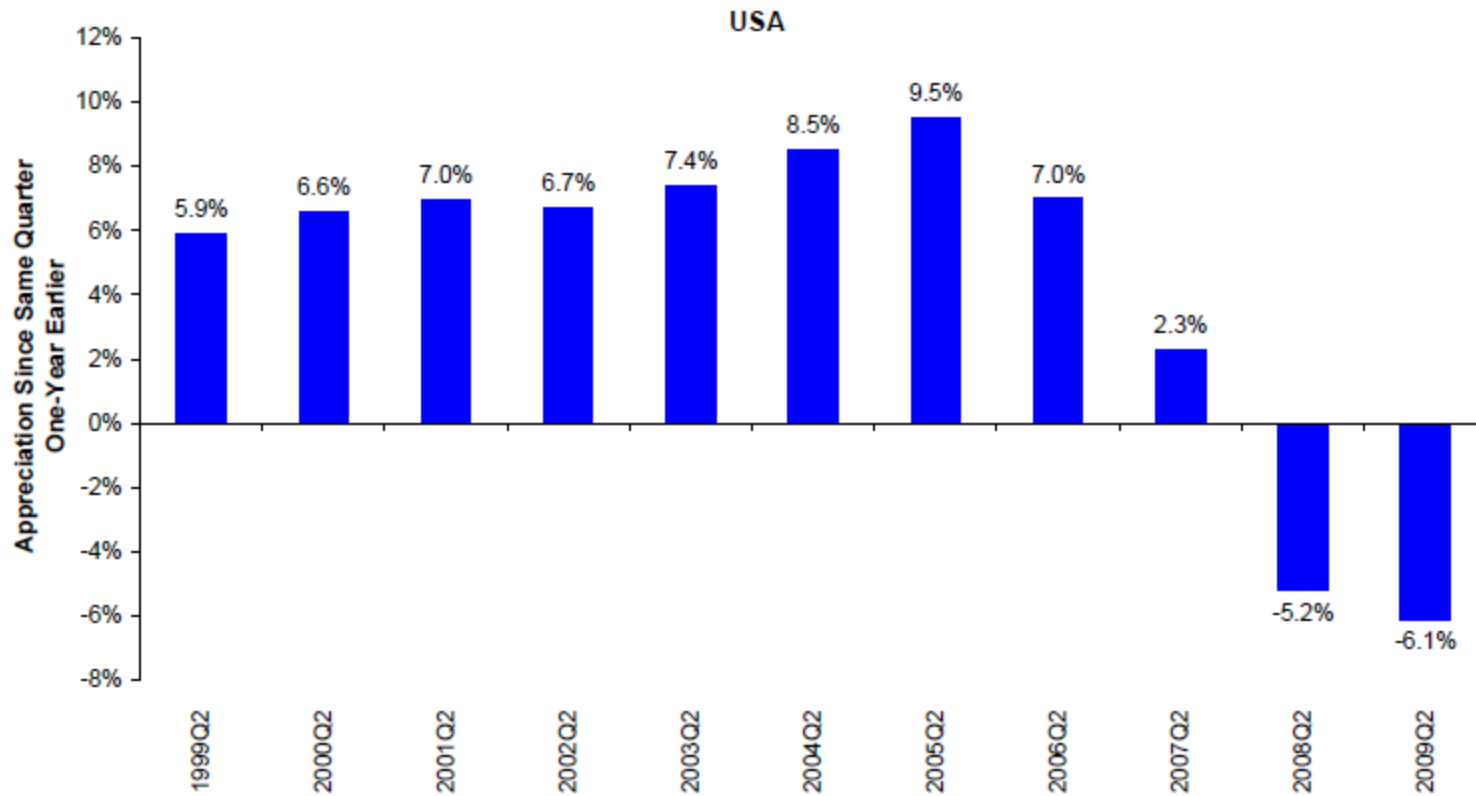


Homeowner and Rental Vacancy Rates

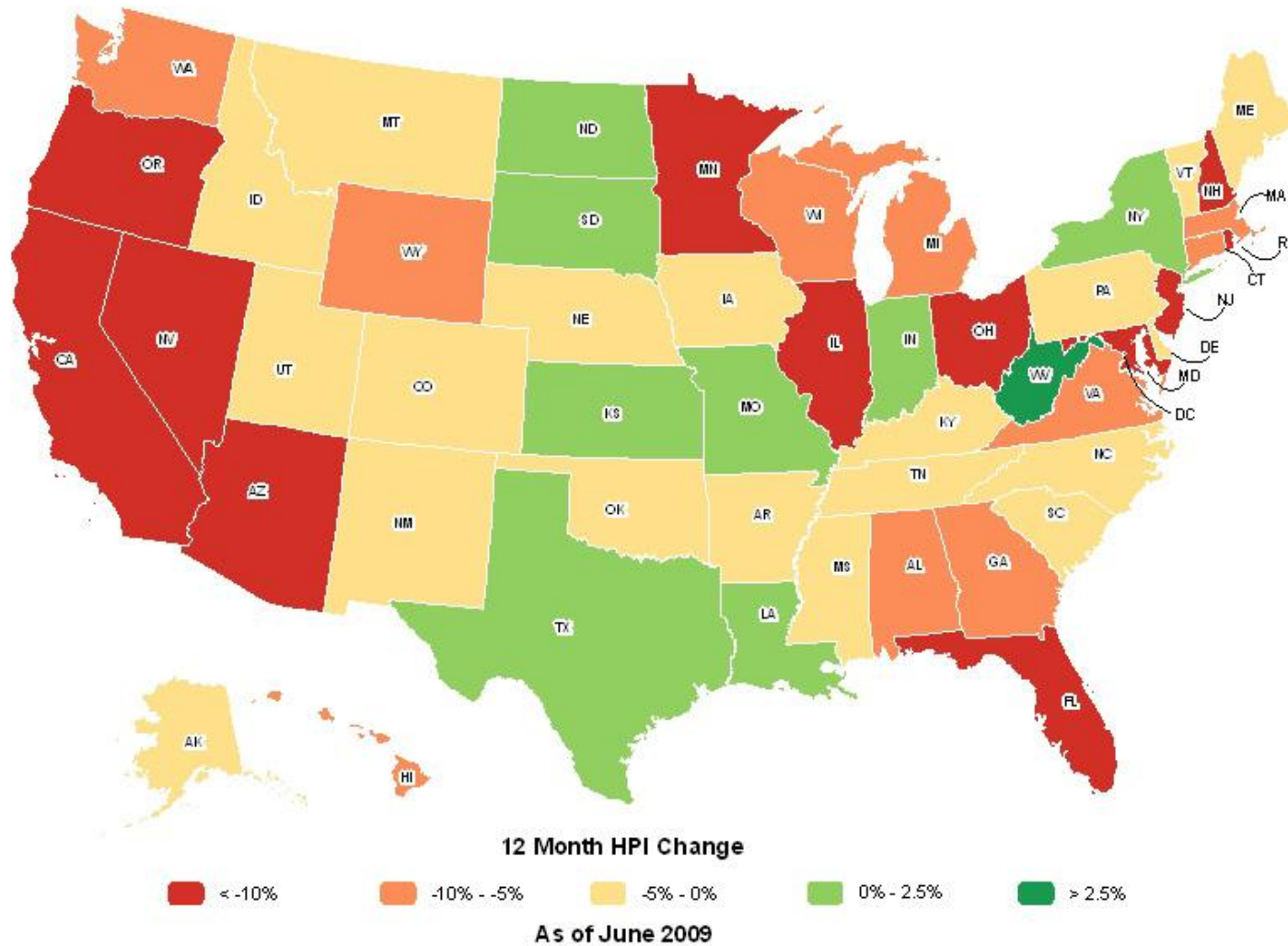


National Home Price Trend

HOUSE PRICE APPRECIATION OVER PREVIOUS FOUR QUARTERS
(Seasonally-Adjusted, Purchase-Only Index)

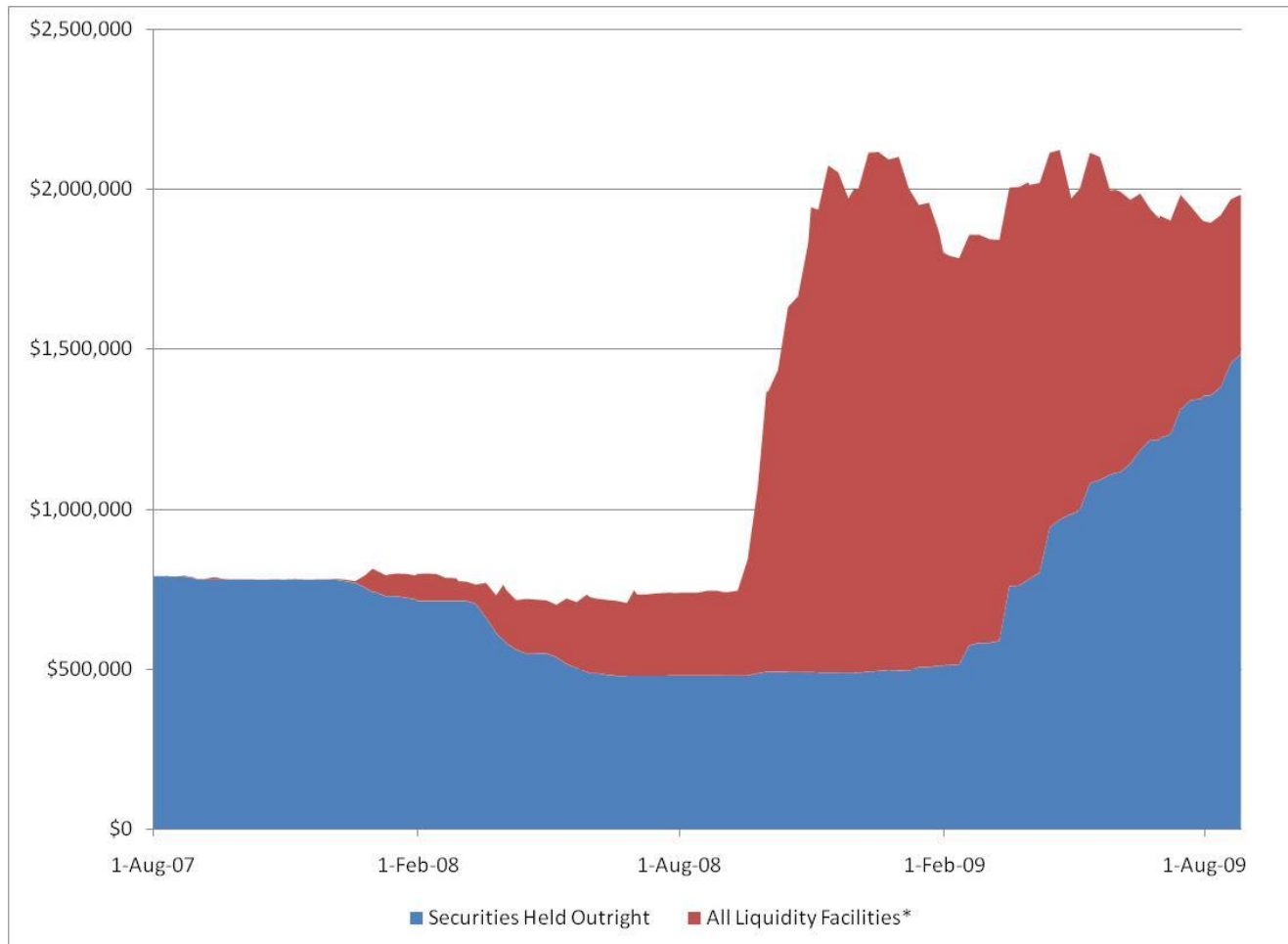


Home Prices Continue to Decline, but at a Slower Pace



Source: First American CoreLogic, LoanPerformance HPI, 12 month change by state; single family detached series.

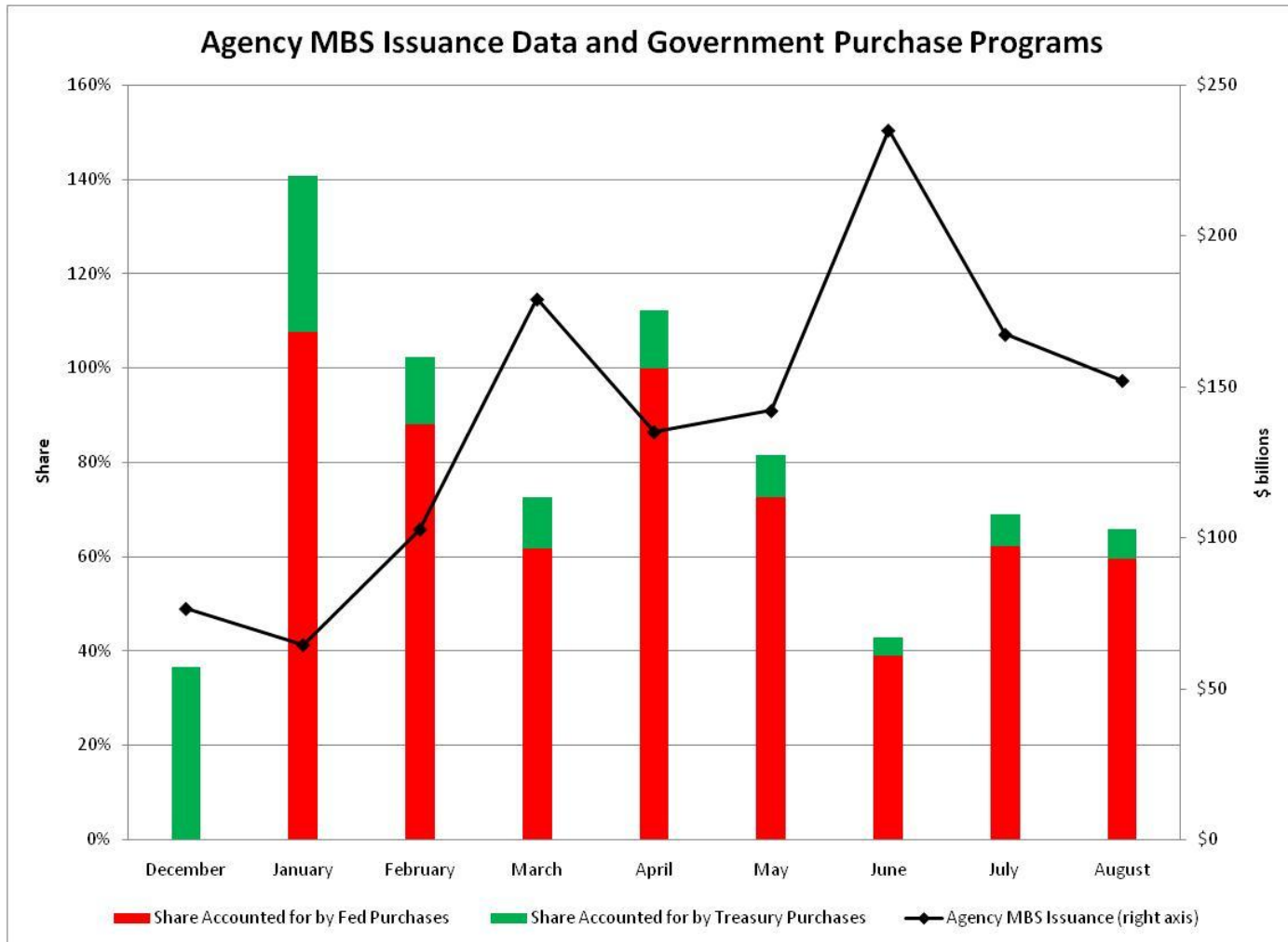
Federal Reserve's Balance Sheet, \$ mil

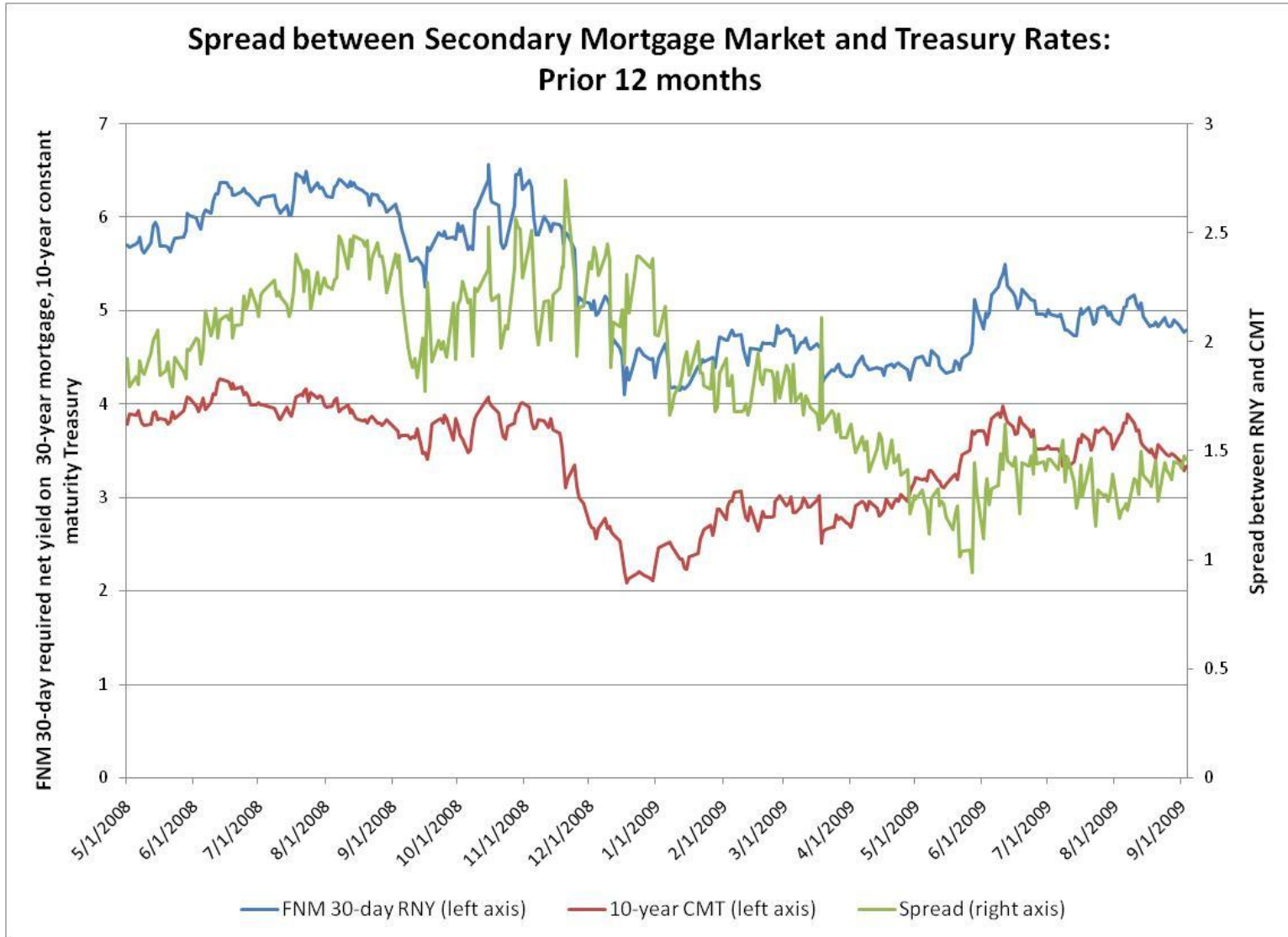


Source: Federal Reserve

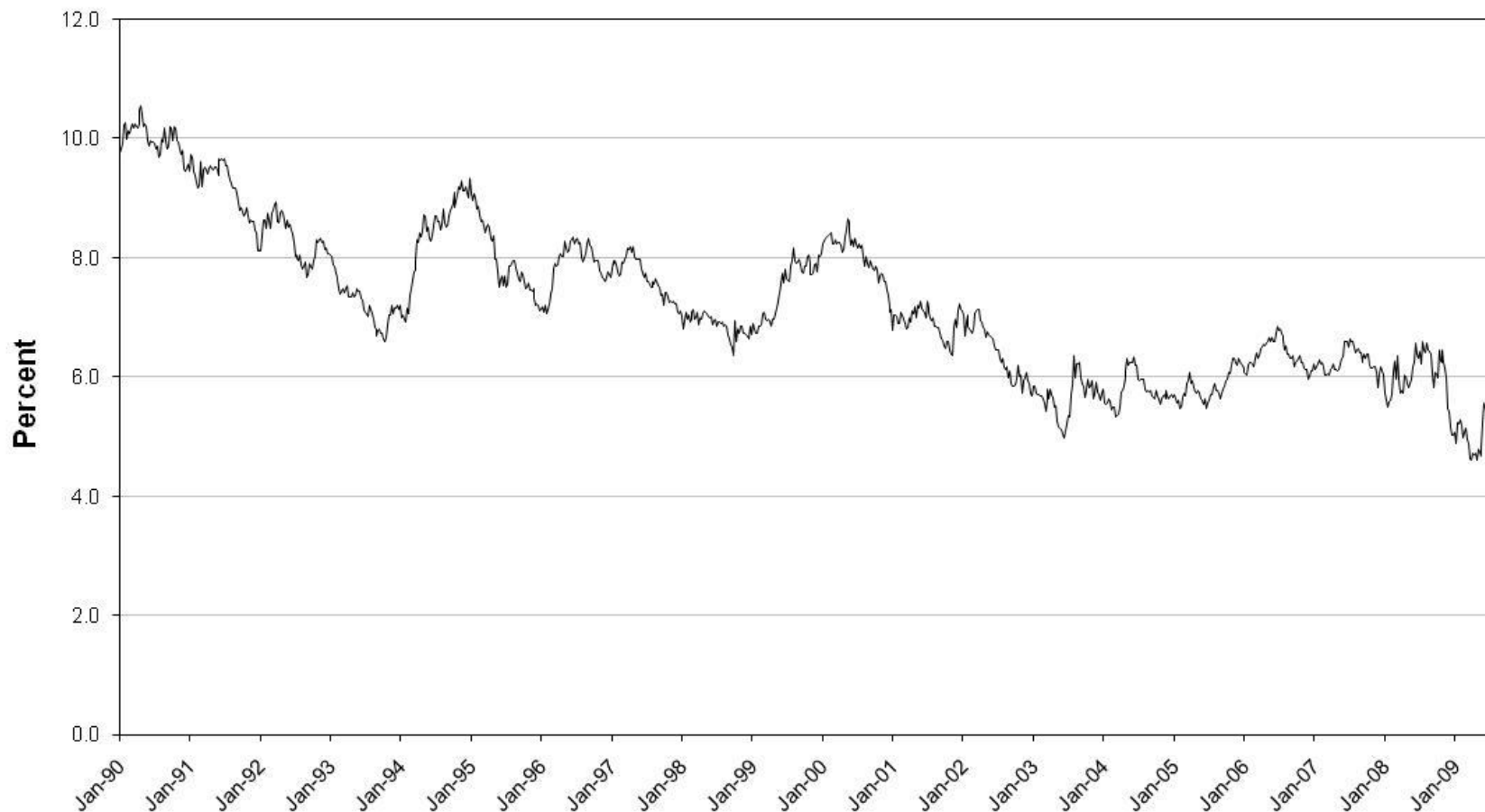
*All Liquidity Facilities includes: Term Auction credit; primary credit; secondary credit; seasonal credit; Primary Dealer Credit Facility; Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility; Term Asset-Backed Securities Loan Facility; Commercial Paper Funding Facility; outstanding principal amount of loans to American International Group, Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC; and central bank liquidity swaps.

Agency MBS Issuance Data and Government Purchase Programs



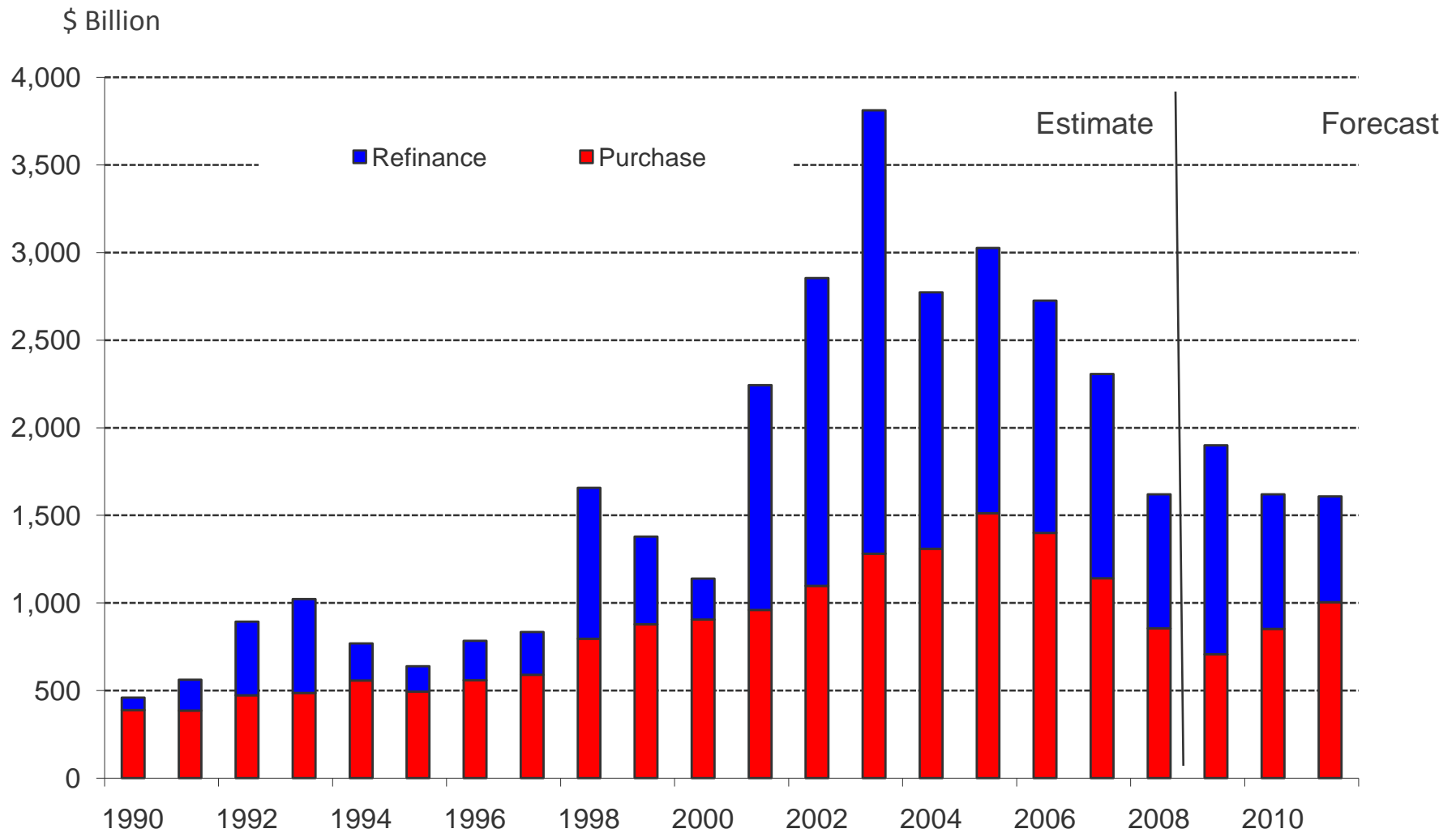


30-Year Fixed Mortgage Rates 1990 to Present



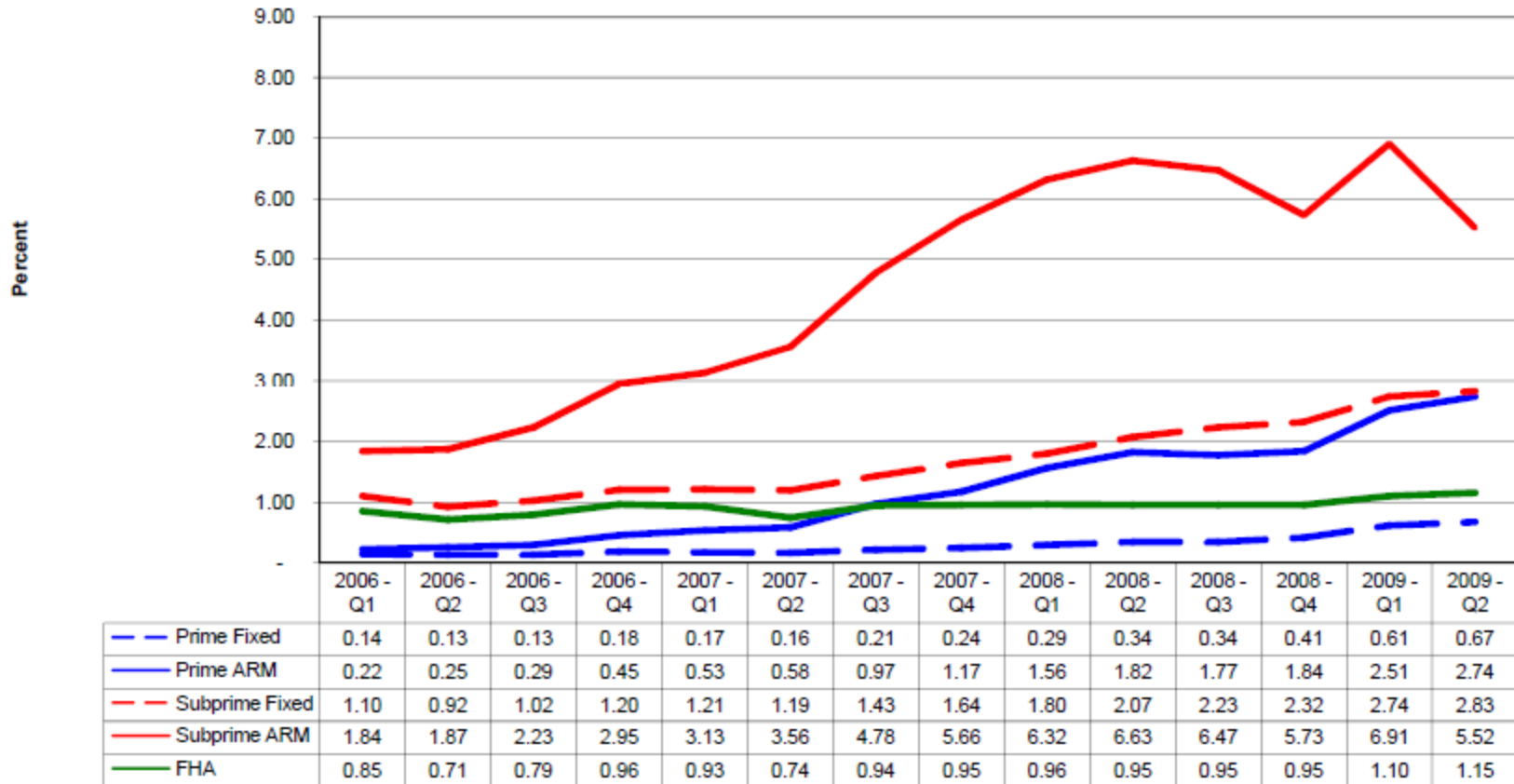
Source: Mortgage Bankers Association of America

Mortgage Originations

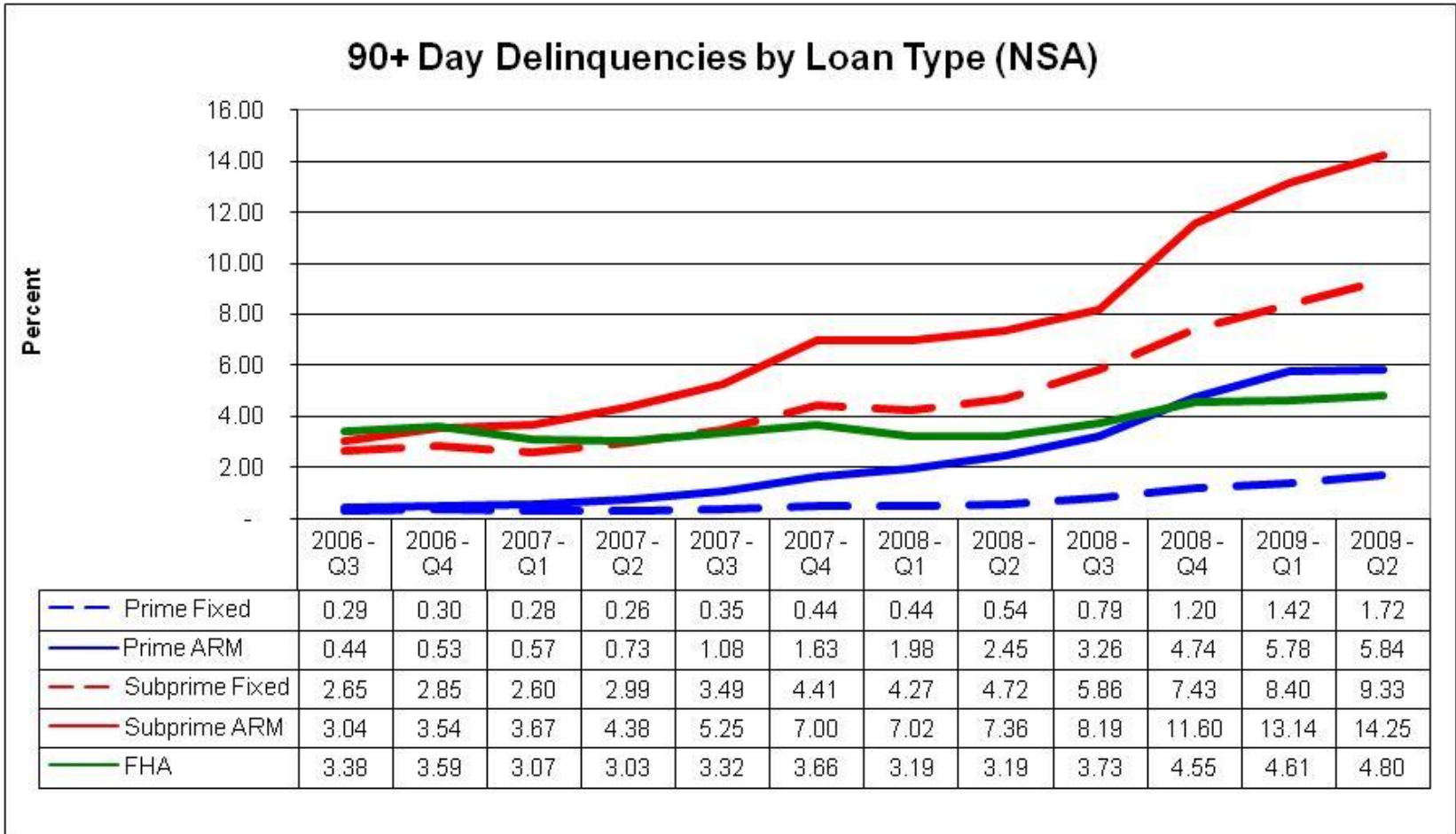


Source: Mortgage Bankers Association

Foreclosures Started by Loan Type (NSA)



90+ Day Delinquencies by Loan Type (NSA)



Prime FRMs Foreclosure Starts Increasing, Subprime ARMs Decreasing as a Share of the Total

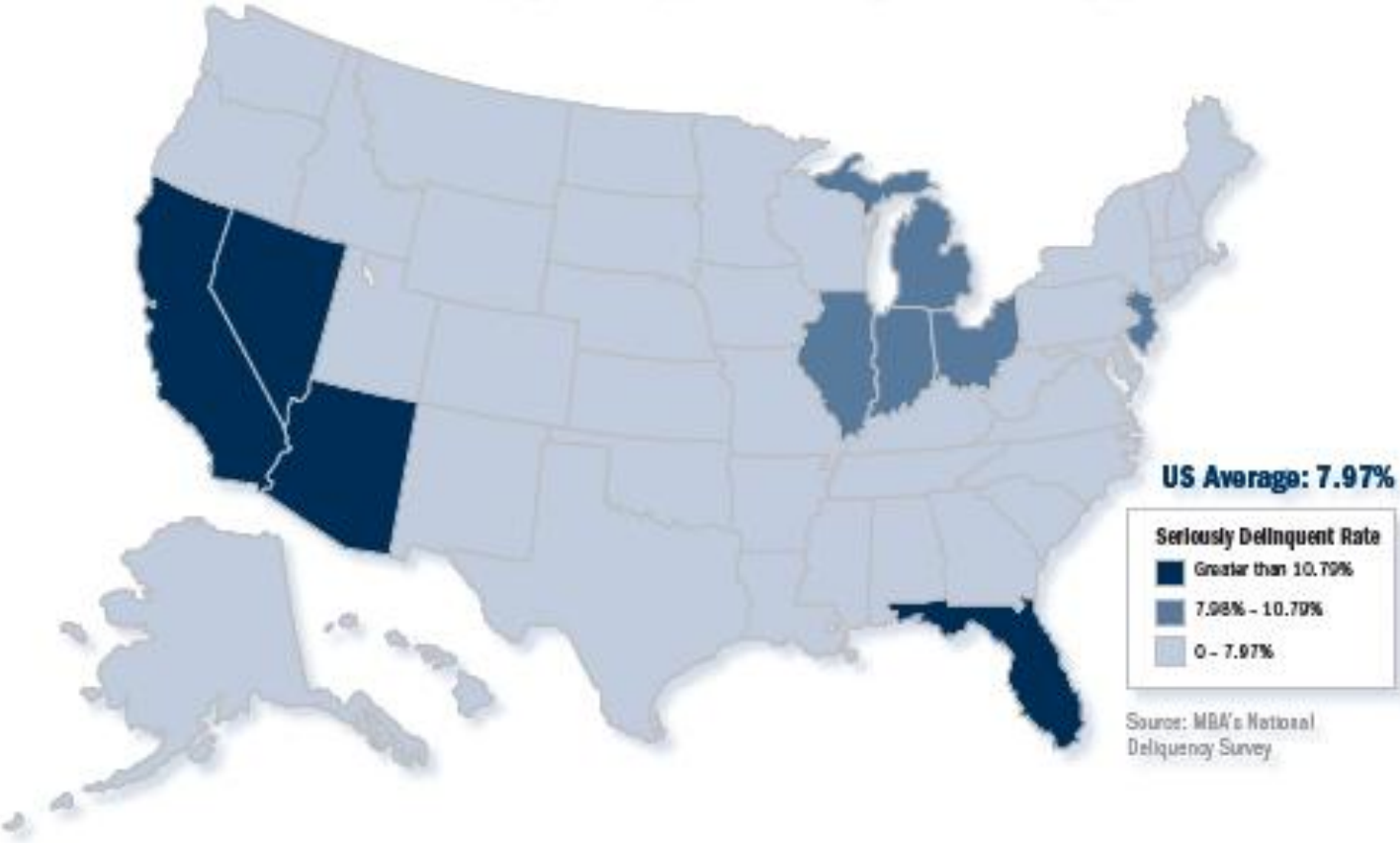
Loan Type Share of Loans Outstanding, Foreclosure Starts, and Loans in Foreclosure

Q209			US Foreclosure Starts Q109			Q208		
Product	Percent of US Loans Outstanding	Percent of US Foreclosures Started	Product	Percent of US Loans Outstanding	Percent of US Foreclosures Started	Product	Percent of US Loans Outstanding	Percent of US Foreclosures Started
Prime Fixed	65.5%	32.4%	Prime Fixed	65.3%	28.9%	Prime Fixed	65.2%	20.4%
Prime ARM	12.4%	25.1%	Prime ARM	13.1%	23.8%	Prime ARM	14.2%	23.8%
Subprime Fixed	6.3%	13.2%	Subprime Fixed	6.4%	12.7%	Subprime Fixed	6.5%	12.3%
Subprime ARM	5.0%	20.2%	Subprime ARM	5.3%	26.6%	Subprime ARM	6.0%	36.3%
FHA	10.7%	9.1%	FHA	9.9%	8.0%	FHA	8.2%	7.1%
Total	100%	100%	Total	100%	100%	All	100%	100%

Q209			US Loans in Foreclosure Q109			Q208		
Product	Percent of US Loans Outstanding	Percent of US Loans in Foreclosure	Product	Percent of US Loans Outstanding	Percent of US Loans in Foreclosure	Product	Percent of US Loans Outstanding	Percent of US Loans in Foreclosure
Prime Fixed	65.5%	27.1%	Prime Fixed	65.3%	24.5%	Prime Fixed	65.2%	17.9%
Prime ARM	12.4%	26.4%	Prime ARM	13.1%	25.3%	Prime ARM	14.2%	22.3%
Subprime Fixed	6.3%	11.4%	Subprime Fixed	6.4%	11.5%	Subprime Fixed	6.5%	11.4%
Subprime ARM	5.0%	27.8%	Subprime ARM	5.3%	31.7%	Subprime ARM	6.0%	41.8%
FHA	10.7%	7.3%	FHA	9.9%	7.1%	FHA	8.2%	6.6%
Total	100%	100%	Total	100%	100%	Total	100%	100%

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90+ Delinquencies by State

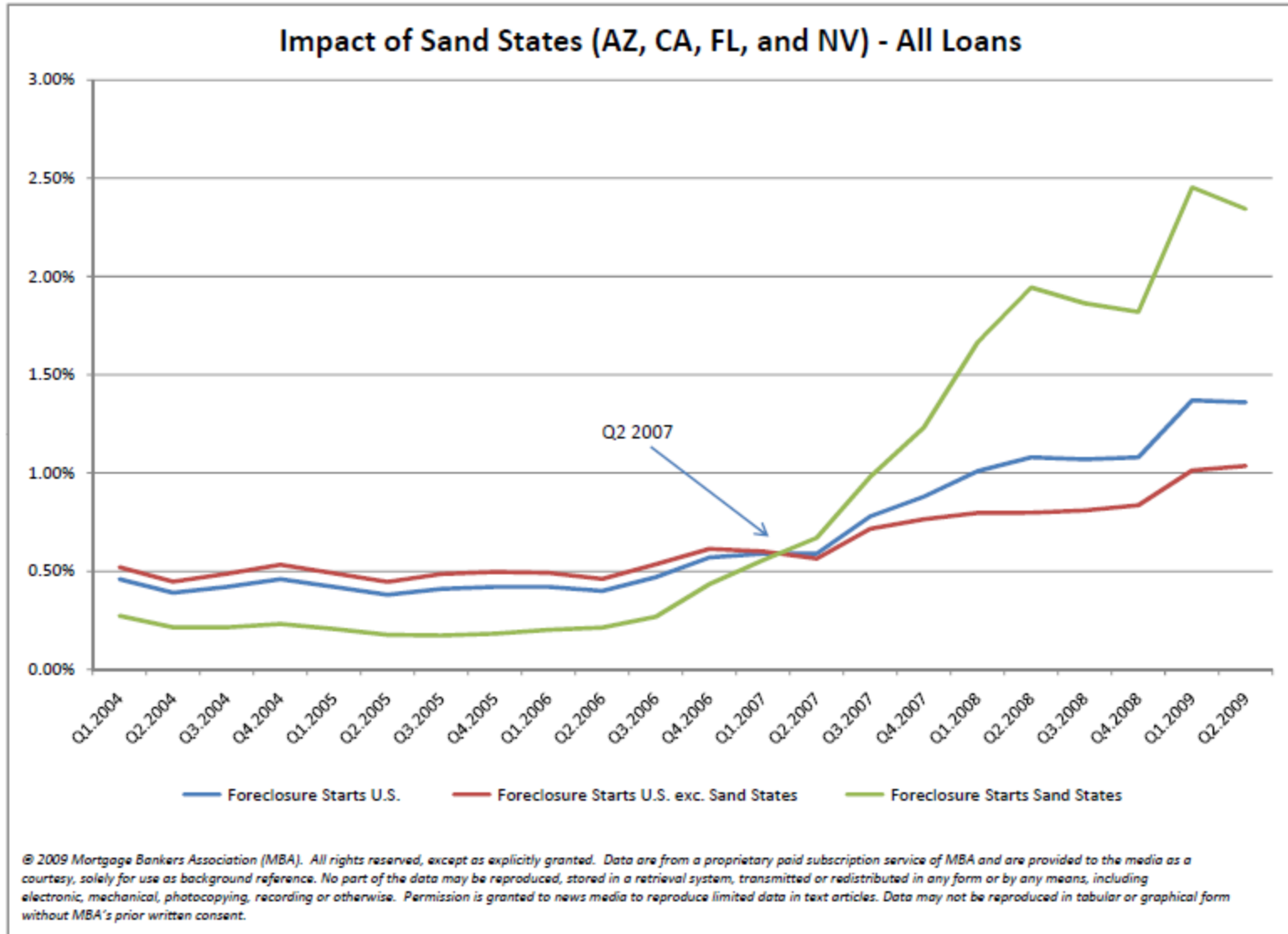


Source: Mortgage Bankers Association

State Shares of Loans Outstanding and Foreclosure Starts

Q209			Q109			Q208		
All Loans			All Loans			All Loans		
State	Percent of US Loans Outstanding	Percent of US Foreclosure Starts	State	Percent of US Loans Outstanding	Percent of US Foreclosure Starts	State	Percent of US Loans Outstanding	Percent of US Foreclosure Starts
California	13.3%	19.8%	California	13.3%	21.0%	California	13.2%	22.5%
Florida	8.0%	15.7%	Florida	8.0%	16.4%	Florida	8.0%	16.4%
Nevada	1.3%	3.5%	Nevada	1.3%	3.1%	Nevada	1.3%	2.6%
Arizona	2.7%	5.1%	Arizona	2.7%	5.0%	Arizona	2.7%	4.1%
Total	25.2%	44.1%	Total	25.2%	45.6%	Total	25.2%	45.7%

Impact of the Sand States



MBA Economic Forecast

September 5, 2009

	2008				2009				2010				2011				Q4-over-Q4			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010	2011
<i>Percent Change, Annual Rate</i>																				
Real Gross Domestic Product	-0.7	1.5	-2.7	-5.4	-6.4	-1.0	3.1	2.7	2.3	2.4	2.9	3.2	3.7	4.2	4.5	4.5	-1.9	-0.5	2.7	4.3
Personal Consumption Expenditures	-0.6	0.1	-3.5	-3.1	0.6	-1.0	1.9	1.5	1.8	1.9	2.0	2.3	2.6	3.2	3.6	3.8	-1.8	0.8	2.0	3.3
Business Fixed Investment	1.9	1.4	-6.1	-19.5	-39.2	-10.9	0.0	-2.2	2.7	3.6	6.3	6.1	9.6	10.4	11.0	13.0	-6.0	-14.7	4.7	11.0
Residential Investment	-28.2	-15.8	-15.9	-23.2	-38.2	-22.8	18.6	6.6	10.6	13.0	14.5	14.2	16.6	22.4	25.7	20.8	-21.0	-11.9	13.1	21.3
Govt. Consumption & Investment	2.6	3.6	4.8	1.2	-2.6	6.4	1.1	2.2	1.3	1.4	1.1	0.8	0.2	-0.4	-0.5	-2.2	3.0	1.7	1.1	-0.7
Net Exports (Bil. Chain 2005\$)	-551	-476	-479	-471	-387	-332	-335	-362	-377	-386	-396	-406	-397	-389	-387	-385	-494	-354	-391	-390
Inventory Investment (Bil. Chain 2005\$)	1	-37	-30	-37	-114	-159	-123	-58	-35	-24	-5	20	28	37	48	62	-26	-113	-11	44
GDP Deflator	1.9	1.8	4.0	0.1	1.9	0.0	1.2	0.6	0.9	0.4	-0.3	0.2	0.4	0.6	0.2	-0.3	1.9	0.9	0.3	0.2
Consumer Prices	4.5	4.5	6.2	-8.3	-2.4	1.3	3.4	1.4	1.0	0.8	-0.3	0.4	0.1	0.5	0.1	-0.5	1.5	0.9	0.5	0.1
<i>Percent</i>																				
Unemployment Rate	4.9	5.4	6.0	6.9	8.1	9.2	9.7	10.0	10.0	10.2	10.1	9.9	9.6	9.3	9.0	8.8	5.8	9.3	10.0	9.2
Federal Funds Rate	3.2	2.1	1.9	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.5	0.8	1.9	0.2	0.2	0.5
10-Year Treasury Bond Rate	3.7	3.9	3.9	3.3	2.7	3.3	3.6	3.8	4.0	4.1	4.2	4.3	4.5	4.5	4.6	4.6	3.7	3.4	4.2	4.6

All data except interest rates are seasonally adjusted.

Forecast produced with the assistance of the Macroeconomic Advisers' model.

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Mortgage Finance Forecast: September 2009

	2008.1	2008.2	2008.3	2008.4	2009.1	2009.2	2009.3	2009.4	2010.1	2010.2	2010.3	2010.4	2011.1	2011.2	2011.3	2011.4	2008	2009	2010	2011
Housing Measures (000)																				
Total Housing Starts	1,059	1,017	868	658	528	539	615	636	674	725	779	823	893	988	1,083	1,135	906	579	750	1,025
% change	-9.2	-4.0	-14.6	-24.2	-19.8	2.1	14.1	3.4	6.0	7.6	7.4	5.6	8.5	10.6	9.6	4.8	-33.1	-36.1	29.5	36.6
Single-family	734	670	598	461	358	426	500	518	553	595	629	663	723	808	893	935	622	451	610	840
% change	-12.4	-8.8	-10.8	-22.8	-22.3	19.0	17.3	3.6	6.8	7.6	5.7	5.4	9.0	11.8	10.5	4.7	-40.5	-27.6	35.4	37.7
Multi-family	324	347	270	197	169	113	115	118	121	130	150	160	170	180	190	200	284	129	140	185
% change	-0.9	6.9	-22.0	-27.3	-13.9	-33.5	2.1	2.6	2.5	7.4	15.4	6.7	6.3	5.9	5.6	5.3	-8.2	-54.6	8.9	31.9
Total Existing Home Sales	4,927	4,900	5,007	4,740	4,583	4,757	5,112	5,091	5,161	5,216	5,354	5,490	5,661	6,024	6,222	6,341	4,913	4,886	5,305	6,062
% change	-1.4	-0.5	2.2	-5.3	-3.3	3.8	7.5	-0.4	1.4	1.1	2.6	2.5	3.1	6.4	3.3	1.9	-13.1	-0.6	8.6	14.3
New Home Sales	564	510	460	391	338	367	457	457	466	471	490	509	541	593	639	665	485	405	484	609
% change	-13.4	-9.6	-9.8	-15.0	-13.6	8.6	24.6	-0.1	2.0	1.1	4.0	3.9	6.2	9.6	7.9	4.0	-37.5	-16.6	19.6	25.9
Total Existing Home Prices	198.5	208.1	201.6	180.8	167.6	174.4	181.1	166.4	164.5	175.4	185.3	170.4	167.6	179.7	190.8	175.6	198.1	172.4	173.9	178.4
% change	-4.4	4.8	-3.1	-10.3	-7.3	4.1	3.8	-8.1	-1.2	6.6	5.7	-8.1	-1.7	7.3	6.1	-7.9	-9.5	-13.0	0.9	2.6
New Home Prices	235.7	236.7	227.8	221.5	207.8	217.0	209.5	209.6	205.9	216.1	214.1	214.6	210.8	222.2	220.6	220.7	231.9	211.0	212.7	218.6
% change	-0.6	0.4	-3.8	-2.8	-6.2	4.4	-3.4	0.0	-1.7	4.9	-0.9	0.2	-1.8	5.4	-0.7	0.1	-6.5	-9.0	0.8	2.8
Interest Rates (%)																				
30-Year FRM Contract Rate	5.9	6.1	6.3	5.9	5.1	5.0	5.2	5.4	5.6	5.7	5.8	5.9	6.2	6.2	6.3	6.3	6.0	5.2	5.8	6.2
10-Year Treasury Yield	3.7	3.9	3.9	3.3	2.7	3.3	3.6	3.8	4.0	4.1	4.2	4.3	4.5	4.5	4.6	4.6	3.7	3.4	4.2	4.6
1-Year Treasury ARM	5.1	5.2	5.2	5.2	4.9	4.8	4.8	4.8	4.9	5.1	5.1	5.2	5.4	5.5	5.6	5.7	5.2	4.8	5.1	5.5
1-Year Treasury Yield	2.1	2.1	2.1	1.0	0.6	0.5	0.4	0.6	0.8	1.0	1.2	1.2	1.5	1.7	2.0	2.2	1.8	0.5	1.0	1.9
					% change in total												-29.6%	17.0%	-14.7%	-0.7%
					% change in purchase												-24.3%	-18.2%	20.5%	17.9%
					% change in refi												-34.8%	56.8%	-35.6%	-21.4%
Total 1-4 Family (Bil.\$)	494	410	340	380	448	607	460	385	372	449	440	358	336	442	450	380	1,624	1,900	1,620	1,608
Purchase	197	205	221	240	116	212	216	162	156	243	255	197	175	287	306	236	863	706	851	1,004
Refinance	296	205	119	141	332	394	244	223	216	207	185	161	161	155	144	145	761	1,194	769	604
Refinance Share (%)	60	50	35	37	74	65	53	58	58	46	42	45	48	35	32	38	47	63	47	38
ARM Share (%)	8	8	8	3	3	4	4	4	5	5	6	6	6	7	7	7	6	4	6	7

* 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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