



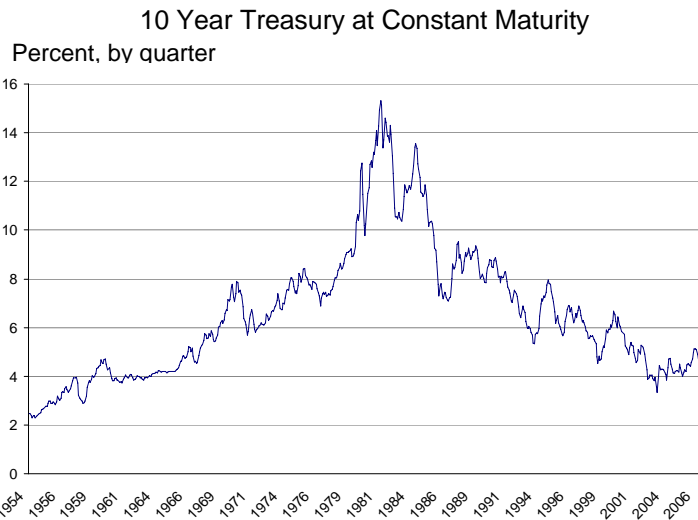
MBA's 93rd ANNUAL CONVENTION & EXPO 2006
OCTOBER 22 • 25 HYATT REGENCY • CHICAGO

Fourth General Session: Economic/Housing Outlook

Doug Duncan, Ph.D.

Senior Vice President and Chief Economist

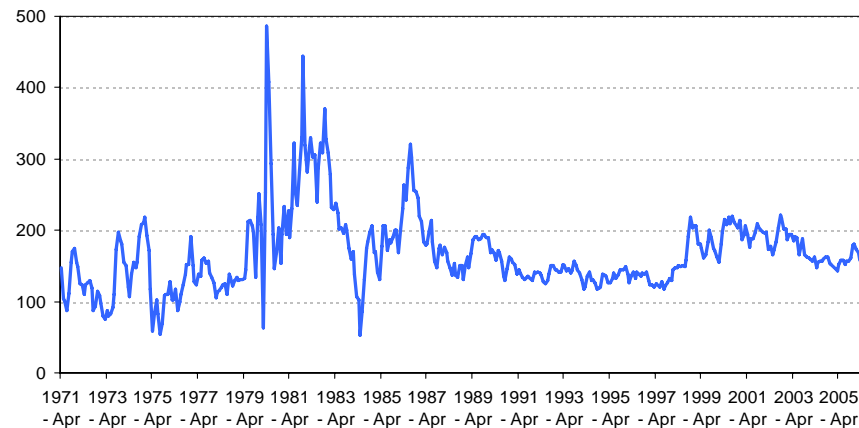
Mortgage Bankers Association



Source: Federal Reserve Board.

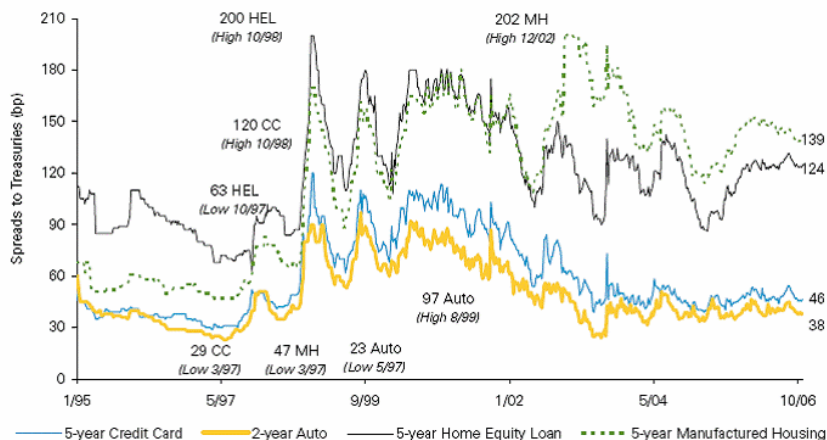
Yield Spread: 30-Year Fixed Mortgages and 10-Year Treasuries

Basis Points



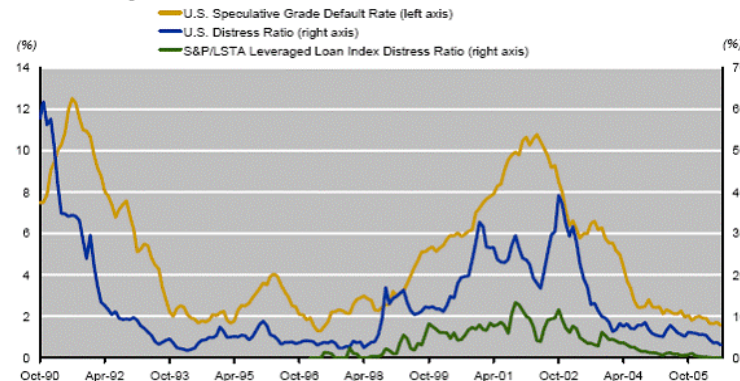
Source: Federal Reserve Board.

U.S. Fixed-Rate ABS Spreads to Treasuries (bp)



Source: Deutsche Bank

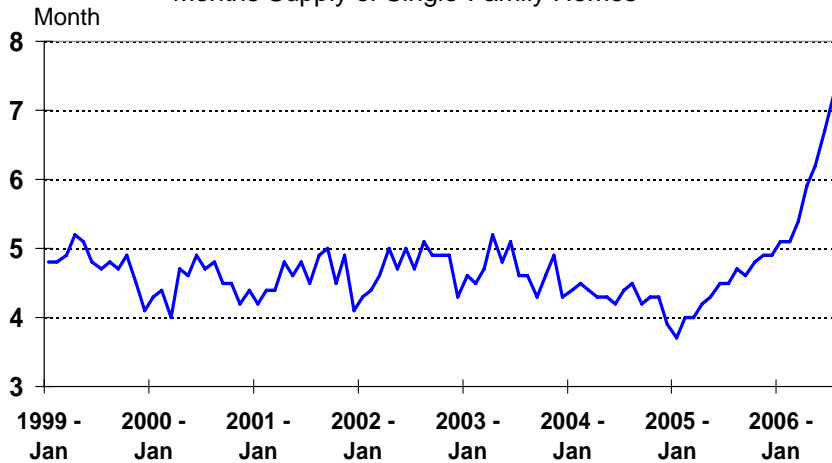
U.S. Speculative-Grade Default Rate vs. Distressed Credit Ratio



Bond distress ratio is defined as the number of speculative-grade issues with option-adjusted spreads above 1,000 bps divided by the total number of speculative-grade issues. The S&P U.S. distress ratio series begins in Oct. 2002; history prior to then is represented by the Merrill Lynch High Yield Index distress ratio. The two series display a 99.6% correlation. Loan distressed ratio is defined as the percent of performing loans trading below 80 cents on the dollar.
Source: Standard & Poor's Global Fixed Income Research; Standard & Poor's CreditPro®; Standard & Poor's LCD; Merrill Lynch.

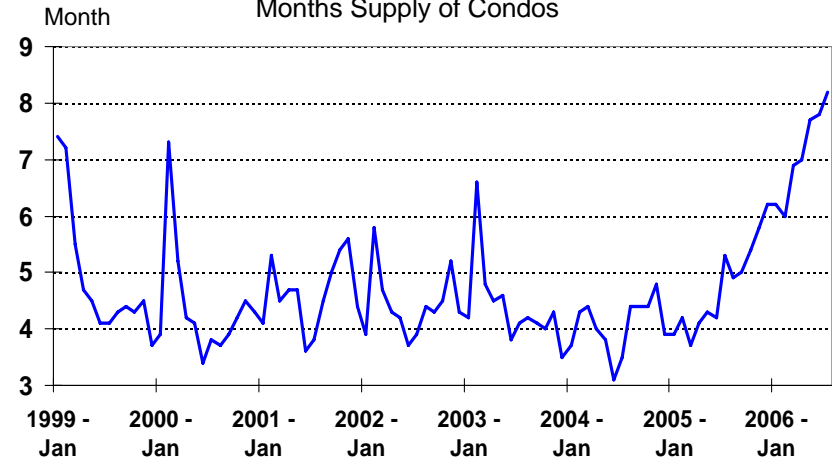


Months Supply of Single-Family Homes



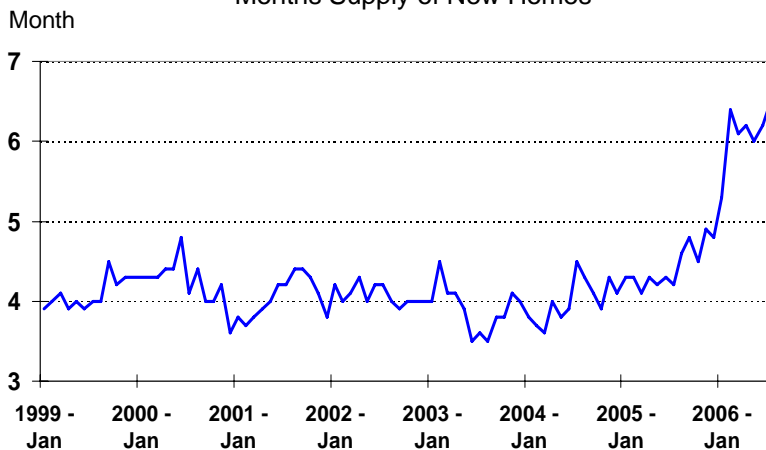
Source: National Association of Realtors.

Months Supply of Condos



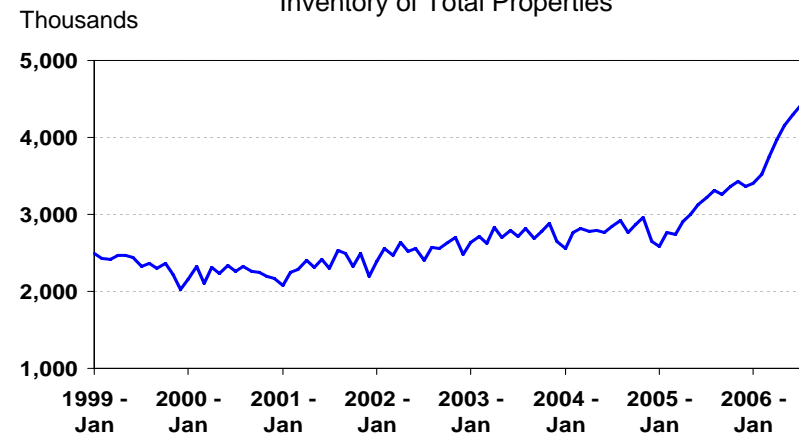
Source: National Association of Realtors.

Months Supply of New Homes



Source: Bureau of the Census.

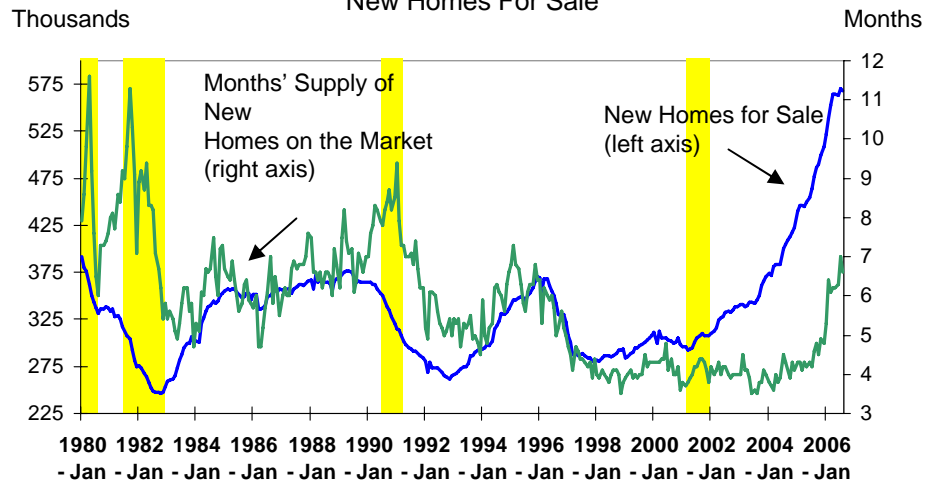
Inventory of Total Properties



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

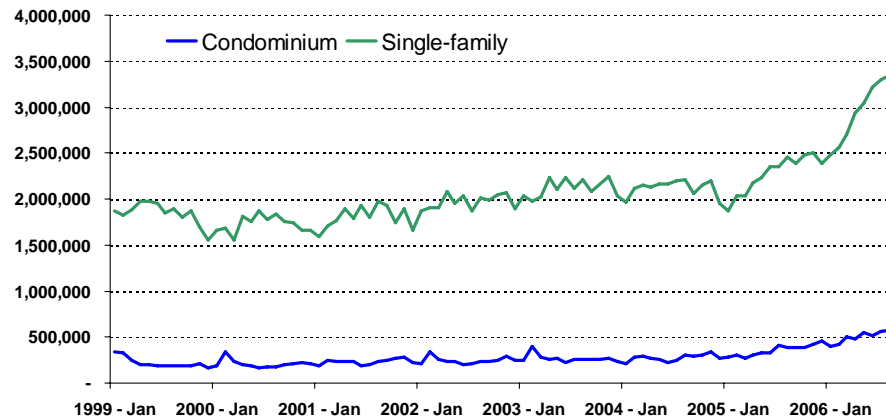


New Homes For Sale



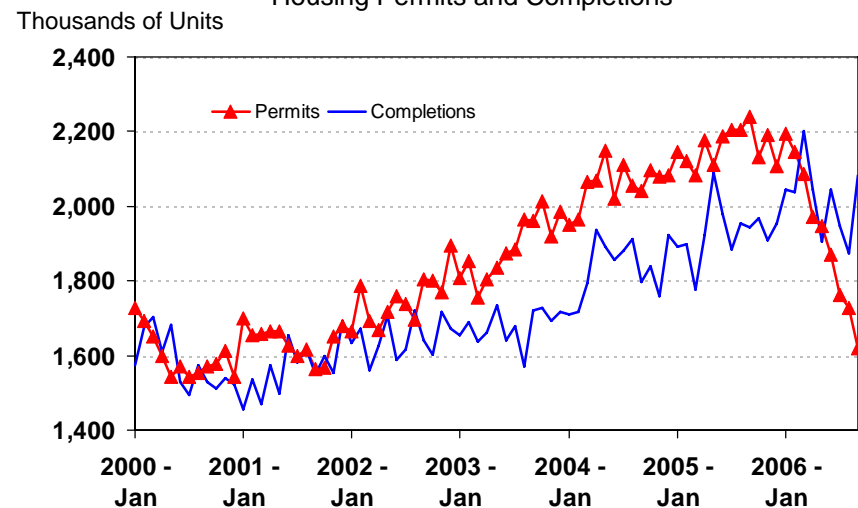
Source: Census Bureau.

Supply of Homes for Sale



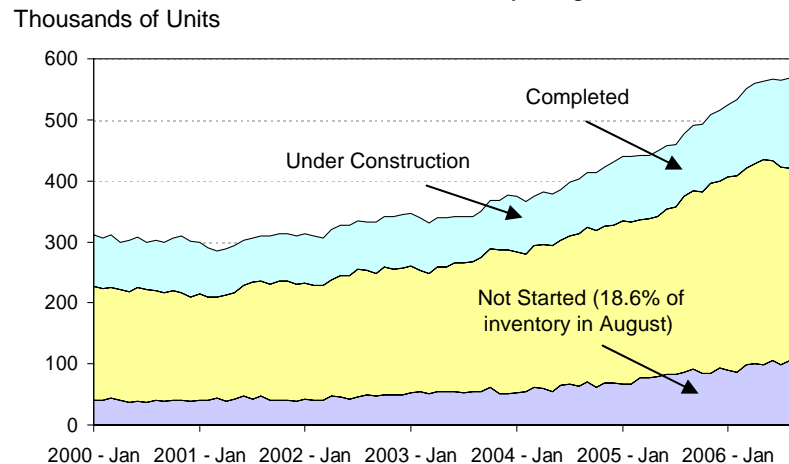
Source: National Association of Realtors.

Housing Permits and Completions

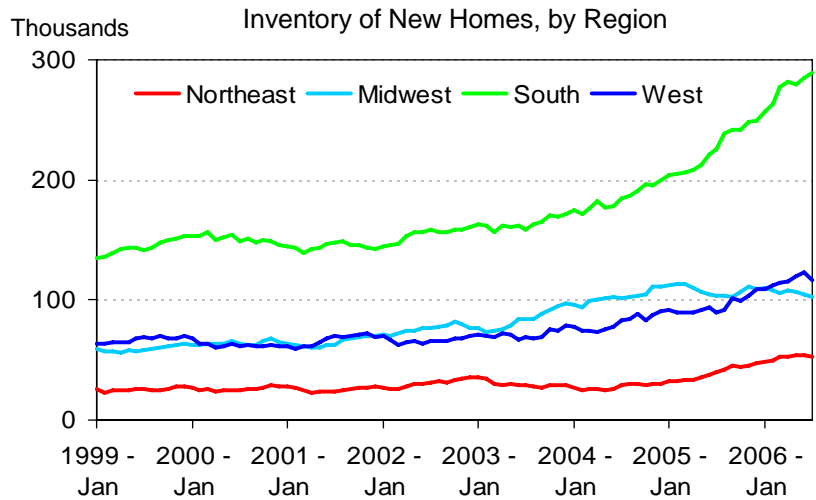


Source: Bureau of the Census.

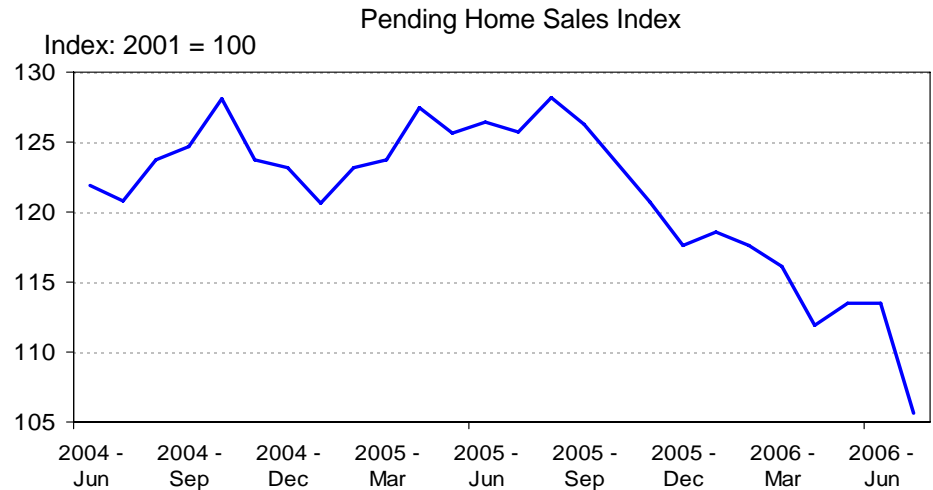
New Homes Available for Sale by Stage of Construction



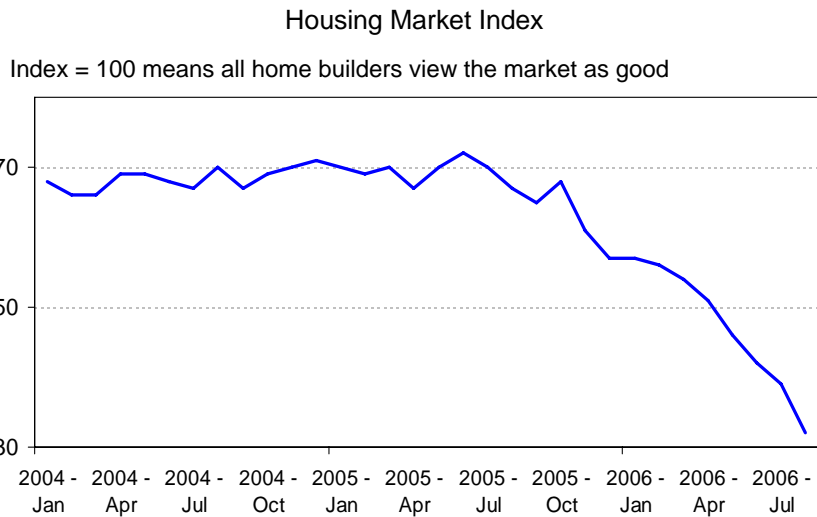
Source: Bureau of the Census.



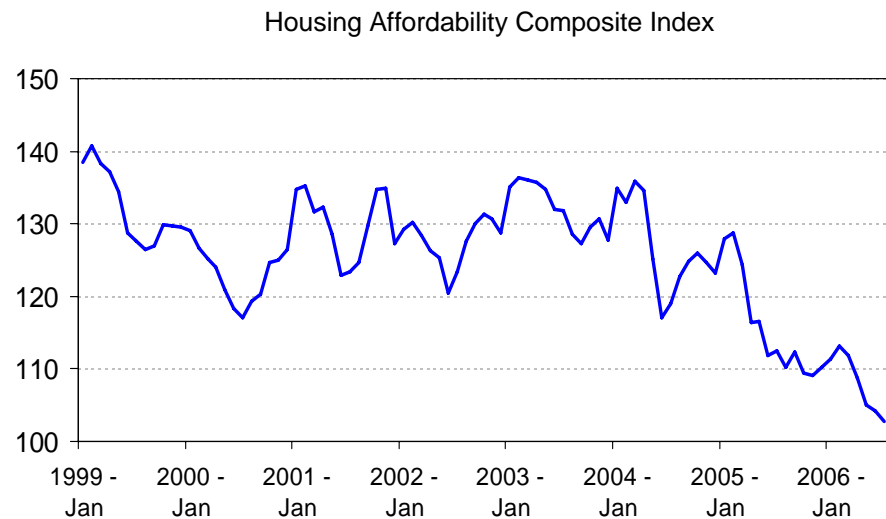
Source: Bureau of the Census.



Source: National Association of Realtors.



Source: National Association of Home Builders.

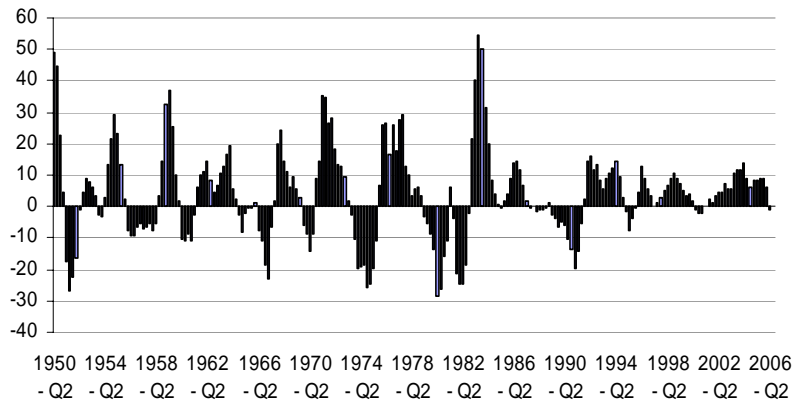


Source: National Association of Realtors.



Real Residential Investment

Year-over-year, percent change

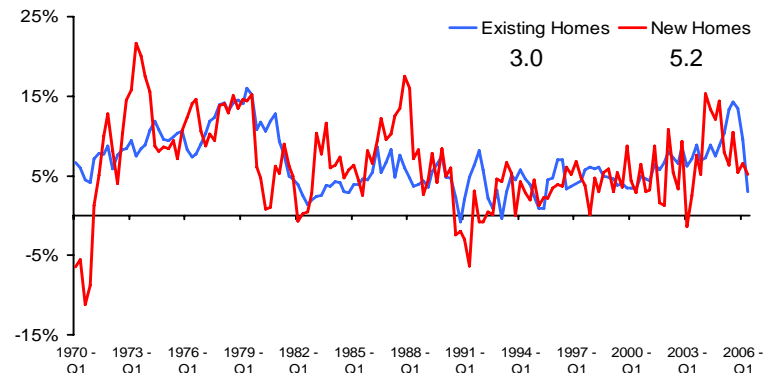


Source: Bureau of Economic Analysis.

Median One-Family Home Prices

Year-over-year, percent change

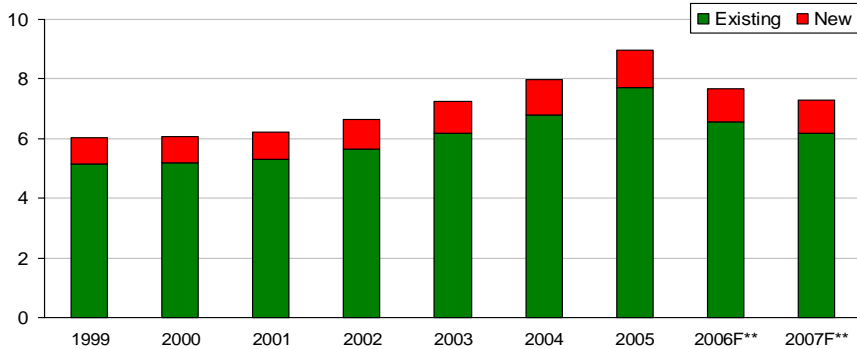
New Homes



Source: National Association of Realtors and Census Bureau.

Total Home Sales*

Millions of homes



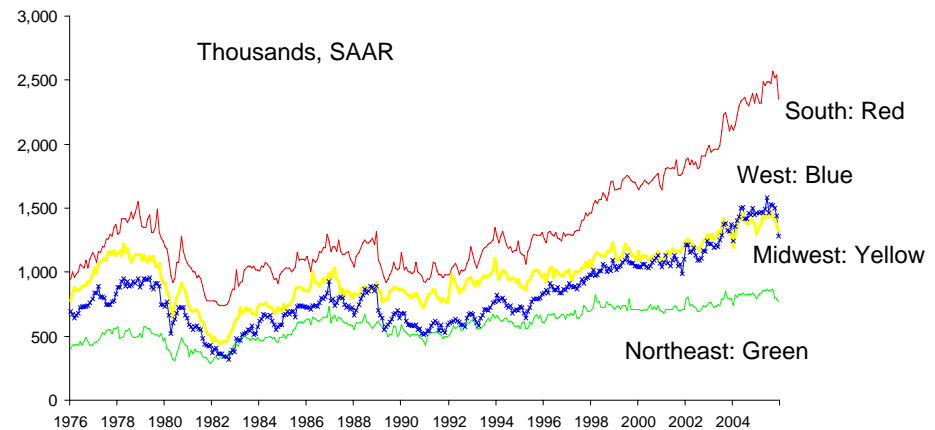
* The sum of existing home sales (including condos) and new home sales

**F Forecast

Forecasted 15% decline from 2005 to 2006 in terms of total sales.

Home Sales by Region

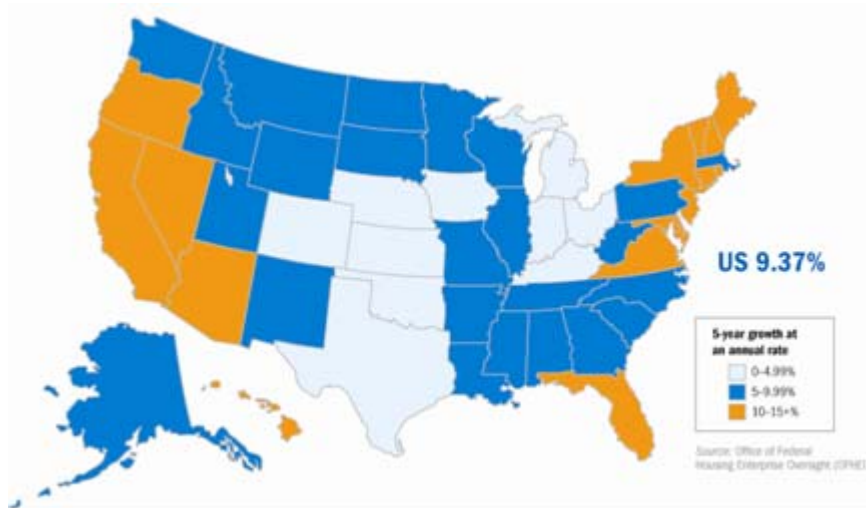
Thousands, SAAR



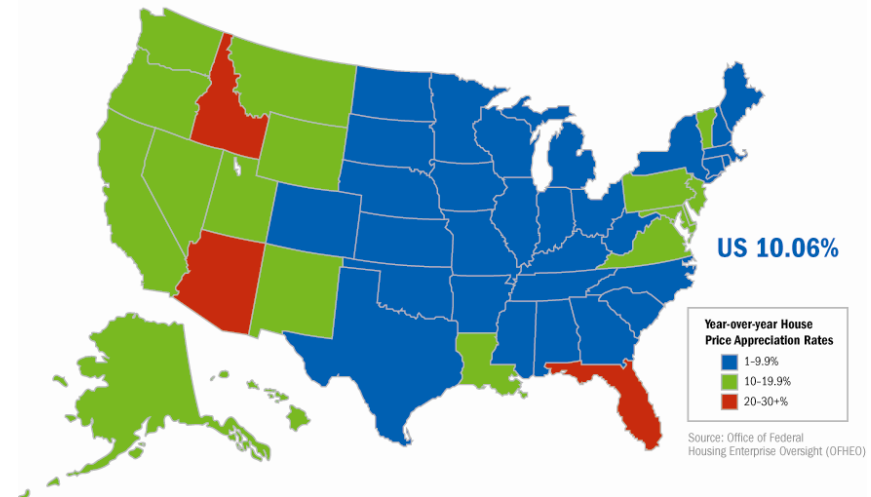
Source: National Association of Realtors and Census Bureau.



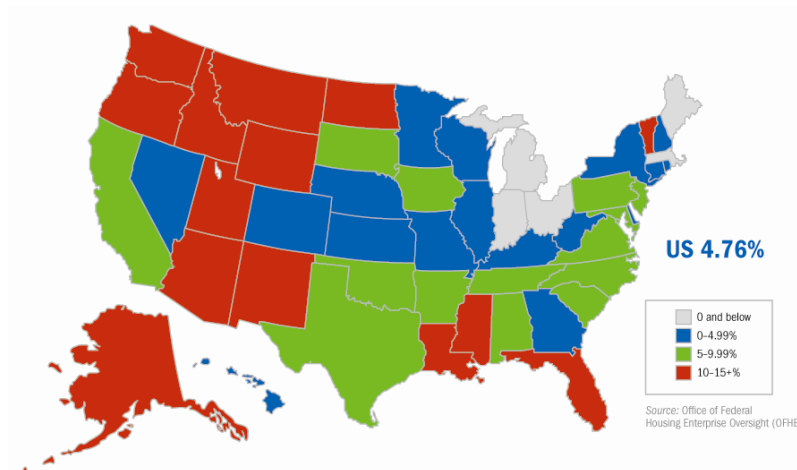
5-Year Average Home Price Growth, Yearly



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

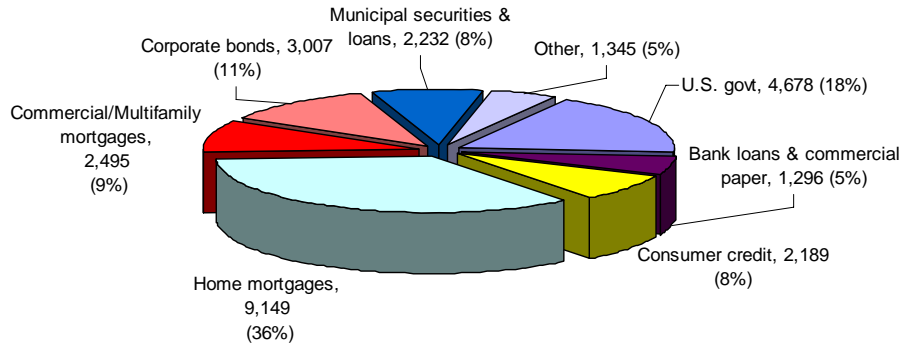


Annualized Quarterly Home Price Growth Rates, Second Quarter 2006



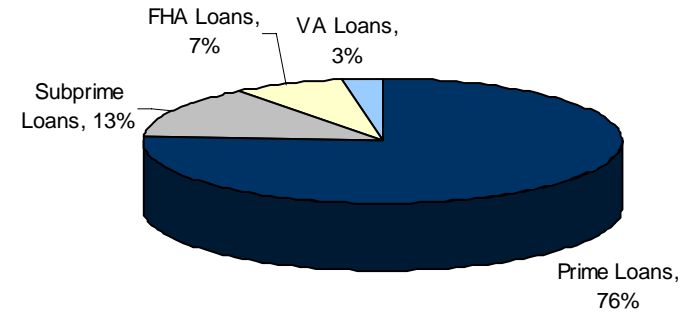


Total Credit Outstanding in the United States as of 2006:Q1
(\$ billion; percent of total)



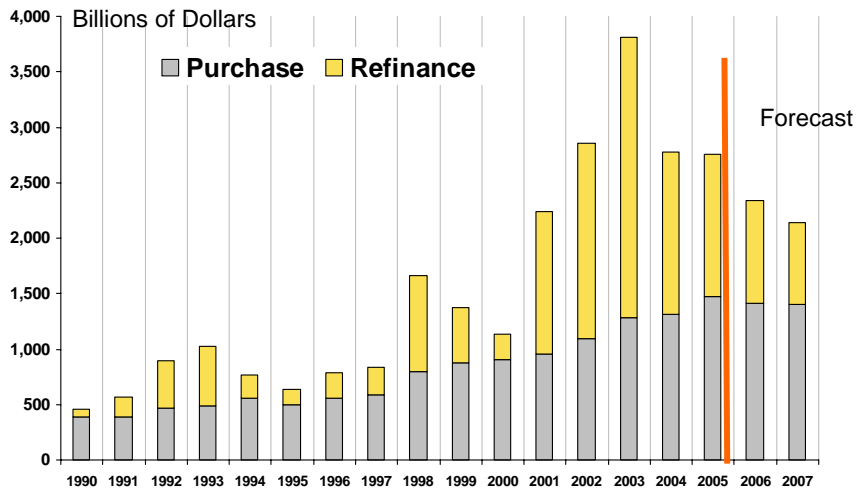
Source: Federal Reserve Board, Z.1 Flow of Funds.

Loans Outstanding By Type (# of loans): Q2, 2006



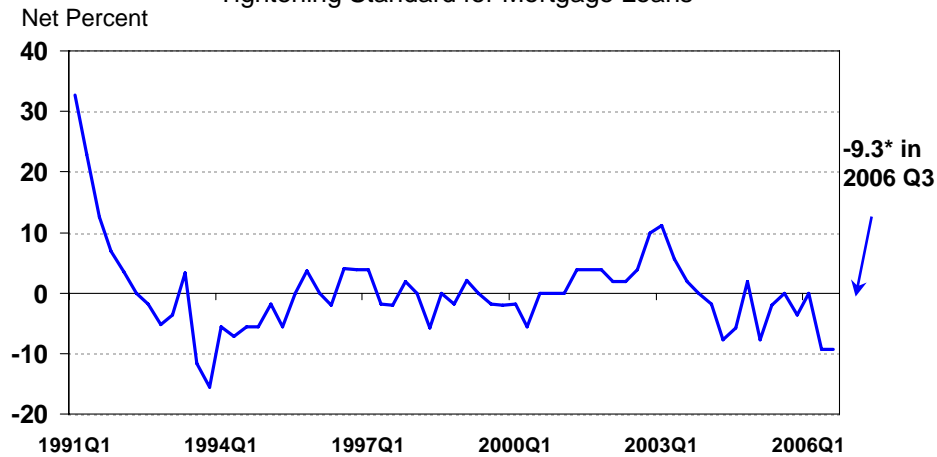
Source: MBA National Delinquency Survey.

Annual Mortgage Production



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

Banks Reported Tightening Standard for Mortgage Loans



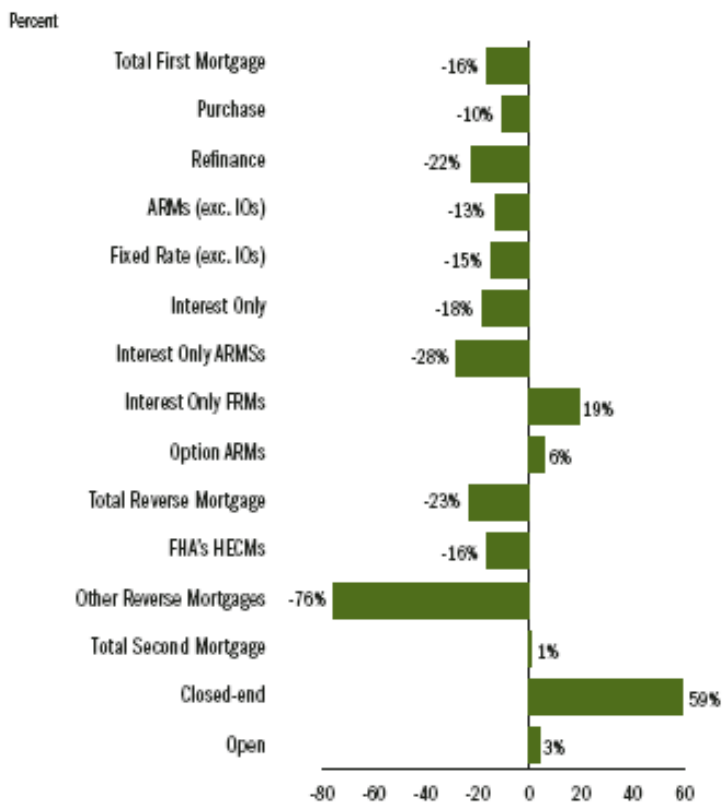
*A net 9.3% of respondents reported looser standard for mortgage loans

Source: The Federal Reserve Board.



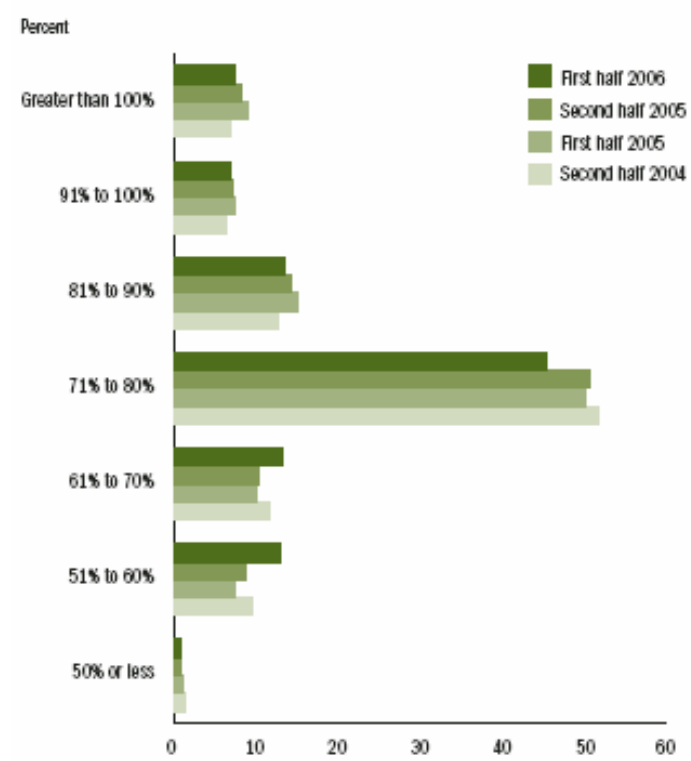
Mortgage Origination Volumes Down; Move Towards Option ARMs, Fixed-Rate IOs and Closed-end Seconds; Average LTV Unchanged, but Distribution has Shifted

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

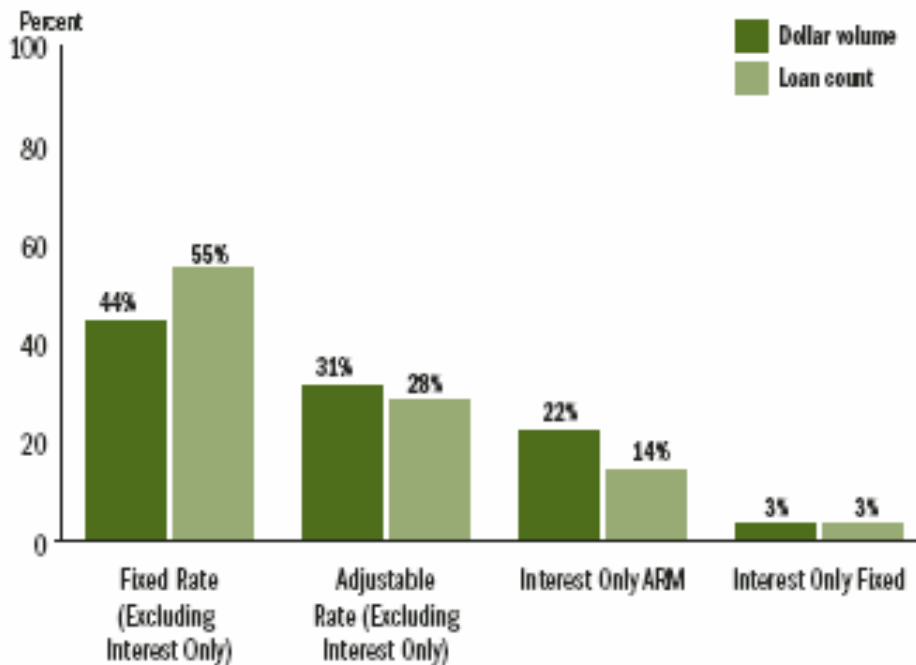


Based on percent share of dollar volume. Distributions based on all survey participants and is not restricted to repeater companies.

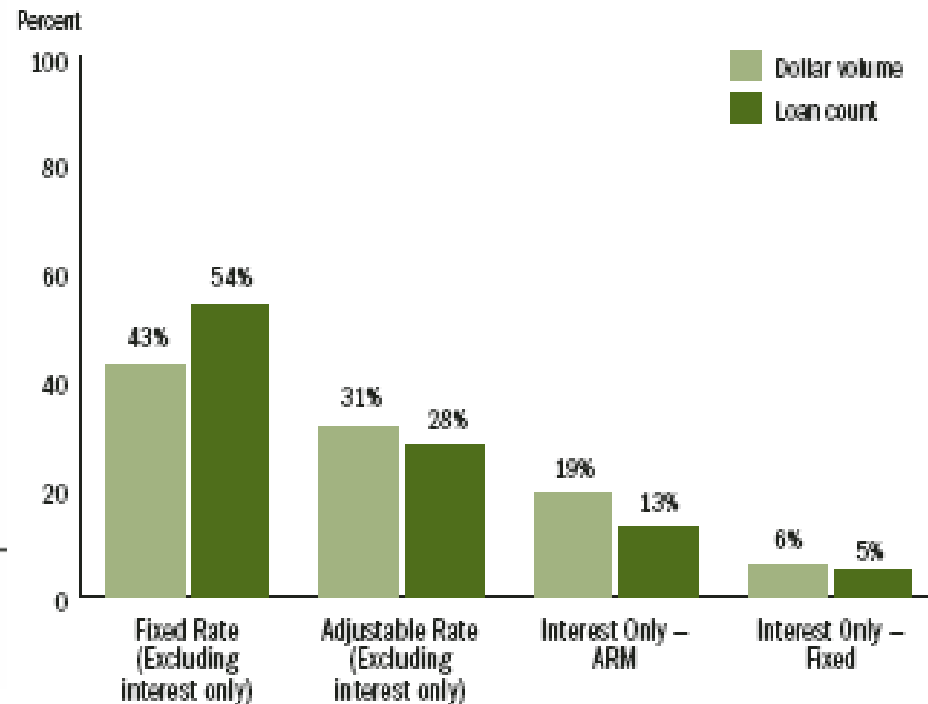


Shift From IO ARM to IO Fixed

Originations by Amortization Type (Second Half of 2005)



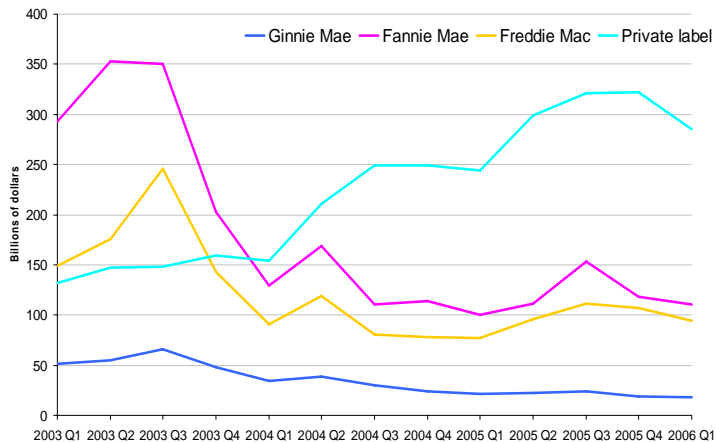
Originations by Amortization Type (First Half of 2006)



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

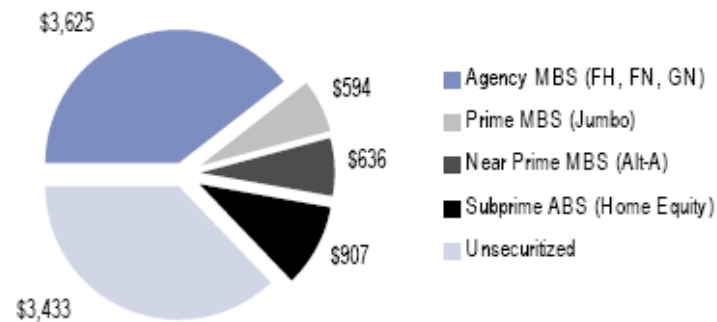


RMBS Issuance Volumes



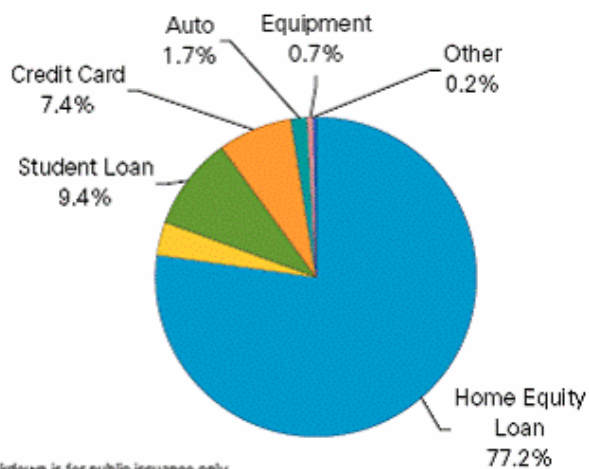
Source: Calculations based on data from Inside MBS & ABS.

RMBS Outstanding as of January 2006



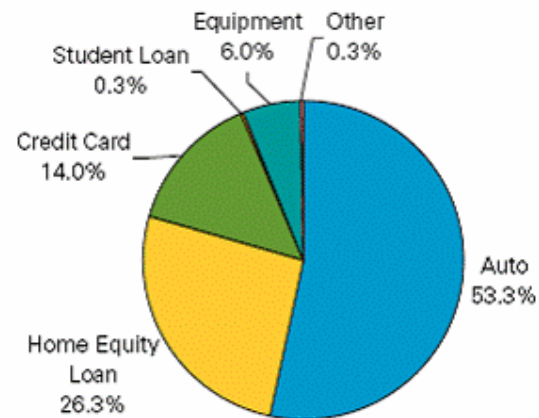
Source: Bear Stearns, LoanPerformance, Freddie Mac, Fannie Mae, Ginnie Mae, Inside Mortgage Finance

U.S. Collateral Type Breakdown (Floating) (YTD)
85.2% of Public ABS Issuance



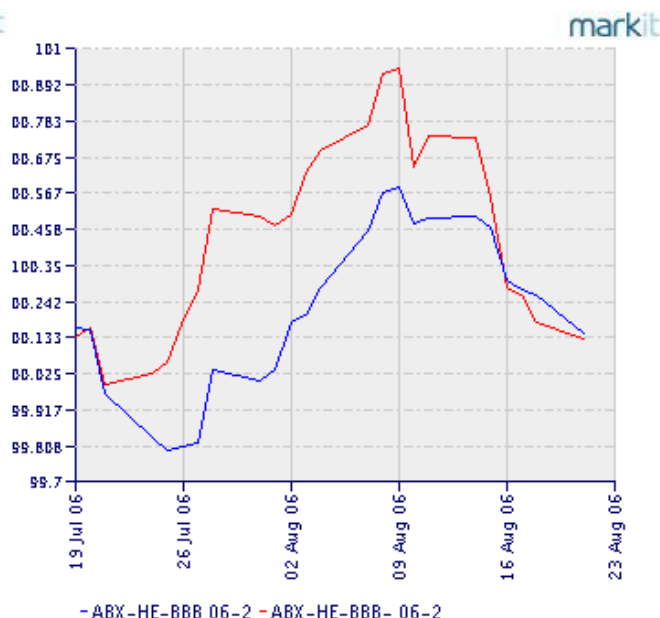
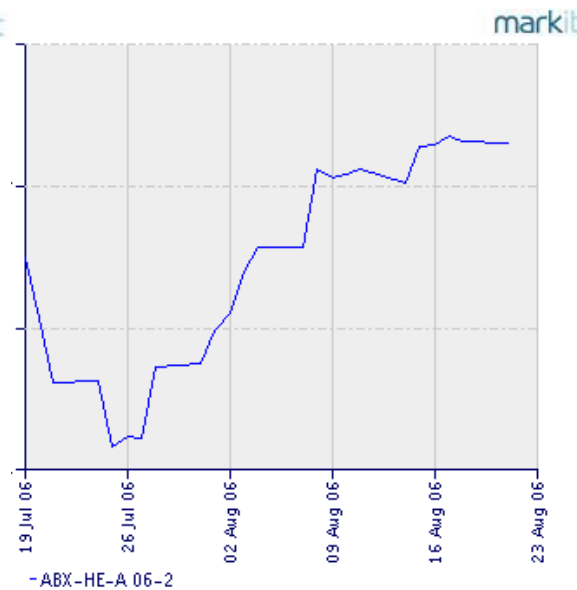
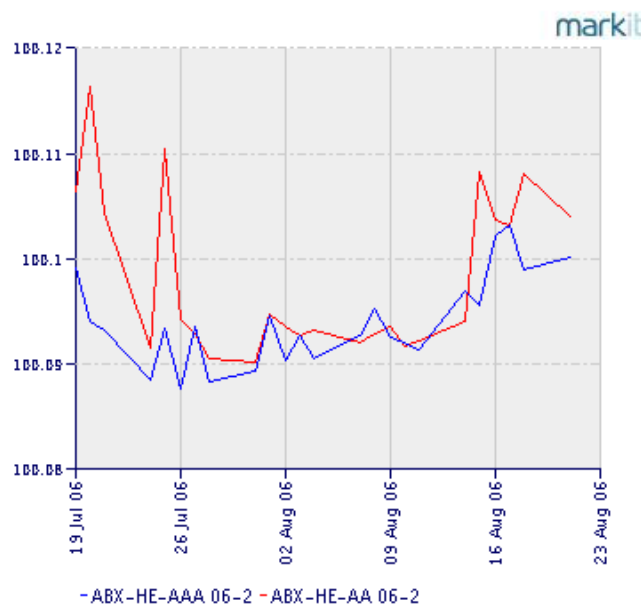
Note: Collateral type breakdown is for public issuance only
Source: Deutsche Bank

U.S. Collateral Type Breakdown (Fixed) (YTD)
14.8% of Public ABS Issuance





Synthetic Securities



Source: Markit Group Limited.



Loan Officer Survey – Performance Expectations

18. Assuming that economic activity progresses in line with consensus forecasts, what is your bank's outlook over the next twelve months for delinquencies and chargeoffs on subprime residential mortgages and non-traditional residential mortgage products currently on your bank's books?

a. Outlook for loan quality on subprime residential mortgages currently on your bank's books over the next twelve months is:

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Likely to improve substantially	0	0.0	0	0.0	0	0.0
Likely to improve somewhat	0	0.0	0	0.0	0	0.0
Likely to stabilize around current levels	19	65.5	11	57.9	8	80.0
Likely to deteriorate somewhat	10	34.5	8	42.1	2	20.0
Likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	29	100.0	19	100.0	10	100.0

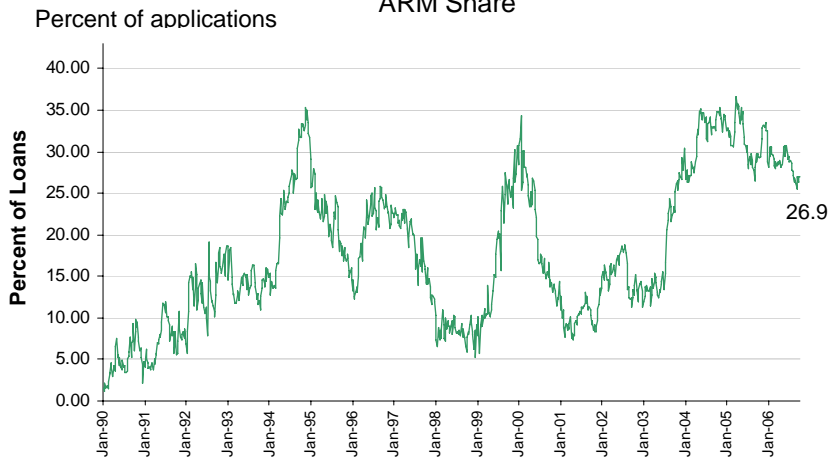
b. Outlook for loan quality on non-traditional residential mortgage products currently on your bank's books over the next twelve months is:

	All Respondents		Large Banks		Other Banks	
	Banks	Percent	Banks	Percent	Banks	Percent
Likely to improve substantially	0	0.0	0	0.0	0	0.0
Likely to improve somewhat	2	4.4	2	6.7	0	0.0
Likely to stabilize around current levels	28	62.2	16	53.3	12	80.0
Likely to deteriorate somewhat	15	33.3	12	40.0	3	20.0
Likely to deteriorate substantially	0	0.0	0	0.0	0	0.0
Total	45	100.0	30	100.0	15	100.0

Source: Federal Reserve Senior Loan Officer Opinion Survey, July 2006.

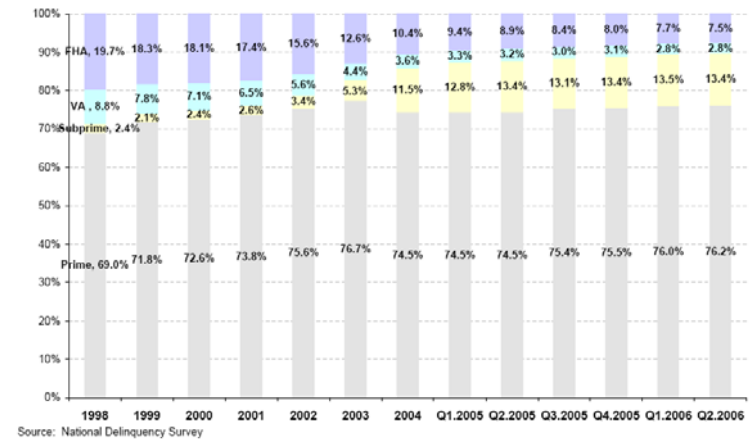


ARM Share

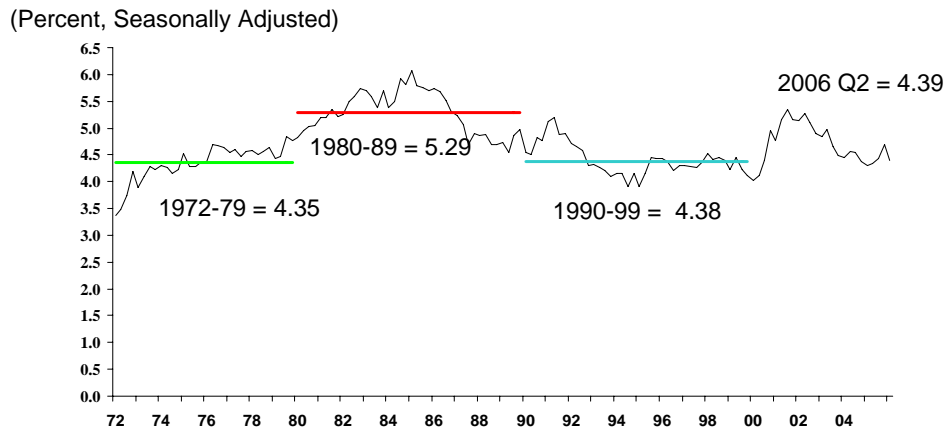


Source: MBA Weekly Application Survey.

Share of Outstanding Loans by Loan Type: 1998-Present (Q2,2006)



Mortgage Delinquency Rate



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

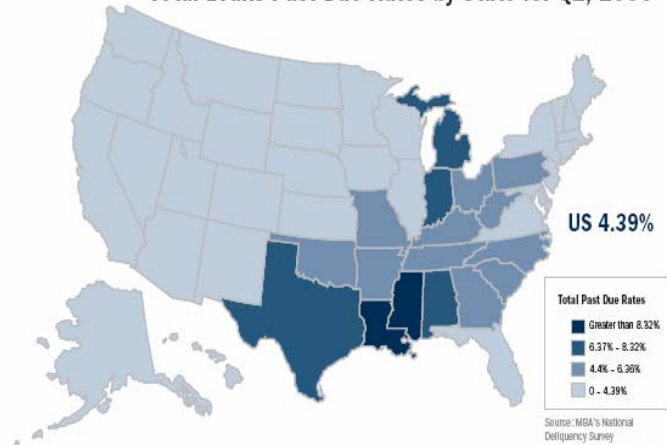
Homeowning Household Distribution by Mortgage Type

Household Mortgage Type	Percent	Percent with a Mortgage
None	34.6	—
FRM	50.2	76.8
ARM	15.2	23.2
Jumbo	3.8	5.6
Conforming	10.6	17.6
Total	100.0	100.0

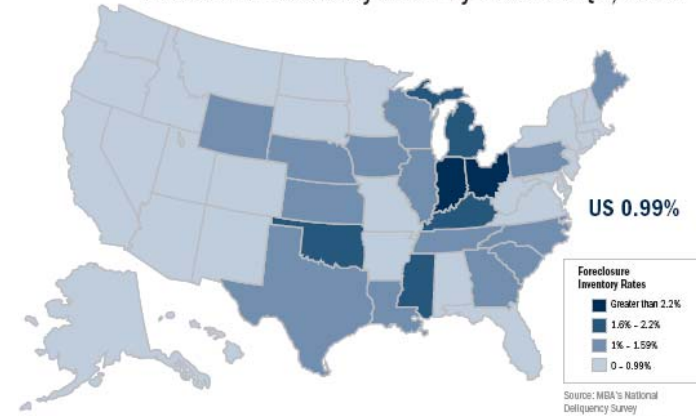
Source: Census Bureau's American Housing Survey, MBA.



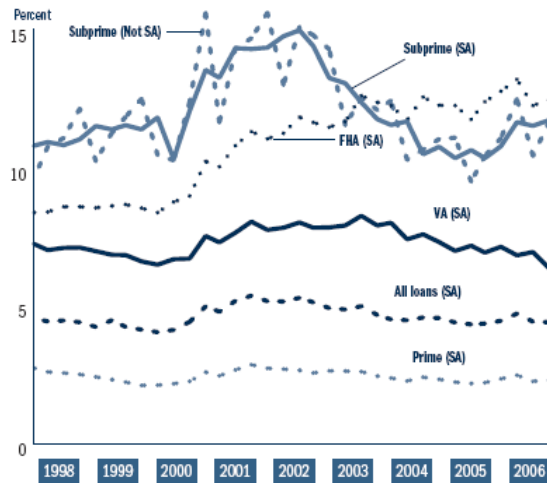
Total Loans Past Due Rates by State for Q2, 2006



Foreclosure Inventory Rates by State for Q2, 2006

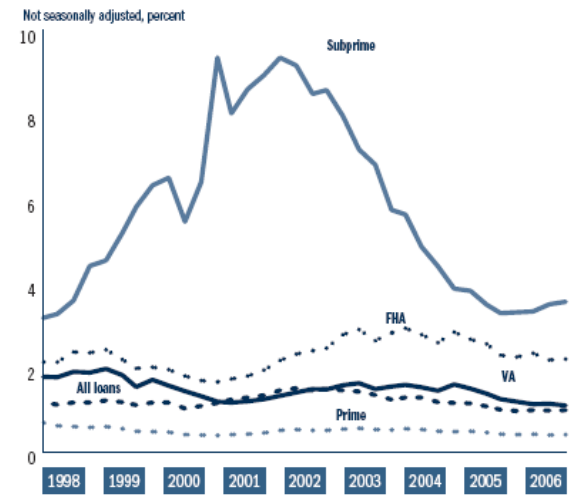


Total Loans Past Due by Loan Type, Quarterly



MBA's National Delinquency Survey (Q2, 2006).

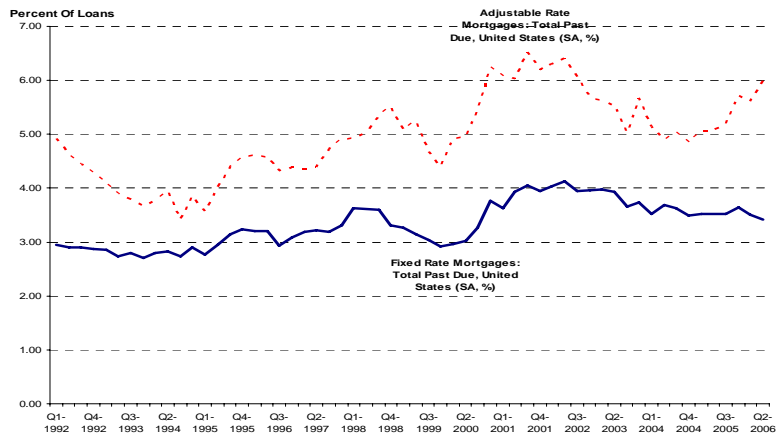
Foreclosure Inventory by Type, Quarterly



MBA's National Delinquency Survey (Q2, 2006).

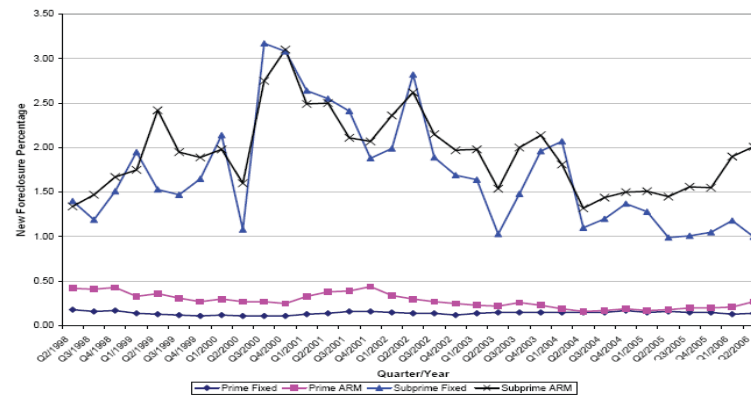


Fixed Rate Mortgage vs. Adjustable Rate Mortgage Total Delinquencies



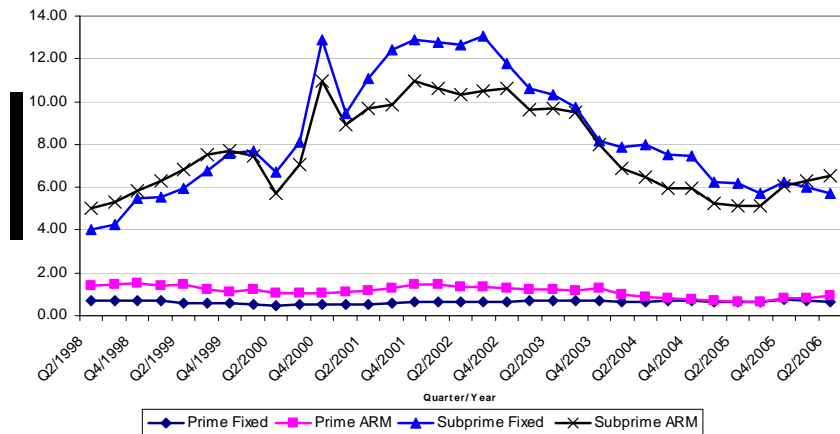
Source: MBA National Delinquency Survey (Q2, 2006).

Fixed Rate Mortgage vs. Adjustable Rate Mortgage New Foreclosures



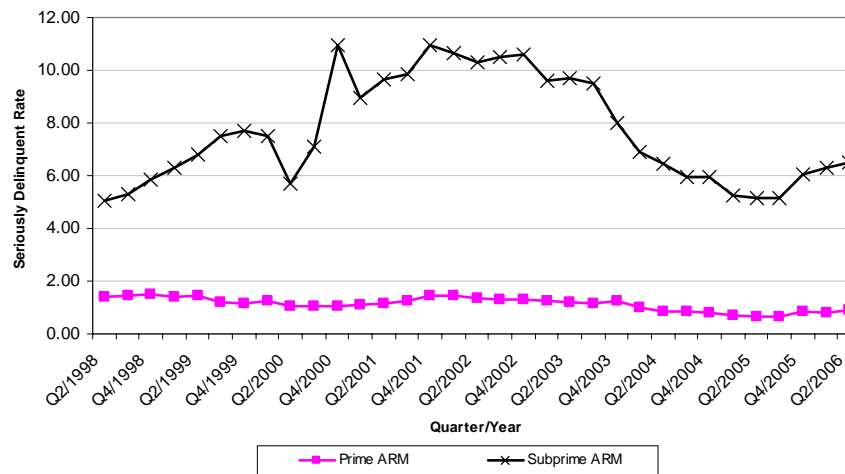
Source: MBA National Delinquency Survey (Q2, 2006).

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 & MBA resources

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MBA homepage: www.mortgagebankers.org

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>
