

Fourth General Session: MBA Economic Outlook

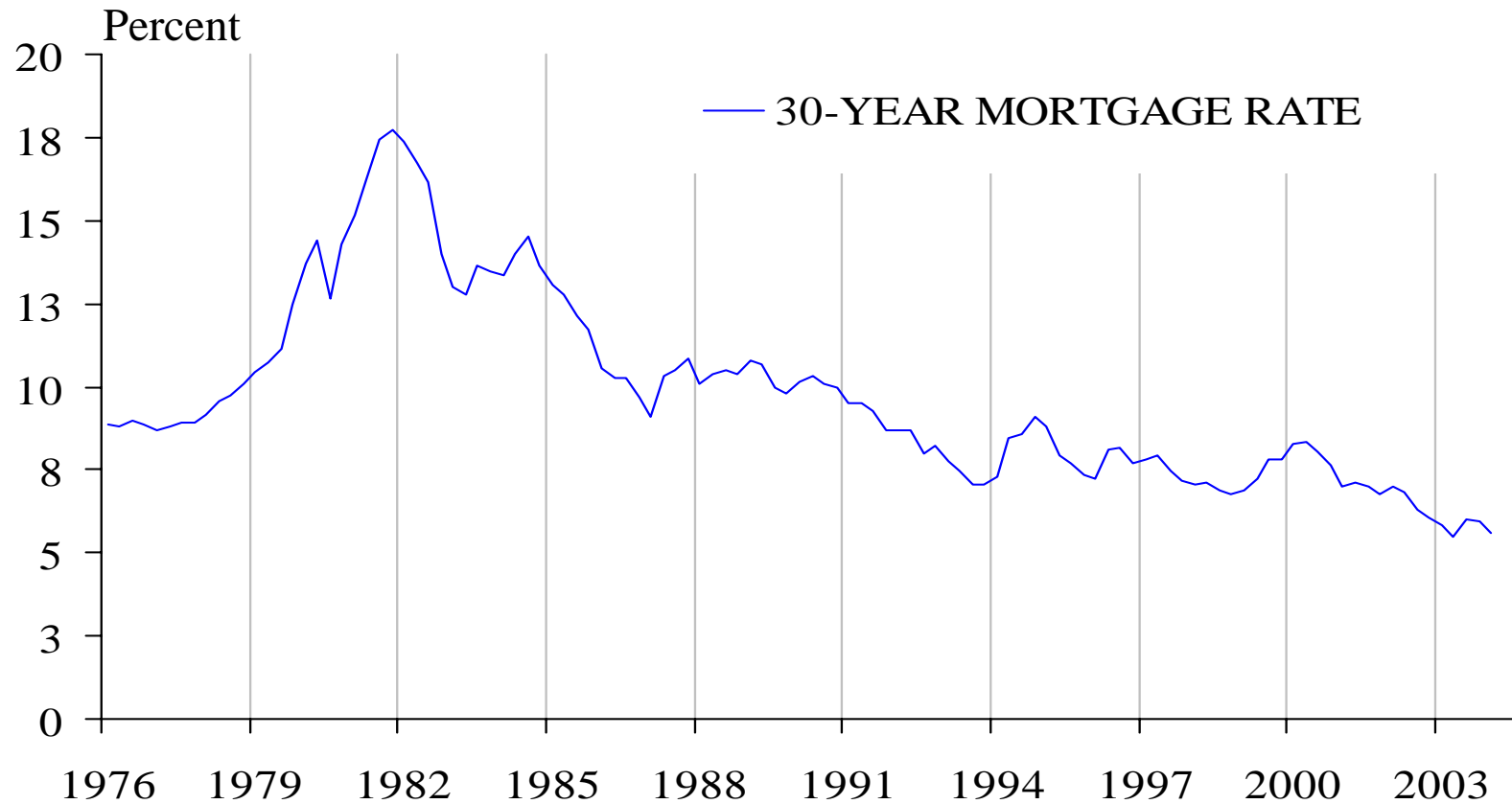
Doug Duncan
Senior Vice President & Chief Economist

National Secondary Market Conference
Washington, DC
April 21, 2004



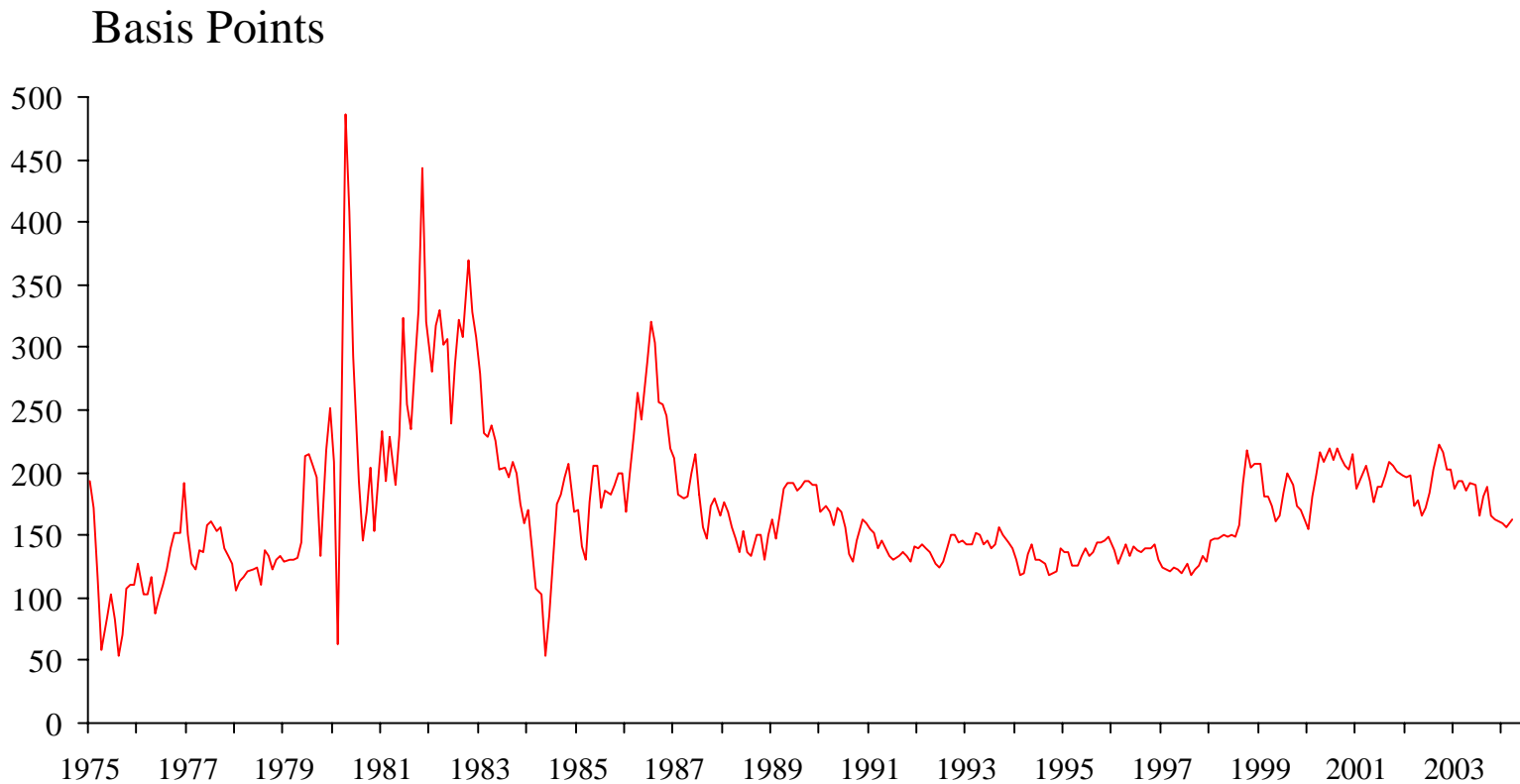
Rates and Spreads

Mortgage Interest Rate



Source: Freddie Mac

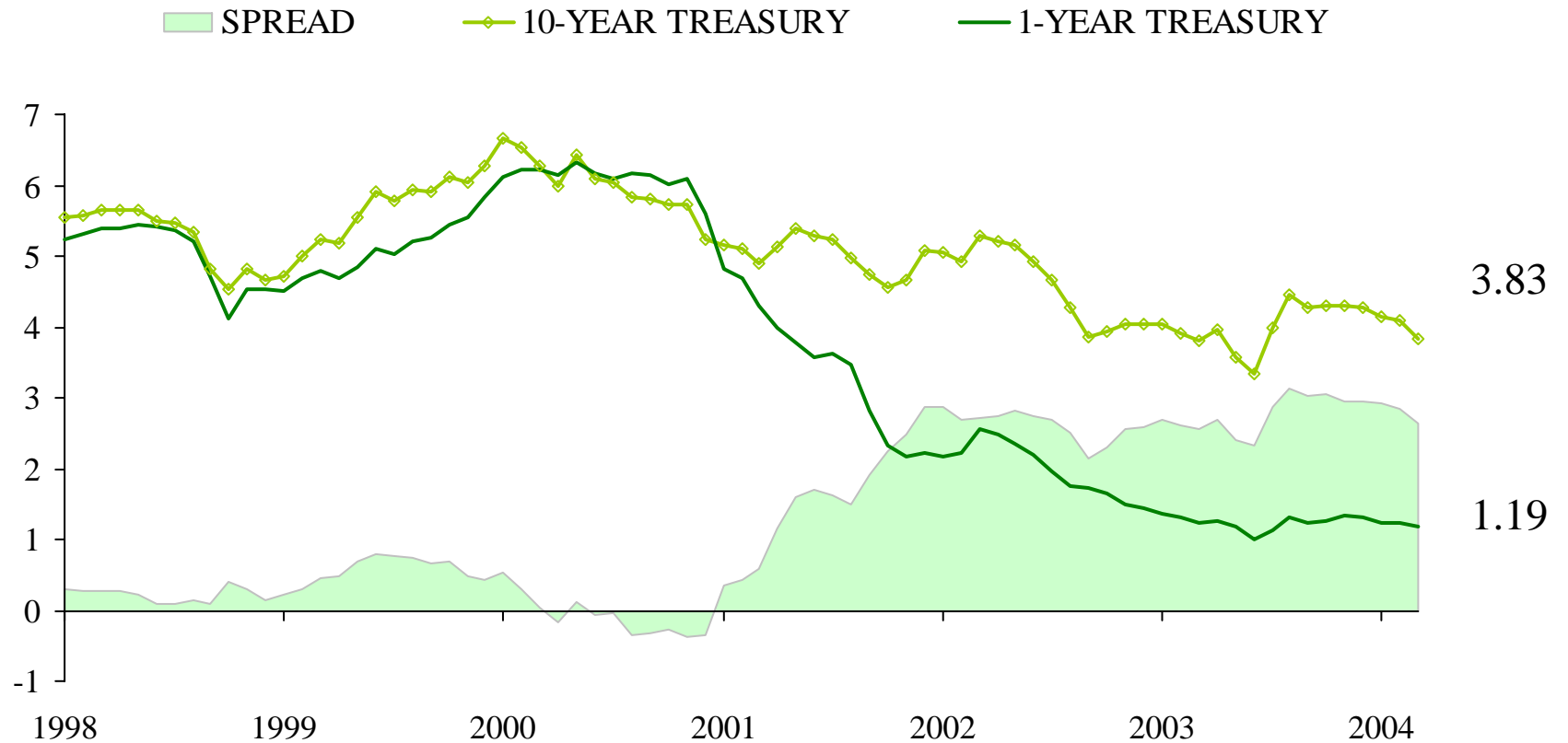
Mortgage to Treasury Spread



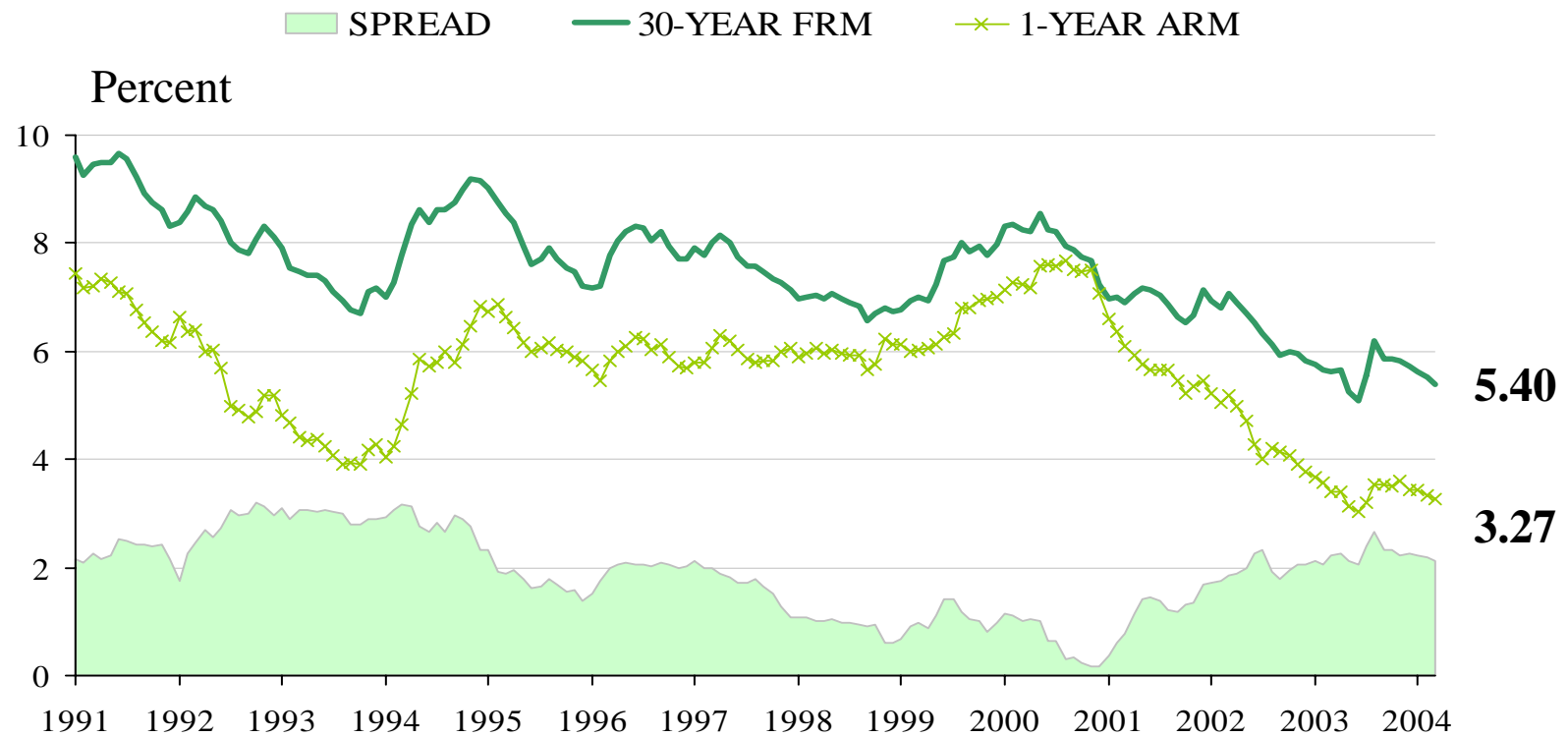
Source: Federal Reserve Board and Freddie Mac



Treasury Yields



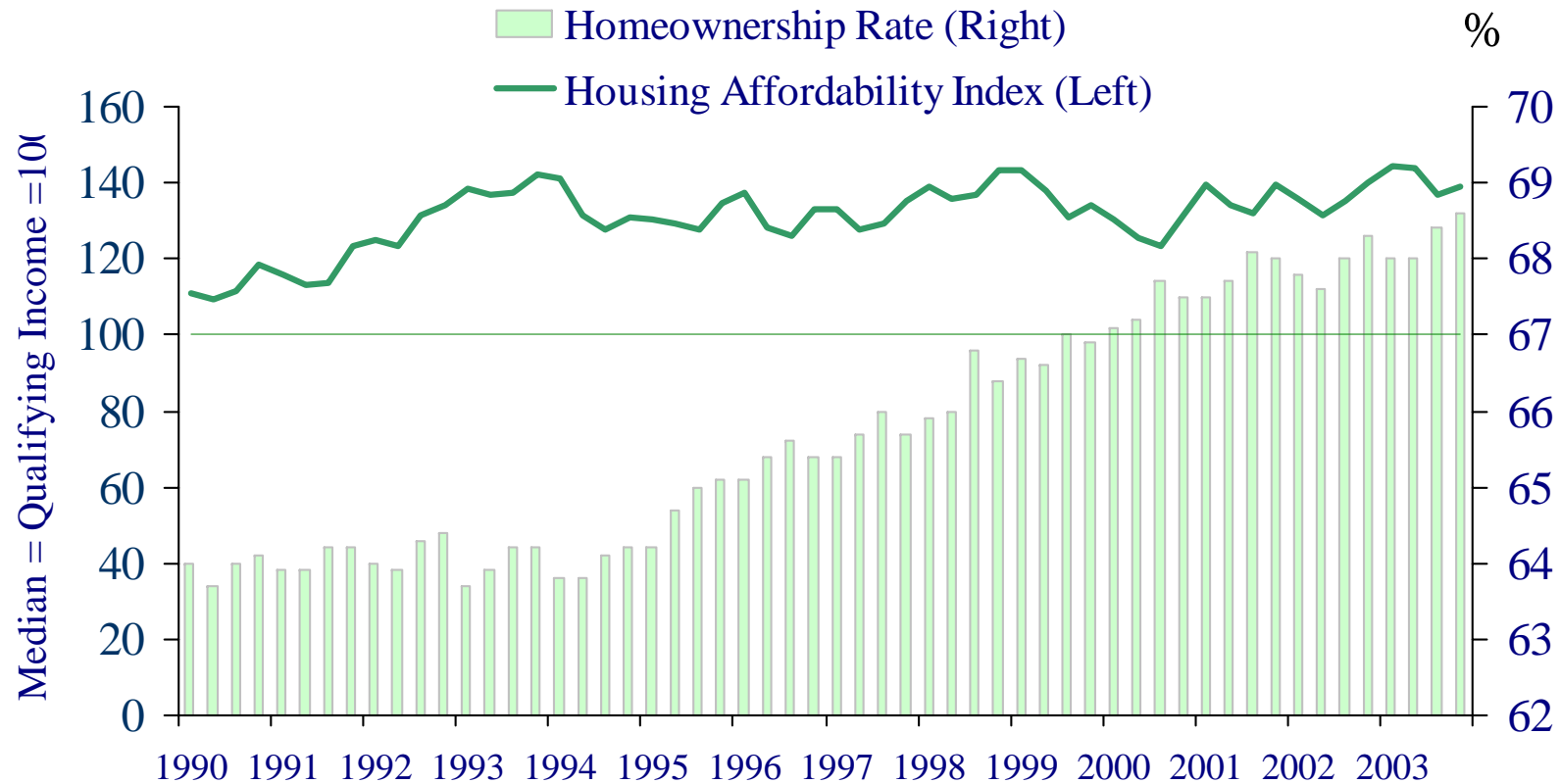
Mortgage Interest Rates



Source: MBA Weekly Mortgage Applications Survey



Affordability and Homeownership Rate



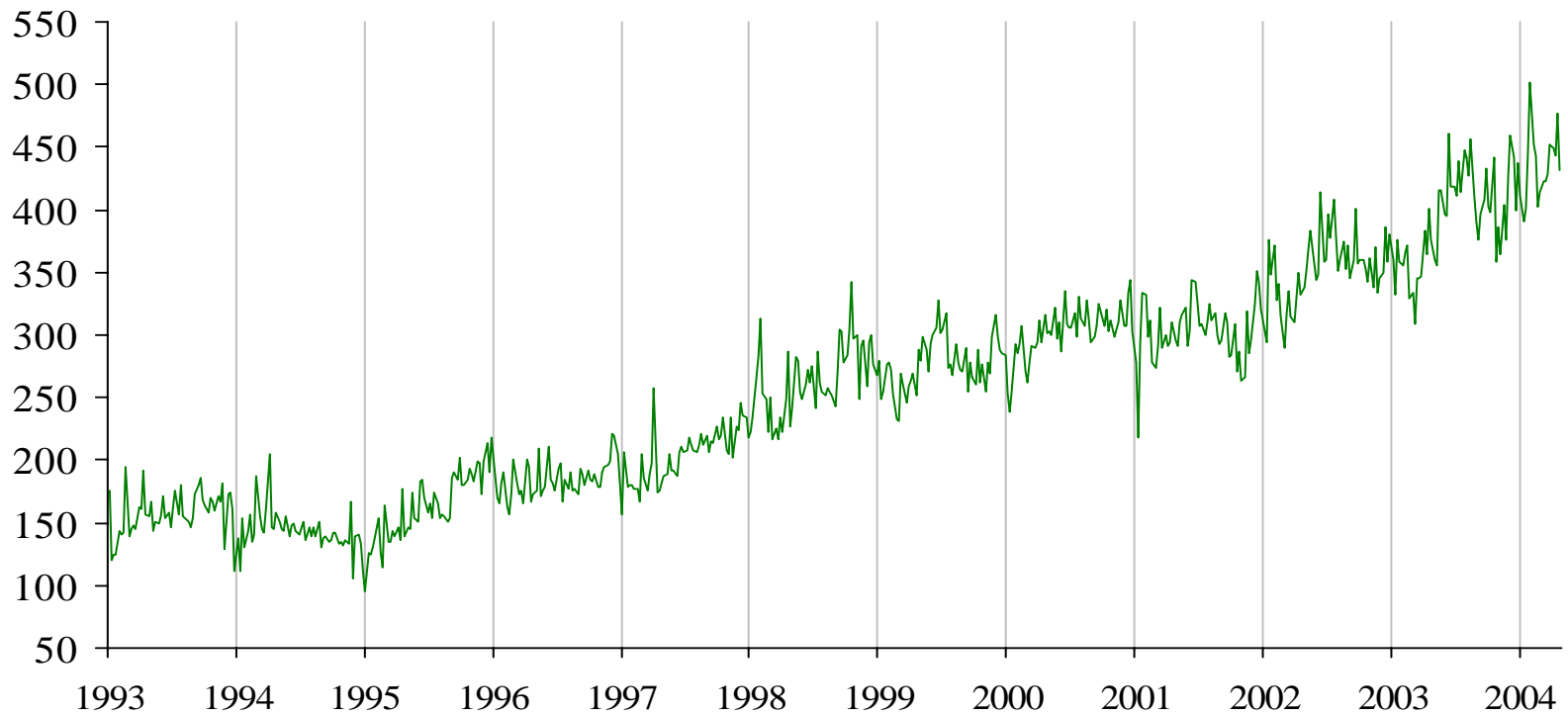
Source: NAR and Census Bureau



The Purchase of Homes: Supply, Demand, and Price

Purchase Mortgage Index

March 1990=100, Seasonally Adjusted

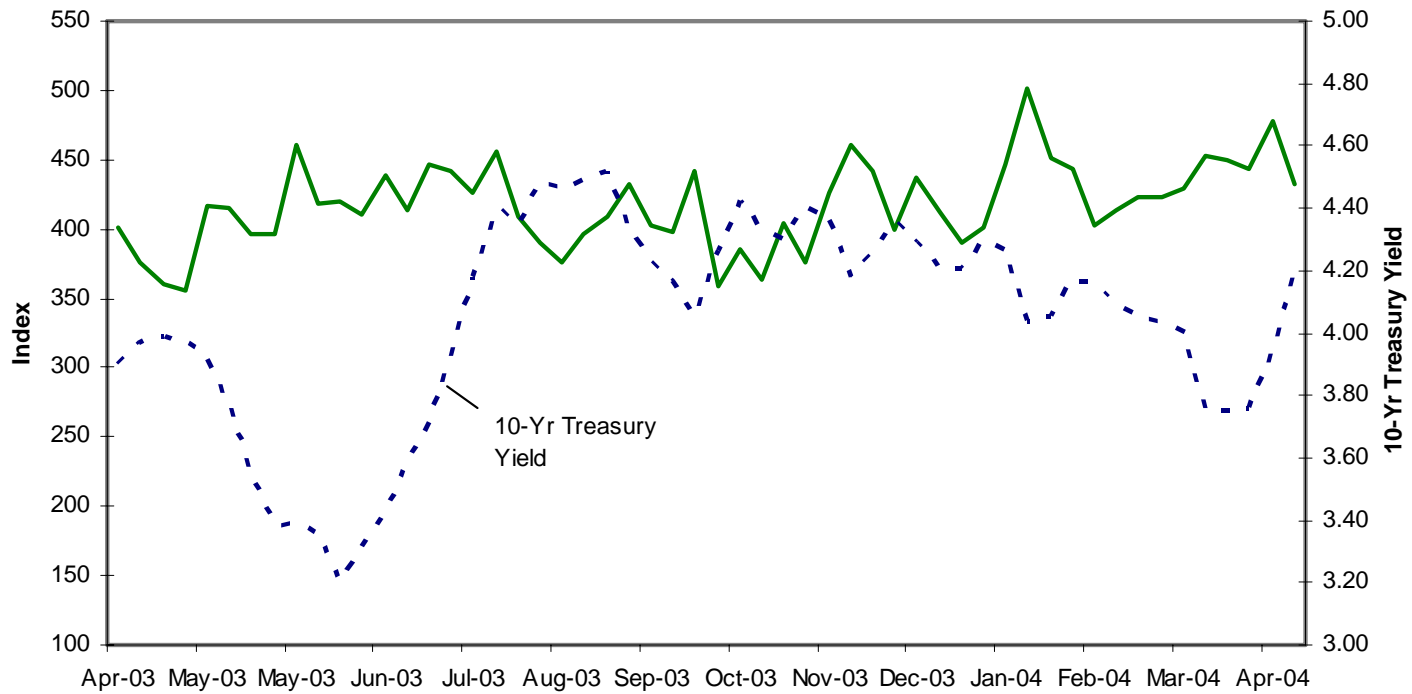


Source: MBA Weekly Mortgage Applications Survey



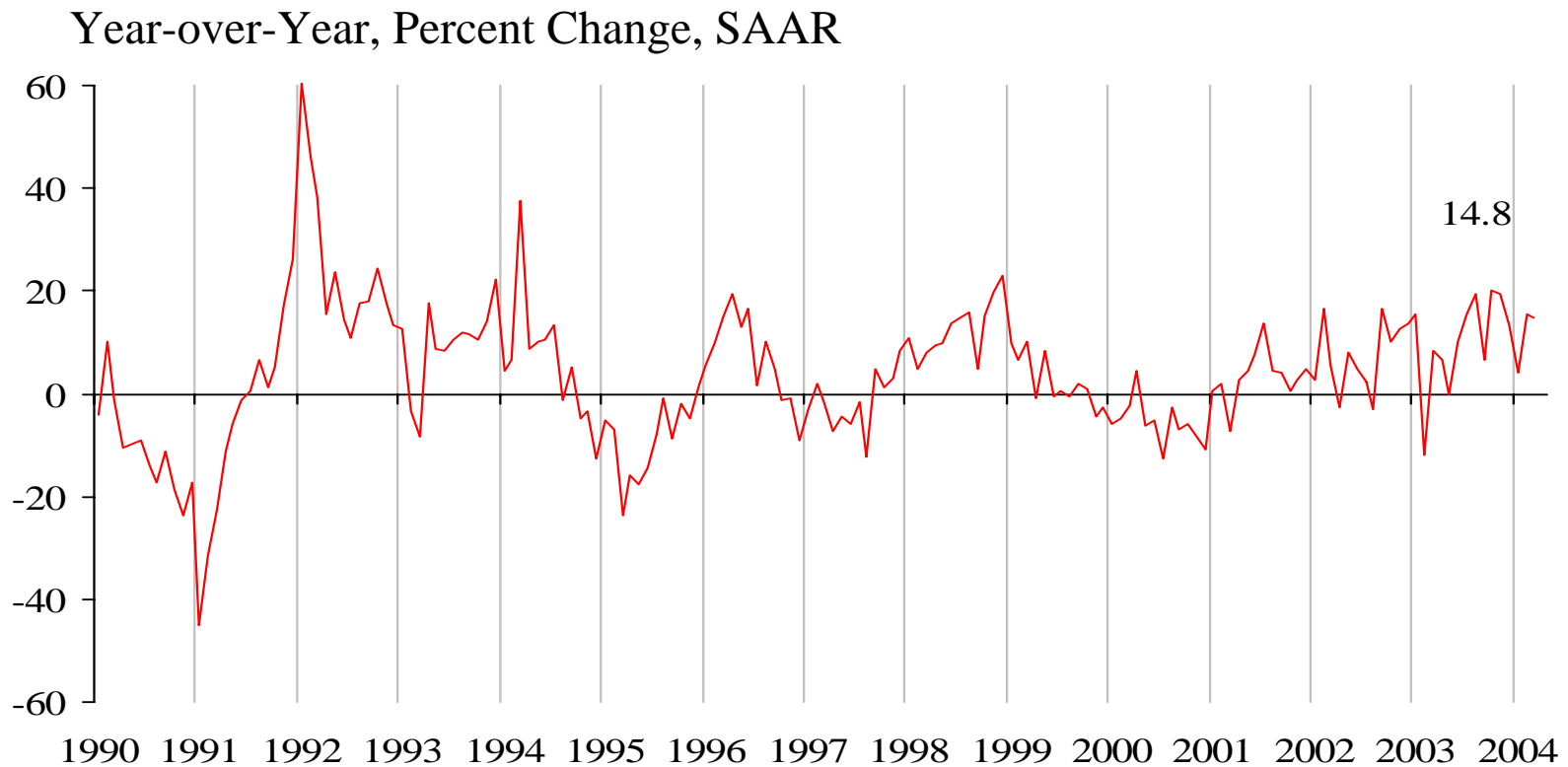
Weekly Applications Survey Purchase Index (SA): 1 Year Snapshot

April 2003 to present



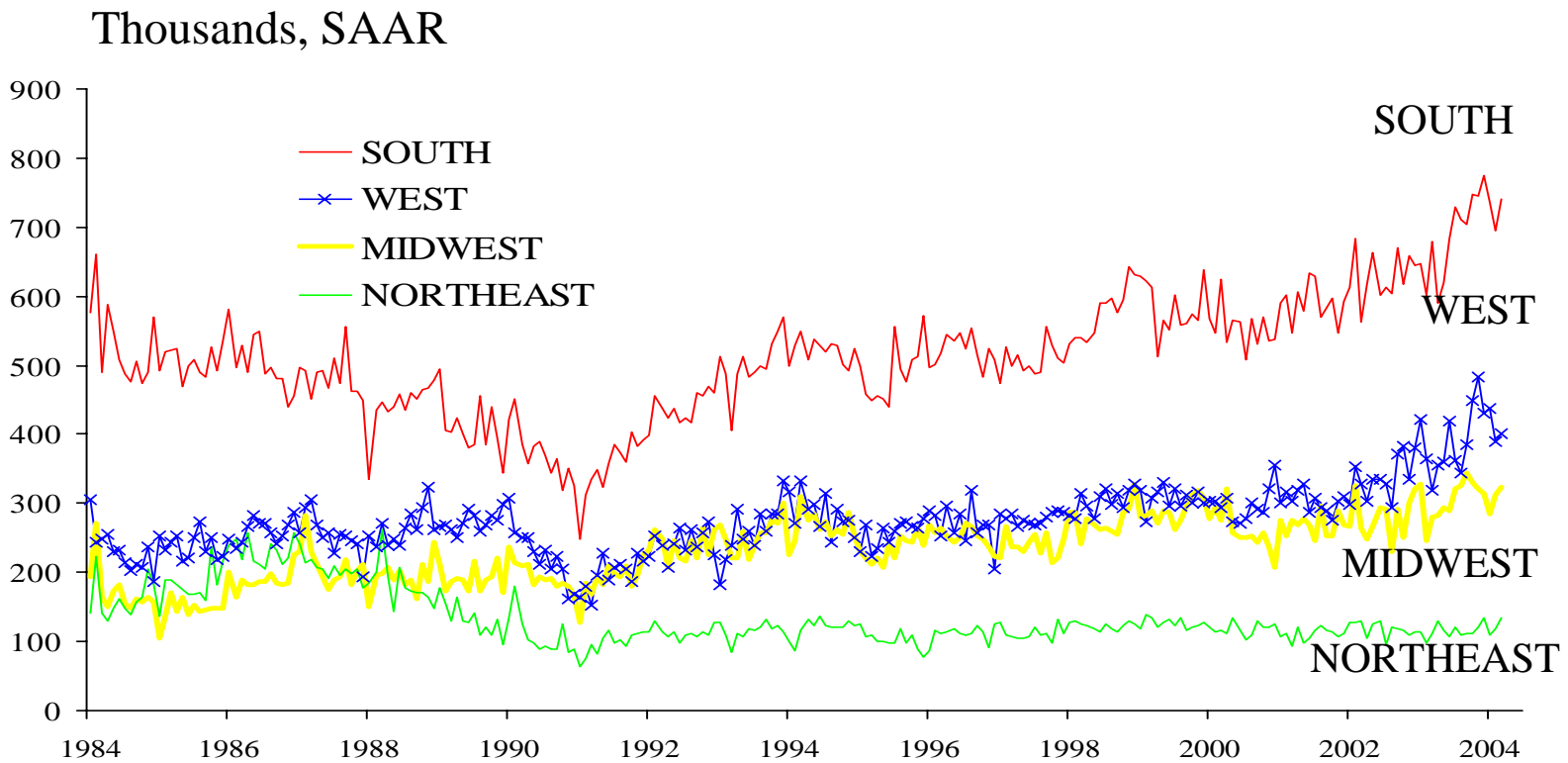
Source: Mortgage Bankers Association

Single-Family Housing Starts



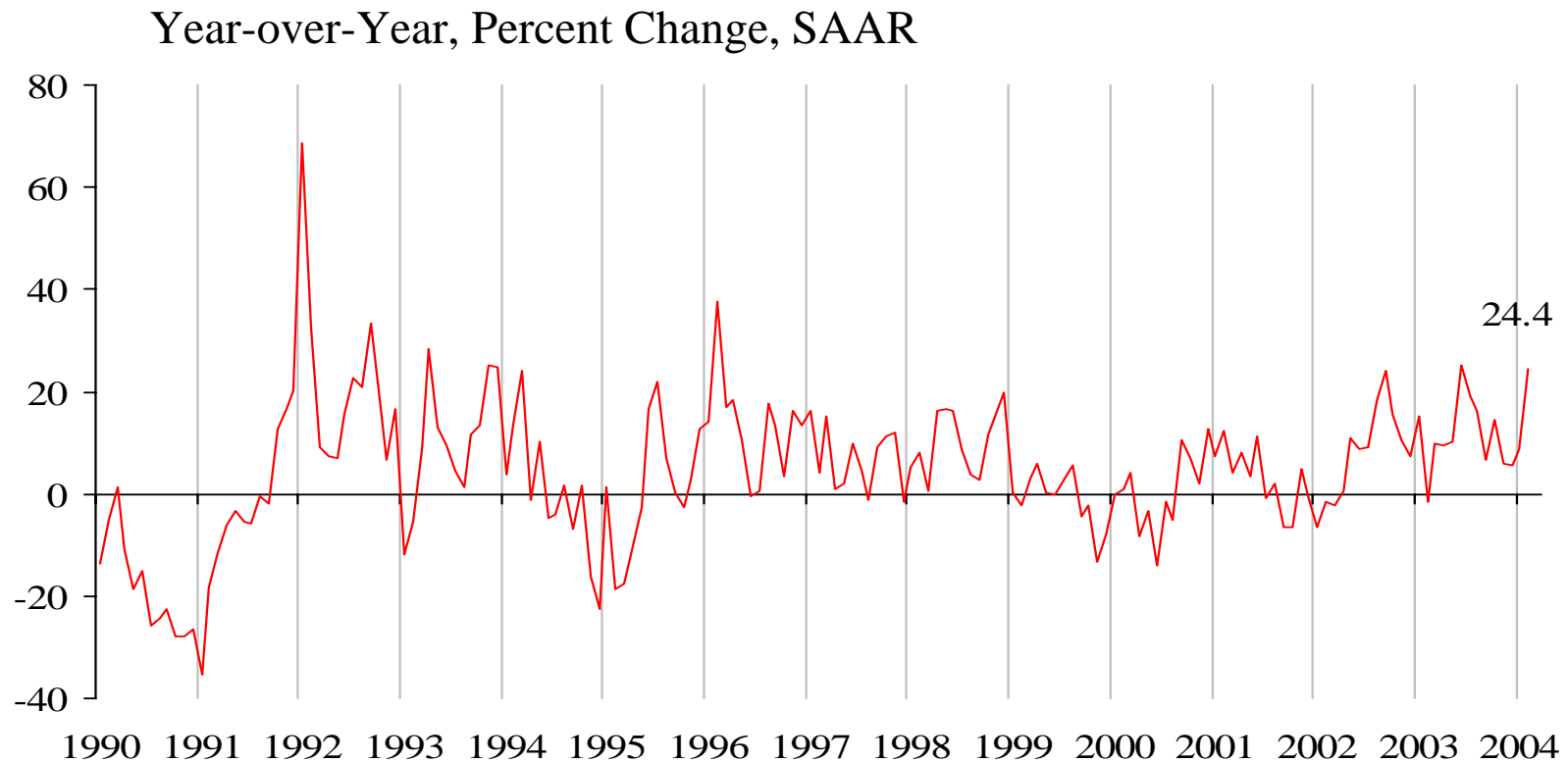
Source: Census Bureau

1-Unit Housing Starts by Region



Source: Census Bureau

New One-Family Homes Sold



Source: Census Bureau

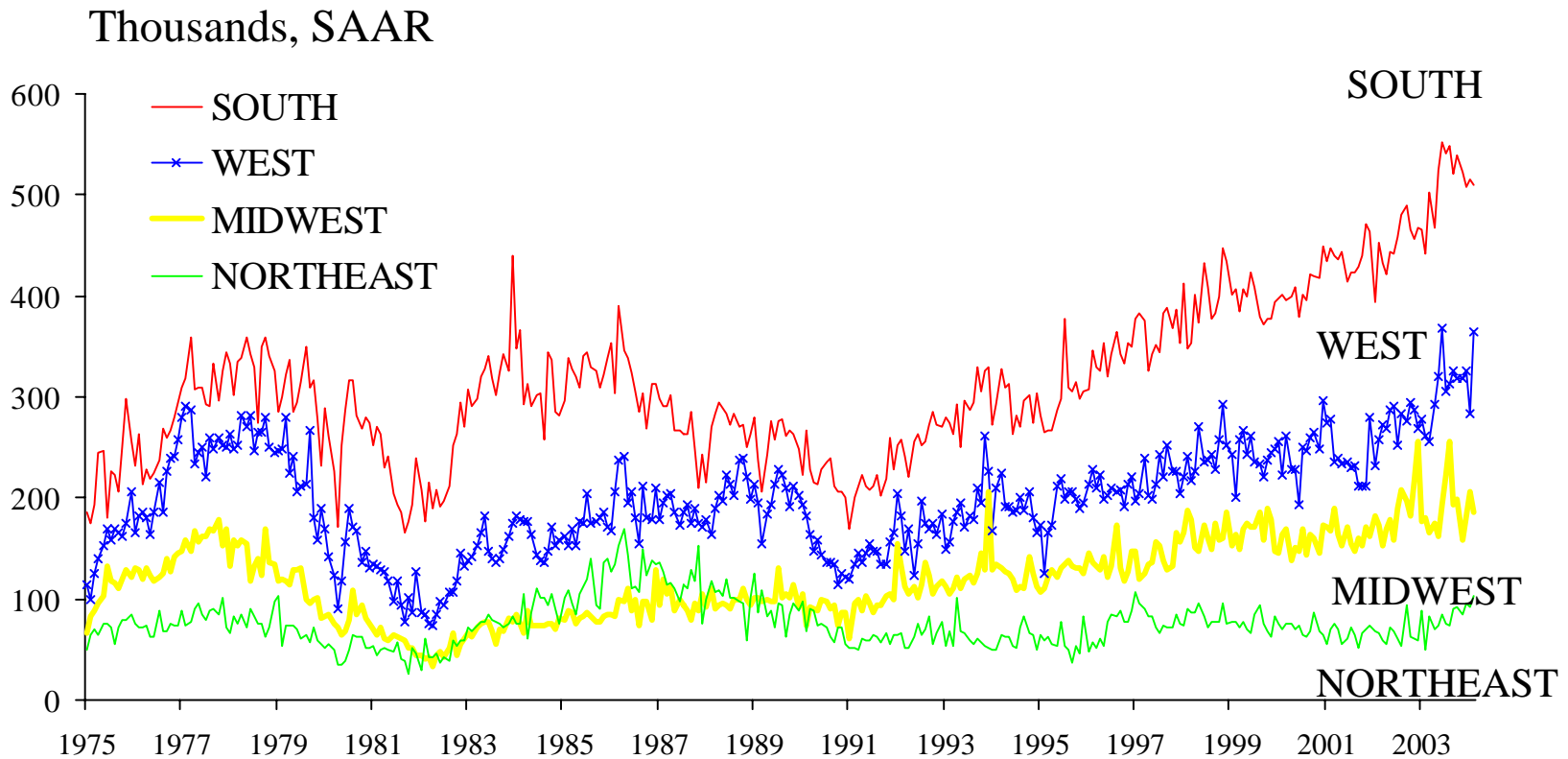
New One-Family Homes Sold

Year to date, Thousands of Units

	<i>Through February 2003</i>	<i>Through February 2004</i>	<i>Growth rate (Percent)</i>
U.S.	158	186	17.7
Northeast	10	15	50.0
Midwest	27	30	11.1
South	76	87	14.5
West	45	54	20.0

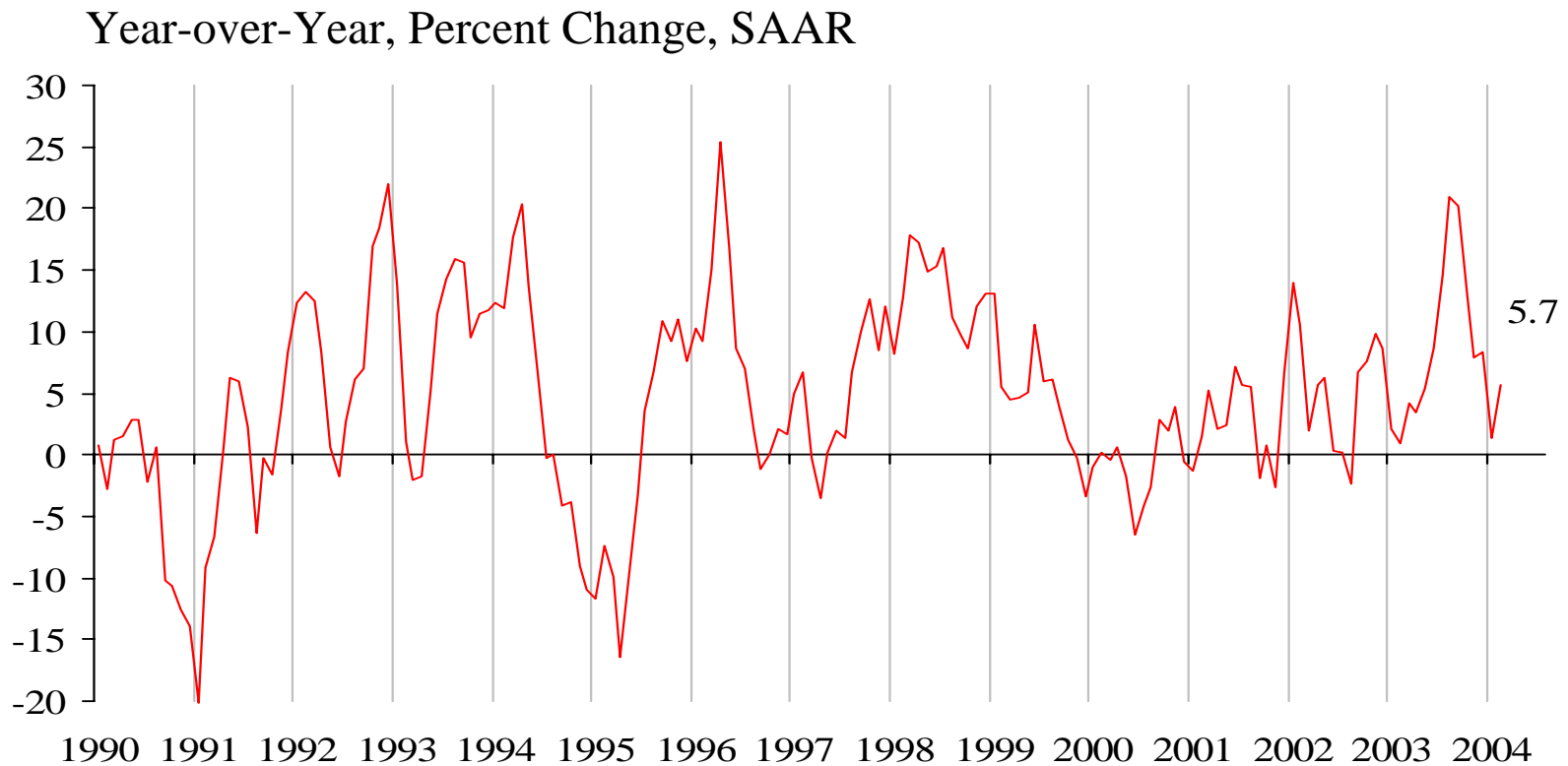
Source: Census Bureau

New Homes Sold by Region



Source: Census Bureau

Existing One-Family Homes Sold



Source: National Association of Realtors

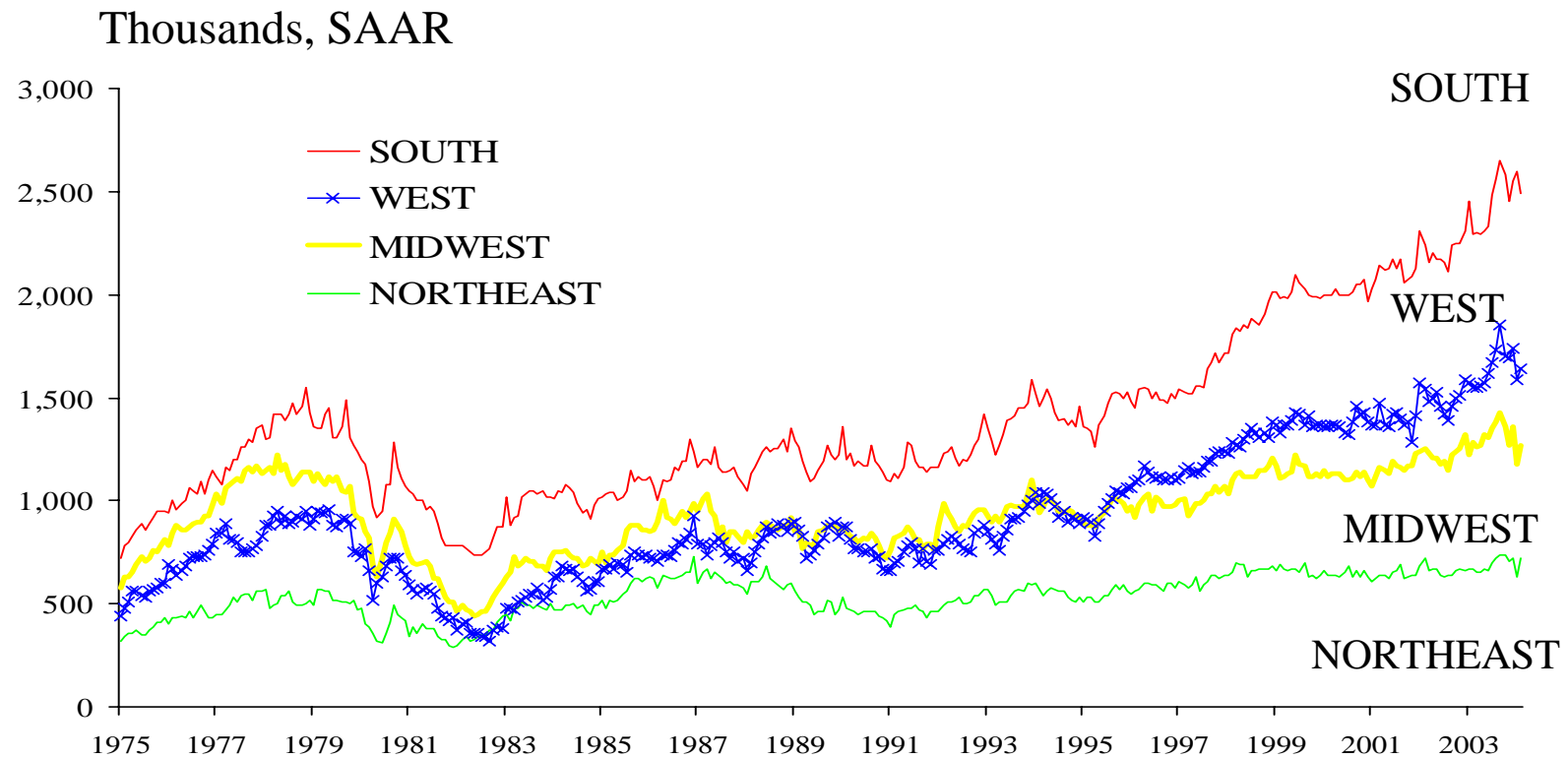
Existing One-Family Homes Sold

Year to date, Thousands of Units

	<i>Through February 2003</i>	<i>Through February 2004</i>	<i>Growth rate (Percent)</i>
U.S.	692	718	3.8
Northeast	85	85	0
Midwest	145	142	-2.1
South	274	295	7.7
West	188	196	4.3

Source: National Association of Realtors

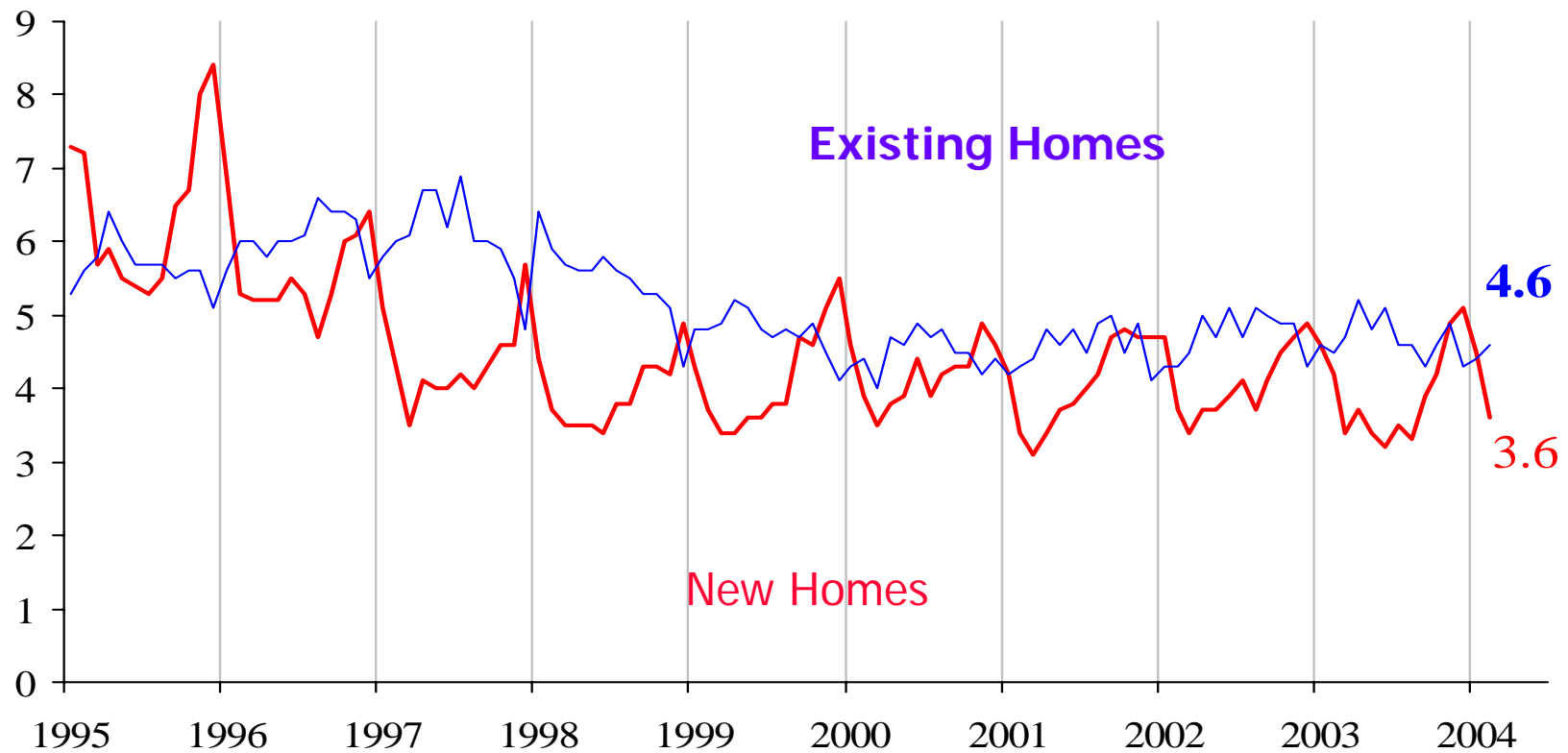
Existing Homes Sold by Region



Source: National Association of Realtors

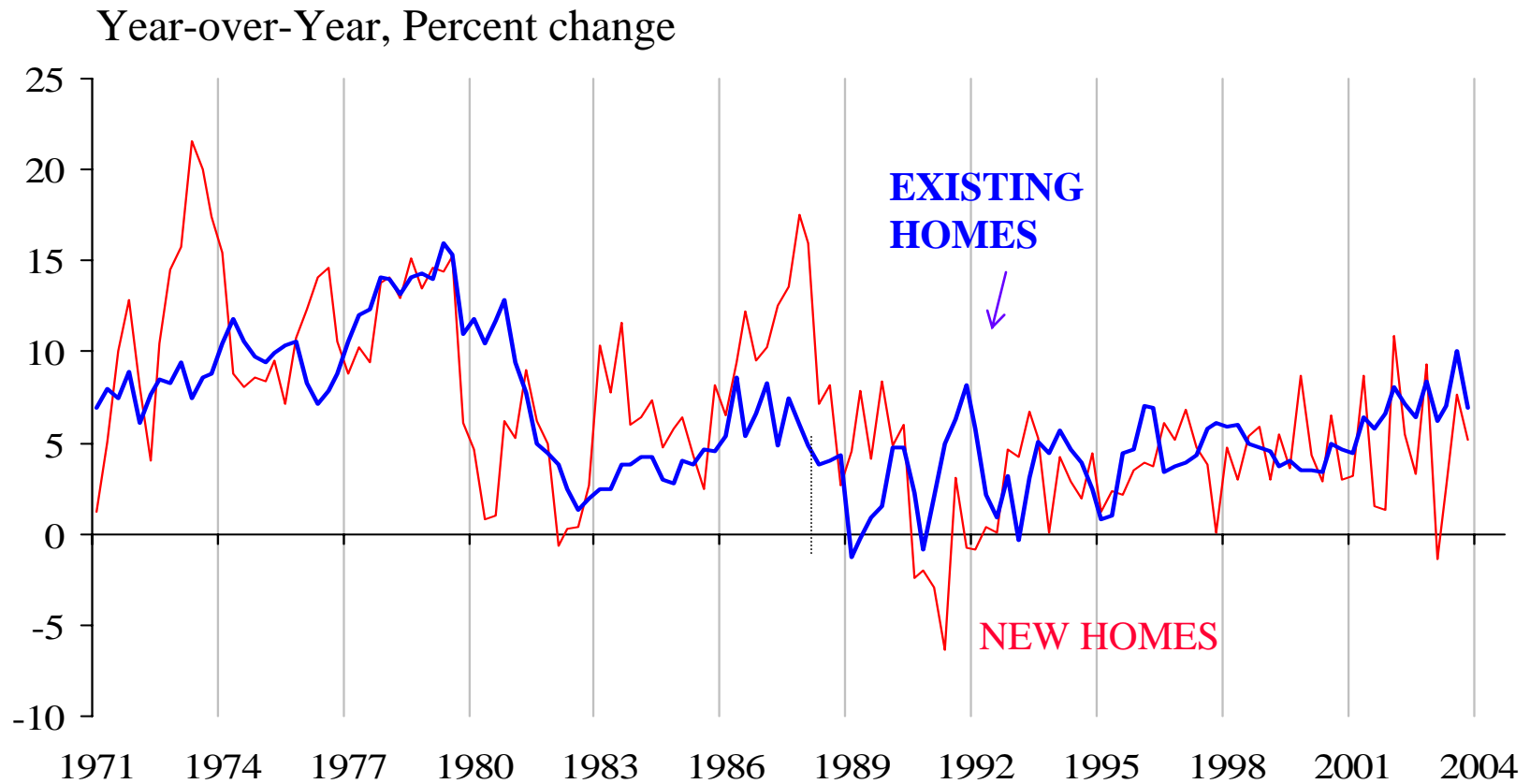


Months' Supply of One-Unit Homes



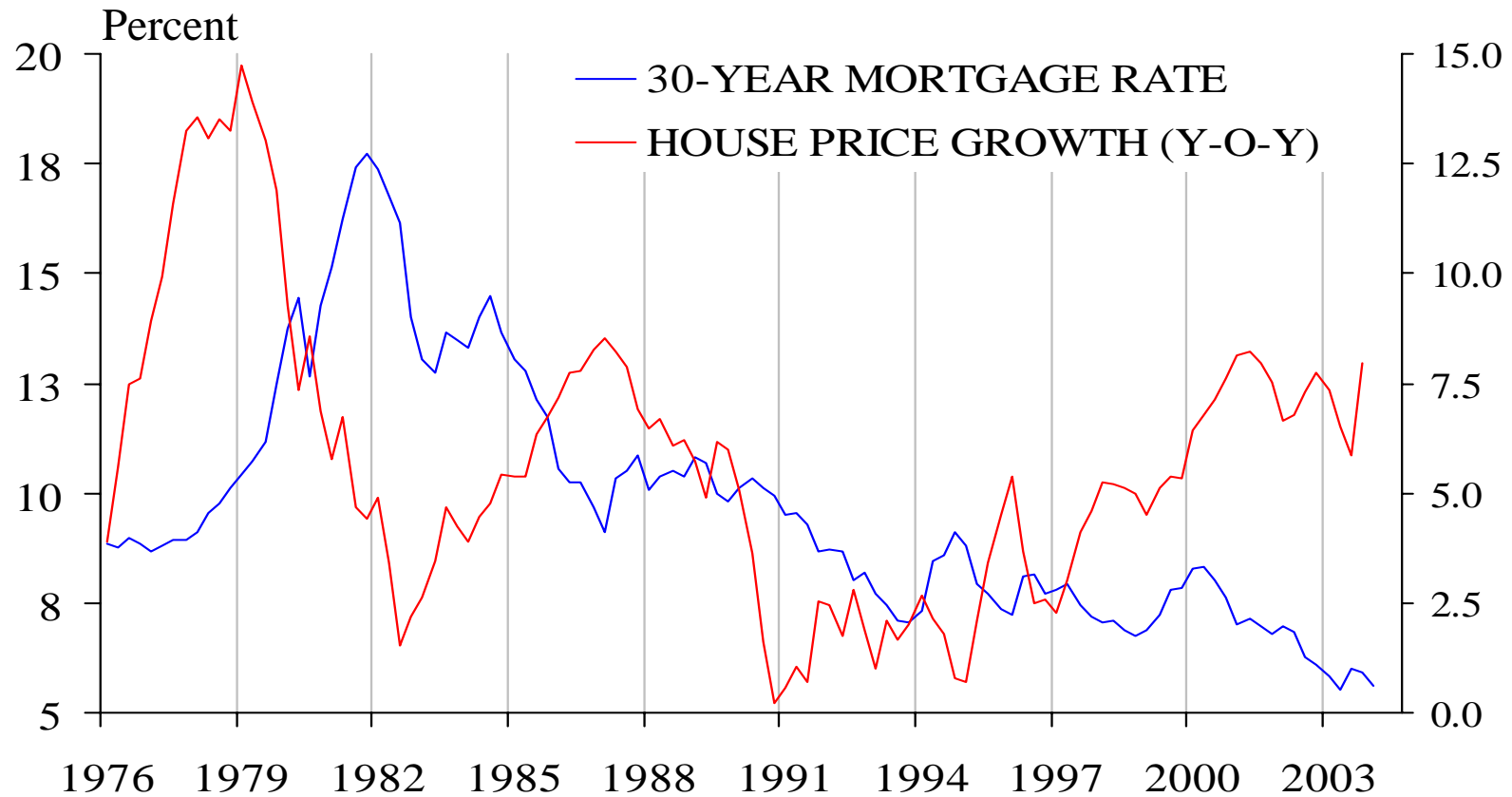
Source: Census Bureau and NAR

One-Family Home Median Sales Price



Source: Census Bureau; National Association of Realtors

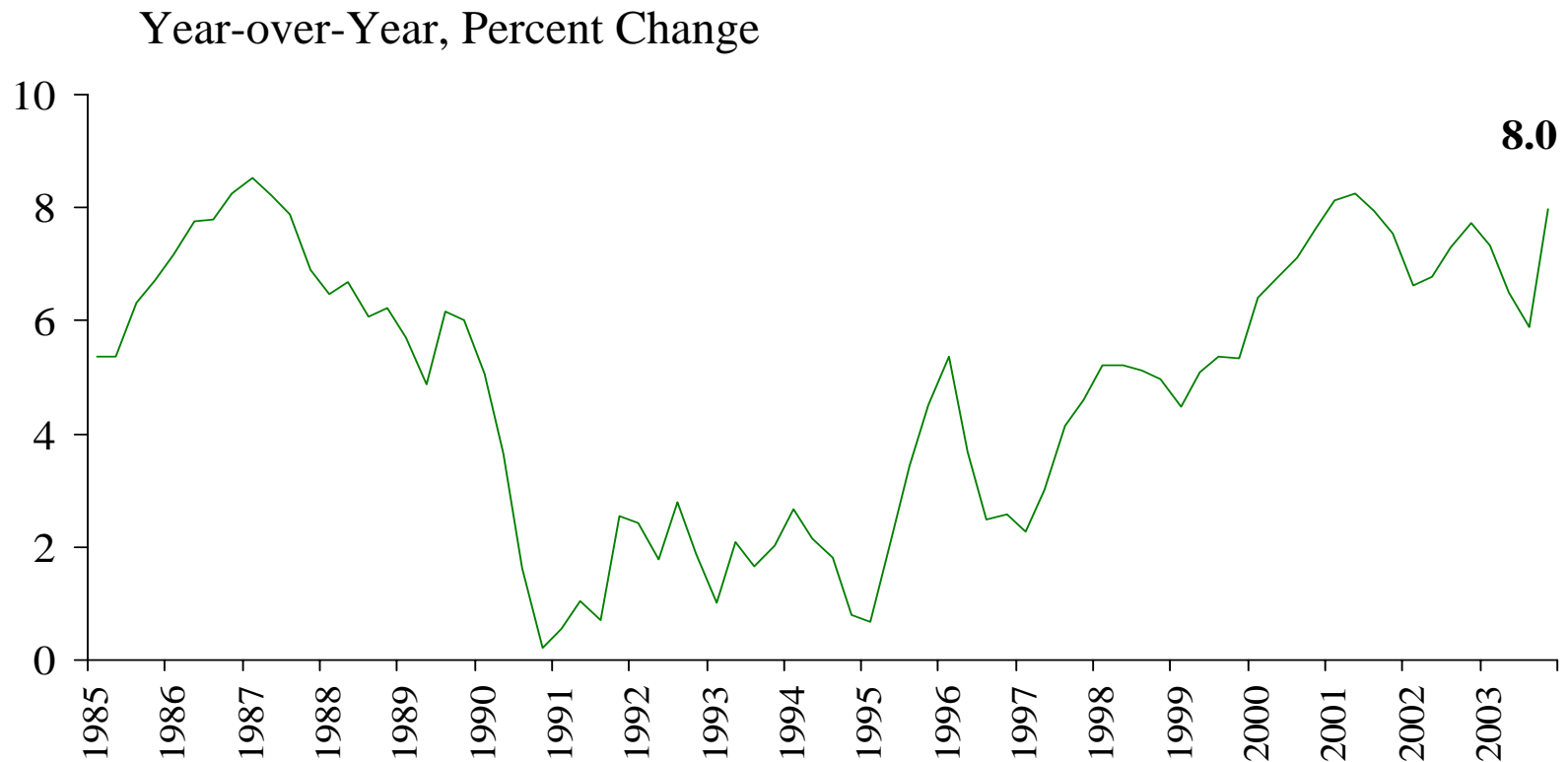
Mortgage Rate and House Price



Source: Office of Federal Housing Enterprise
Oversight and Freddie Mac

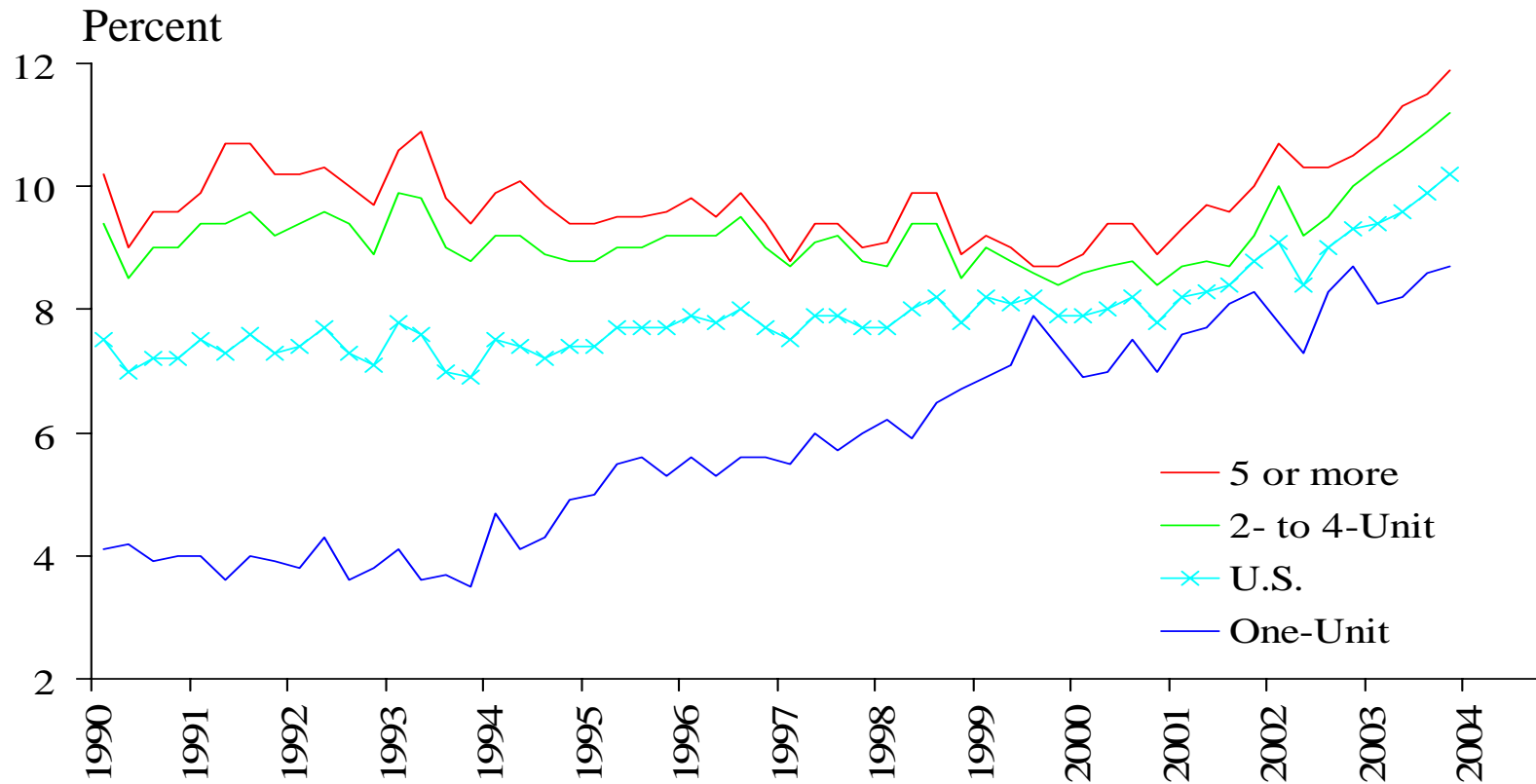


Conventional House Price Index



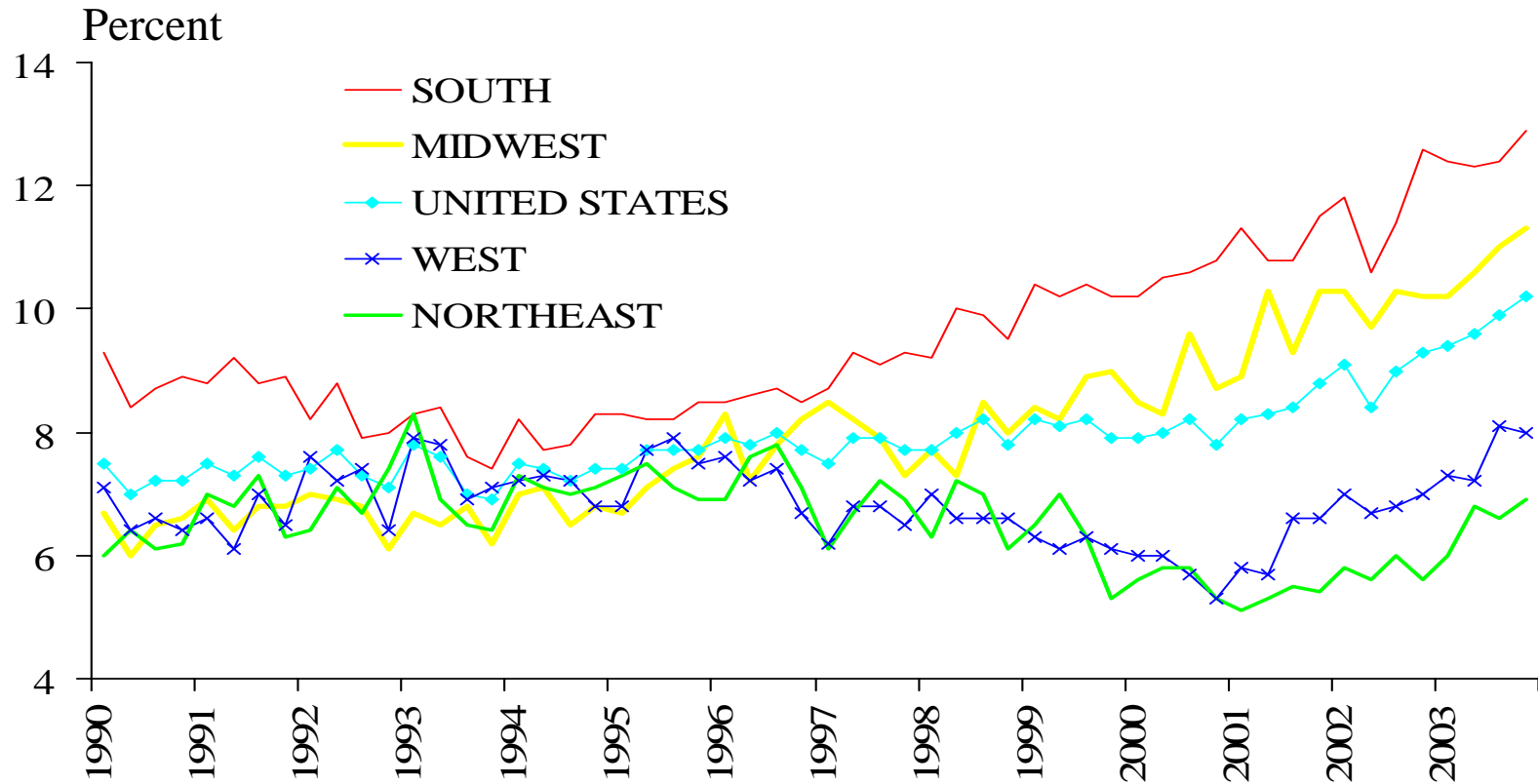
Source: OFHEO

Rental Vacancy Rates



Source: Census Bureau

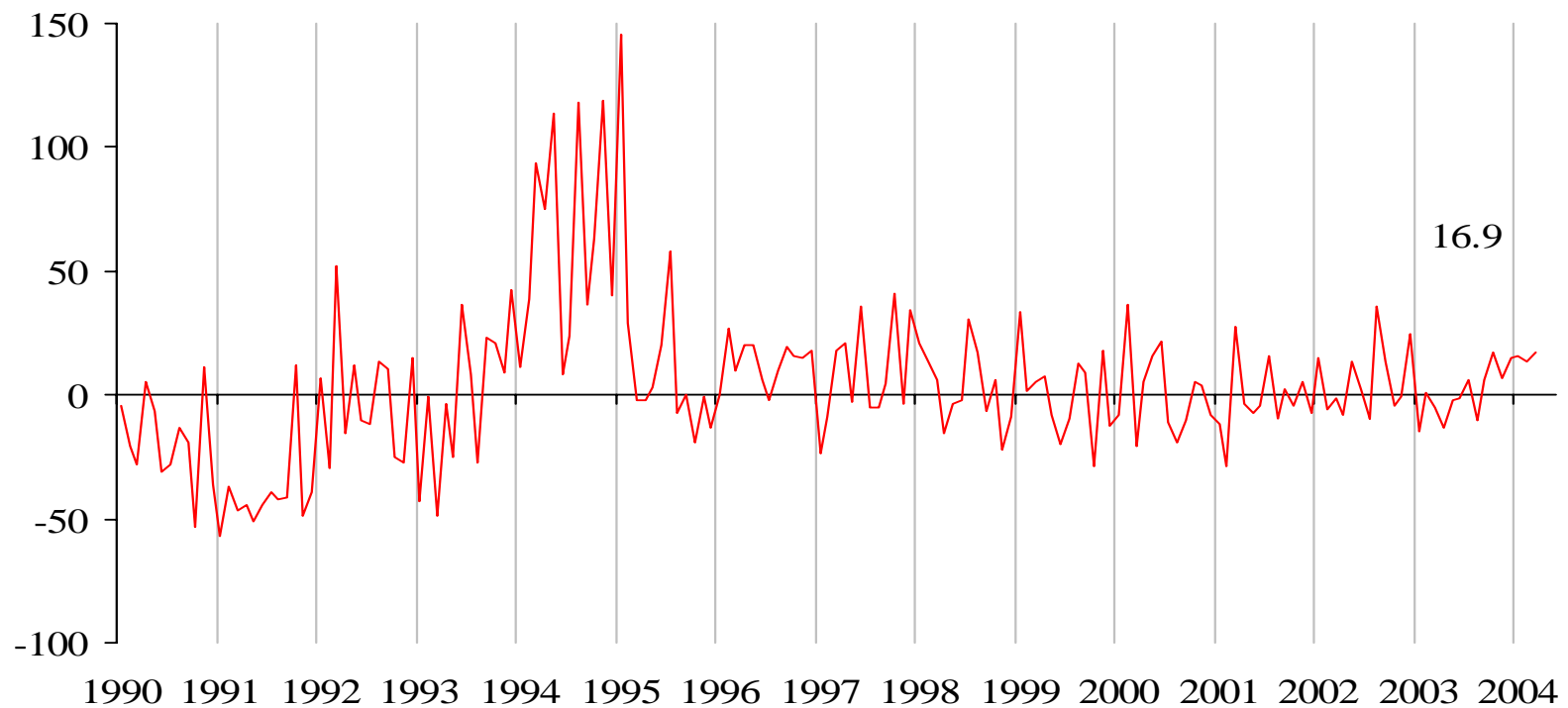
Rental Vacancy Rate by Region



Source: Census Bureau

Multi-Family Housing Starts

Year-over-Year, Percent Change, SAAR

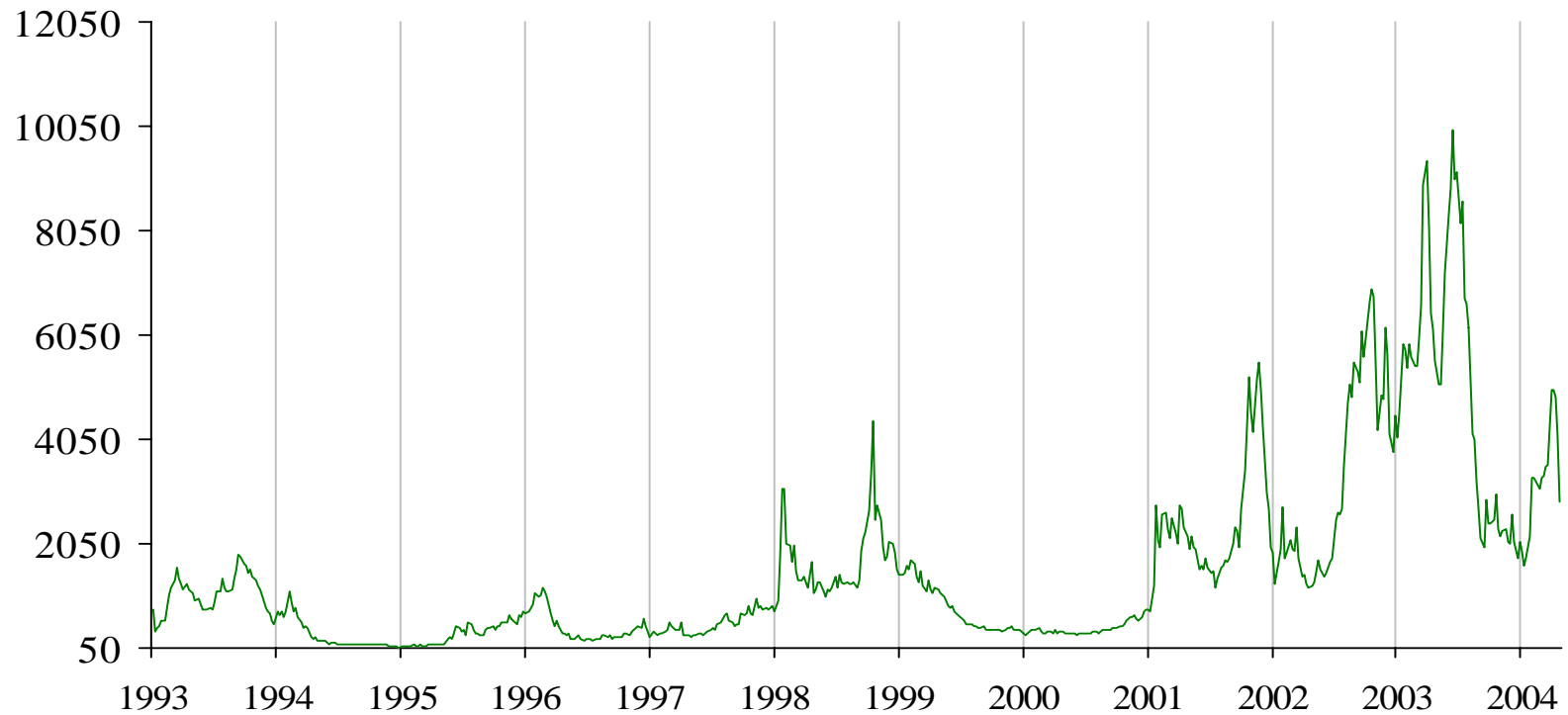


Source: Census Bureau

Household Finance

Refinance Mortgage Index

March 1990=100, Seasonally Adjusted

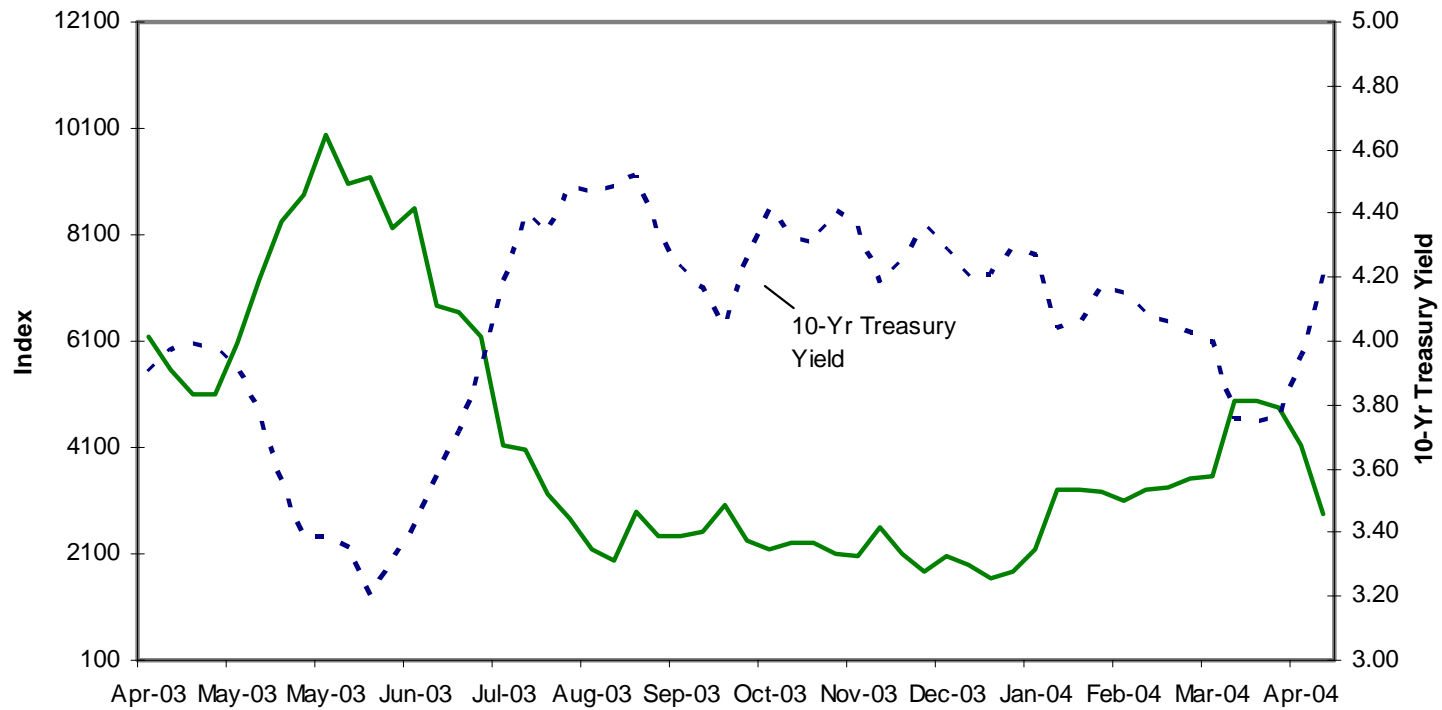


Source: MBA Weekly Mortgage Applications Survey



Weekly Applications Survey Refinance Index (SA): 1 Year Snapshot

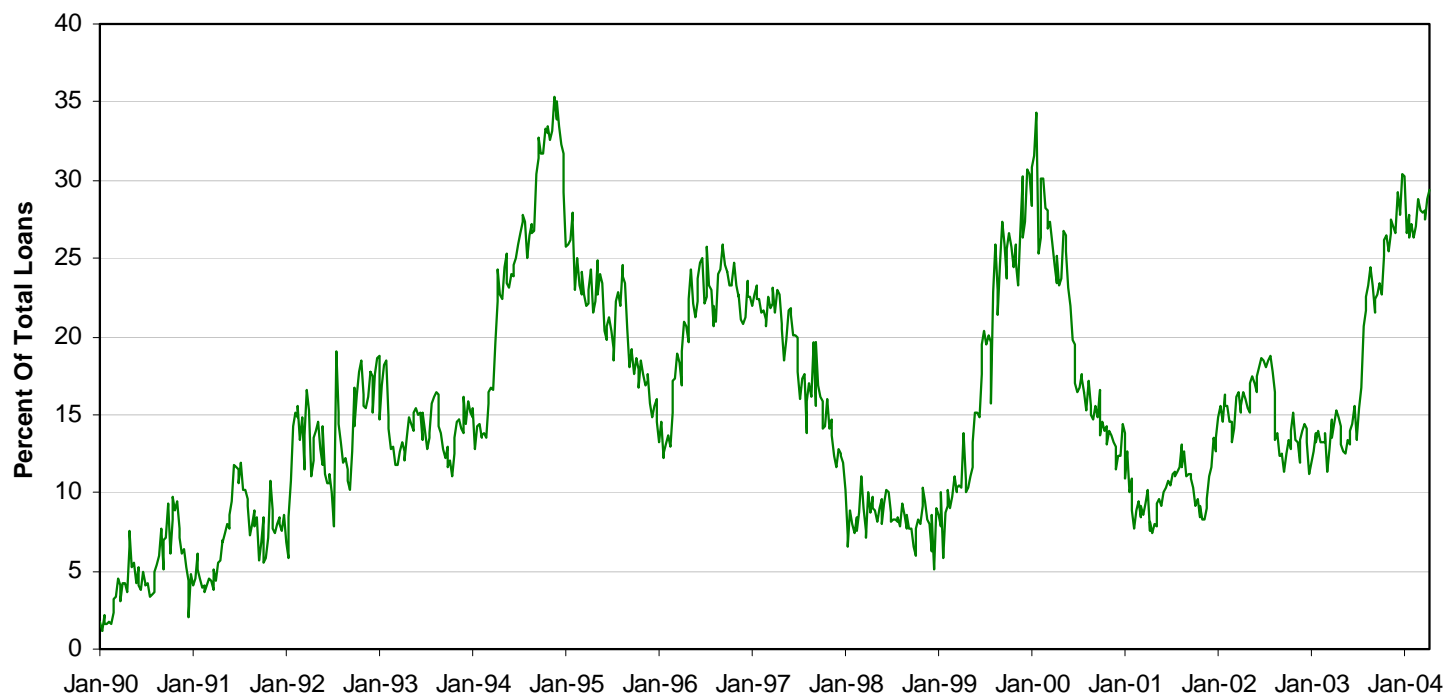
April 2003 to present



Source: Mortgage Bankers Association

Weekly Applications Survey ARM Composition

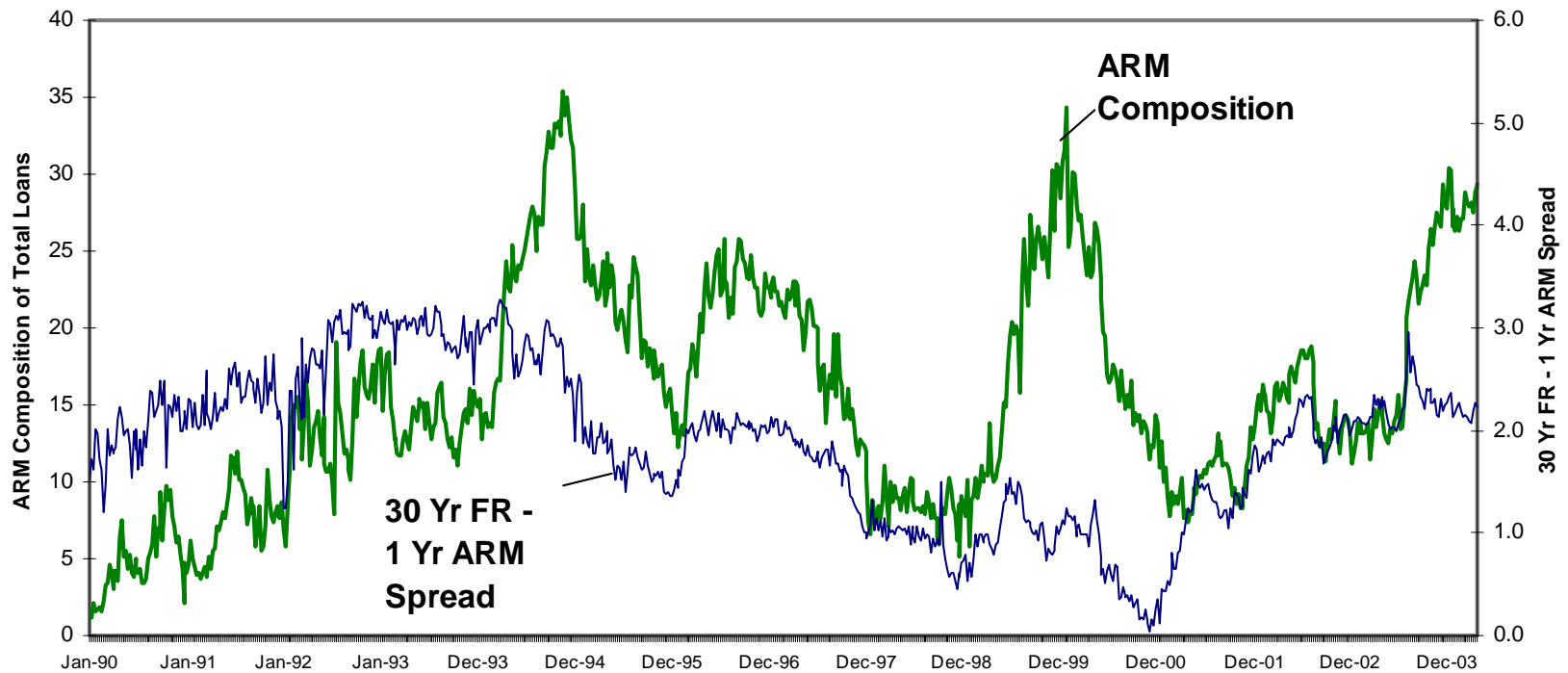
1990 to Present



Source: Mortgage Bankers Association

Weekly Applications Survey ARM Composition

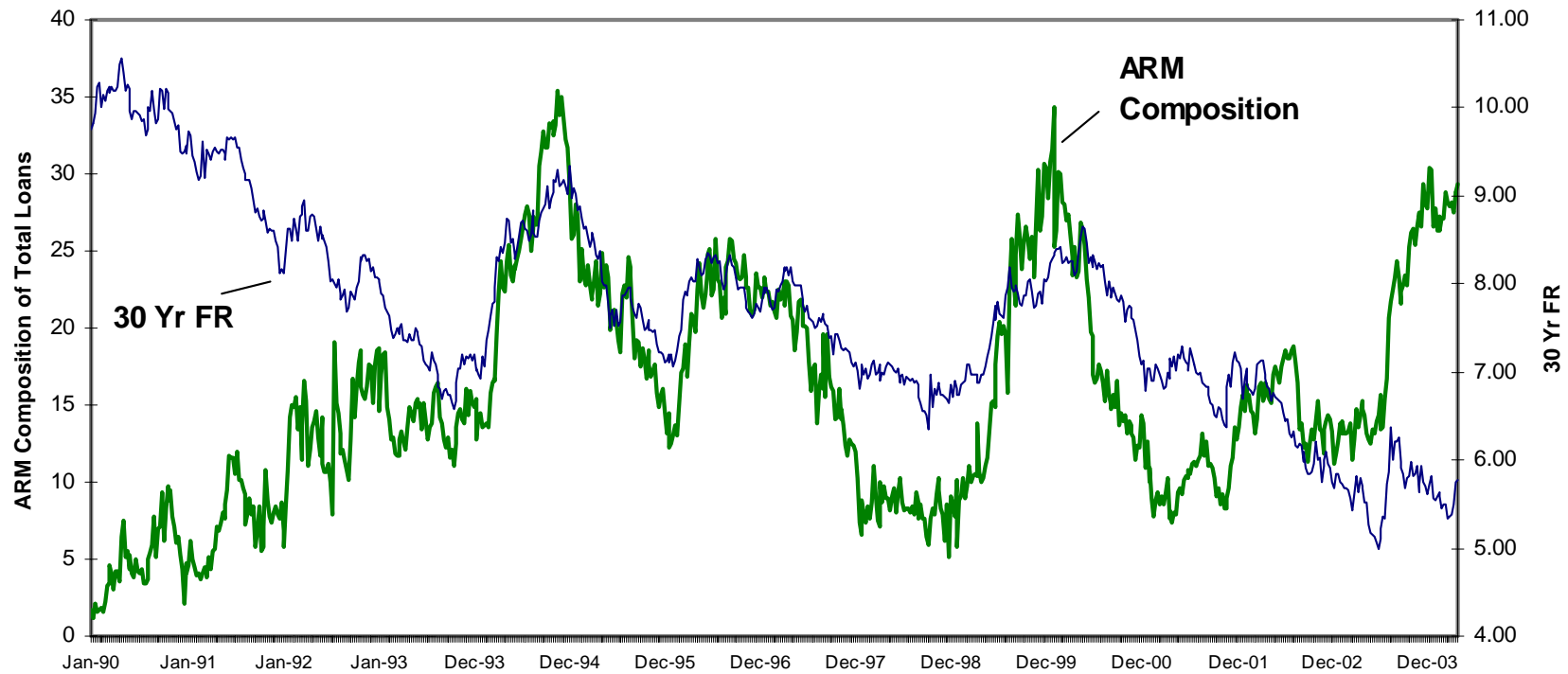
1990 to present



Source: Mortgage Bankers Association

Weekly Applications Survey ARM Composition

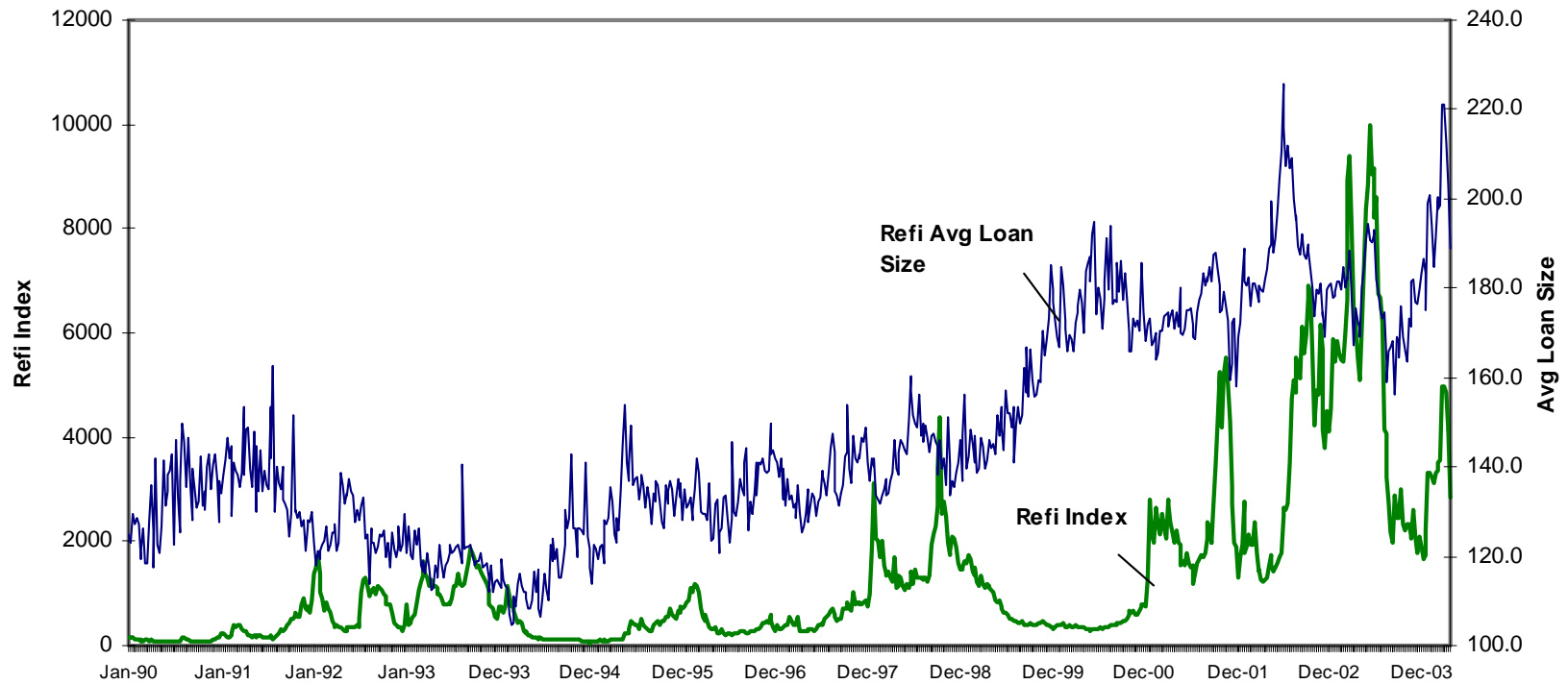
1990 to present



Source: Mortgage Bankers Association

Weekly Applications Survey Refinance Index And Average Loan Size (\$ 000)

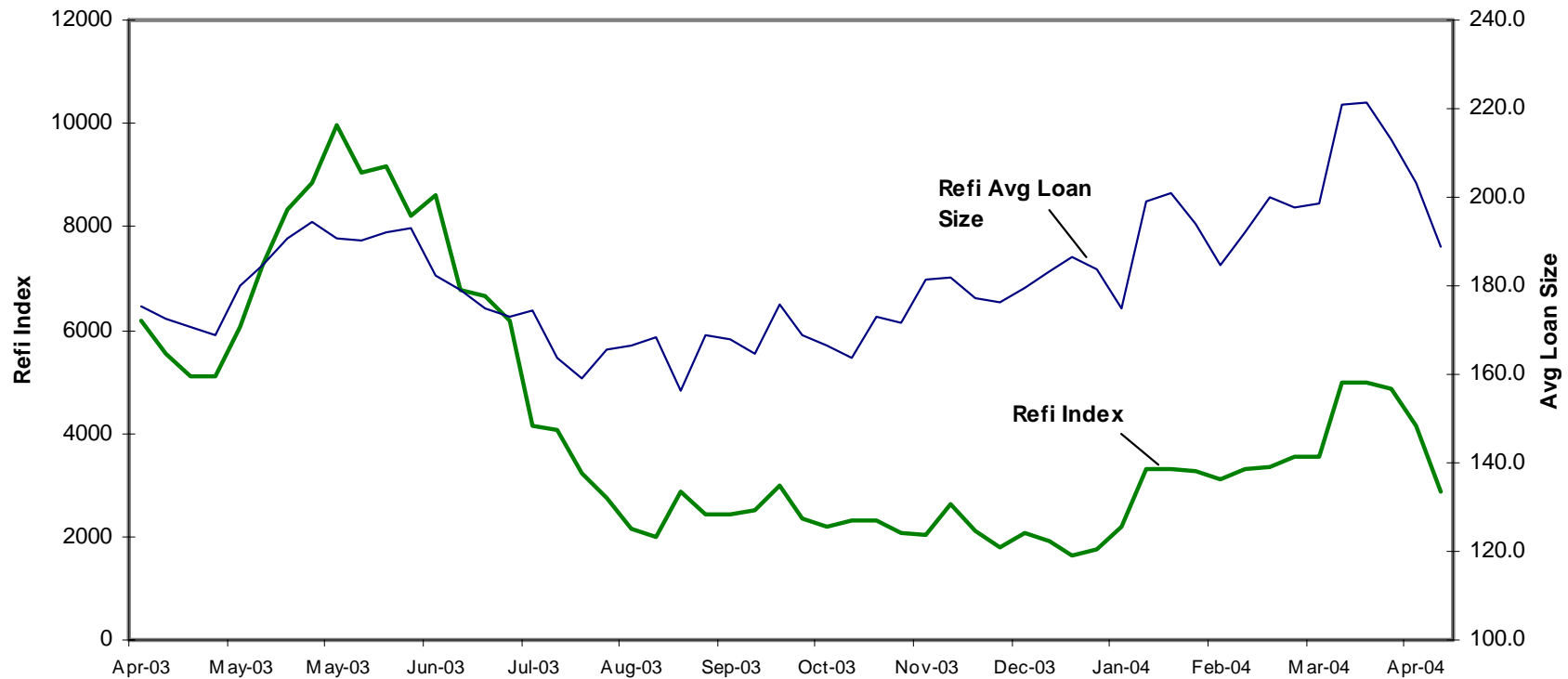
1990 to present



Source: Mortgage Bankers Association

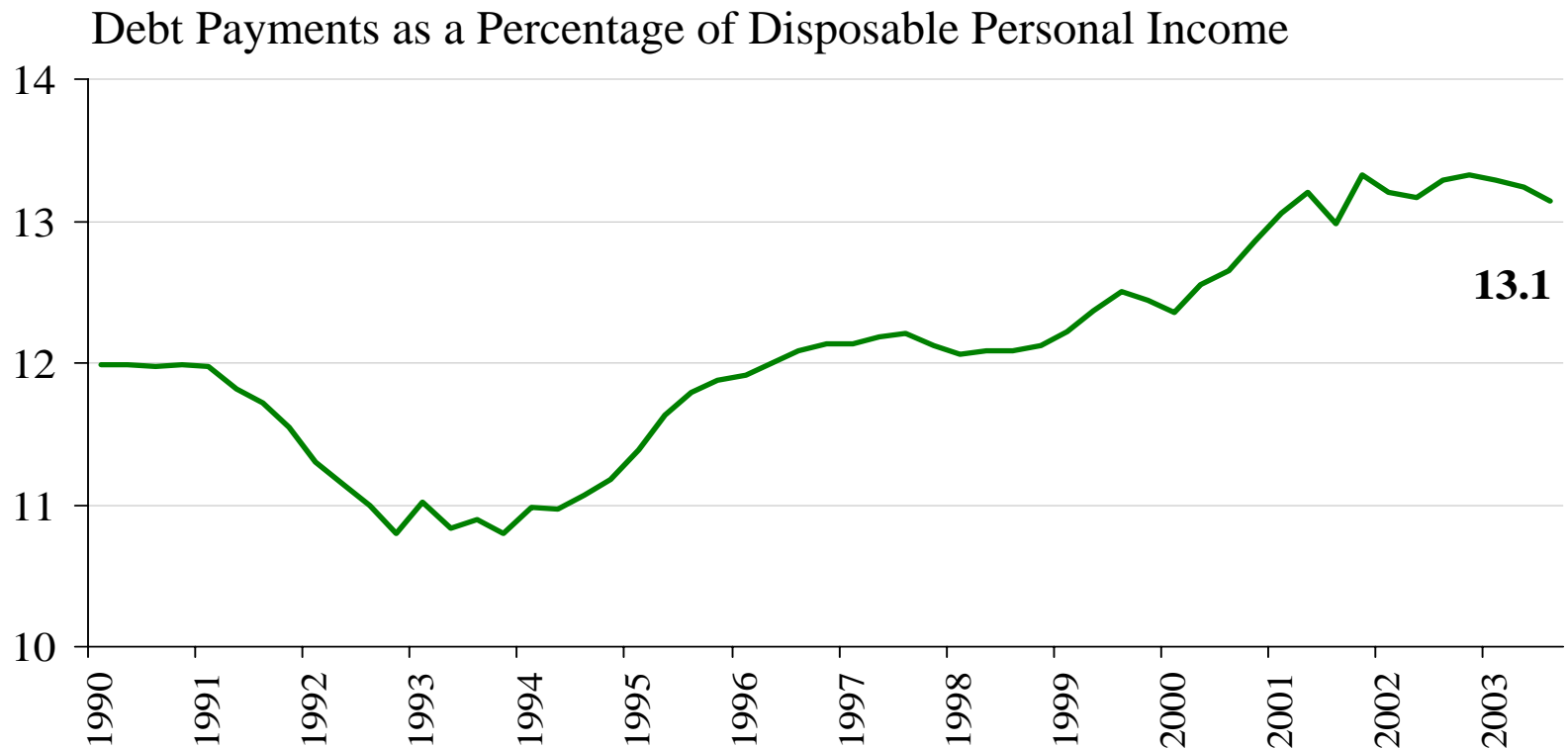
Weekly Applications Survey Refinance Index And Average Loan Size (\$ 000): 1 Year Snapshot

April 2003 to present



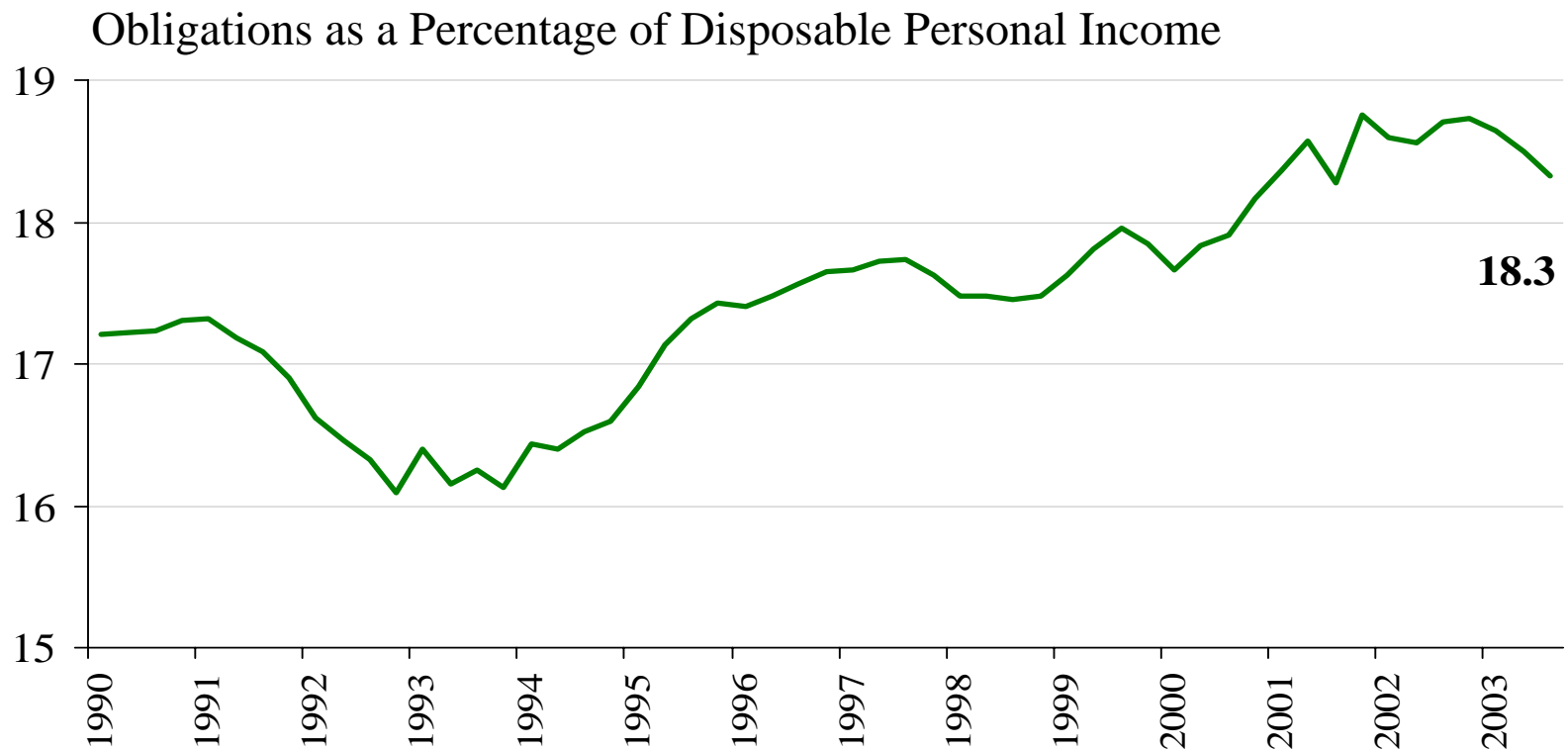
Source: Mortgage Bankers Association

Household Debt Service Ratio



Source: Federal Reserve Board

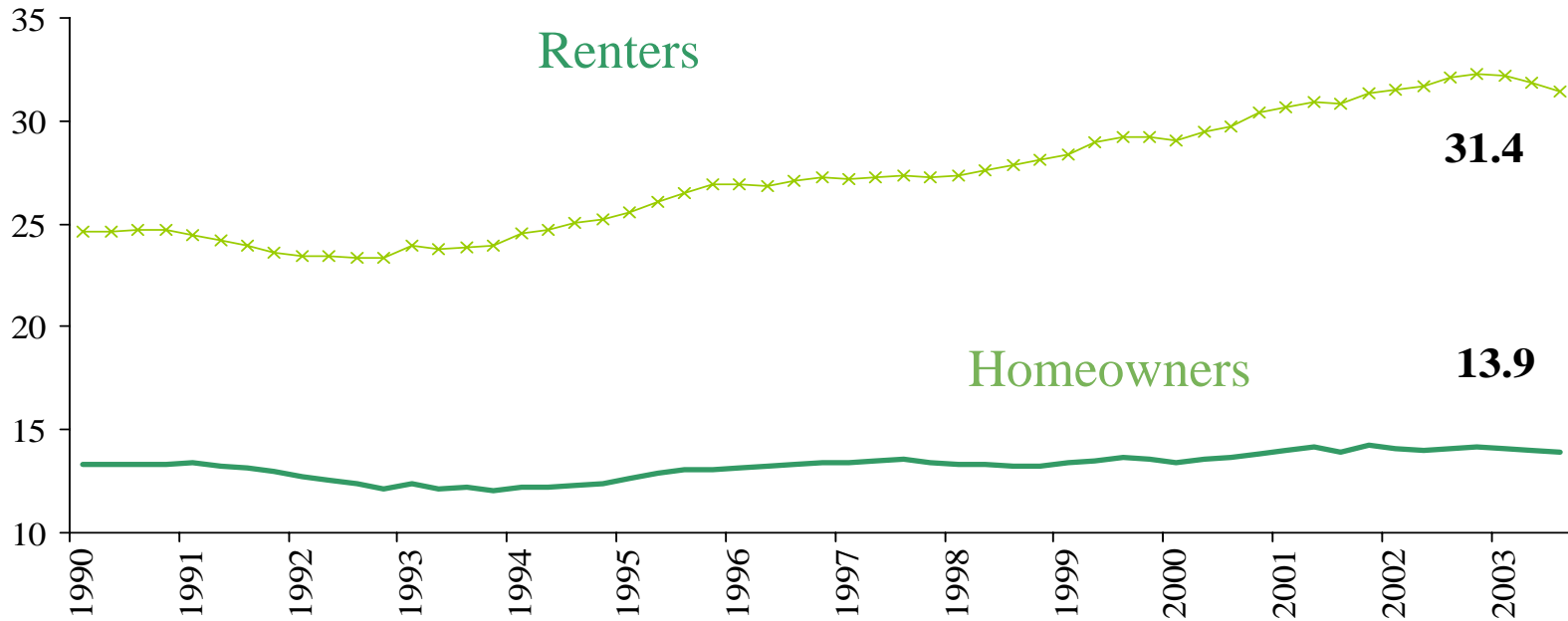
Overall Financial Obligations Ratio



Source: Federal Reserve Board

Financial Obligations Ratio

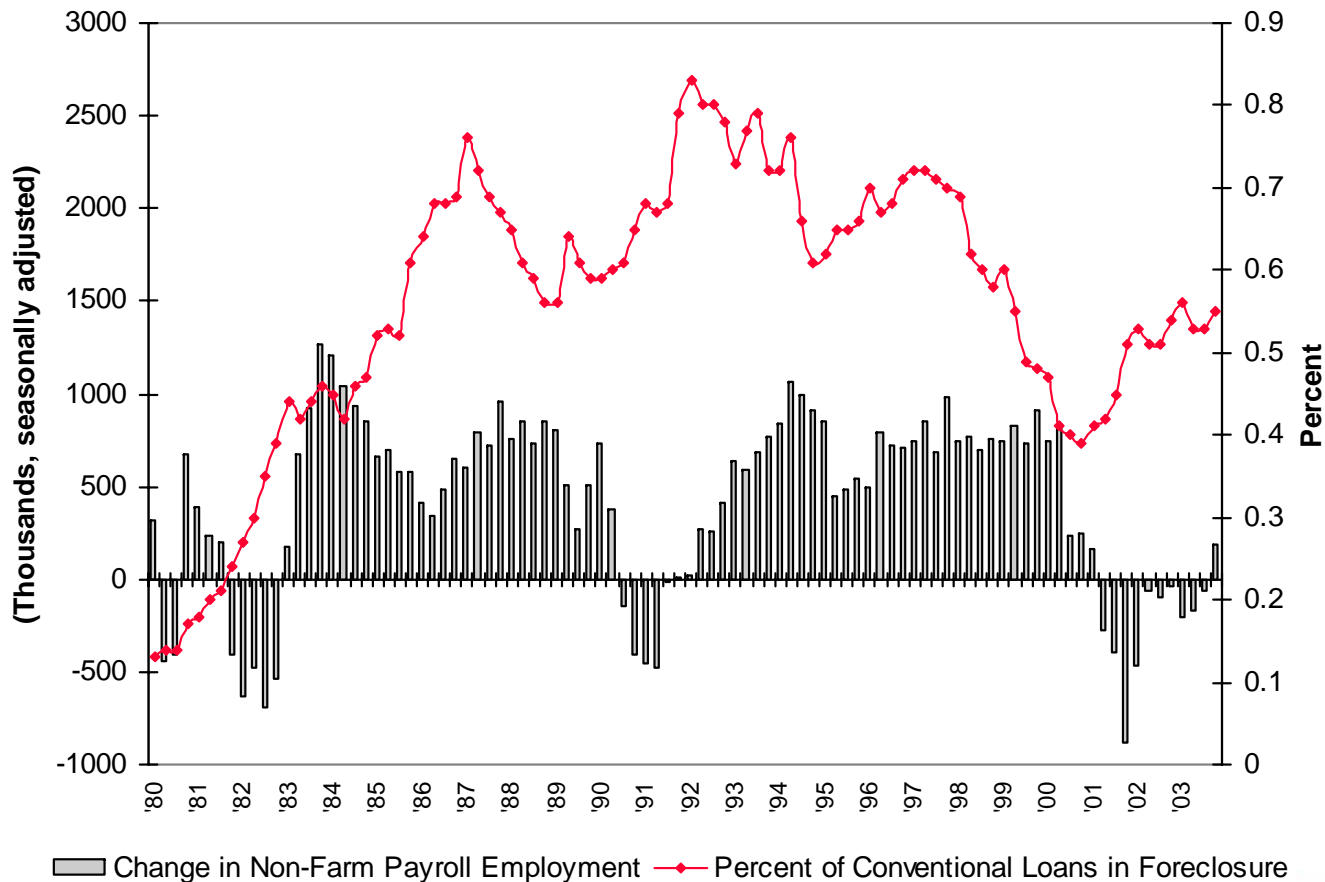
Obligations as a Percentage of Disposable Personal Income, SA



Source: Federal Reserve Board

Loan Quality

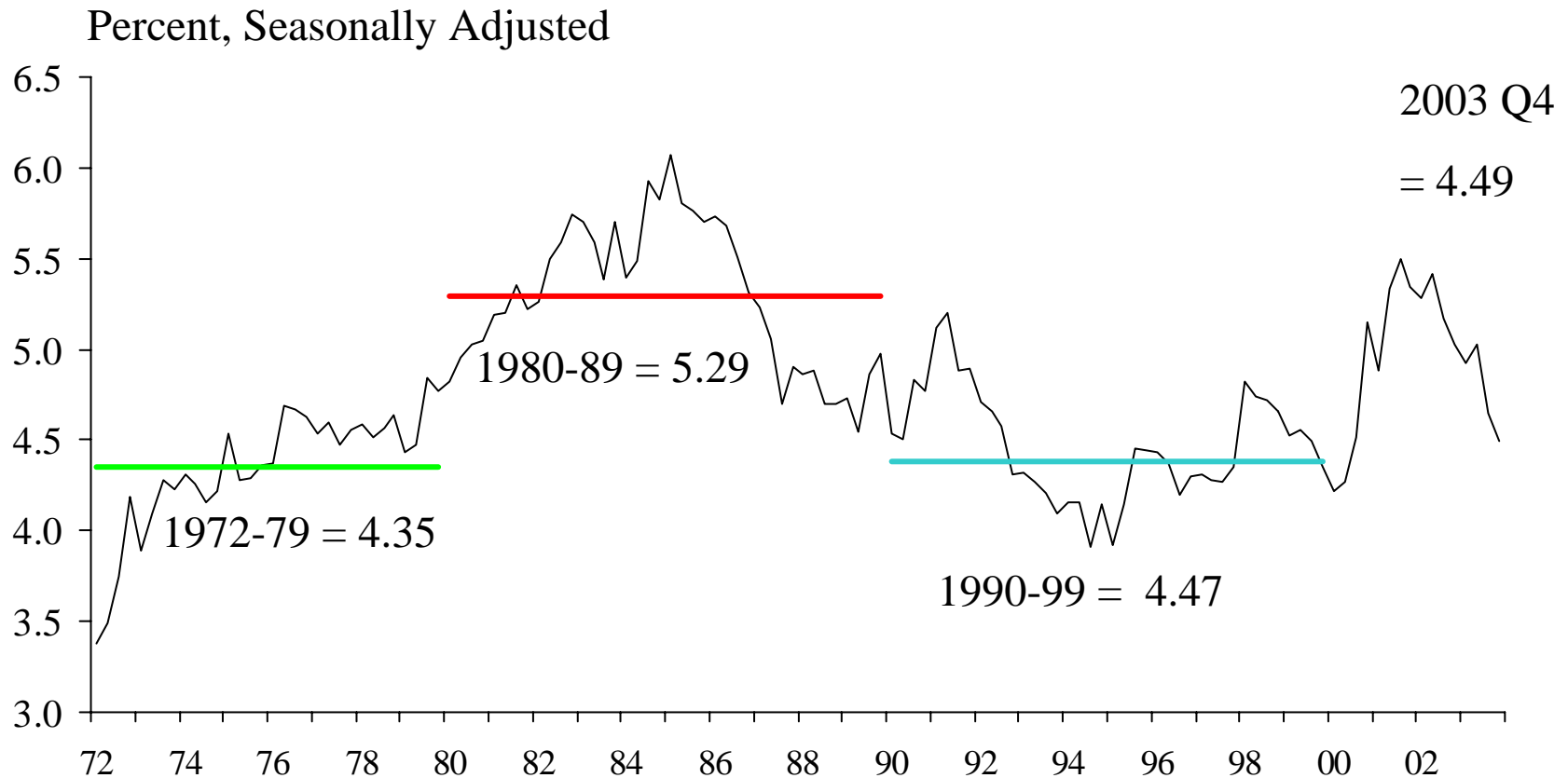
Job Losses are a Strong Indicator of the Foreclosure Rate



Notes: Loans in foreclosure represents the inventory at the end of the quarter.

Sources: Mortgage Banker's Association, Bureau of Labor Statistics.

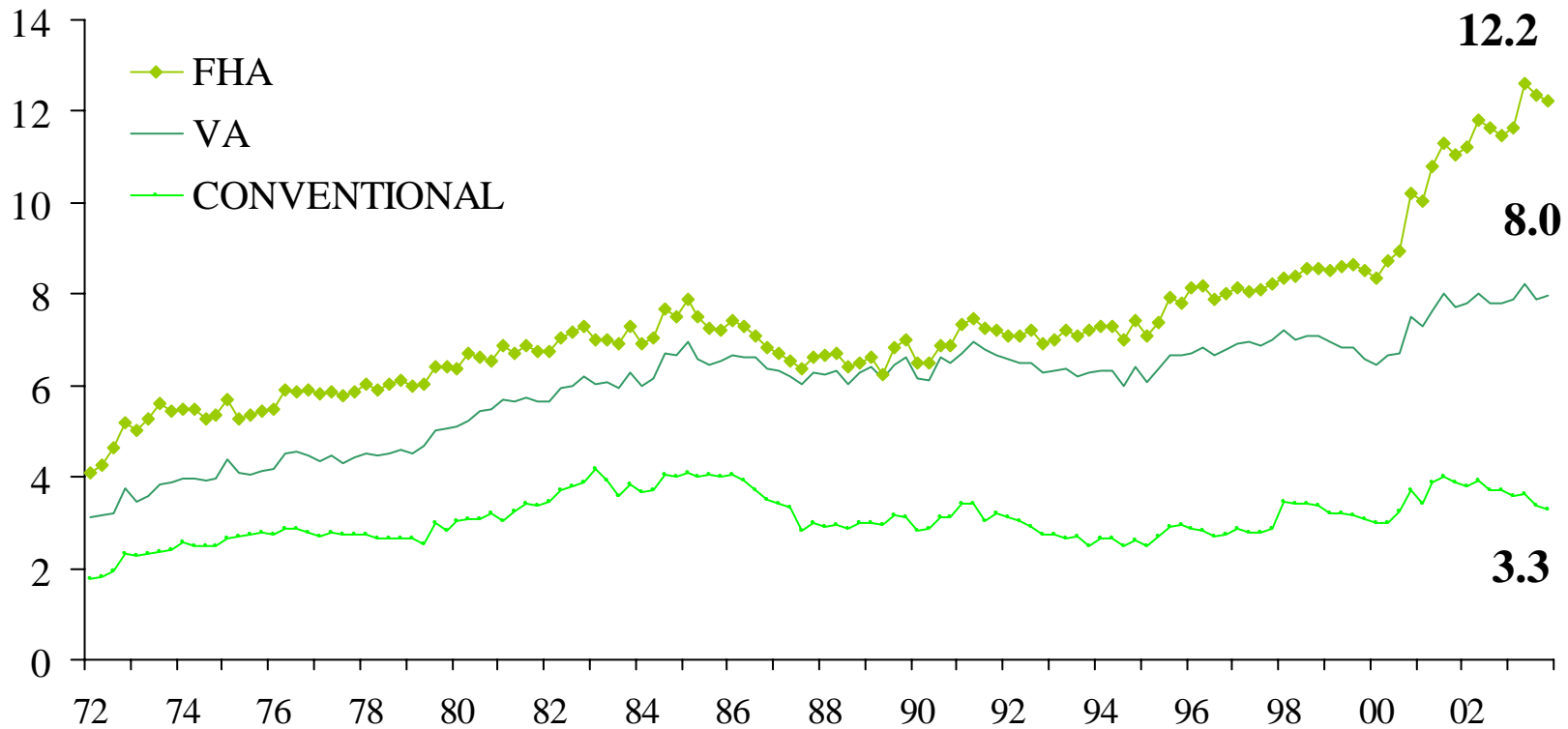
Mortgage Delinquency Rate



Source: MBA National Delinquency Survey

Delinquency Rate by Loan Type

Percent, Seasonally Adjusted



Source: MBA National Delinquency Survey



MBA Long-term Mortgage Finance Forecast

April 14, 2004

	2003	2004				2005				2006			2003	2004	2005	2006
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2003	2004	2005	2006
Housing Measures (Thous)																
Housing Starts	2,031	1,878	1,859	1,801	1,749	1,678	1,667	1,628	1,602	1,596	1,609	1,634	1,848	1,822	1,644	1,618
Single-Family	1,656	1,513	1,517	1,450	1,409	1,349	1,330	1,293	1,283	1,279	1,279	1,282	1,499	1,473	1,314	1,281
Two or More	375	365	341	351	339	329	337	335	320	318	330	351	349	349	330	337
Home Sales																
Existing Homes	6,297	6,064	5,989	6,019	5,906	5,733	5,602	5,538	5,464	5,523	5,520	5,499	6,101	5,995	5,584	5,513
New Homes	1,115	1,125	1,114	1,089	1,050	1,004	976	999	963	955	981	994	1,087	1,095	985	972
Median Price of Existing Homes (Thous \$)	172.2	171.2	178.0	181.3	177.3	179.9	185.1	188.3	184.2	186.8	192.0	196.3	169.4	177.0	184.3	191.9
Median Price of New Homes (Thous \$)	199.1	200.3	201.2	203.8	202.2	207.2	208.9	211.9	207.3	213.1	216.0	220.1	191.4	201.9	208.8	216.1
Interest Rates (%)																
30-Year Fixed Rate Mortgage	5.9	5.6	5.6	5.7	5.8	5.9	6.1	6.3	6.5	6.8	6.8	6.9	5.8	5.6	6.2	6.9
10-Year Treasury Yield	4.3	4.0	4.1	4.2	4.3	4.4	4.6	4.8	5.0	5.3	5.3	5.4	4.0	4.2	4.7	5.4
1-Year Treasury ARM	3.8	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.5	4.7	4.8	5.0	3.8	3.6	4.1	4.9
1-Year Treasury Yield	1.3	1.2	1.3	1.4	1.5	1.7	1.8	2.0	2.6	3.0	3.2	3.4	1.2	1.3	2.0	3.4
Mortgage Originations																
Total 1- to 4-Family (Bill \$)	632	590	770	718	489	401	558	554	447	393	511	513	3,810	2,567	1,961	1,848
Purchase	323	277	393	395	318	281	391	388	313	283	404	405	1,280	1,383	1,373	1,424
Refinance	310	313	377	323	171	120	167	166	134	110	107	108	2,530	1,184	588	424
Refinance Share (%)	49	53	49	45	35	30	30	30	30	28	21	21	66	46	30	23
ARM Share (%)	27	30	22	21	20	20	21	21	21	19	19	18	19	23	21	18

Notes:

Housing Starts, Existing Home Sales, and New Home Sales are seasonally adjusted at annual rate.

Existing Home Prices and New Home Prices are median prices.

Total 1- to 4- Family Originations and Refi Share are MBA's estimates.

Refinance Share is percent of total dollar volume of loans closed.

ARM Share is percent of total number of conventional purchase loans closed.

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