

Economic Overview and Forecast 2004/2005

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Subprime Lending and Alternative Products Conference

Washington Hilton & Towers

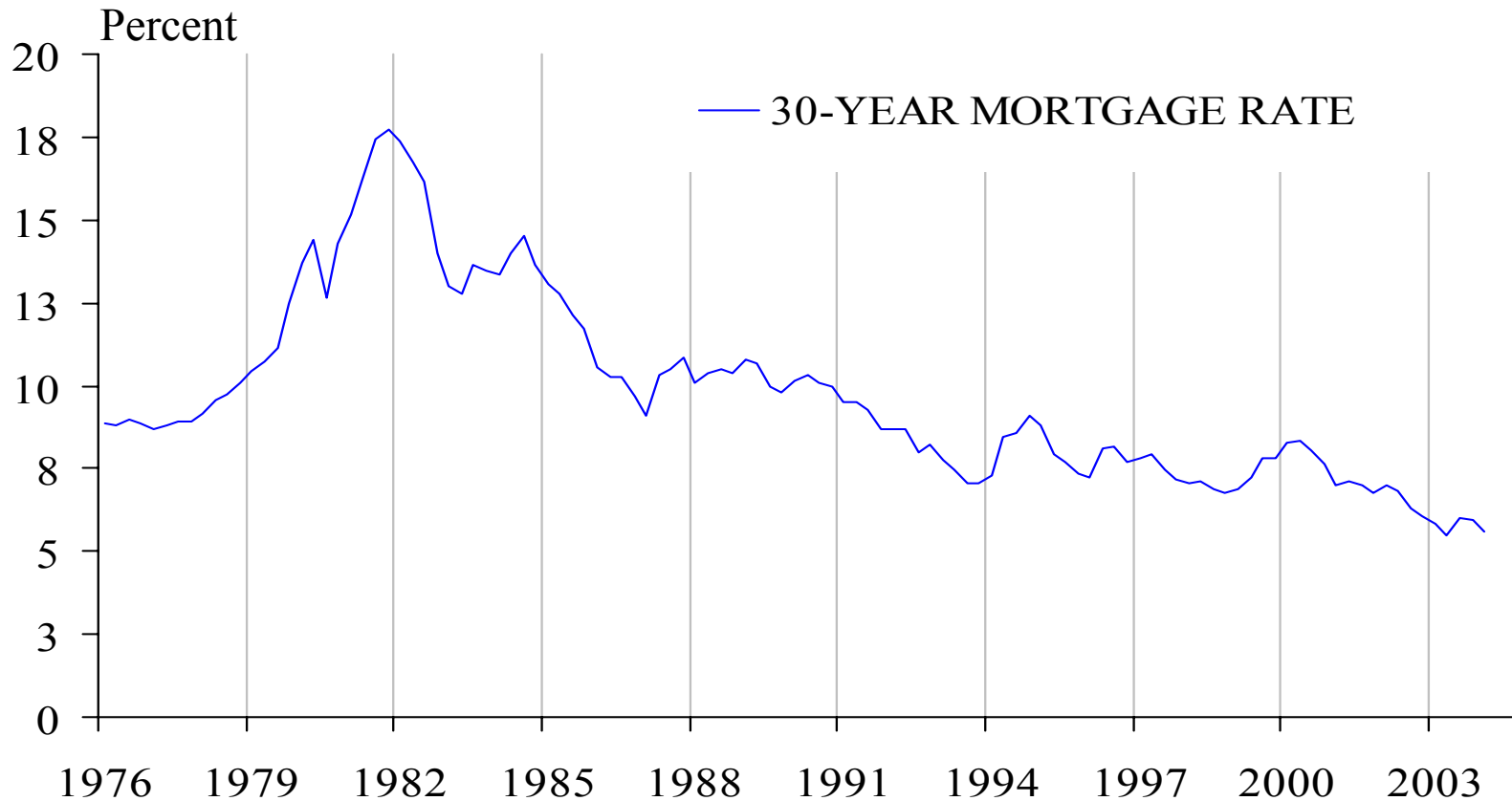
Washington, DC

May 13, 2004



Rates and Spreads

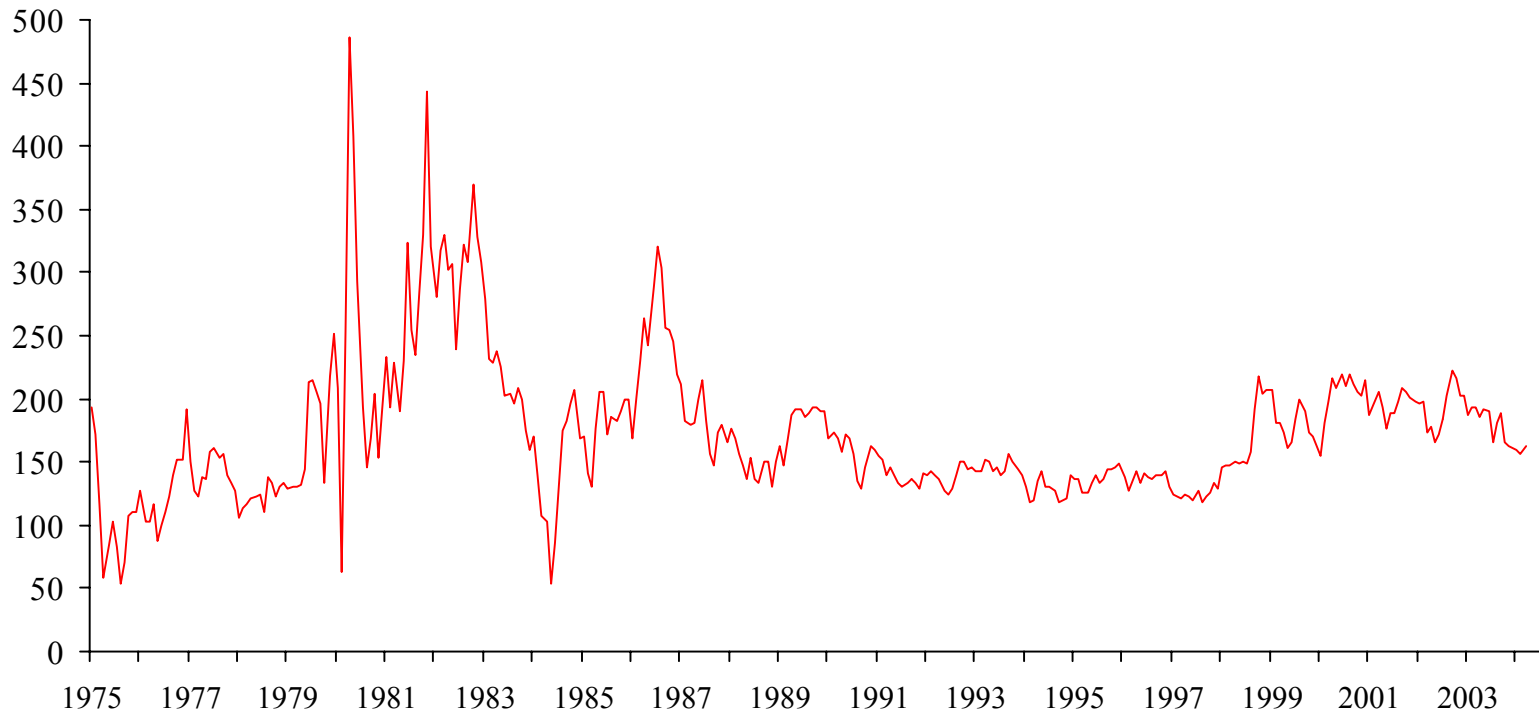
Mortgage Interest Rate



Source: Freddie Mac

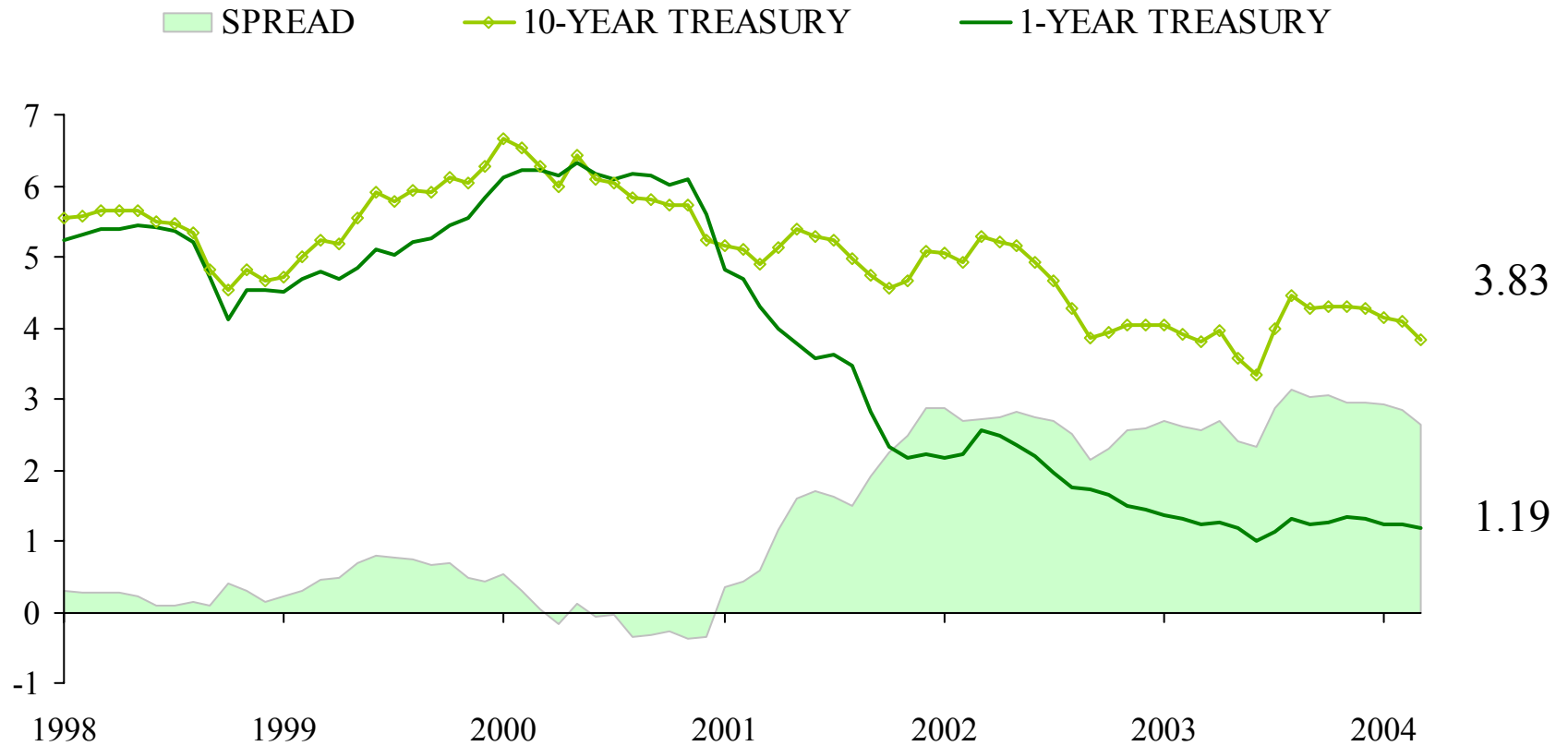
Mortgage to Treasury Spread

Basis Points

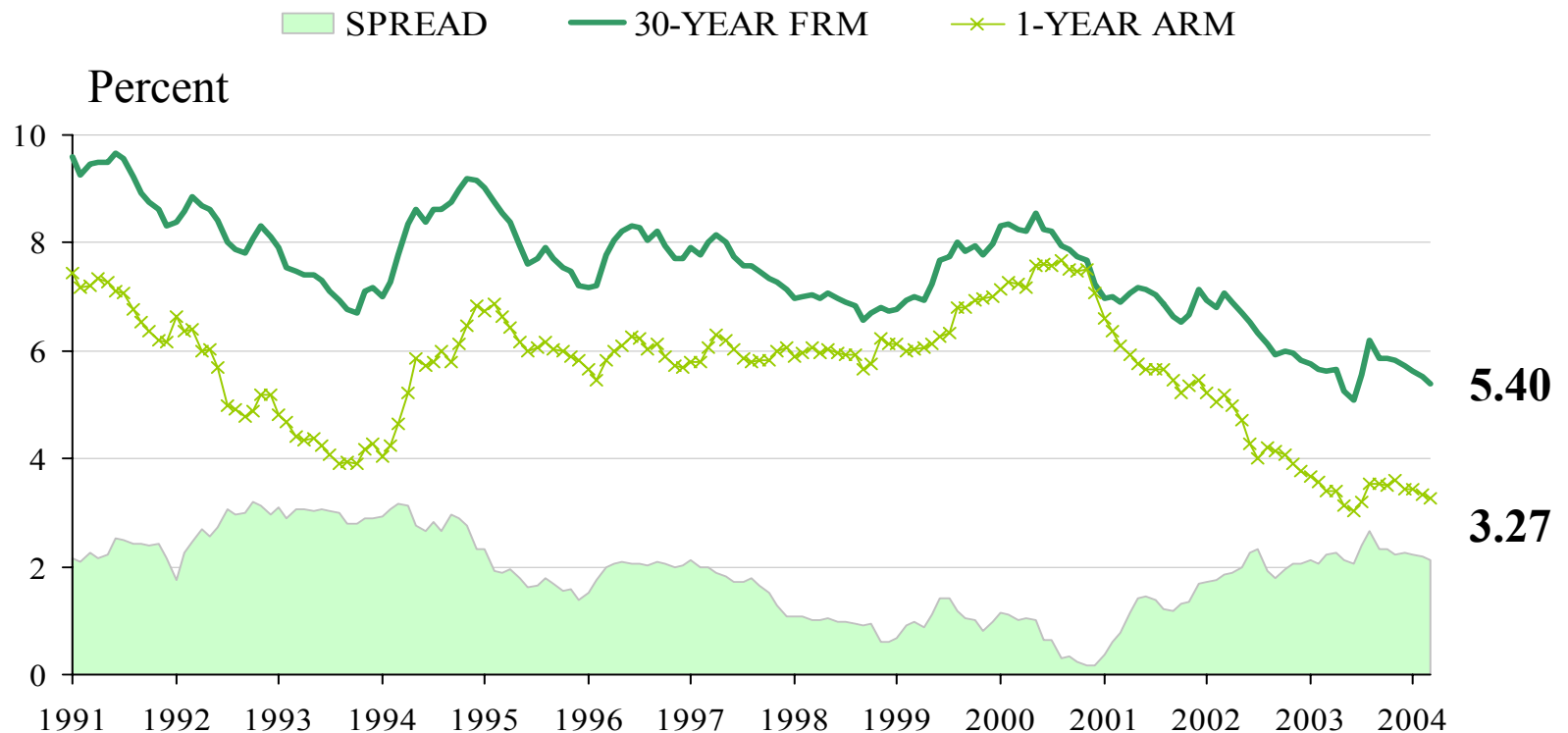


Source: Federal Reserve Board and Freddie Mac

Treasury Yields

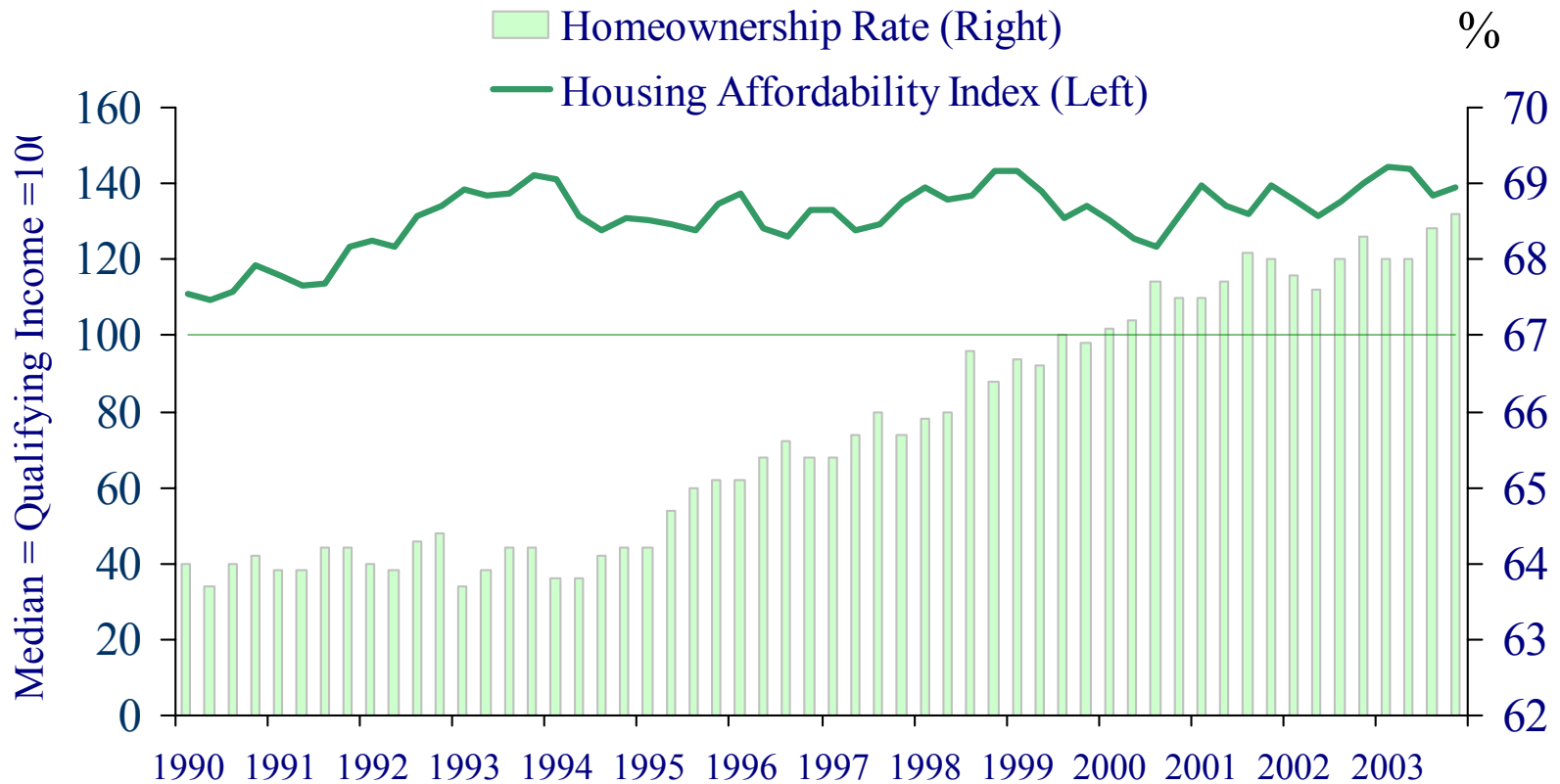


Mortgage Interest Rates



Source: MBA Weekly Mortgage Applications Survey

Affordability and Homeownership Rate

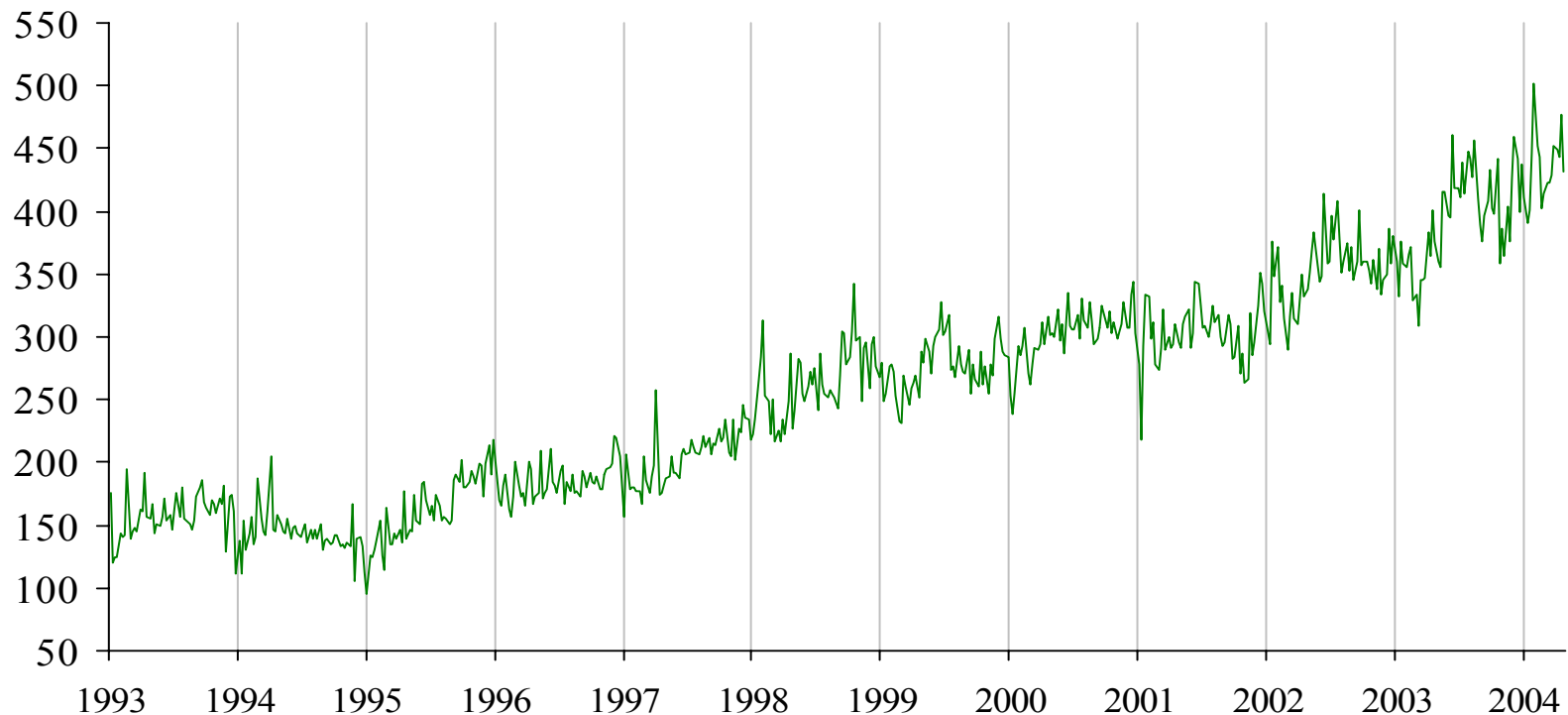


Source: NAR and Census Bureau

The Purchase of Homes: Supply, Demand, and Price

Purchase Mortgage Index

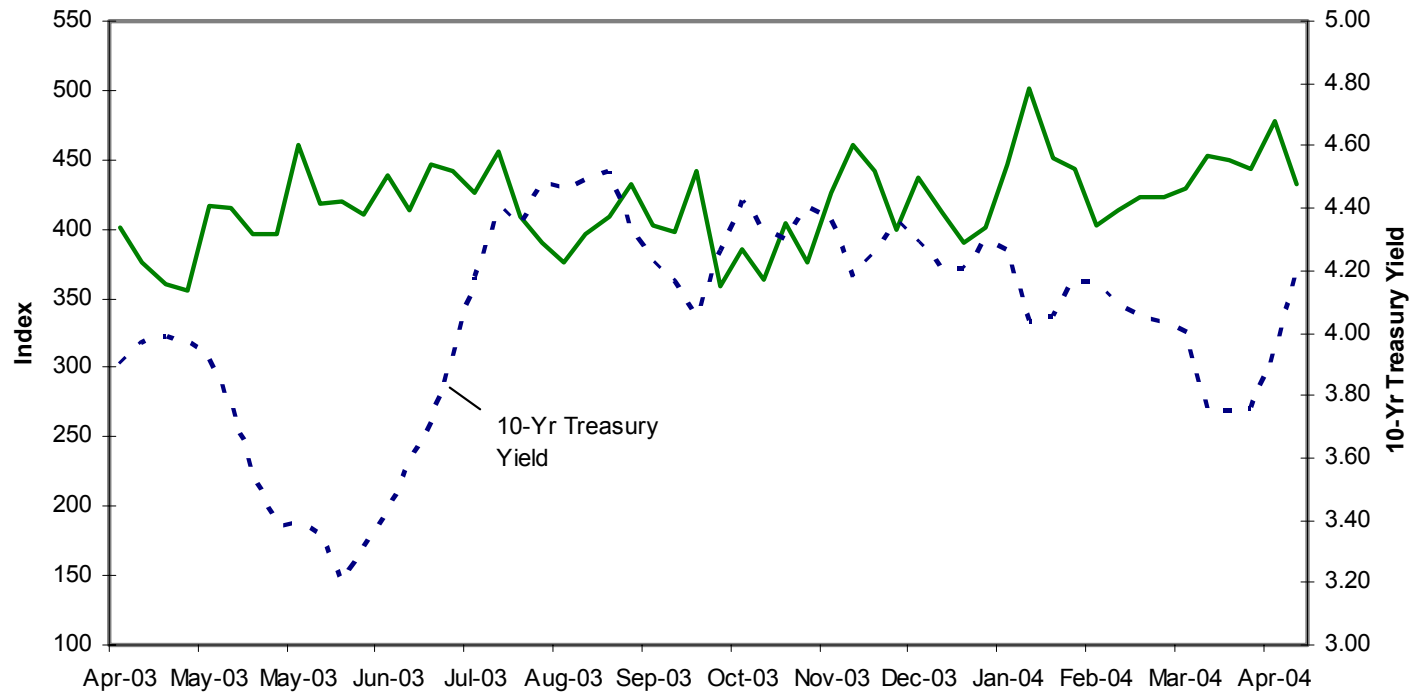
March 1990=100, Seasonally Adjusted



Source: MBA Weekly Mortgage Applications Survey

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

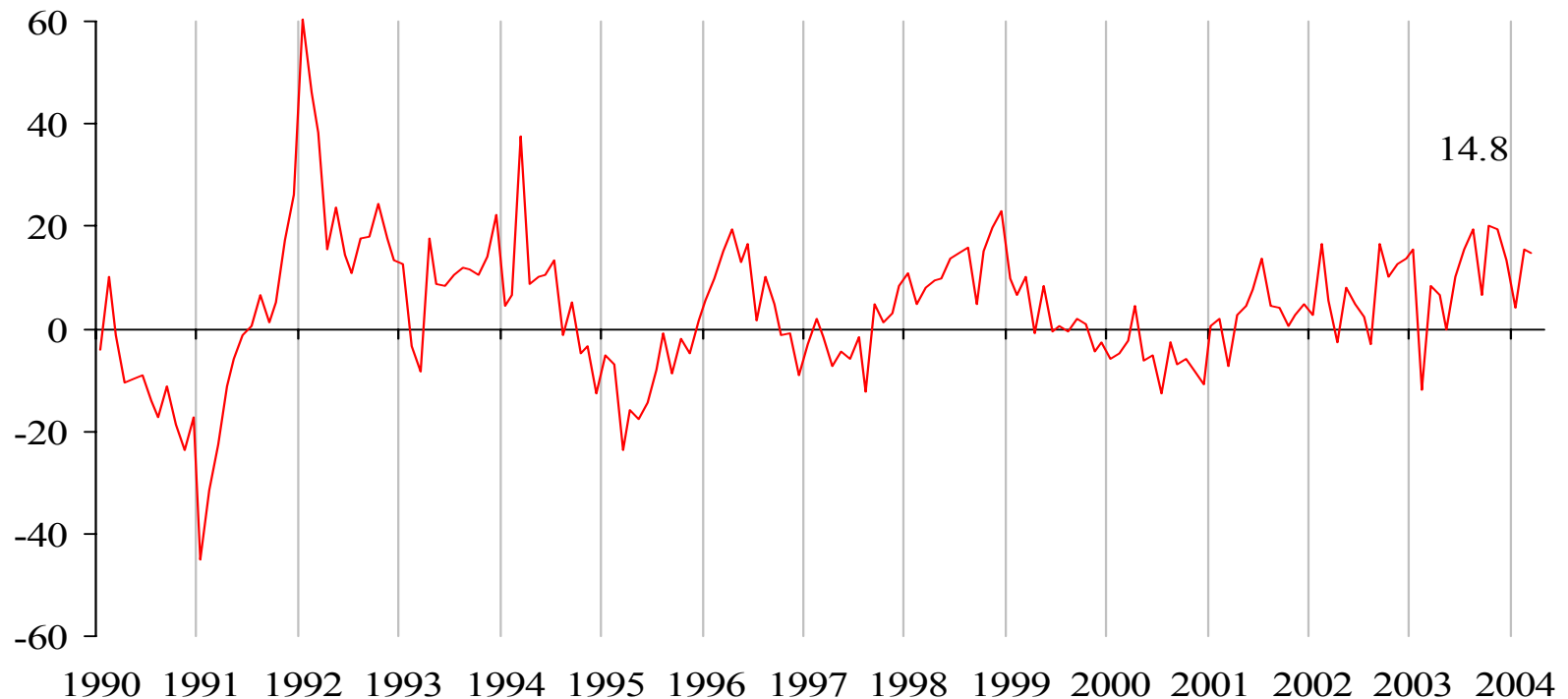
April 2003 to present



Source: Mortgage Bankers Association

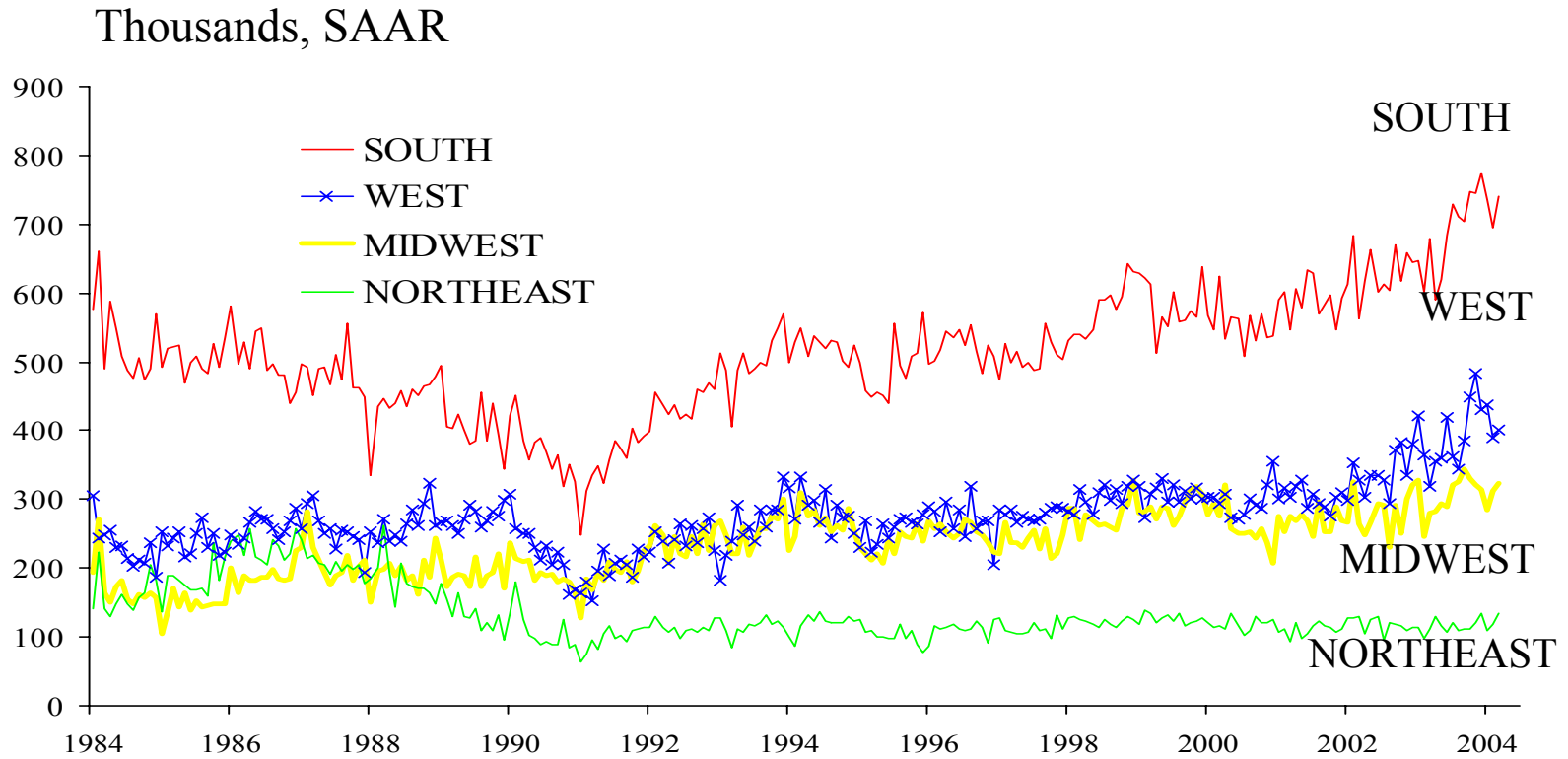
Single-Family Housing Starts

Year-over-Year, Percent Change, SAAR



Source: Census Bureau

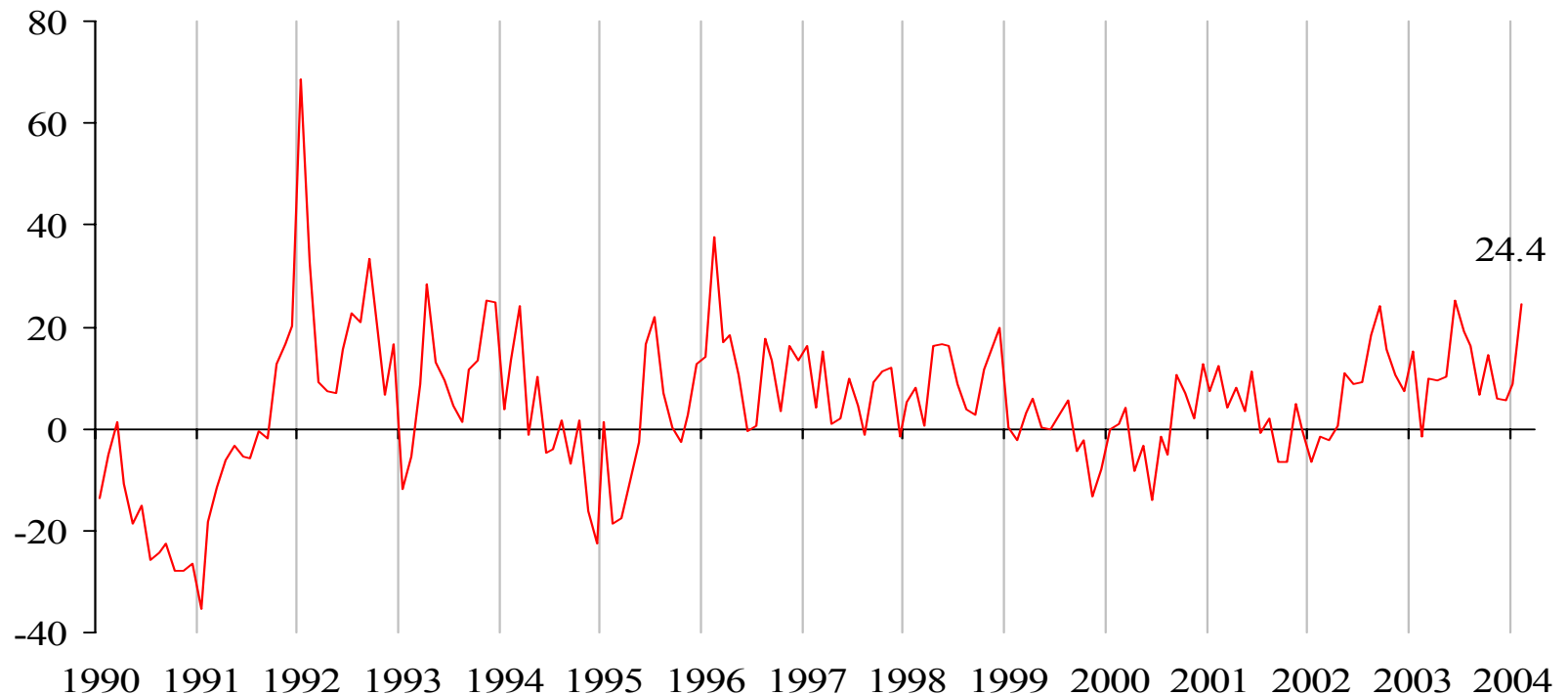
1-Unit Housing Starts by Region



Source: Census Bureau

New One-Family Homes Sold

Year-over-Year, Percent Change, SAAR



Source: Census Bureau

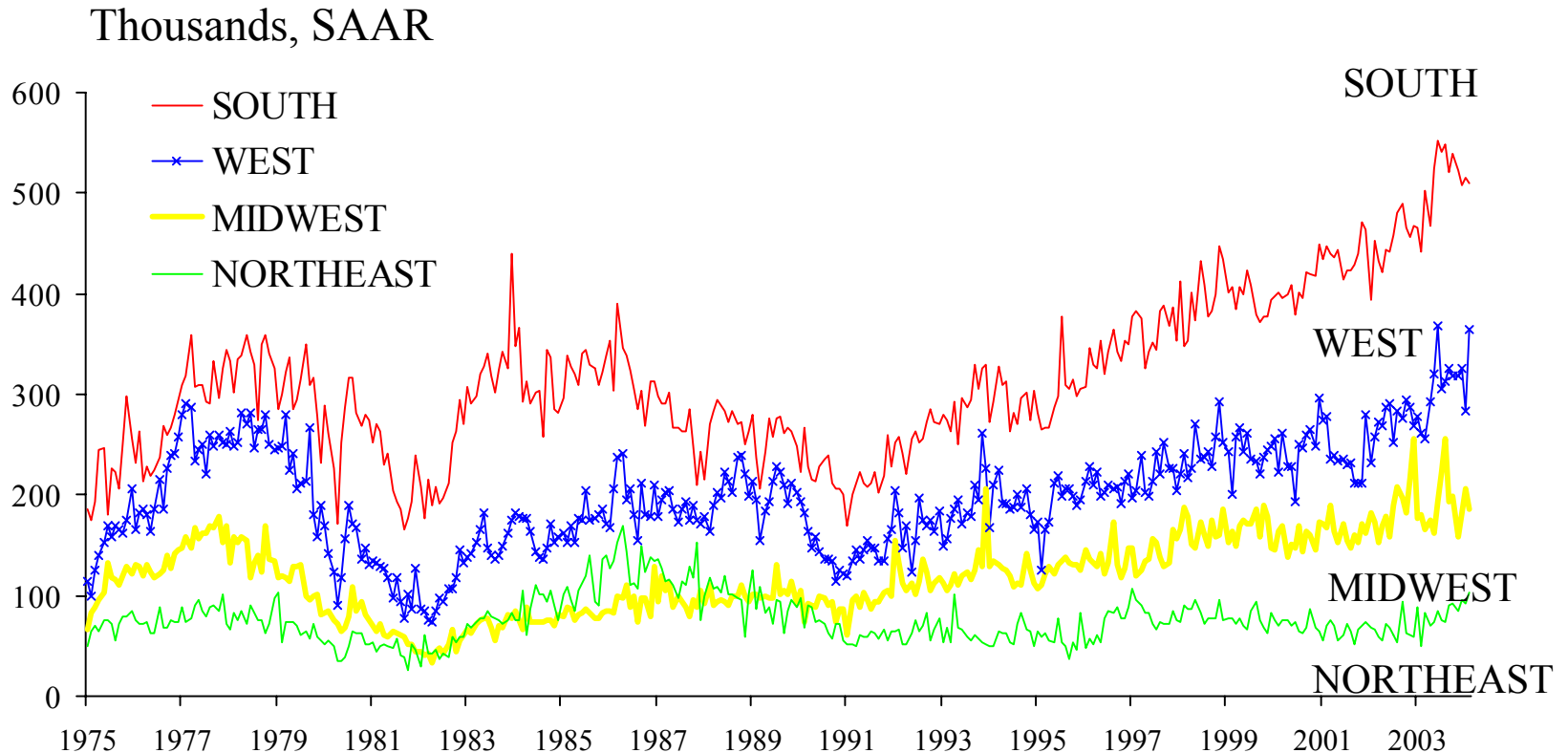
New One-Family Homes Sold

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

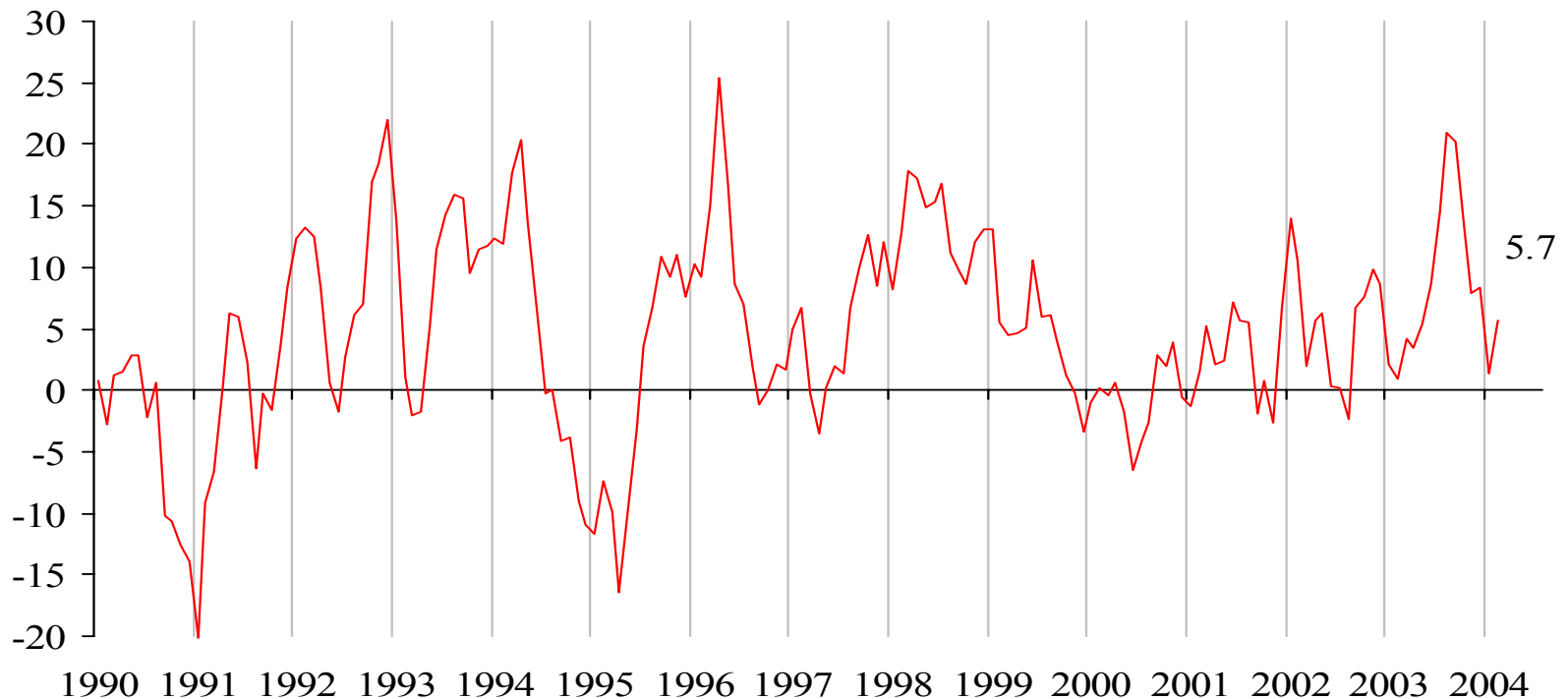
New Homes Sold by Region



Source: Census Bureau

Existing One-Family Homes Sold

Year-over-Year, Percent Change, SAAR



Source: National Association of Realtors

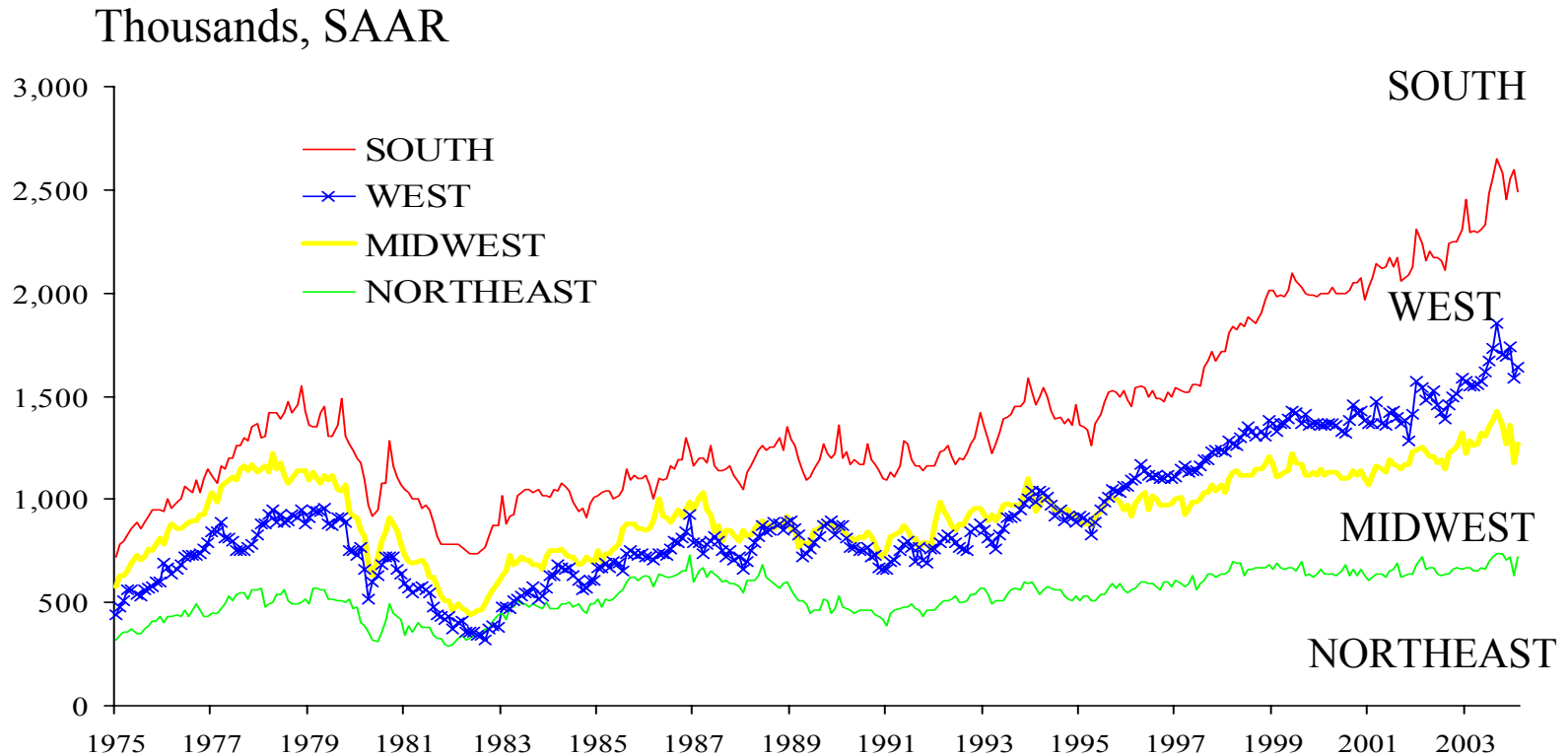
Existing One-Family Homes Sold

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

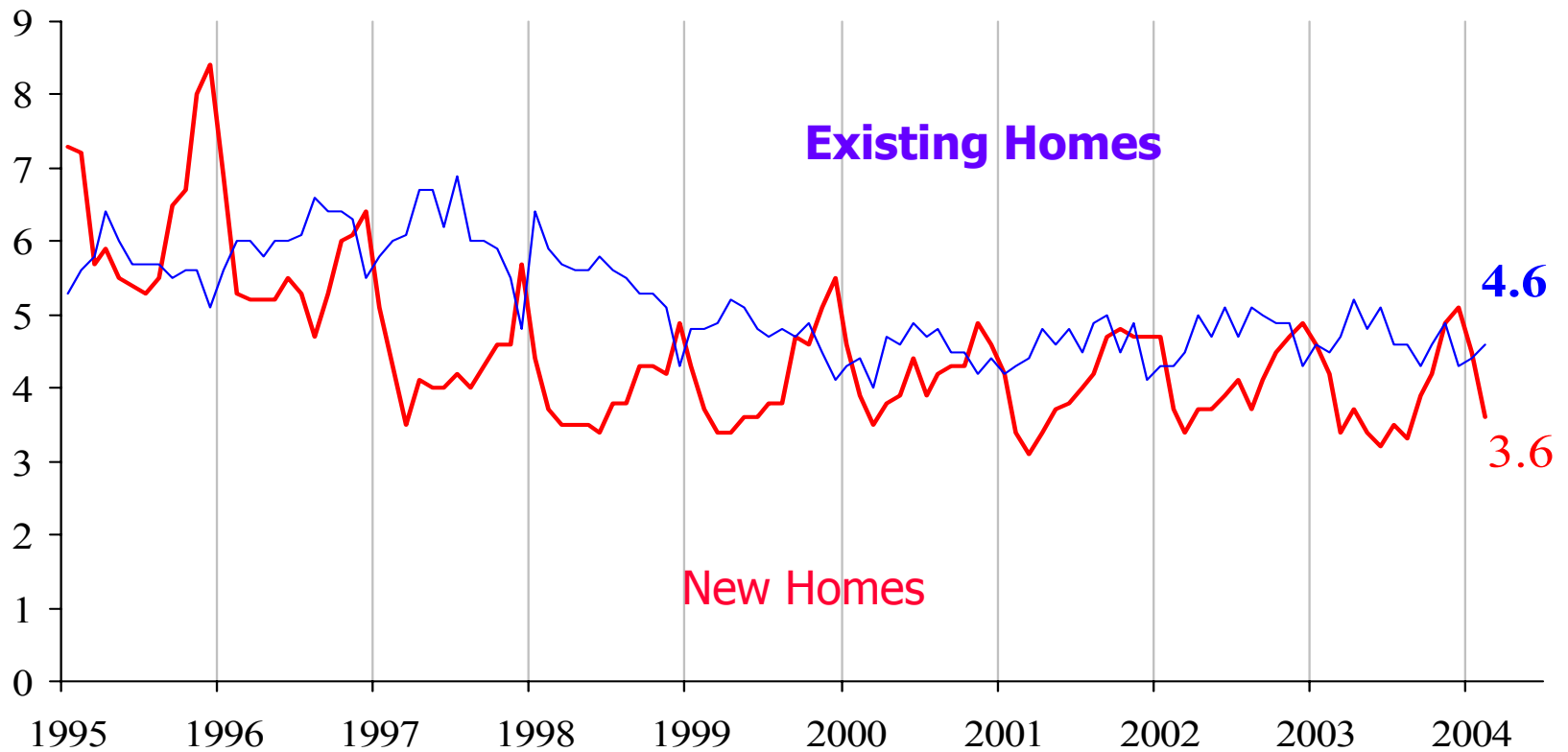
Source: National Association of Realtors

Existing Homes Sold by Region



Source: National Association of Realtors

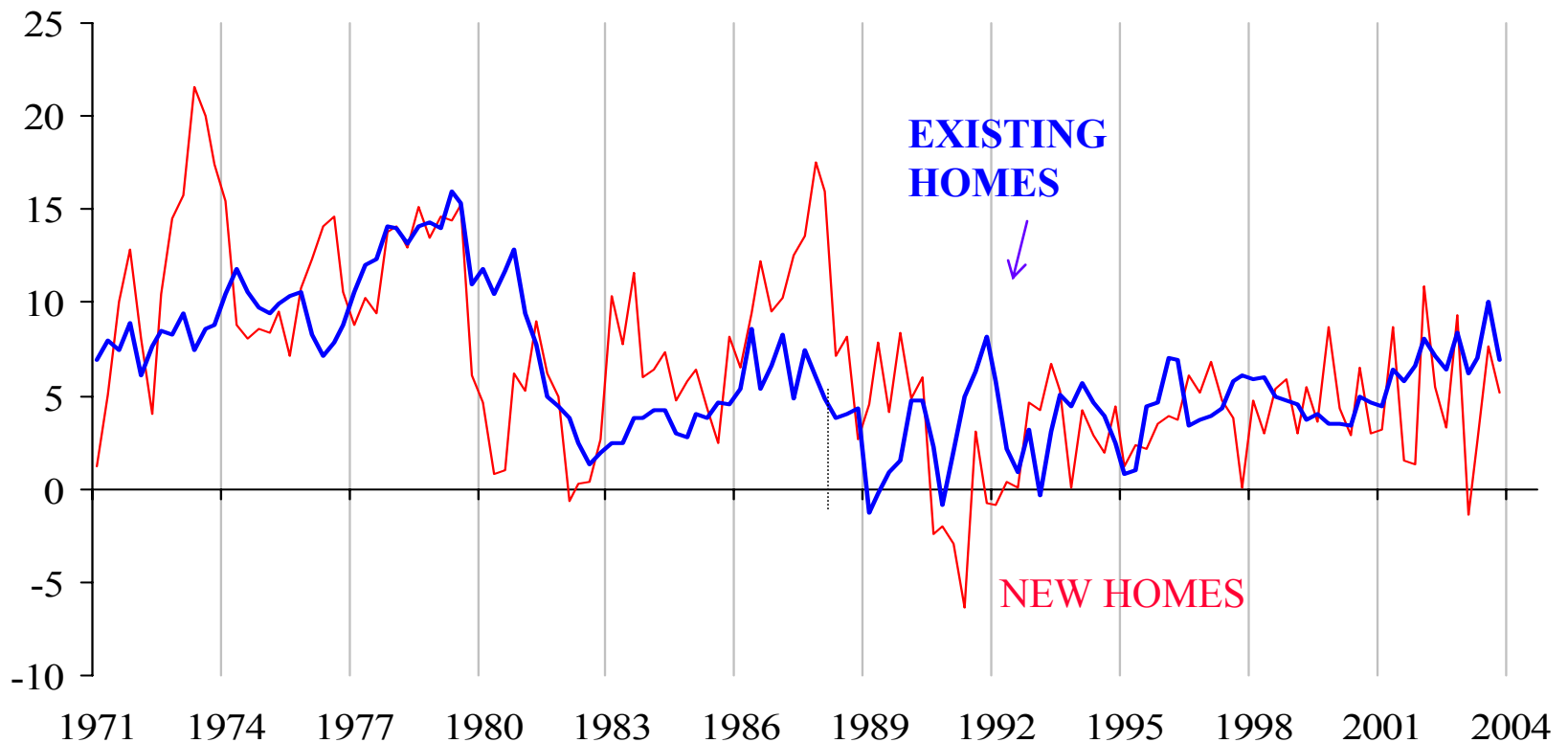
Months' Supply of One-Unit Homes



Source: Census Bureau and NAR

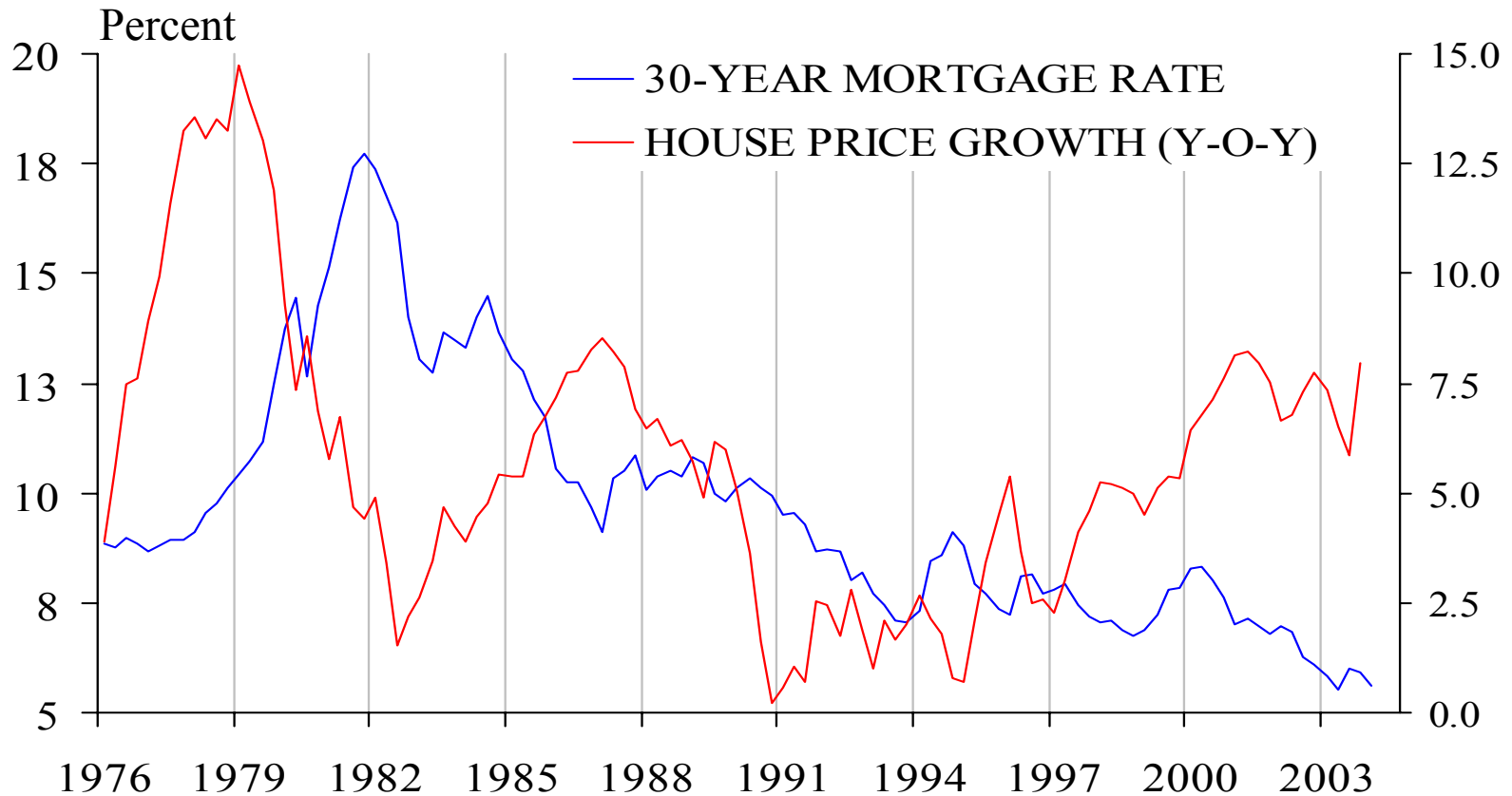
One-Family Home Median Sales Price

Year-over-Year, Percent change



Source: Census Bureau; National Association of Realtors

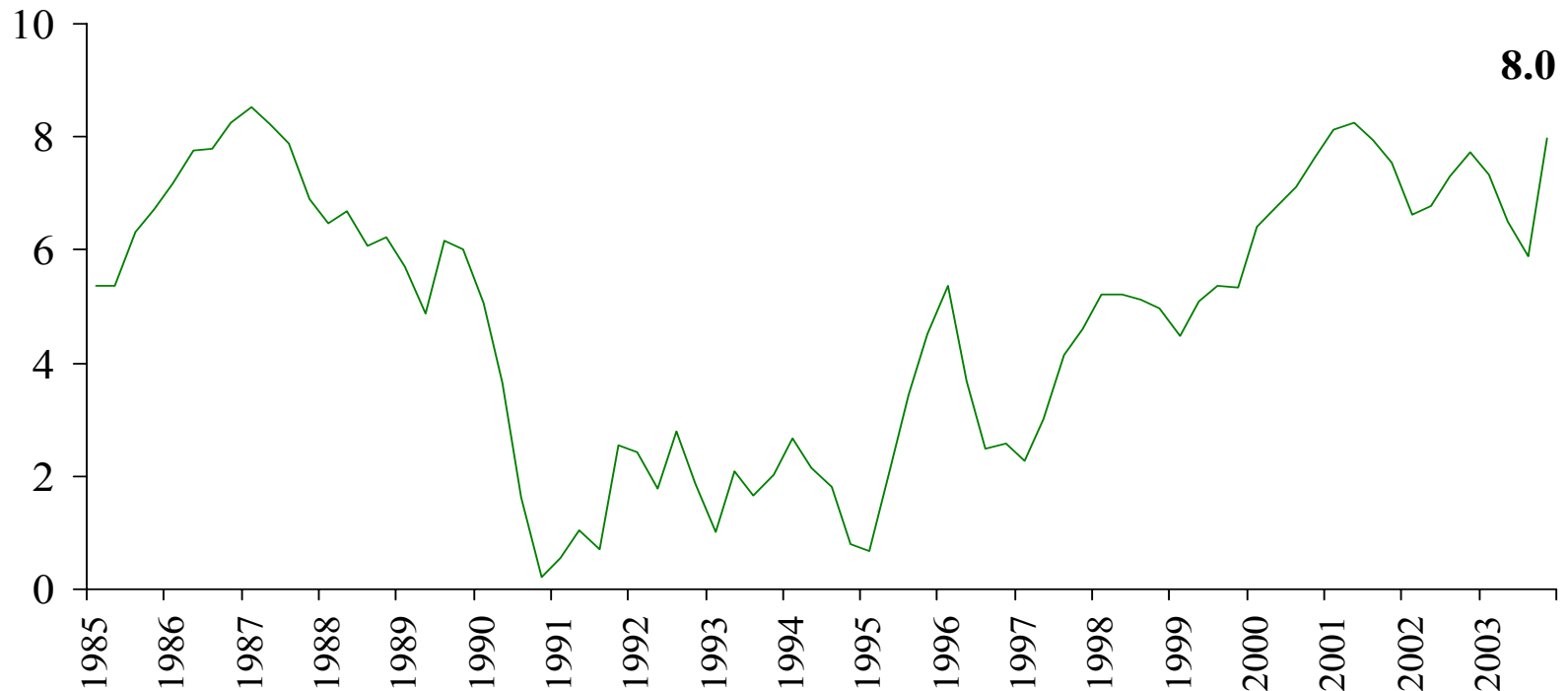
Mortgage Rate and House Price



Source: Office of Federal Housing Enterprise
Oversight and Freddie Mac

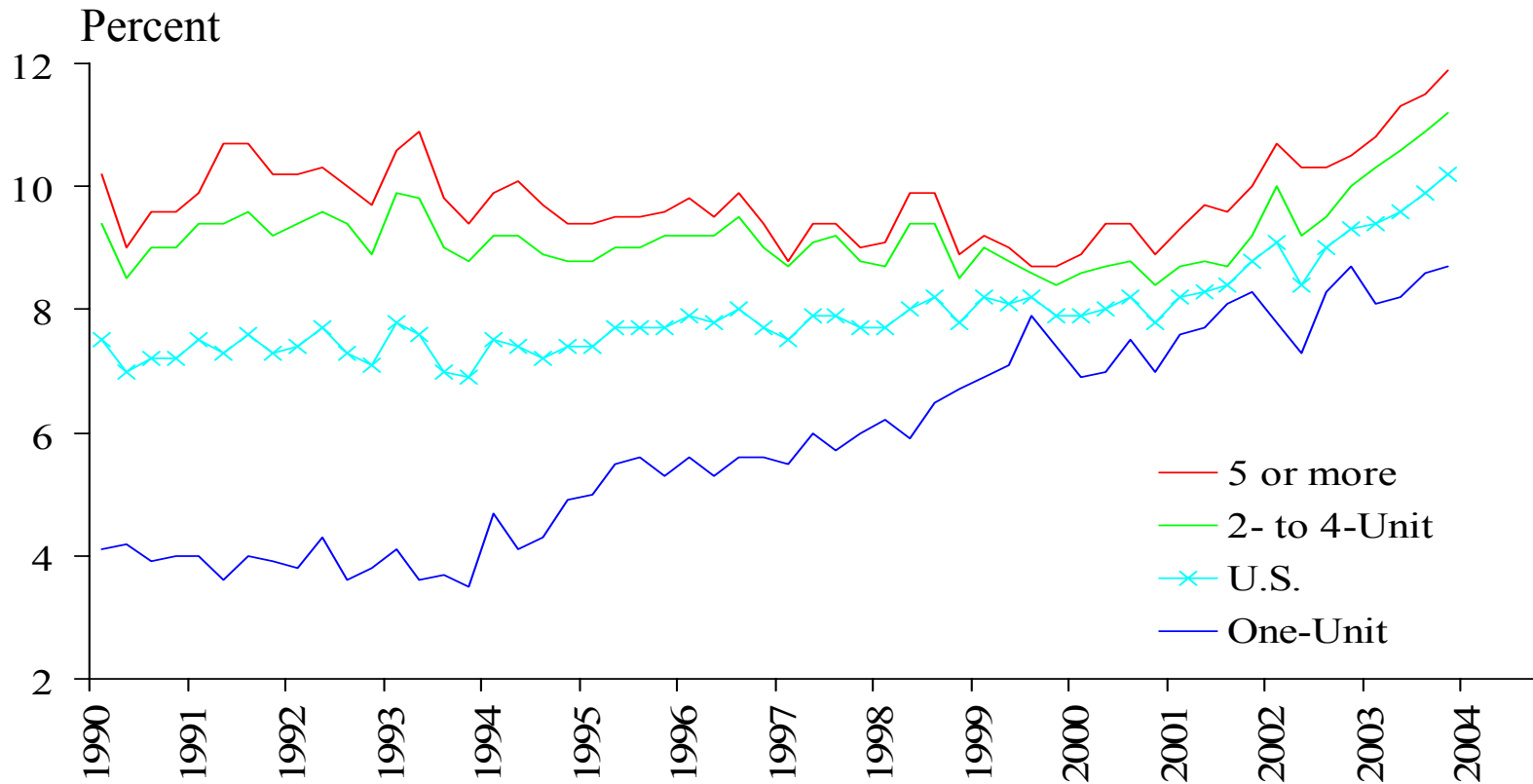
Conventional House Price Index

Year-over-Year, Percent Change



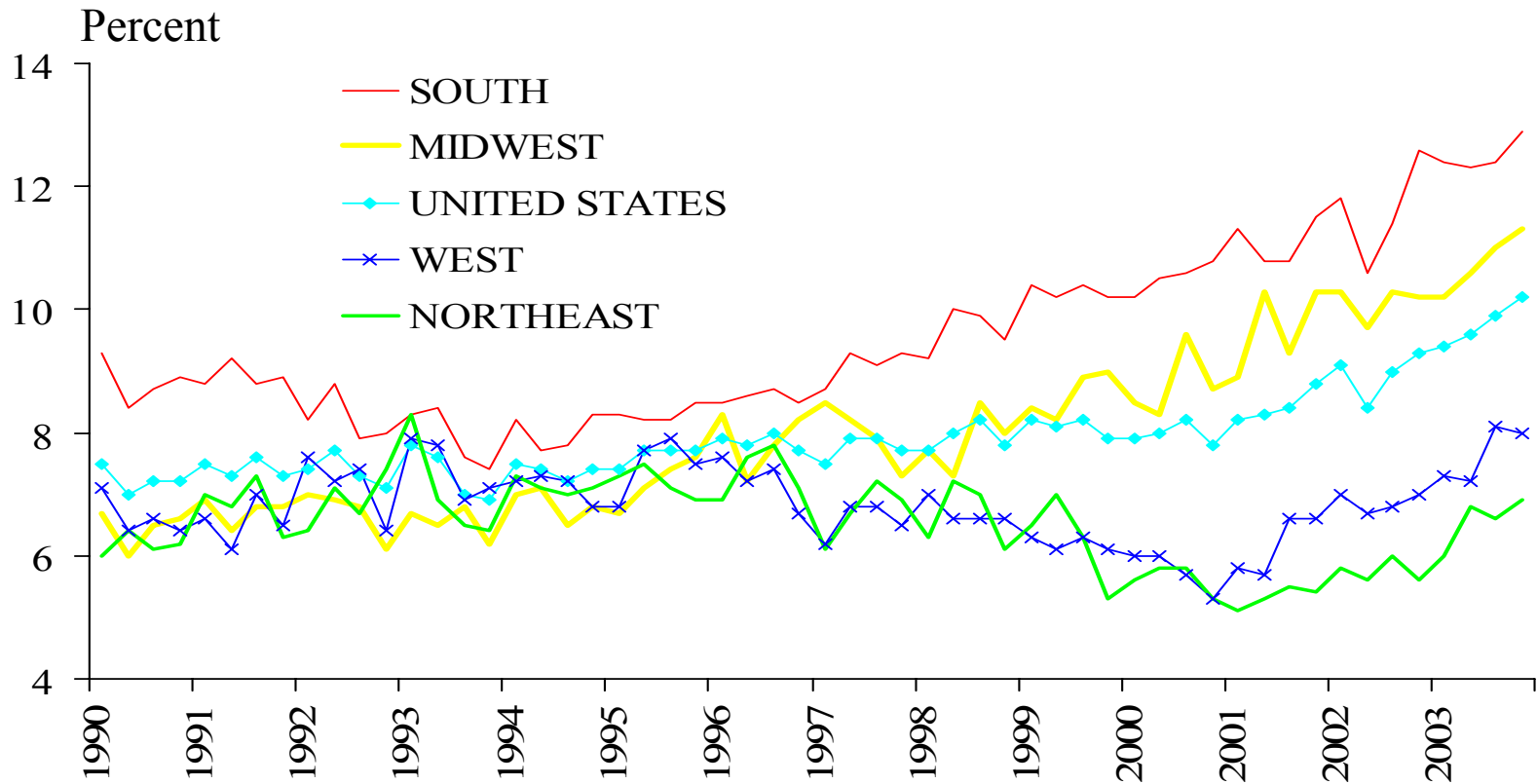
Source: OFHEO

Rental Vacancy Rates



Source: Census Bureau

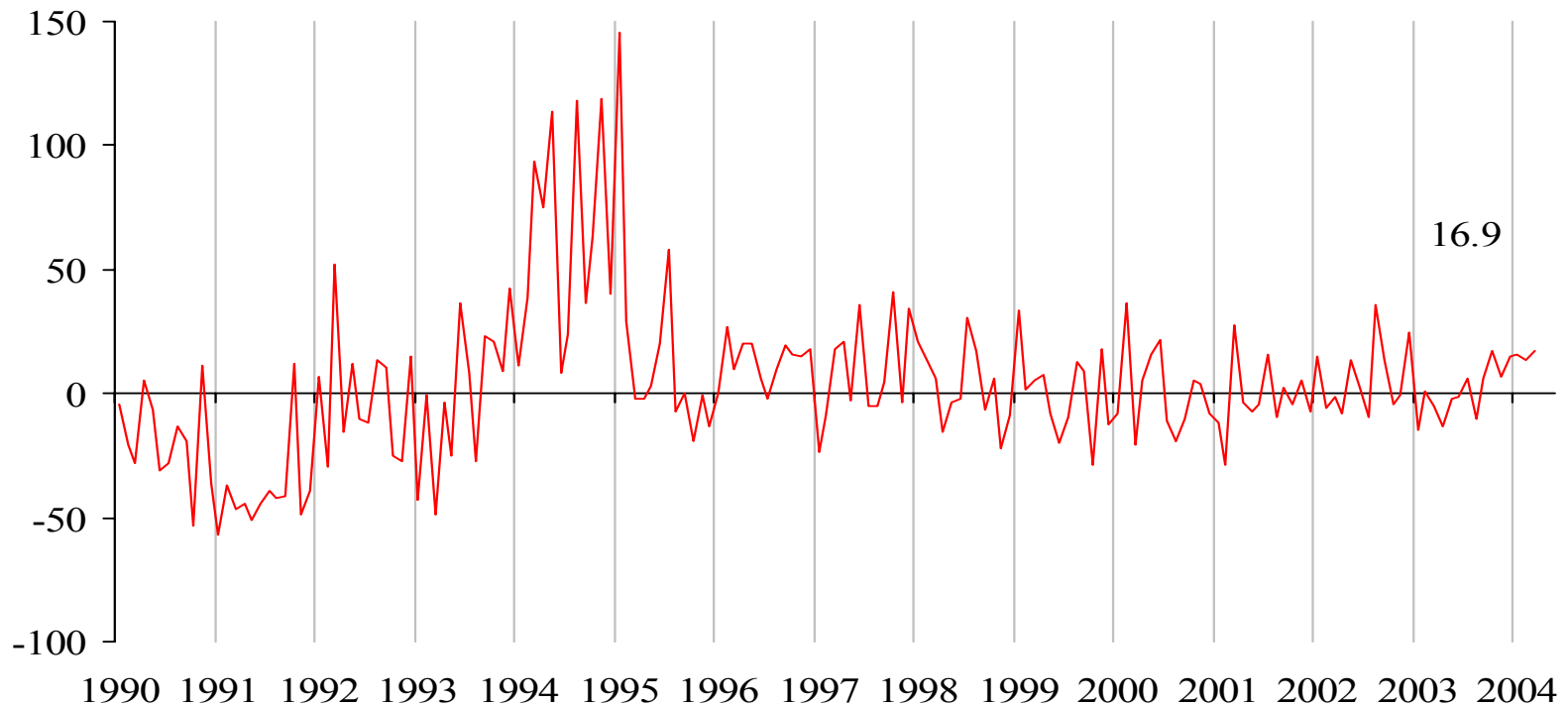
Rental Vacancy Rate by Region



Source: Census Bureau

Multi-Family Housing Starts

Year-over-Year, Percent Change, SAAR

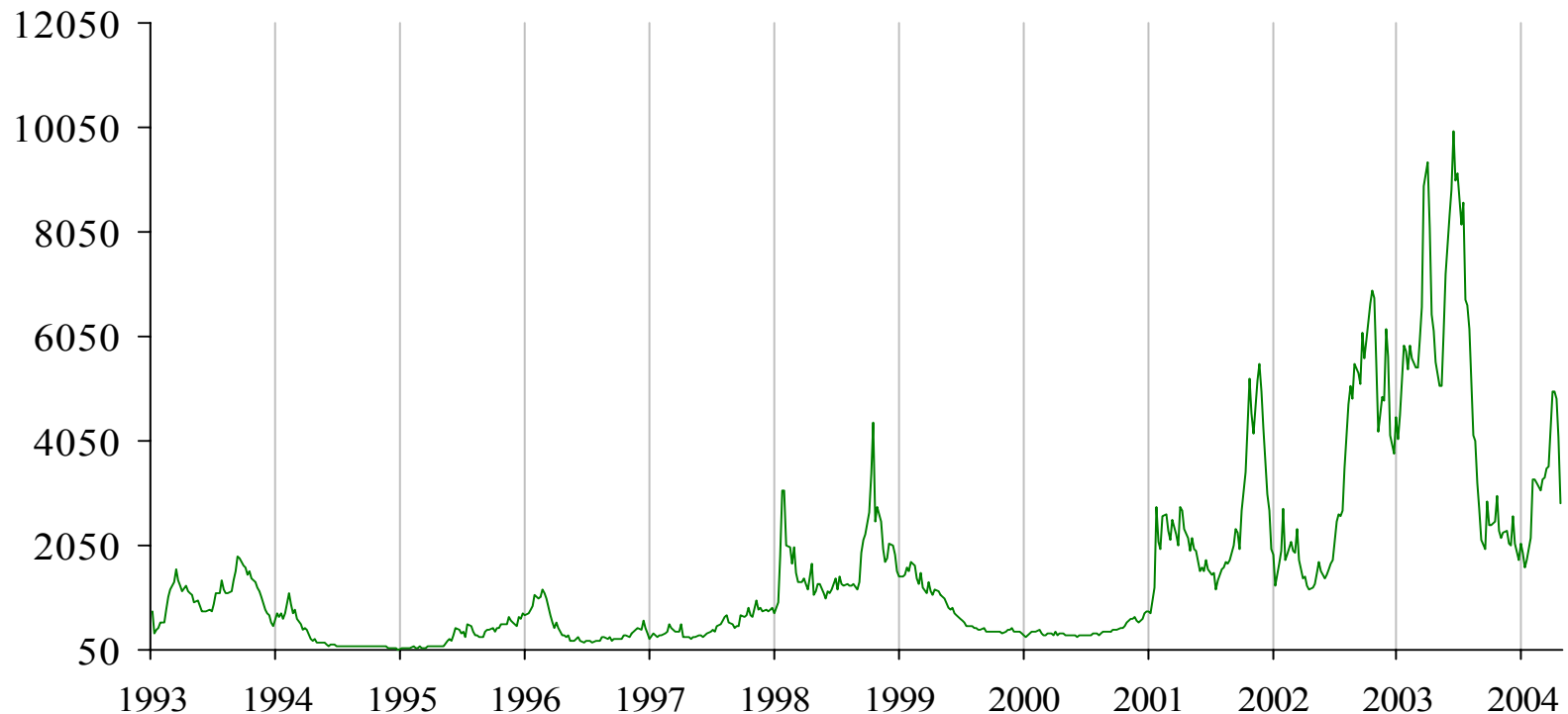


Source: Census Bureau

Household Finance

Refinance Mortgage Index

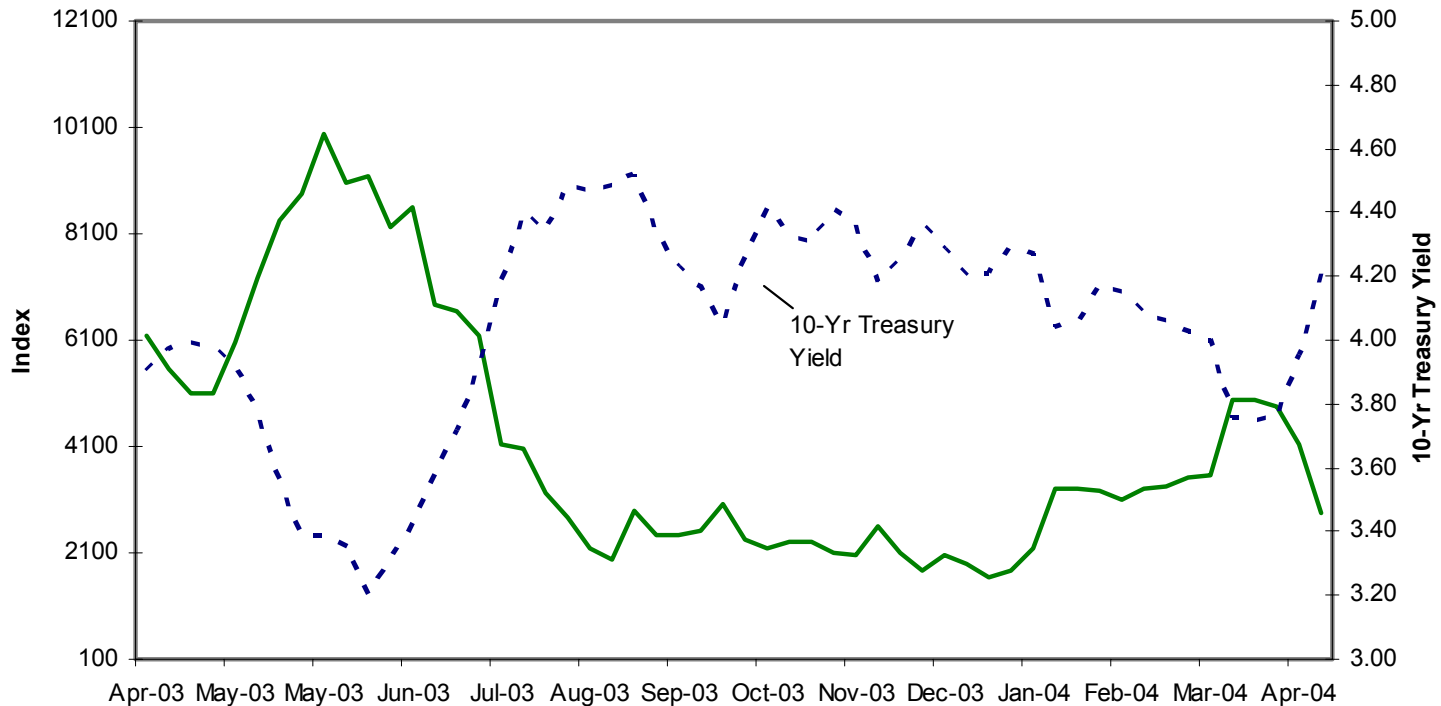
March 1990=100, Seasonally Adjusted



Source: MBA Weekly Mortgage Applications Survey

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

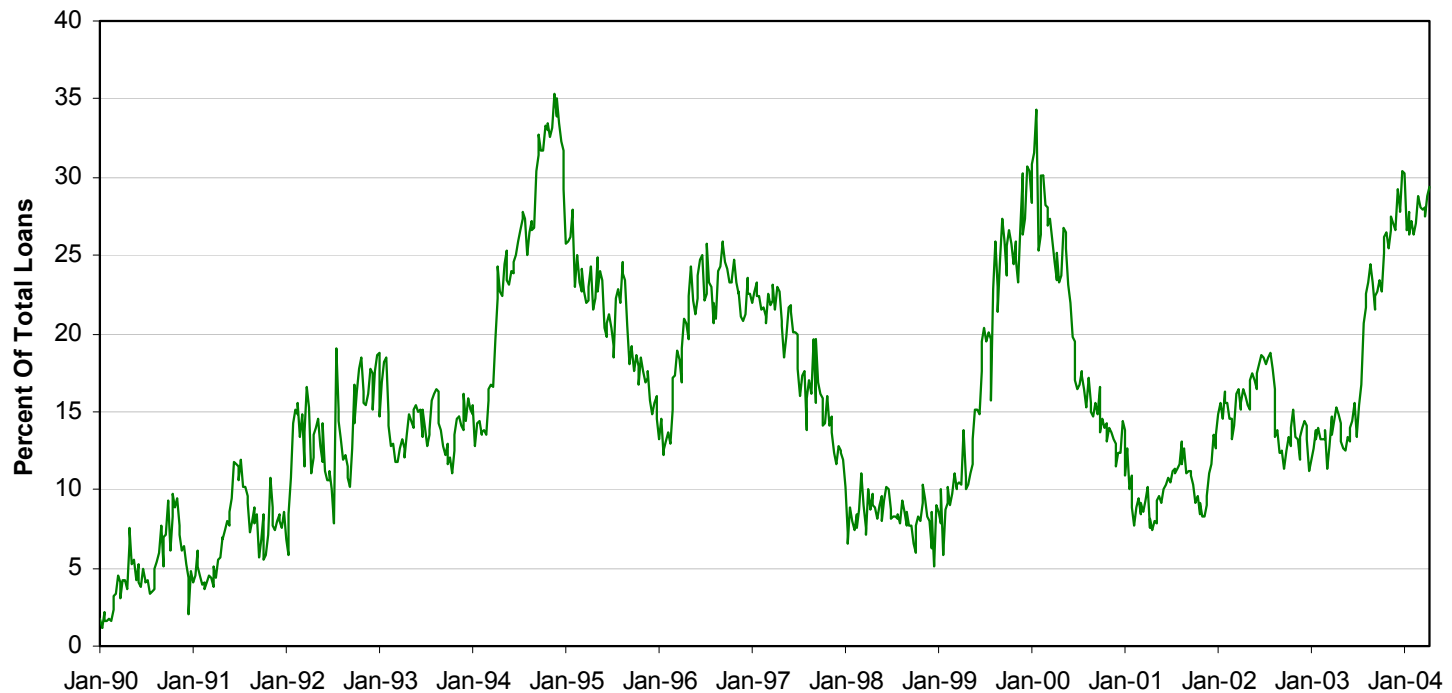
April 2003 to present



Source: Mortgage Bankers Association

Weekly Applications Survey ARM Composition

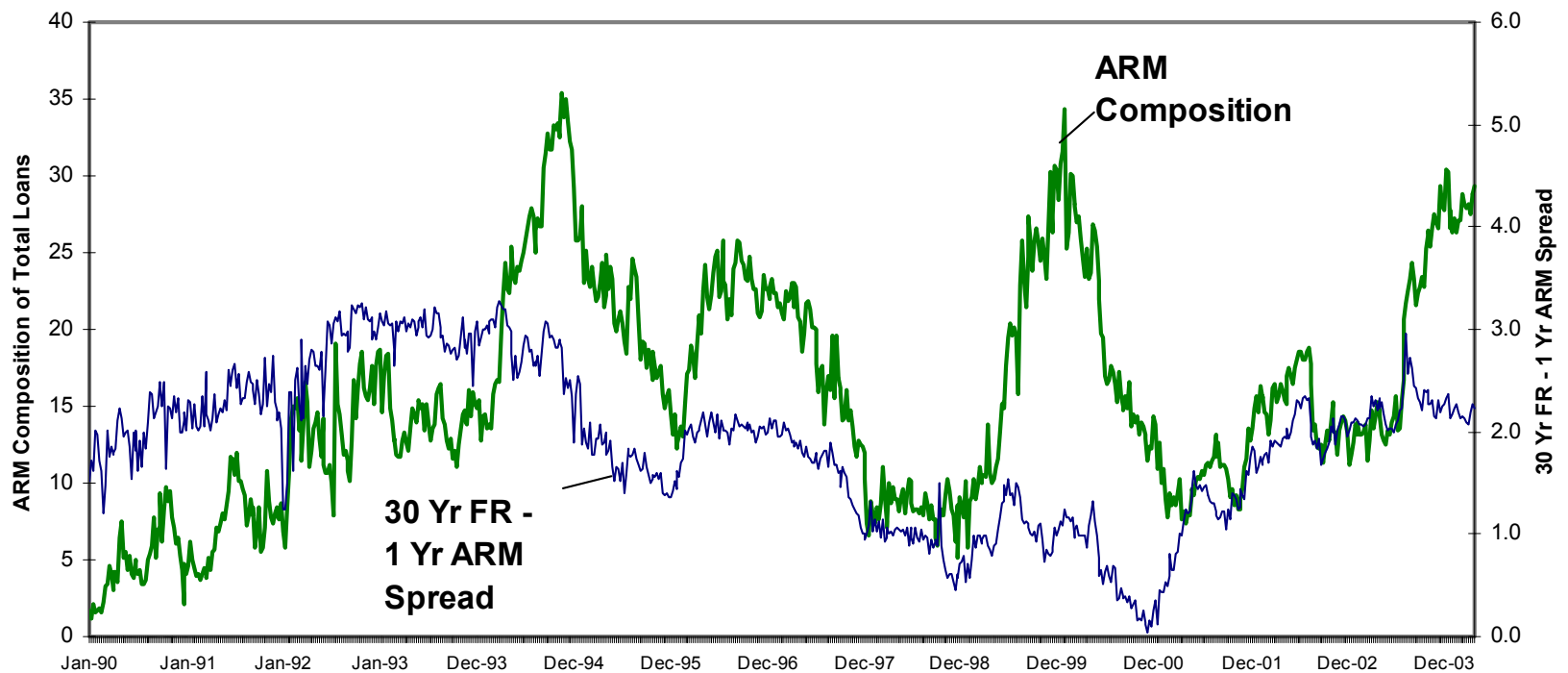
1990 to Present



Source: Mortgage Bankers Association

Weekly Applications Survey ARM Composition

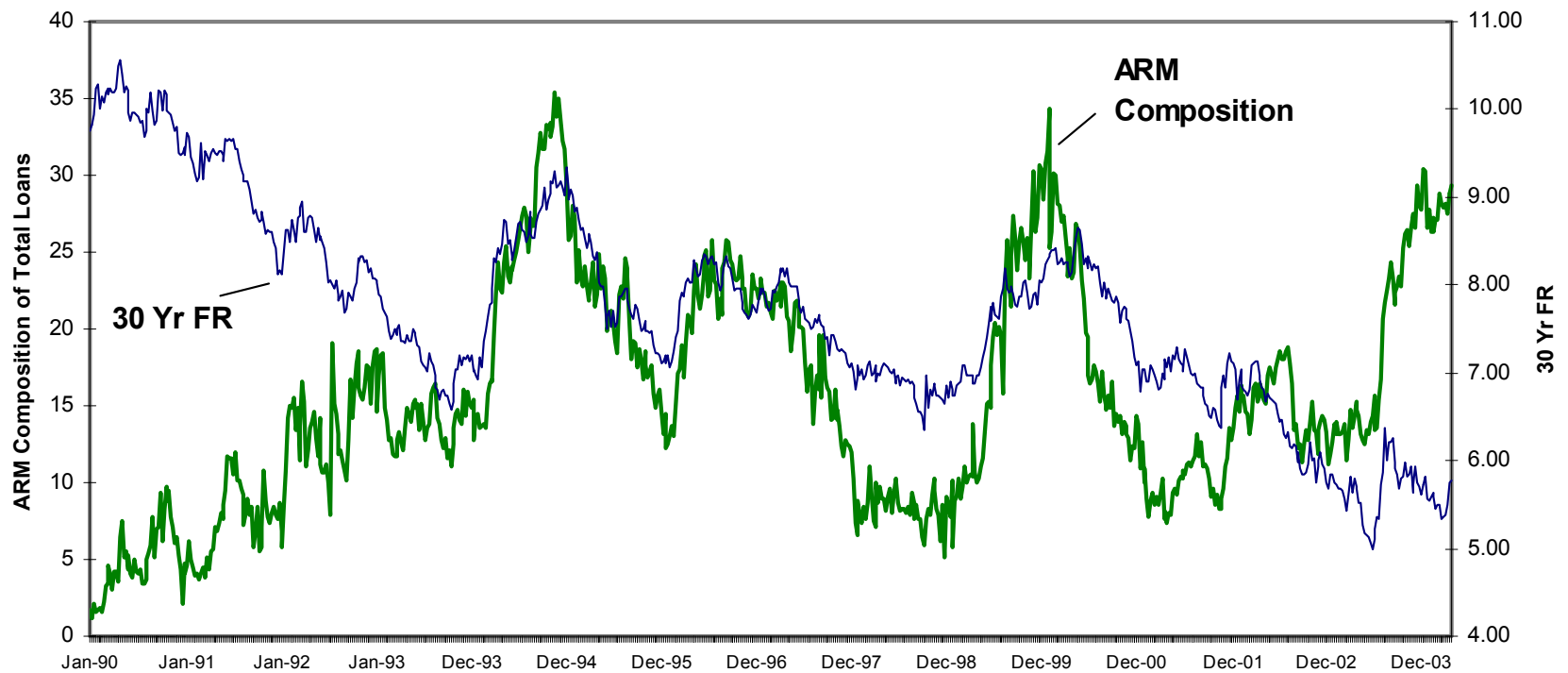
1990 to present



Source: Mortgage Bankers Association

Weekly Applications Survey ARM Composition

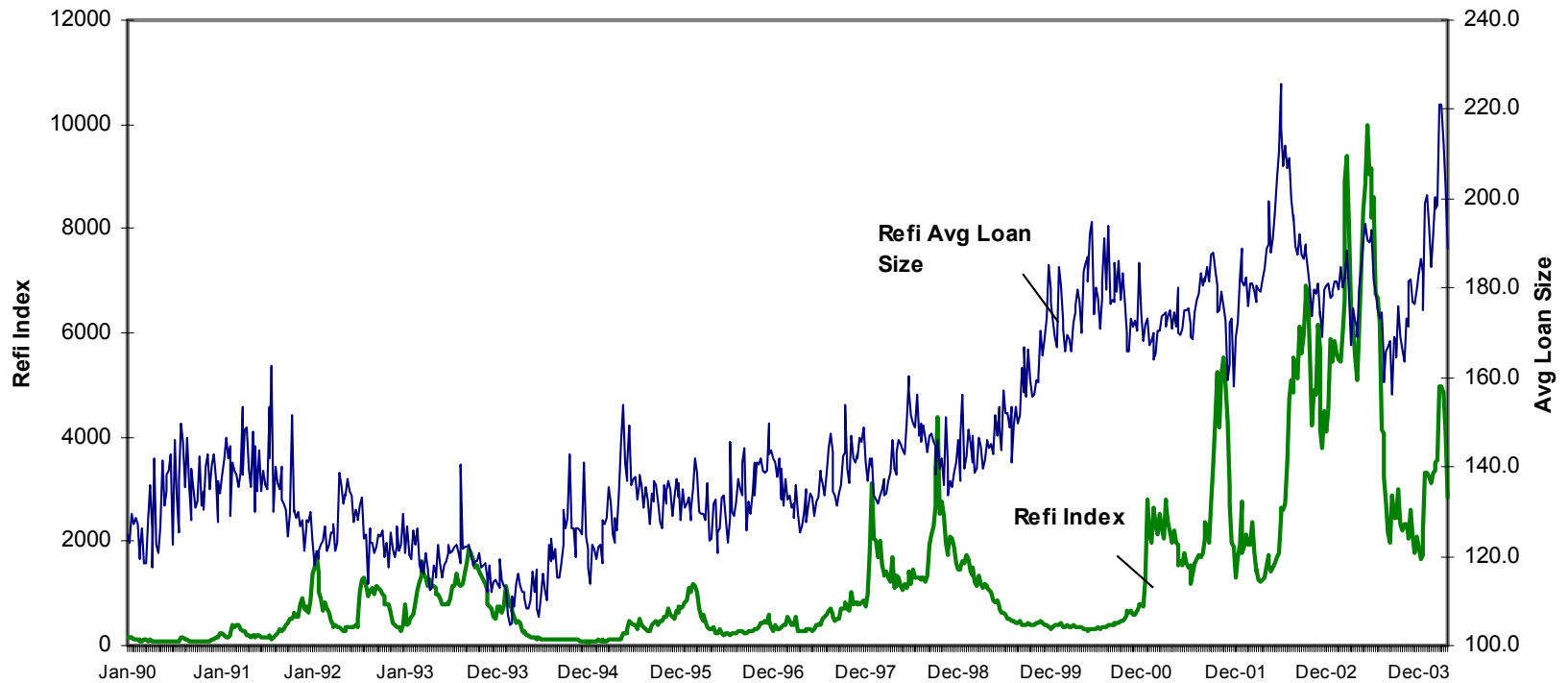
1990 to present



Source: Mortgage Bankers Association

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

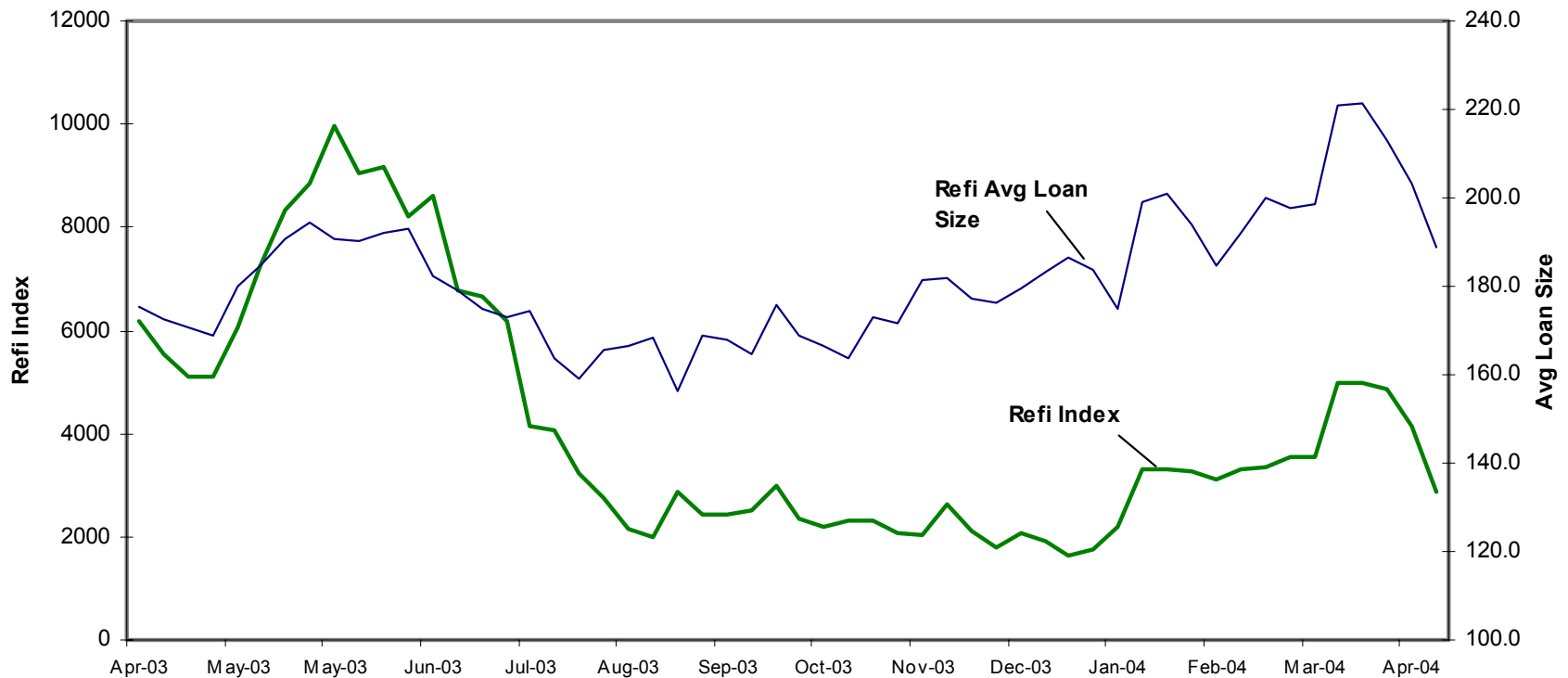
1990 to present



Source: Mortgage Bankers Association

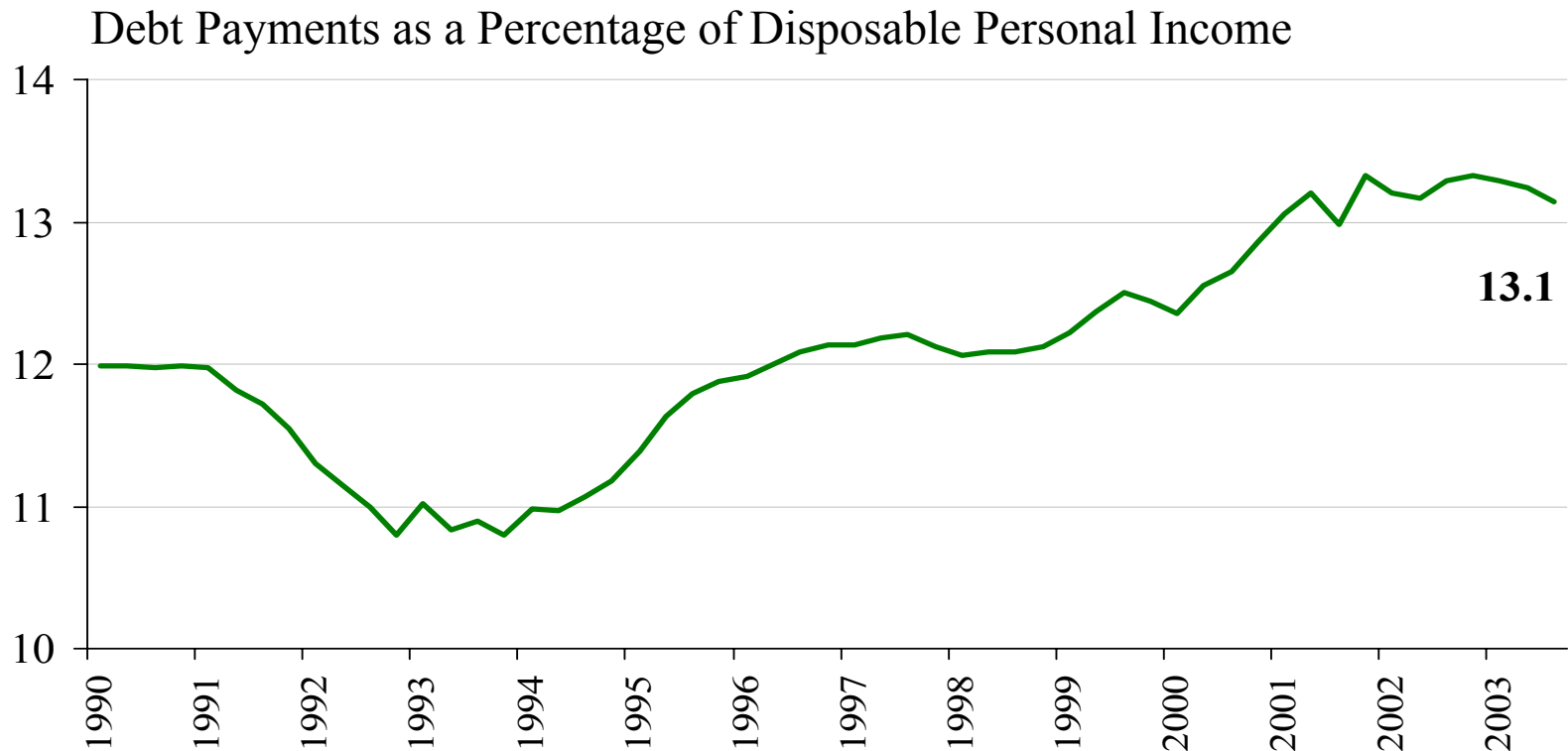
Weekly Applications Survey Refinance Index And Average Loan Size (\$ 000): 1 Year Snapshot

April 2003 to present



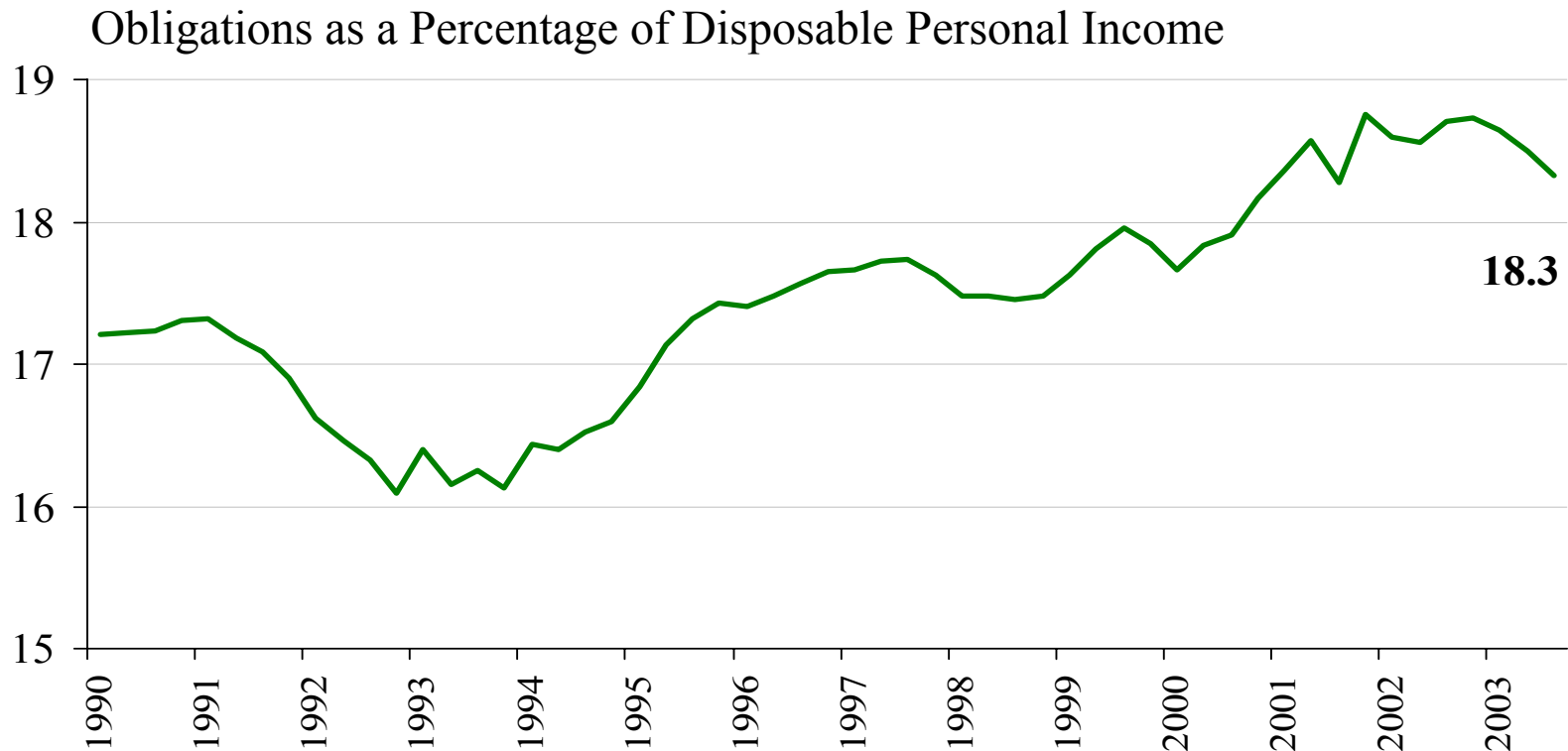
Source: Mortgage Bankers Association

Household Debt Service Ratio



Source: Federal Reserve Board

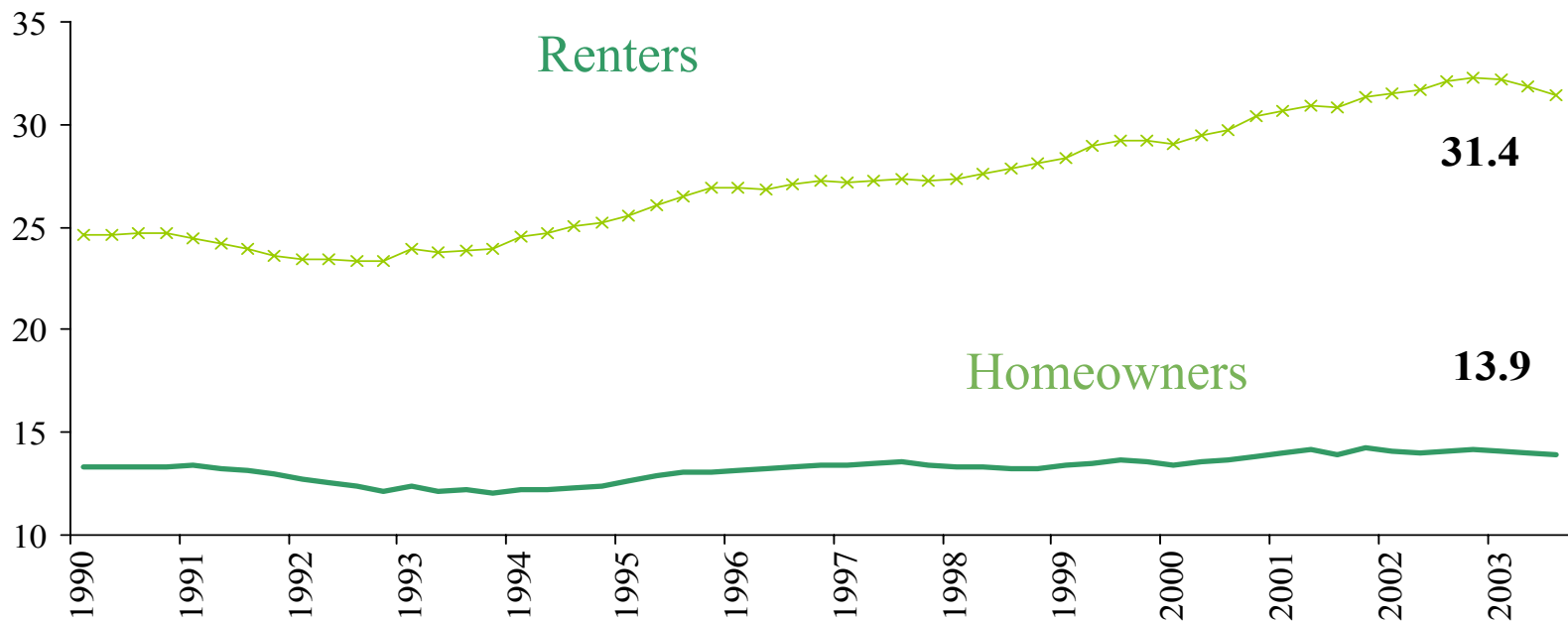
Overall Financial Obligations Ratio



Source: Federal Reserve Board

Financial Obligations Ratio

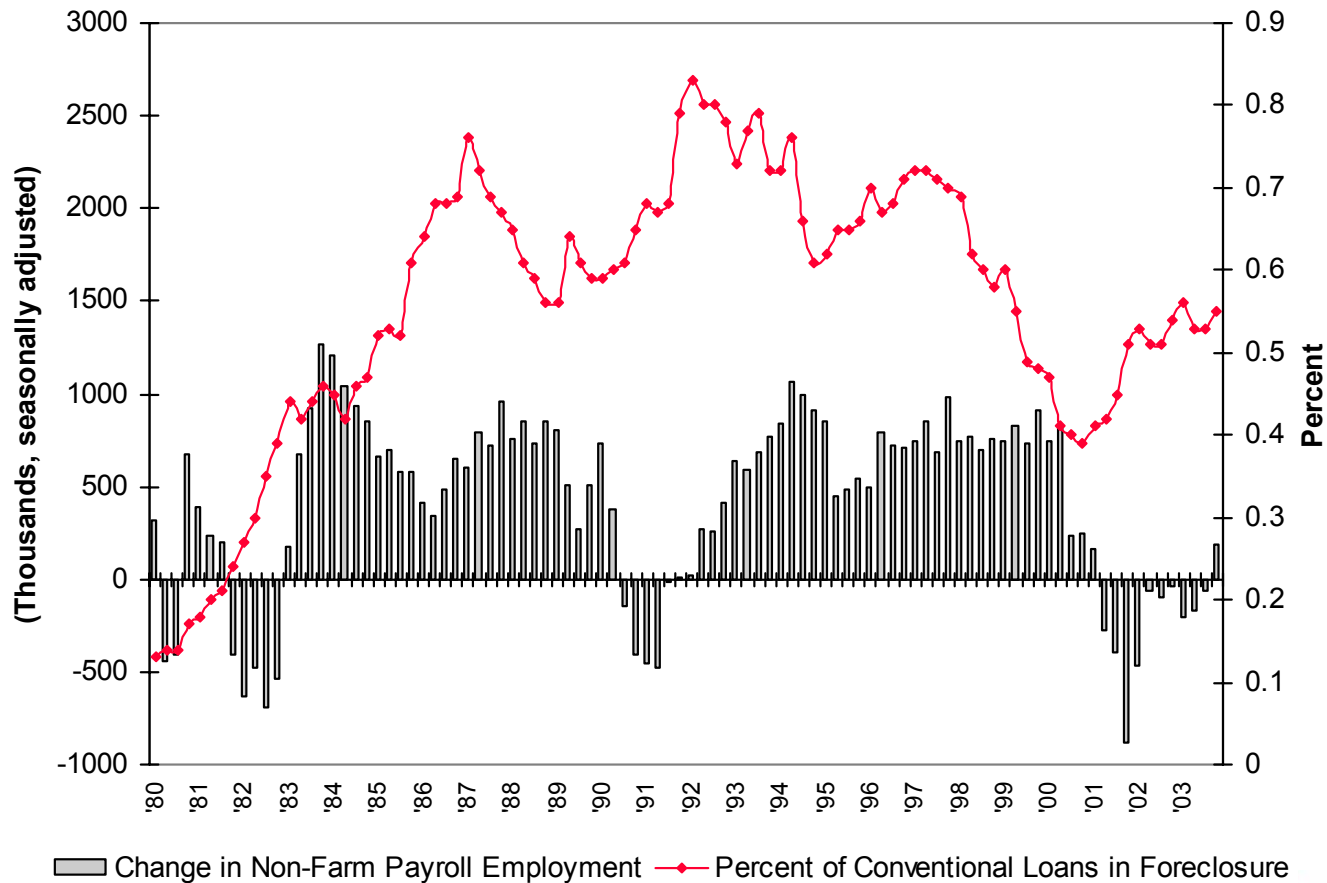
Obligations as a Percentage of Disposable Personal Income, SA



Source: Federal Reserve Board

Loan Quality

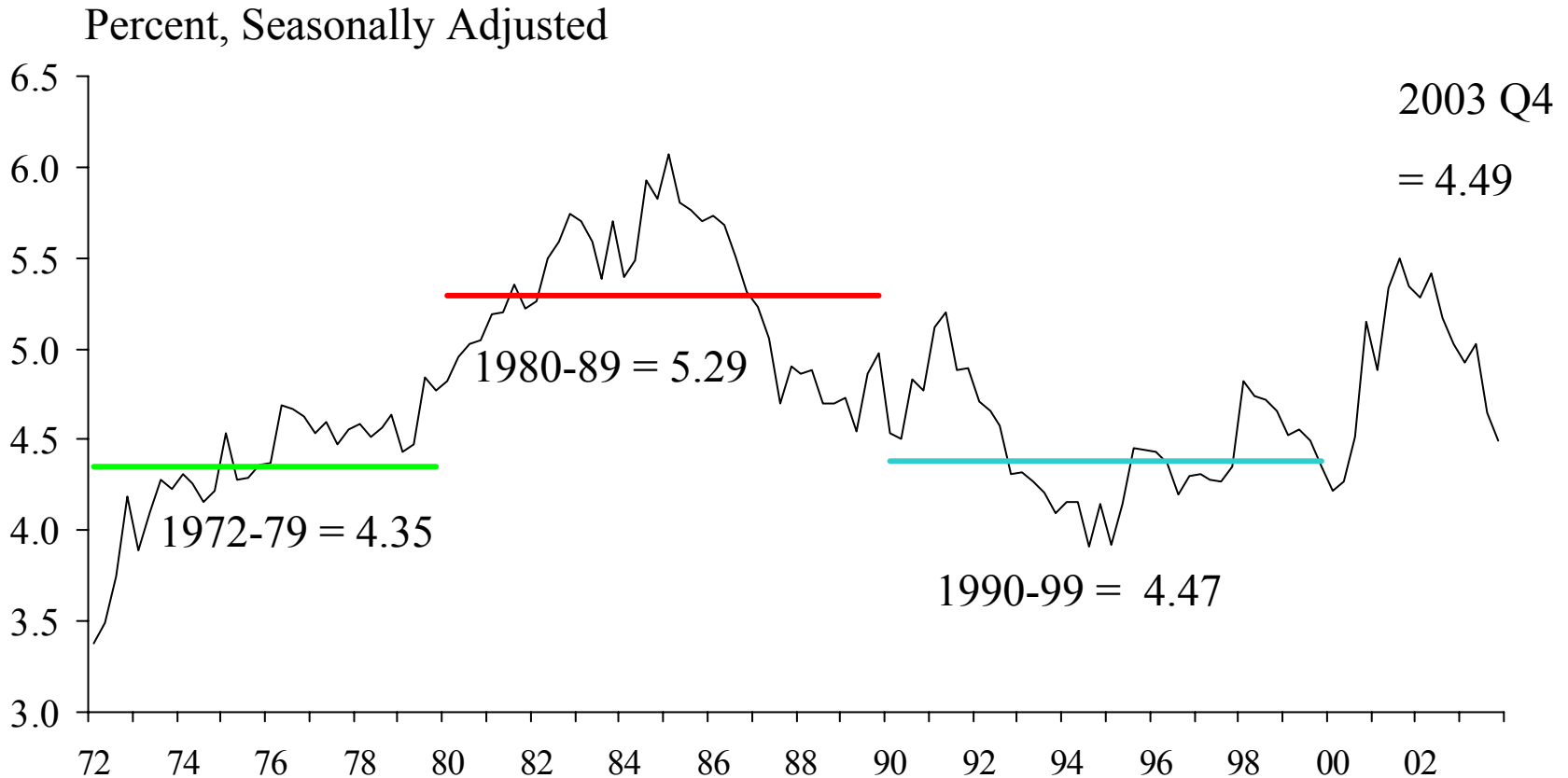
Job Losses are a Strong Indicator of the Foreclosure Rate



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

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

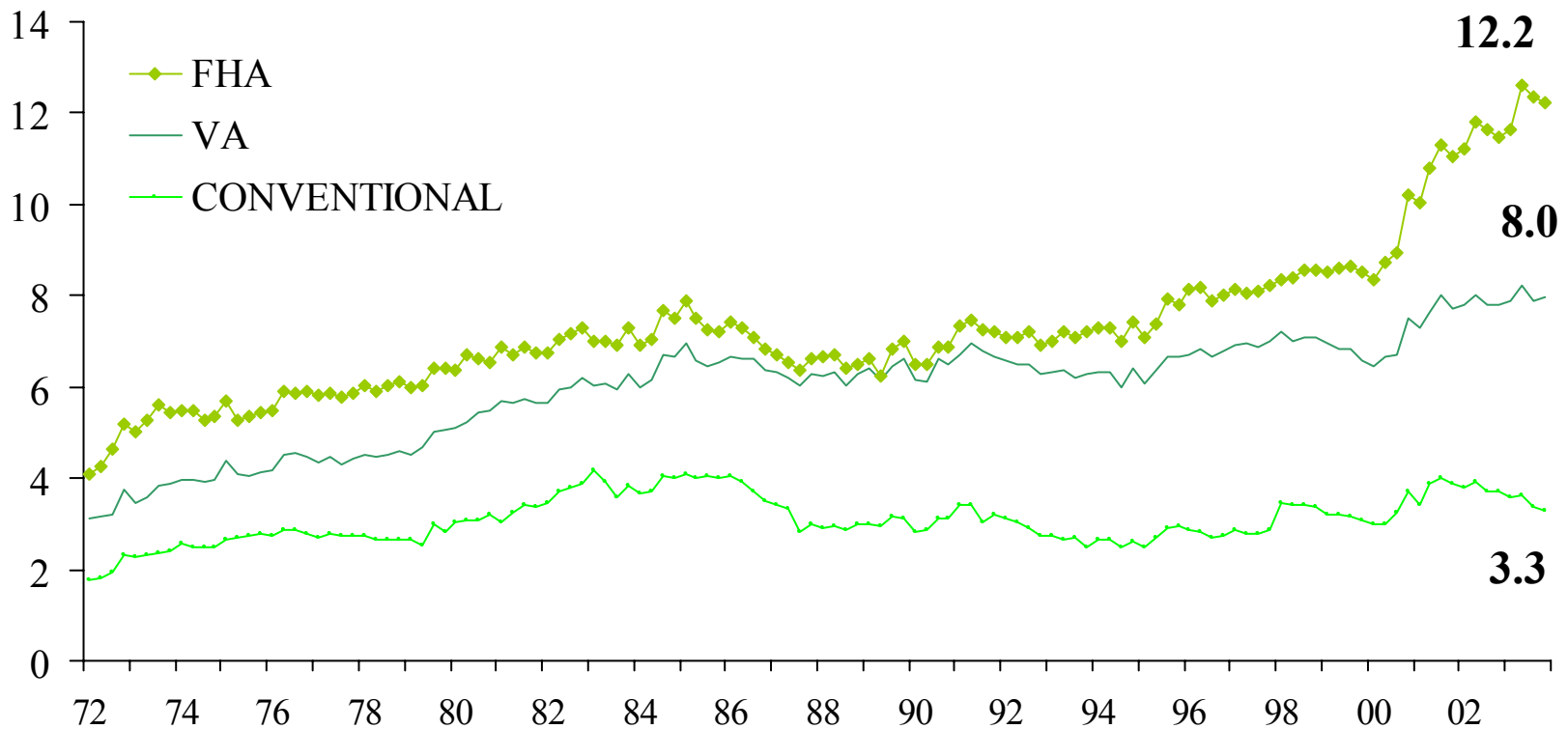
Mortgage Delinquency Rate



Source: MBA National Delinquency Survey

Delinquency Rate by Loan Type

Percent, Seasonally Adjusted



Source: MBA National Delinquency Survey