

State of the U.S. Housing Market European Federation of Building Societies XV European Congress

Doug Duncan, Ph.D.

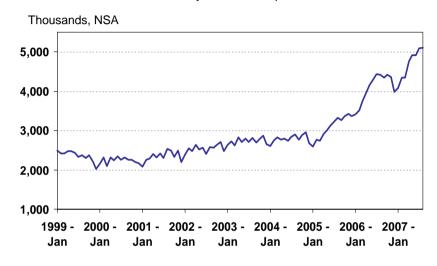
Senior Vice President and Chief Economist

Mortgage Bankers Association

How Many Homes Are Available For Sale?

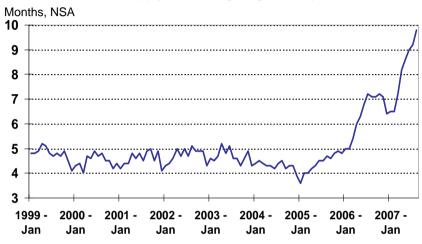


Inventory of Total Properties



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

Months' Supply of Existing Single-Family Homes



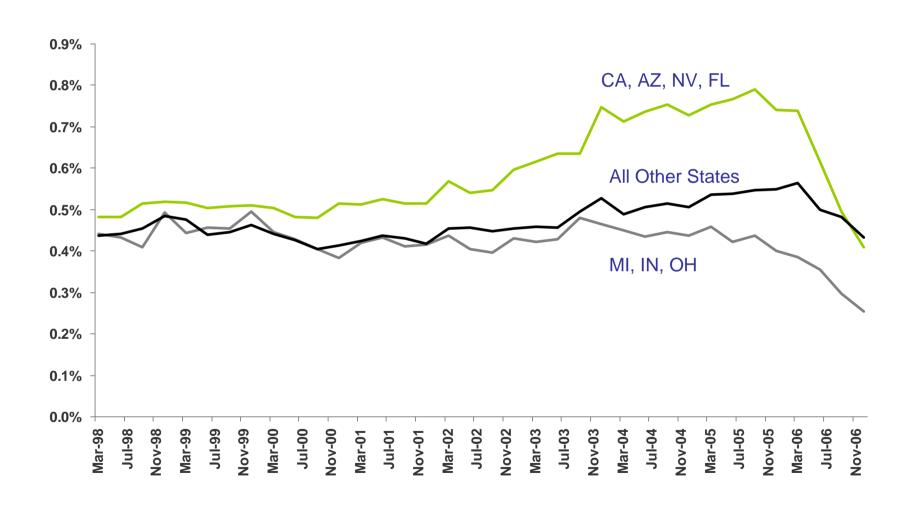
Source: National Association of Realtors



Source: Census Bureau

Housing Starts Per Capita





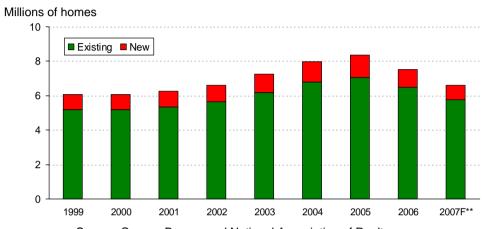
Source: The Federal Reserve Bank of New York and Economy.com

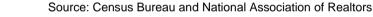
How Many Homes Are Sold?





Total Single-family Home Sales by Region





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

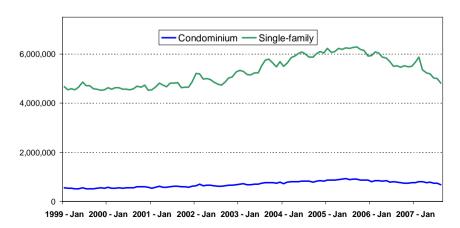
Forecast 13.1% decline from 2006 to 2007 in terms of total sales.

Thousands, SAAR 3,500 2,500 2,500 1,500 1,000 1,000

Source: Census Bureau and National Association of Realtors

1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006

Existing Home Sales: Single-Family versus Condos



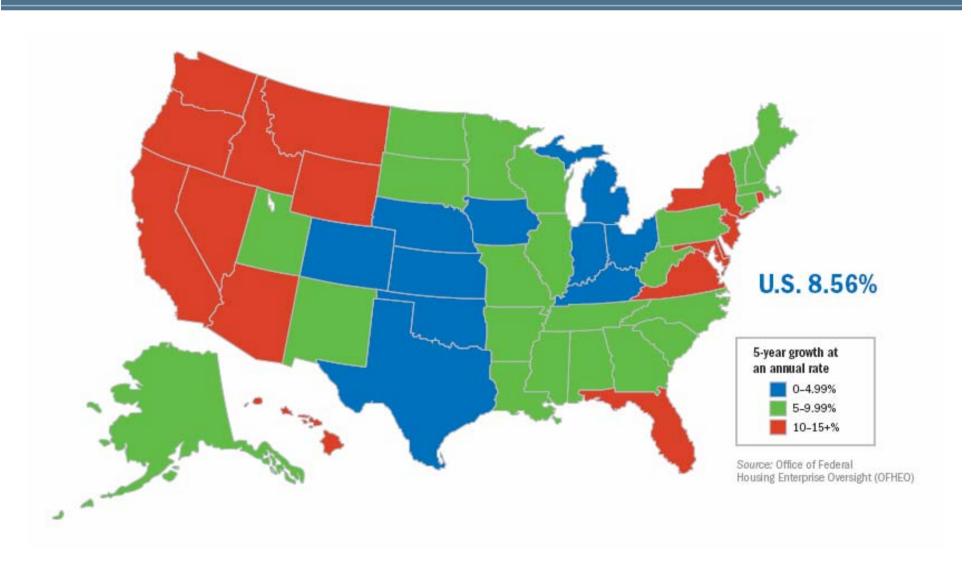
Source: National Association of Realtors

^{**}F Forecast

5-Year Average Home Price Growth, Yearly:

2002Q2 to 2007Q2



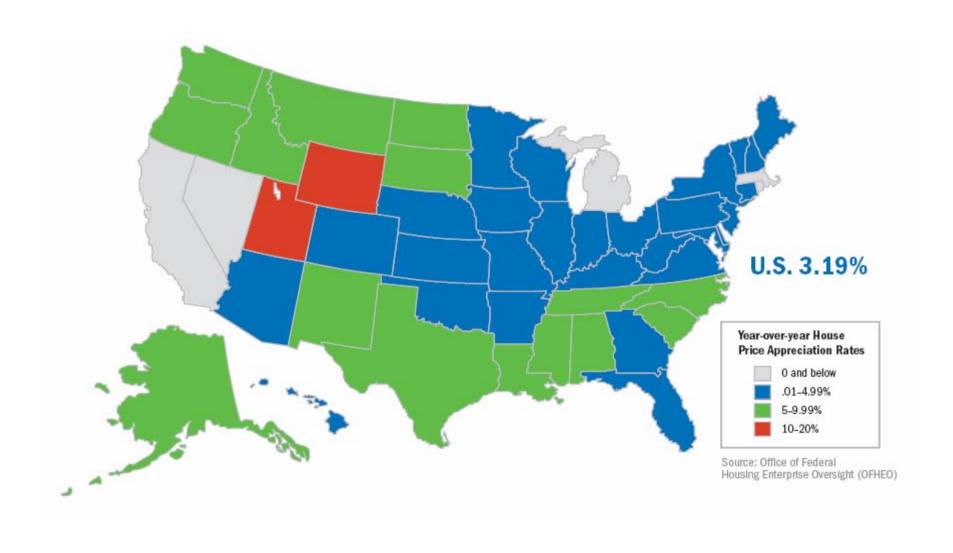


Source: Office of Federal Housing Enterprise Oversight

State-Level Home Price Growth Rate:

2006Q2 to 2007Q2





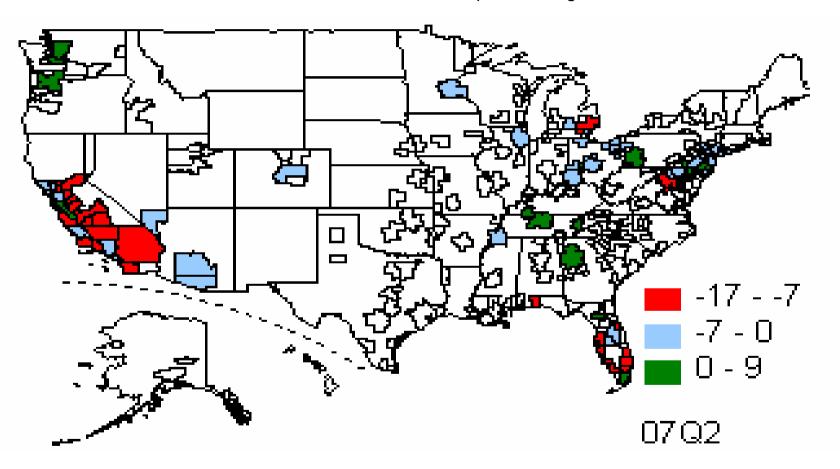
Source: Office of Federal Housing Enterprise Oversight

Case-Shiller House Price Index for Selected MSAs: 2007Q2

National Home Price declined 3.2 percent from a year ago



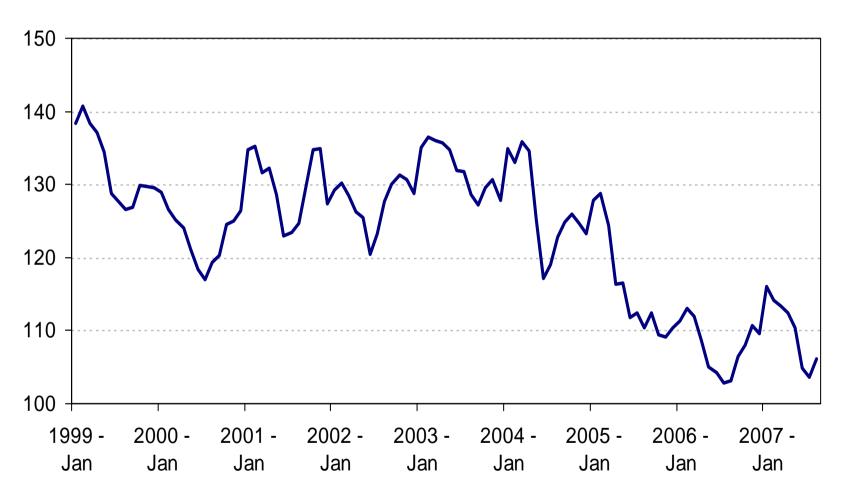
Year-over-Year Home price Change



Source: Fiserv Lending Solutions

Housing Affordability Composite Index



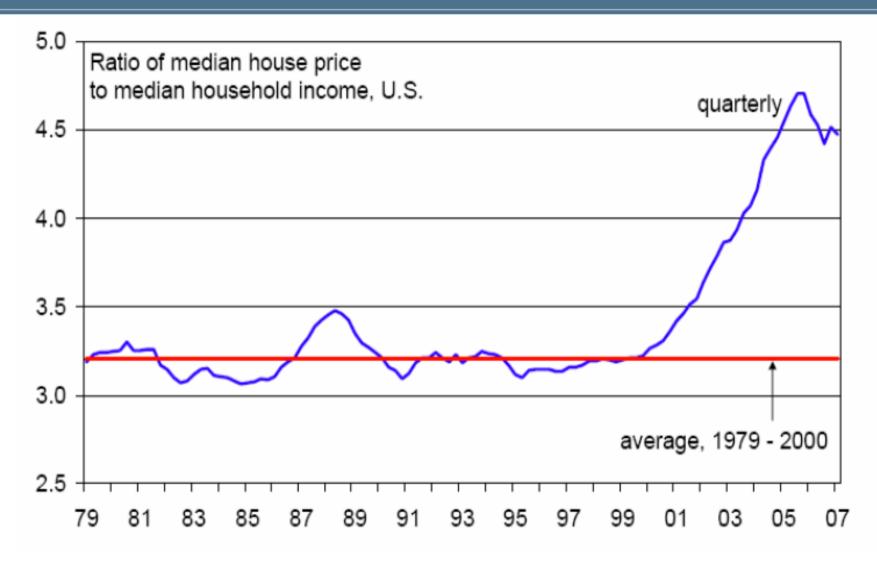


Index = 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home.

Source: National Association of Realtors

Affordability Deteriorated during the Housing Boom





Source: National Association of Realtors and the Census Bureau

30-Year Fixed Rate Mortgage Yield*





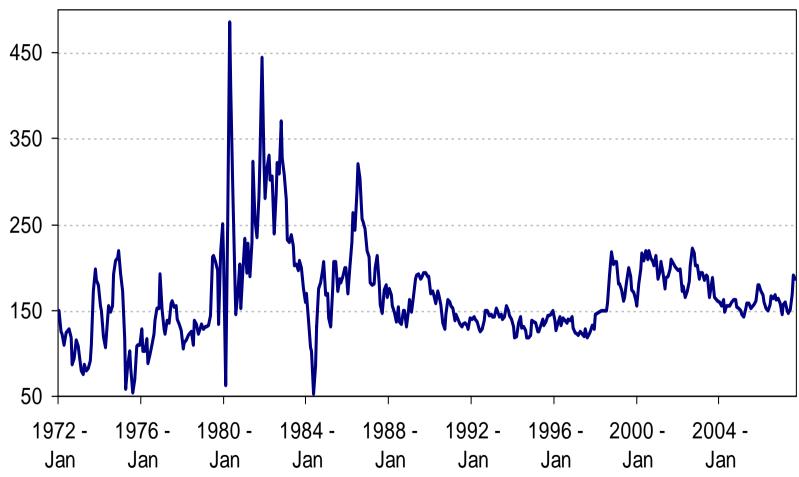
* Contract interest rates on commitments for first mortgages from Freddie Mac Primary Mortgage

Source: Freddie Mac

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



Basis Points

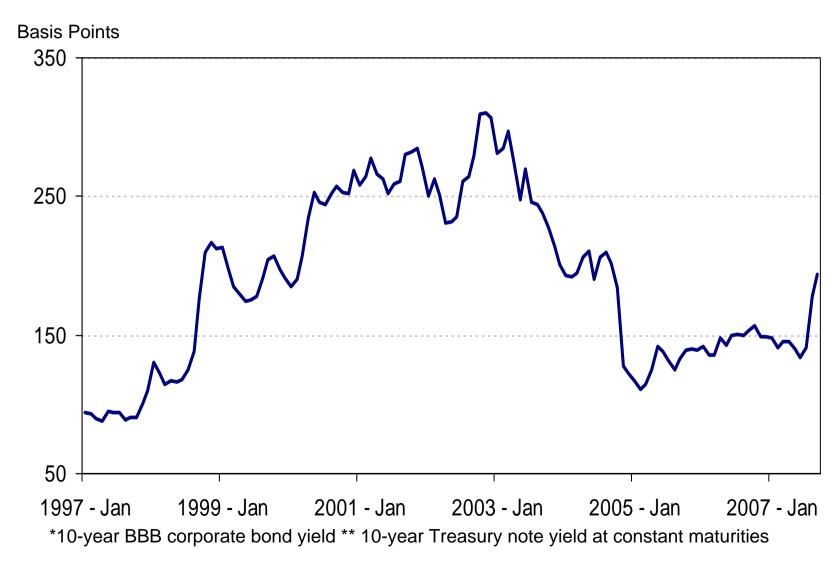


^{*} Contract interest rates on commitments for first mortgages from Freddie Mac Primary Mortgage Market Survey. ** Treasury constant maturities

Source: Federal Reserve Board

Yield Spread: BBB* and Treasuries**

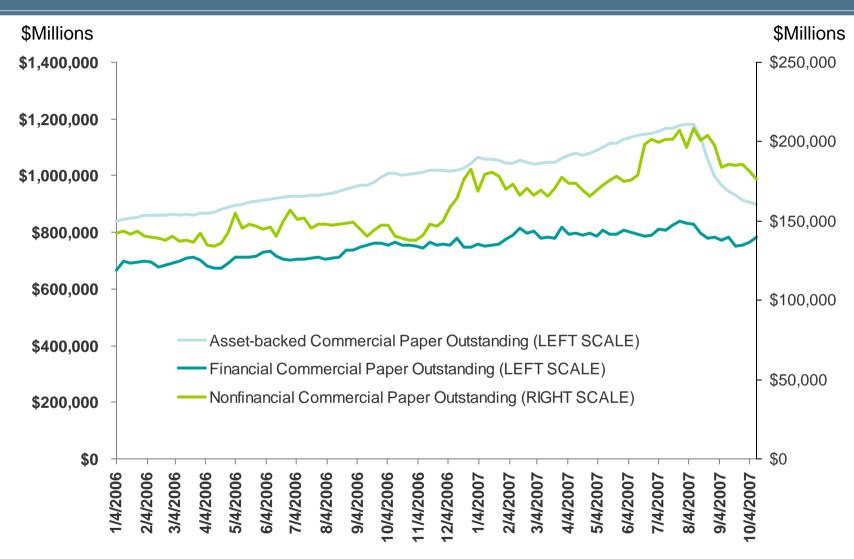




Source: Federal Reserve Board and Standard and Poor's

Commercial Paper Outstanding; seasonally adjusted



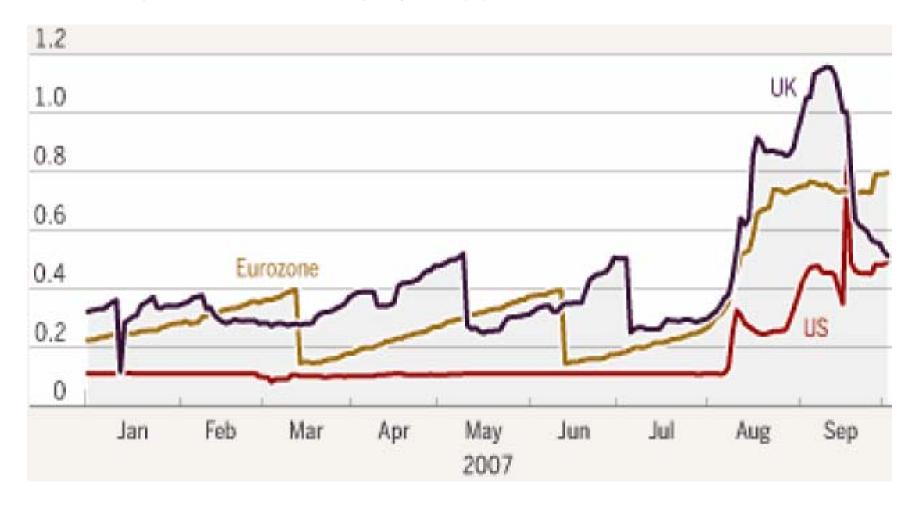


Source: Federal Reserve Board



Libor spread

3-month Libor spreads over central banks policy rates (%)



Source: Wolf, M., "Securitisation: life after death," Financial Time, Oct 2, 2007

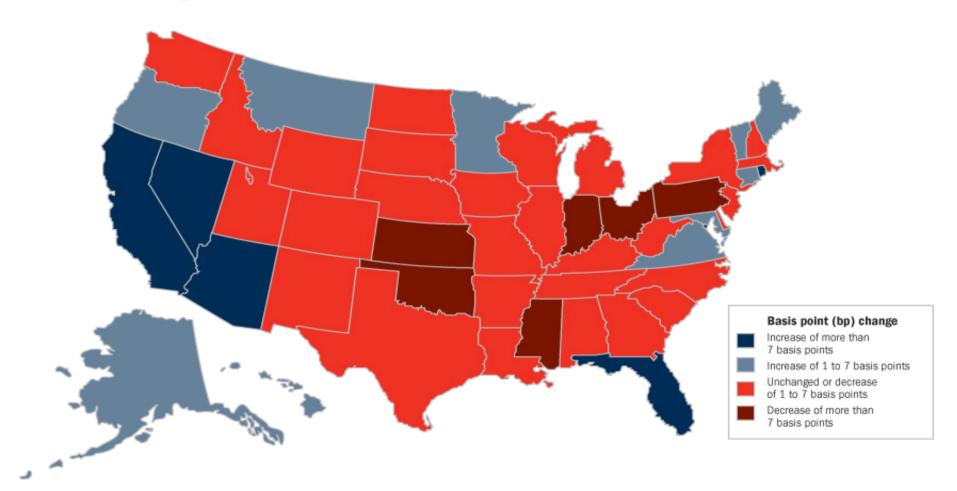
Product Type Composition of Loans Outstanding in Q2 2007



As of Q1 2007						As of Q2 2007				
Percent of Homeowners						Percent of Homeowners				
with No Mortgage	35.0%					with No Mortgage	35.0%			
Percent of Homeowners			For Homeowners			Percent of Homeowners			For Homeowners	
with A Mortgage	65.0%		With A Mortgage			with A Mortgage	65.0%		With A Mortgage	
Prime Fixed		40.0%	Prime Fixed	61.5%		Prime Fixed		39.9%	Prime Fixed	61.5%
Prime ARM		10.3%	Prime ARM	15.8%		Prime ARM		9.9%	Prime ARM	15.2%
Subprime Fixed		3.7%	Subprime Fixed	5.7%		Subprime Fixed		4.3%	Subprime Fixed	6.6%
Subprime ARM		5.0%	Subprime ARM	7.7%		Subprime ARM		4.8%	Subprime ARM	7.4%
FHA Fixed		4.1%	FHA Fixed	6.3%		FHAFixed		4.0%	FHA Fixed	6.4%
FHA ARM		0.3%	FHA ARM	0.5%		FHAARM		0.3%	FHA ARM	0.5%
VA		1.6%	VA	2.5%		VA		1.8%	VA	2.5%
Total	100.0%		Total	100.0%		Total	100.0%		Total	100.0%
Source: MRA	Nationa	l Dalin	aliency Survey	, and 20	105	American Housing	Survey			



Change in All Foreclosure Starts, Q1 2007 to Q2 2007



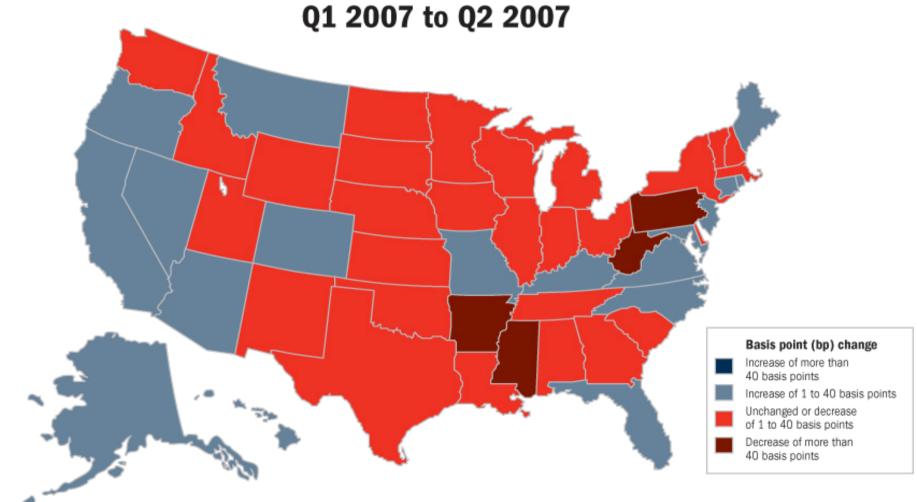






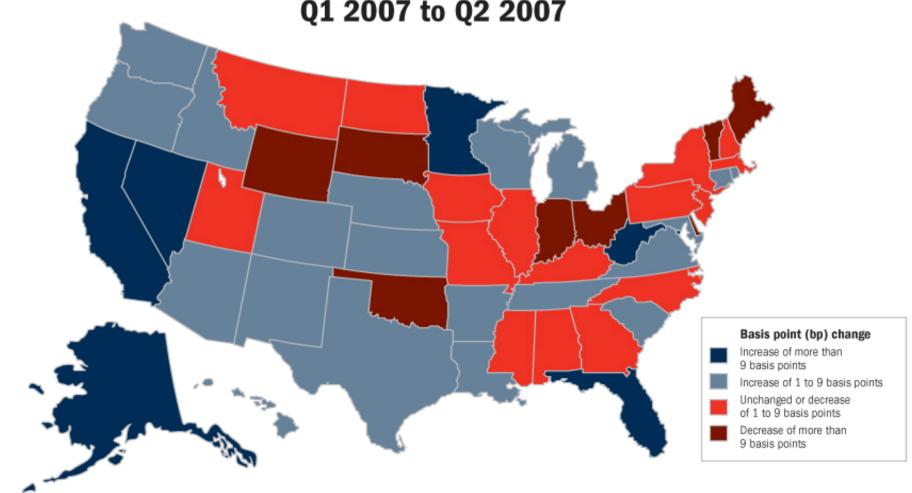


Change in Subprime Fixed Loan Foreclosure Starts, 01 2007 to 02 2007



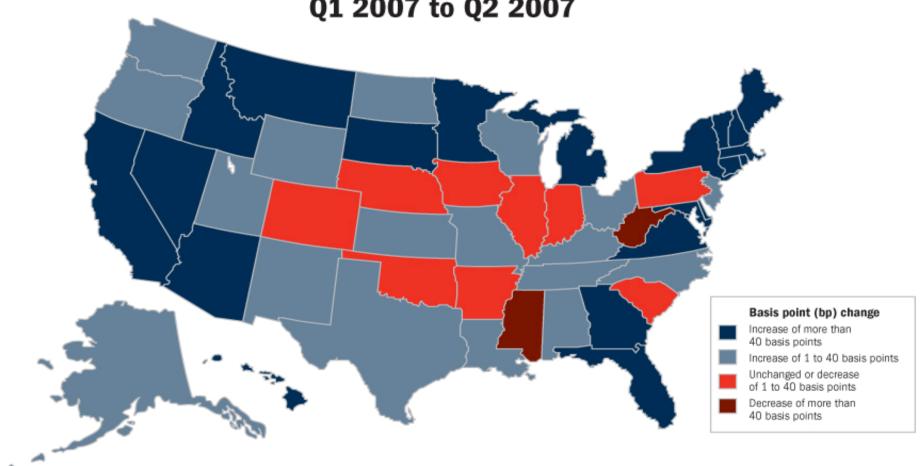


Change in Prime ARM Loan Foreclosure Starts, Q1 2007 to Q2 2007





Change in Subprime ARM Loan Foreclosure Starts, Q1 2007 to Q2 2007



Top 5 and Bottom 5 States Ranked by Seriously Delinquent Rate Based on data as of Q2 2007



	Prime Fixed Prime ARM				Subprime Fixed			Subprime ARM			FHA			
1	Ohio	1.86	1	Mississippi	4.89	1	Ohio	11.64	1	Ohio	22.85	1	Michigan	10.83
2	Indiana	1.57	2	Michigan	4.65	2	Mississippi	9.92	2	Michigan	21.08	2	Ohio	8.36
3	Mississippi	1.48	3	Indiana	4.45	3	Indiana	9.55	3	Indiana	19.28	3	Indiana	7.49
4	Louisiana	1.39	4	Ohio	4.33	4	Michigan	9.47	4	lowa	17.96	4	Louisiana	7.15
5	Michigan	1.34	5	Oklahoma	3.98	5	Louisiana	9.29	5	Mississippi	17.86	5	South Carolina	7.05
	US	0.67		US	2.02		US	5.84		US	12.40		US	5.18
47	Virginia	0.25	47	Wyoming	0.95	47	Hawaii	2.52	47	Idaho	6.56	47	Montana	1.85
48	Washington	0.23	48	District of Columbia	0.93	48	Utah	2.39	48	Arizona	6.10	48	North Dakota	1.83
49	California	0.22	49	Idaho	0.78	49	Wyoming	2.37	49	Washington	5.55	49	Wyoming	1.62
49	Oregon	0.22	49	Oregon	0.78	50	Oregon	2.24	50	Oregon	5.41	50	Alaska	1.52
51	Wyoming	0.17	51	Washington	0.69	51	Alaska	1.53	51	Utah	4.29	51	Idaho	1.34

Percent of Defaults Due to Non-Owner Occupied Loans



	Prime Lo	pans	Subprime Loans						
	Percent of	Share of prime home		Percent of	Share of subprime				
	prime defaults	purchase loan		subprime	home purchase				
	due to non-	originations for non-		defaults due	loan originations				
	owner	owner occupied		to non-	for non-owner				
	occupied	properties in 2005,		owner	occupied				
	loans as of	based on HMDA		occupied	properties in 2005,				
	June 30, 2007			loans as of	based on HMDA				
				June 30,					
November	220/	200/		2007					
Nevada	32%	29%	Nevada	24%	14%				
Arizona	26%	29%	Arizona	18%	14%				
Florida	25%	32%	Florida	14%	15%				
California	21%	14%	Californi	15%	7%				
			a						
All other	13%	15%	All other	11%	10%				
states			states						
Total US	16%	17%	Total US	12%	10%				

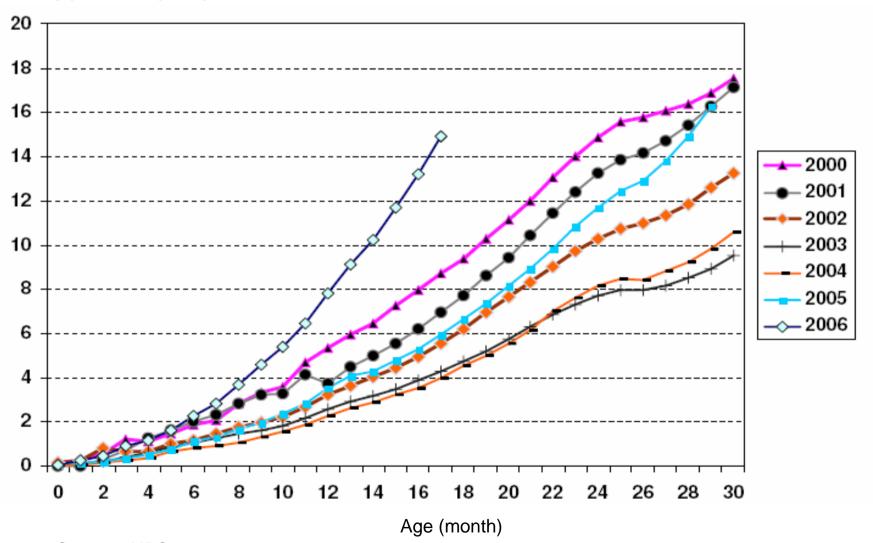
Source: MBA, Home Mortgage Disclosure Act 2005 Report

Subprime Delinquencies by Vintage:

2006 Twice Historical Norm



60-day plus Delinquency Rate



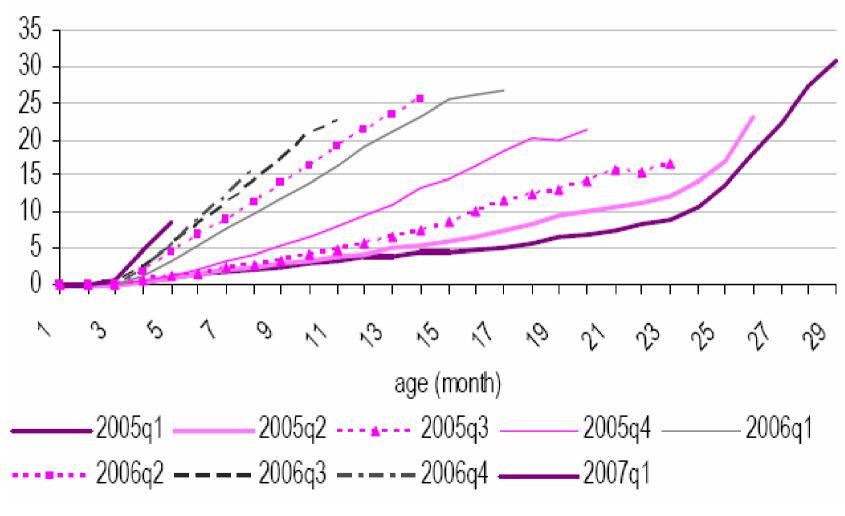
Source: UBS

Delinquencies of 2/28 ARM* by Vintage:

2007 Performance Worse than 2006







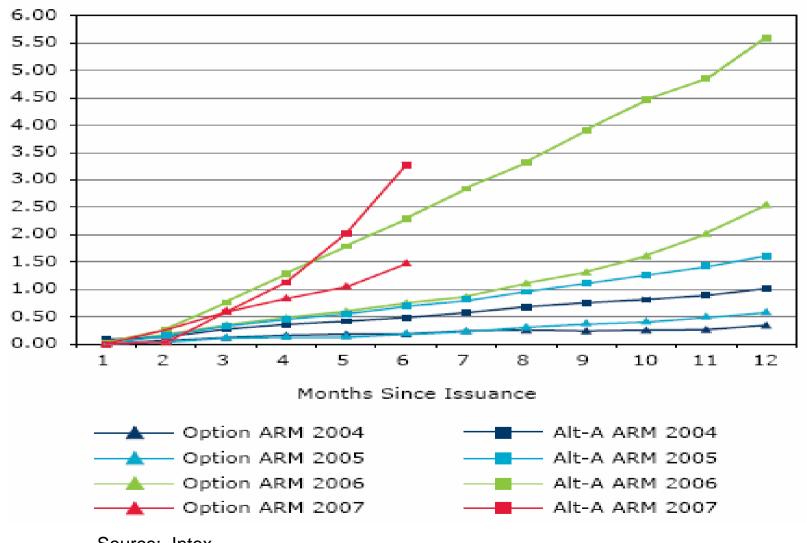
*Stable home price appreciation states, first liens, purchase, Low Doc, CLTV>=100, 625<=FICO<650

Source: UBS

Option ARM and Alt-A Delinquency by Vintage



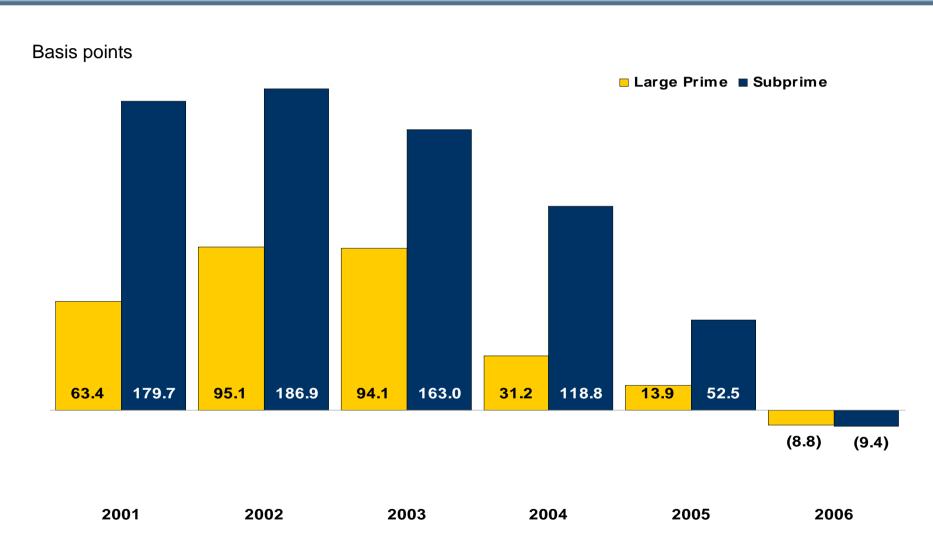
60-day plus Delinquency Rate (%)



Source: Intex

Average Production Net Income



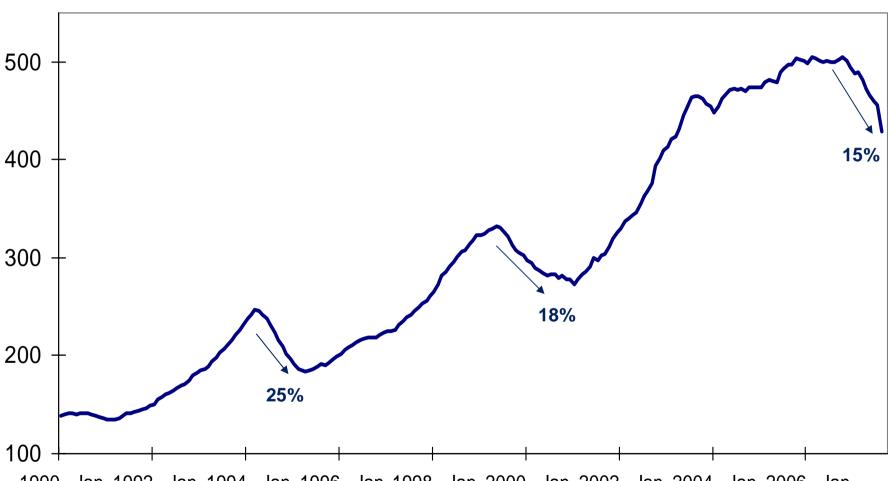


Source: MBA/STRATMOR

Employment in Mortgage Industry



Thousands

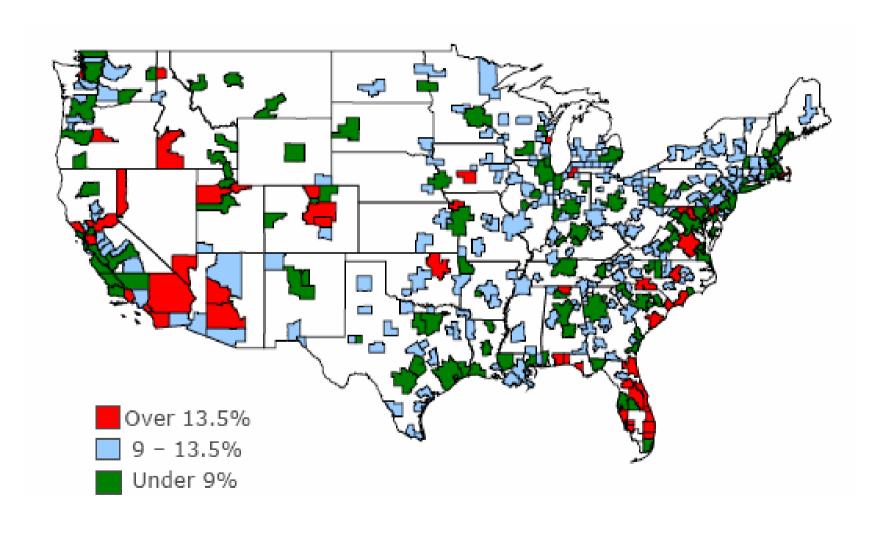


1990 - Jan 1992 - Jan 1994 - Jan 1996 - Jan 1998 - Jan 2000 - Jan 2002 - Jan 2004 - Jan 2006 - Jan

Source: Bureau of Labor Statistics

Real Estate-related as a Share of Total Employment, 2006Q2



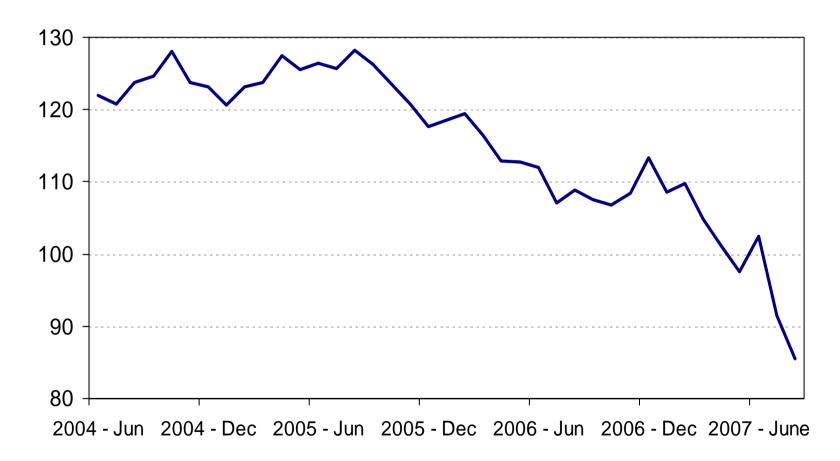


Source: Bureau of Labor Statistics, Moody's Economy.com

Pending Home Sales Index



Index: 2001 = 100

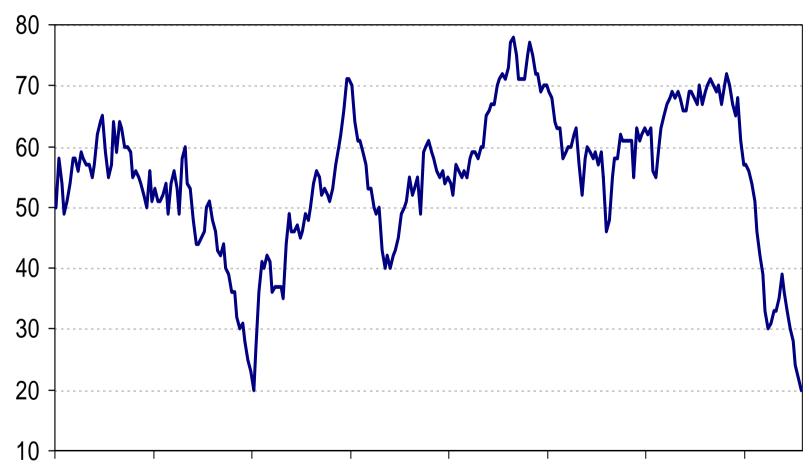


Source: National Association of Realtors

Housing Market Index



Index = 100 means all home builders view the market as good



1985 - Jan 1988 - Jan 1991 - Jan 1994 - Jan 1997 - Jan 2000 - Jan 2003 - Jan 2006 - Jan

Source: National Association of Home Builders

Forecast Summary



	2006.1	2006.2	2006.3	2006.4	2007.1	2007.2	2007.3	2007.4	2008.1	2008.2	2008.3	2008.4	2009.1	2009.2	2009.3	2009.4	2006	2007	2008	2009
Housing Measures (000)	2000.1	2000.2	2000.3	2000.4	2007.1	2007.2	2007.3	2007.4	2000.1	2000.2	2000.3	2000.4	2007.1	2007.2	2007.3	2007.4	2000	2007	2000	
Total Housing Starts	2,127	1,861	1,704	1,555	1,460	1,464	1,319	1,199	1,142	1,141	1,168	1,194	1,220	1,250	1,285	1,320	1,801	1,360	1,161	1,269
% change	2.8	-12.5	-8.4	-8.8	-6.1	0.3	-10.0	-9.1	-4.7	-0.1	2.4	2.2	2.2	2.5	2.8	2.7	-12.9	-24.5	-14.7	9.3
Single-family	1,752	1,520	1,393	1,232	1,172	1,166	998	900	850	850	875	900	925	950	975	1,000	1,465	1,059	869	963
% change	1.5	-13.2	-8.4	-11.6	-4.8	-0.5	-14.3	-9.9	-5.6	0.0	2.9	2.9	2.8	2.7	2.6	2.6	-14.6	-27.7	-18.0	10.8
Multi-family	376	341	311	323	288	299	320	299	292	291	293	294	295	300	310	320	336	301	292	306
% change	9.4	-9.2	-8.8	3.9	-10.7	3.6	7.2	-6.7	-2.2	-0.5	0.8	0.4	0.3	1.8	3.3	3.2	-4.7	-10.2	-3.0	4.7
Total Existing Home Sales	6,863	6,627	6,287	6,263	6,423	5,917	5,368	5,174	5,145	5,127	5,102	5,206	5,266	5,356	5,446	5,541	6,478	5,720	5,145	5,402
% change	-1.5	-3.4	-5.1	-0.4	2.6	-7.9	-9.3	-3.6	-0.5	-0.4	-0.5	2.0	1.1	1.7	1.7	1.7	-8.4	-11.7	-10.1	5.0
New Home Sales	1,132	1,086	994	986	853	868	805	752	744	730	724	744	759	774	788	802	1,051	819	736	781
% change	-10.4	-4.1	-8.5	-0.8	-13.5	1.8	-7.2	-6.6	-1.1	-1.8	-0.8	2.8	1.9	1.9	1.8	1.9	-18.1	-22.0	-10.2	6.1
Total Existing Home Prices	216.9	226.8	225.0	219.3	214.0	223.9	223.1	207.2	210.7	217.7	218.0	205.3	209.3	219.1	218.1	212.5	221.9	217.0	212.9	214.7
% change	-3.8	4.6	-0.8	-2.6	-2.4	4.6	-0.4	-7.1	1.7	3.3	0.2	-5.8	2.0	4.7	-0.5	-2.5	1.0	-2.2	-1.9	0.9
New Home Prices	244.8	246.1	236.2	245.1	255.9	240.2	226.5	238.3	242.5	239.6	224.9	236.8	242.1	243.1	227.6	241.8	246.5	240.2	235.9	238.6
% change	2.0	0.5	-4.0	3.7	4.4	-6.1	-5.7	5.2	1.7	-1.2	-6.1	5.3	2.2	0.4	-6.4	6.2	2.3	-2.5	-1.8	1.1
1.1. 1.5.1. (01)																				
Interest Rates (%) 30-Year FRM Contract Rate	6.2	6.6	6.6	6.2	6.2	6.4	6.6	6.5	6.6	6.7	6.8	6.8	6.8	6.8	6.8	6.8	6.4	6.4	6.7	6.8
10-Year Treasury Yield	4.6	5.1	4.9	4.6	4.7	4.8	4.7	4.7	4.8	4.9	5.0	5.0	5.0	5.0	5.0	5.0	4.8	4.7	4.9	5.0
1-Year Treasury ARM	5.3	5.7	5.7	5.5	5.5	5.6	5.7	5.5	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.5	5.6	5.6	5.7
1-Year I reasury Yield	4.6	5.0	5.1	5.0	5.0	4.9	4.5	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.9	4.7	4.3	4.3
Total 1-4 Family (Bil.\$)	610	729	697	690	631	694	550	438	527	461	450	451	454	435	430	454	2.726	2,313	1.889	1.774
Purchase	305	408	376	310	271	354	314	241	251	258	252	242	250	265	267	268	1,400	1,180	1,003	1,050
Refinance	305	321	321	379	360	340	237	197	276	203	198	209	205	170	164	186	1,326	1,133	886	724
Refinance Share (%)	50	44	46	55	57	49	43	45	52	44	44	46	45	39	38	41	49	49	47	41
ARM Share (%)	28	25	19	14	11	11	13	13	13	14	14	14	15	16	16	16	22	12	14	15

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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Research and Forecasts:

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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