

Protecting Consumers in the New Mortgage Marketplace

Federal Trade Commission

Washington, DC

May 24, 2006

Mortgage Bankers Association



Residential Real Estate Finance

- ❑ Loan production remains strong but slowing
 - ❑ ARM – structural vs cyclical demand
 - ❑ Refinancing – structural vs cyclical demand

Adjustable Rate Mortgage Share of Mortgage Applications

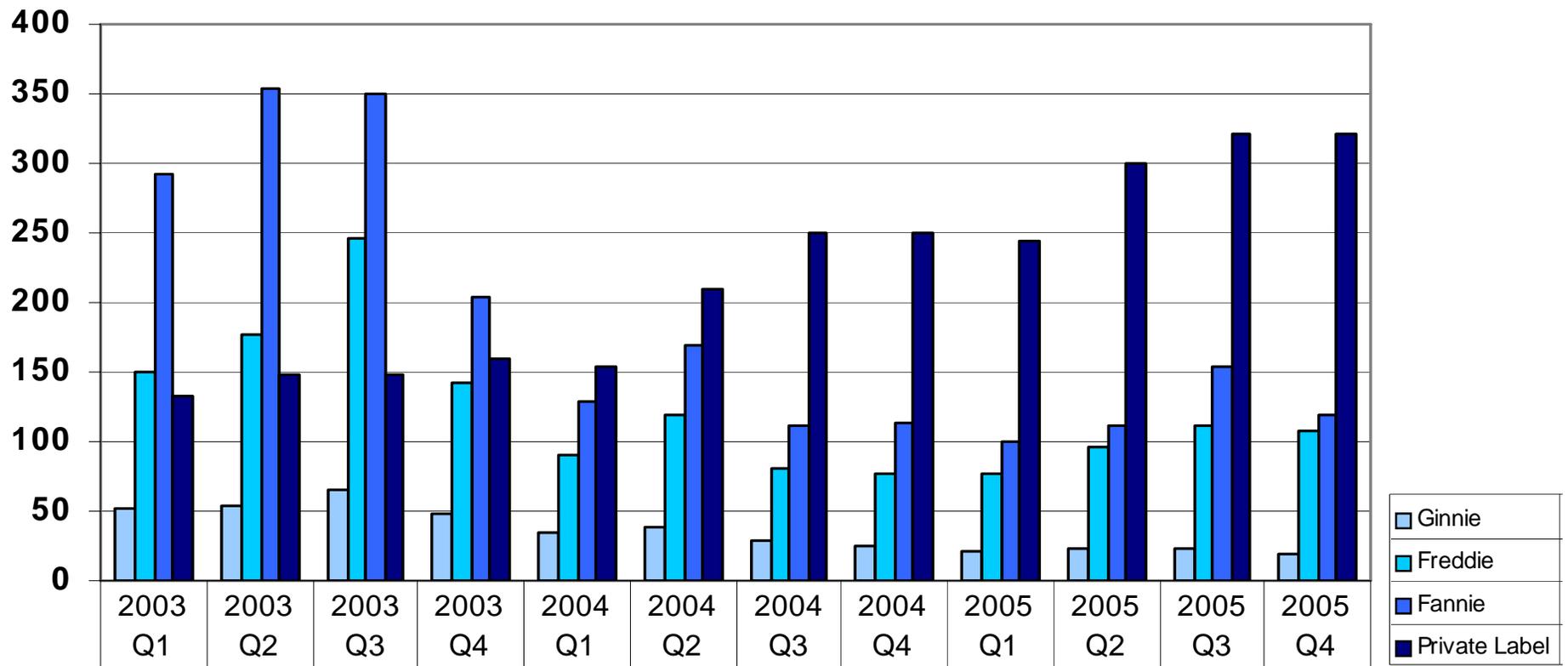


Source: Mortgage Bankers Association Weekly Application Survey.

Residential Real Estate Finance

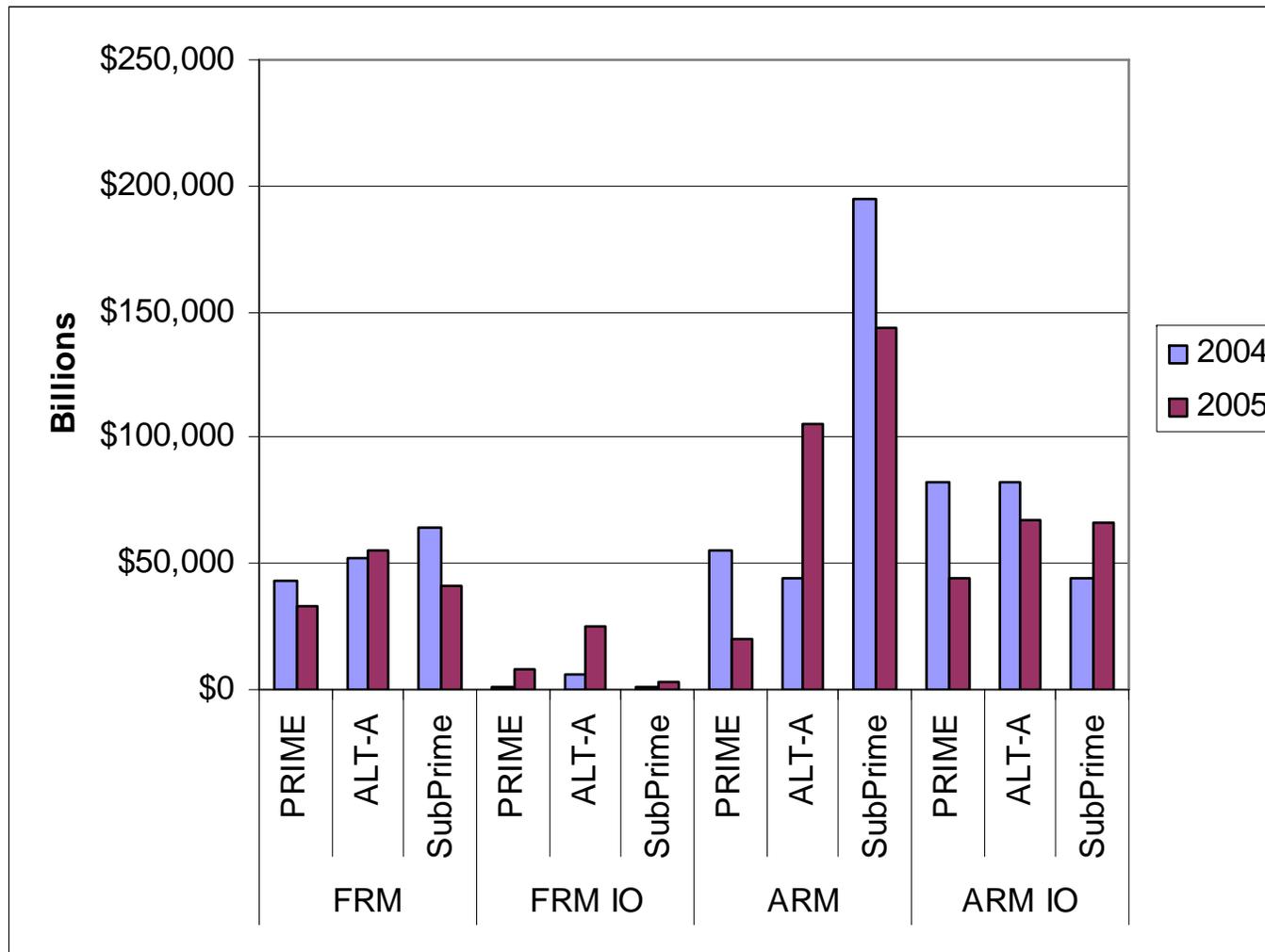
- Risk distribution has shifted
 - Less government insured loans
 - Less fixed payment loans
 - More credit constrained borrowers

Mortgage Backed Security Market Share



Source: Inside MBS & ABS.

Non-agency MBS Issuance by Product

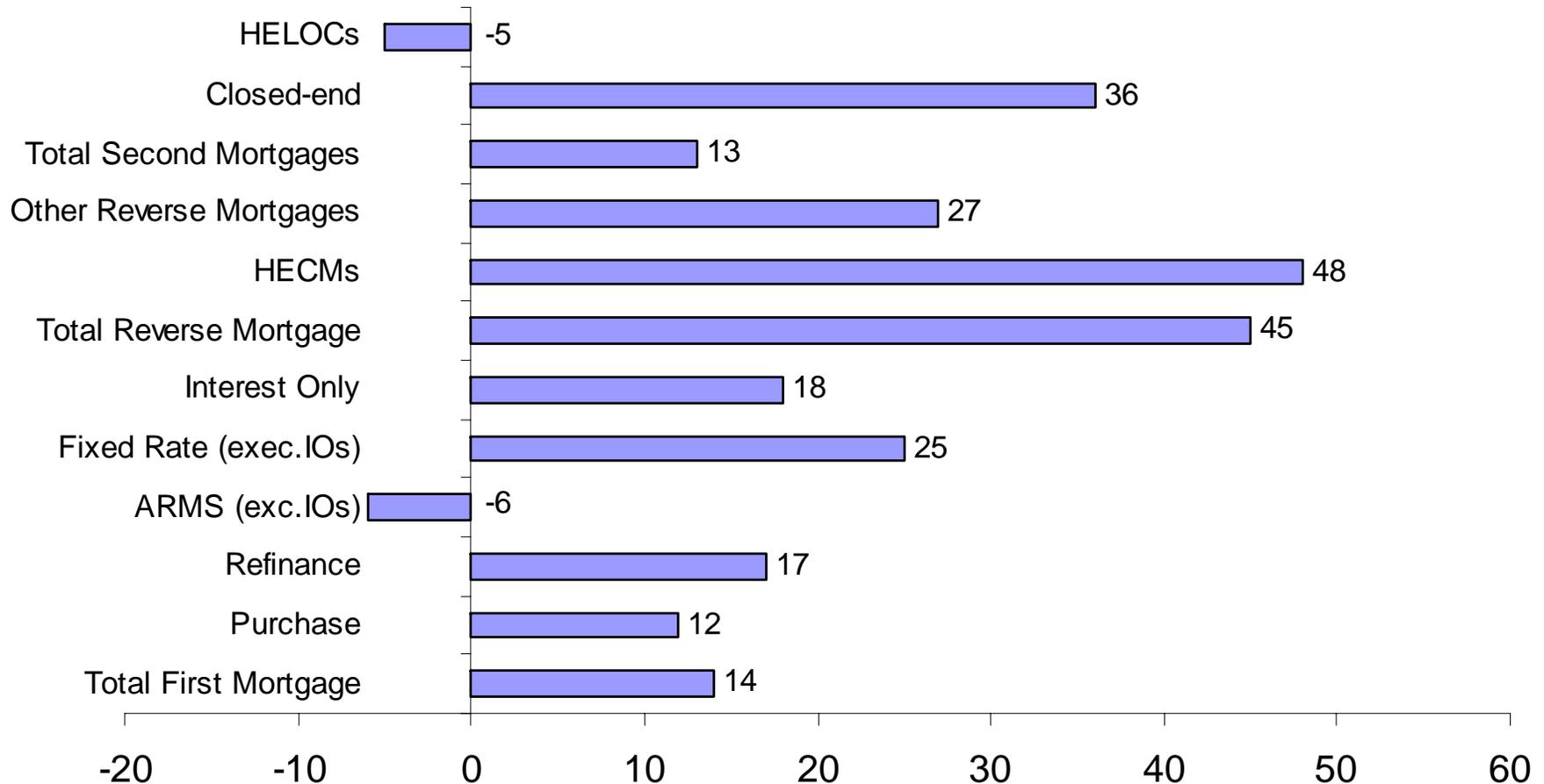


Source: UBS

Residential Real Estate Finance, cont'd.

- ❑ Consumer behavior has changed
 - ❑ More affordability products
 - ❑ Matching loan terms to time in property
 - ❑ Active balance sheet management

Change of Mortgage Originations From First to Second Half of 2005



Source: Mortgage Bankers Association: Mortgage Originations Survey.

March Mortgage Application Detail

Percent of Dollar Volume

| <u>Refinance</u> | 35% | | Avg. years to reset: | <u>Purchase</u> | 65% | | Avg. years to reset: |
|-------------------------|------------|--|---------------------------------|------------------------|------------|--|---------------------------------|
| ARM | 41% | | | ARM | 41% | | |
| Hybrid | 45% | | 7.0 | Hybrid | 30% | | 6.5 |
| Traditional | 55% | | 2.3 | Traditional | 70% | | 1.8 |
| Interest Only | 47% | | 5.2 | Interest Only | 57% | | 4.9 |
| Fixed | 59% | | | Fixed | 59% | | |
| 30 year | 83% | | | 30 year | 92% | | |
| 15 year | 10% | | | 15 year | 5% | | |
| Other | 7% | | | Other | 3% | | |

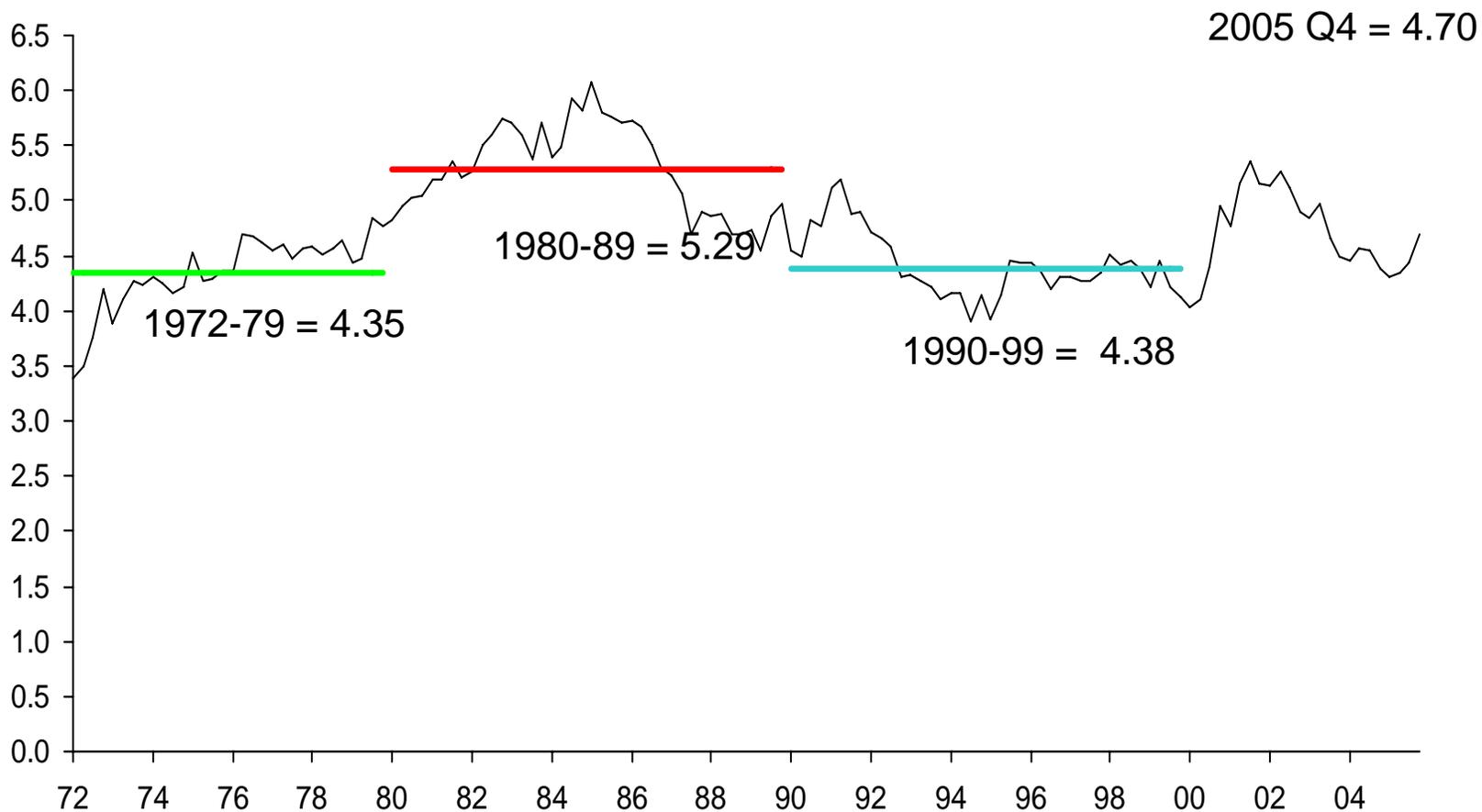
Source: Mortgage Bankers Association Weekly Application Survey.

Residential Real Estate Finance, cont'd.

- ❑ Delinquency rates will trend upward
 - ❑ Portfolio aging
 - ❑ Growth in nonprime
 - ❑ Growth in adjustable payment loans
 - ❑ Escrow adjustments

Residential Delinquency Rate

(Percent, Seasonally Adjusted)



Source: MBA National Delinquency Survey

State-level Delinquency and Foreclosure Rates

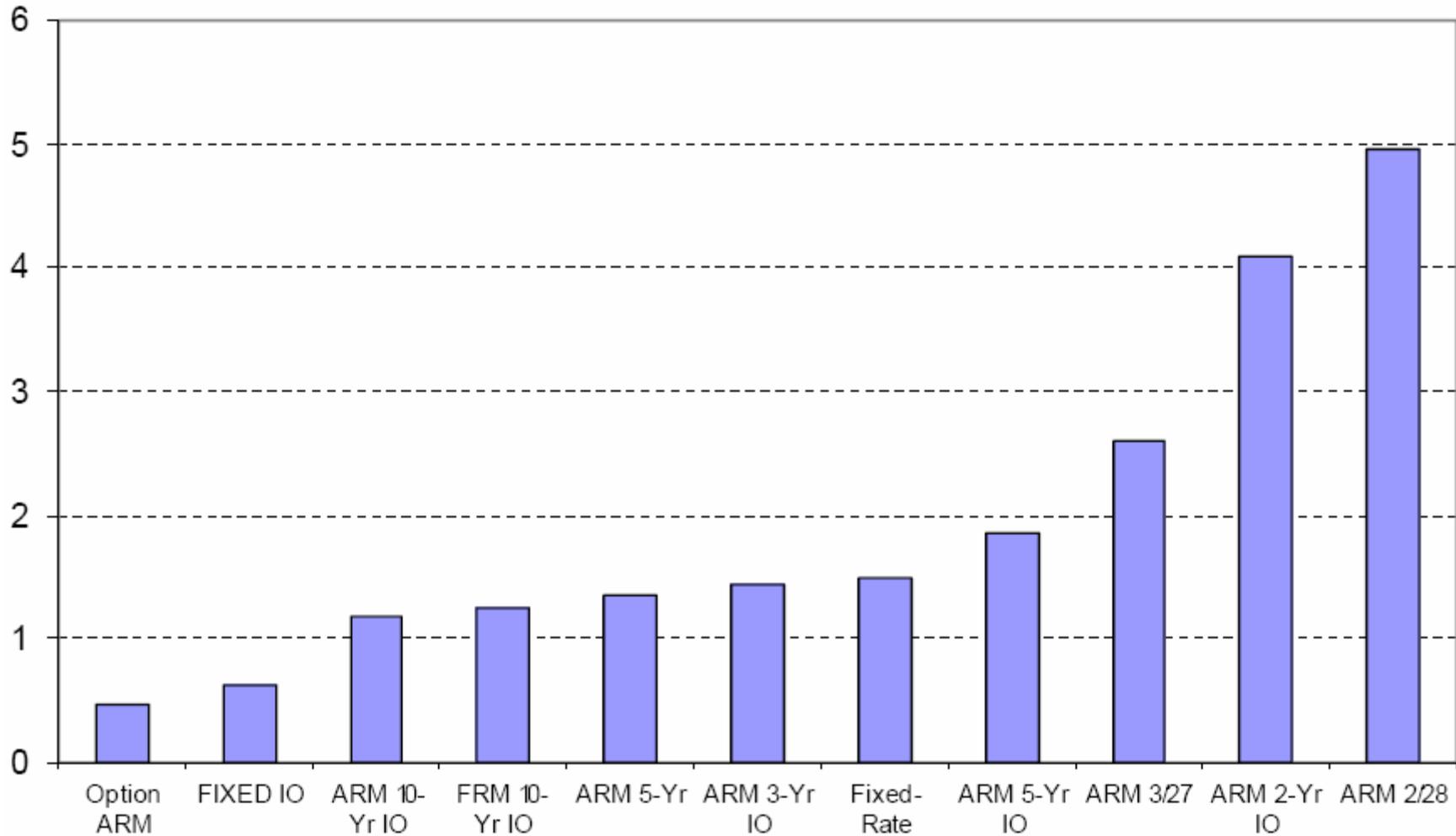
States with the highest delinquency rates:

- ◆ Louisiana
- ◆ Mississippi
- ◆ Alabama
- ◆ Indiana

States with the highest foreclosure inventory rates:

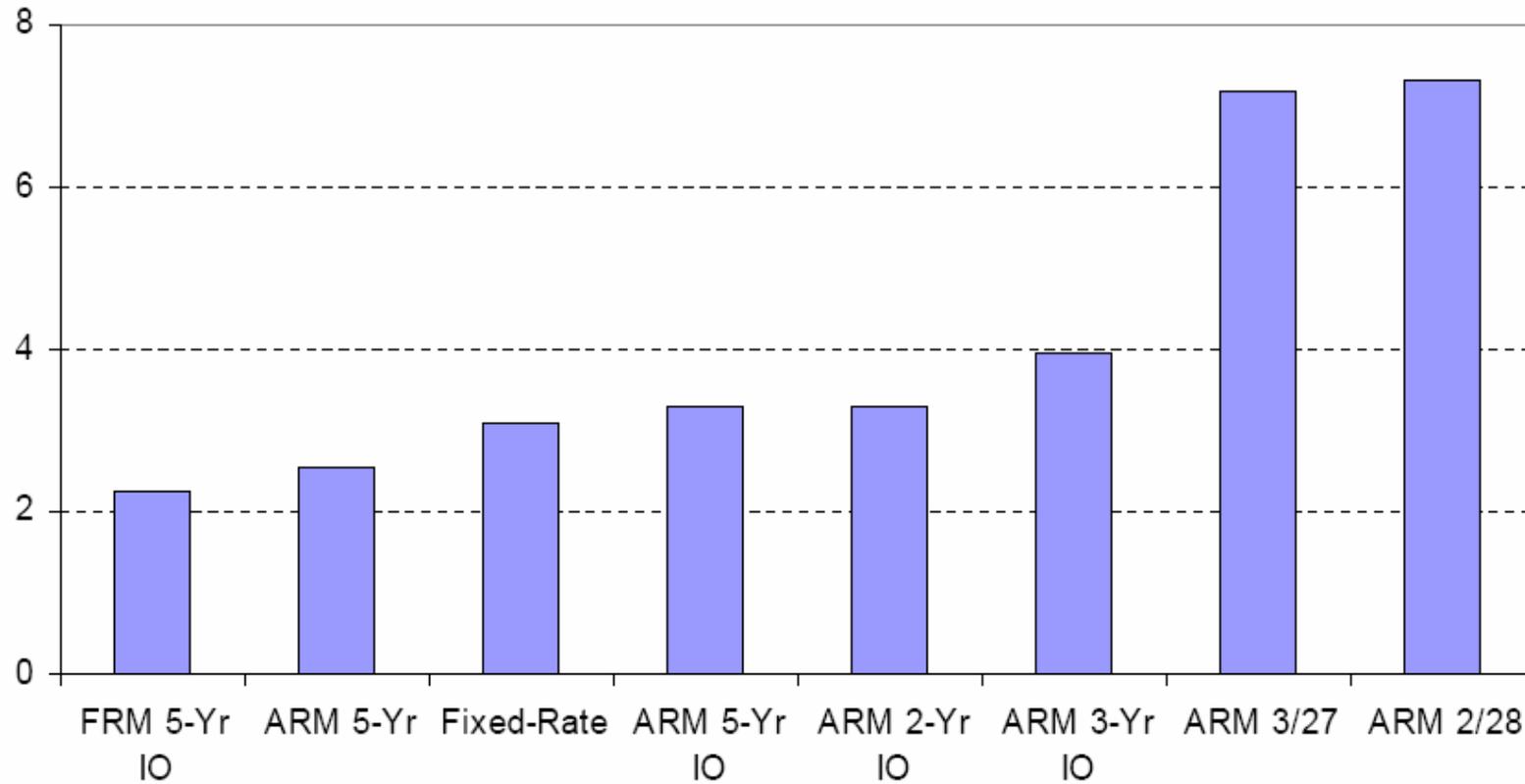
- ◆ Ohio
- ◆ Indiana
- ◆ South Carolina
- ◆ Michigan

Cumulative Default Rate of 2004 Alt-A Loans by Product



Source: UBS

Cumulative Default Rate of 2004 Subprime Loans by Product



Source: UBS

Contact Information/Resources

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MBA Newslink:

<http://www.mortgagebankers.org/NewsandMedia/MBANewsLink>

Research and Forecasts:

<http://www.mortgagebankers.org/ResearchandForecasts/EconomicOutlookandForecasts>

Home Loan Learning Center:

<http://www.homeloanlearningcenter.com/default.html>

Research Data:

<http://www.mortgagebankers.org/ResearchandForecasts/ProductsandSurveys>

Research Institute for Housing

America:

<http://www.housingamerica.org/site-map.html>