

# Economic & Housing and Mortgage Market Outlook

**Presentation by:**

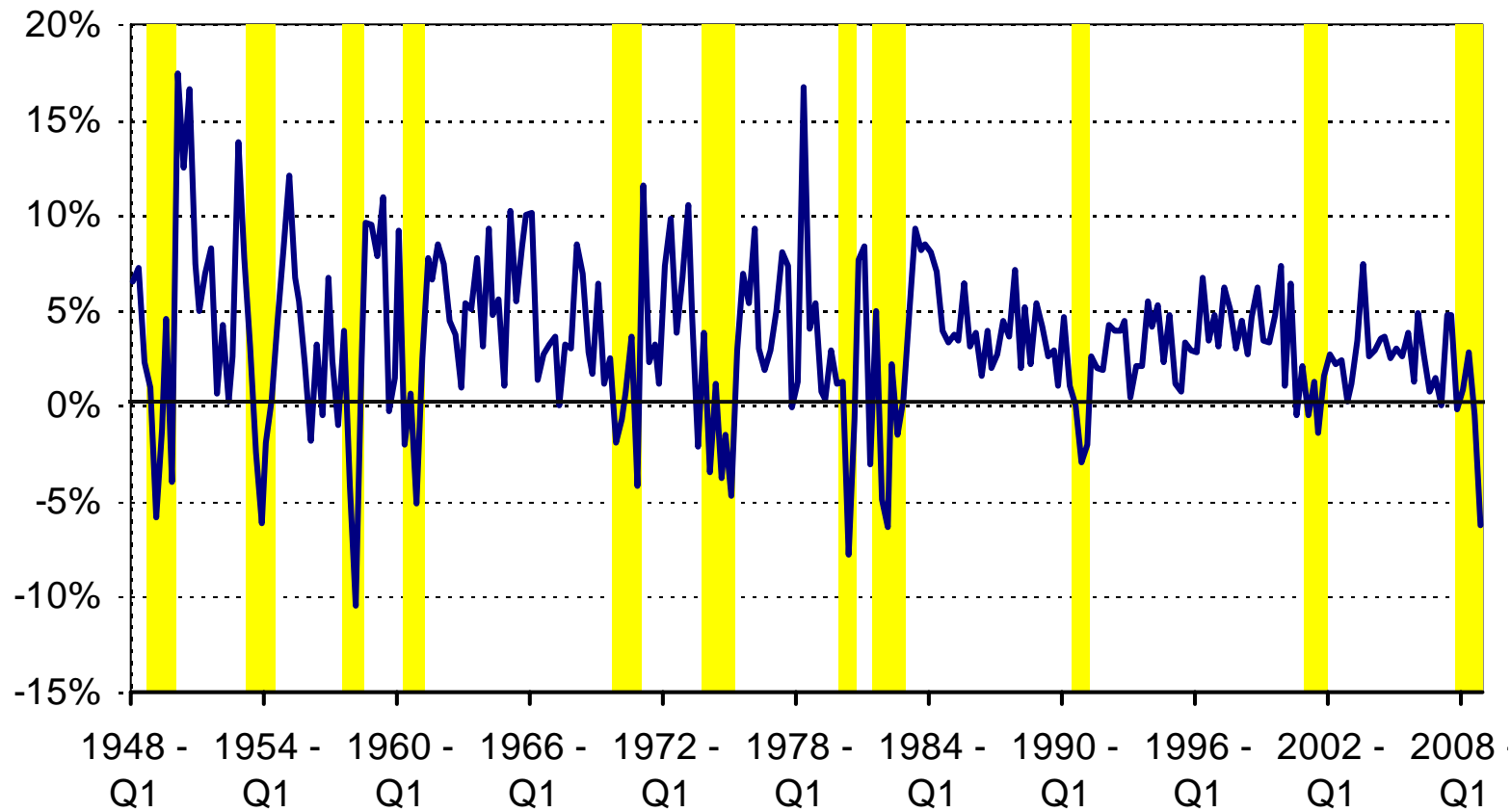
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Mortgage Bankers Association  
April 22, 2009



# The Current Recession: The Longest Postwar Recession



Real gross domestic product, seasonally-adjusted annualized rate

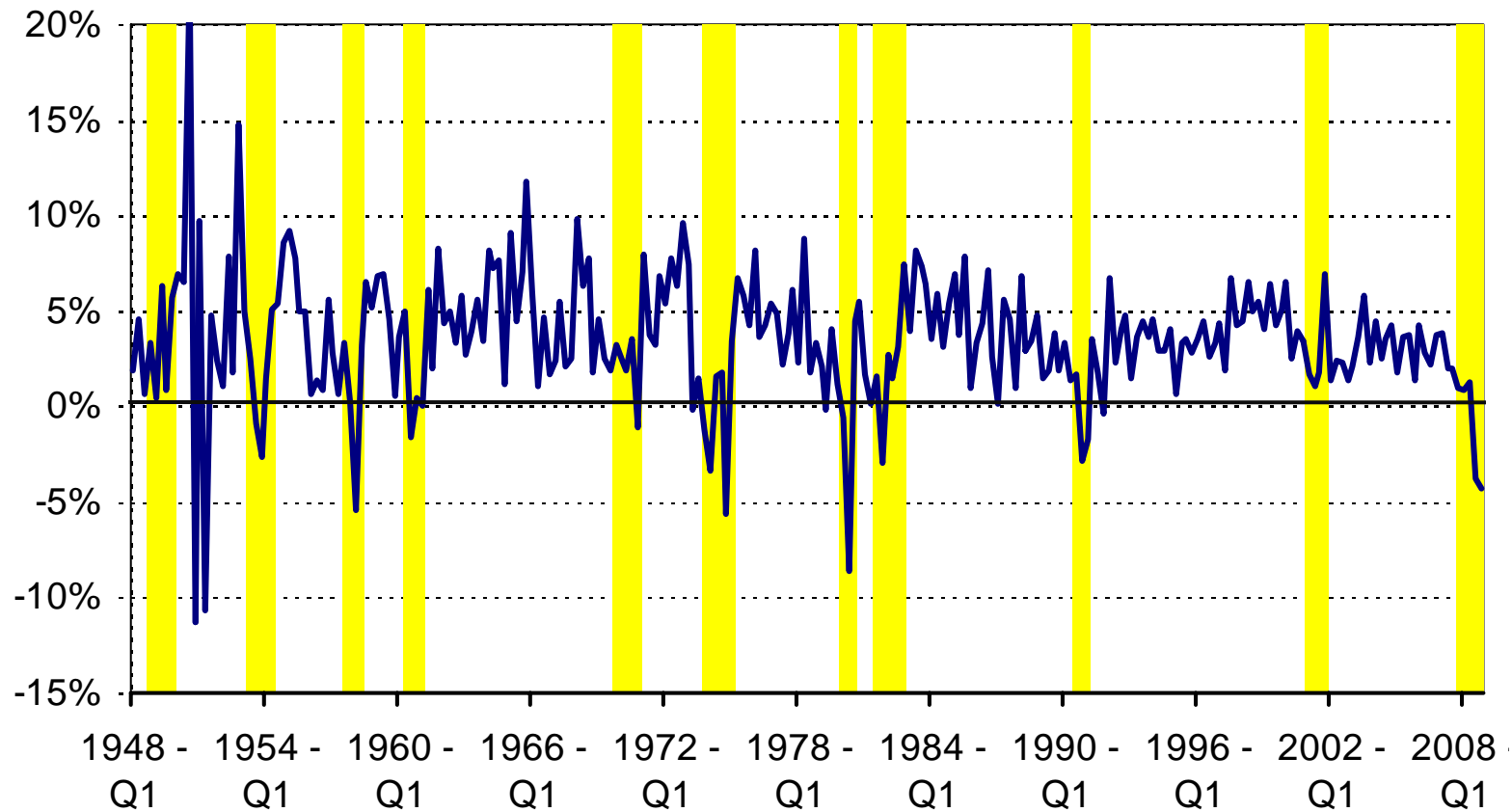


Source: Bureau of Economic Analysis

# First Consumer Recession since 1990-91 and nearly the Most Severe

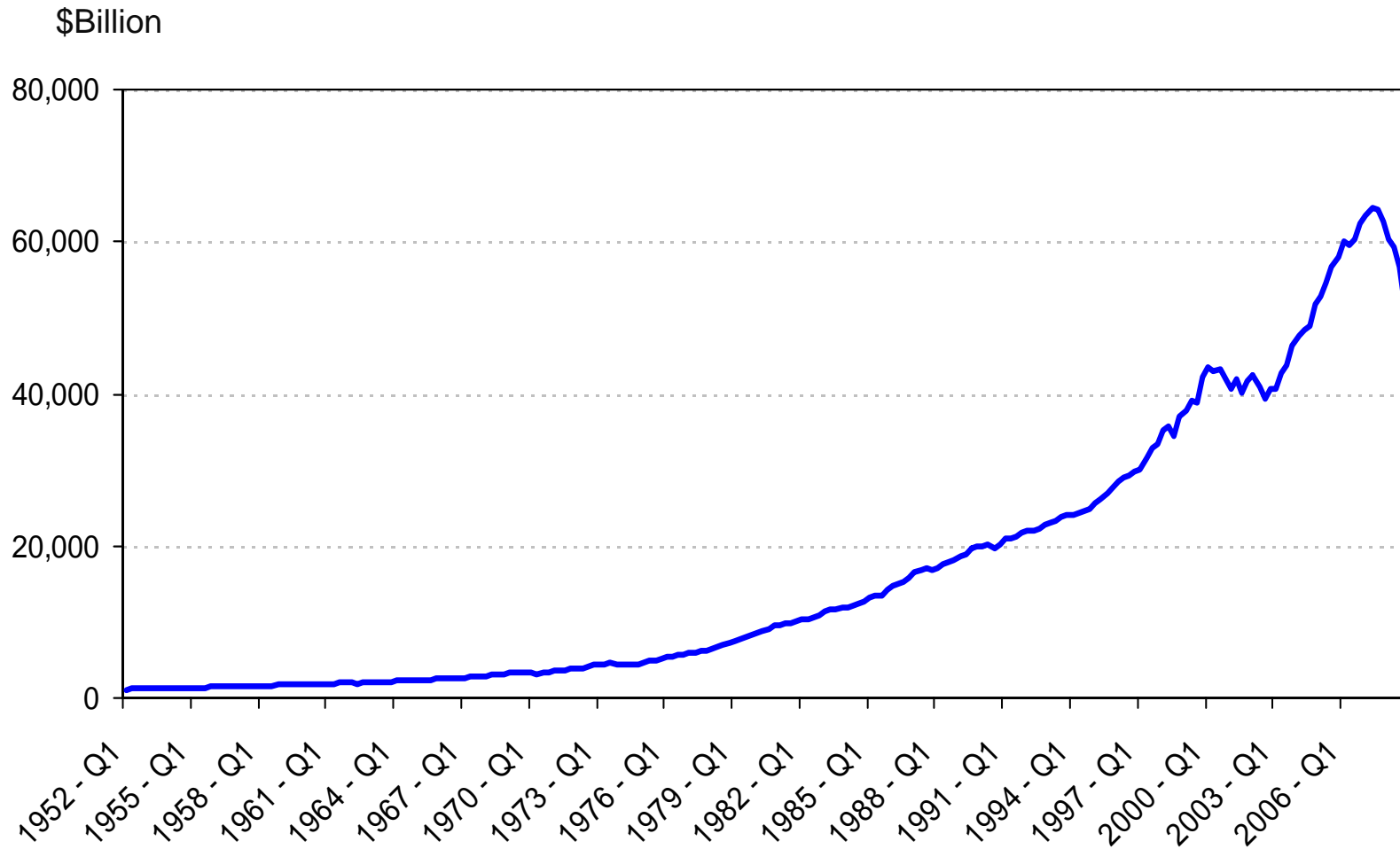


Real personal consumption expenditures, seasonally-adjusted annualized rate



Source: Bureau of Economic Analysis

# Household Net Worth Posts Record Drop

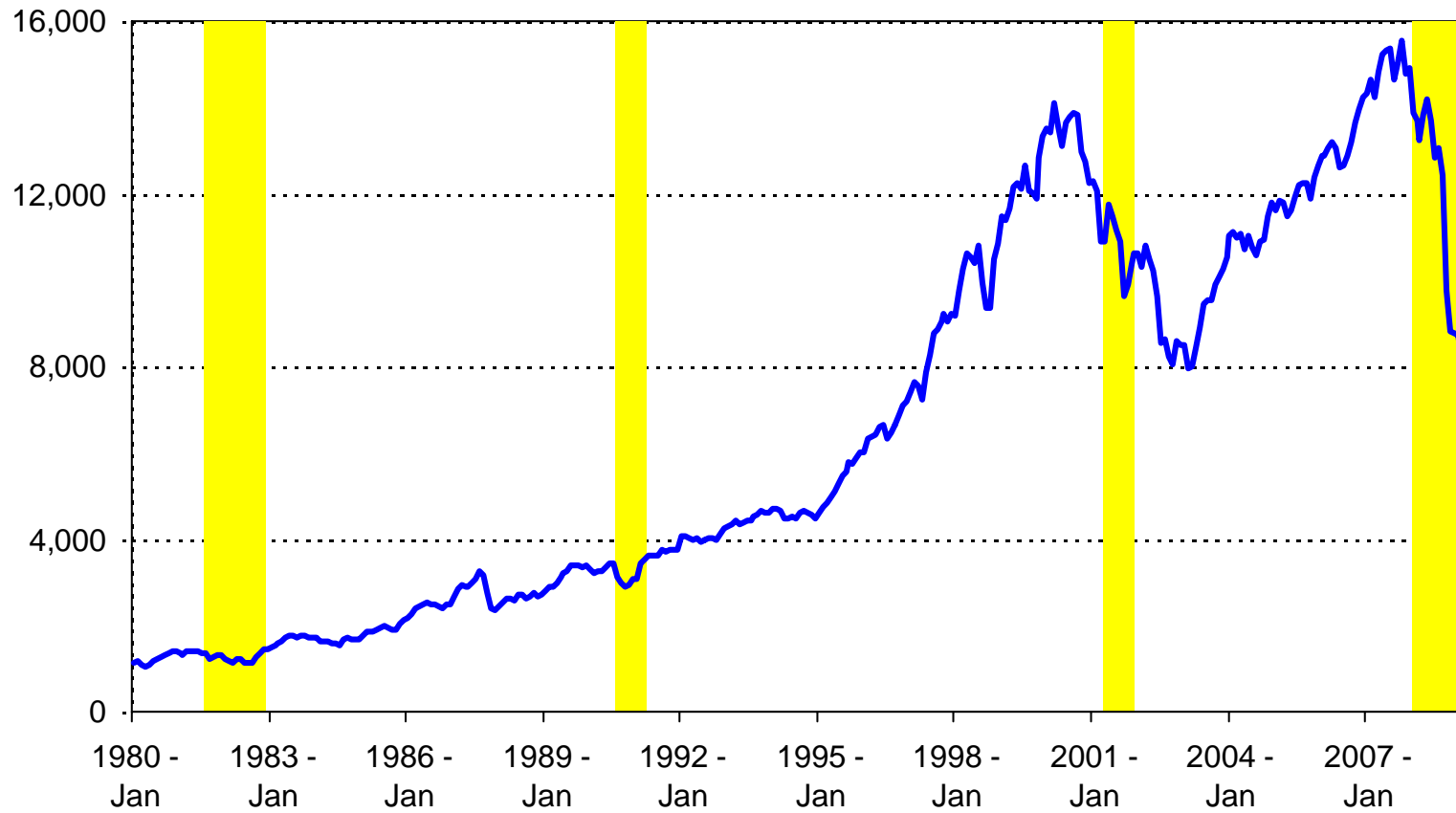


Source: Federal Reserve Board

# Household Financial Wealth Plummetts

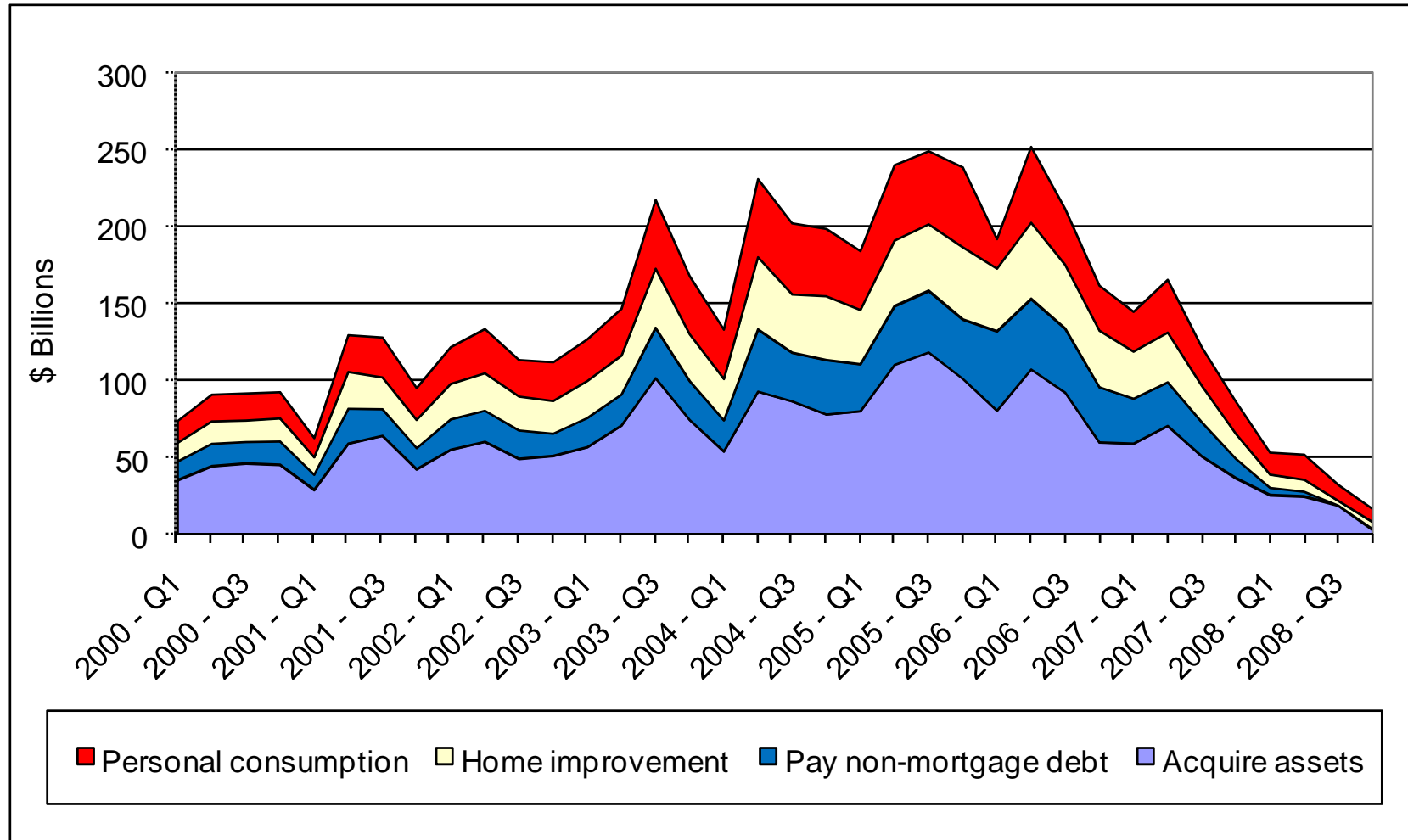


Wilshire 5000 Index



Source: Wall Street Journal

# Size and Usage of Home Equity Extraction: 2000-2008

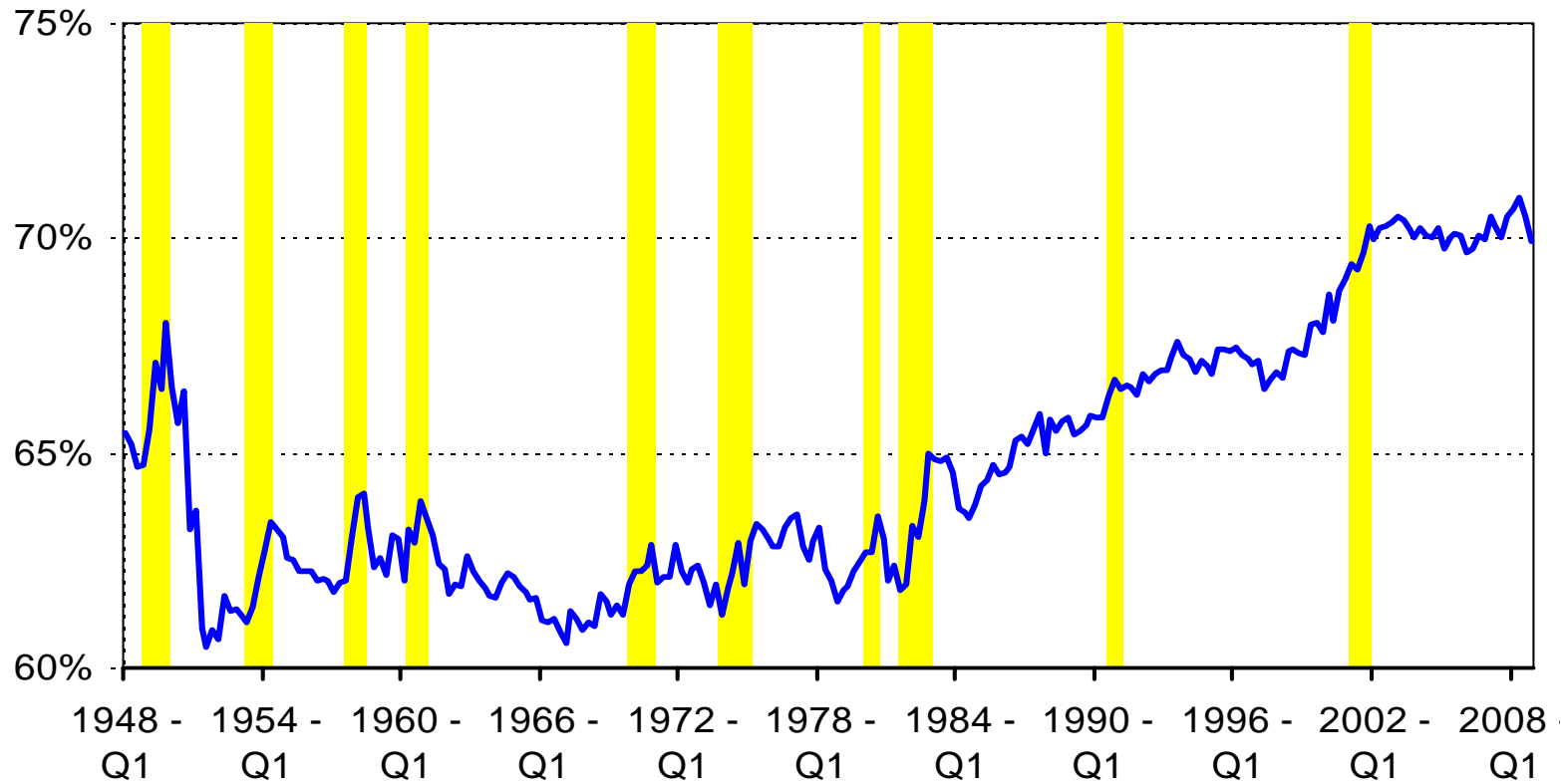


Source: Greenspan & Kennedy, Federal Reserve

# Consumers Are Engine of Economic Growth



Personal Consumption Expenditures as a Share of GDP

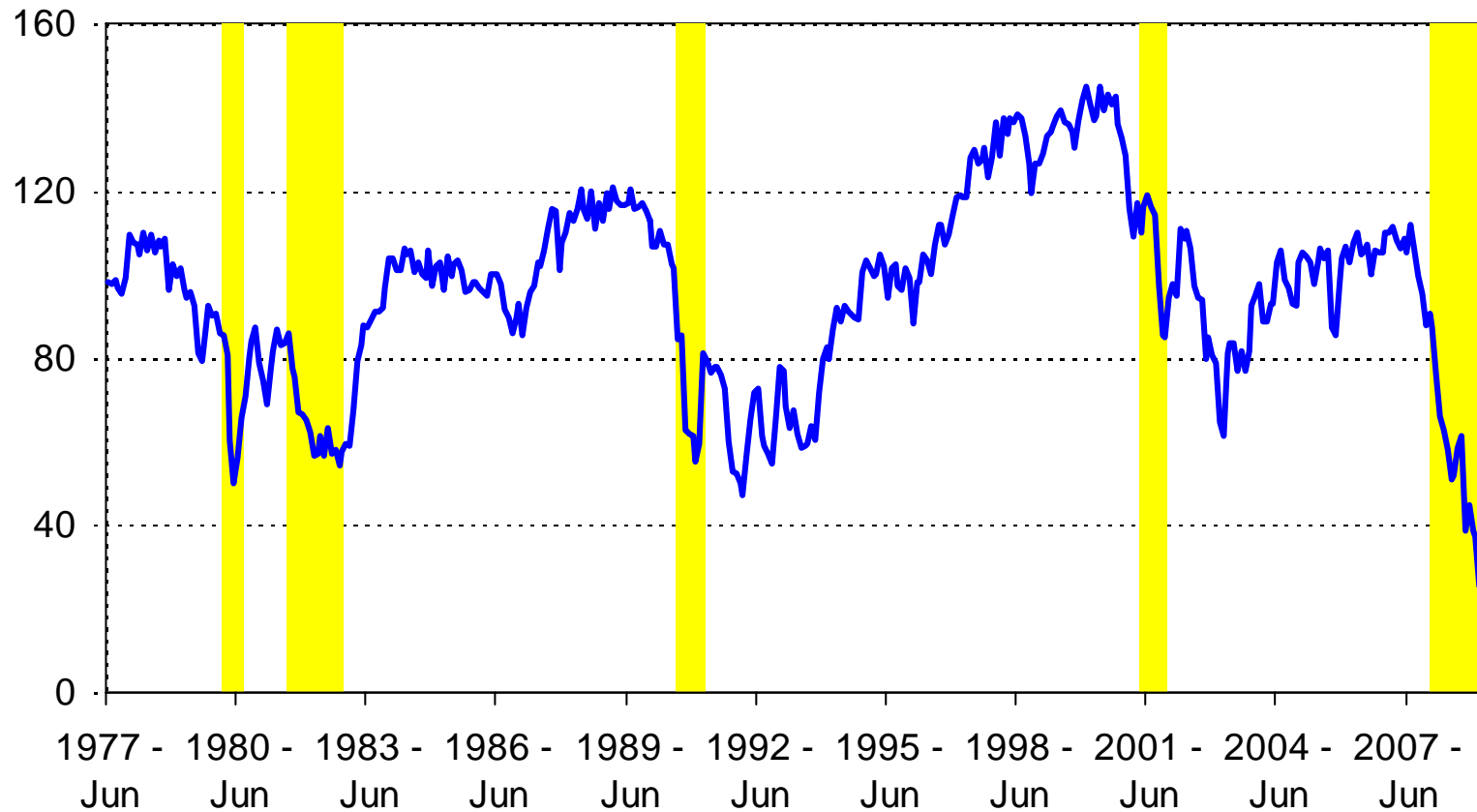


Source: Bureau of Economic Analysis

# Consumer Confidence Stabilizes Near Record Lows



Index = 100 in 1986, SA

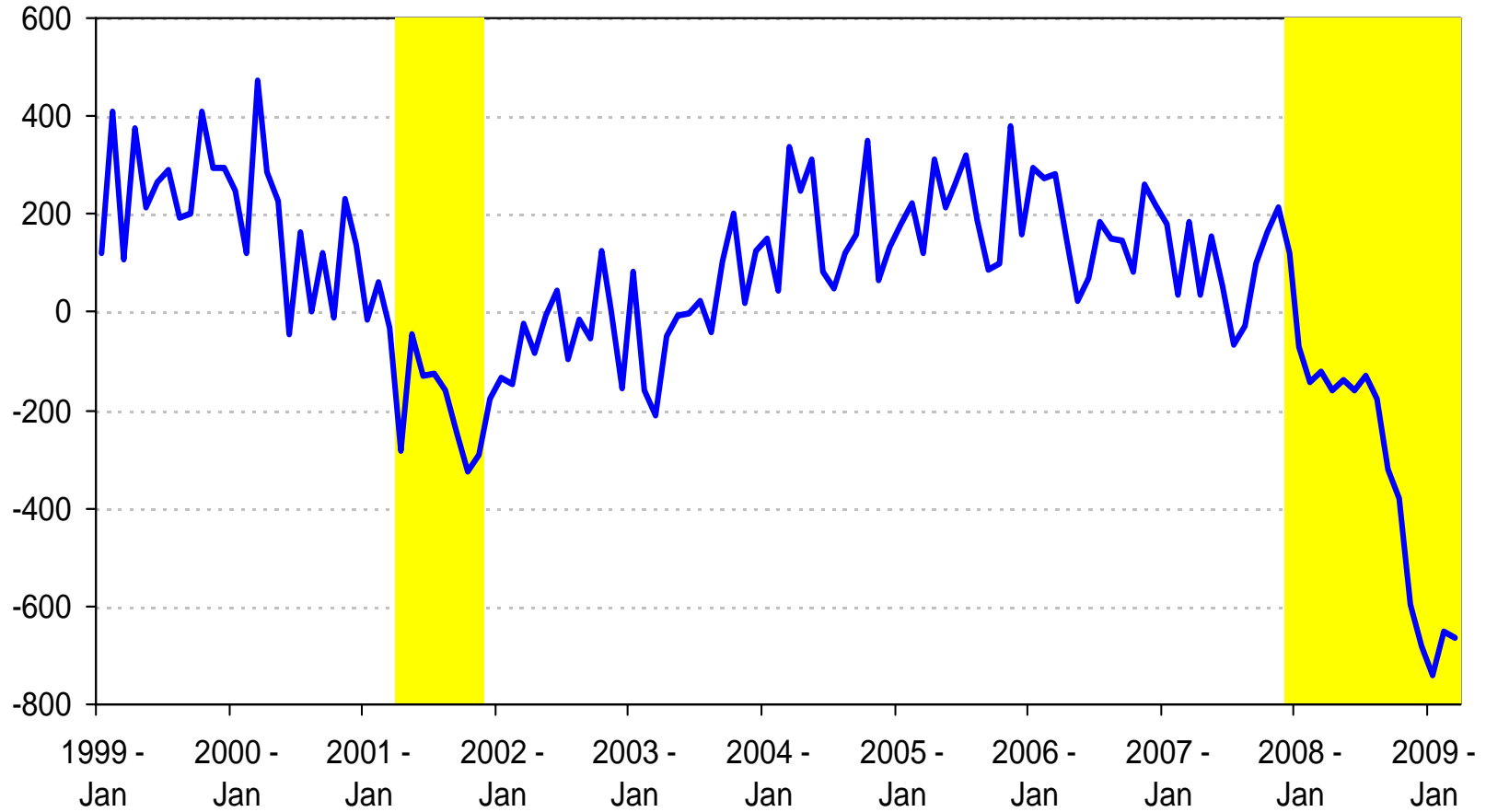


Source: The Conference Board

- Real consumer spending likely increased in the current quarter.
- Consumers should benefit from the fiscal stimulus, including reduced tax withholdings and a one-time payment to Social Security recipients. Other factors supporting consumer spending include tax refunds and increased mortgage refinancing.
- A robust growth in consumer spending is unlikely.
- Households are financially strapped.
- Labor market conditions remain very weak.

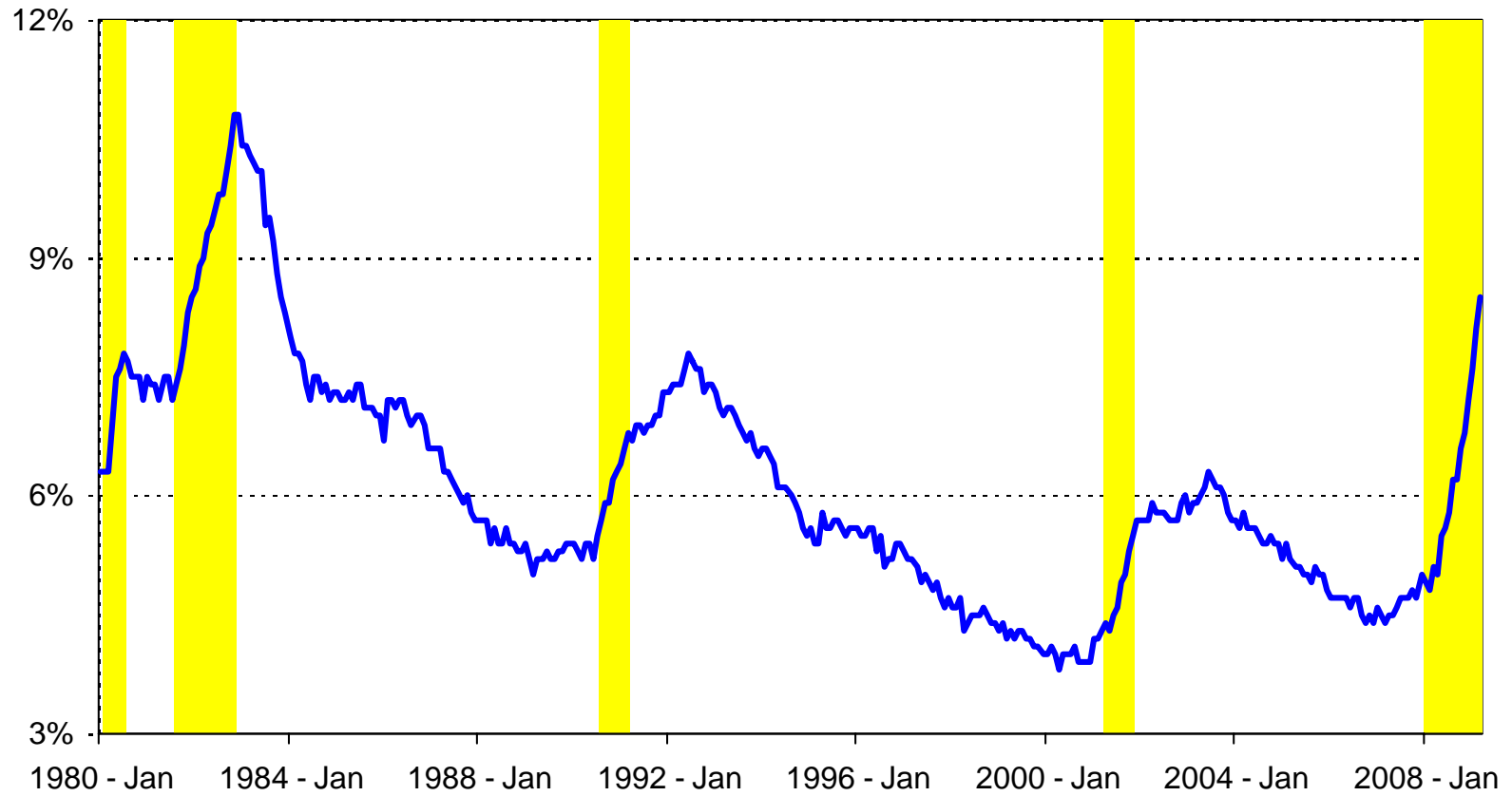
# Labor Market Deteriorates Sharply

Monthly change in nonfarm Payrolls, in thousands



Source: Bureau of Labor Statistics

# Unemployment Rate Highest in over 25 Years

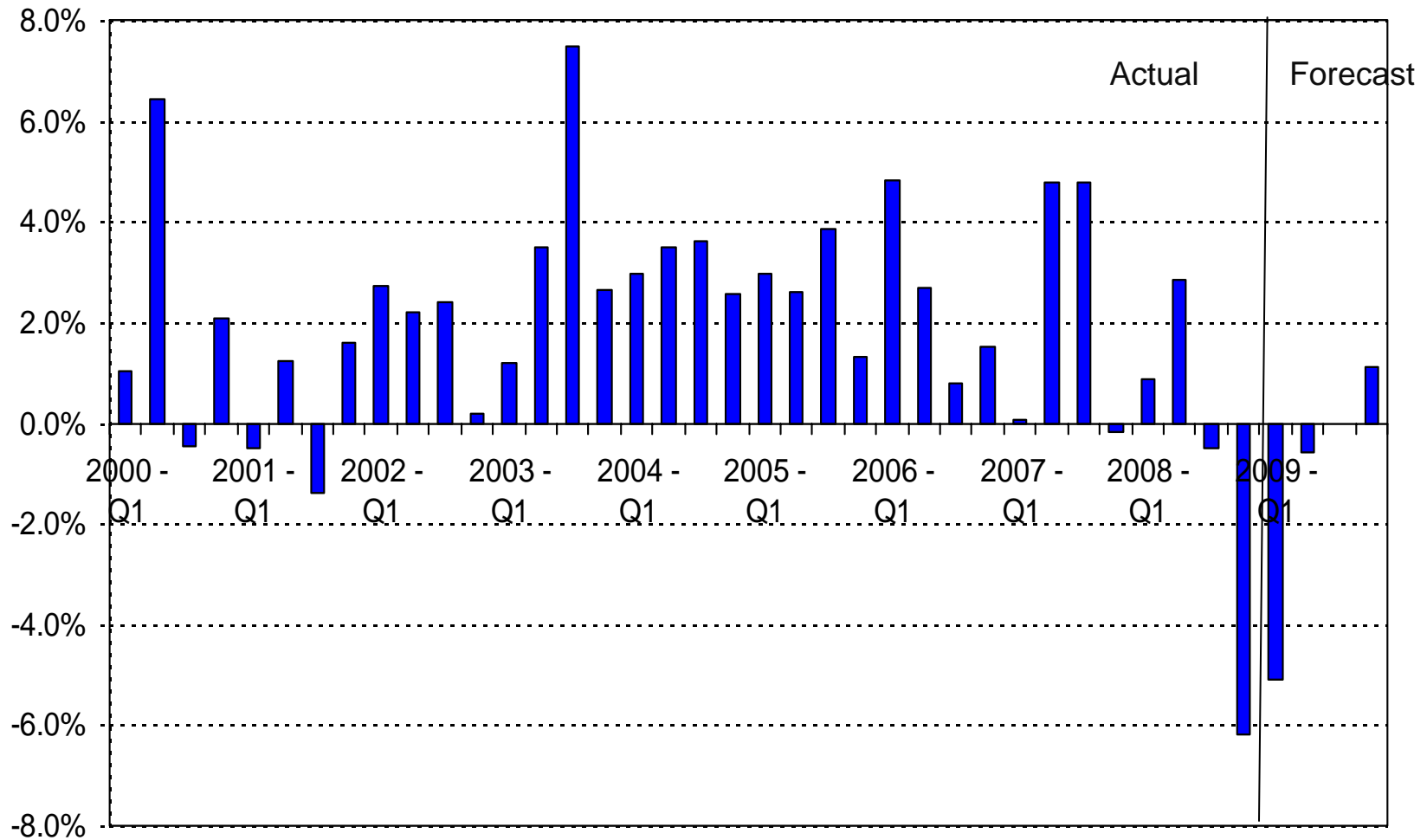


Source: Bureau of Labor Statistics

# Negative Economic Growth Should Continue through the First Half



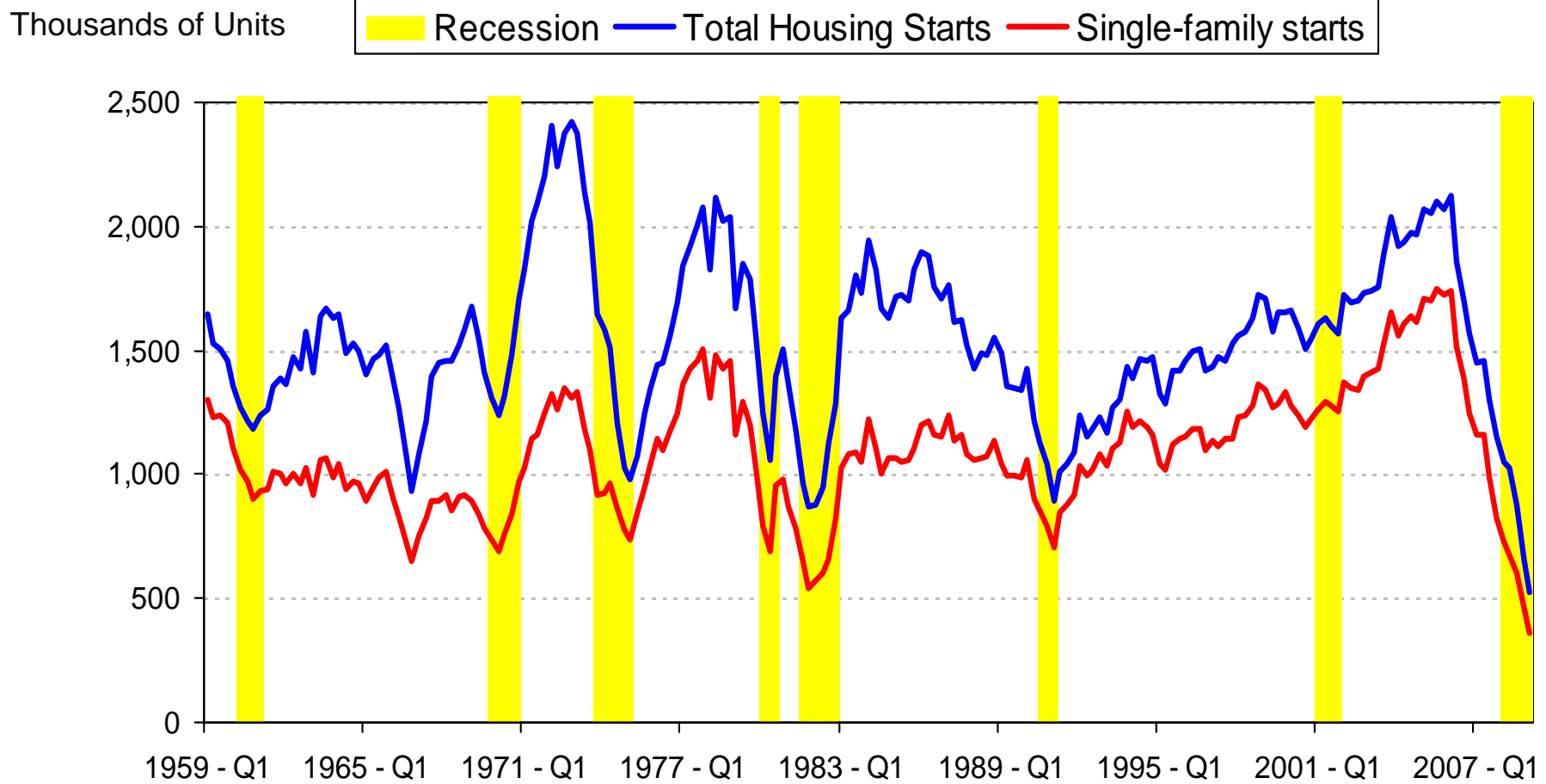
Real gross domestic product, seasonally-adjusted annualized rate



Source: Bureau of Economic Analysis

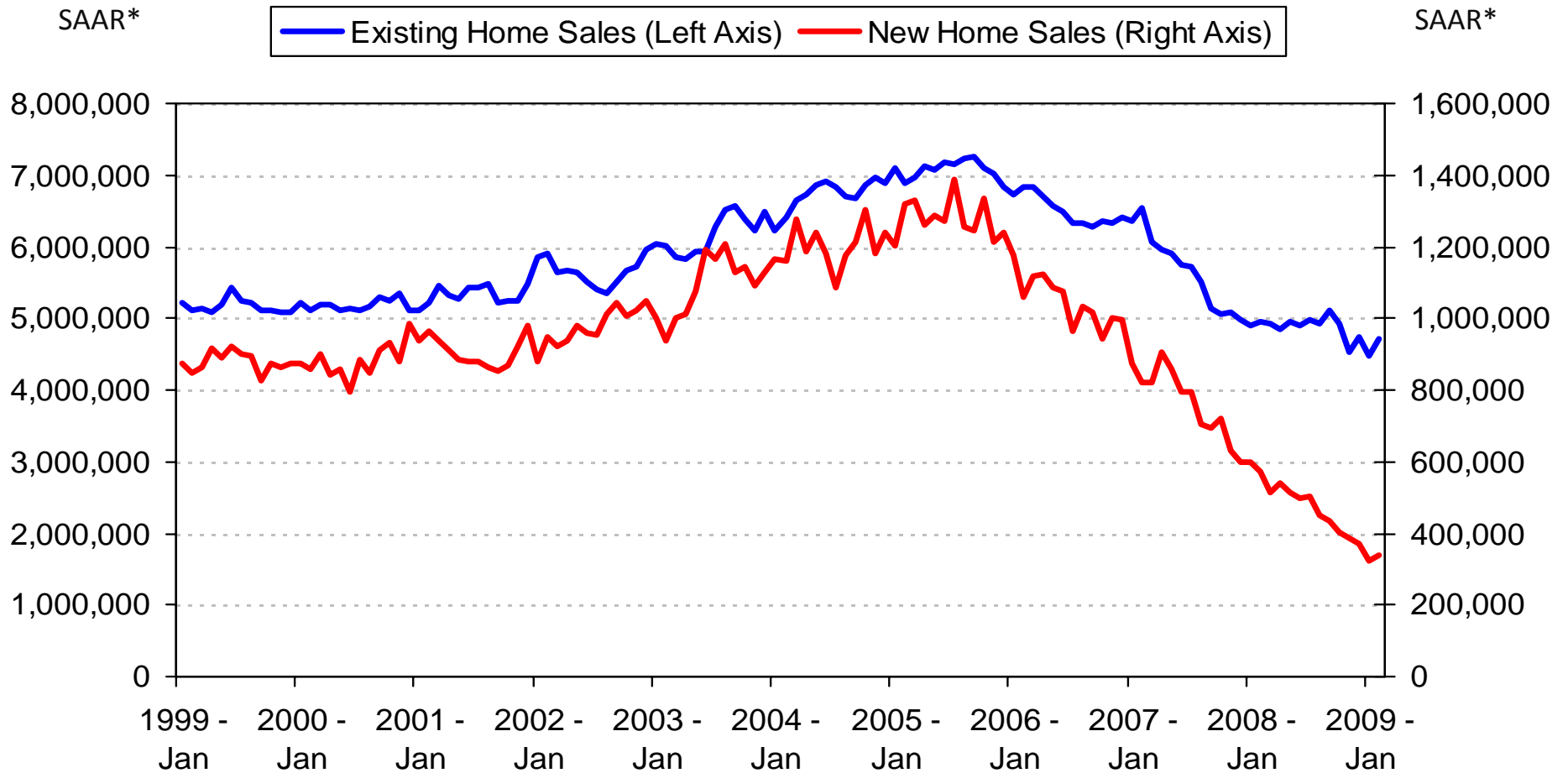
- Home sales are inching toward stabilization.
- Mortgage rates are historically low and should remain low from Fed and Treasury efforts.
- Home prices are lagging indicator.
- Refinance boom induced by low mortgage rates and the Administration housing plan will spur mortgage originations

# The Current Housing Downturn Most Severe in Five Decades



Source: Census Bureau

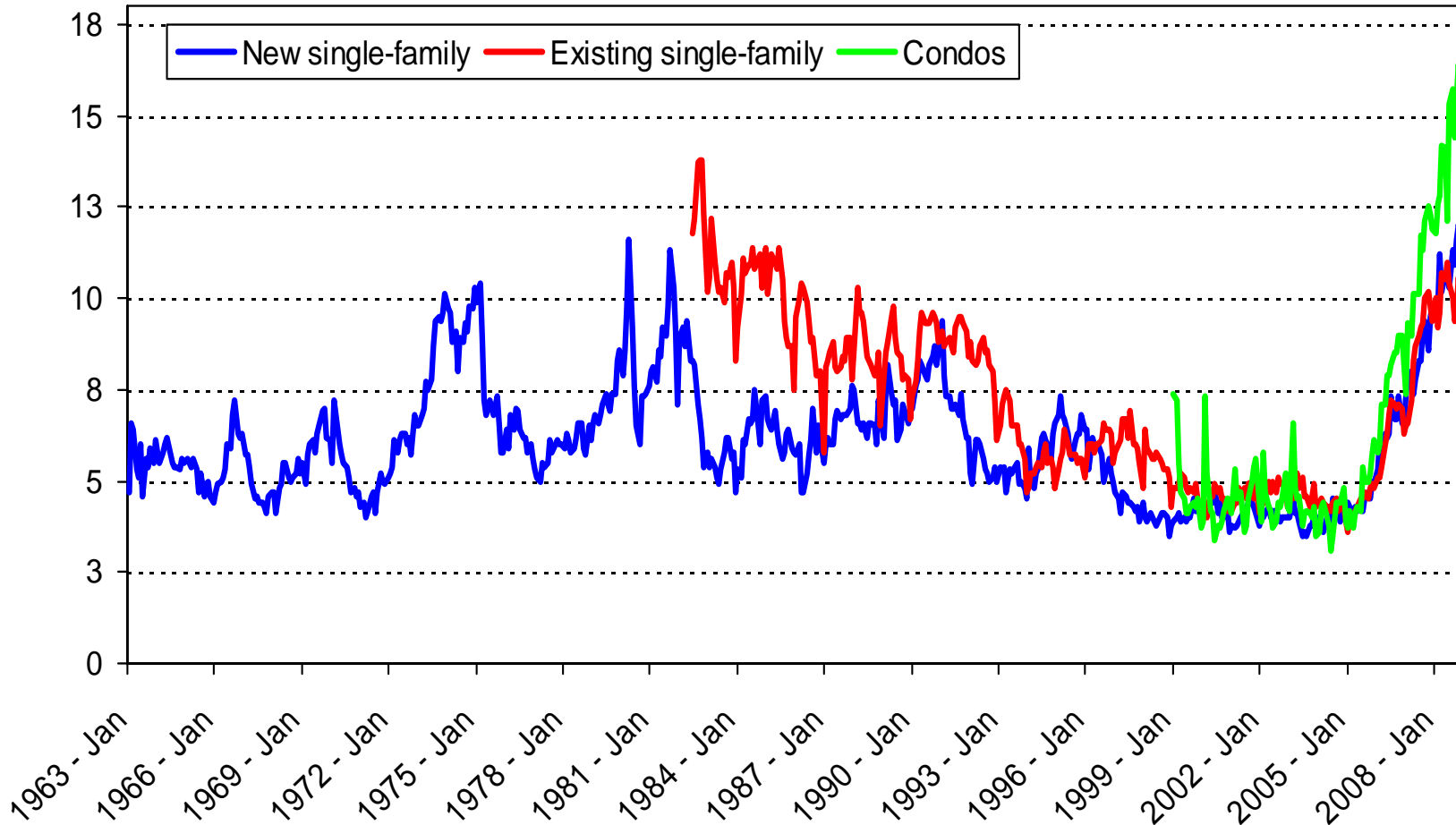
# Distressed Sales Help Support Existing Home Sales



\*Seasonally-adjusted annualized rate

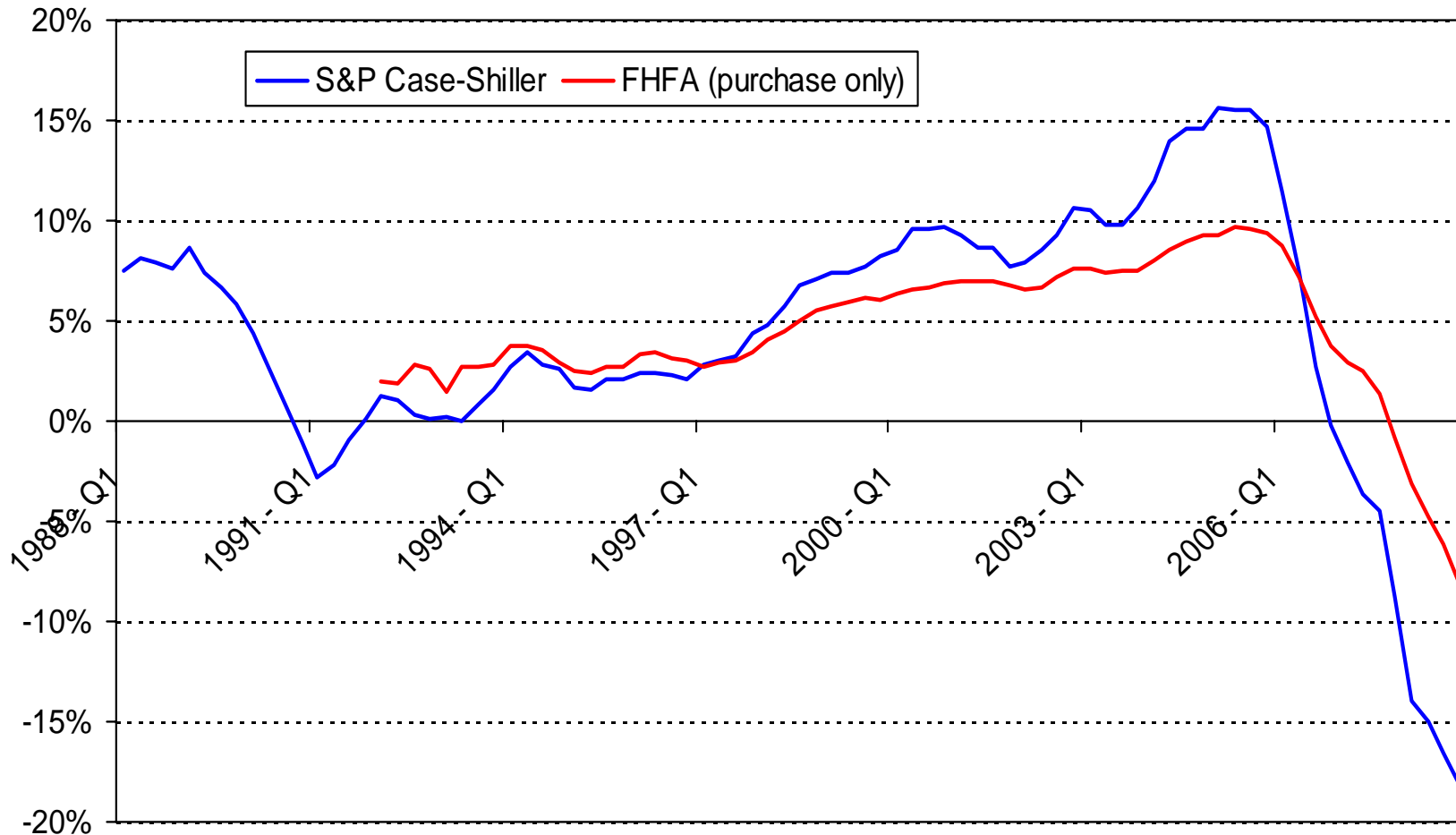
Source: Census Bureau and the National Association of Realtors

# Months' Supply (Inventory-to-Sales Ratio) Remains Elevated



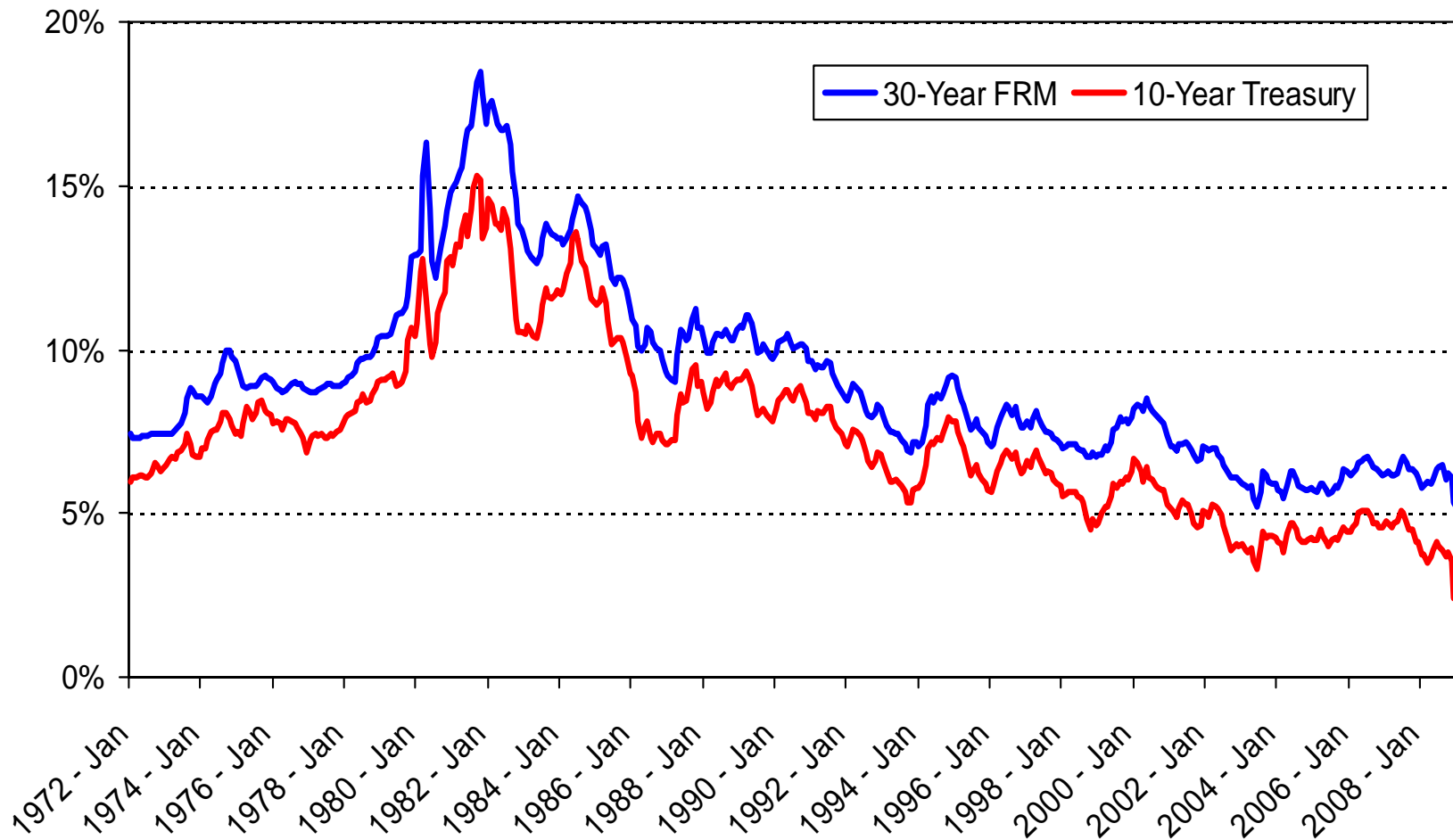
Source: Census Bureau and the National Association of Realtors

# Home Price Declines Continue Unabated



Source: Standard & Poor's, The Federal Housing Finance Board

# Conforming Mortgage Rates Are Historically Low

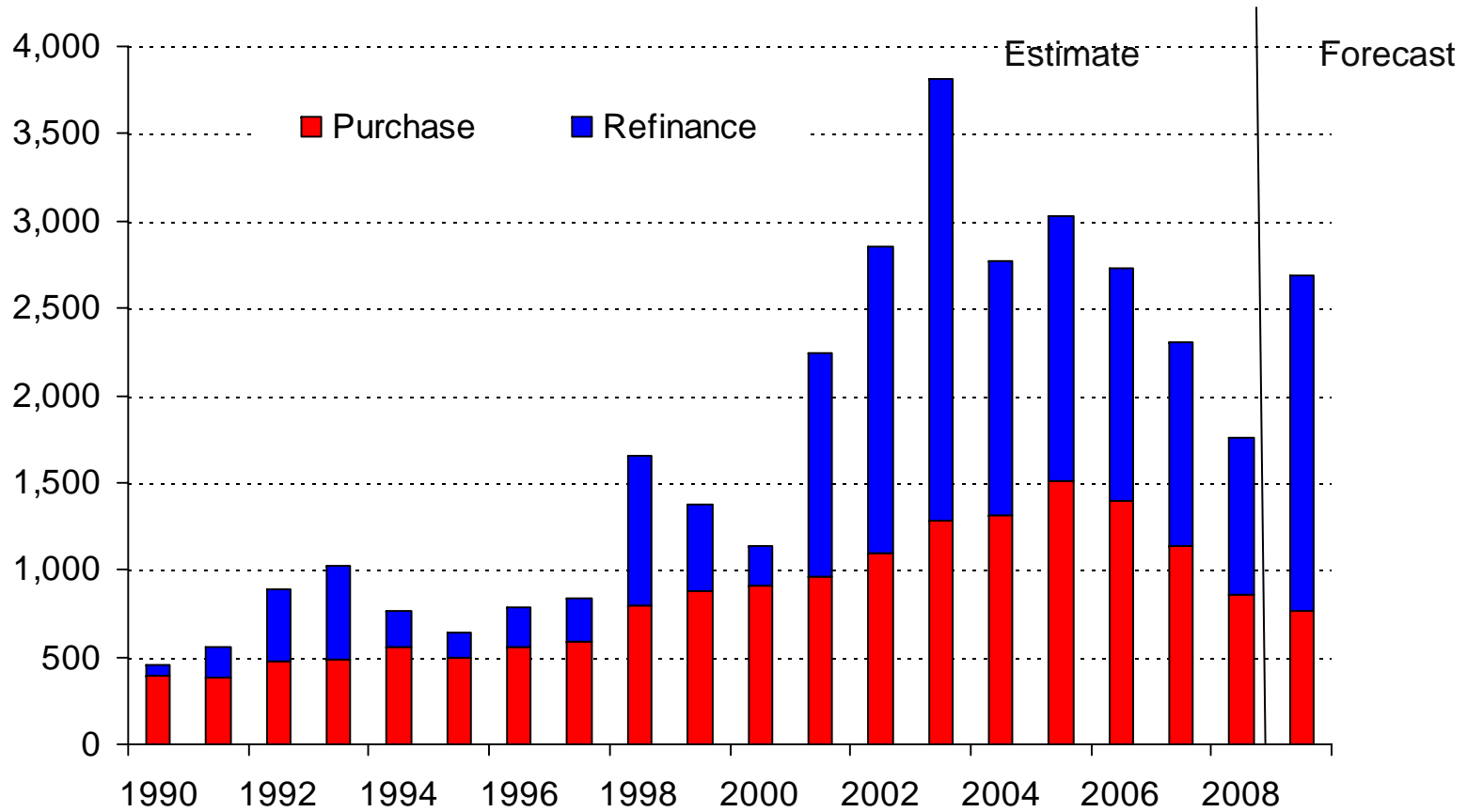


Source: Freddie Mac, Federal Reserve Board

# Refinance Originations Boost Total Originations



\$ Billion



Source: Mortgage Bankers Association

- The recession is moderating but the recovery will be gradual
- The unemployment rate will peak in the second half of 2010
- Mortgage rates should remain low for the rest of the year.
- Housing activity will be down for another year but at a much more moderate pace.
- Purchase originations will decline modestly but refinance originations will more than double last year.