

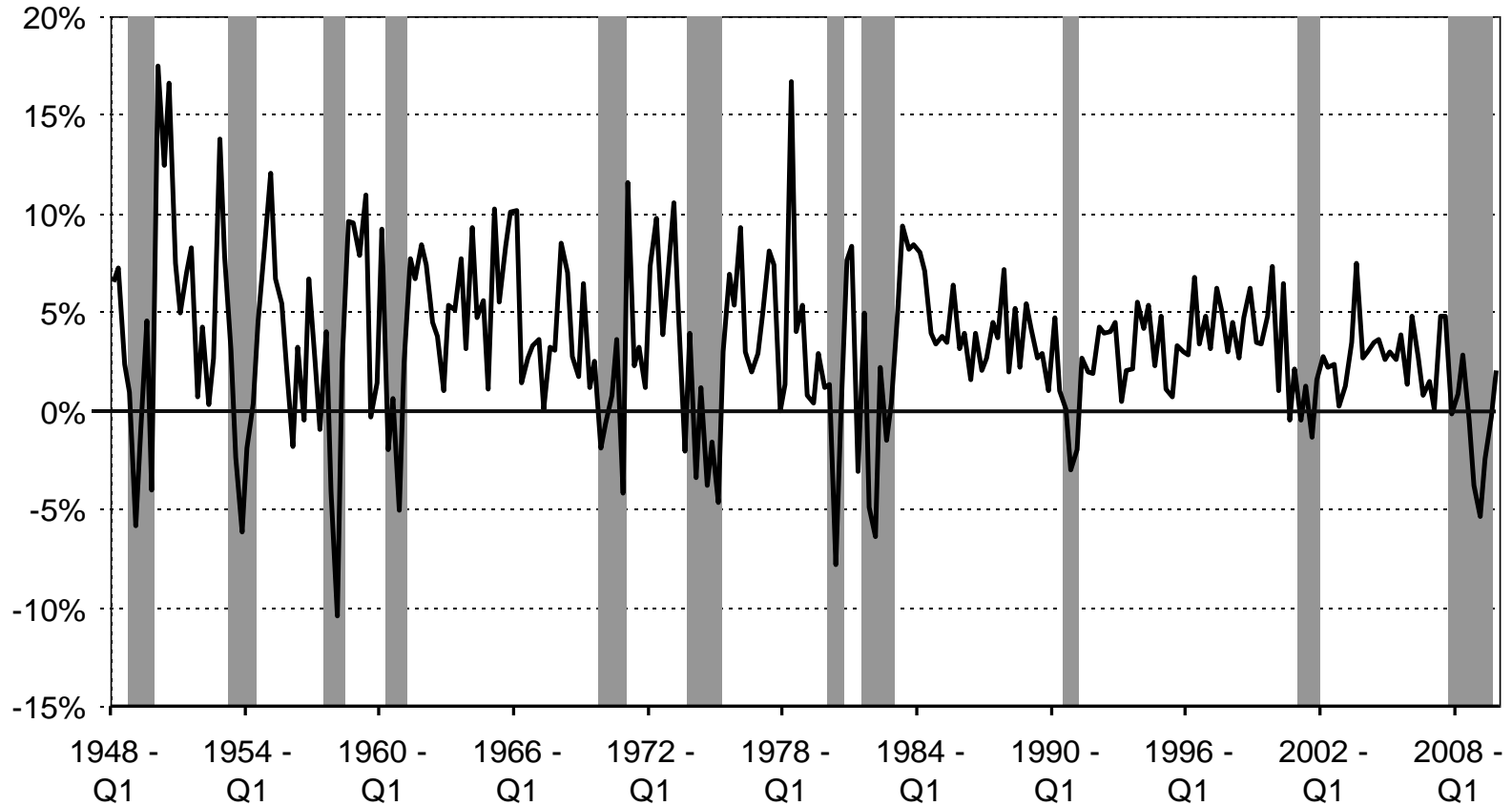
MBA 2009 Servicing Conference

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Mortgage Bankers Association

	2009				2010						
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010
<u>Percent Change, Annual Rate</u>											
Real Gross Domestic Product	-5.8	-1.7	-0.5	1.2	3.0	3.5	3.7	3.7	-0.2	-1.8	3.5
<u>Percent</u>											
Unemployment Rate	7.8	8.3	8.8	9.2	9.5	9.6	9.5	9.4	5.8	8.5	9.5
Federal Funds Rate	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5	1.9	0.1	0.3
10-Year Treasury Bond Rate	2.9	3.1	3.2	3.3	3.4	3.5	3.5	3.6	3.7	3.1	3.5

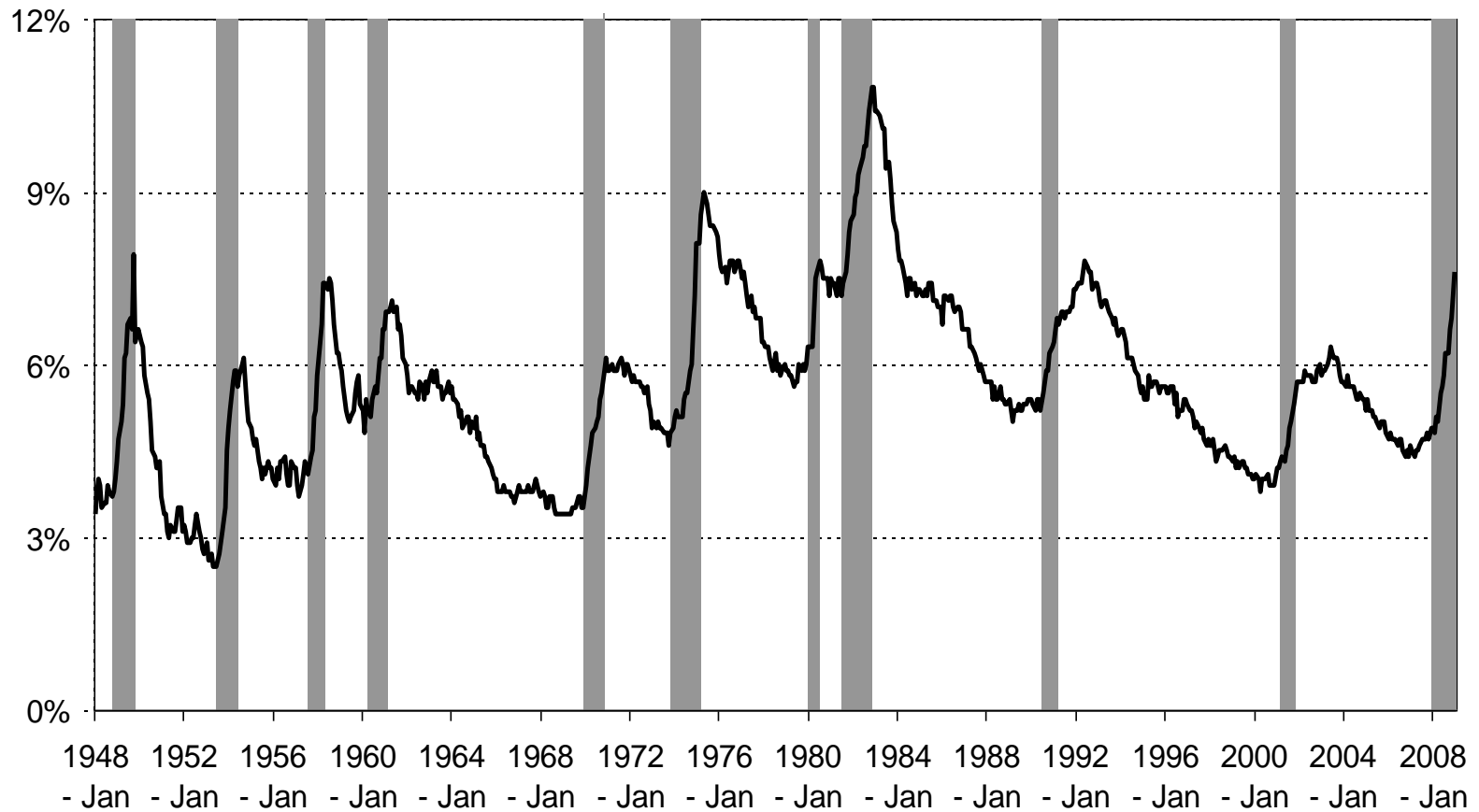
Source: Mortgage Bankers Association

Annualized quarterly growth rates



Source: The Bureau of Economic Analysis

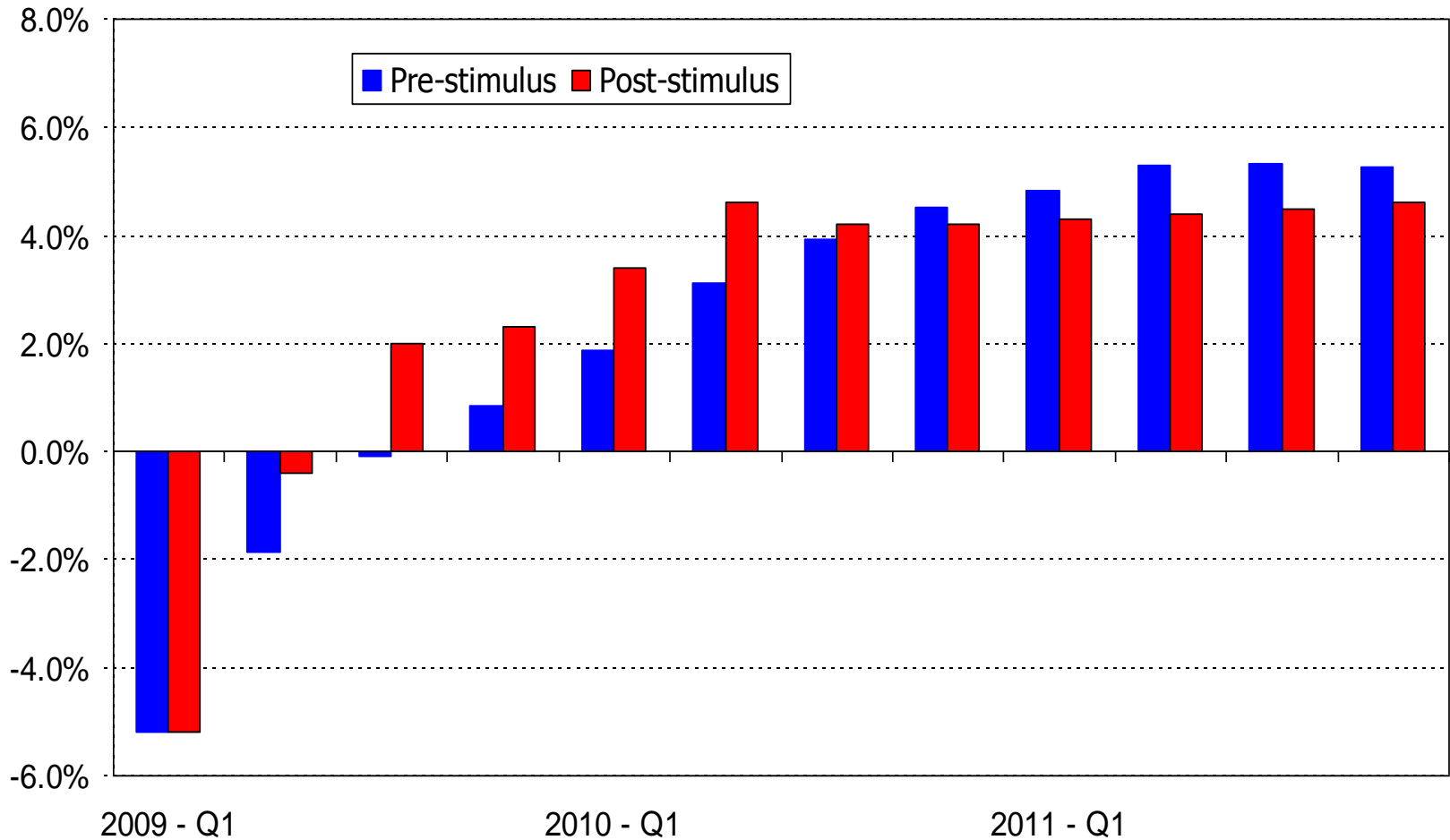
Unemployment Rate



Source: Bureau of Labor Statistics

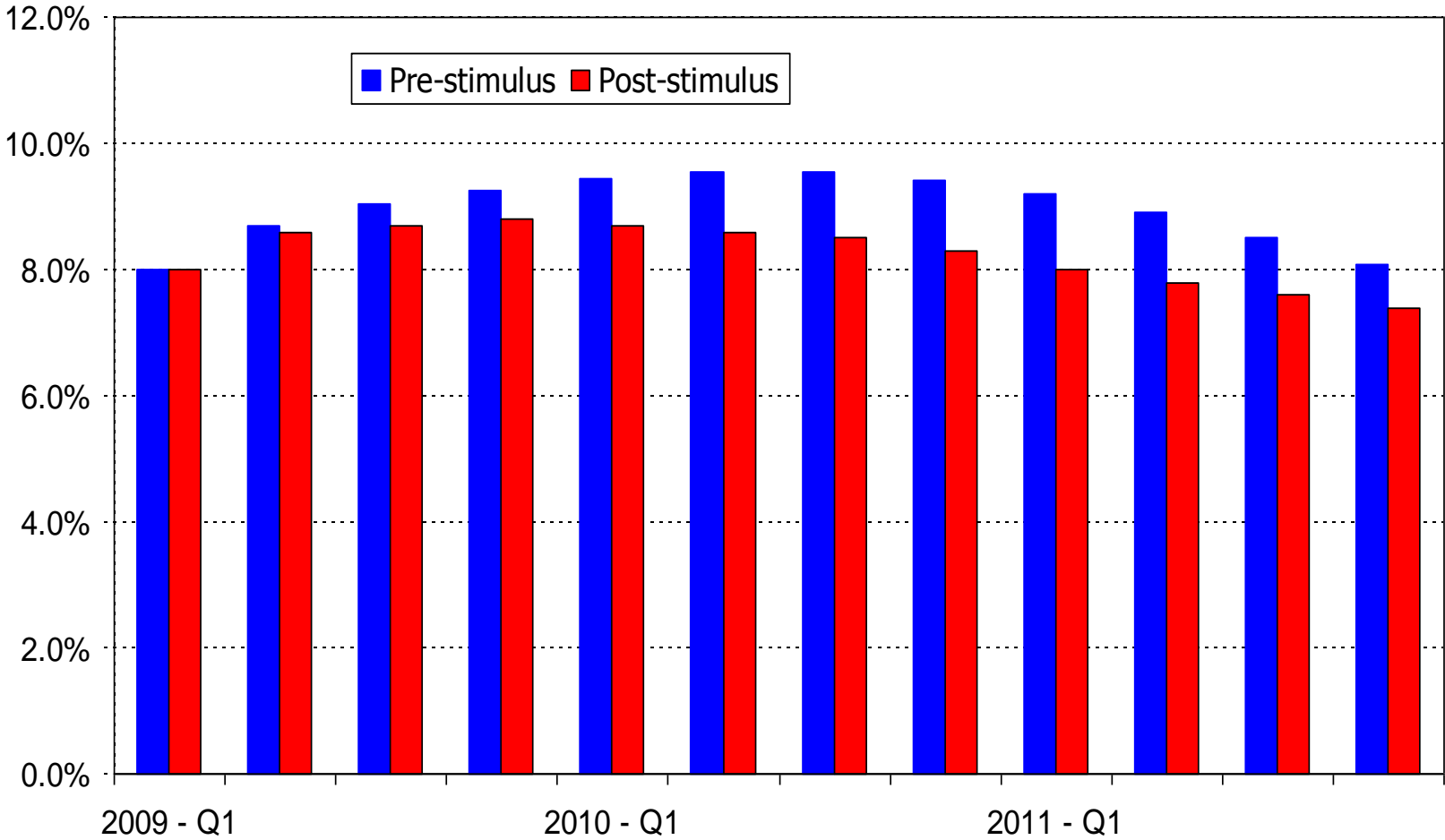
Fiscal Stimulus Impact on Real GDP Growth

Real gross domestic product, seasonally-adjusted annualized rate



Source: Macroeconomic Advisers, LLC

Fiscal Stimulus Impact on Unemployment Rate



Source: Macroeconomic Advisers, LLC

- Spending programs
 - » Construction
 - » Nonrecurring needs
 - » Recurring needs
- Tax Cuts
 - » Individual (aimed at spending)
 - » Individual (aimed at investment)
 - » Business (aimed at investment)
 - » Business (aimed at hiring)
- Aid to states to offset budget shortfalls

- Wealth effect on individuals from stock market and housing declines
- Psychological effect of layoff announcements and political pronouncements
- Weakened state of major financial institutions

Market Capitalization Declines Increasing

Estimated global bank and insurance market capitalization:

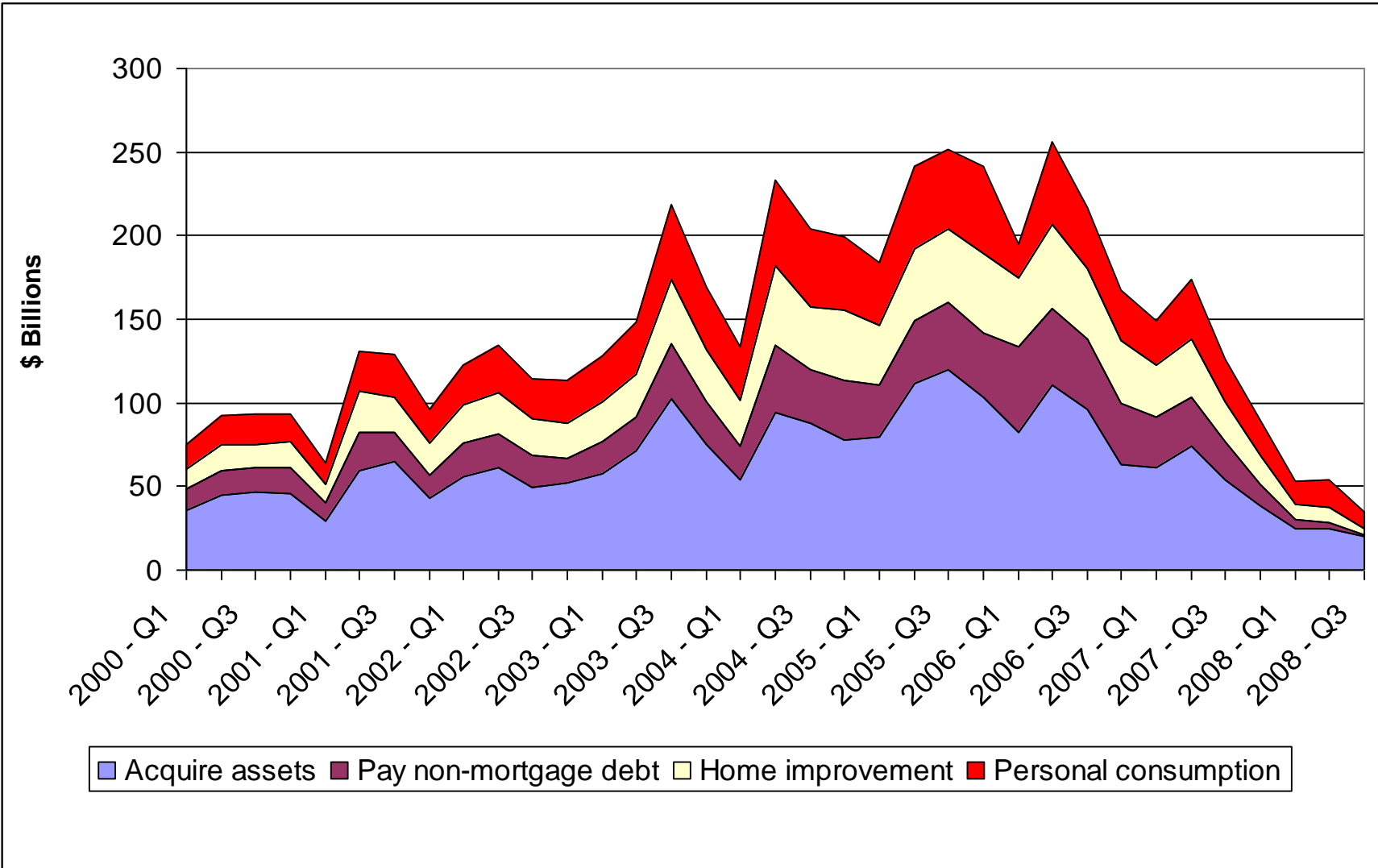
August 2007	\$8,540 billion
March 2008	\$7,320 billion
September 2008	\$5,888 billion
January 2009	\$3,586 billion

Rate of decline is increasing:

Aug 2007 – Mar 2008 (8 months)	\$152B per month
Mar 2008 – Sep 2008 (6 months)	\$239B per month
Sep 2008 – Jan 2009 (4 months)	\$576B per month

Source: Financial Times

Size and Use of Home Equity Extraction 2000 - 2008

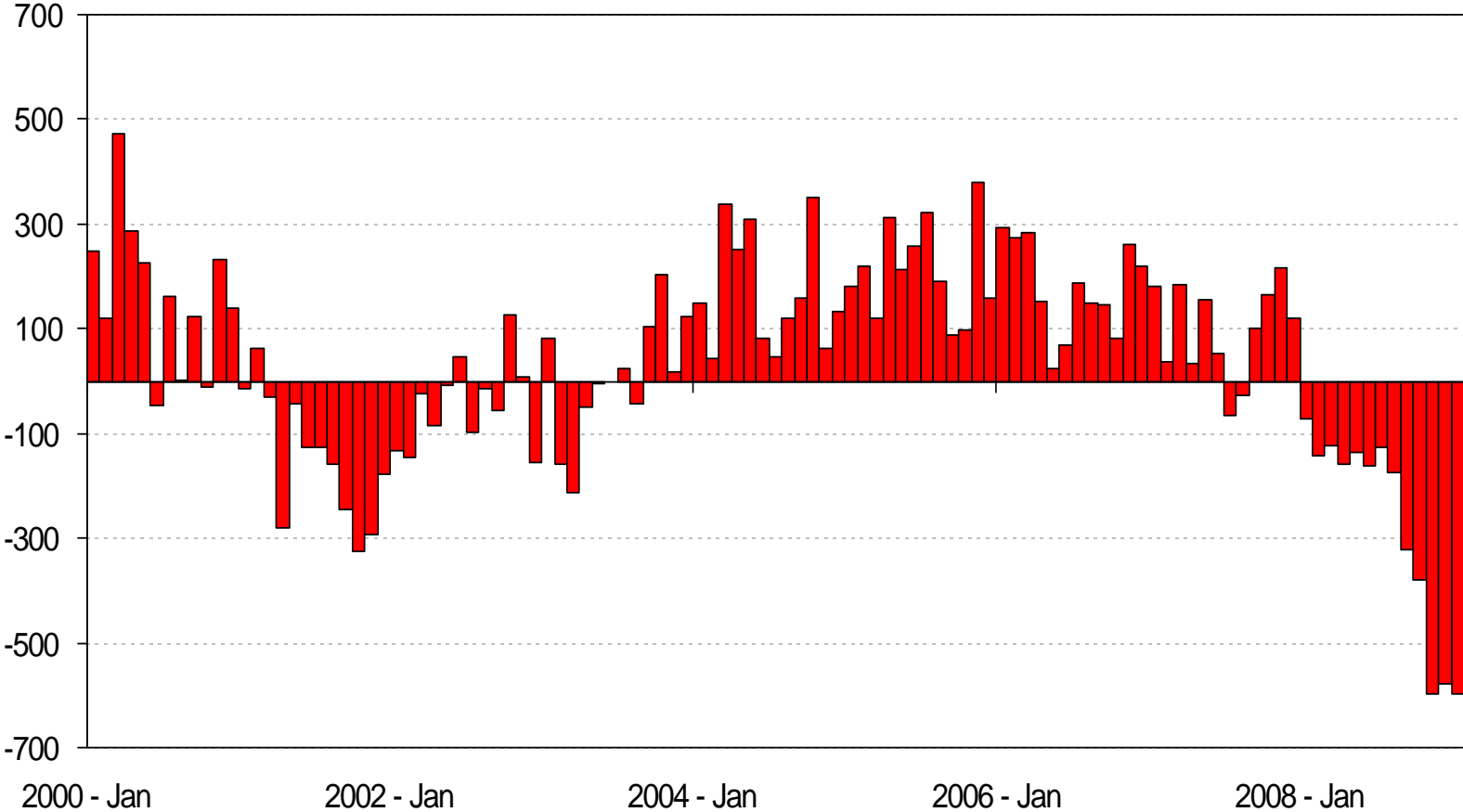


Source: Greenspan & Kennedy, Federal Reserve

Monthly Change in Nonfarm Payrolls

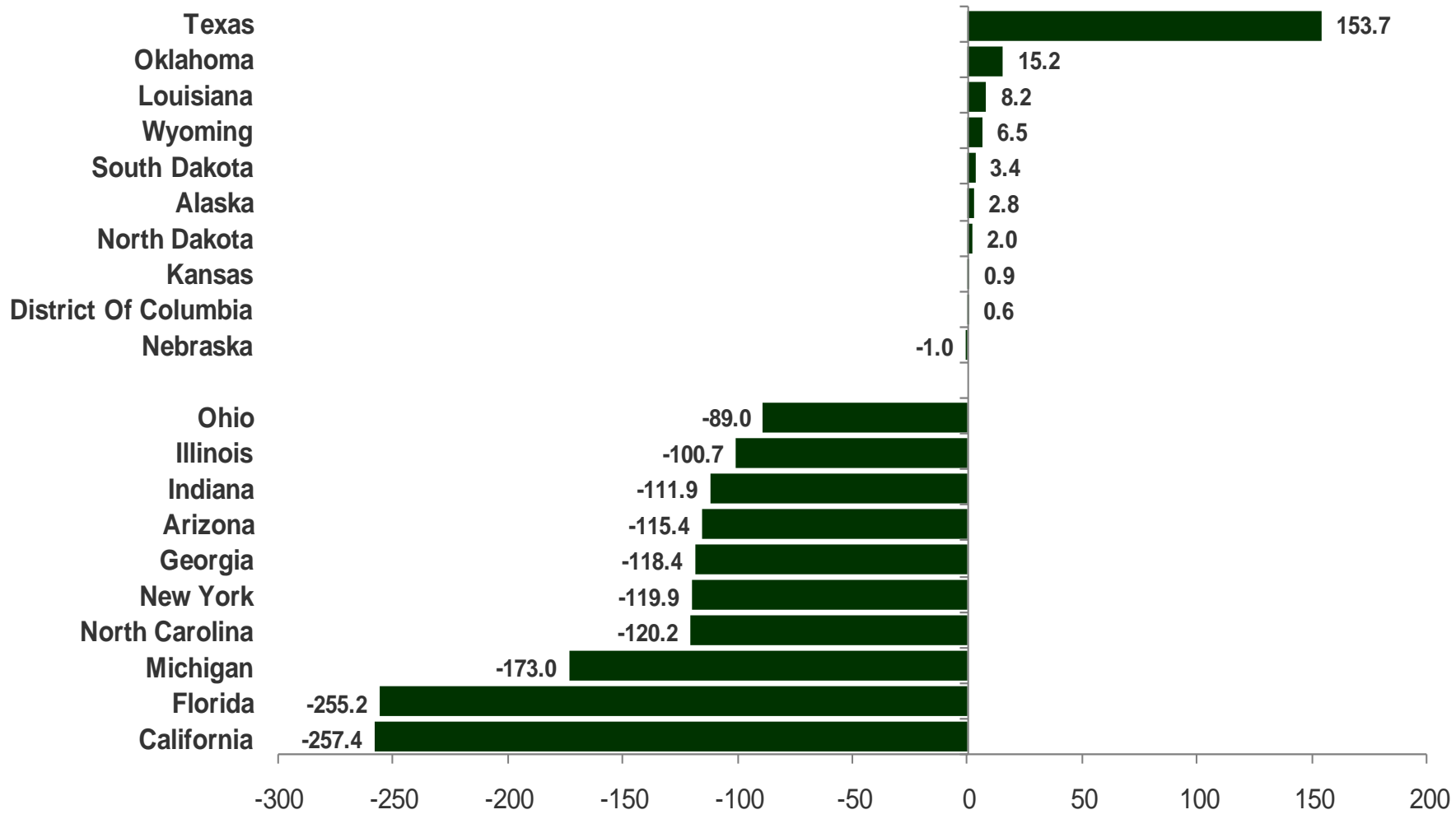


in thousands



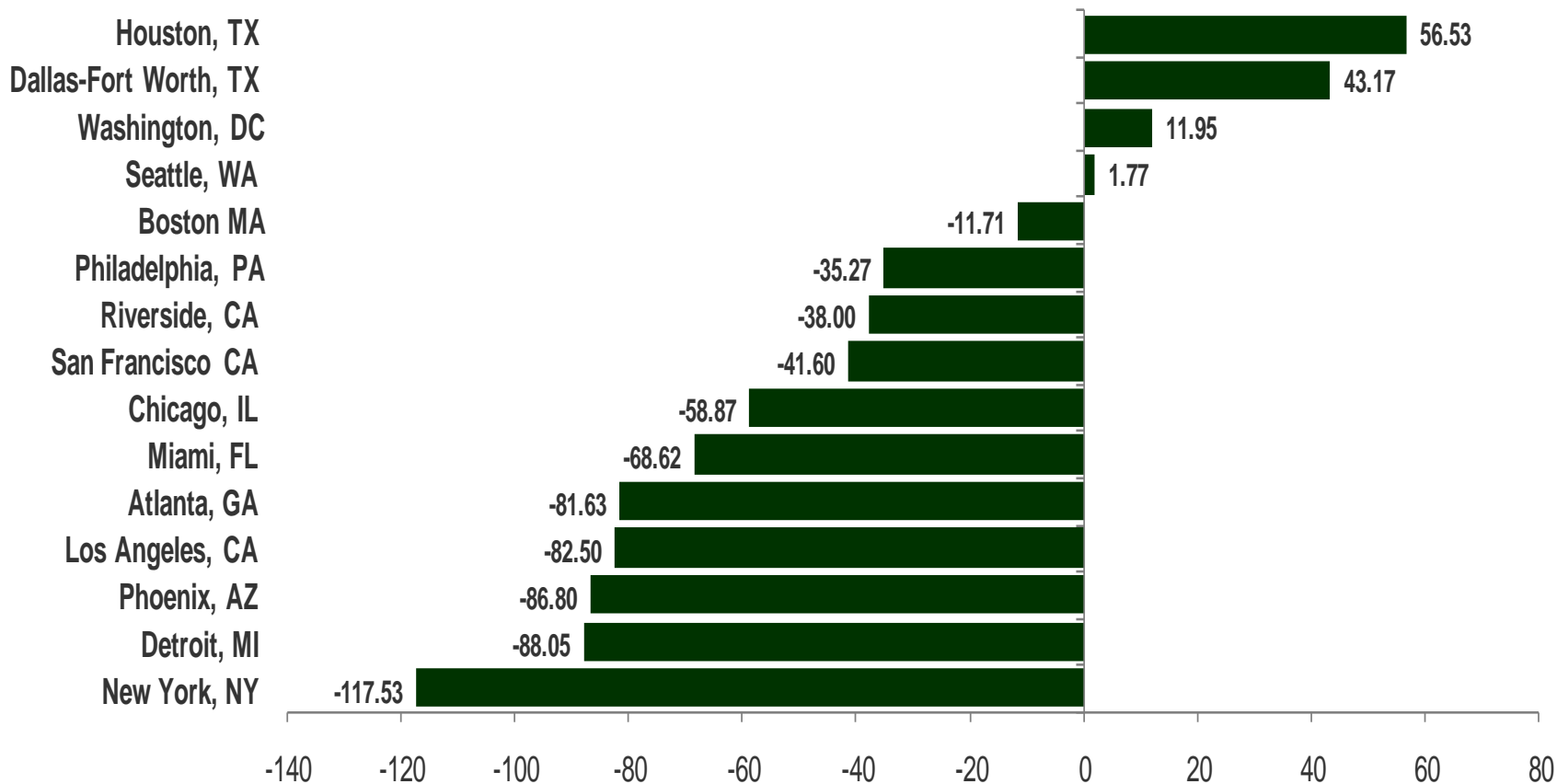
Source: Bureau of Labor Statistics

Employment Change: Top-ten and Bottom-ten States December 2007 to December 2008 (in Thousands)



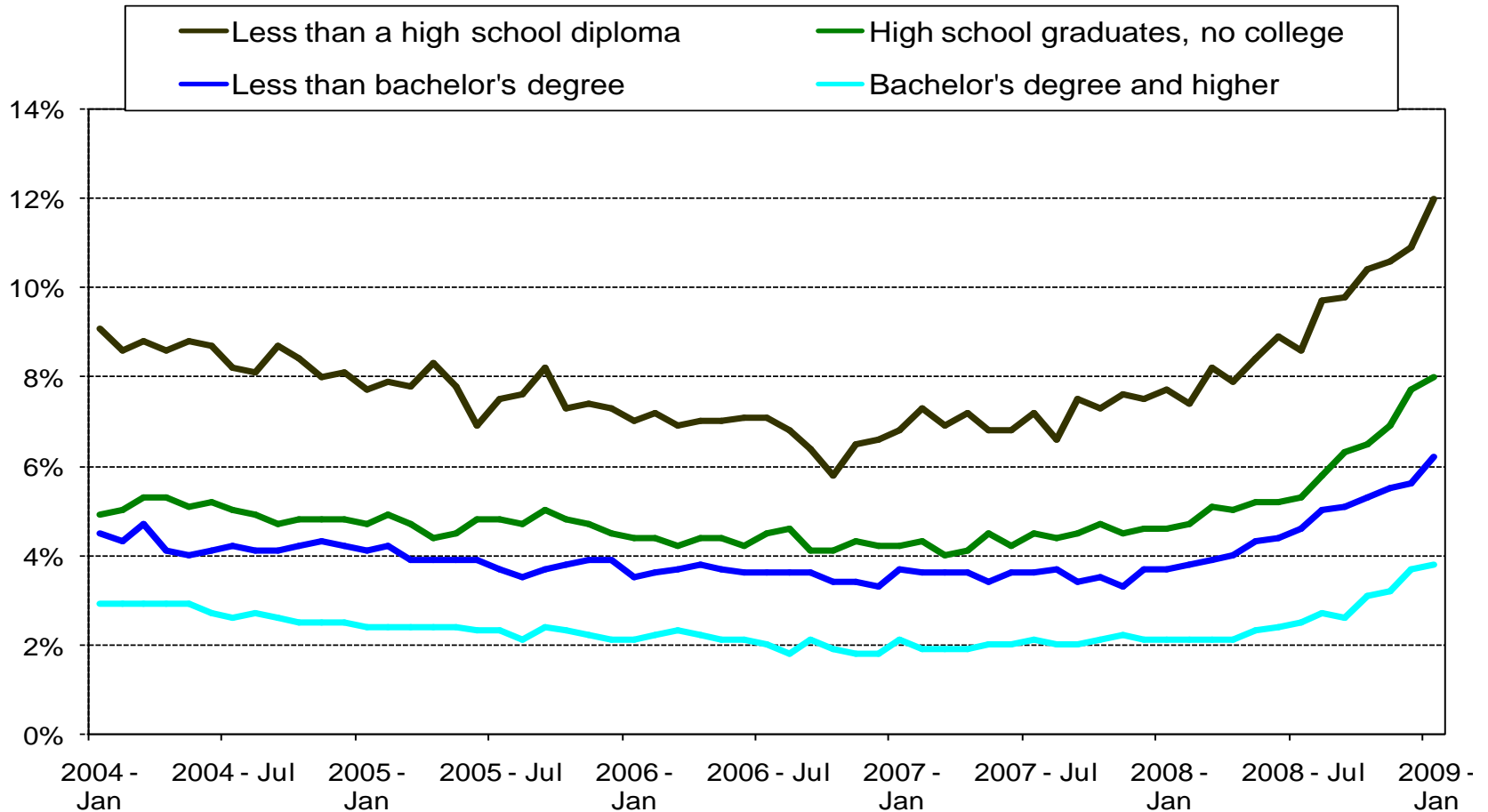
Source: The Bureau of Labor Statistics

Employment Change: 15 Largest MSAs December 2007 to December 2008 (in Thousands)



Source: The Bureau of Labor Statistics

Unemployment Rates by Education: December 2008

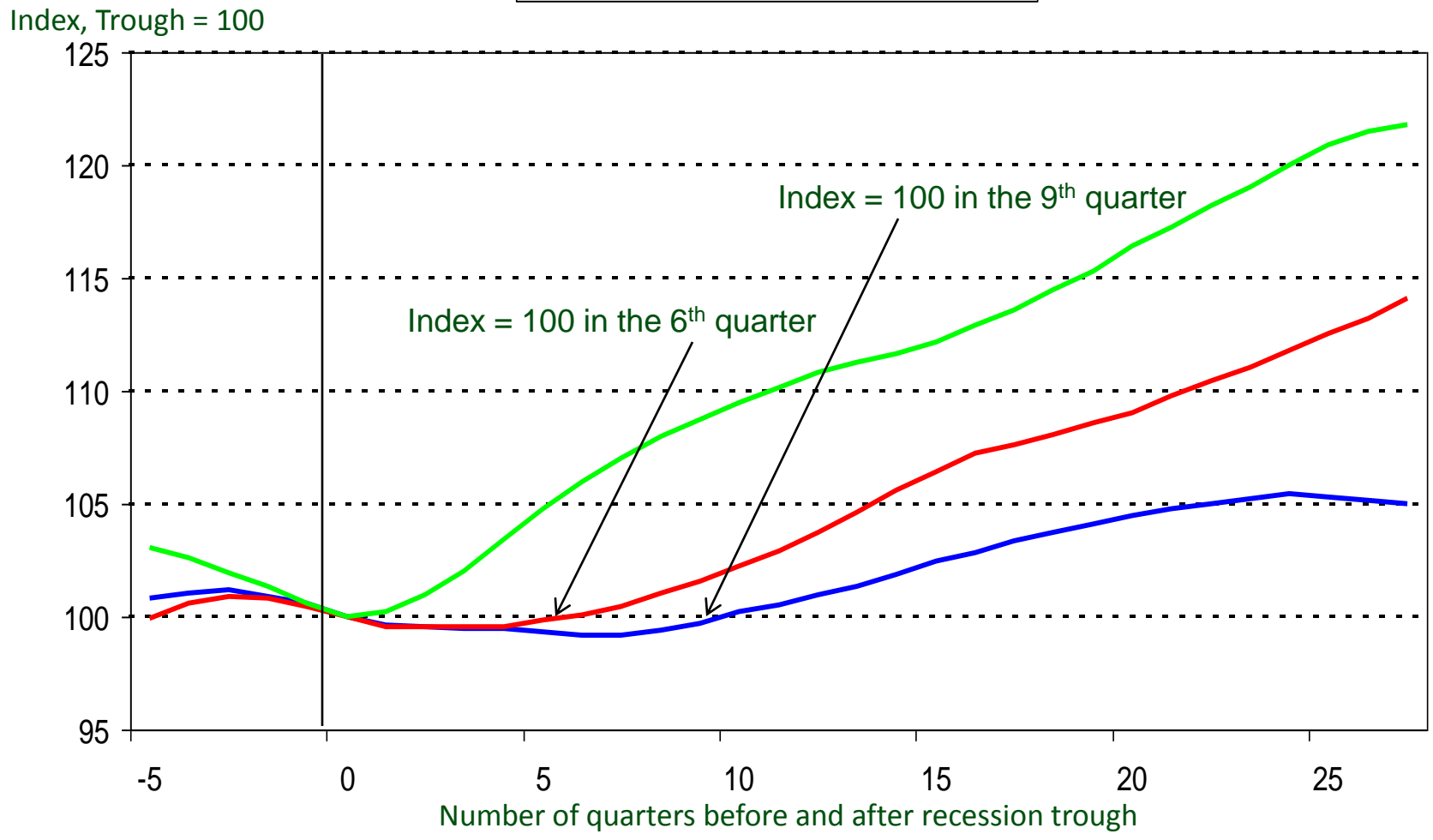


Source: The Bureau of Labor Statistics

Payroll Employment – Time to Recovery after End of Recession



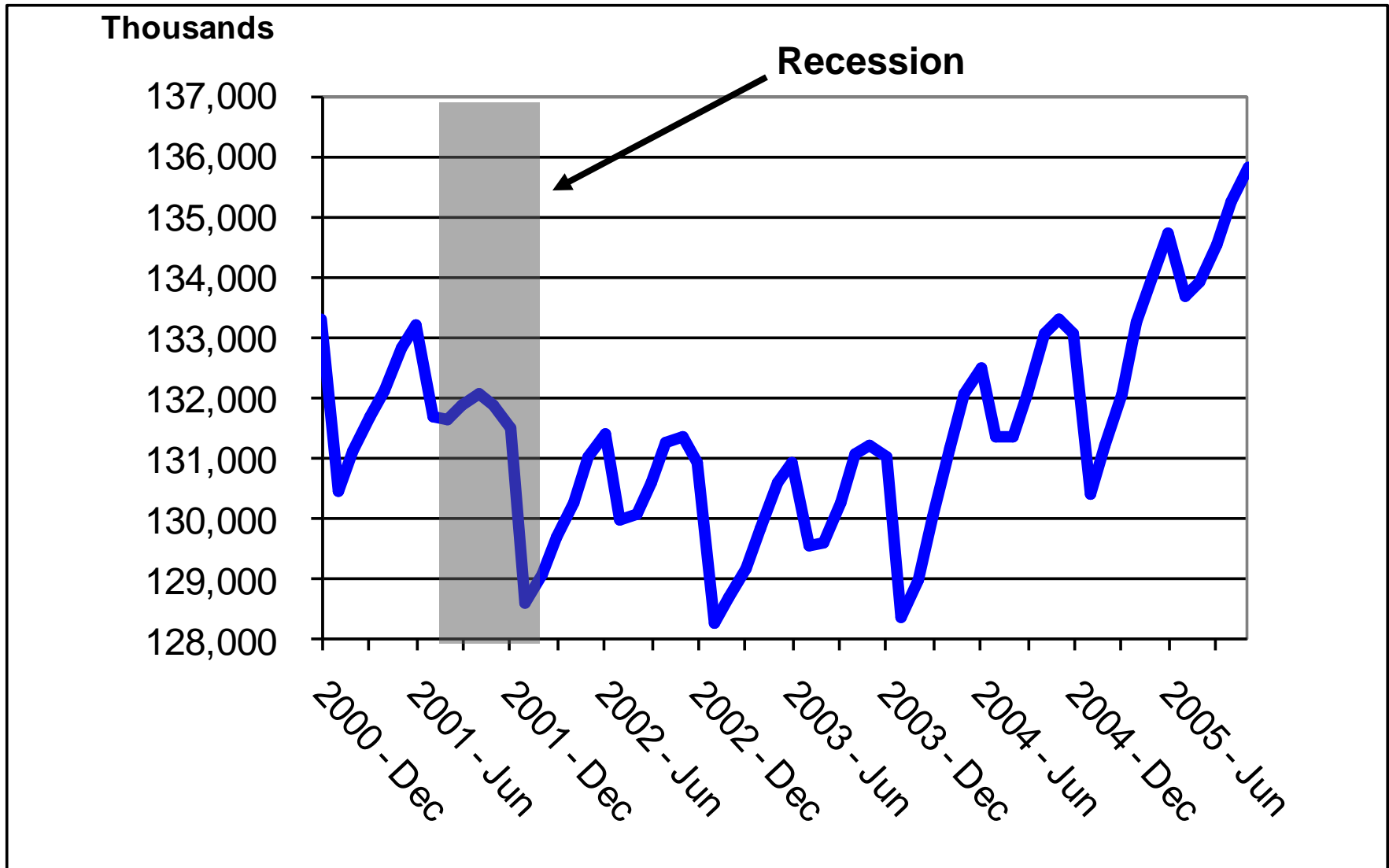
— 2001 — 1990-91 — 1980-82



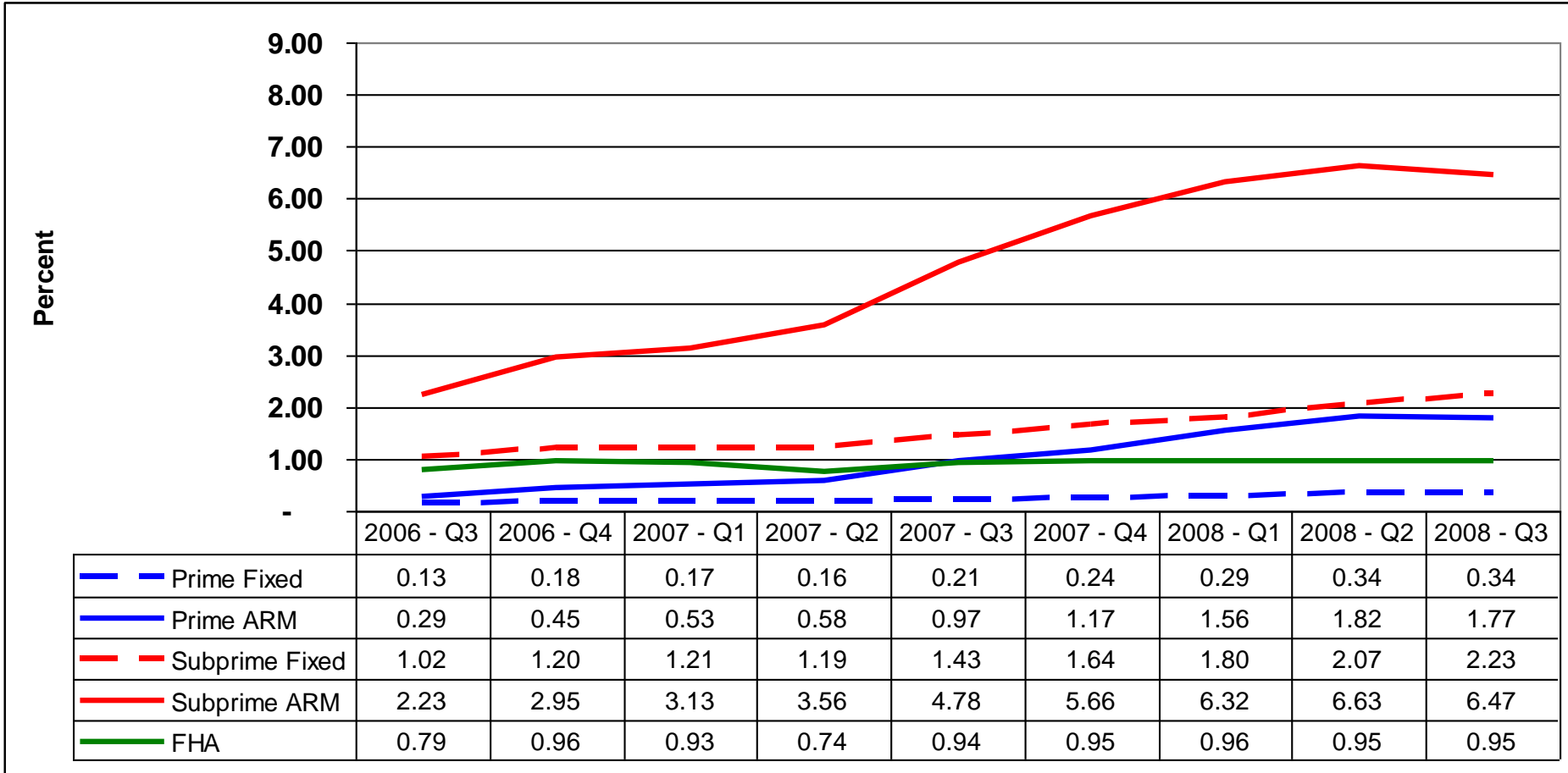
The level of payrolls in the quarter when the recession ended is set to 100

Source: The Bureau of the Labor Statistics, MBA calculation

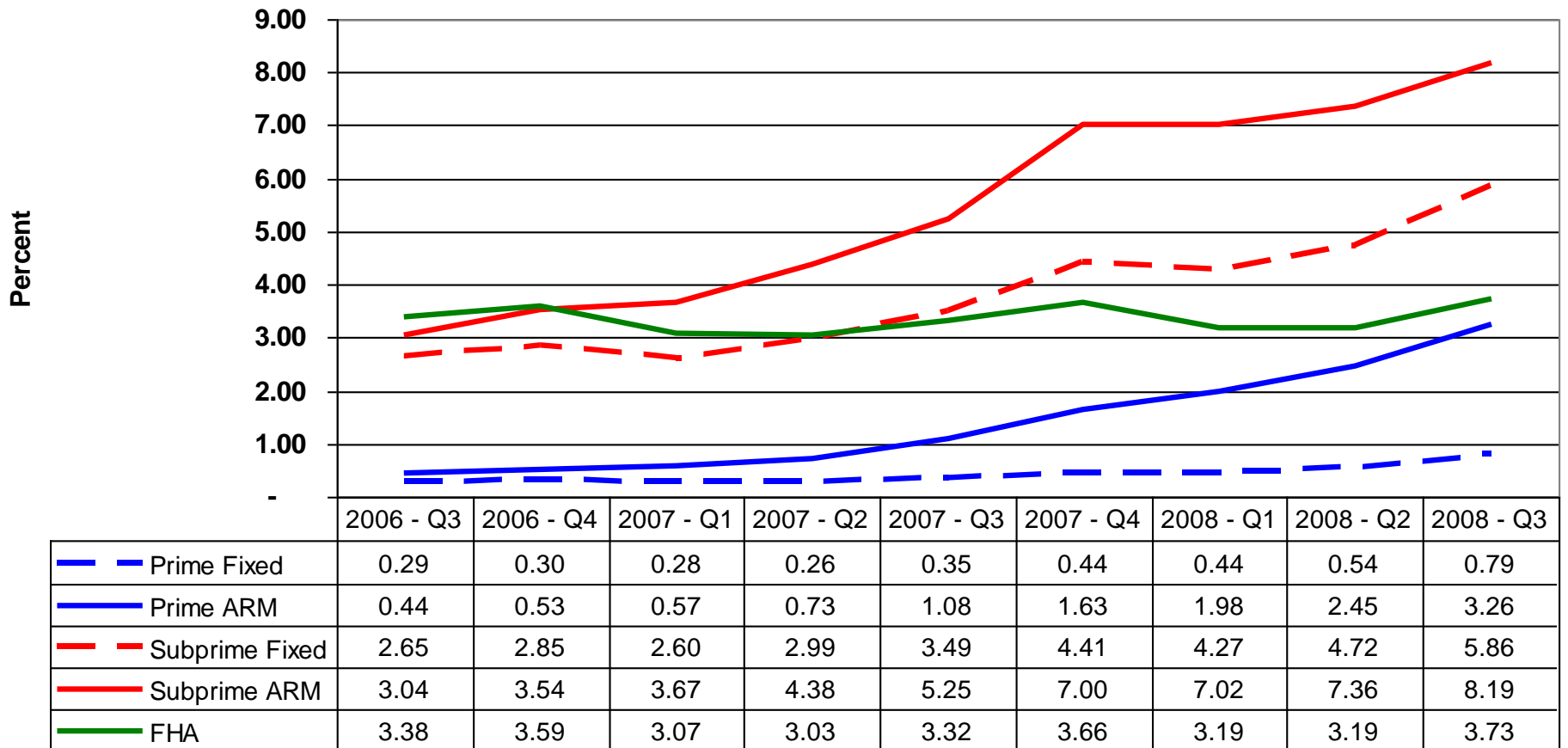
Payroll Employment Post 2001 Recession



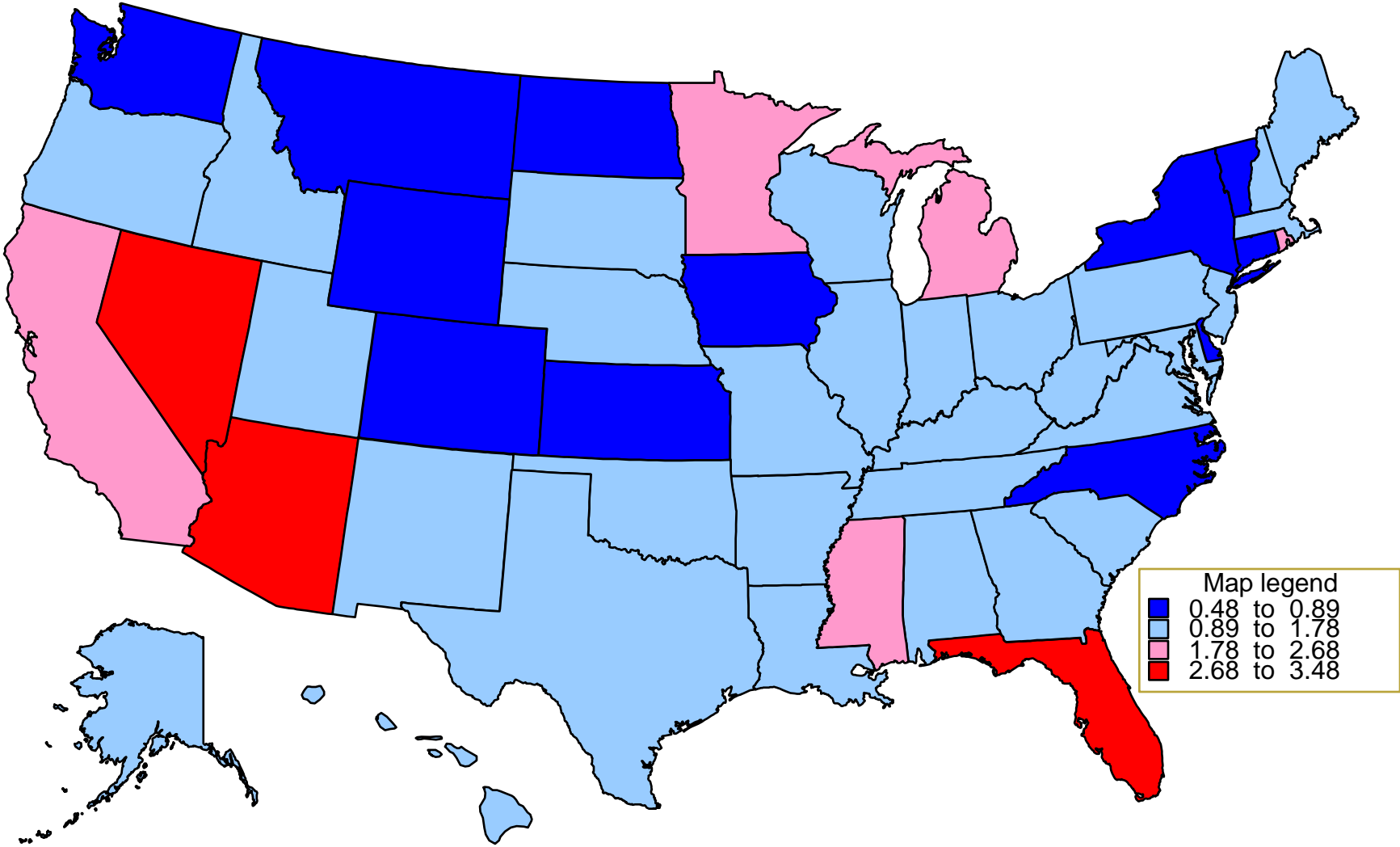
Foreclosures Started by Loan Type (NSA)



90+ Day Delinquencies by Loan Type (NSA)

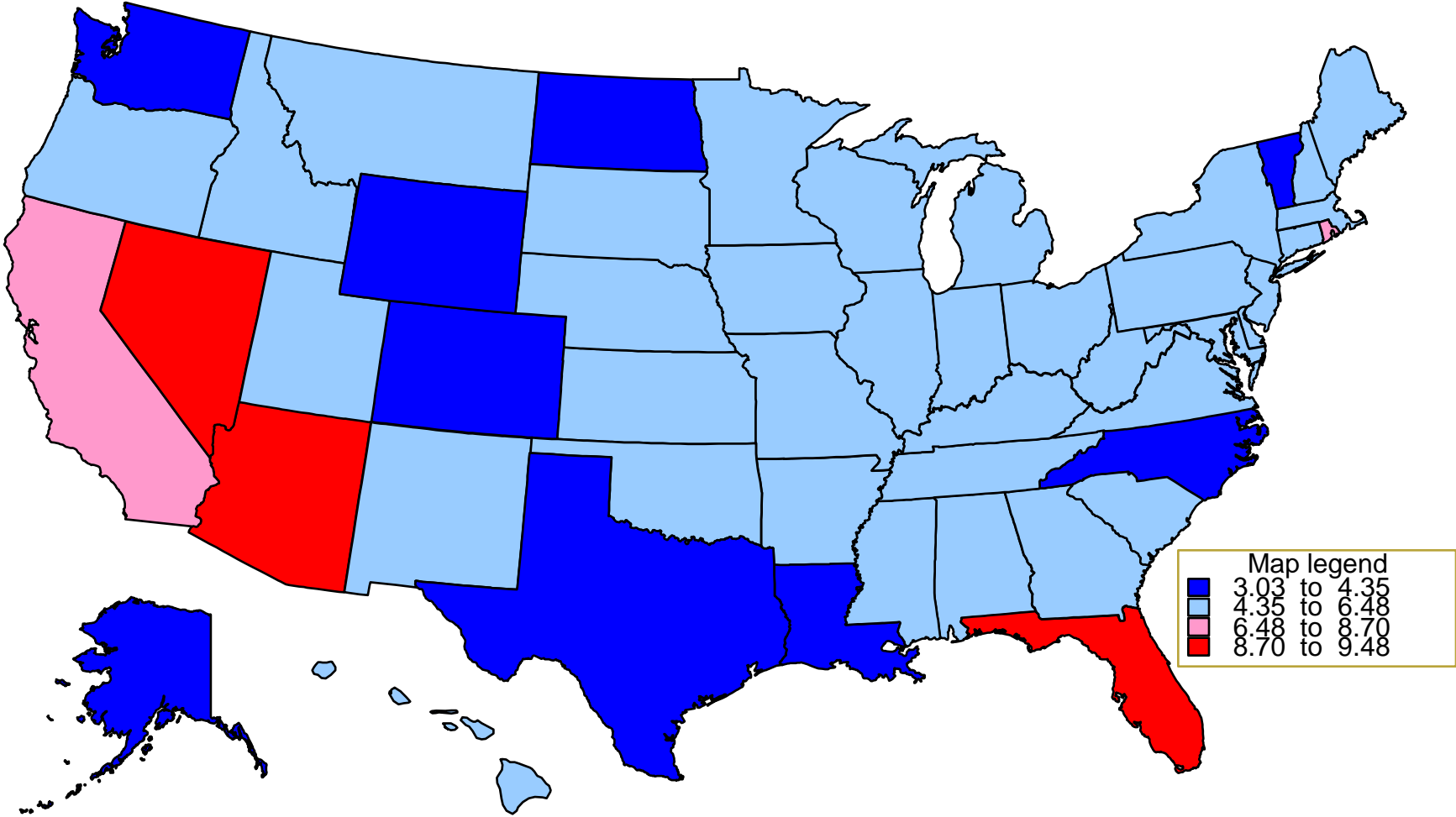


Prime ARM Loans – Q3 2008 Foreclosure Starts Rate



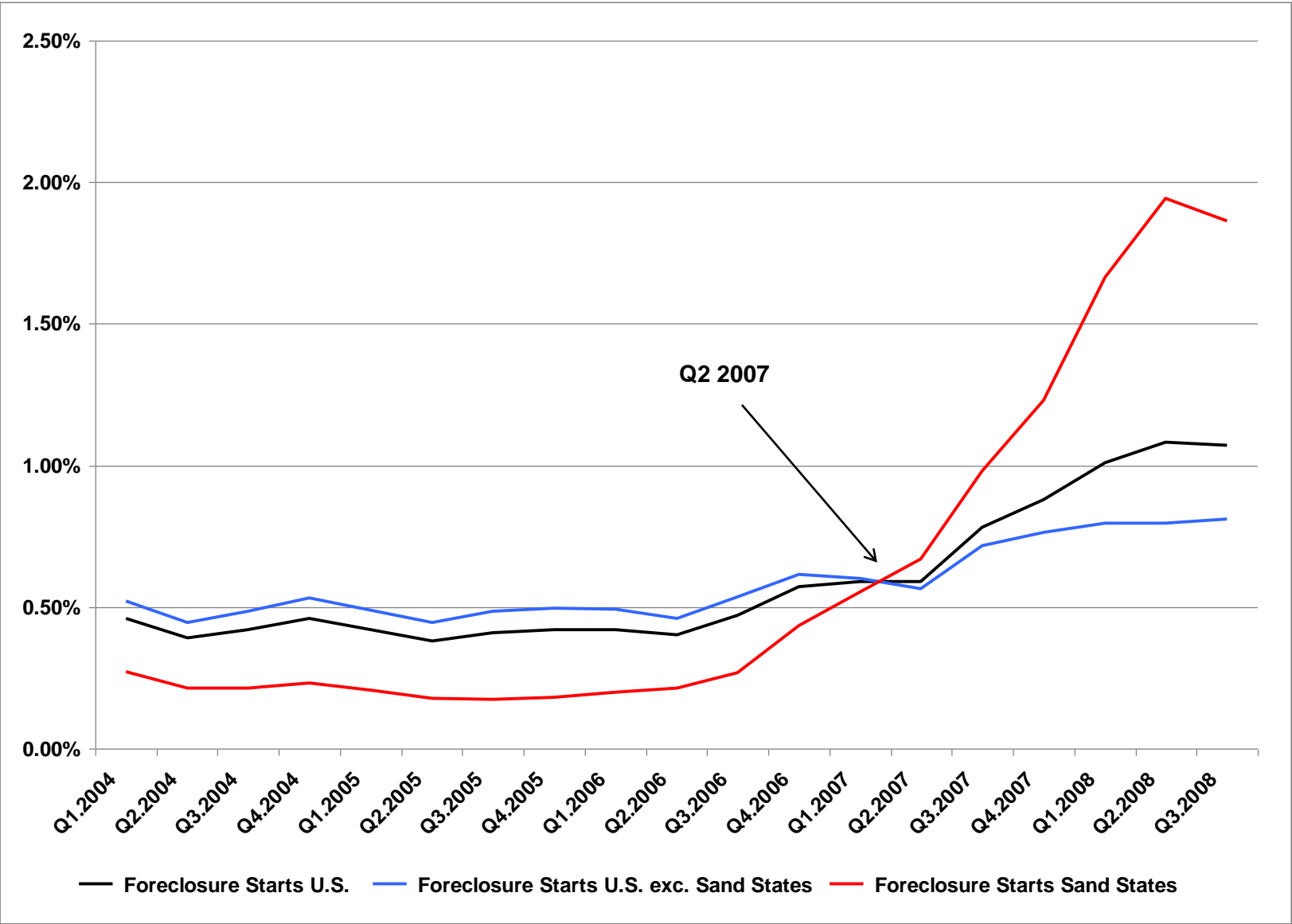
Source: Mortgage Bankers Association

Subprime ARM Loans – Q3 2008 Foreclosure Starts Rate

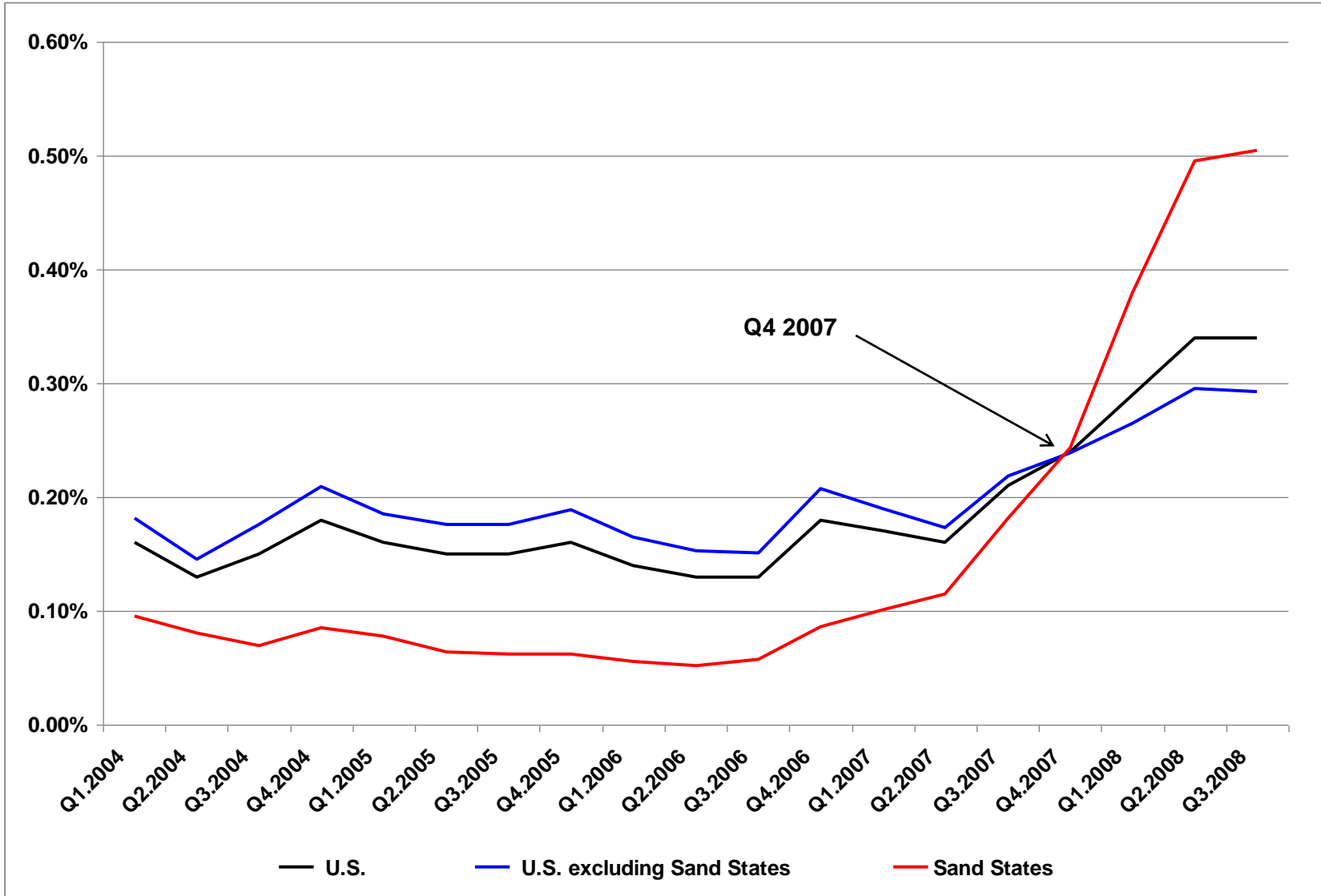


Source: Mortgage Bankers Association

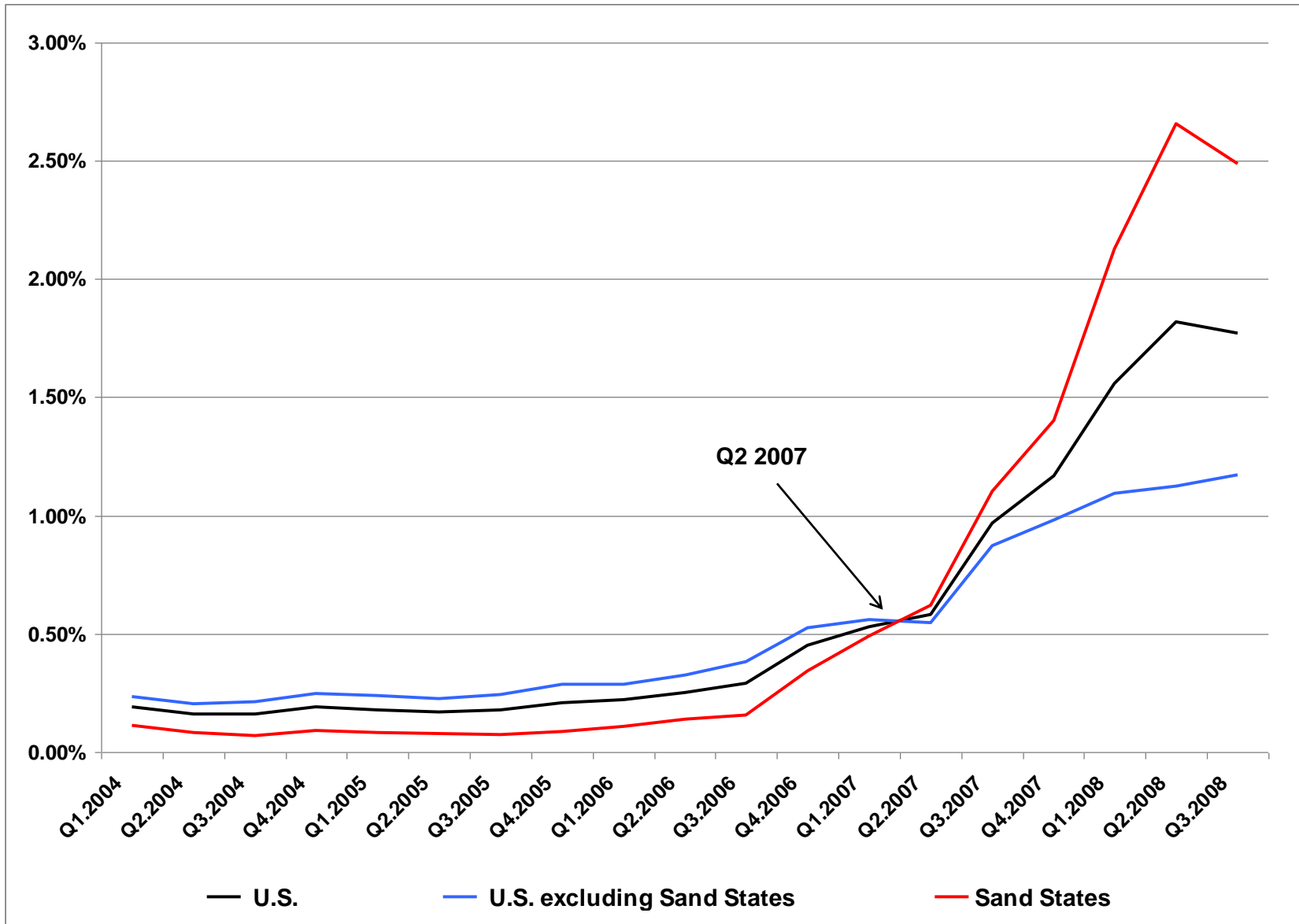
Impact of CA, FL, NV & AZ on Foreclosure Starts All Loans



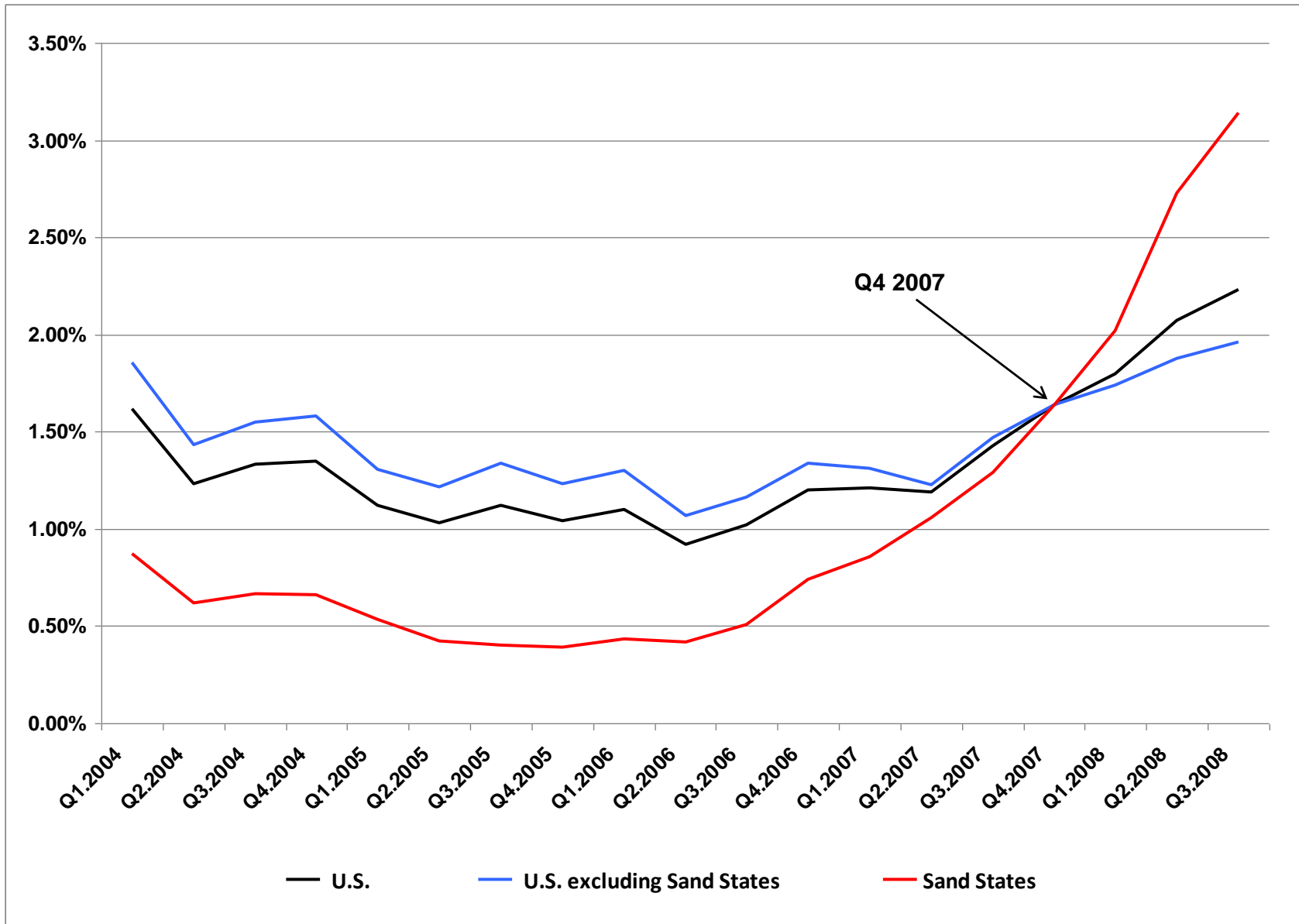
Impact of CA, FL, NV & AZ on Foreclosure Starts Prime Fixed-Rate Loans



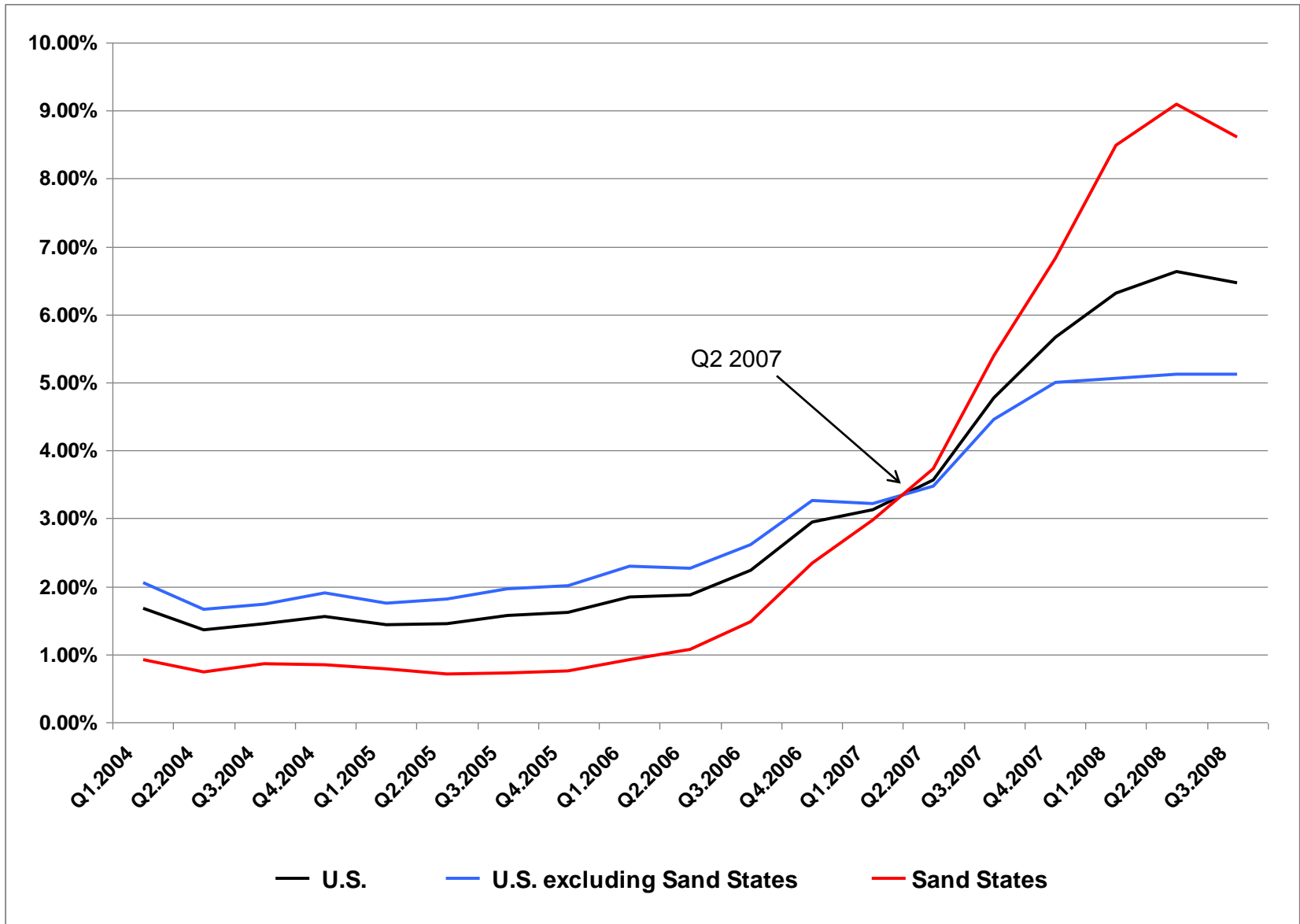
Impact of CA, FL, NV & AZ on Foreclosure Starts Prime ARM Loans



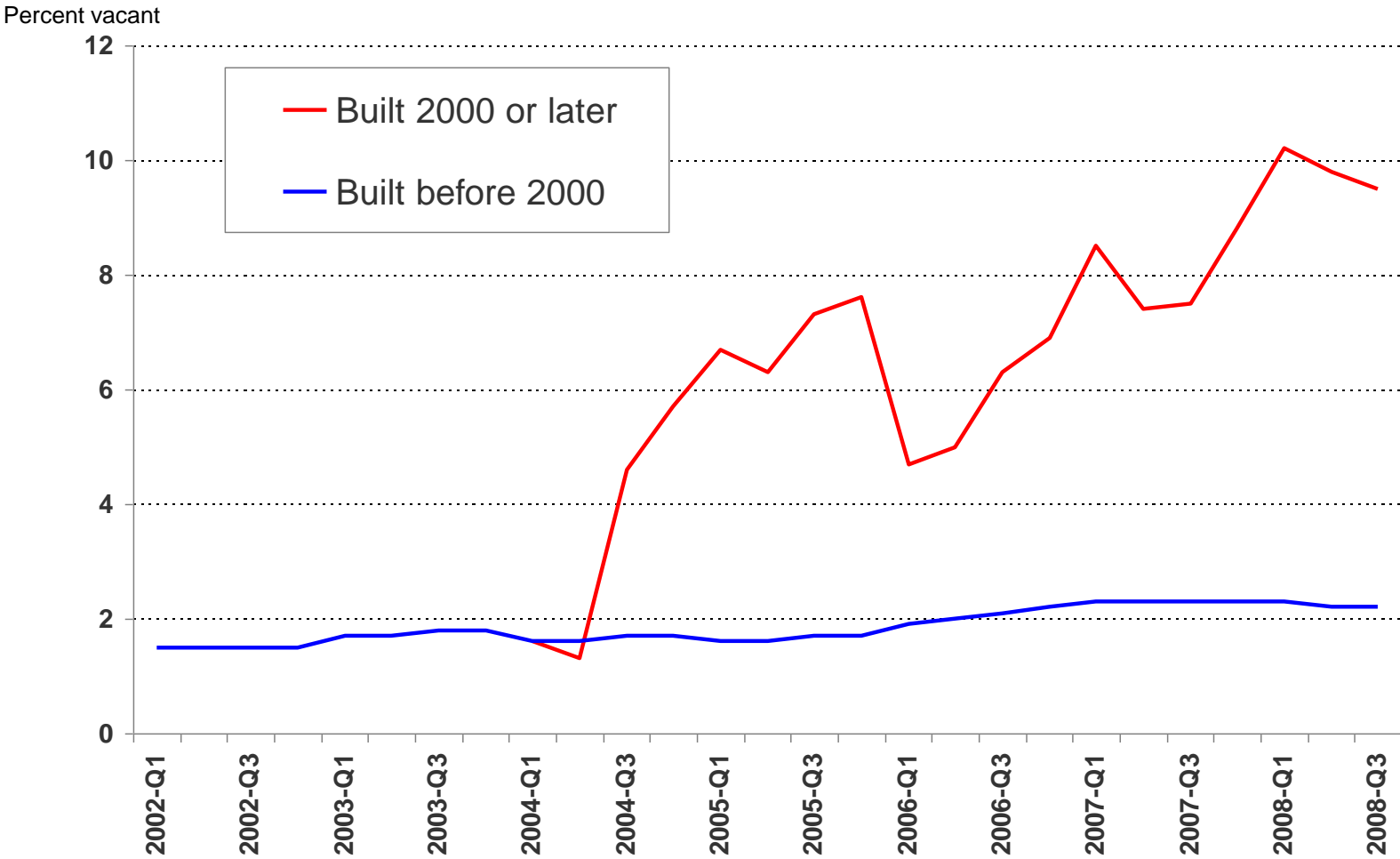
Impact of CA, FL, NV & AZ on Foreclosure Starts Subprime Fixed-Rate Loans



Impact of CA, FL, NV & AZ on Foreclosure Starts Subprime ARM Loans



Homeowner Vacancy Rate, by Year Structure Built



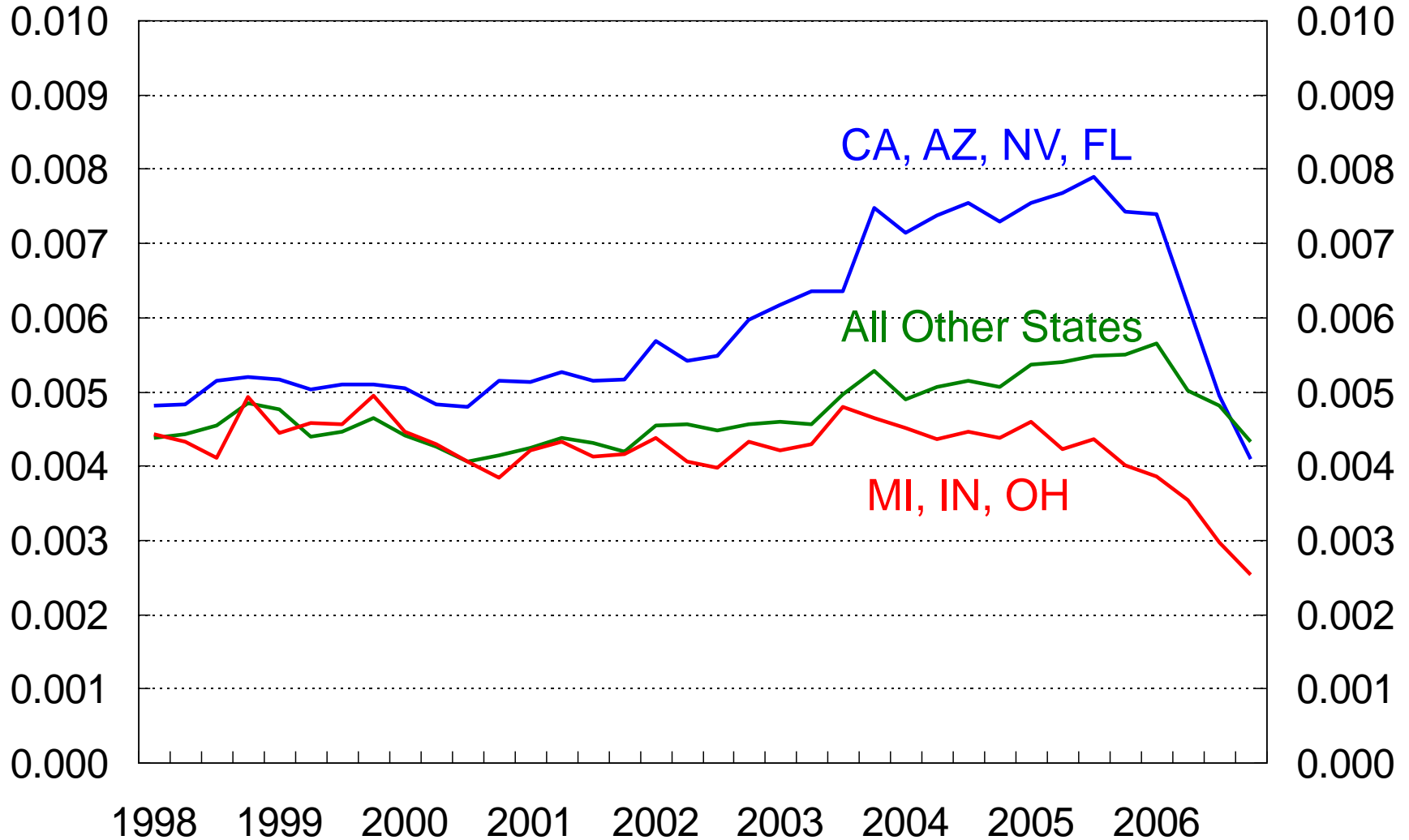
Source: Census

Vacancy rate for "Built before 2000" is the simple average of the vacancy rates of properties built during each decade prior to the 2000s.

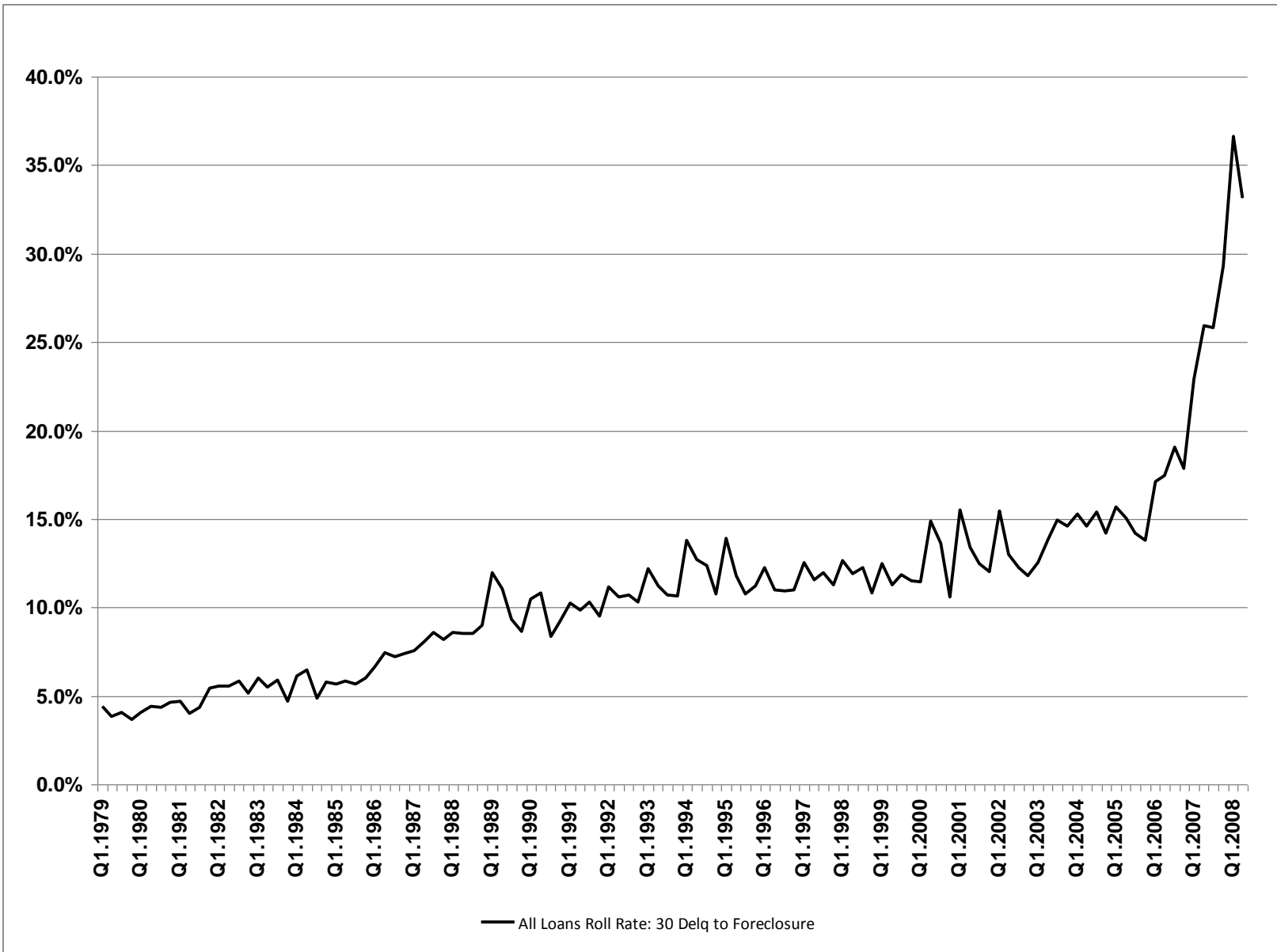
Housing Starts Per Capita

Percent

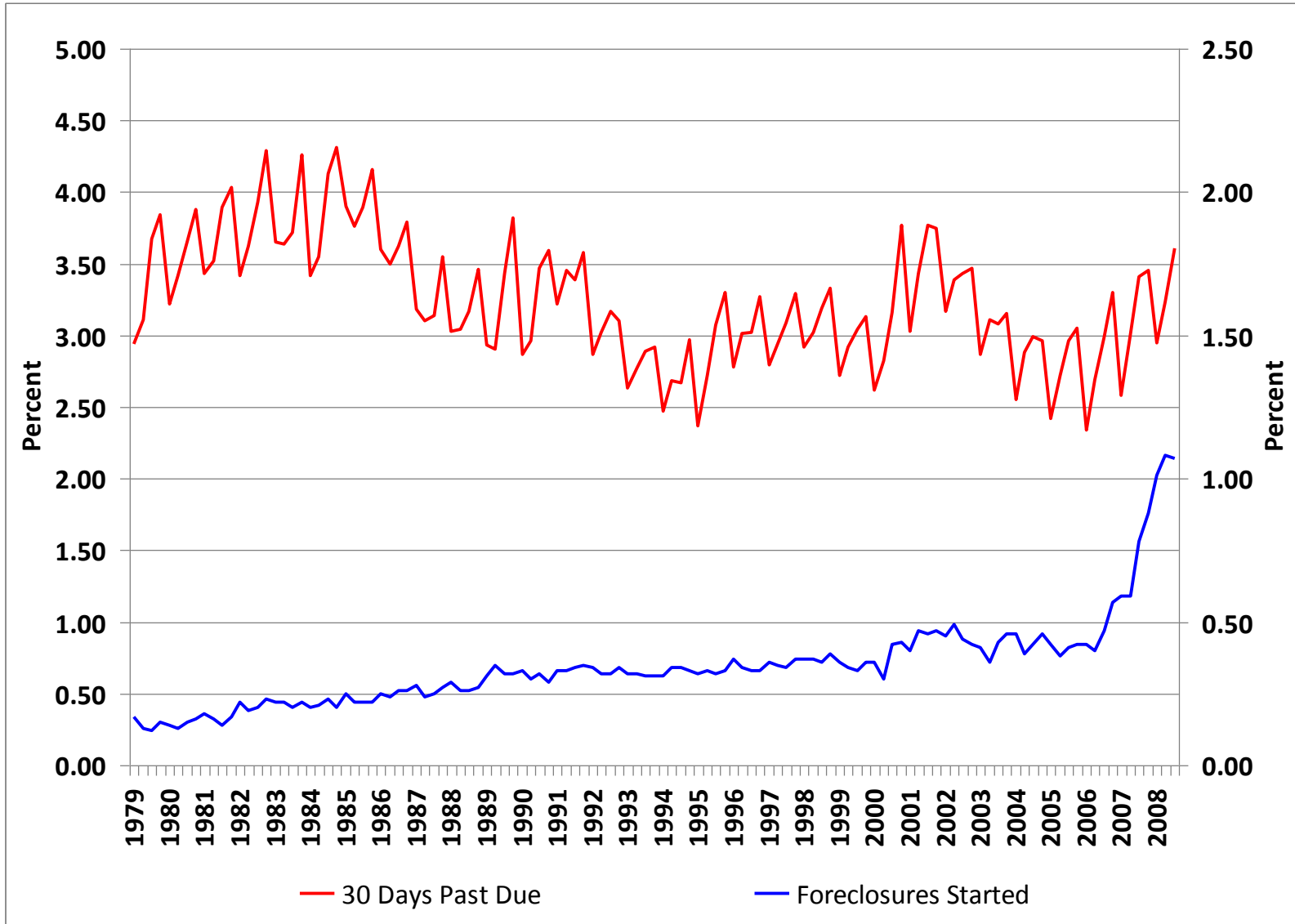
Percent



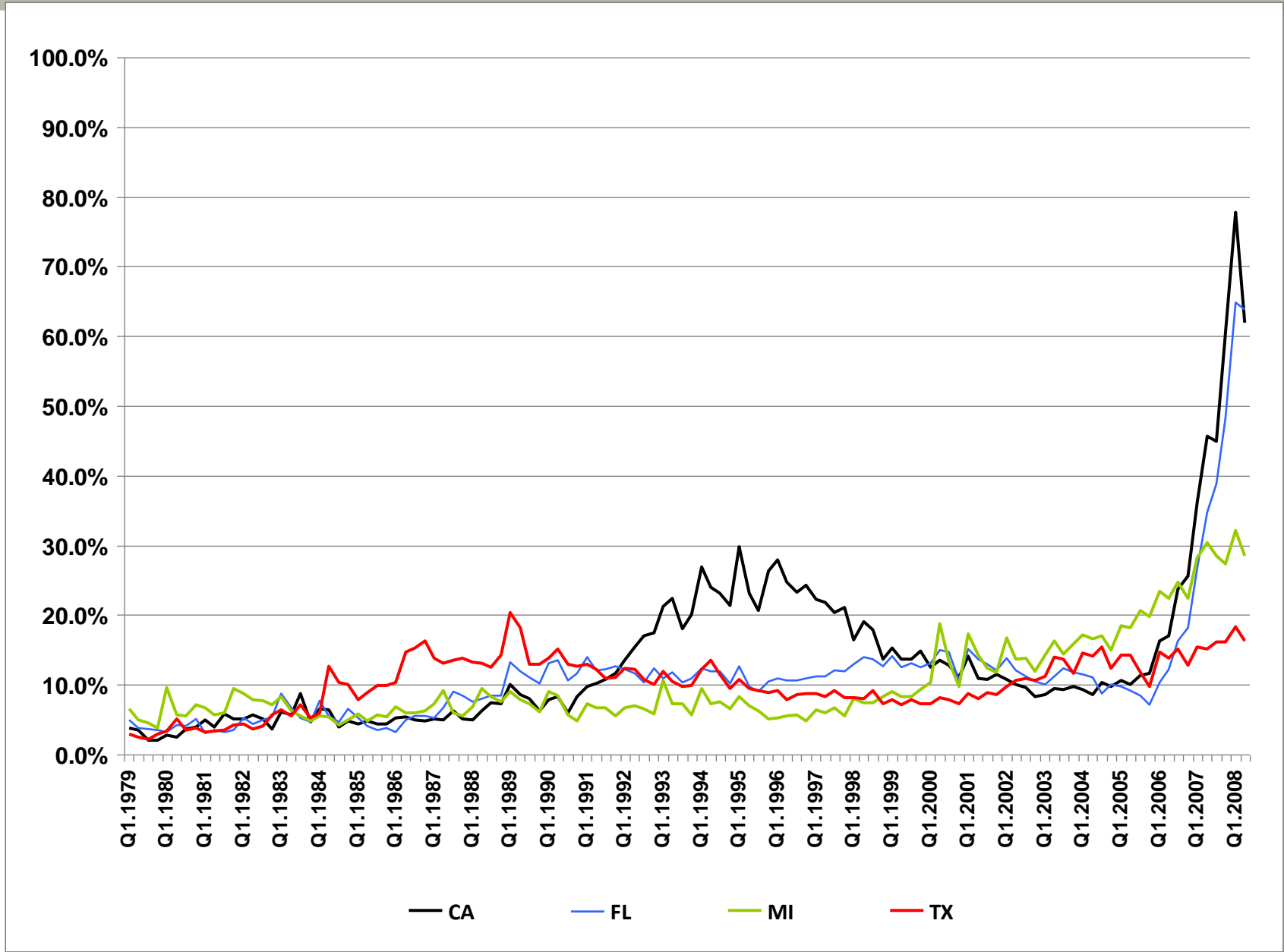
Roll Rates – 30 Day Past Due to Foreclosure Starts



30 Day Delinquency and Foreclosure Start Rates



Roll Rates – 30 Day Past due to Foreclosure Started



- **Potential MSR Impairments in the 4th Quarter 2008, resulting from the Refinancing Surge in November and December**
- **Increases in Direct Cost to Service**
 - **Moratorium on Foreclosures means that Defaulted Loans will be serviced for a longer period of time.**
 - **Re-defaults on Forbearances and Modifications could prove costly**
 - **Depending largely on unemployment, default rates may further increase, resulting in higher direct costs**
 - **Demand for experienced loss mitigation specialists is leading to higher compensation demands**

- **Based on annualized data from the 3rd qtr 2008 Mortgage Bankers Financial Reporting Form (completed by independent mortgage companies and subsidiaries of banks):**
 - **The direct cost to service increased by over 40 percent in 2008 vs 2007**
 - **Servicer productivity dropped by as much as 50 percent in 2008 vs 2007.**

MBA's 2009 Servicing Operations Study: Emphasis on Default Metrics

- **Case Volume, defined as “Loans Touched”: Direct Cost per Case and Cases per Employee for the following areas:**
 - Collections
 - Loss mitigation
 - Foreclosure
 - Bankruptcy
 - Real estate owned
- **Non-Owner Occupancy Status by Delinquency Stage**
- **Vacant/Abandoned Property Status by Delinquency Stage**
- **Average roll rates**
- **Performance rates for forbearances and loan modifications**
- **Delinquent Borrower contact rates**
- **Outsourcing and offshoring by default function**
- **Late fee waivers and collections methods**