
Has the Effect of Foreclosures on House Prices Been Overstated?

Presented by:
Mark M. Zandi,
Chief Economist

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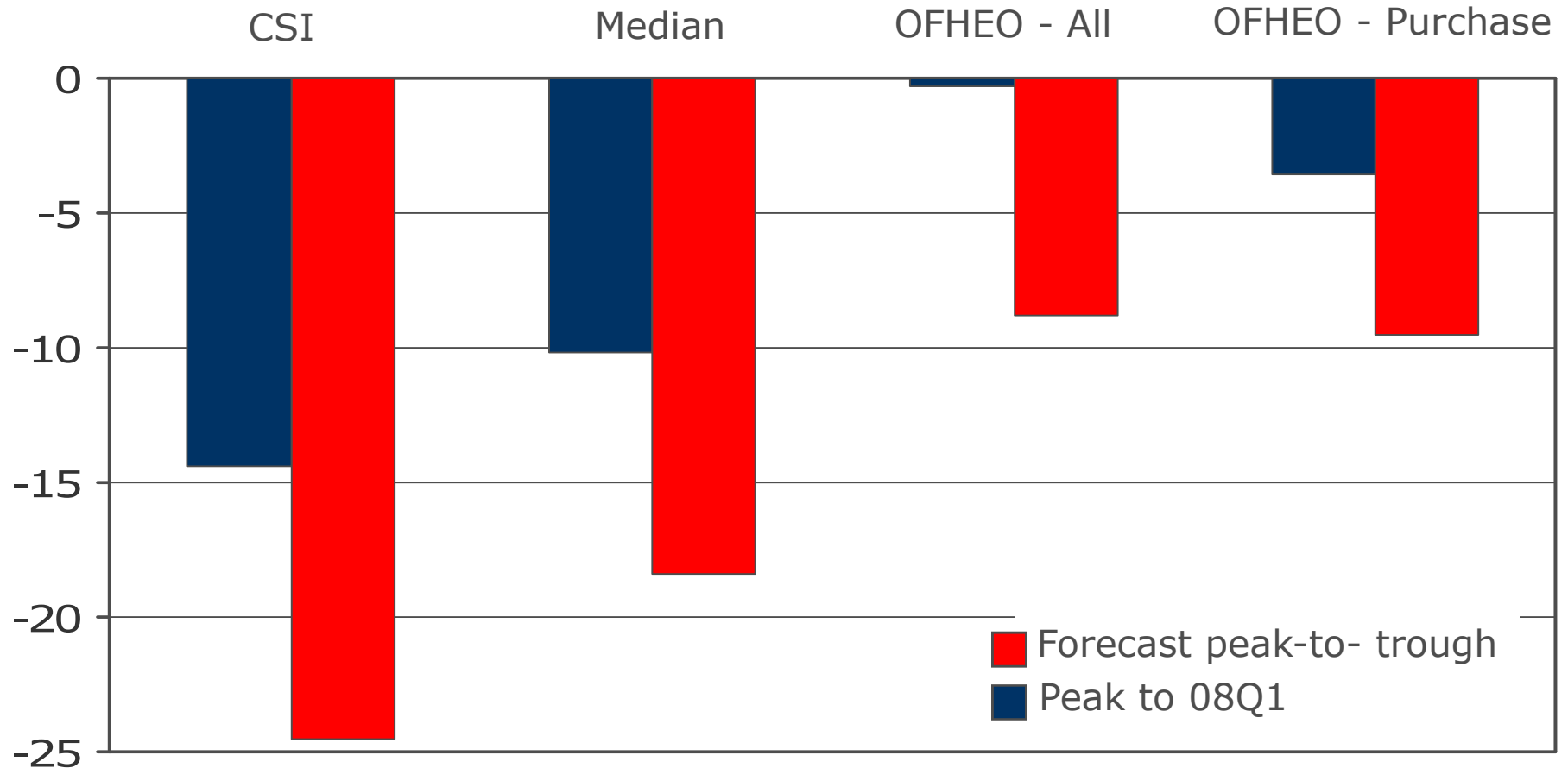
 **Moody's | Economy.com**

What Has Dr. Calomiris Concluded?

- OFHEO is the “best” house price series.
- Very modest housing wealth effect.
- Foreclosure has a small impact on house prices.

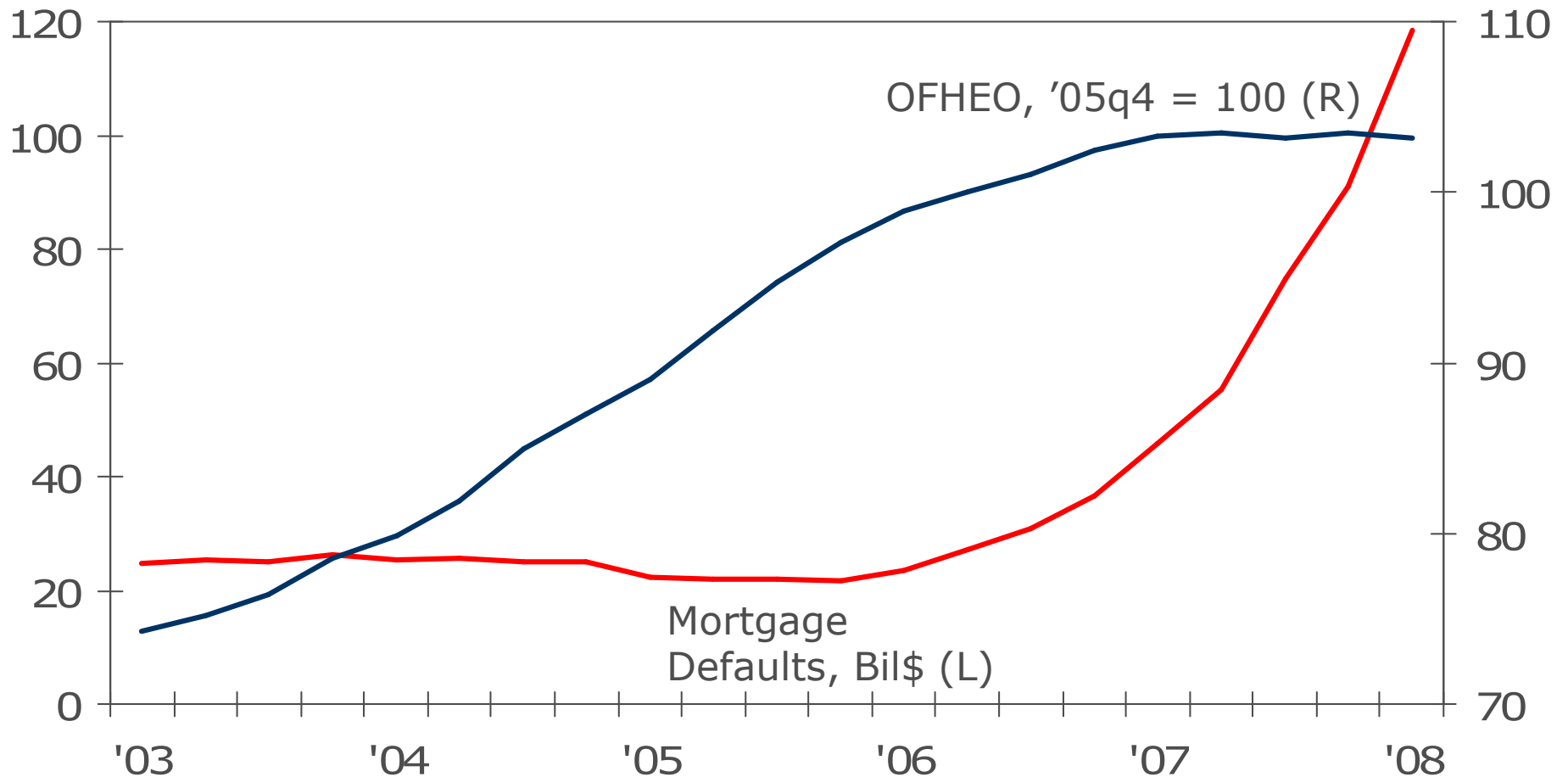
Will The Real House Price Please Stand Up...

% change from peak



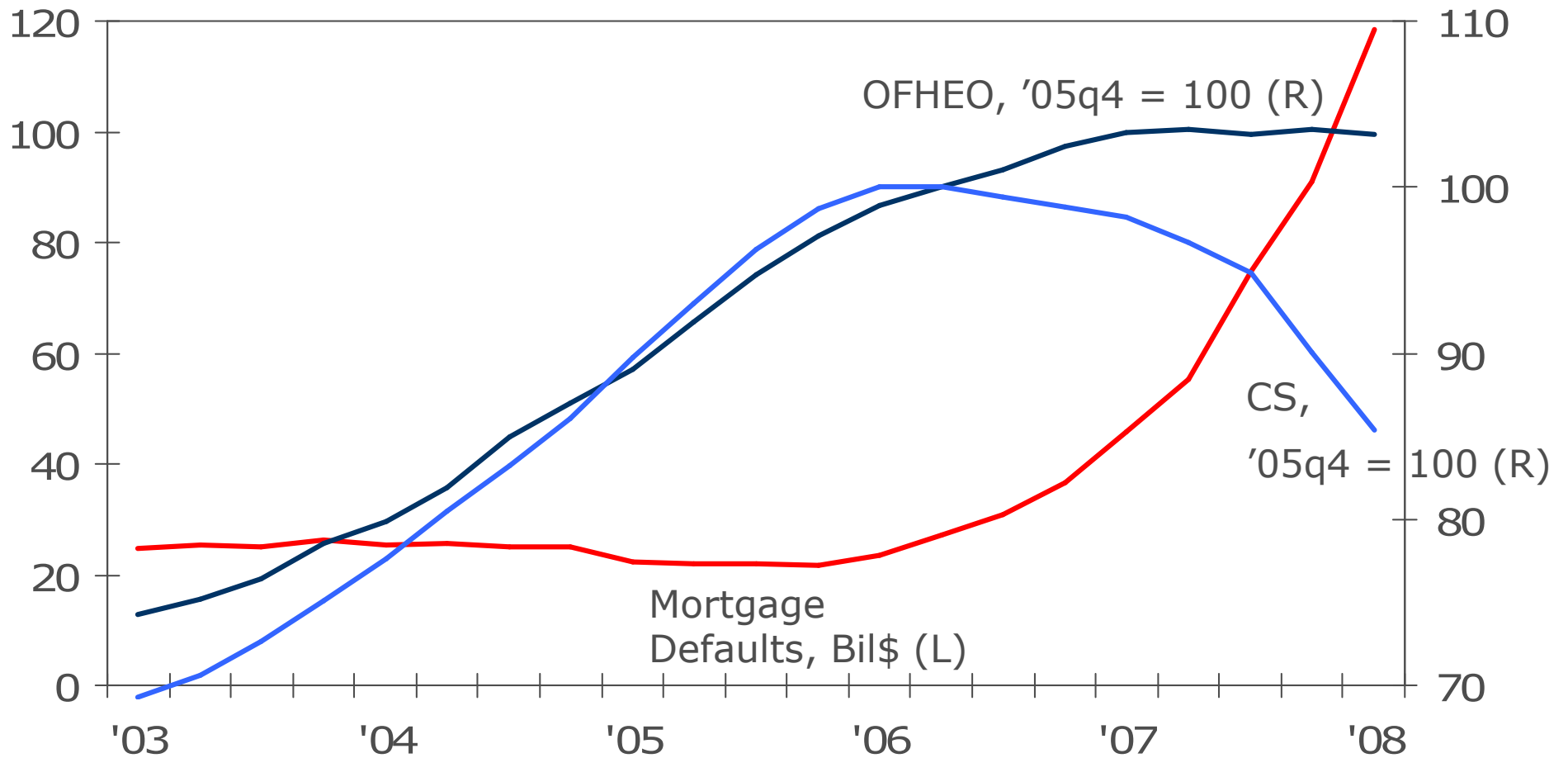
...Is It OFHEO...

Sources: OFHEO, Fiserv, Equifax, Moody's Economy.com



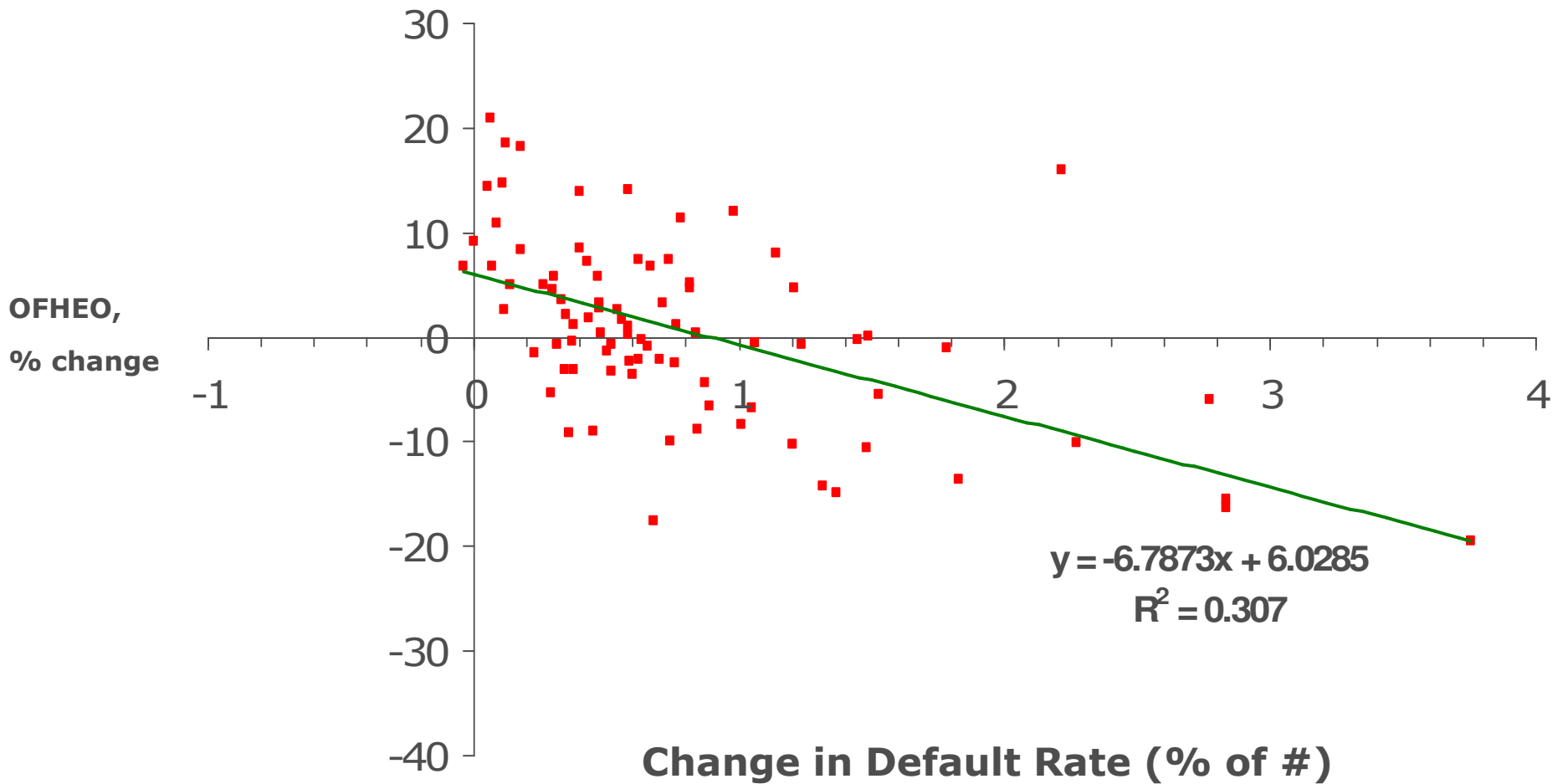
...Or Case Shiller

Sources: OFHEO, Fiserv, Equifax, Moody's Economy.com



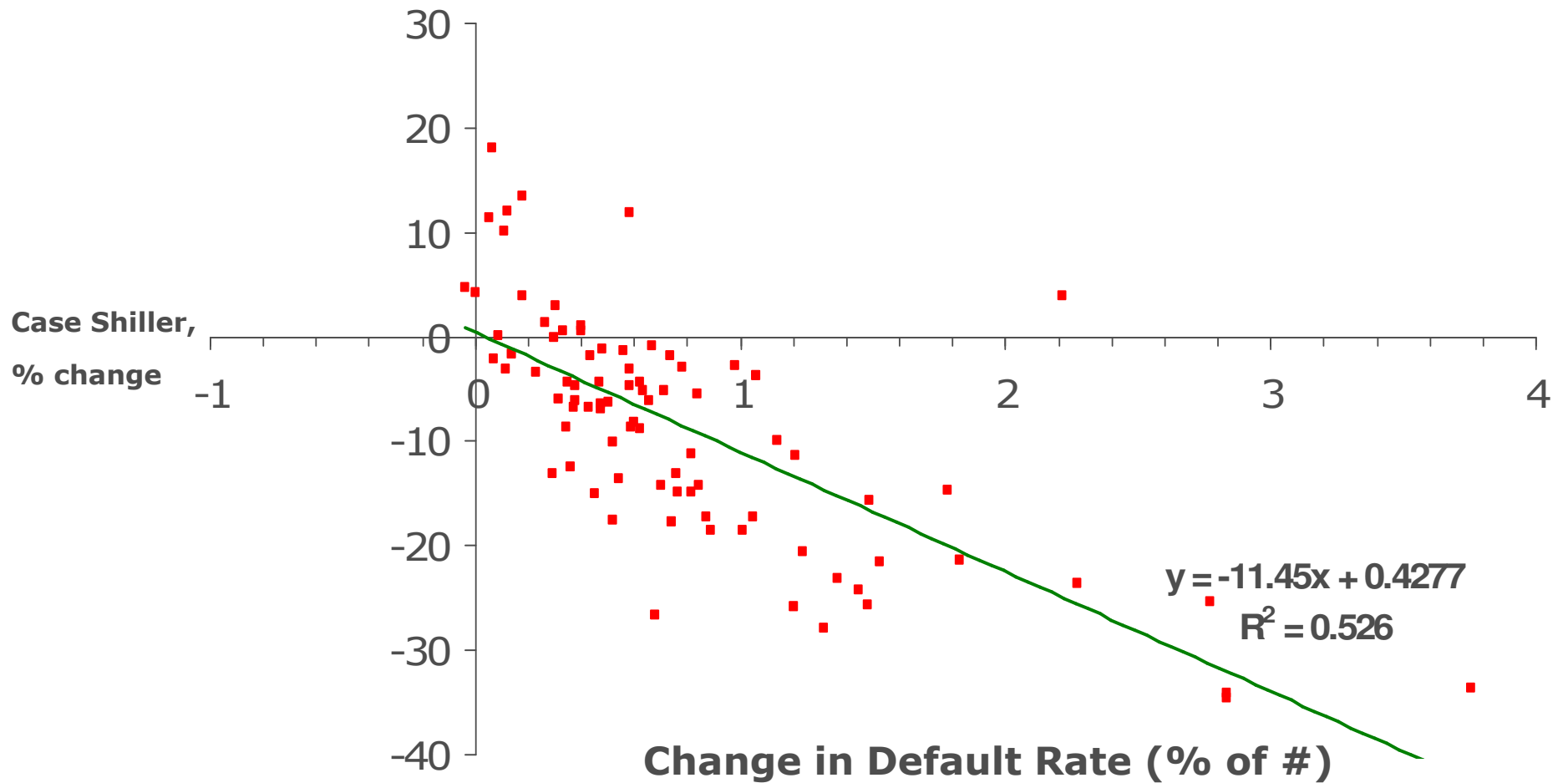
Is It OFHEO...

2005Q4 - 2007Q4



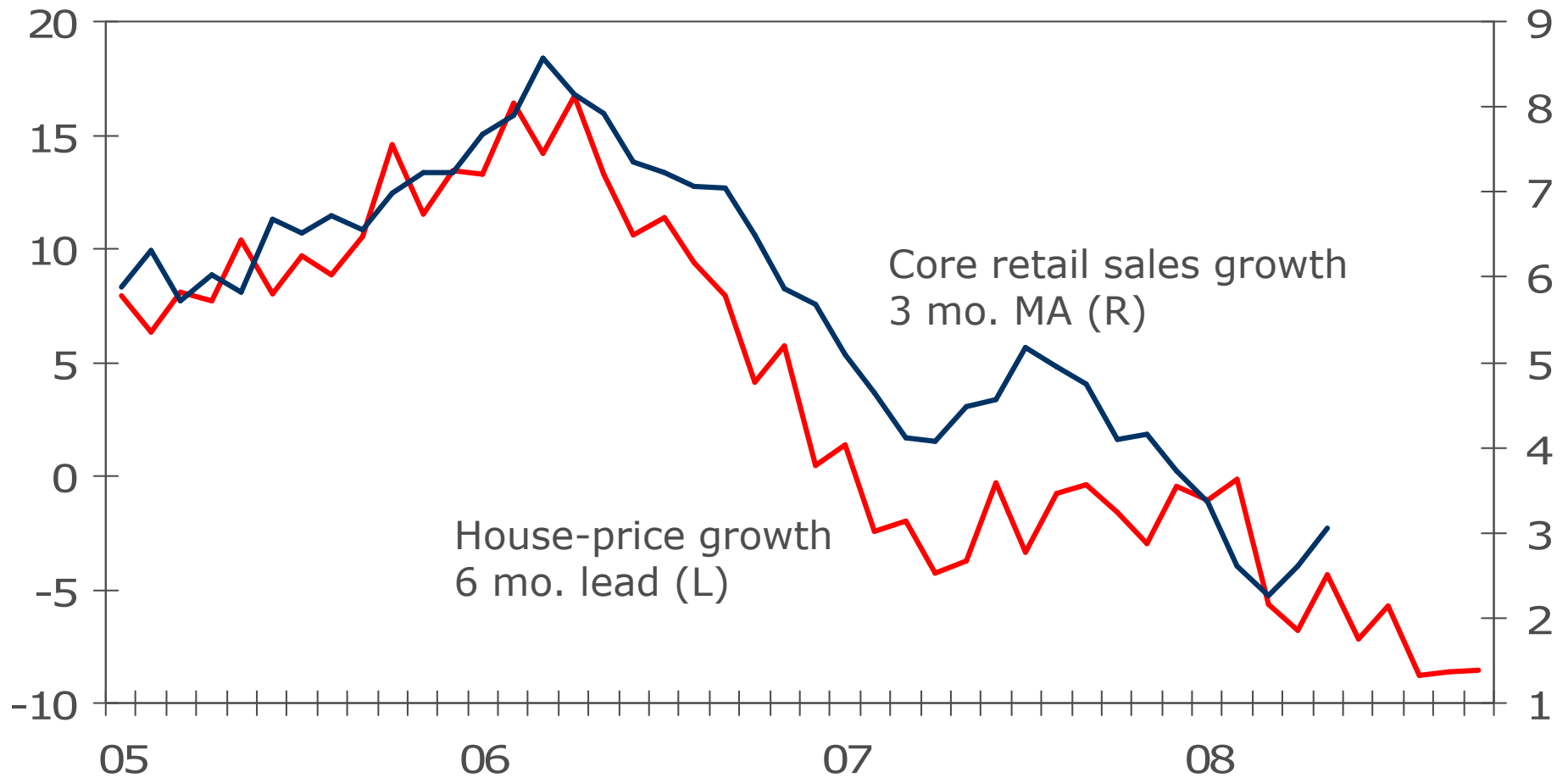
...Or Case Shiller

2005Q4 - 2007Q4



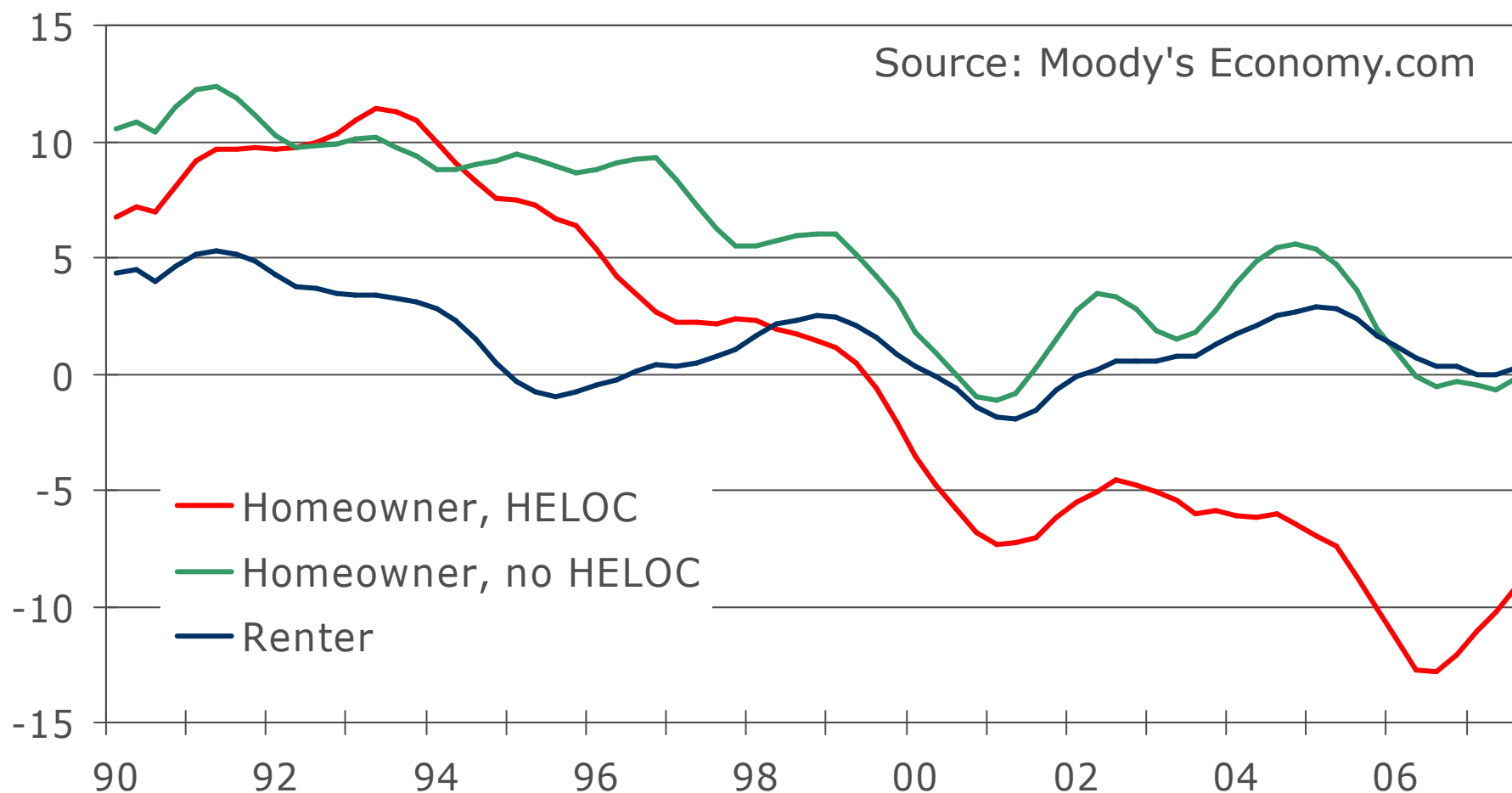
Consumers Struggle with Falling House Prices...

Sources: Census, Realtors



...Which Hits Low-Mid Income Households Hard

Personal saving rate 4-qrt MA



$$\text{\$3 Trillion} \times .051 \text{ (.073)} = \text{\$178 (\$256) Billion}$$

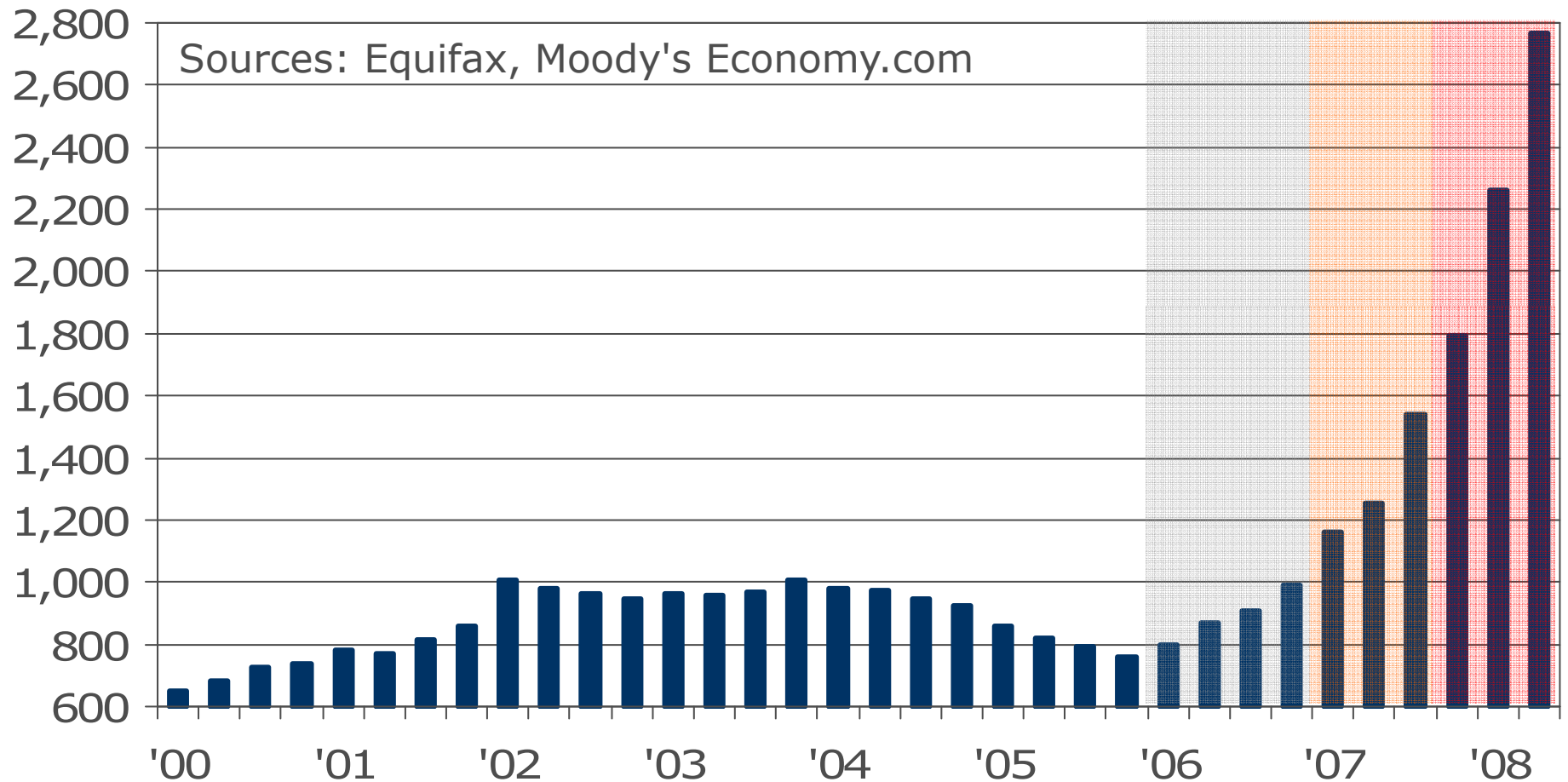
Metropolitan Area Retail Sales Model

Dependent Variable: Retail Sales
Method: Pooled Least Squares
Sample: 2000Q3 2008Q1
Cross-sections included: 200
Total pool (balanced) observations: 6200
Dlog Specification, Lagged Dependent

Variable	Elasticity	t-Statistic	Elasticity	t-Statistic
Cashflow	0.795	6.50	--	--
Disposable Income	--	--	0.843	9.78
Financial Assets	0.047	8.69	0.045	6.43
Nonfinancial Assets	0.051	11.92	0.073	14.88
Adjusted R-squared	0.416		0.367	

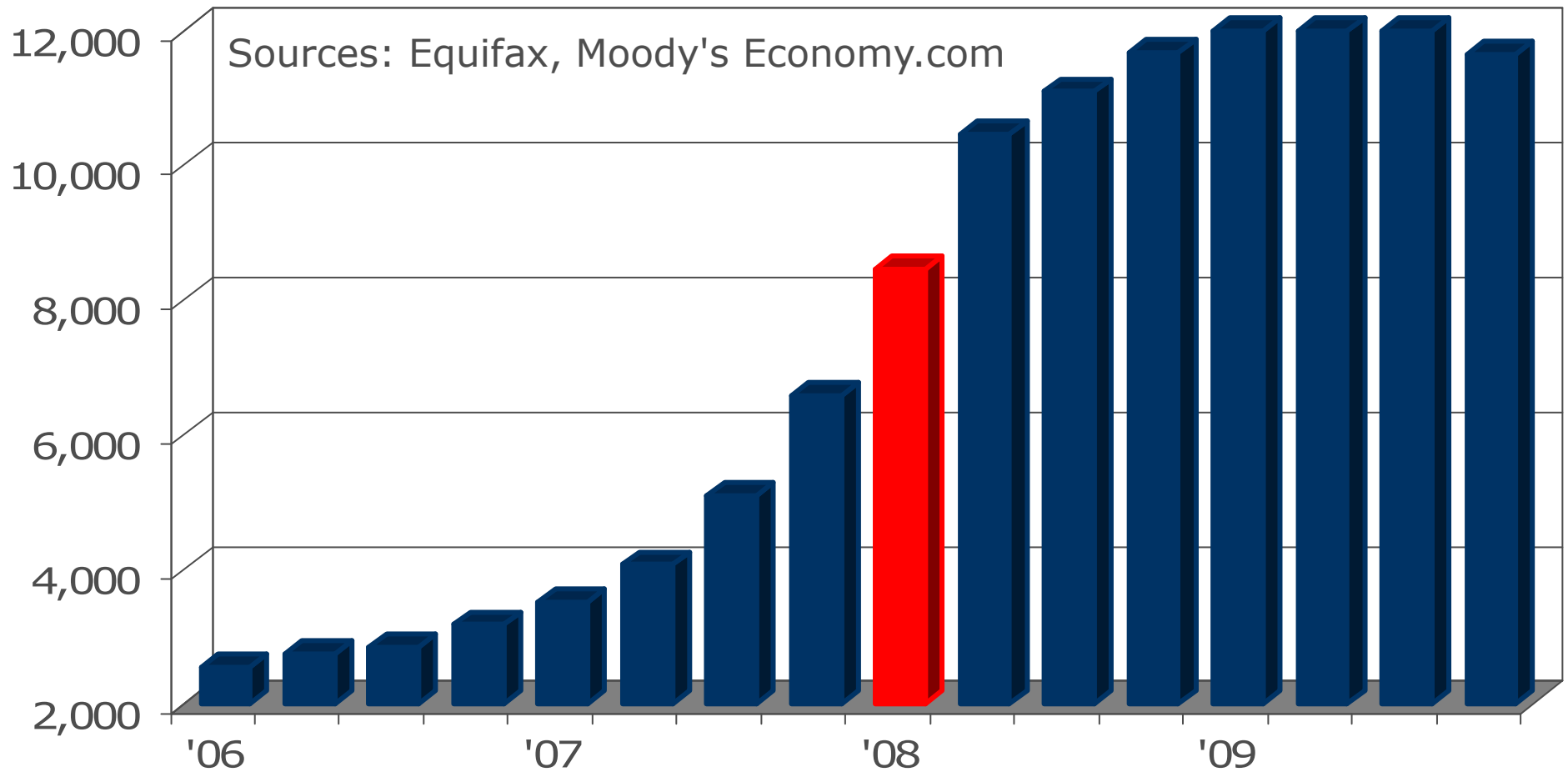
Foreclosures Surge...

First mortgage loan defaults, ths, SAAR



...With More on the Way

Number of underwater homeowners, Thousands



www.economy.com