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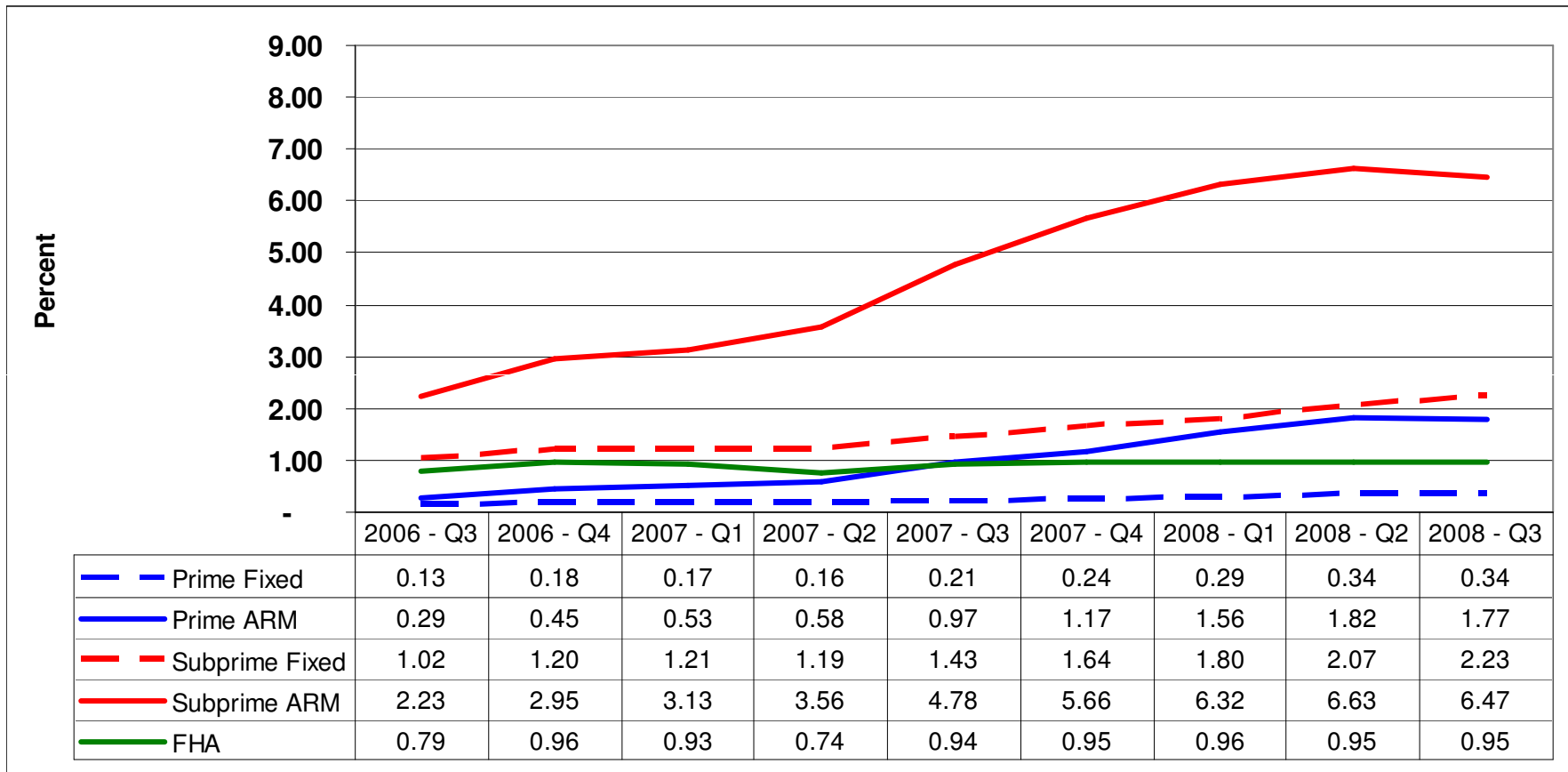
**[www.mortgagebankers.org/ResearchandForecasts](http://www.mortgagebankers.org/ResearchandForecasts)**

- How big is the problem?
- Will all of these loans perform the same?
- What were the failures of Fannie and Freddie in this process?

# How many loans are out there?

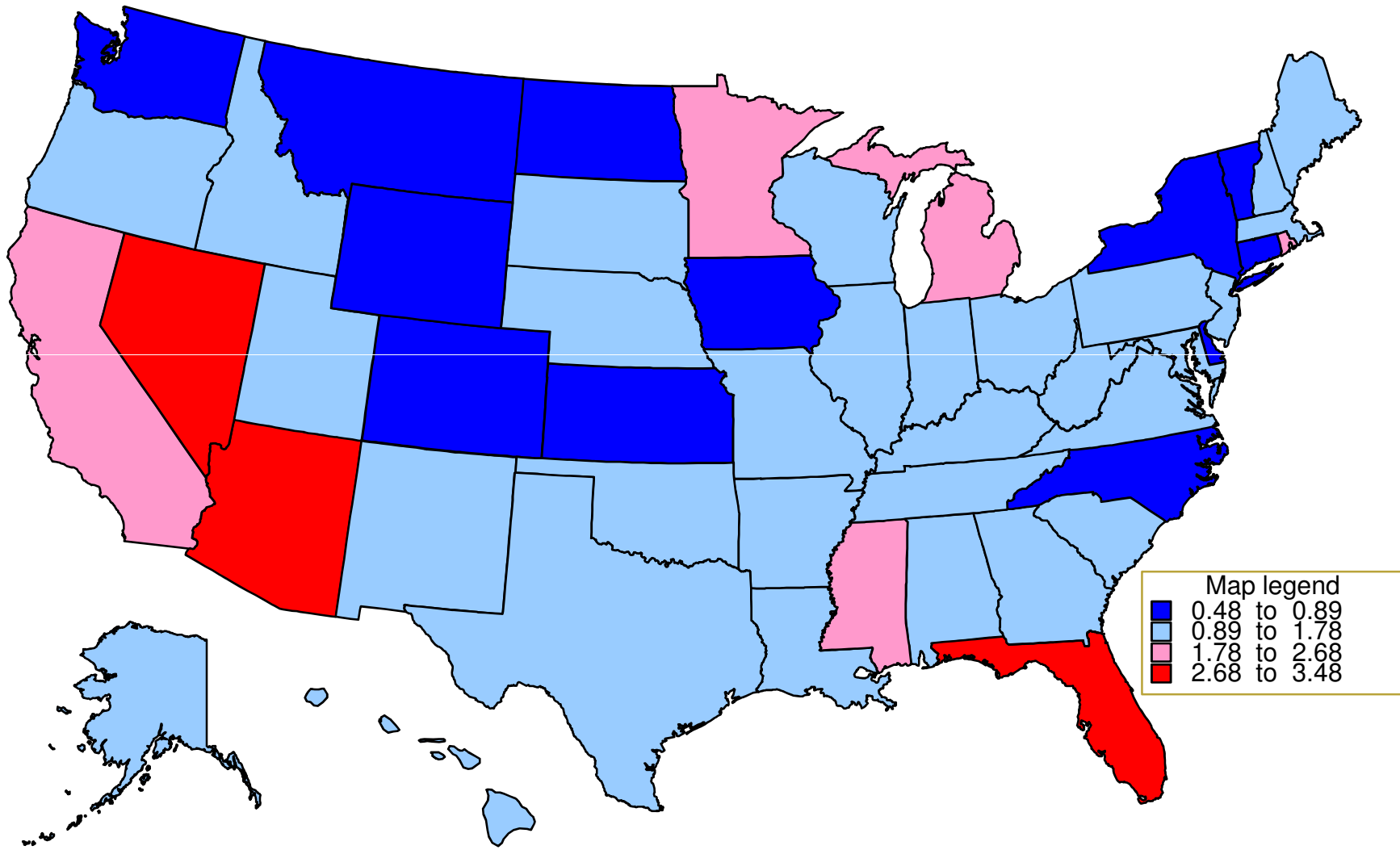


# Foreclosures Started by Loan Type (NSA)



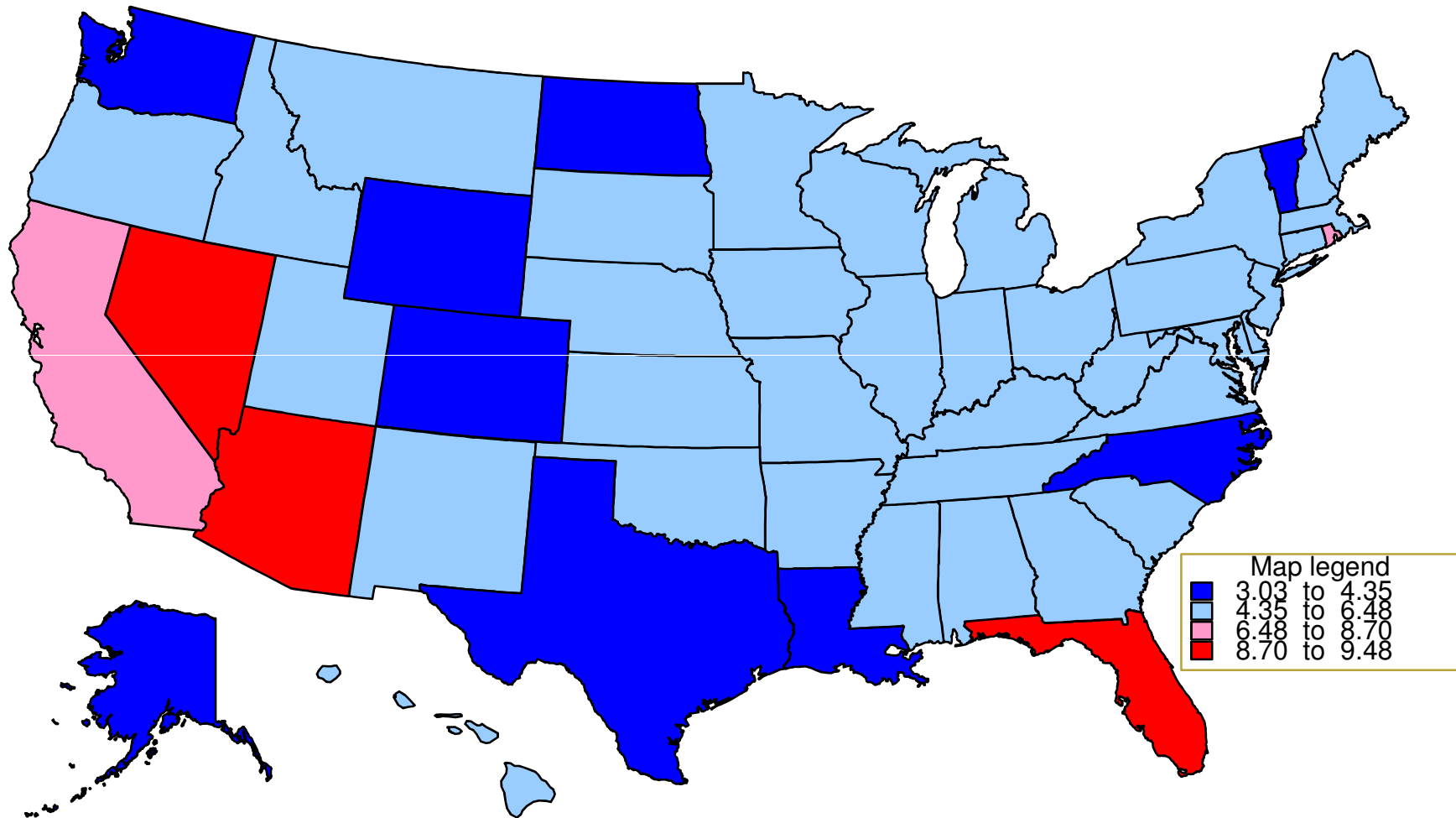


# Prime ARM Loans – Q3 2008 Foreclosure Starts Rate



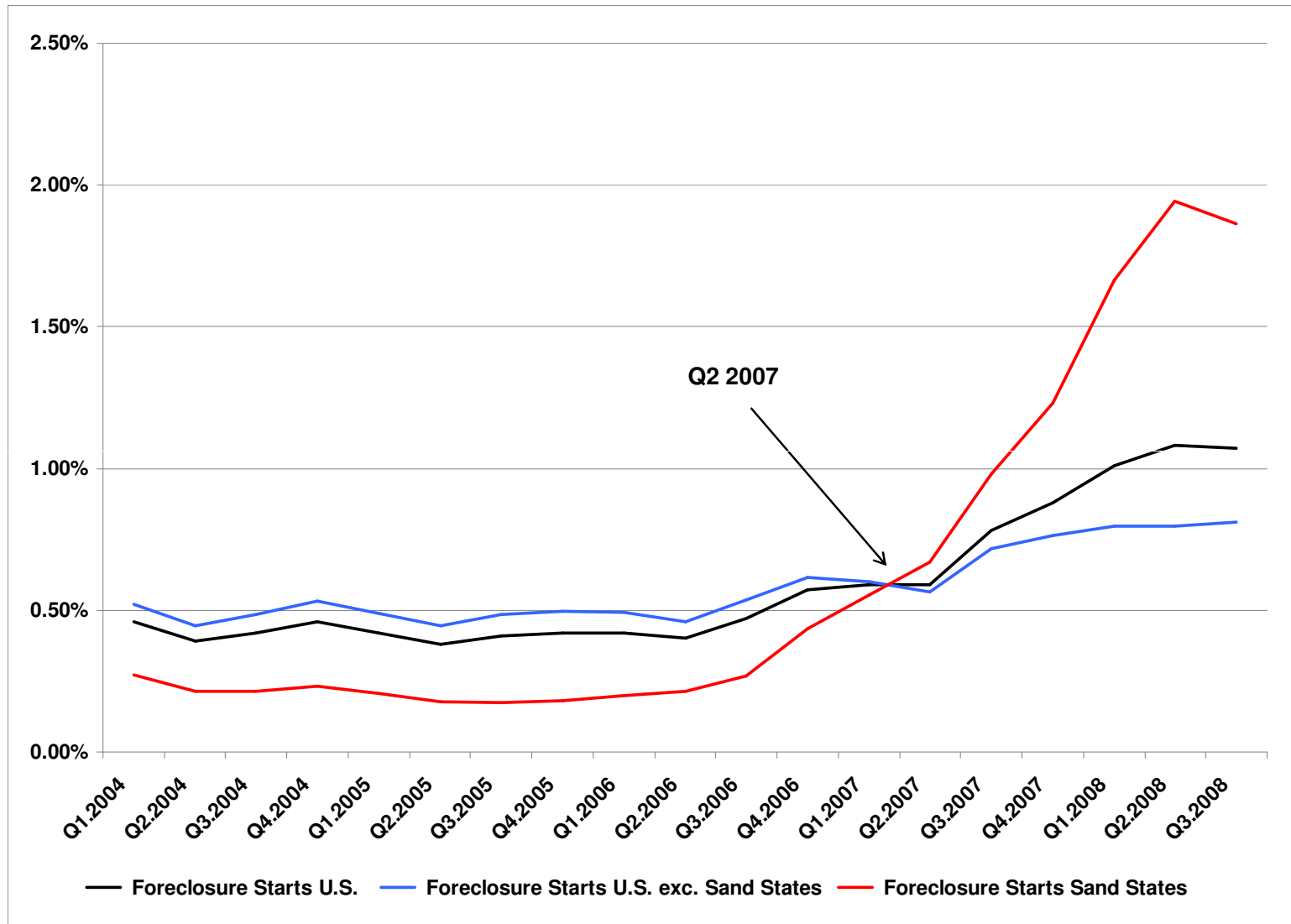
Source: Mortgage Bankers Association

# Subprime ARM Loans – Q3 2008 Foreclosure Starts Rate

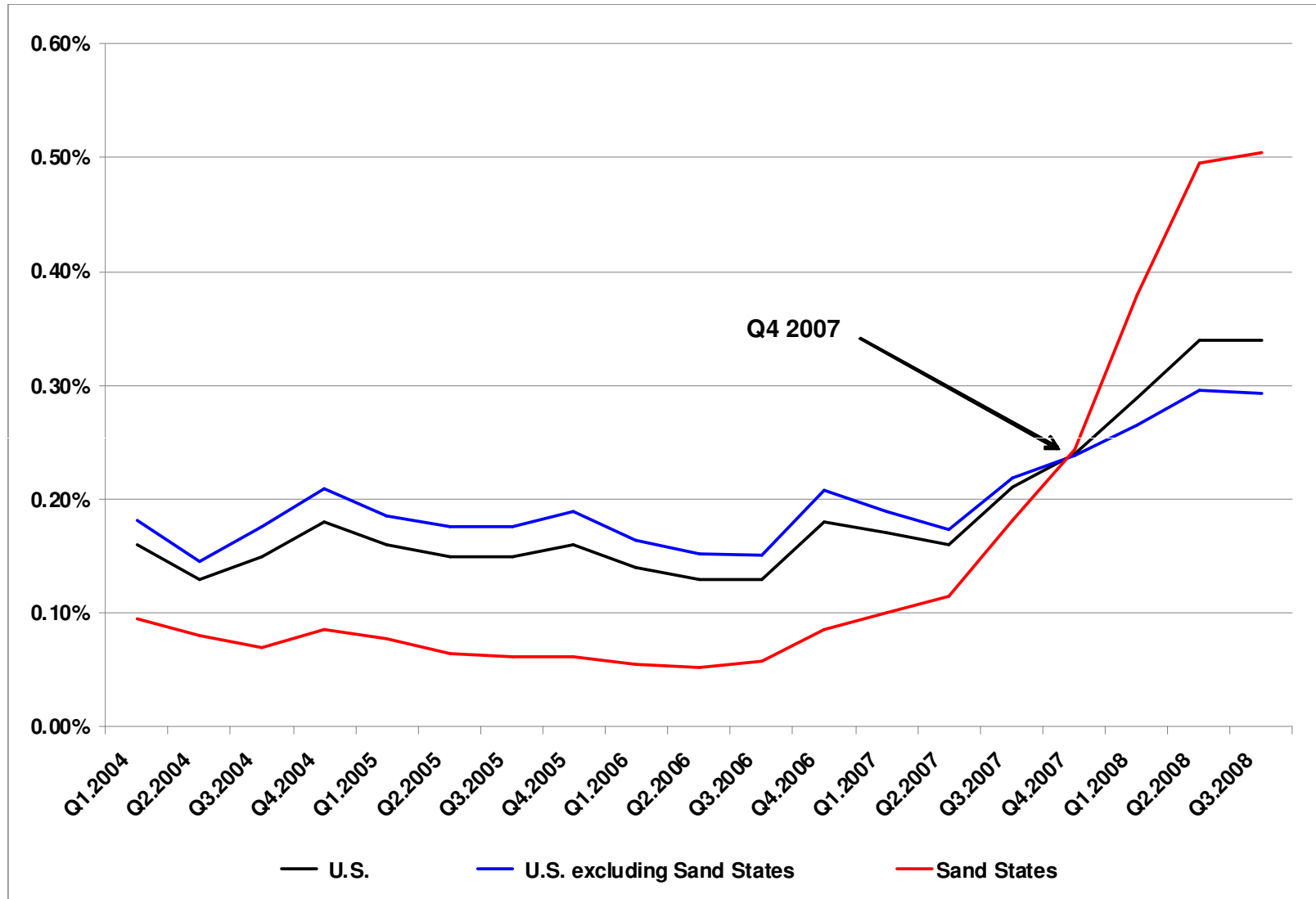


Source: Mortgage Bankers Association

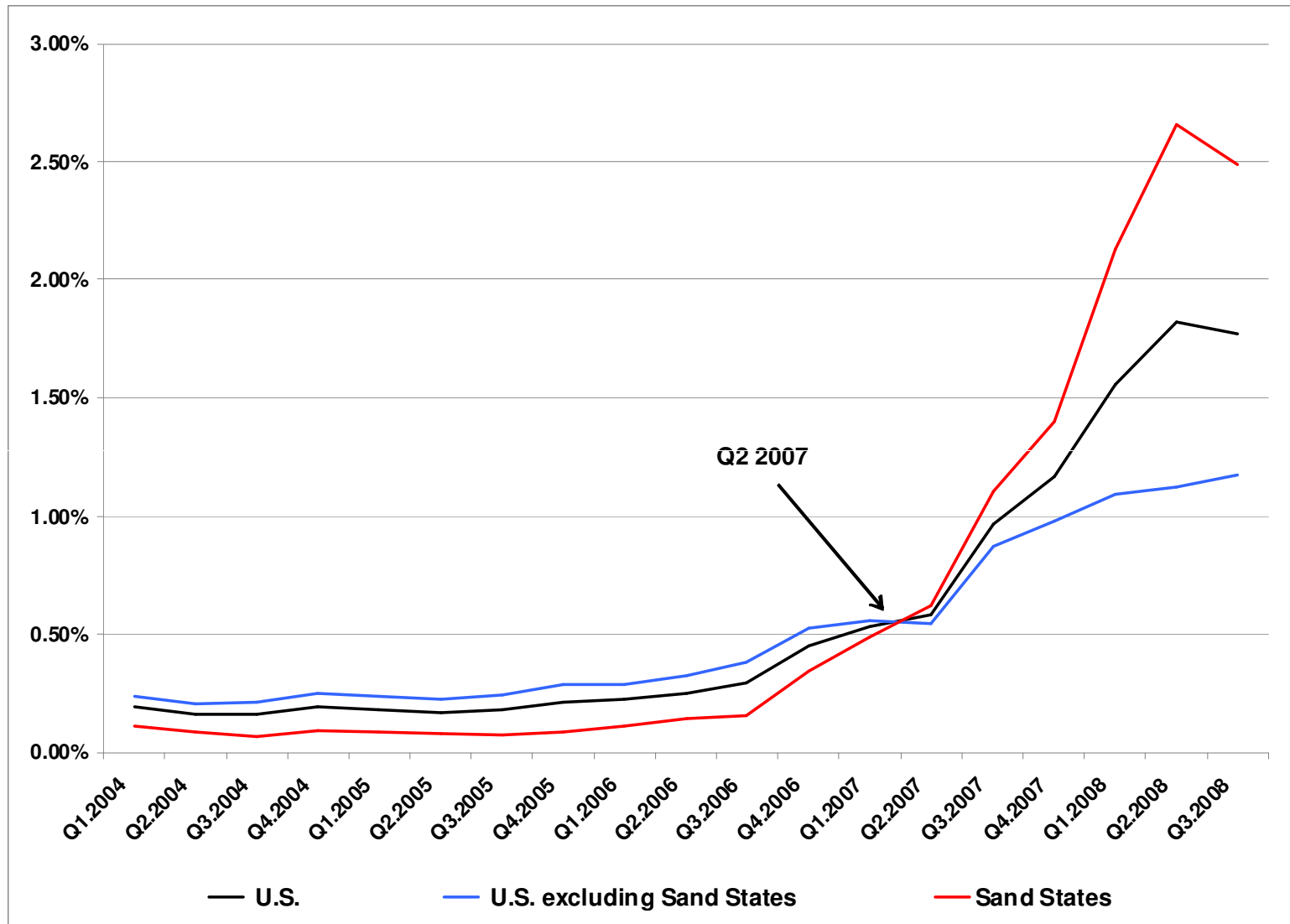
# Impact of CA, FL, NV & AZ on Foreclosure Starts All Loans



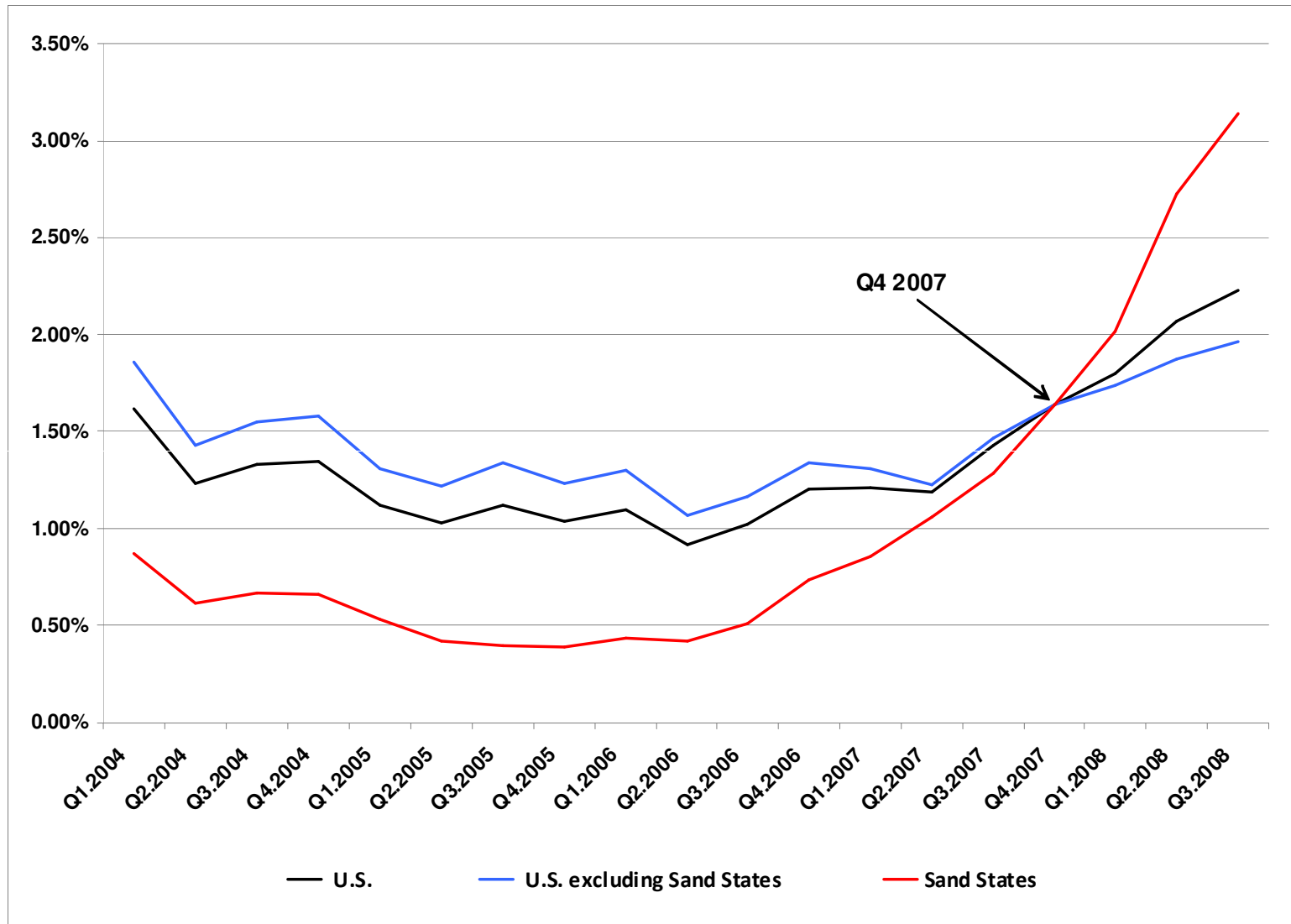
# Impact of CA, FL, NV & AZ on Foreclosure Starts Prime Fixed-Rate Loans



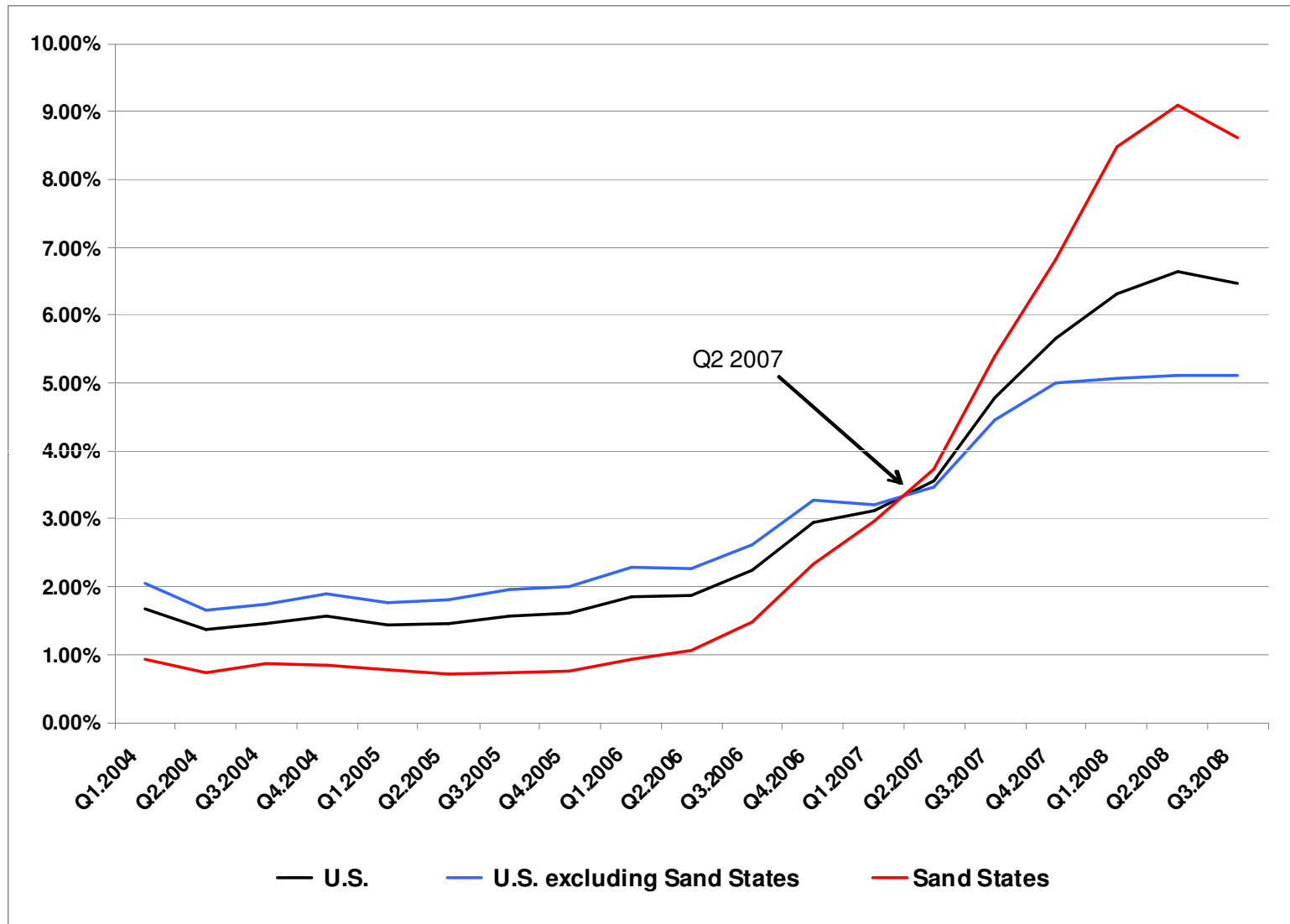
# Impact of CA, FL, NV & AZ on Foreclosure Starts Prime ARM Loans



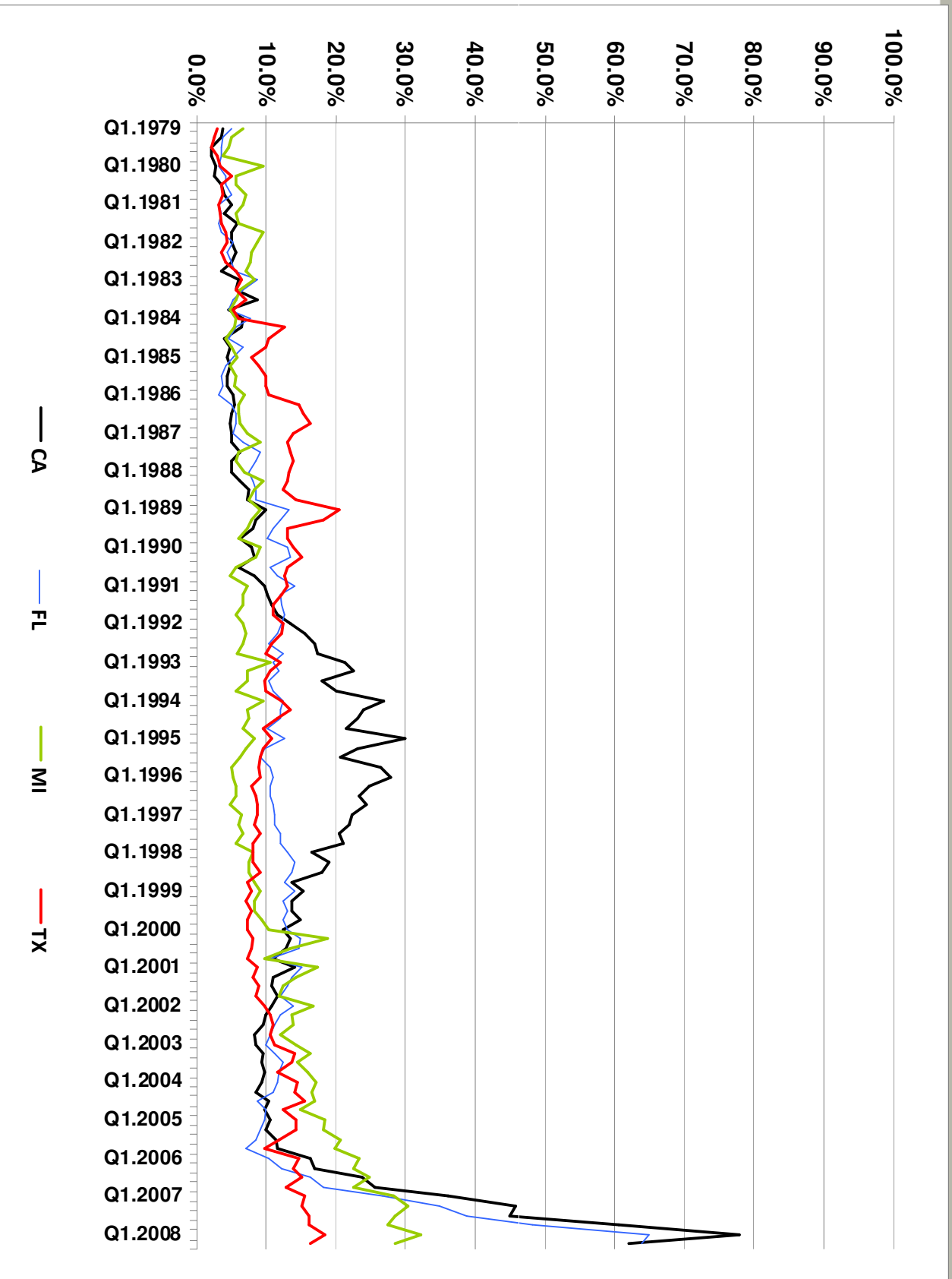
# Impact of CA, FL, NV & AZ on Foreclosure Starts Subprime Fixed-Rate Loans



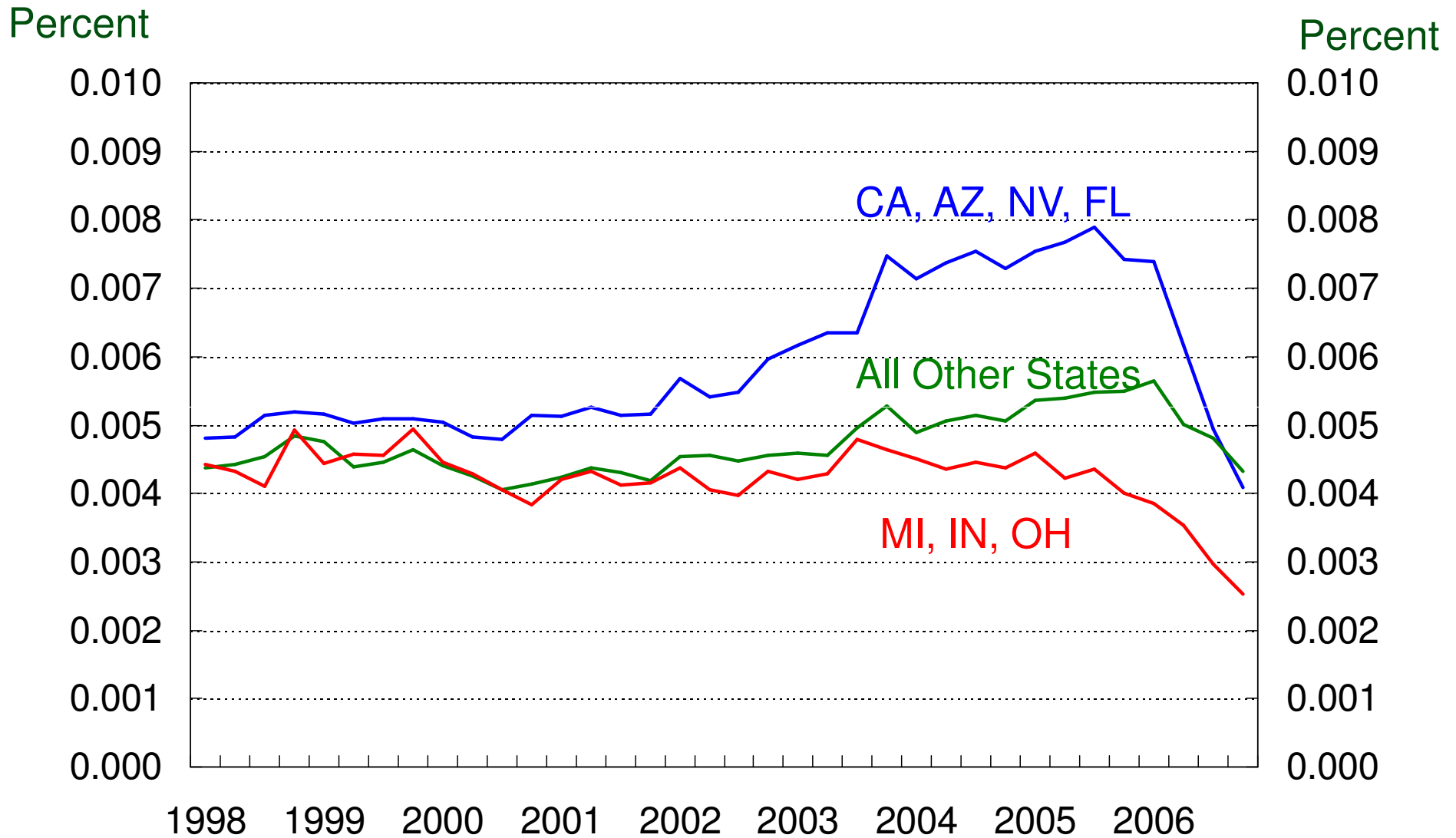
# Impact of CA, FL, NV & AZ on Foreclosure Starts Subprime ARM Loans



# Roll Rates – 30 Day Past due to Foreclosure Started



# Housing Starts Per Capita

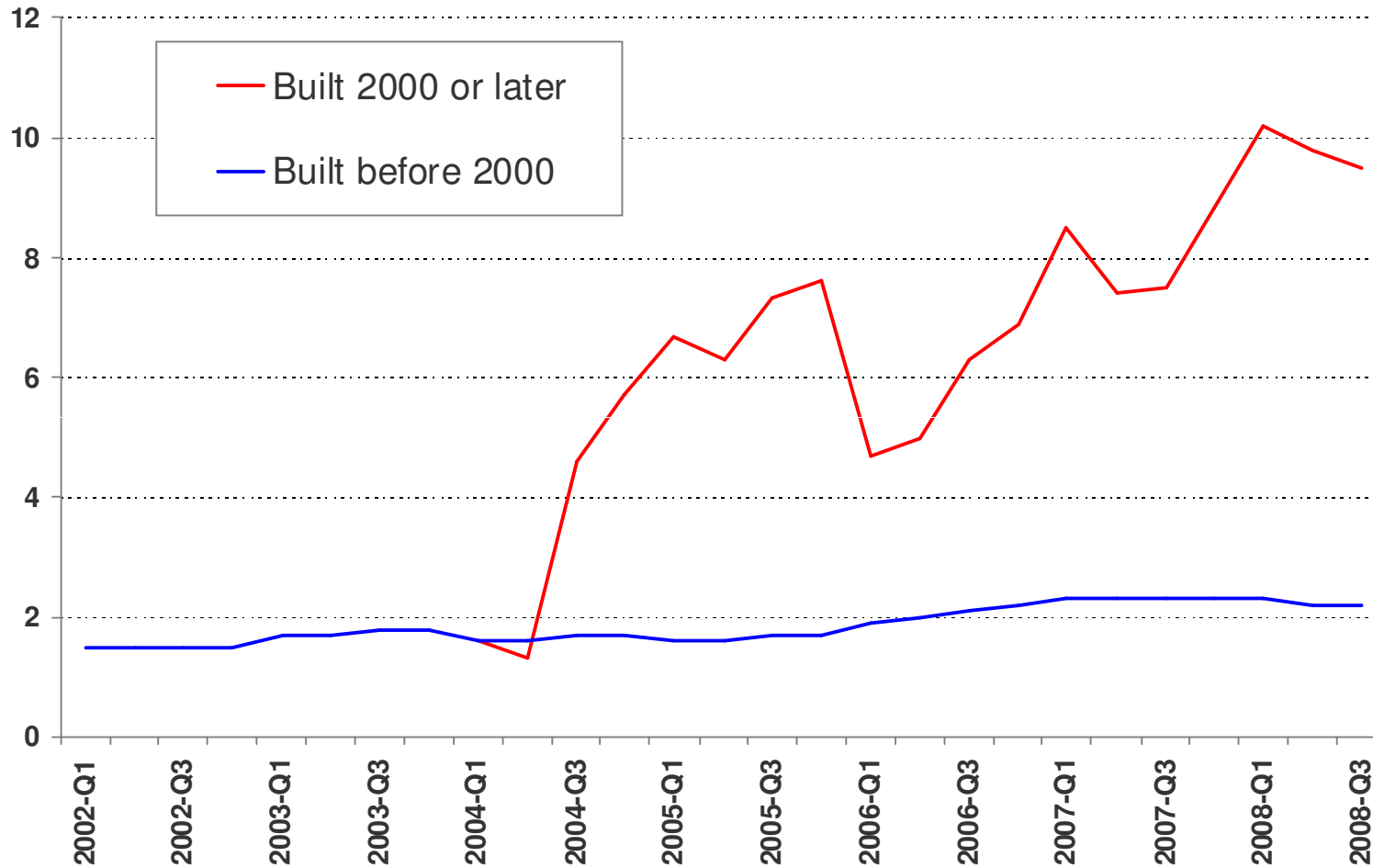


Source: New York Federal Reserve and Economy.com

# Homeowner Vacancy Rate, by Year Structure Built



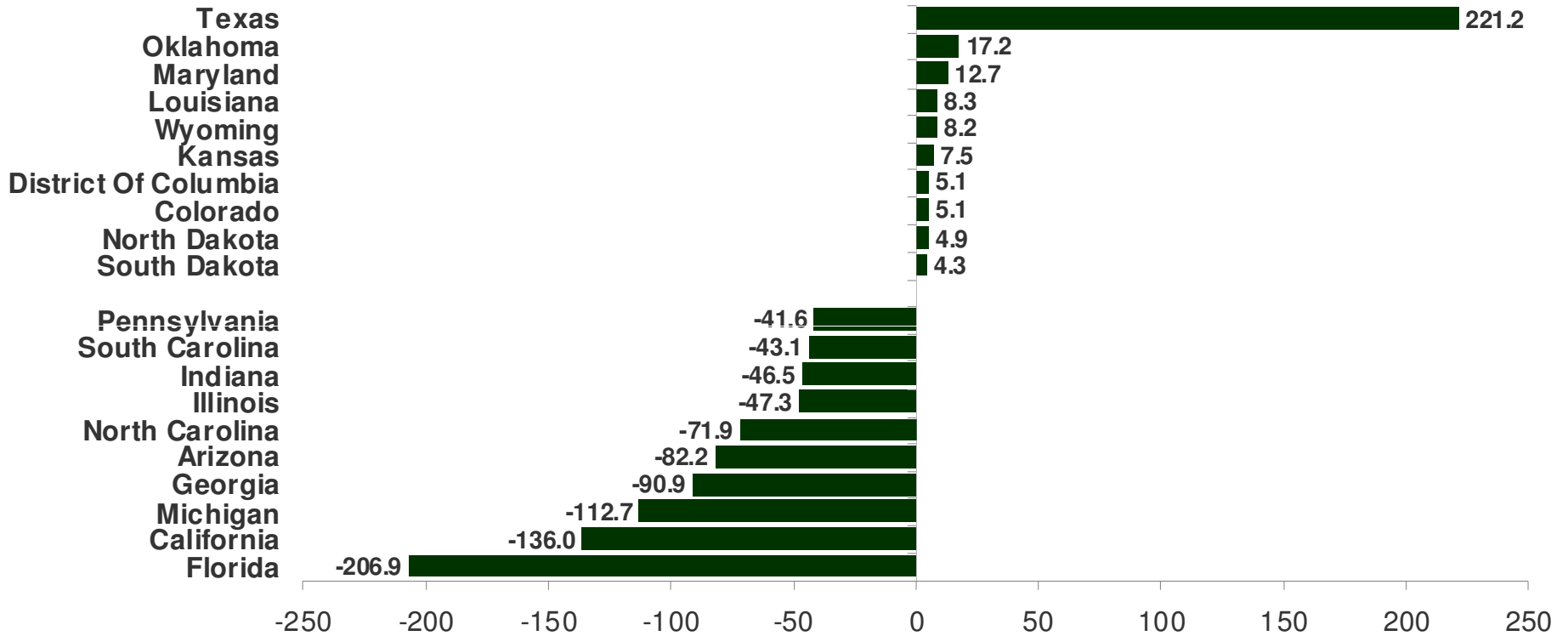
Percent vacant



Source: Census

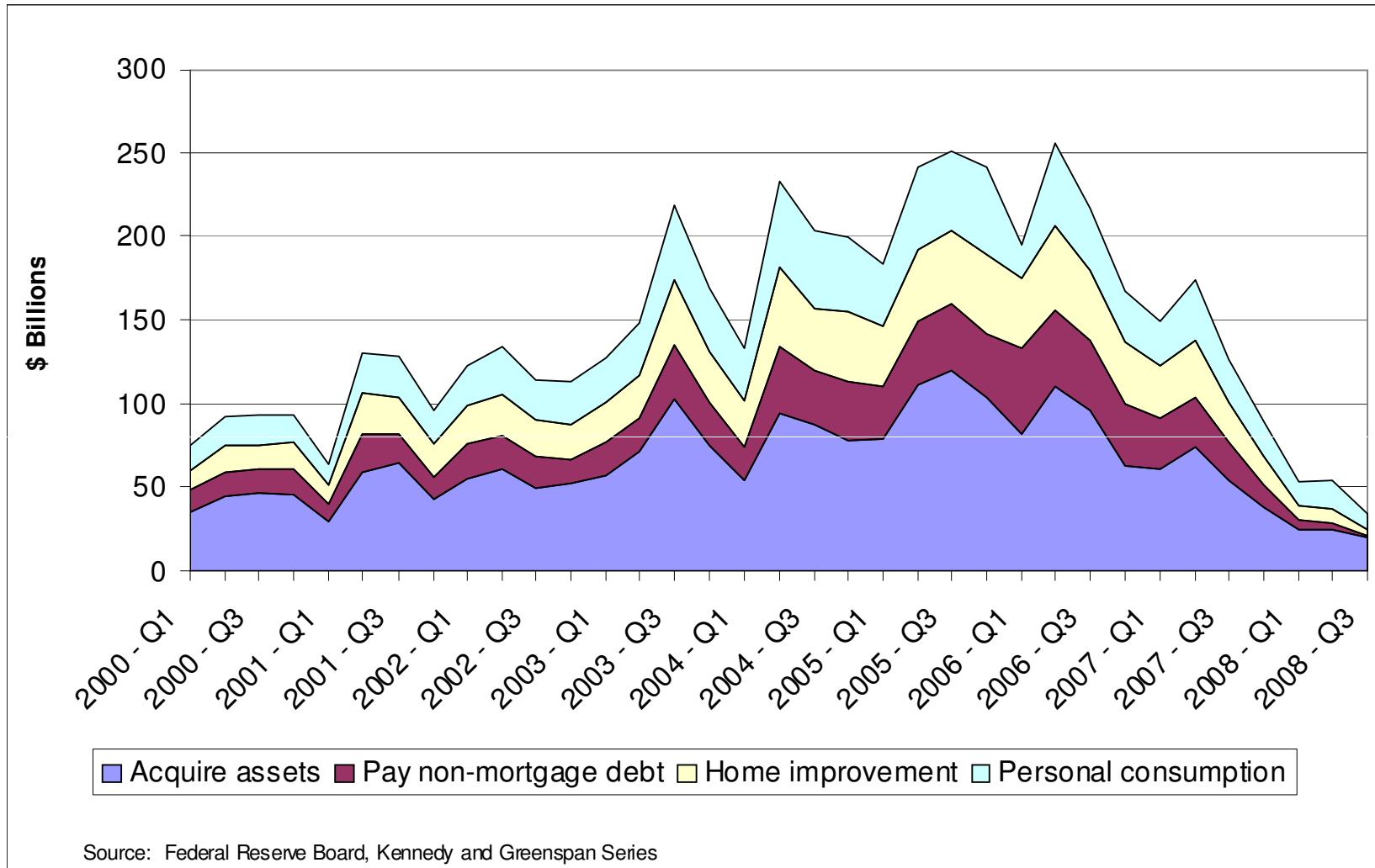
Vacancy rate for "Built before 2000" is the simple average of the vacancy rates of properties built during each decade prior to the 2000s.

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



Source: Bureau of Labor Statistics

# Size and Use of Home Equity Extraction 2000 - 2008



Source: Greenspan & Kennedy, Federal Reserve

# Credit Failures of the GSEs



- Individual lenders cannot drive credit decisions and credit pricing. That was and is the role of the GSEs, but they failed in several respects:
- Failure to take a macro view of local economies
  - » Over-building
  - » Drivers of home prices
  - » Drivers of employment
  - » Local impacts of equity withdrawals from housing
- No pricing for model risk. How good are yesterday's results in predicting tomorrow's results and what is the impact of rising home prices and serial refinancing on past performance?
- Allowing the housing goals and/or portfolio earnings goals to dominate credit decisions.