Mortgage Lending Problems and Impacts in Nevada
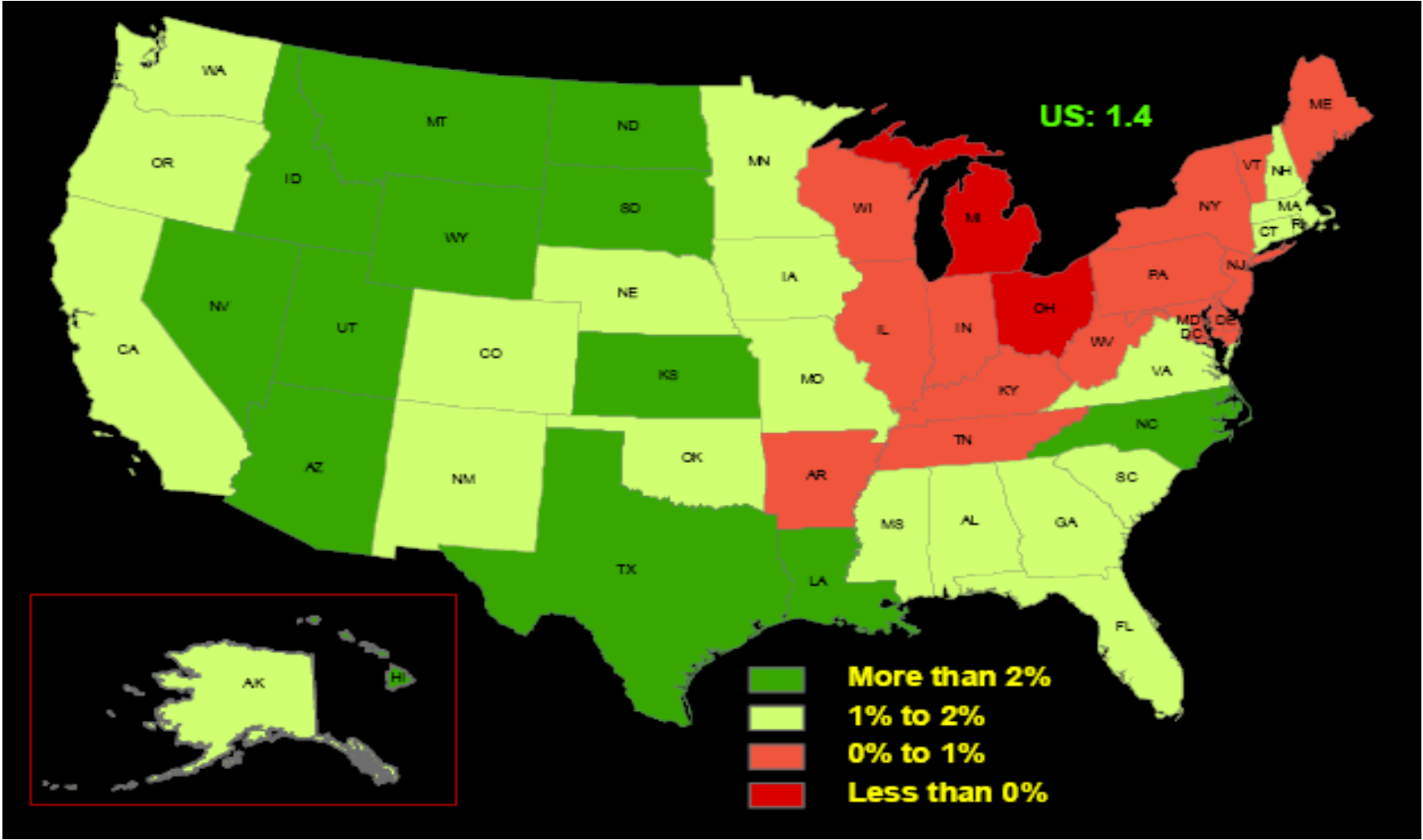
Doug Duncan, Ph.D.

Senior Vice President and Chief Economist
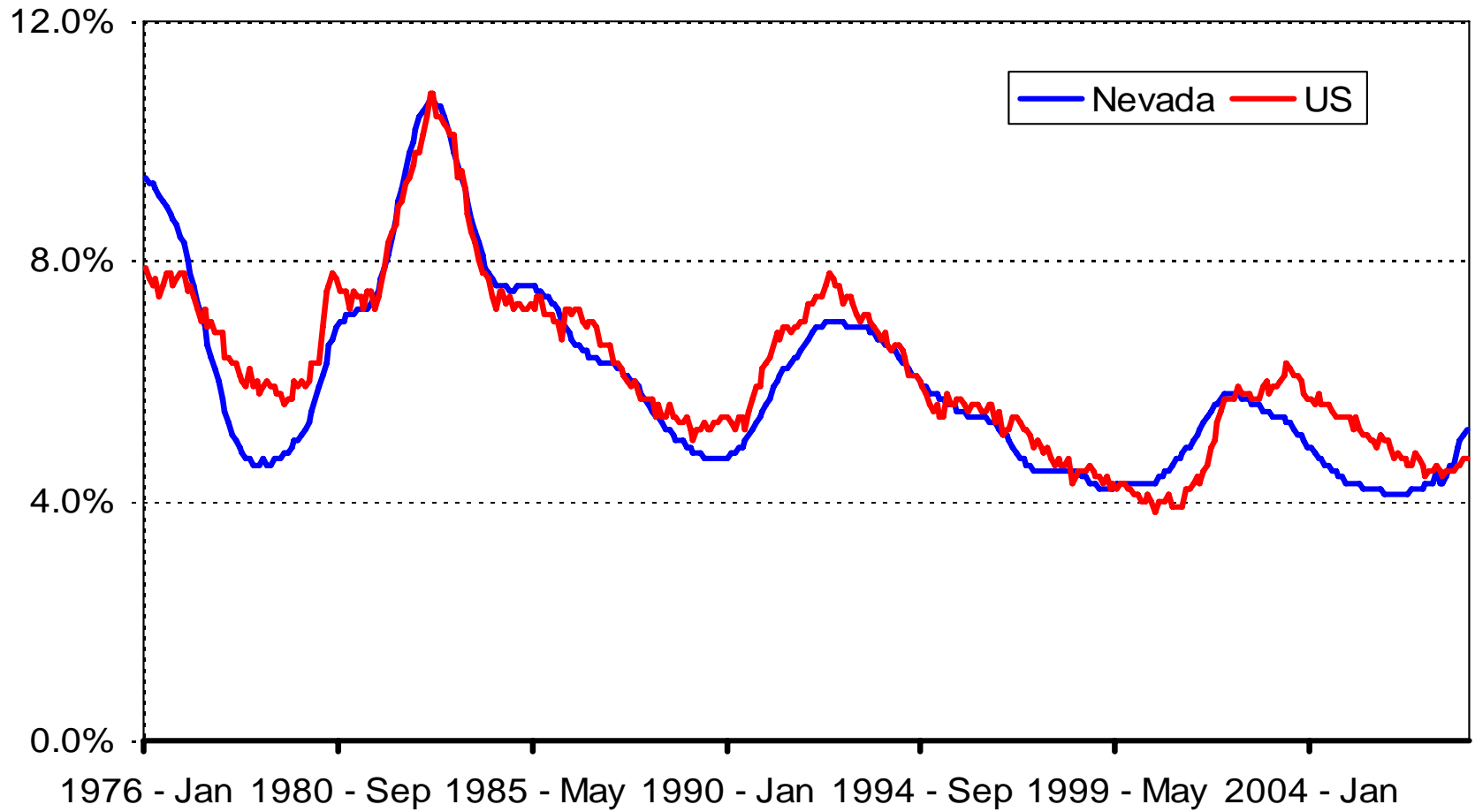
Mortgage Bankers Association

Employment Growth by State:
2006Q2 to 2007Q2

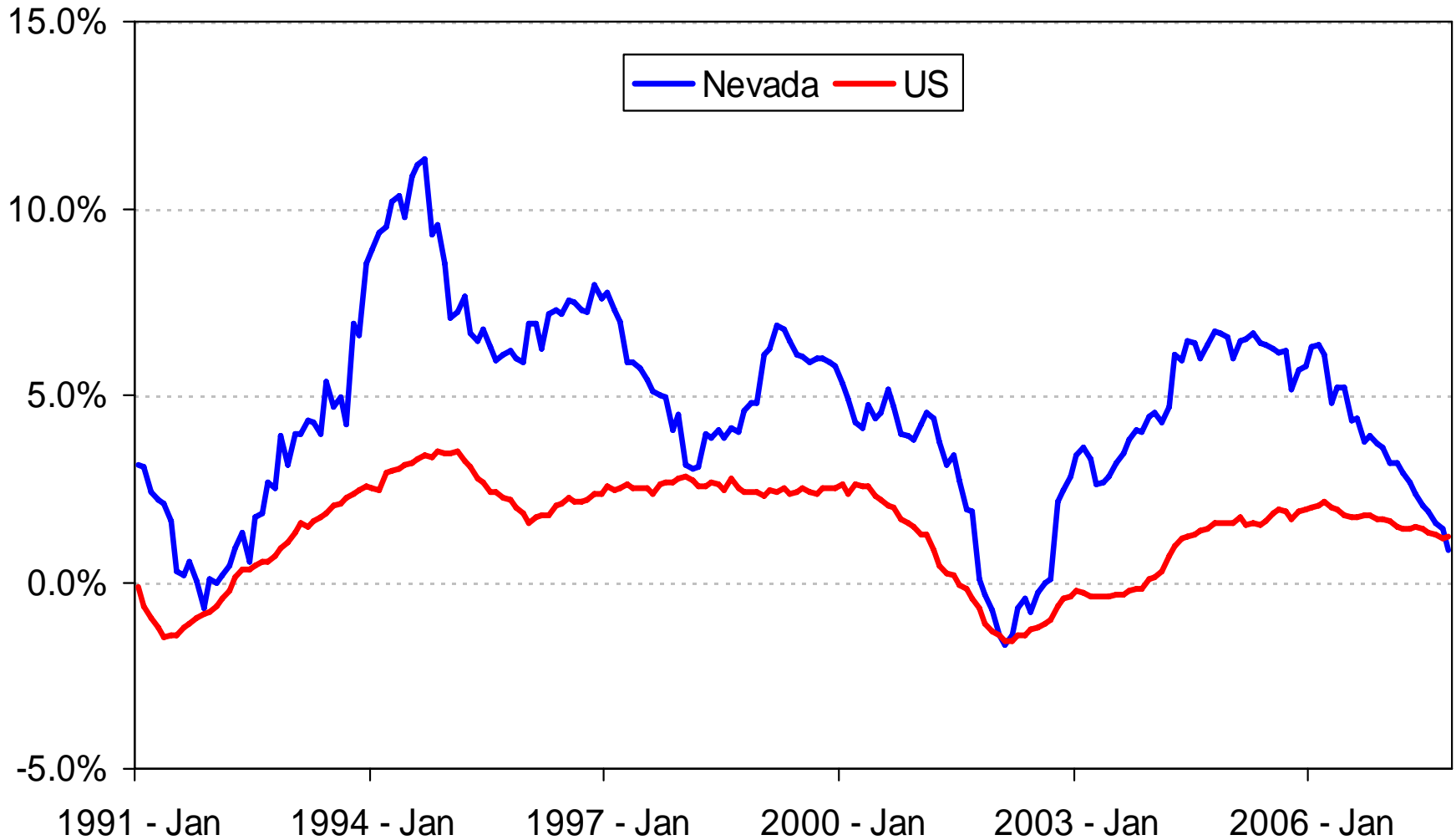Source: Bureau of Labor Statistics

Unemployment Rate, Nevada versus U.S.
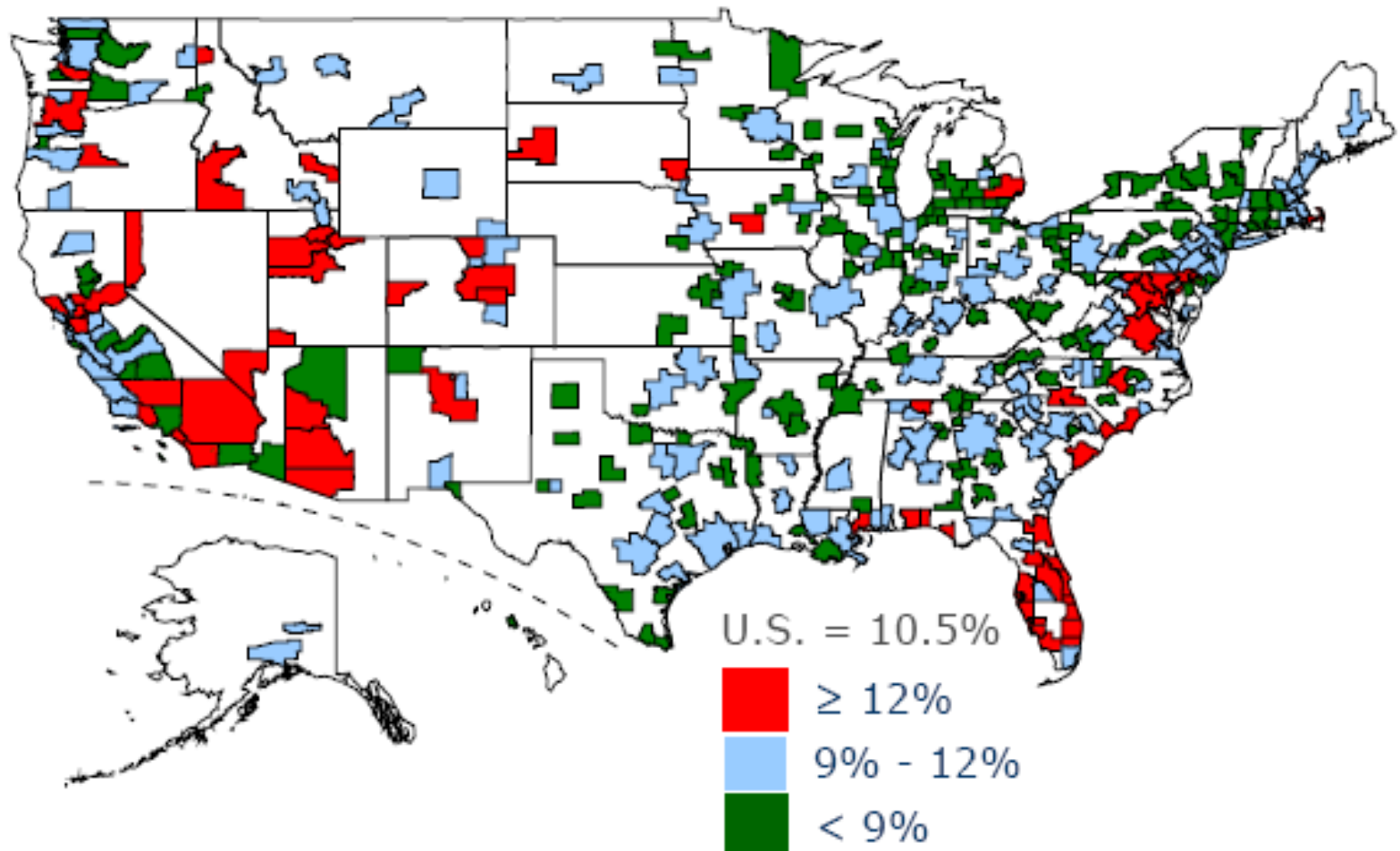
Source: Bureau of Labor Statistics

Nonfarm Payroll Employment, Nevada versus US

Year-over-Year Percent Change

Source: Bureau of Labor Statistics

Real Estate-related as a Share of Total Employment: 2007Q2

U.S. = 10.5%

- ≥ 12%
- 9% - 12%
- < 9%

Source: Bureau of Labor Statistics, Moody's Economy.com

Nevada Population Growth
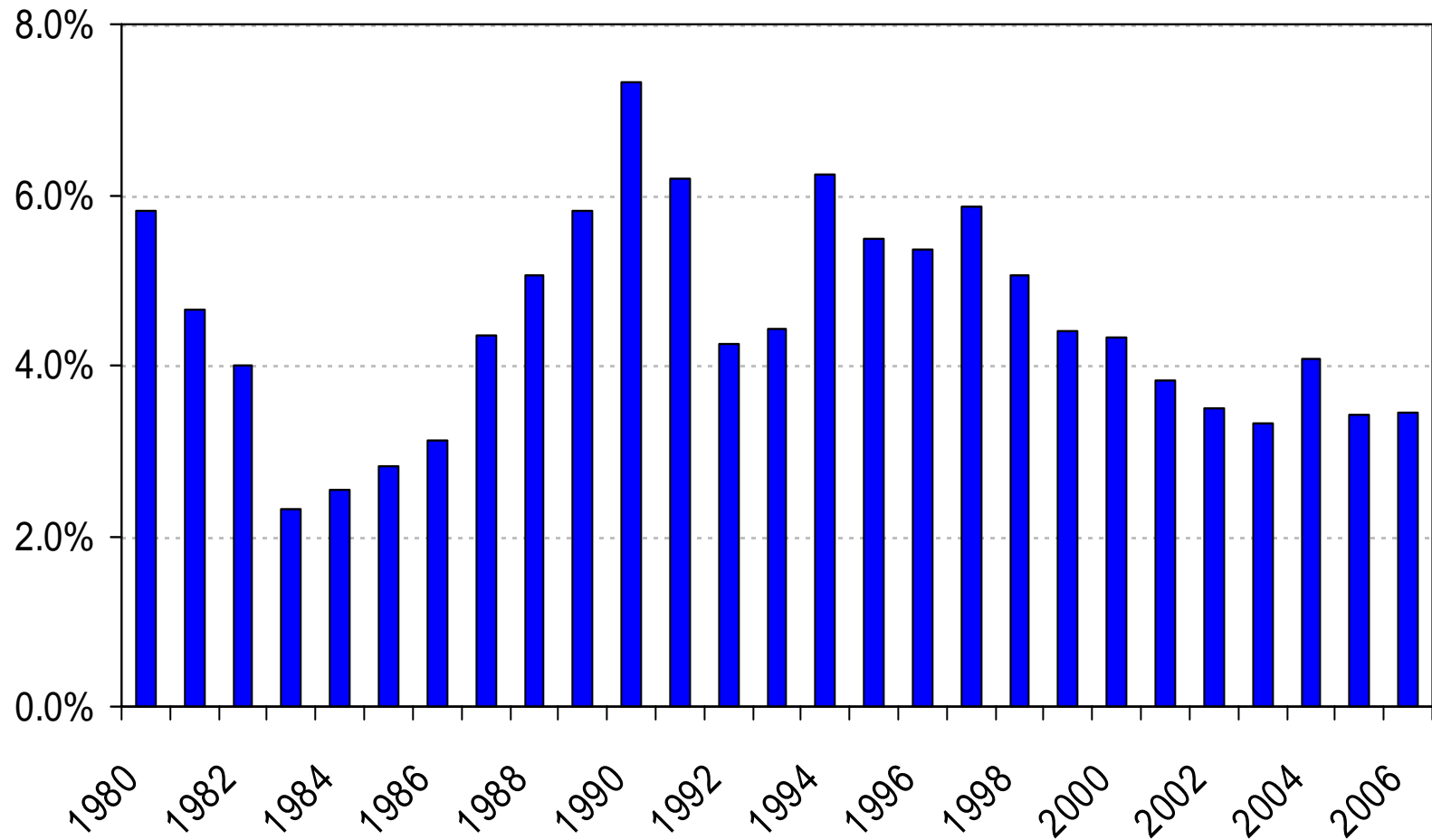
Source: Census Bureau

Nevada Net Migration

Source: Bureau of Labor Statistics

Nevada Housing Permits
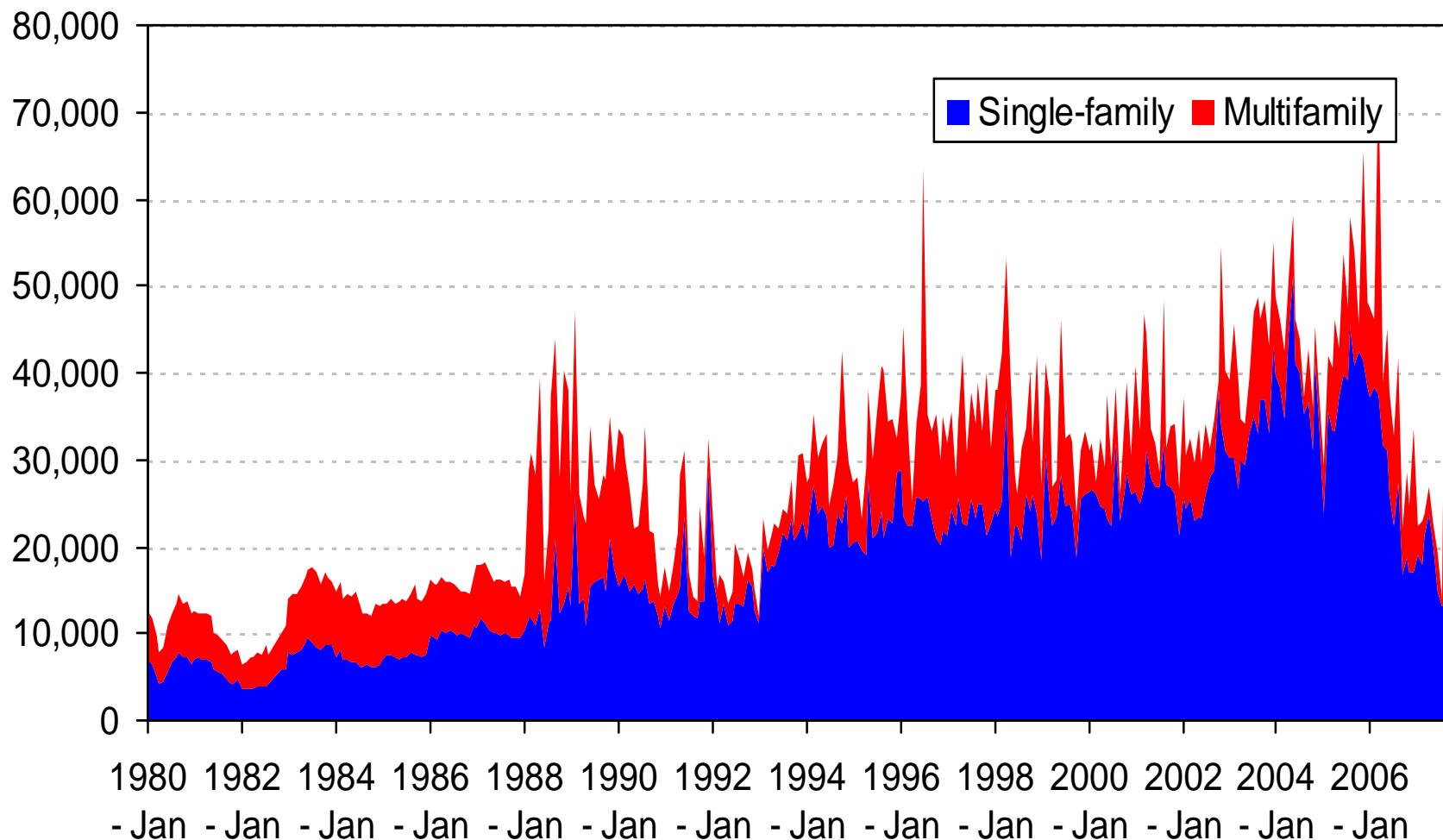
Source: Census Bureau

Housing Starts Per Capita
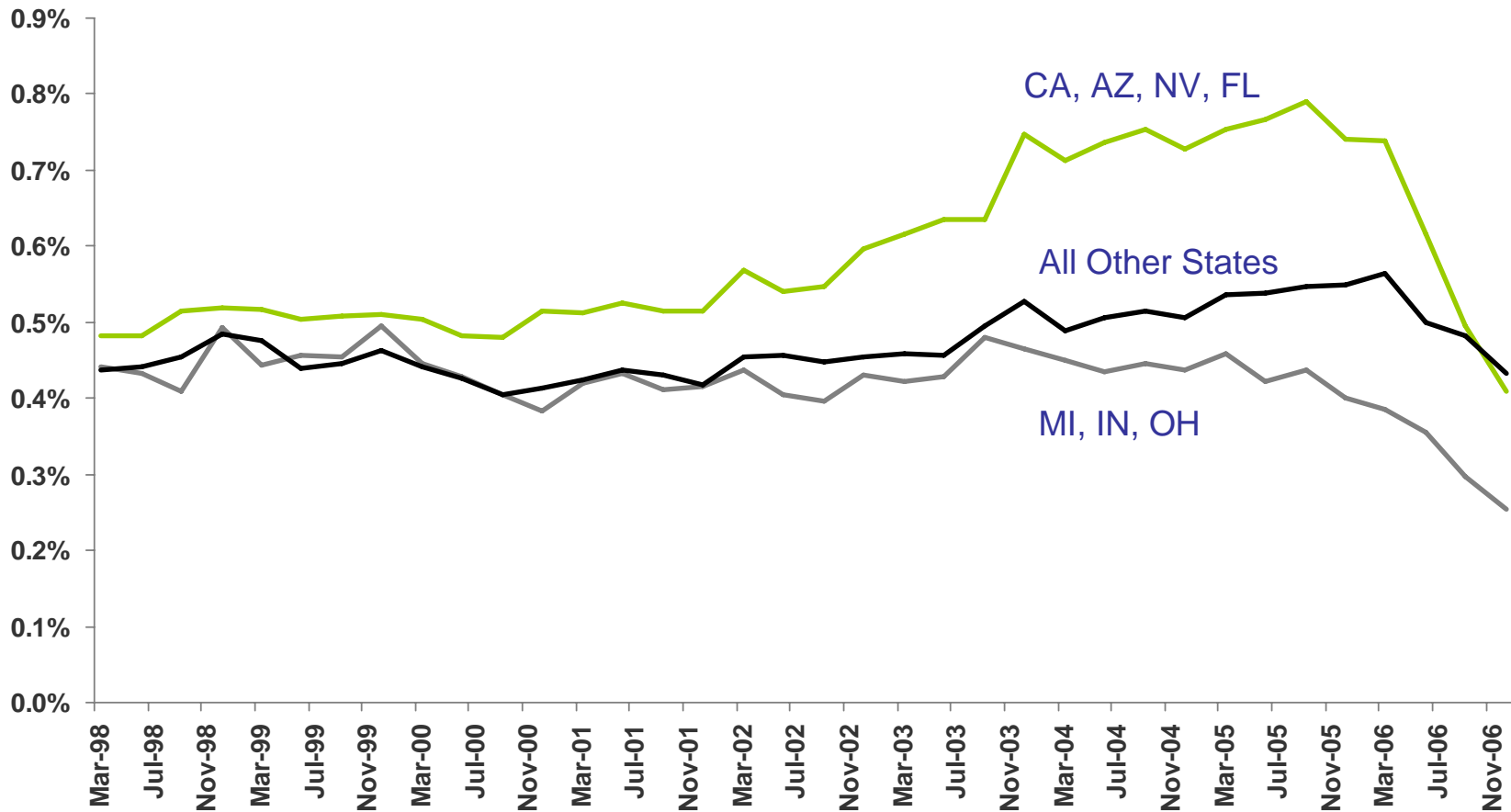
Source: The Federal Reserve Bank of New York and Economy.com

How Many Homes Are Available For Sale?

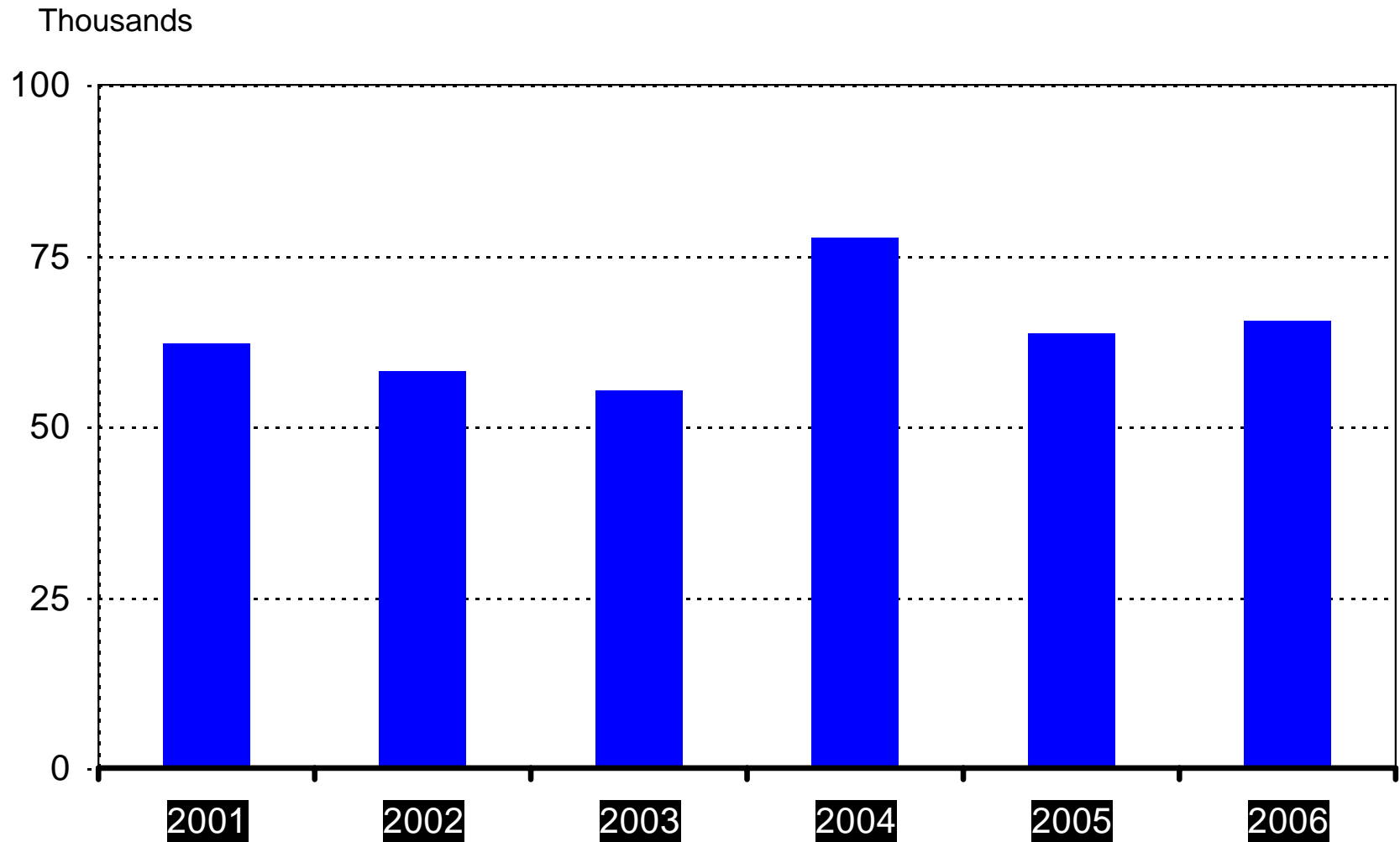**Inventory of Total Properties**
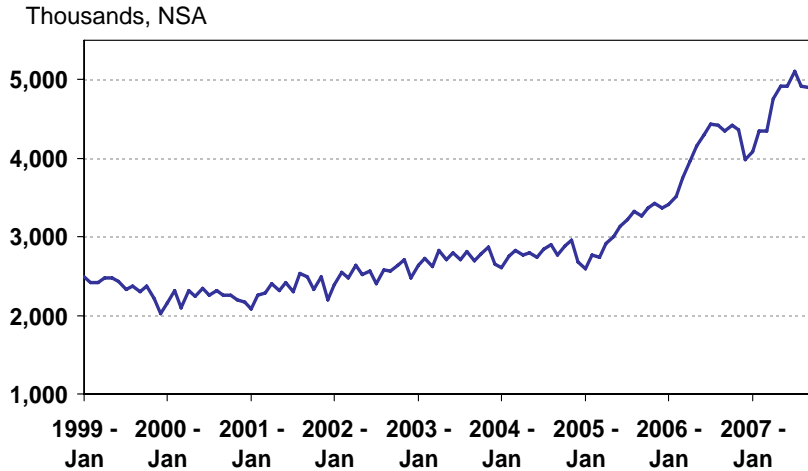
Thousands, NSA

Source: Bureau of the Census and the National Association of Realtors

Months' Supply of Existing Single-Family Homes

Months, NSA
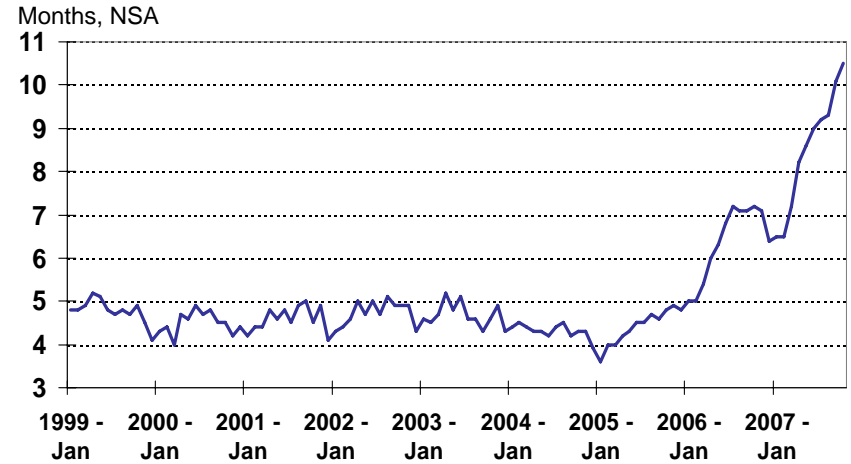
Source: National Association of Realtors

New Homes For Sale

Thousands   Months

Months' Supply of New Homes on the Market (right axis)

New Homes for Sale (left axis)
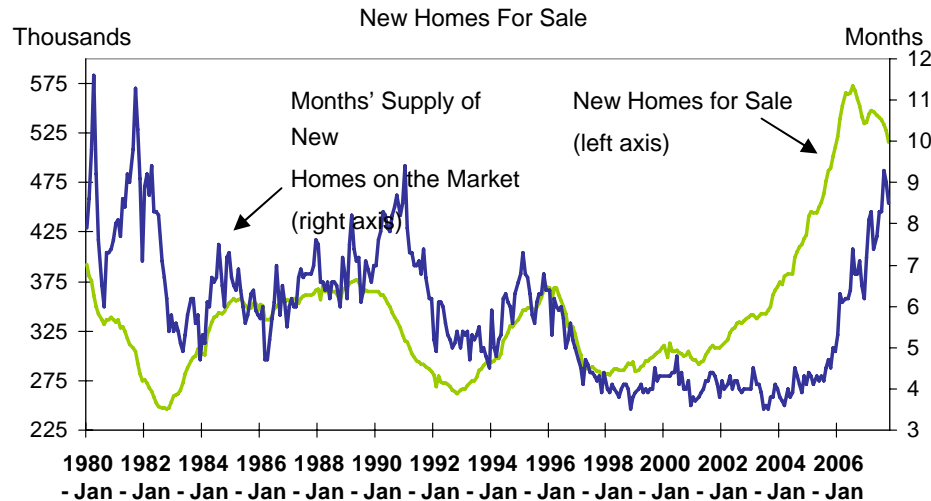
Source: Census Bureau

Nevada Existing Home Sales, Condos and Co-ops

Thousands, SAAR
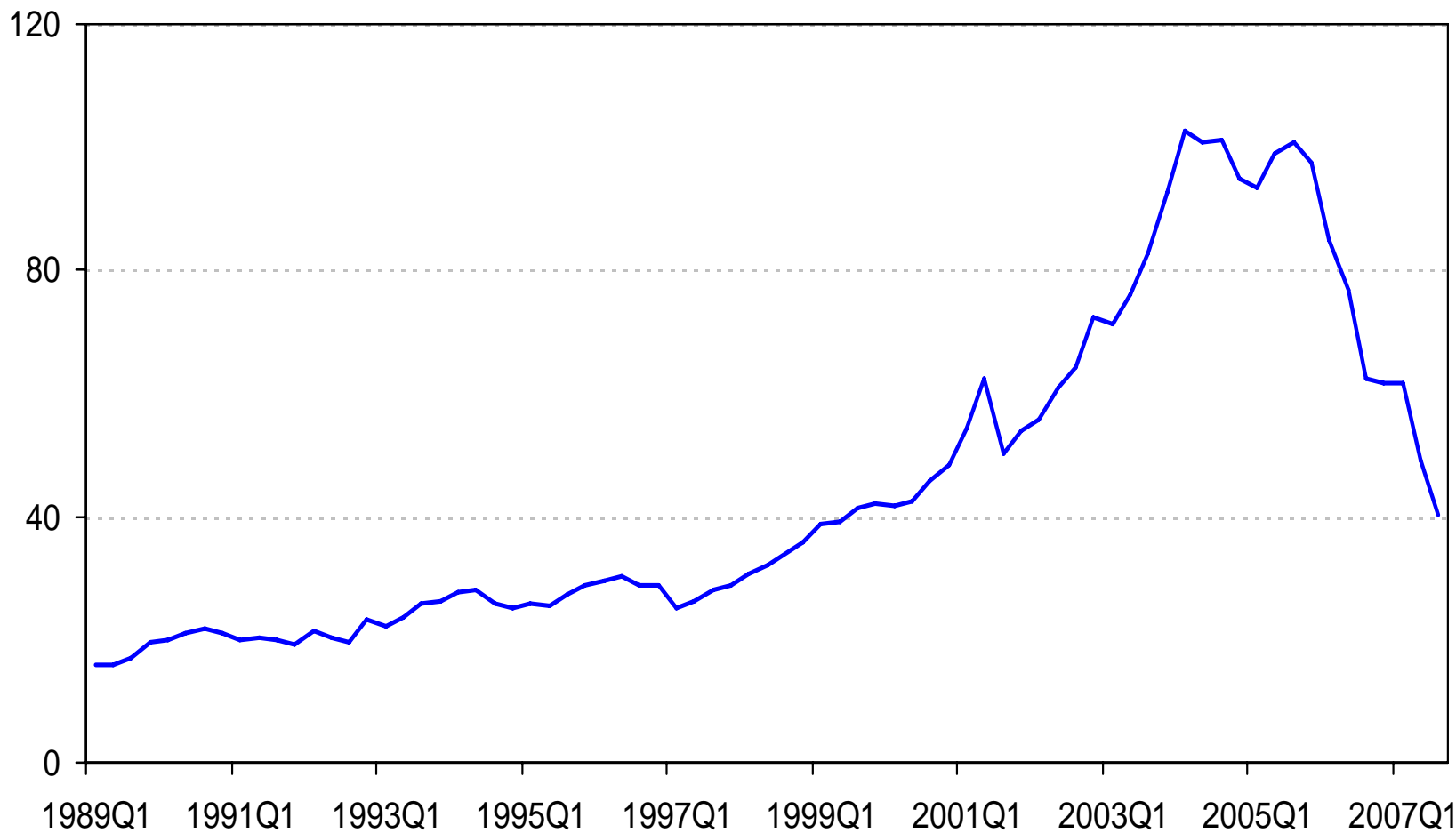
Source: The National Association of Realtors

Nevada Existing Homes' Inventory, selected MSAs
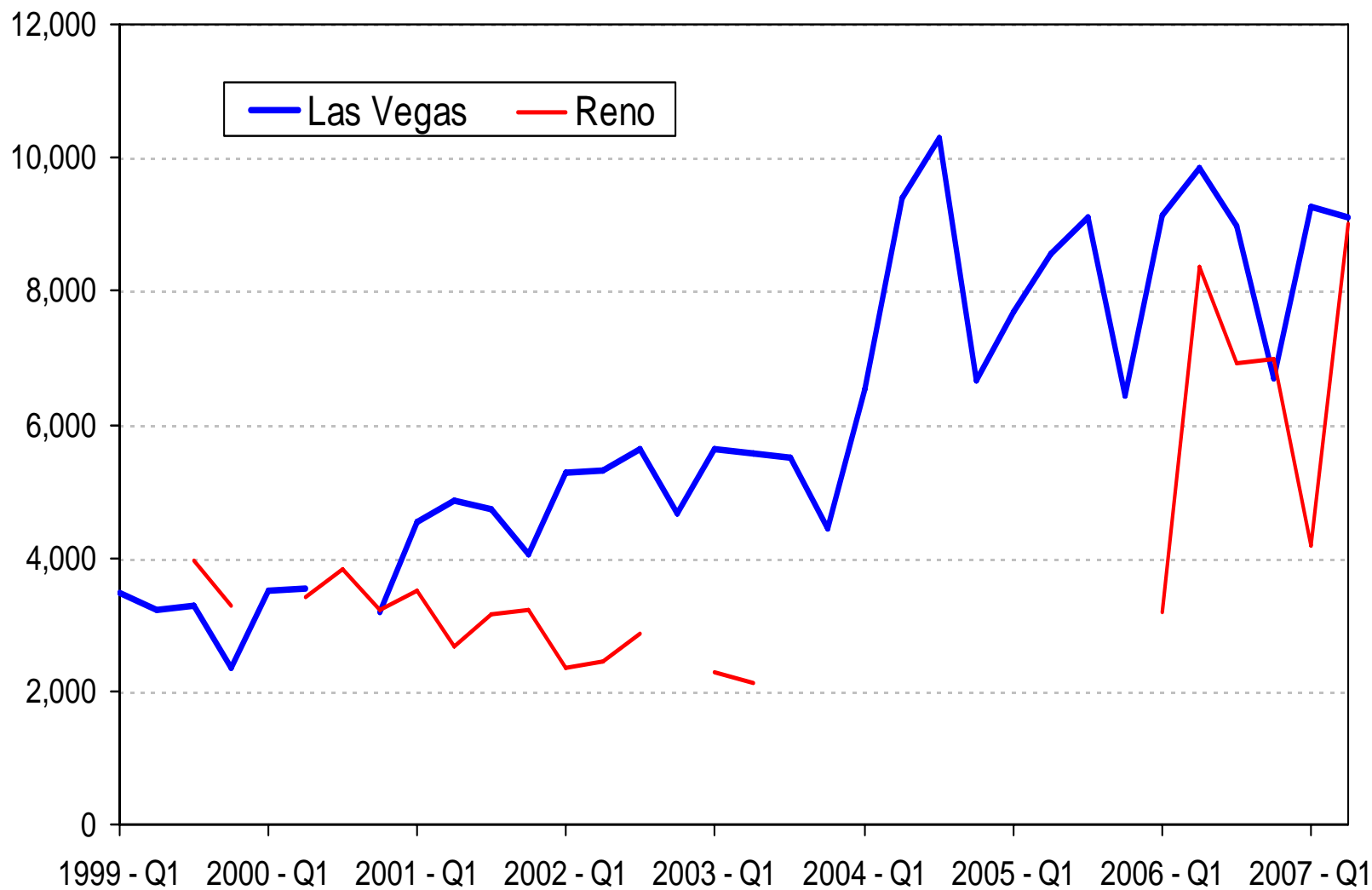
Source: The National Association of Realtors

Home Price Appreciation, Nevada versus U.S.

Year-over-year percent change

Source: Office of Federal Housing Enterprise Oversight
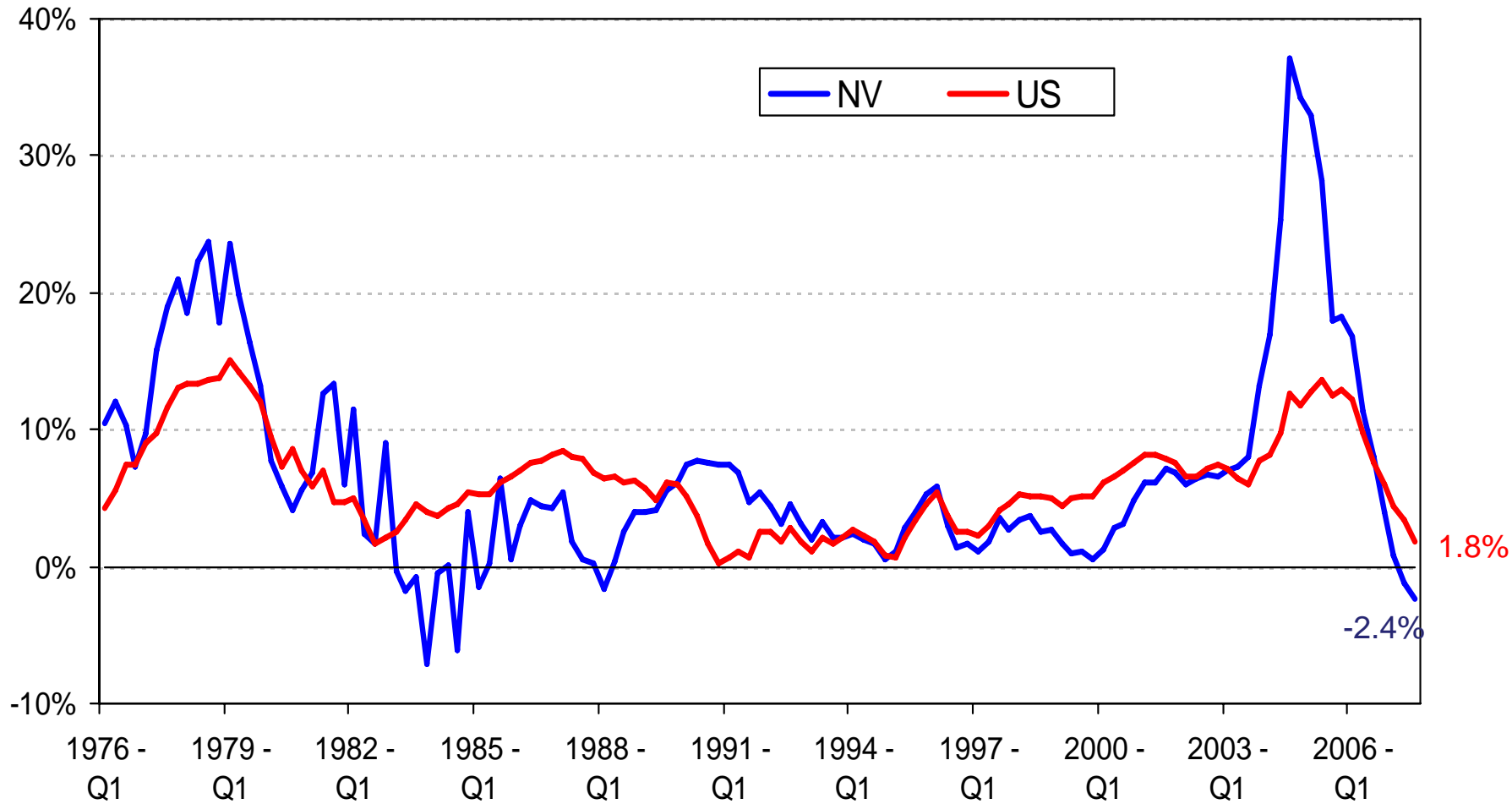
Source: Office of Federal Housing Enterprise Oversight

Home Price Appreciation of Single-family Detached Homes, by State
September 2007

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12 Month HPI Change

< -10%	-10% to -5%	-5% to 0%	0% to 5%	5% to 10%	> 10%
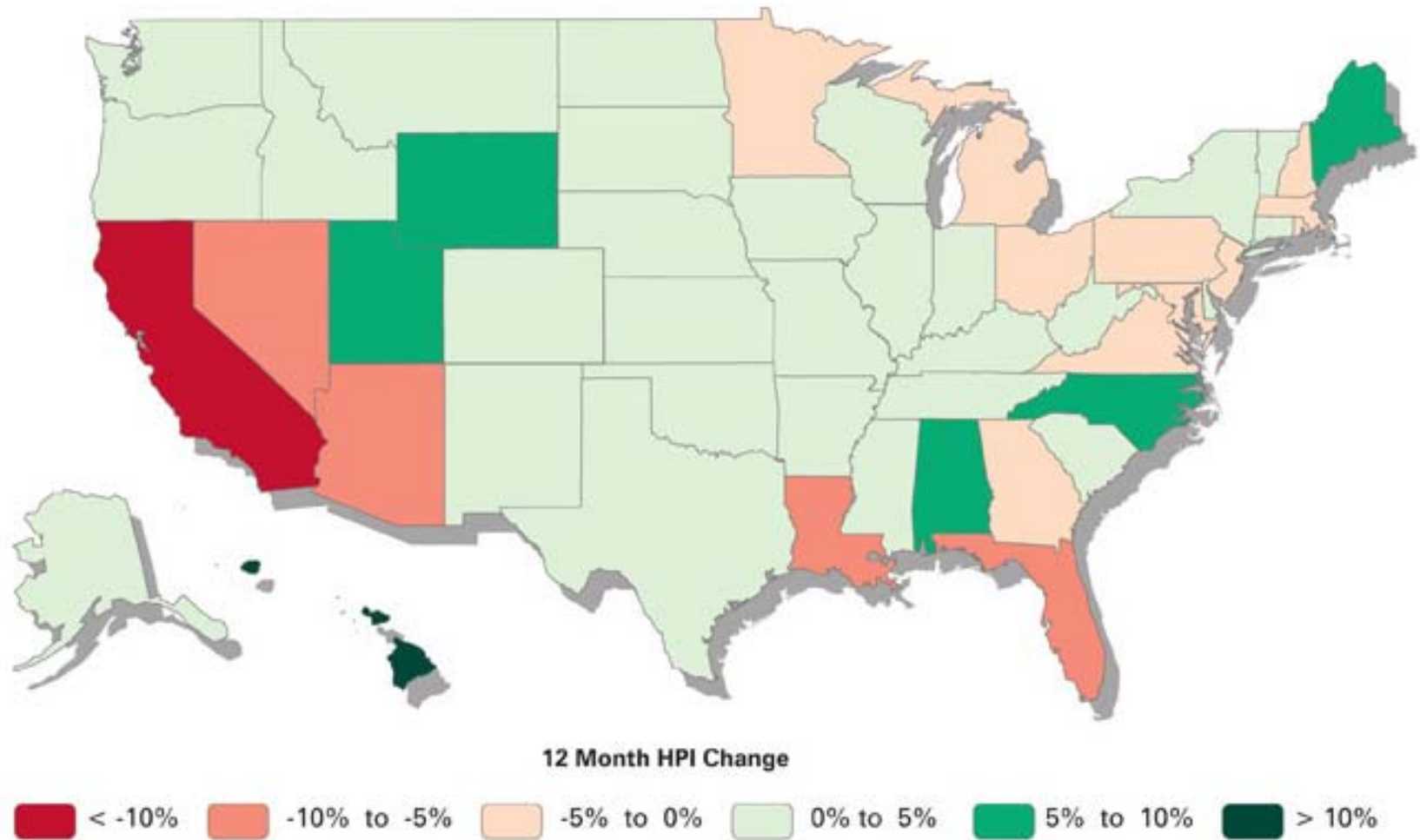
Source: First American LoanPerformance HPI

Nevada Home Price Appreciation of Single-family Detached Homes

Year-over-year percent change
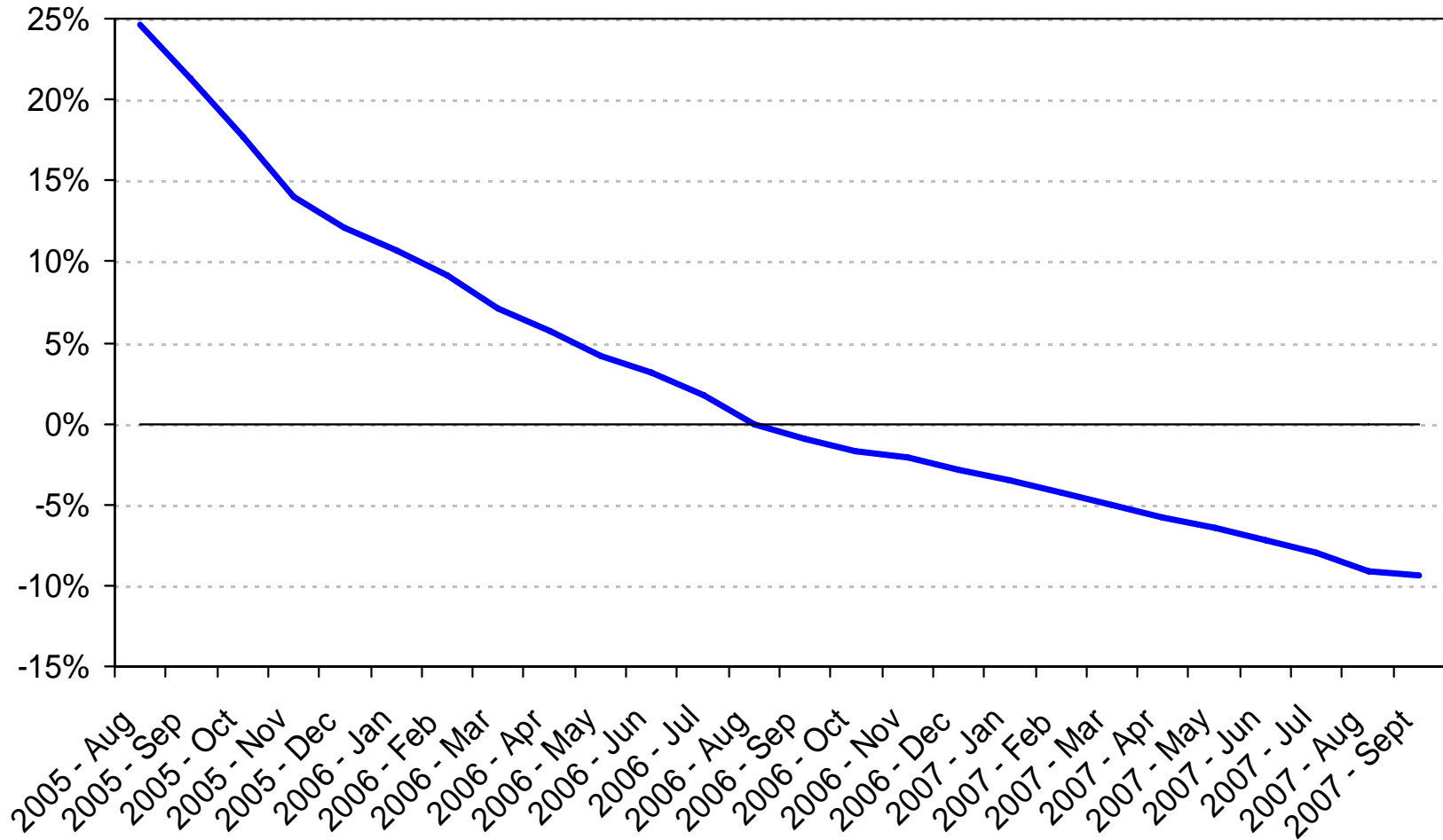
Source: First American LoanPerformance HPI

Investor and Second Home Shares for Prime Conventional Conforming Purchase Loans Peaked in 2006
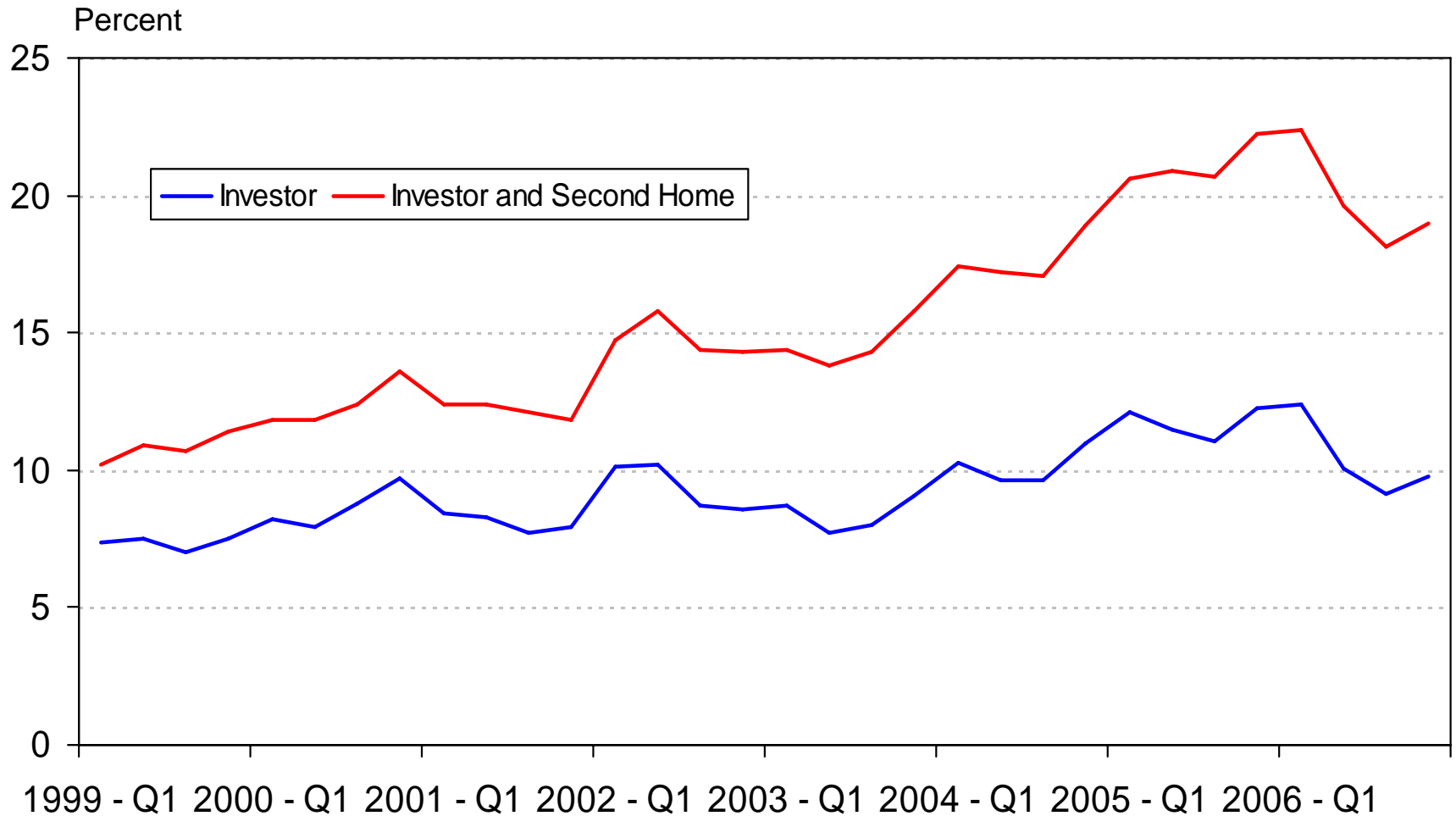
Source: LoanPerformance

Non-Owner Occupied Share, Selected MSAs
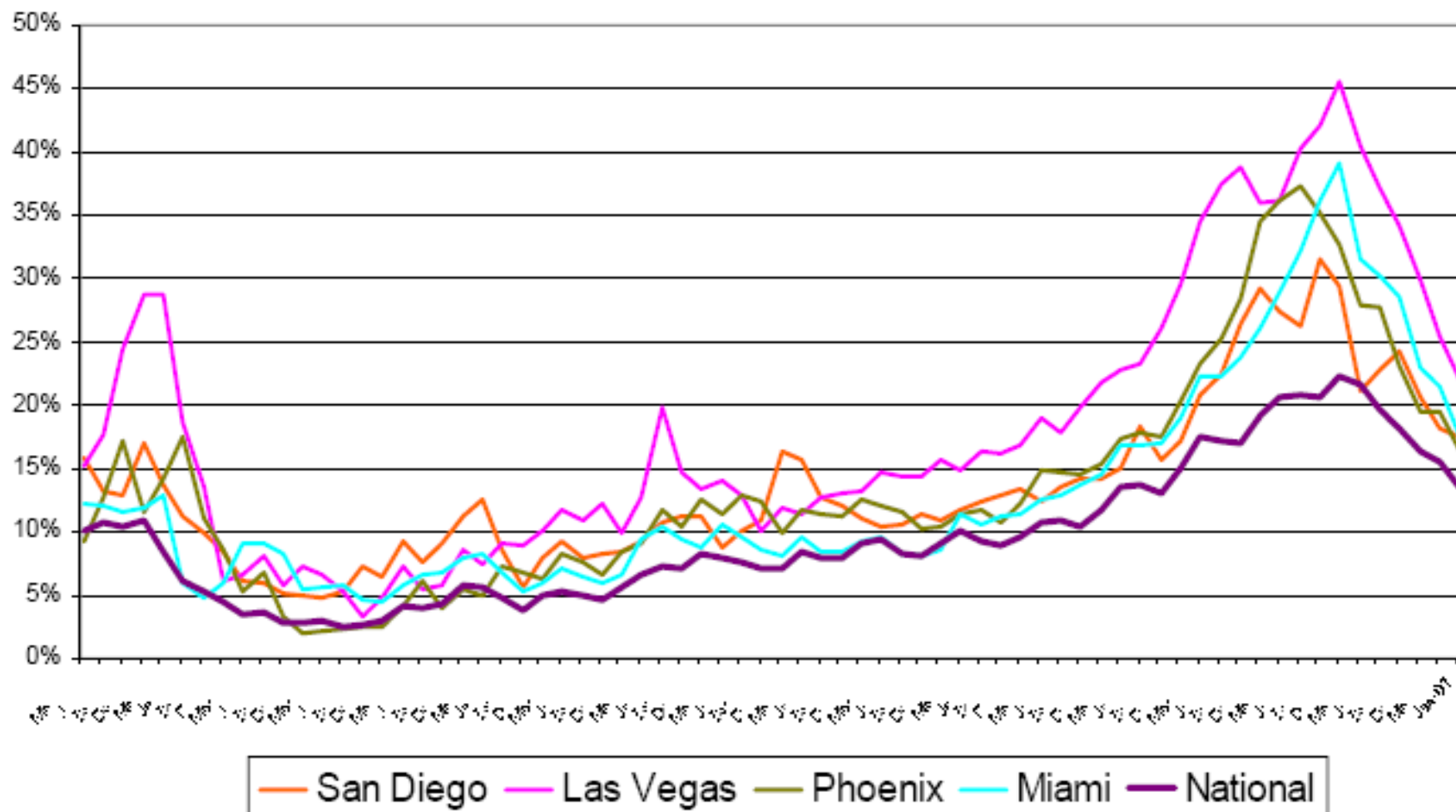
Source: LoanPerformance (data through June 2007)

Greater than 20%

Near average   U.S. = 15%

Less than 11%
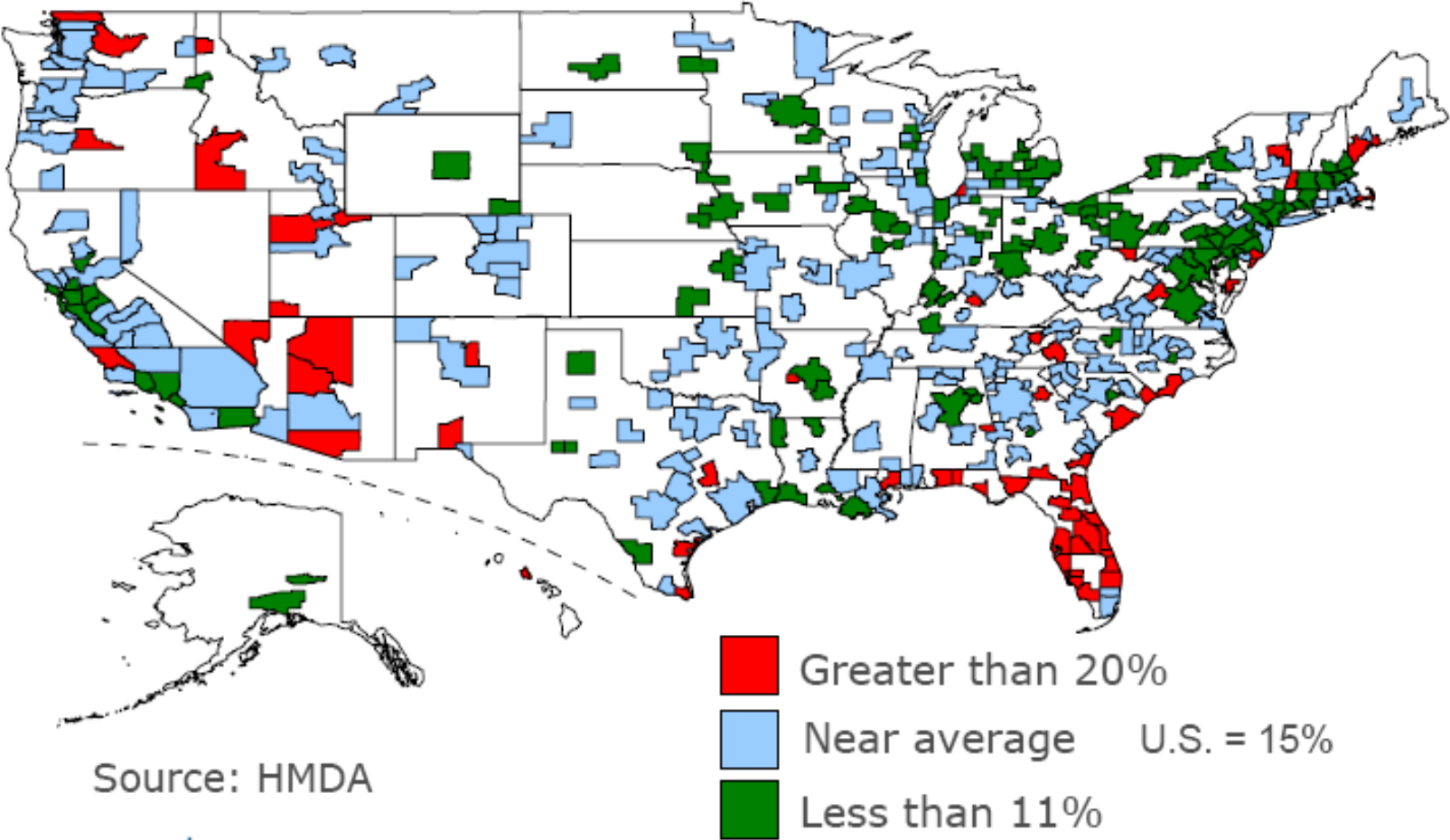
Source: HMDA

Source: 2006 Home Mortgage Disclosure Act

Subprime Share of Mortgage Originations by State:
Percent of Total Value

Legend:
- **Less than 15%** (dark green)
- **Near average** (light blue) — U.S. average = 23%
- **25% to 30%** (orange) — MSA average = 19%
- **30% to 45%** (red)

Source: HMDA
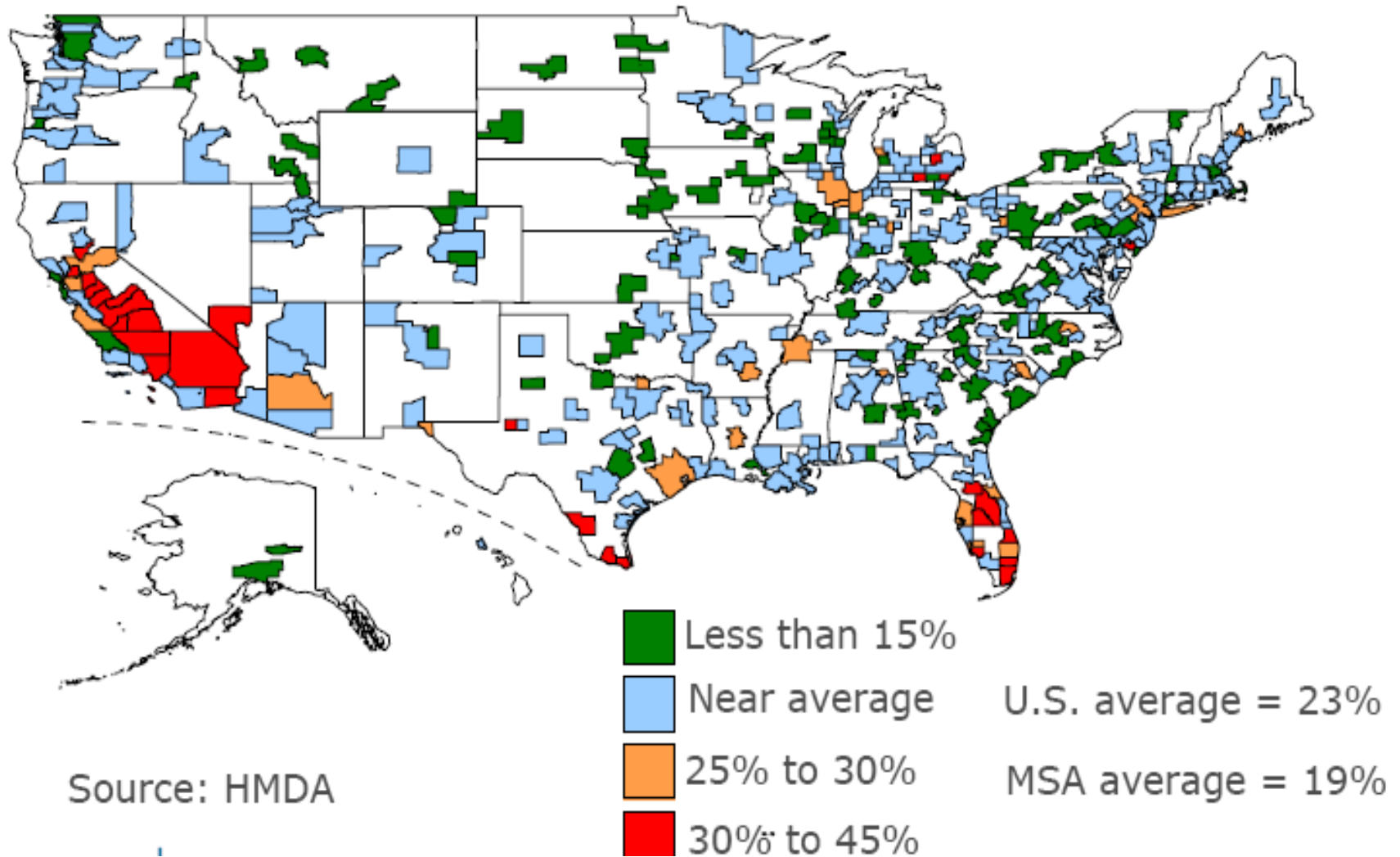
Source: 2006 Home Mortgage Disclosure Act and Economy.com

Non-conforming Share of Mortgage Originations by State: 50% for the Nation

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Legend:
- >=60% (red)
- 60% - 40% (light blue)
- =<40% (green)
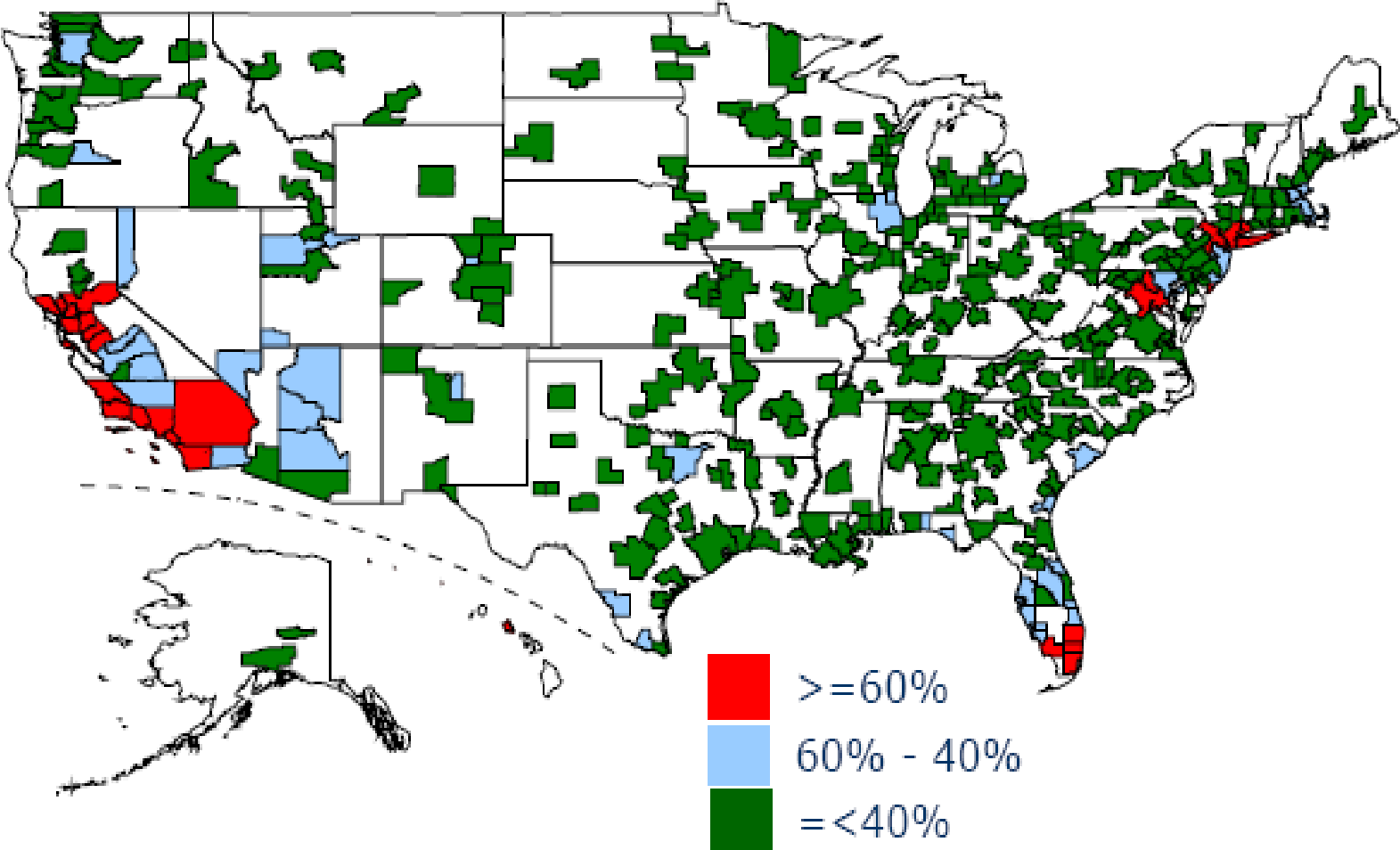
Source: 2006 Home Mortgage Disclosure Act

Seriously Delinquent Rate by State:
2007Q2

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Seriously Delinquent Rate
- Greater than 3.47%
- 2.48% – 3.47%
- 0 – 2.47%

Source: MBA's National Deliquency Survey
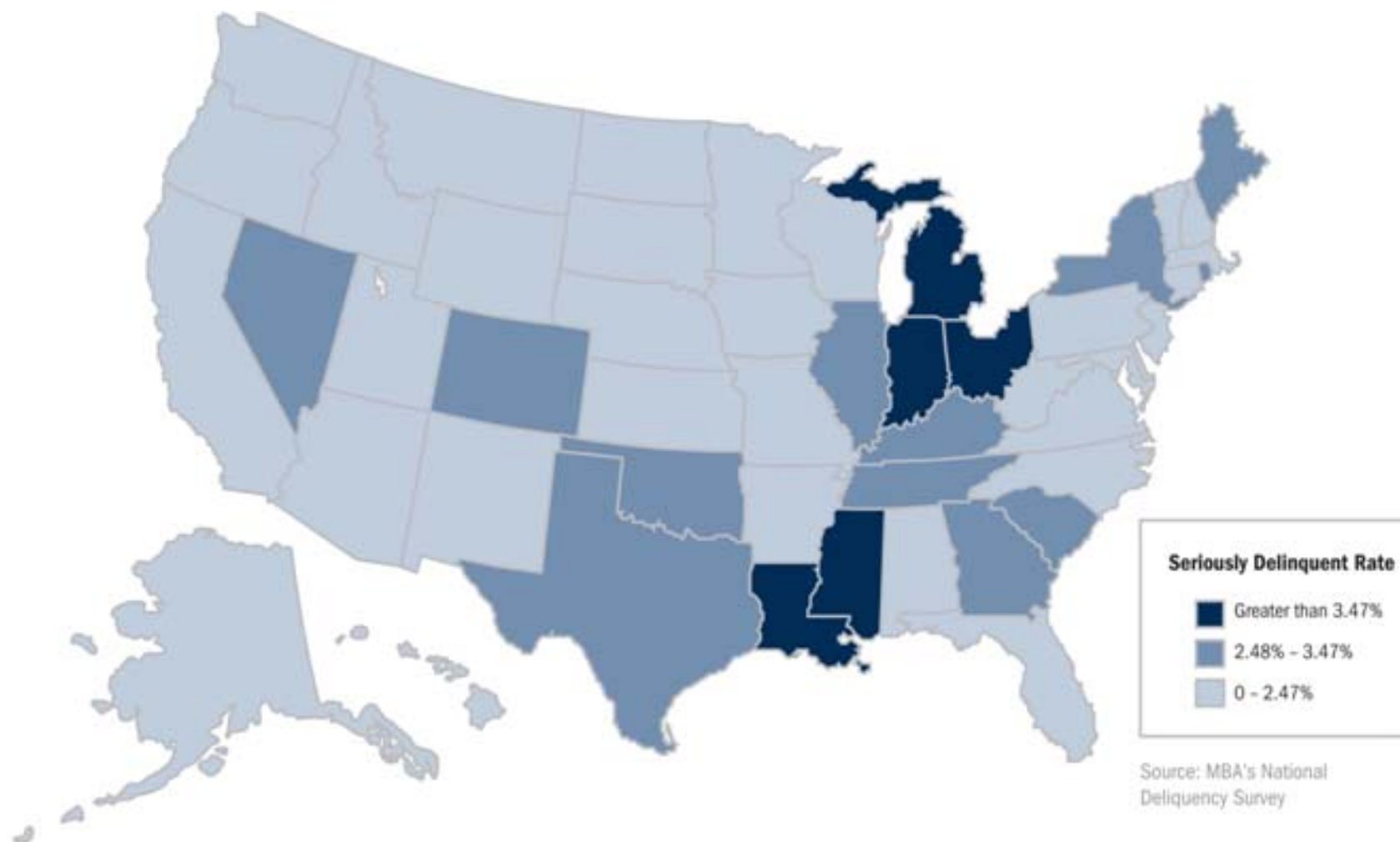
Source: MBA National Delinquency Survey

New Foreclosure Rate by State:
2007Q2

New Foreclosure Rates

- Greater than 0.78%
- 0.60% - 0.78%
- 0 - 0.59%

Source: MBA's National Deliquency Survey
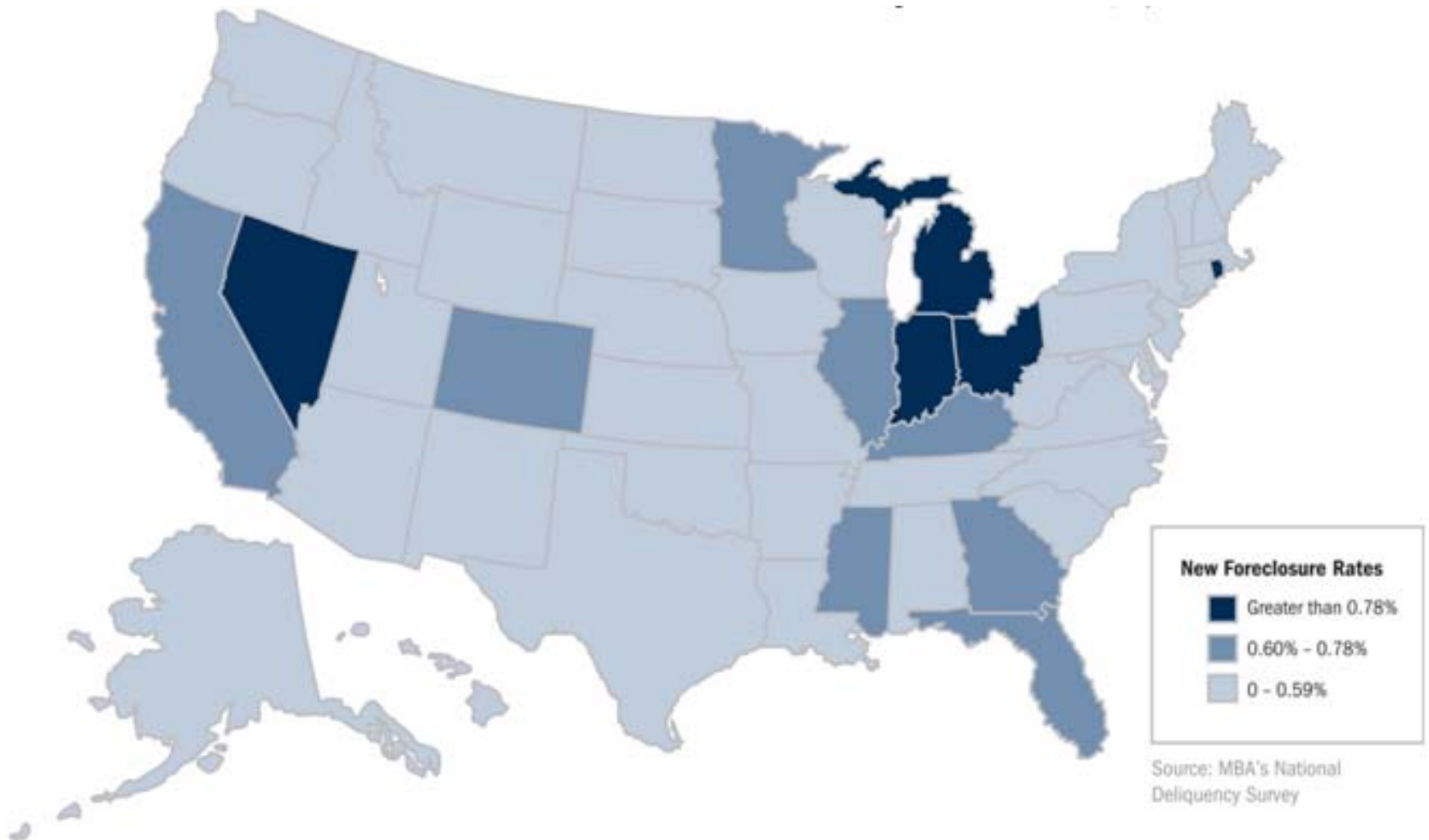
Source: MBA National Delinquency Survey

Change in New Foreclosure Rate by State:
2007Q1 to 2007Q2

Basis point (bp) change

- Increase of more than 7 basis points
- Increase of 1 to 7 basis points
- Unchanged or decrease of 1 to 7 basis points
- Decrease of more than 7 basis points
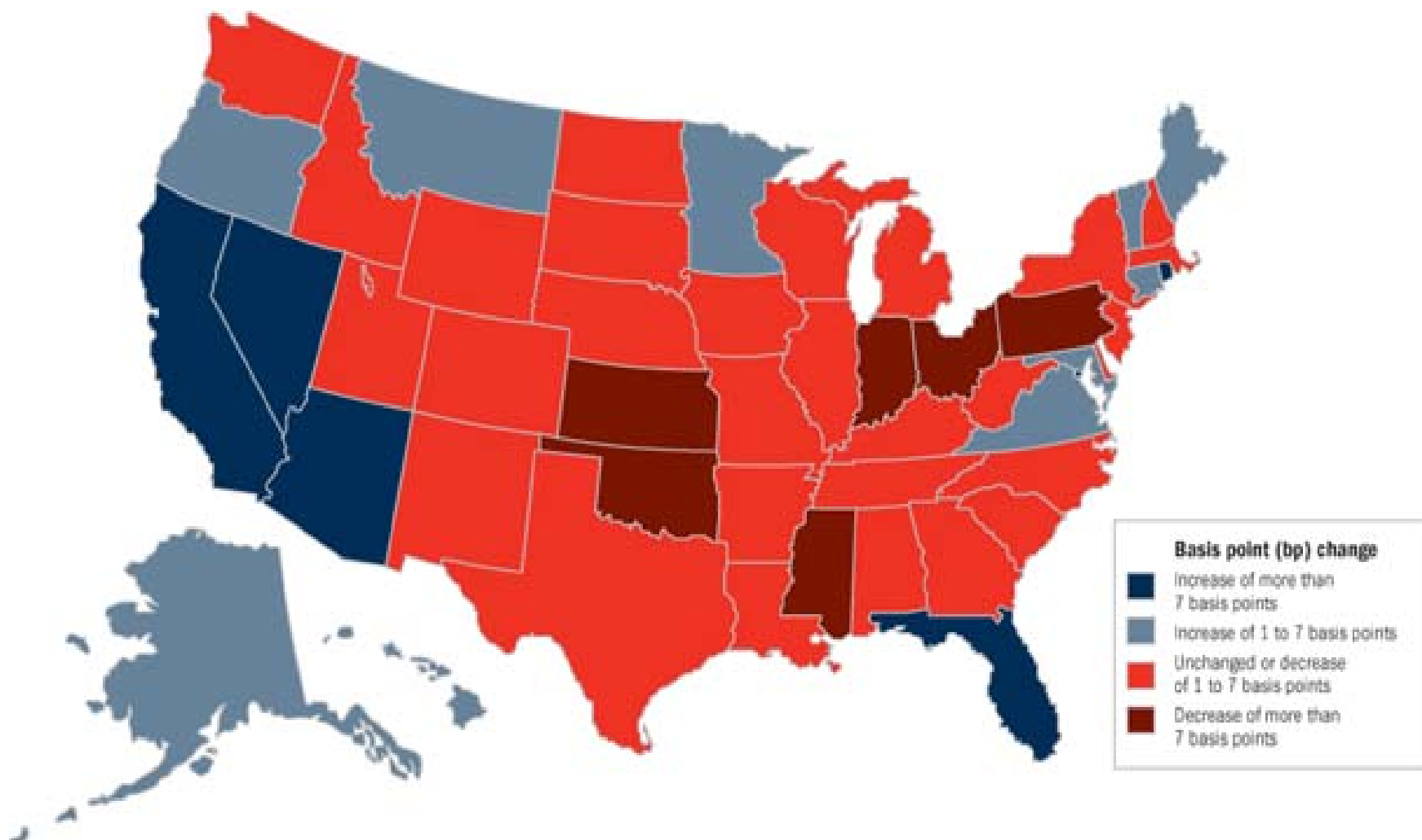
Source: MBA National Delinquency Survey

Top 5 and Bottom 5 States Ranked by Seriously Delinquent Rate
Based on data as of Q2 2007

	Prime Fixed			Prime ARM			Subprime Fixed			Subprime ARM			FHA	
1	Ohio	1.86	1	Mississippi	4.89	1	Ohio	11.64	1	Ohio	22.85	1	Michigan	10.83
2	Indiana	1.57	2	Michigan	4.65	2	Mississippi	9.92	2	Michigan	21.08	2	Ohio	8.36
3	Mississippi	1.48	3	Indiana	4.45	3	Indiana	9.55	3	Indiana	19.28	3	Indiana	7.49
4	Louisiana	1.39	4	Ohio	4.33	4	Michigan	9.47	4	Iowa	17.96	4	Louisiana	7.15
5	Michigan	1.34	5	Oklahoma	3.98	5	Louisiana	9.29	5	Mississippi	17.86	5	South Carolina	7.05
	US	0.67		US	2.02		US	5.84		US	12.40		US	5.18
47	Virginia	0.25	47	Wyoming	0.95	47	Hawaii	2.52	47	Idaho	6.56	47	Montana	1.85
48	Washington	0.23	48	District of Columbia	0.93	48	Utah	2.39	48	Arizona	6.10	48	North Dakota	1.83
49	California	0.22	49	Idaho	0.78	49	Wyoming	2.37	49	Washington	5.55	49	Wyoming	1.62
49	Oregon	0.22	49	Oregon	0.78	50	Oregon	2.24	50	Oregon	5.41	50	Alaska	1.52
51	Wyoming	0.17	51	Washington	0.69	51	Alaska	1.53	51	Utah	4.29	51	Idaho	1.34

Source: MBA National Delinquency Survey

Prime Loans		
	Percent of prime defaults due to non-owner occupied loans as of June 30, 2007	Share of prime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	32%	29%
Arizona	26%	29%
Florida	25%	32%
California	21%	14%
All other states	13%	15%
Total US	16%	17%

Subprime Loans		
	Percent of subprime defaults due to non-owner occupied loans as of June 30, 2007	Share of subprime home purchase loan originations for non-owner occupied properties in 2005, based on HMDA
Nevada	24%	14%
Arizona	18%	14%
Florida	14%	15%
California	15%	7%
All other states	11%	10%
Total US	12%	10%

Source: MBA, Home Mortgage Disclosure Act 2005 Report

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Percent of Homeowners with No Mortgage	**35.0%**			
Percent of Homeowners with A Mortgage	**65.0%**		**For Homeowners With A Mortgage**	
Prime Fixed		39.9%	Prime Fixed	61.5%
Prime ARM		9.9%	Prime ARM	15.2%
Subprime Fixed		4.3%	Subprime Fixed	6.6%
Subprime ARM		4.8%	Subprime ARM	7.4%
FHA Fixed		4.0%	FHA Fixed	6.4%
FHA ARM		0.3%	FHA ARM	0.5%
VA		1.8%	VA	2.5%
Total	**100.0%**		**Total**	**100.0%**

Source: MBA National Delinquency Survey, 2007Q2 and 2005 American Housing Survey

Big Picture: Homeowners Have Considerable Equity
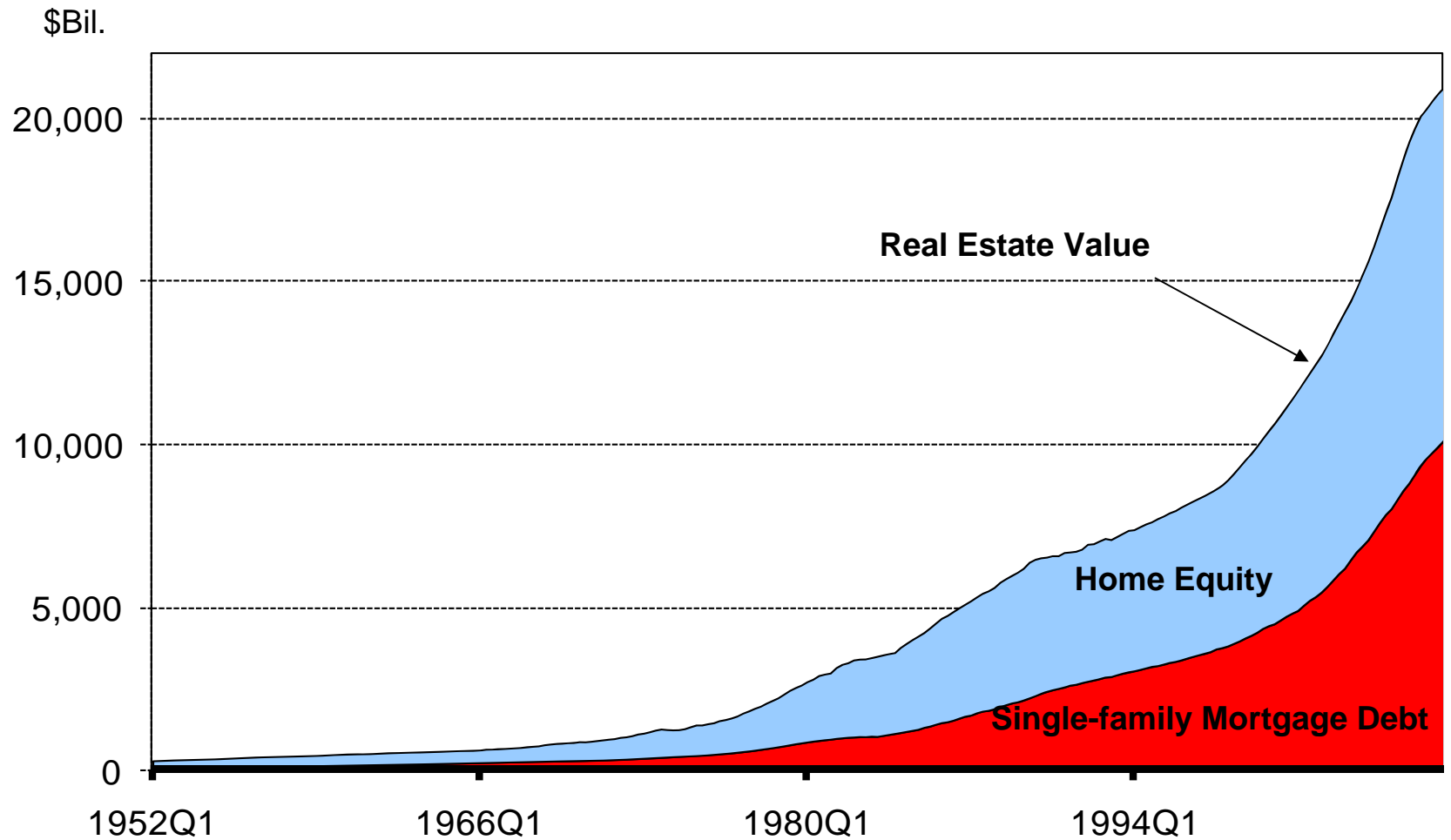
Source: Federal Reserve Board

November Forecast

	2007.1	2007.2	2007.3	2007.4	2008.1	2008.2	2008.3	2008.4	2009.1	2009.2	2009.3	2009.4	2006	2007	2008	2009
Housing Measures (000)																
Total Housing Starts	1,460	1,464	1,296	1,173	1,144	1,120	1,095	1,131	1,143	1,200	1,260	1,320	1,801	1,348	1,123	1,231
% change	-6.1	0.3	-11.5	-9.5	-2.5	-2.1	-2.2	3.3	1.0	5.0	5.0	4.8	-12.9	-25.1	-16.8	9.6
Single-family	1,172	1,166	1,000	875	850	825	800	835	850	900	950	1,000	1,465	1,053	828	925
% change	-4.8	-0.5	-14.2	-12.5	-2.9	-2.9	-3.0	4.4	1.8	5.9	5.6	5.3	-14.6	-28.1	-21.4	11.8
Multi-family	288	299	296	298	294	295	295	296	293	300	310	320	336	295	295	306
% change	-10.7	3.6	-0.9	0.6	-1.3	0.3	0.0	0.5	-1.3	2.5	3.3	3.2	-4.7	-12.0	0.0	3.6
Total Existing Home Sales	6,423	5,917	5,423	5,058	5,011	4,989	4,977	5,115	5,171	5,292	5,319	5,363	6,478	5,705	5,023	5,286
% change	2.6	-7.9	-8.3	-6.7	-0.9	-0.4	-0.3	2.8	1.1	2.3	0.5	0.8	-8.4	-11.9	-12.0	5.2
New Home Sales	853	855	768	741	729	715	700	719	731	759	788	817	1,051	804	716	774
% change	-13.5	0.2	-10.2	-3.5	-1.6	-2.0	-2.0	2.6	1.6	3.9	3.8	3.7	-18.1	-23.5	-11.0	8.1
Total Existing Home Prices	214.0	223.9	221.6	202.4	212.3	212.6	221.4	197.1	216.5	213.6	224.2	203.5	221.9	215.5	210.8	214.4
% change	-2.4	4.6	-1.0	-8.6	4.9	0.1	4.1	-11.0	9.9	-1.4	4.9	-9.2	1.0	-2.9	-2.2	1.7
New Home Prices	255.9	241.0	238.6	233.0	251.8	235.7	234.2	228.9	252.5	238.0	236.6	232.3	246.5	242.1	237.7	239.9
% change	4.4	-5.8	-1.0	-2.3	8.0	-6.4	-0.7	-2.3	10.3	-5.7	-0.6	-1.8	2.3	-1.8	-1.9	0.9
Interest Rates (%)																
30-Year FRM Contract Rate	6.2	6.4	6.6	6.2	6.3	6.4	6.5	6.8	6.7	6.8	6.7	6.8	6.4	6.3	6.5	6.8
10-Year Treasury Yield	4.7	4.8	4.7	4.5	4.6	4.7	4.8	5.0	5.0	5.0	5.0	5.0	4.8	4.7	4.8	5.0
1-Year Treasury ARM	5.5	5.6	5.7	5.5	5.6	5.6	5.7	5.7	5.7	5.8	5.8	5.8	5.5	5.5	5.6	5.8
1-Year Treasury Yield	5.0	4.9	4.5	4.0	4.1	4.1	4.2	4.3	4.3	4.3	4.3	4.3	4.9	4.6	4.2	4.3
Total 1-4 Family (Bil.$)	631	693	556	437	544	450	443	422	485	423	431	421	2,726	2,317	1,859	1,760
Purchase	271	353	311	227	245	243	248	226	252	254	267	248	1,400	1,163	962	1,021
Refinance	360	339	245	210	299	207	195	196	233	169	164	173	1,326	1,153	897	738
Refinance Share (%)	57	49	44	48	55	46	44	46	48	40	38	41	49	50	48	42
ARM Share (%)	11	11	12	12	10	10	11	11	12	13	11	13	22	11	11	12

* MBA estimate

Notes: Housing starts and home sales are seasonally adjusted at annual rates.
Median home prices and mortgage originations are not seasonally adjusted.
Refinance Share is percent of total dollar volume of originations.
ARM share is percent of total number of conventional purchase loans.

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MBA homepage: www.mortgagebankers.org

Research and Forecasts:

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

Research Data:

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

MBA Research DataNotes:

http://www.mortgagebankers.org/ResearchandForecasts/EconomicOutlookandForecasts/DataNotes.htm

Research Institute for Housing America:

http://www.housingamerica.org/sitemap.html

Home Loan Learning Center:

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

MBA Newslink:

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