DATA, DEMAND, AND DEMOGRAPHICS:
A SYMPOSIUM ON HOUSING FINANCE
Morning Keynote: Reflections on the 2014 Midterm Elections

- Rick Lazio, former US representative (R-NY-2)
- Gene Sperling, former director, National Economic Council
- Sarah Rosen Wartell, president, Urban Institute

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Tumultuous Times in the Housing Market

Data, Demand, and Demographics: A Symposium on Housing Finance

November 2014
Summary

- Price growth decelerating but low-end price growth still high
- Home sales down in 2014 due to higher rates & less cash distressed sales
- Purchase originations below 2001 levels
- Supply and demand for credit driving market weakness
- Pristine mortgage performance
Home Price Growth Decelerating….

Percent Change from a Year Ago

Source: CoreLogic, September 2014
…But Remain Strong in Select Markets

Percent Change from Year Ago

Source: CoreLogic, September 2014.
Low-End Prices Have Increased Twice as Much as High-End Prices

Percent Change from Year Ago

Source: CoreLogic, September 2014.
Low-End Prices in Appear Frothy in Some Markets

Source and Note: January 2000 Index = 100, CoreLogic, September 2014.

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‘Normal’ Sales Up 10 Percent, Distressed Sales Down

Percent Change from Year Ago

Source: CoreLogic, August 2014
Distressed and Cash Sales Clearing Out

Source: CoreLogic, August 2014
Cash Sales Dominant in the Affordable South/Midwest

Number of Cash Sales in July 2014

Florida Home Sales

Source: CoreLogic, July 2014

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CoreLogic/HMDA Comparison

1st Lien Residential Mortgage Originations

Number of 1st Lien Purchase Originations

Source: Federal Reserve, CoreLogic, August 2014

Percent Change in 1st Lien Purchase Originations
Purchase Mortgage Originations Below Level in 2001

Percent Change from Year Ago in 1st Lien Purchase Mortgage Originations

Number of 1st Lien Purchase Mortgage Originations
12 Month Sum

Source: CoreLogic, August 2014
Sales Much More Sensitive to Rising Rates Than During the Past

Spring 1994

Summer 2003

Summer 2013

2 Mo. Change in Rates (BPs)  Arm Share

2 Mo. Change in Rates (BPs)  Arm Share

2 Mo. Change in Rates (BPs)  Arm Share

Source: MBA and Freddie Mac

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Demand Versus Supply for Credit
Demand for Credit is Weak

1st Lien Purchase Mortgage Applications at Same Level as 20 Years Ago

Millions

Demand for Credit is Weak

*Real Median Income at Same Level as 17 Years Ago*

Source: Census
Demand for Credit is Weak

Borrower Incomes Have Stagnated

Note and Source: Incomes for purchase and refinance originations, CoreLogic, September 2014
Demand for Credit is Weak

Ratio of Home Prices to Rents

Source: CoreLogic and BLS, August 2014
Demand for Credit is Weak

Percentage of Owners with Less than 10% Equity in Current Home

Source: CoreLogic
Demand for Credit is Weak

High Reservation Prices: Homeowners Think Their Home is Worth About 15% More Than Prices Are

Between 2007 and 2011 Home Prices Fell By How Much?

- In normal times, owners generally overvalue their homes by 5%.
- The crisis led to another 10 percentage point increase in overvaluation.

Source: Census
Demand for Credit is Weak
Average FICO Score for Borrowers That Experienced a Mortgage Default, by Vintage

Demand for Credit is Weak

Boomerang or Frisbee?

Return to mortgage market following defaults

Source: FRBNY Consumer Credit Panel/Equifax
Demand for Credit is Weak

Main Reason for Renting Over Buying

- Not enough savings or too much debt: 40%
- Don't earn enough income: 35%
- Don't want upkeep of ownership: 25%
- Credit is not good enough: 24%

Source: FRBNY Survey of Consumer Expectations, Special Module on Housing, February 2014

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Supply of Credit Weak

- Credit Score < 620
- LTV >= 90
- DTI >= 43
- Low & No Doc Share

Broker Share: Normal - Year Ago
Arm Share: Normal - Year Ago

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Supply of Credit Weak: Quarter of Market Lacks Access

Distribution of Purchase Origination FICO Scores

Source: CoreLogic, June 2014
2000 Purchase Credit Box

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Purchase Underwriting is Getting Tighter Not Loosening

Purchase Market DTI and Credit Score Distributions

DTI 75th Percentile

FICO 10th Percentile

Source: CoreLogic, September 2014

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Recent Vintages Exhibit Pristine Performance

90+ Day Delinquency Rate For Conventional Conforming 1st Lien Mortgages

Source: CoreLogic, September 2014

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Recent Vintages Best Performing Since 1990s

90+ Day Delinquency 12 Months After Origination

Source: CoreLogic, September 2014
‘Hedonic Mortgage’ Performance
90+ Delinquency Rate

Mortgage Universe:
- Purchase
- Owner-Occupied
- Conventional
- Conforming
- 30-Year FRM
- Credit Score 690 to 710
- LTV 75% to 80%
- DTI 30% to 35%

Source: CoreLogic, September 2014
Thank You!

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Demographic Impacts on Housing and Tenure Decisions

Moderator: Ellen Seidman, senior fellow, Urban Institute

Sarah Gerecke, deputy assistant secretary for housing counseling, US Department of Housing and Urban Development

Enrique Lopezlira, senior policy advisor, economic policy, National Council of La Raza

Chris Mayer, Milstein professor of real estate, Columbia Business School

Rolf Pendall, director, Metropolitan Housing and Communities Policy Center, Urban Institute

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Rental housing: Growth on the near horizon

Perspectives from demographic analysis

Rolf Pendall
Takeaway: More households, more rentals

Millennial generation—born 1981-95—is a large and diverse group, but they have delayed household formation and homeownership.

Millennials will fuel annual household formation of 900K-1M/year from 2010 to 2020—compared to 1.1M/year from 2000-2010.

In our medium scenario, annual net increase of 360,000 homeowner households and 600,000 renter households from 2010 to 2020.

- Comparison with 2000-10: 617,000 and 506,000, respectively.
- Economy, credit availability could change these outcomes substantially.

Net household formation will drop between 2020 and 2030 (i.e., less than a decade from now) owing to mortality among Baby Boomers, reducing annual growth for both homeowners and renters.
Household formation: Very low now; recovery?

Percent of persons who are householders, 1990-2030, three scenarios

White non-Hispanic
Black non-Hispanic
Other non-Hispanic
Hispanic

Homeownership attainment: Will it recover?

Homeownership by race, 1990-2030, three scenarios

Total household growth set to decline from 2000-10; renters likely to increase markedly

Sources: 1990, 2000, 2010 US Census of Population; 2013 American Community Survey; Urban Institute projections by race and age. Slow, median, and fast scenarios assume slow, median, and fast headship and homeownership transitions respectively.
Office of Housing Counseling

Presented by:
Sarah Gerecke
Deputy Assistant Secretary
U.S. Department of Housing and Urban Development

November 5, 2014
Supporting Responsible and Sustainable Homeownership

- Office of Housing Counseling
- HUD-Approved Housing Counseling Agencies
  - Approximately 2,400 independent nonprofit and governmental organizations
  - 1.5 million consumers counseled in 2013
  - Over 12.2 million counseled since 2009
Fiscal Year 2013 Housing Counseling Activity

- **Mortgage Delinquency Counseling**: 674,472
- **Pre-Purchase Counseling**: 176,688
- **Rental Counseling**: 158,103
- **Home Maintenance and Financial Management Counseling**: 135,137
- **Reverse Mortgage Counseling**: 63,525
- **Homeless Counseling**: 26,060
- **Education Workshops (Group Counseling)**: 338,170

**Total Clients Served**: 1,572,155
Pre-purchase Counseling Starting to Rebound

*The latest FY14 data available is cumulative through Q3. The dark blue piece of the FY14 bar represents the actual volume through Q3. The light blue piece shows the number of clients that would be served in FY14 if counseling continues at the same rate through Q4.
Financing Rental Housing

Moderator: Clea Benson, housing policy reporter, Bloomberg News

- Dave Borsos, vice president, capital markets, National Multifamily Housing Council
- David Brickman, executive vice president, multifamily business, Freddie Mac
- Sean Dobson, chairman, chief executive officer, Amherst Holdings
- Shekar Narasimhan, managing partner, Beekman Advisors
- Christopher Tawa, manager, multifamily housing policy, Federal Housing Finance Agency

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FINANCING RENTAL HOUSING

Data Demographics and Demand
Dave Borsos, November 5, 2014
MARKET INFLUENCES

- SUPPLY CONSTRAINTS
- INCOME FLAT
- AFFORDABILITY
- CAPITAL AVAILABILITY
- POLICY UNCERTAINTY
SUPPLY CONSTRAINTS

Source: US Census Bureau.
AFFORDABILITY-INCOME FLAT

Source: US Census Bureau, MPF Research.
### AFFORDABILITY- AGING HOUSING STOCK

<table>
<thead>
<tr>
<th>Year</th>
<th>Units</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>1939 or Earlier</td>
<td>2,122,790</td>
<td>10.8%</td>
</tr>
<tr>
<td>1940 to 1959</td>
<td>1,985,391</td>
<td>10.1%</td>
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<tr>
<td>1960 to 1979</td>
<td>6,121,851</td>
<td>31.1%</td>
</tr>
<tr>
<td>1980 to 1999</td>
<td>6,065,960</td>
<td>30.8%</td>
</tr>
<tr>
<td>2000 or Later</td>
<td>3,400,739</td>
<td>17.3%</td>
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</tbody>
</table>

Source: NMHC tabulations of 2013 American Community Survey microdata.
Source: National Multifamily Housing Council. An index value above 50 indicates improved conditions.
CAPITAL-MULTIFAMILY MDO

Source: Federal Reserve Board.
POLICY UNCERTAINTY

- LEGISLATIVE- HOUSING REFORM, DODD-FRANK, TAX REFORM, FISCAL STIMULUS
- REGULATORY- FHFA, BASEL III, WATER, ENERGY, BUILDING CODES
- LOCAL- NIMBY
- GLOBAL- EUROPE DODRUMS, JAPANESE STIMULUS, REGIONAL WARS
Luncheon Keynote: Navigating the Turbulent Seas of Housing Finance: An Investor Perspective

- Lewis S. Ranieri, chairman and founding partner, Ranieri Partners
- Nick Timiraos, reporter, The Wall Street Journal

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Government Sponsored Enterprises (GSEs) Reform: What can be done without legislation?

Moderator: Faith Schwartz, senior vice president, government solutions, CoreLogic

- Andrew Davidson, president, Andrew Davidson & Co.
- Julia Gordon, director of housing finance and policy, Center for American Progress
- Jim Millstein, chairman and chief executive officer, Millstein & Co.
- Jim Parrott, senior fellow, Housing Finance Policy Center, Urban Institute

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Presented by the Urban Institute and CoreLogic
## Estimated GSE Capital and Income Requirements

<table>
<thead>
<tr>
<th></th>
<th>Assets ($trillions)</th>
<th>Capital ($billions)</th>
<th>Expenses ($billions)</th>
<th>Excess Return (10%)</th>
<th>Operating</th>
<th>Wrap Fee (paid to Gov't)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Family</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Loan Guarantee*</td>
<td>4.7</td>
<td>188</td>
<td>18.8</td>
<td>2.8</td>
<td>5.9</td>
<td>27.5</td>
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<tr>
<td>Securitization Services</td>
<td>5</td>
<td>0.5</td>
<td>2</td>
<td>2.5</td>
<td></td>
<td></td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>4.7</td>
<td>193</td>
<td>19.3</td>
<td>4.8</td>
<td></td>
<td>30.0</td>
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<tr>
<td><strong>Retained Portfolio</strong></td>
<td>1.0</td>
<td>40</td>
<td>4.0</td>
<td>0.2</td>
<td>1.5</td>
<td>5.7</td>
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<tr>
<td><strong>Multi-Family</strong></td>
<td>0.2</td>
<td>8</td>
<td>0.8</td>
<td>0.2</td>
<td>0.3</td>
<td>1.3</td>
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<tr>
<td><strong>Total</strong></td>
<td>5.1</td>
<td>241</td>
<td>24.1</td>
<td>5.2</td>
<td>7.7</td>
<td>37.0</td>
<td></td>
</tr>
</tbody>
</table>

*includes $0.8 trillion of mortgage credit risk in the retained portfolios
Housing Finance Reform Can Be Achieved with Existing Authority While Allowing for—but Not Depending on—Future Legislative Action

**Challenges**
- Passing legislation
- Developing underwriting expertise at the FMIC
- Capitalizing new aggregators and MBS insurers
- Developing new operating systems and relationships from scratch
- Providing small and community bank lenders with equal access to the secondary market

**Features**
- Can be accomplished with authority already granted to FHFA and Treasury by HERA
- Government-backed reinsurance provided by the GSEs which remain in conservatorship
- Legacy GSE debt and MBS holders still protected by Treasury backstop
- Privatized single-family and multifamily businesses are adequately capitalized
- FHFA through GSEs facilitate competition with single security, adverse capital requirements and common securitization platform
Single-family Financing

Moderator: Laurie Goodman, director, Housing Finance Policy Center, Urban Institute

- Ed DeMarco, senior fellow in residence, Milken Institute Center for Financial Markets
- Bill Emerson, chief executive officer, Quicken Loans
- Michael Fratantoni, chief economist and senior vice president, research and industry technology, Mortgage Bankers Association
- Rohit Gupta, president and chief executive officer, Genworth Mortgage Insurance
- Mark Hanson, senior vice president, securitization, Freddie Mac

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