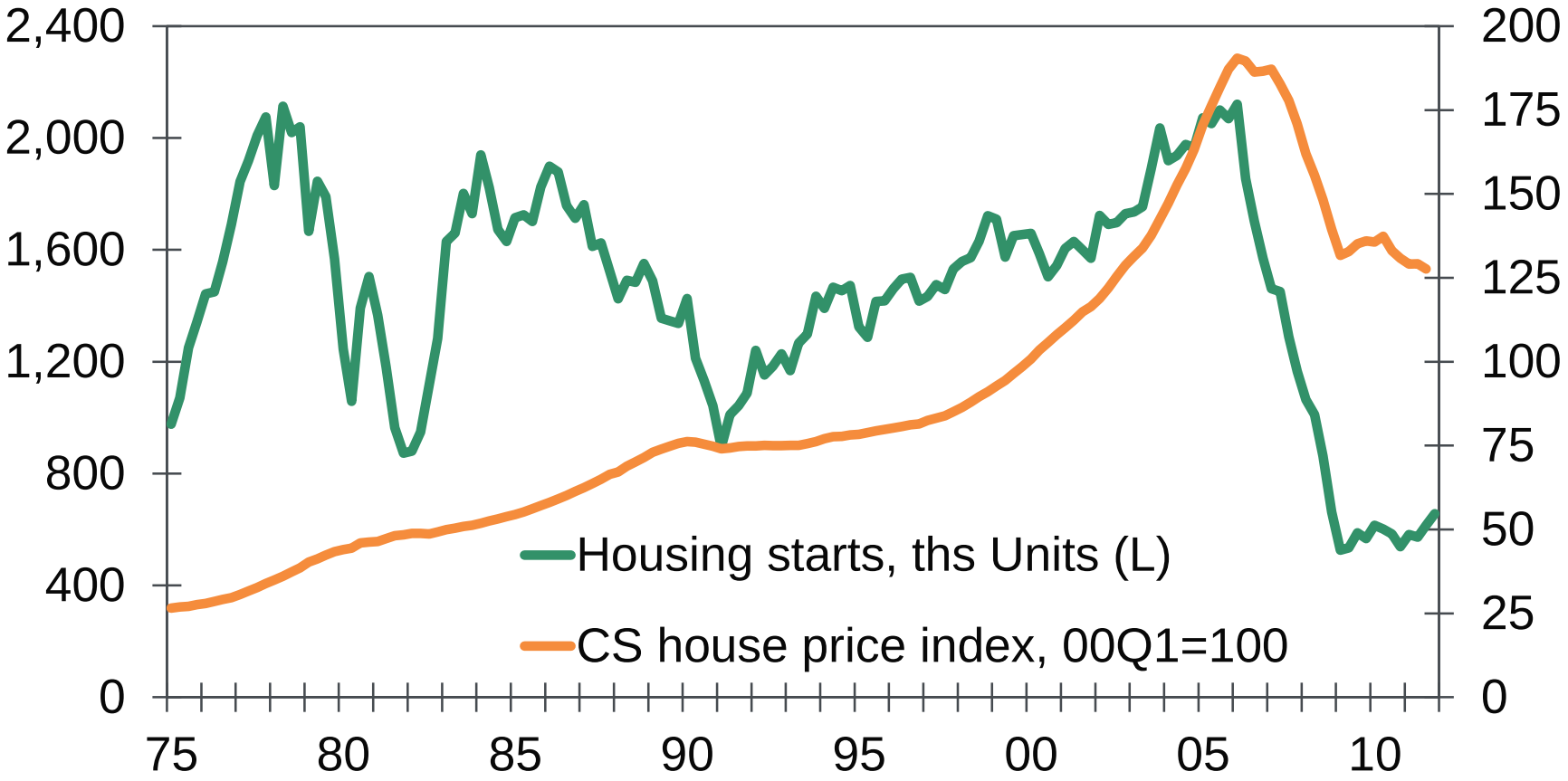
MOODY'S
ANALYTICS

Housing Hits Bottom

MARK ZANDI, CHIEF ECONOMIST

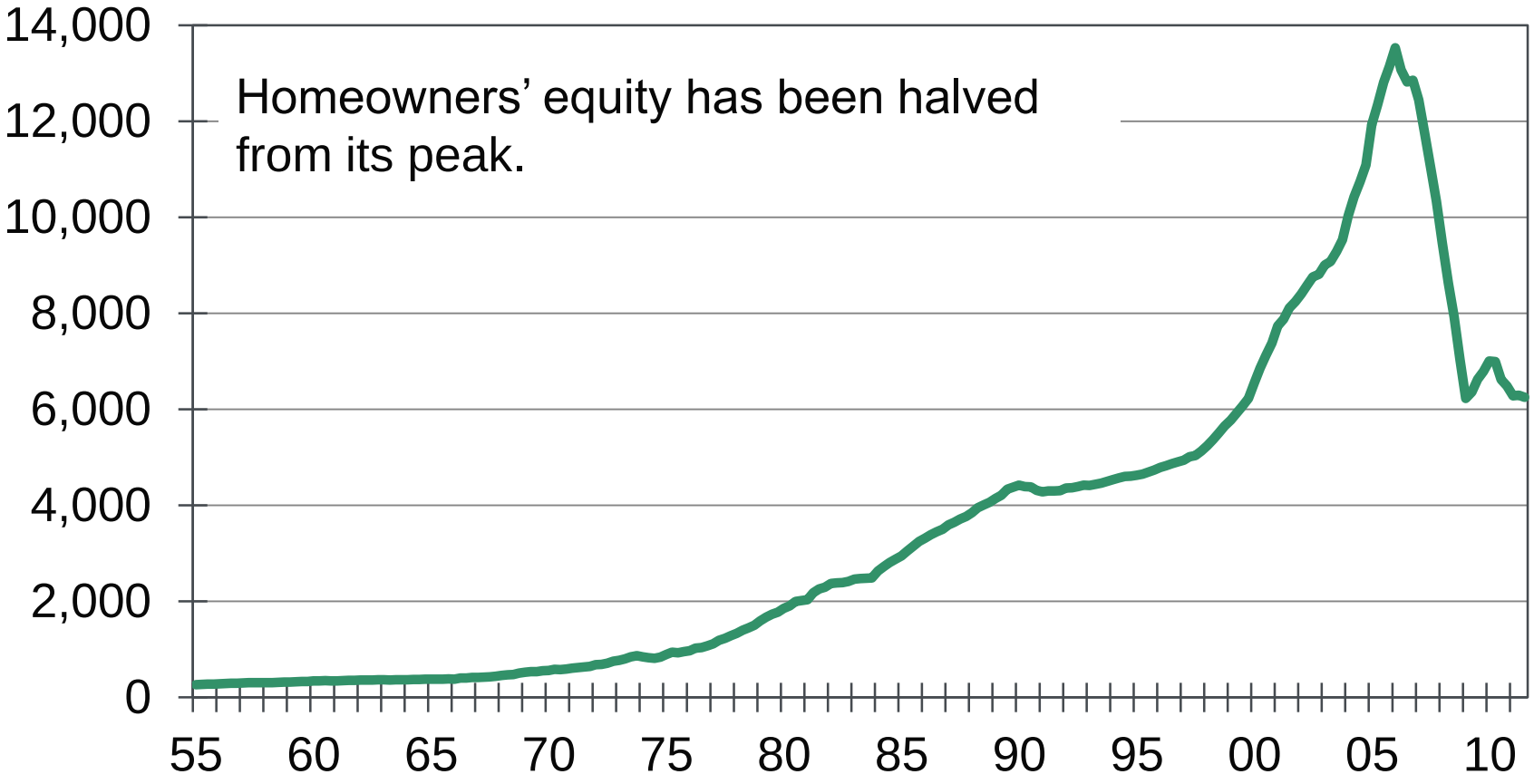
Housing Hits Bottom…



Sources: Fiserv Case Shiller, BEA, Moody's Analytics

…After Doing Enormous Damage…

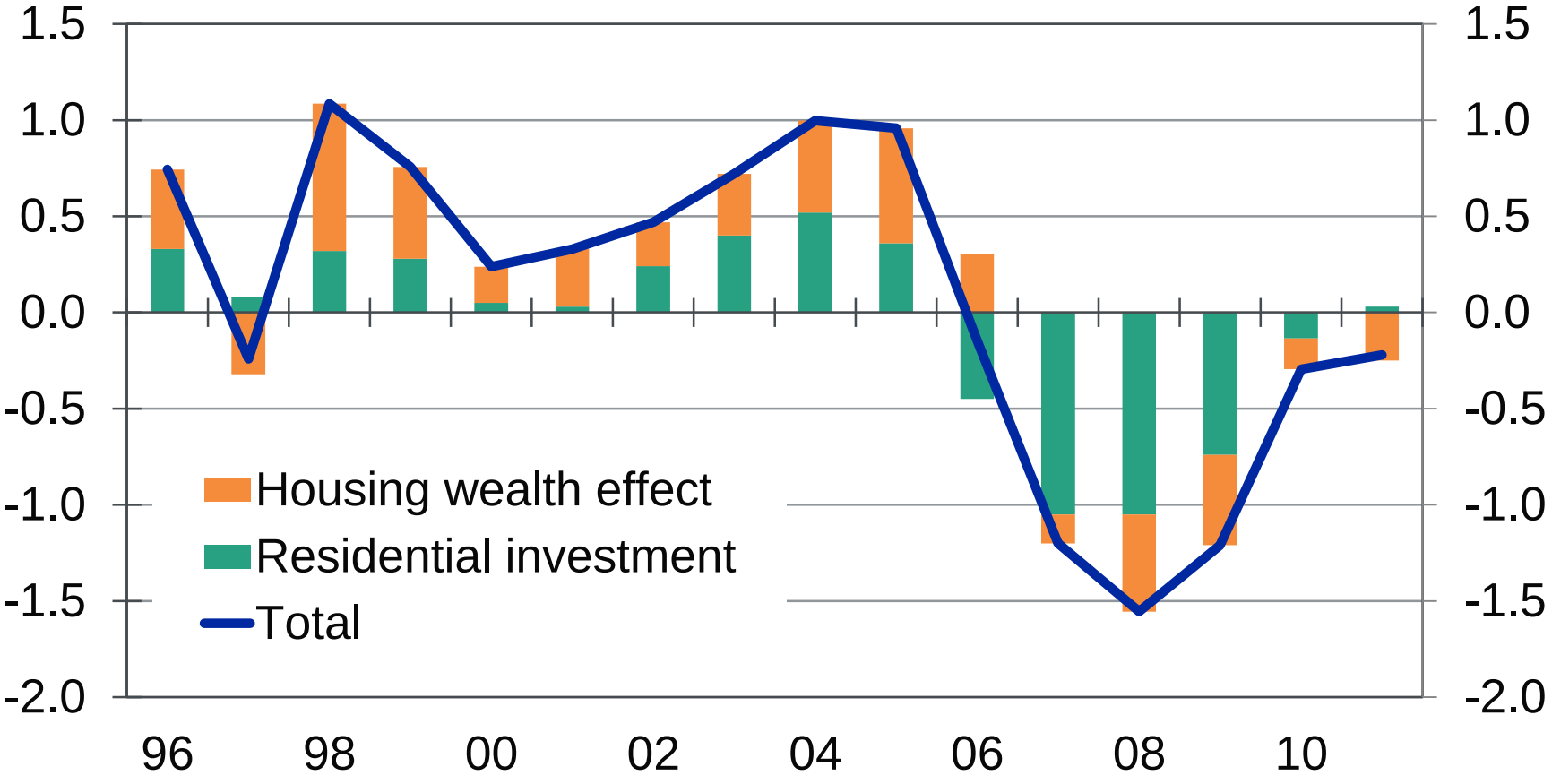
Homeowners' equity, $ bil



Sources: Federal Reserve Flow of Funds, BEA, Moody's Analytics

…But Its Weight on the Economy Fades

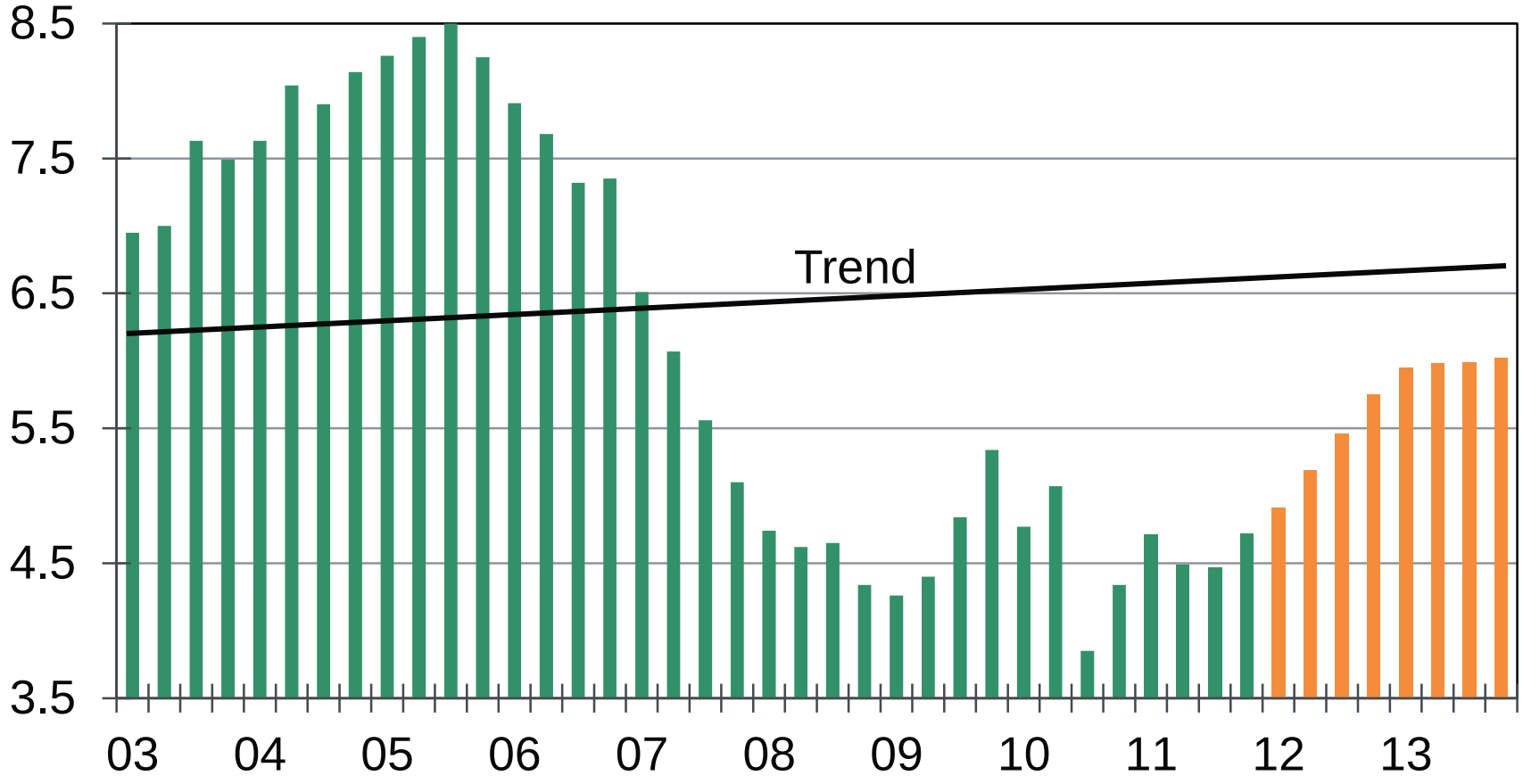
Contribution to real GDP growth, %



Source: Moody's Analytics

Housing Demand Shows Signs of Life

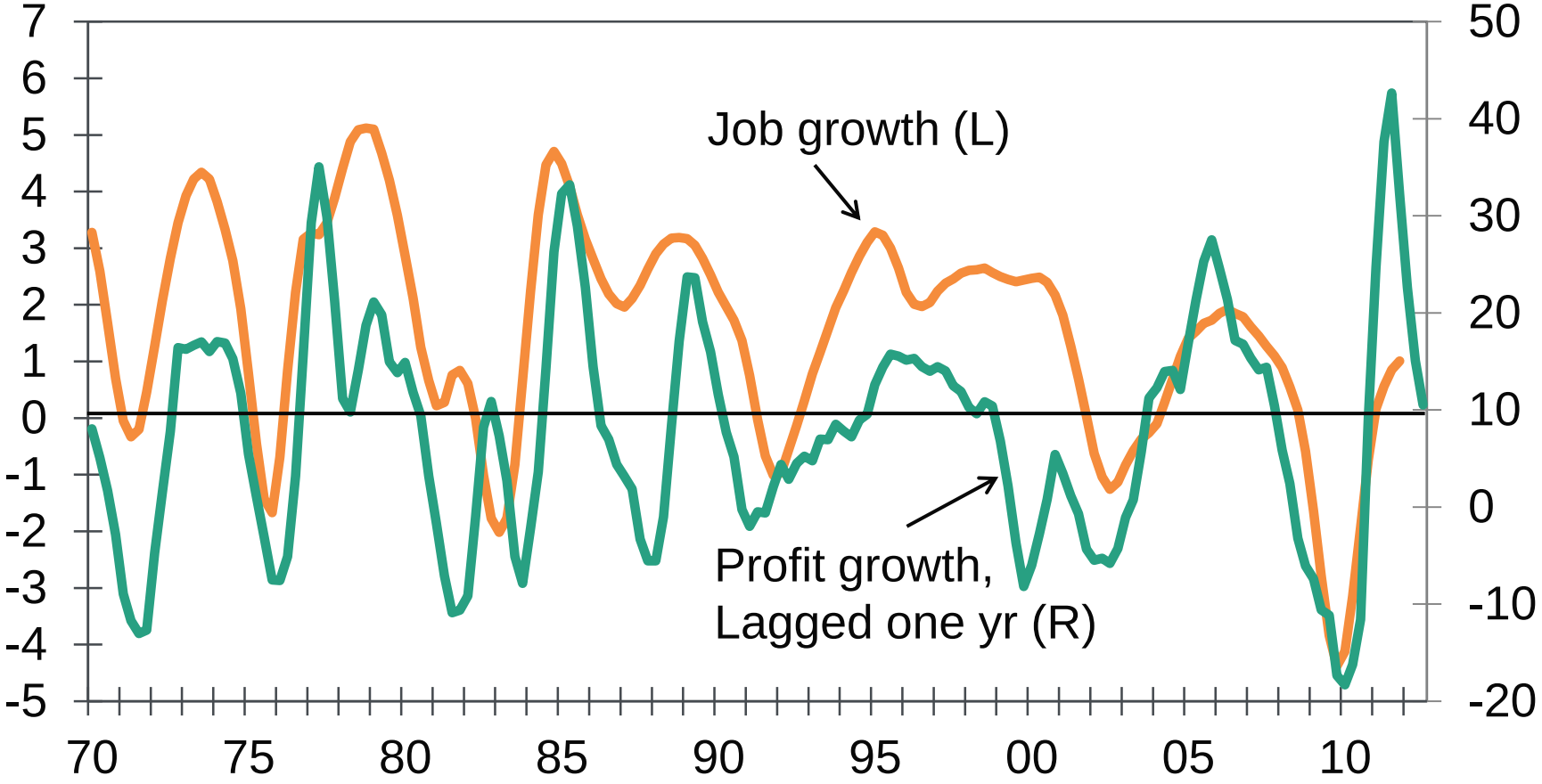
New and existing home sales, mil



Sources: Census Realtors, Moody's Analytics

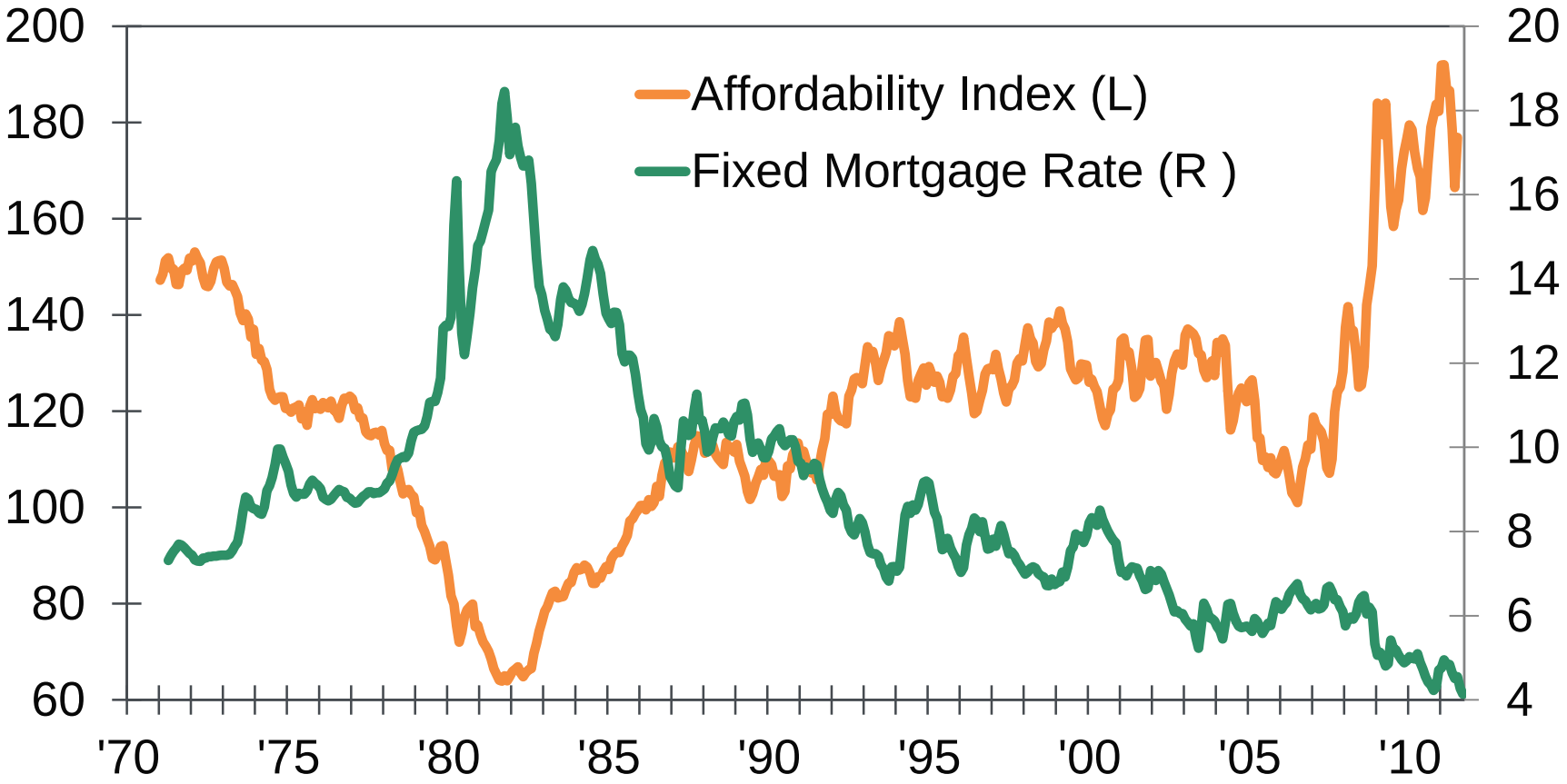
Profits Surge…Jobs Will Follow

% change yr ago, 4-qtr MA



Sources: BLS, BEA

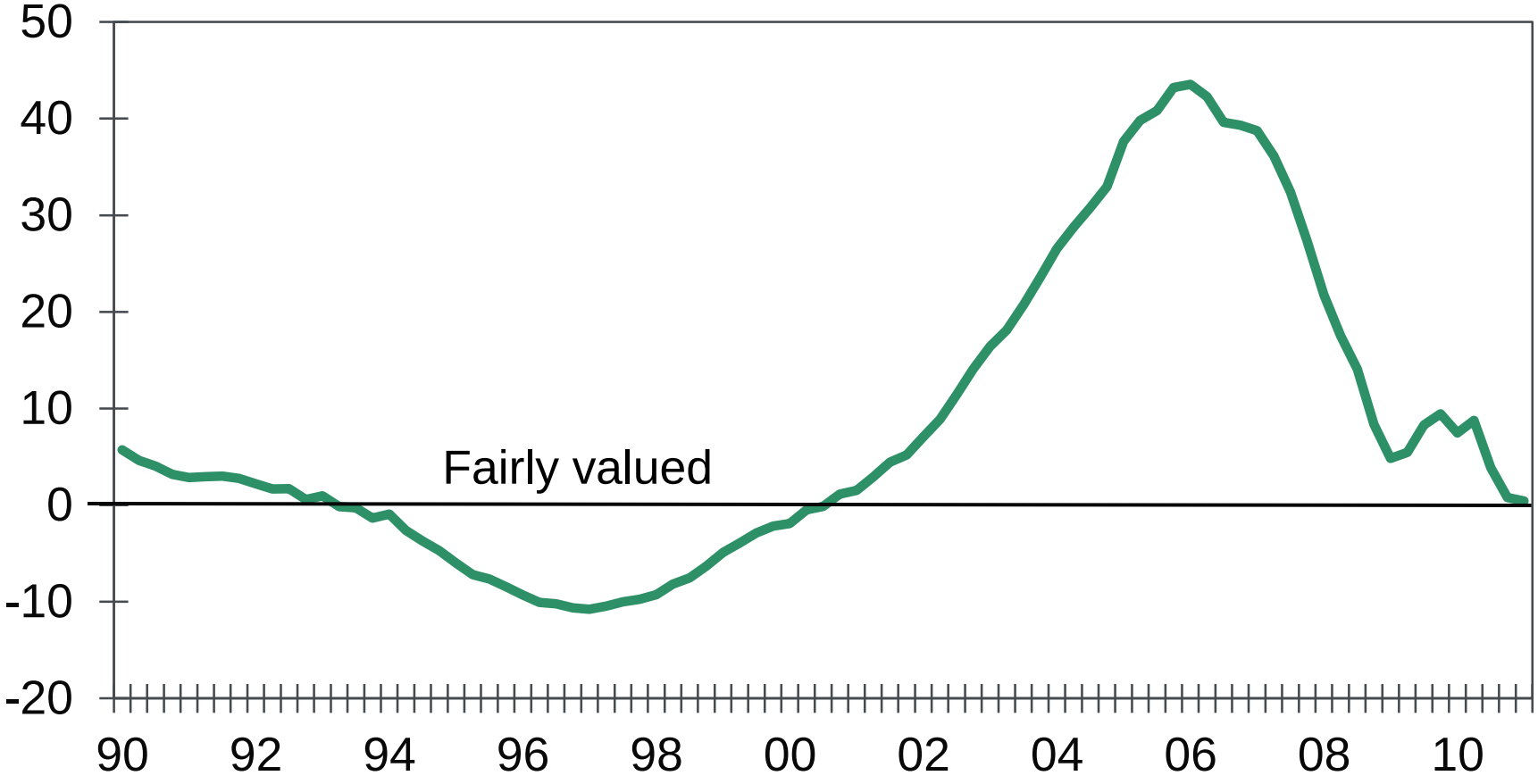
Housing Is Very Affordable



Sources: Realtors, Freddie Mac

Housing Is Fairly Valued…

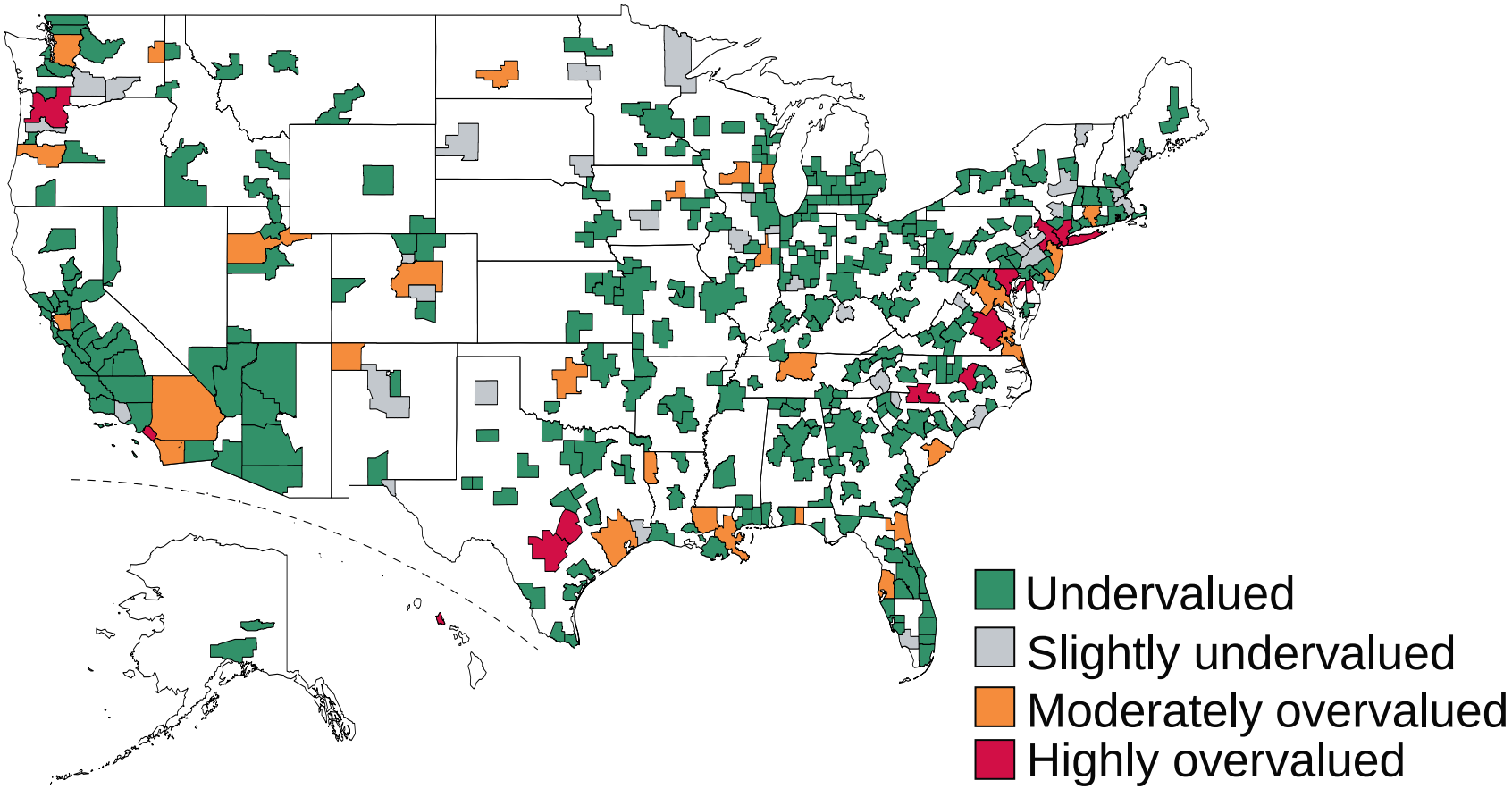
% over or under valued



Sources: PPR, BEA, BOC, Fiserv, Moody's Analytics

…And Undervalued in More Metro Areas

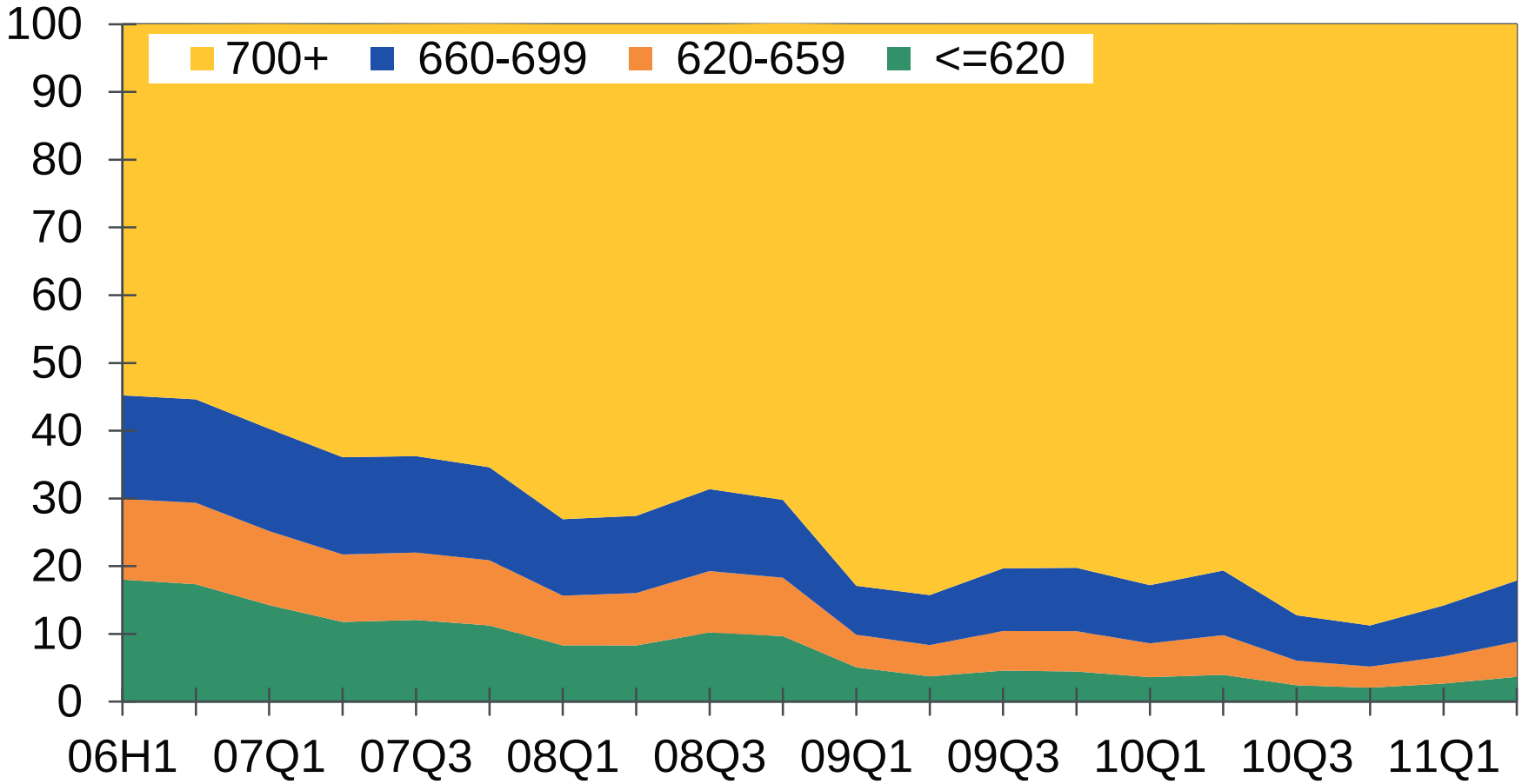
Single family housing valuation, 2011Q3



Sources: NAR, Moody's Analytics

Mortgage Lending Standards Remain Tight…

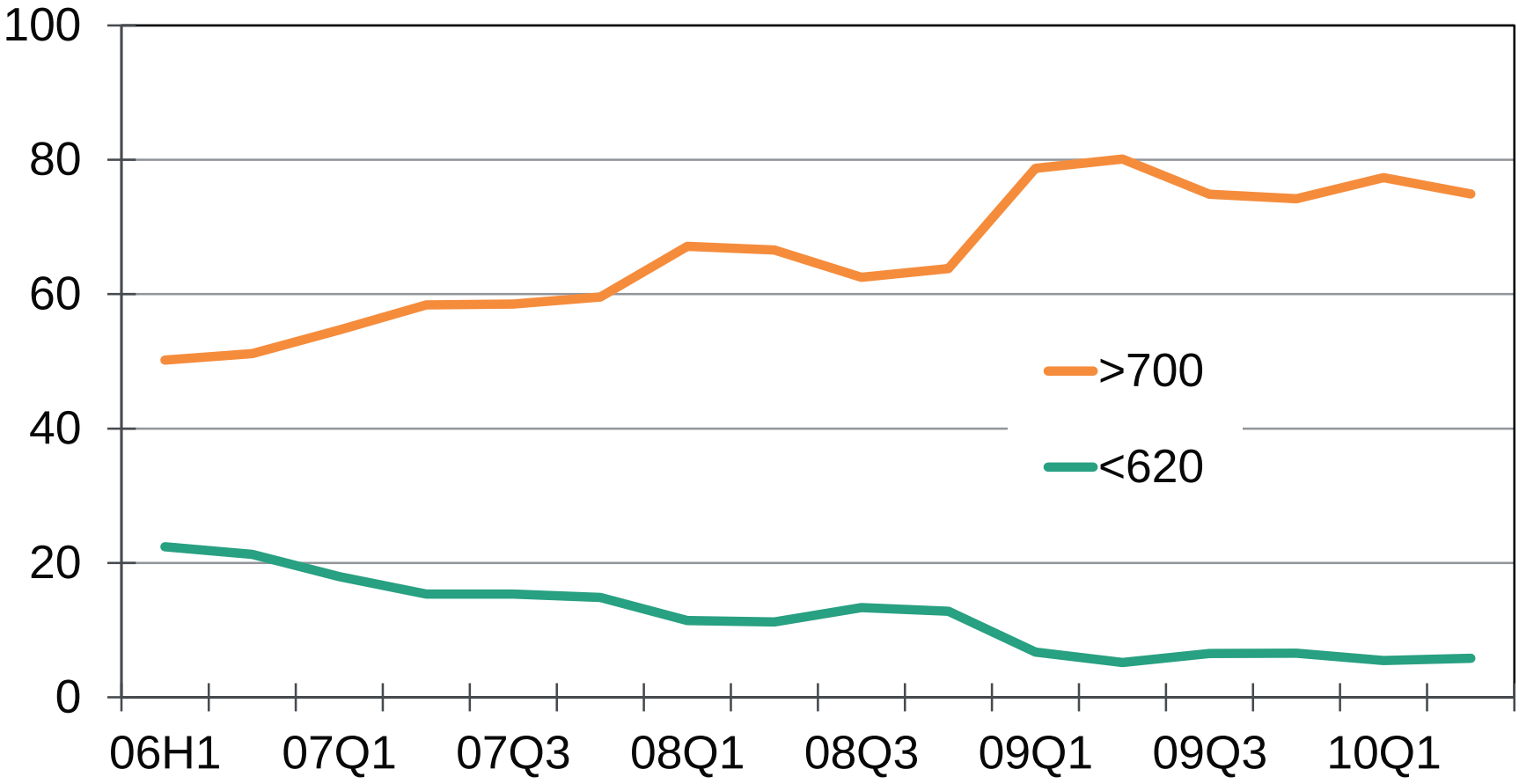
% of loans for each vintage by credit score tier



Sources: Equifax, Moody's Analytics; 2011Q2 data are preliminary

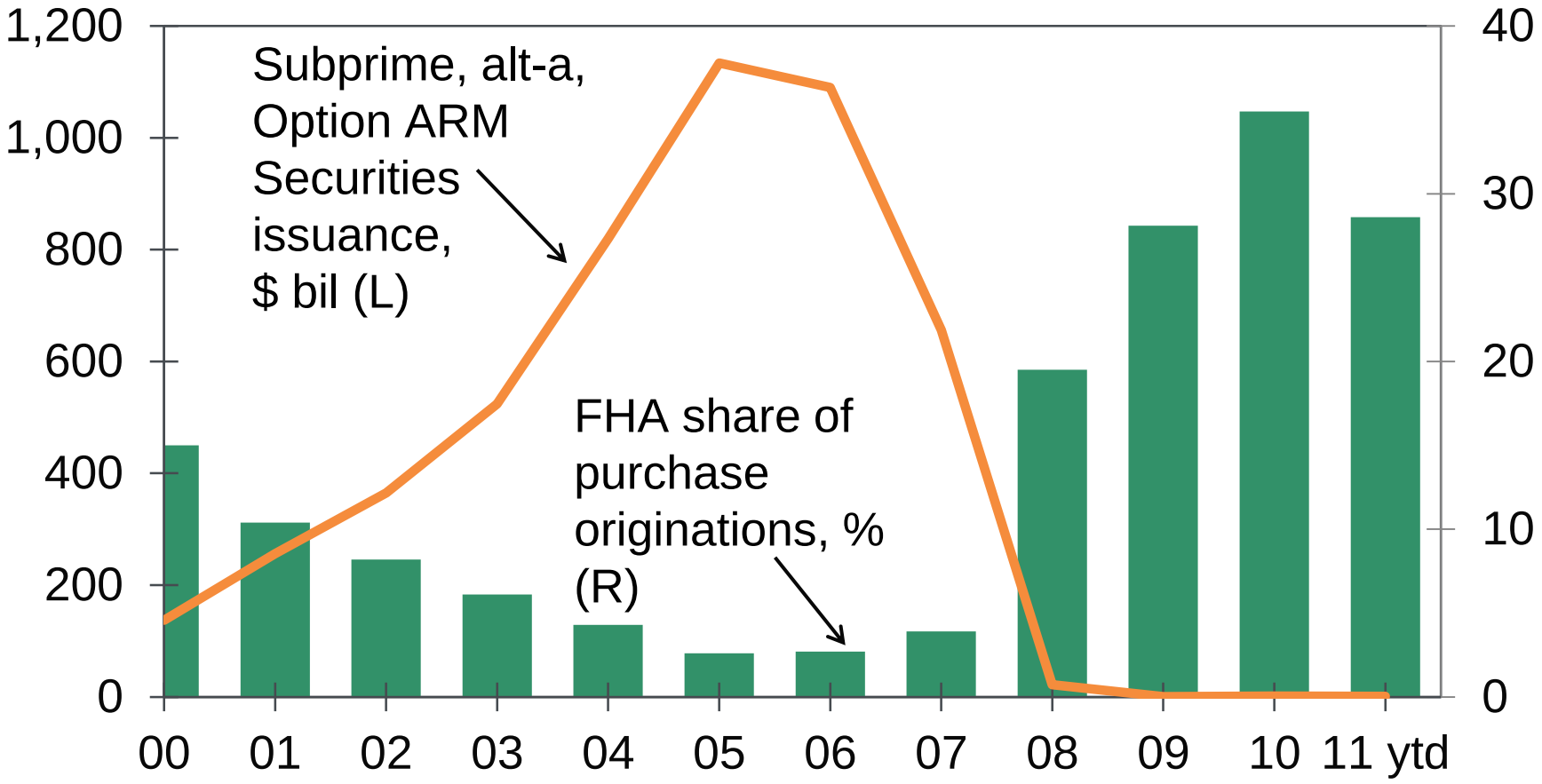
…But Not Getting Tighter…

Distribution of credit scores at origination by vintage, %



Sources: Equifax, Moody's Analytics

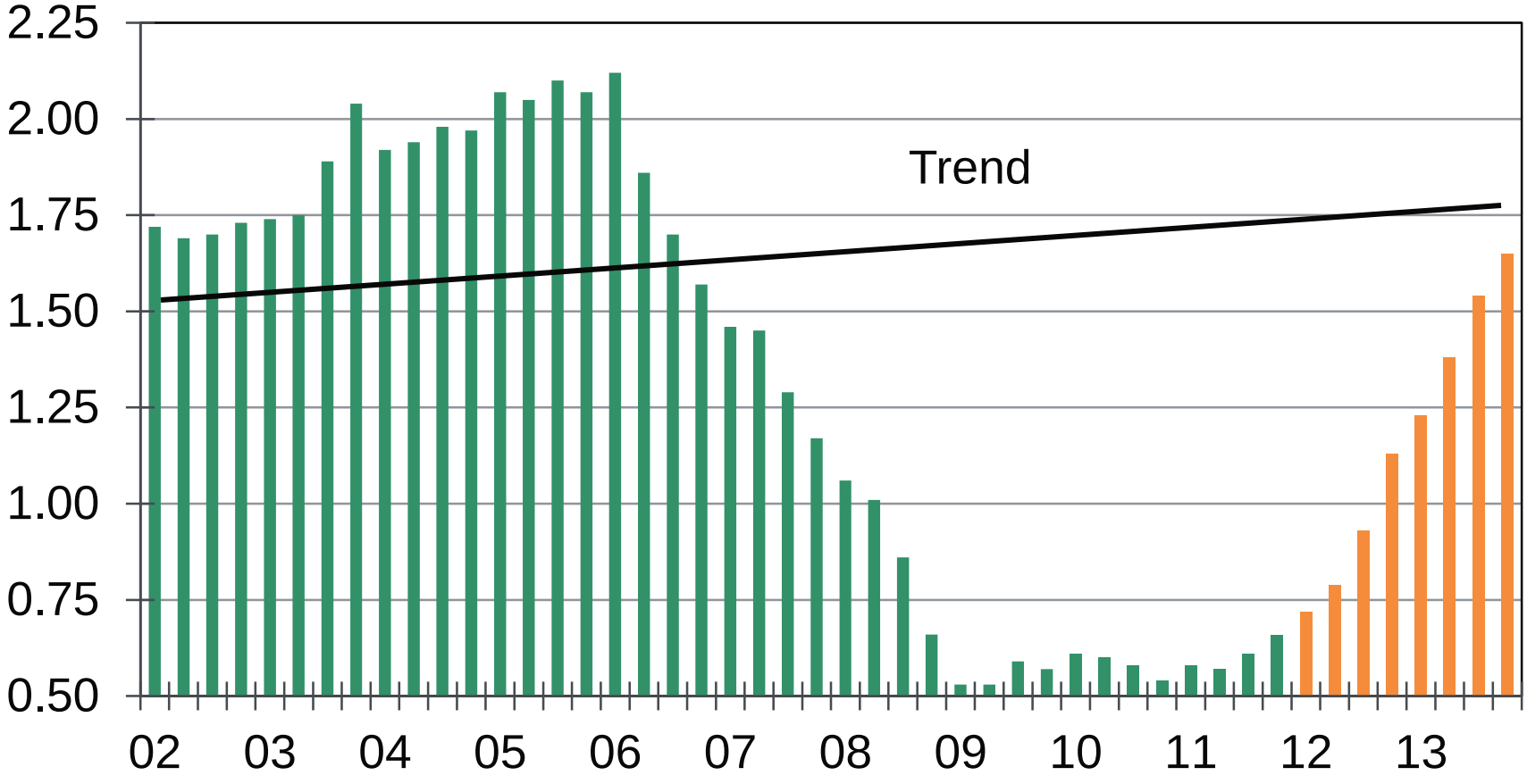
…And the FHA Continues to Fill the Void



Sources: Dealogic, FHA

Homebuilding Is Off Bottom

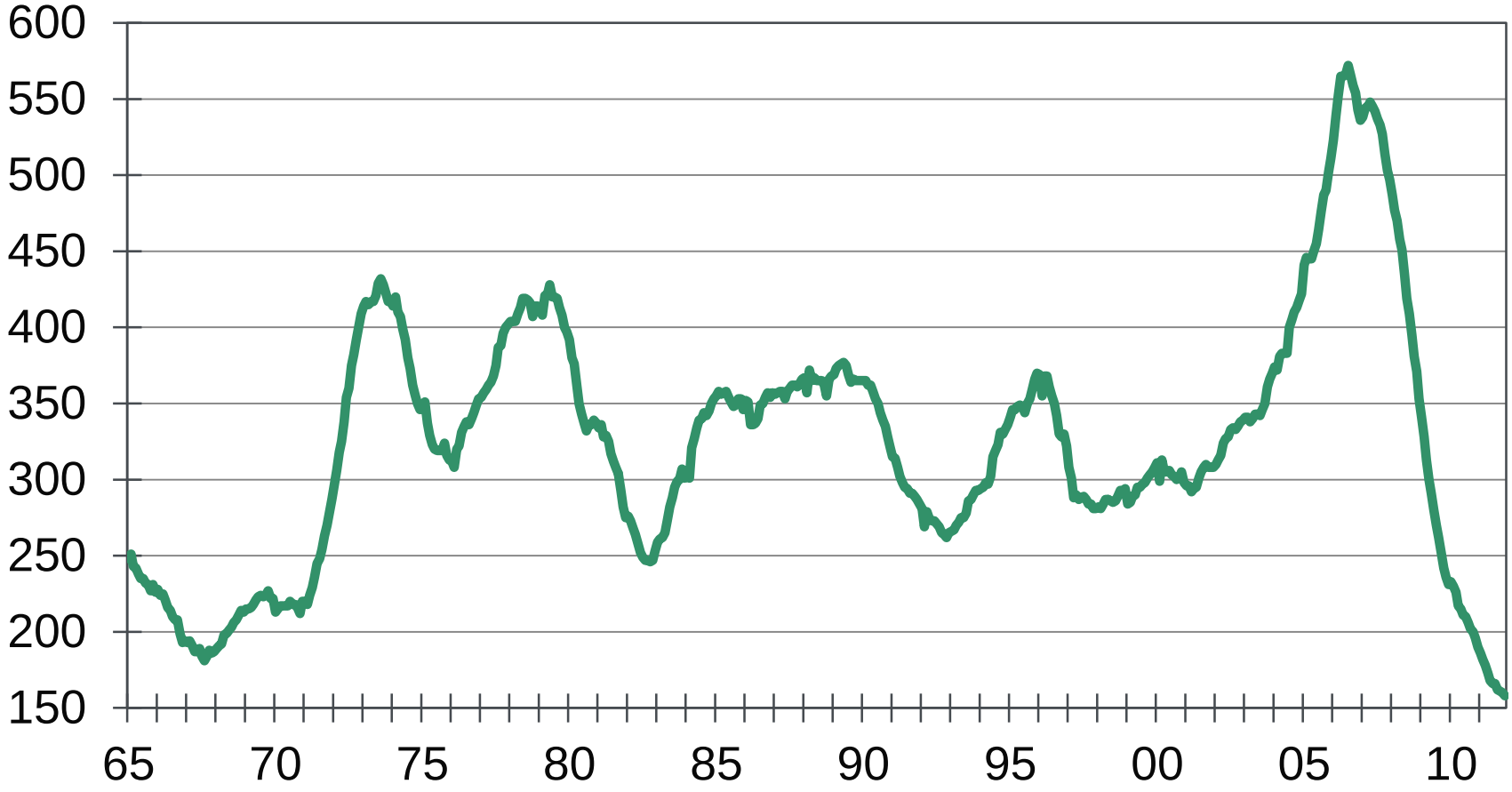
Single-family and multifamily starts, mil



Sources: Census, Moody's Analytics

Rock Bottom New Housing Inventories…

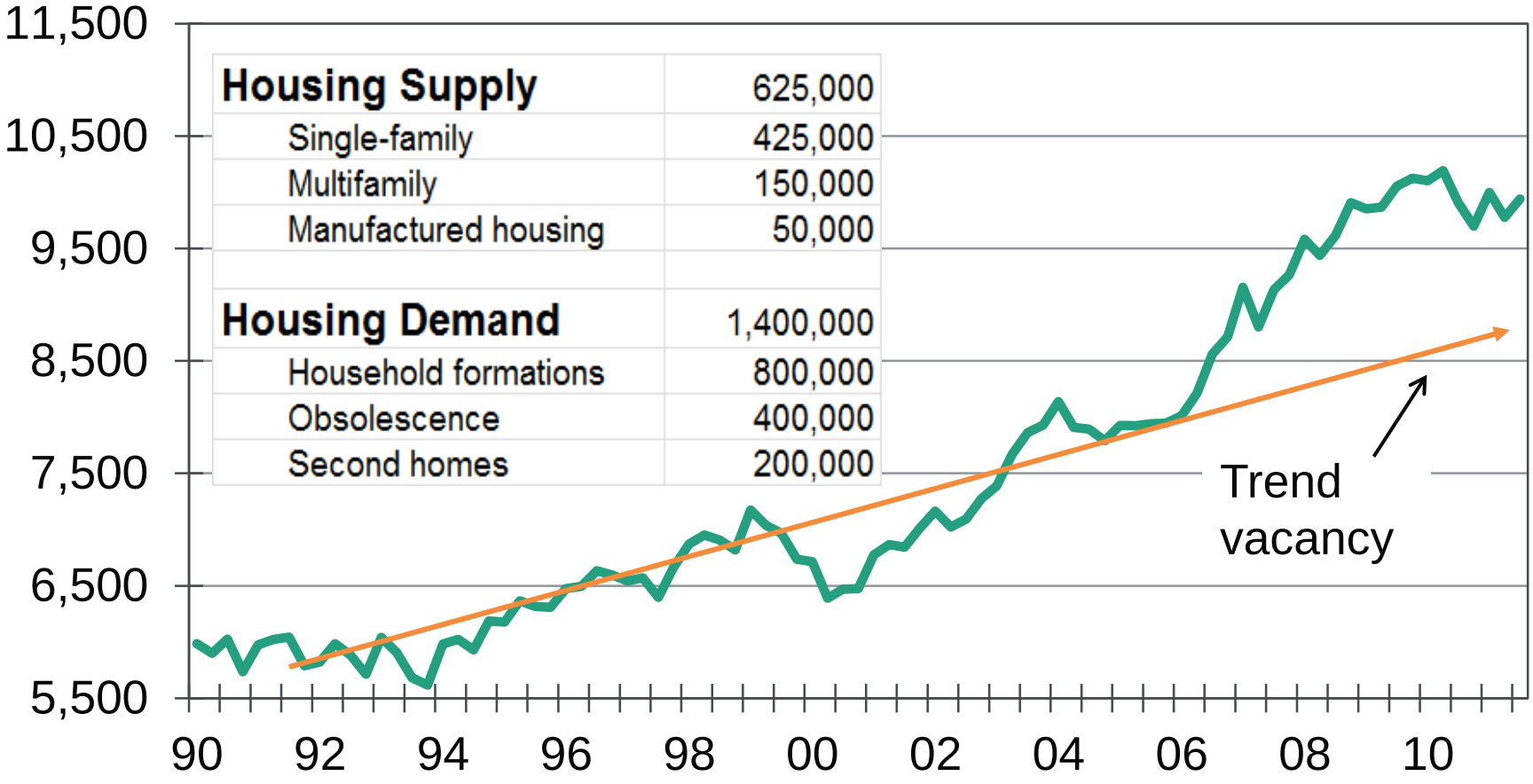
New homes in inventory, ths



Sources: BOC, Moody's Analytics

…Existing Inventories Have Peaked…

Vacant homes for sale, for rent and held off market, ths

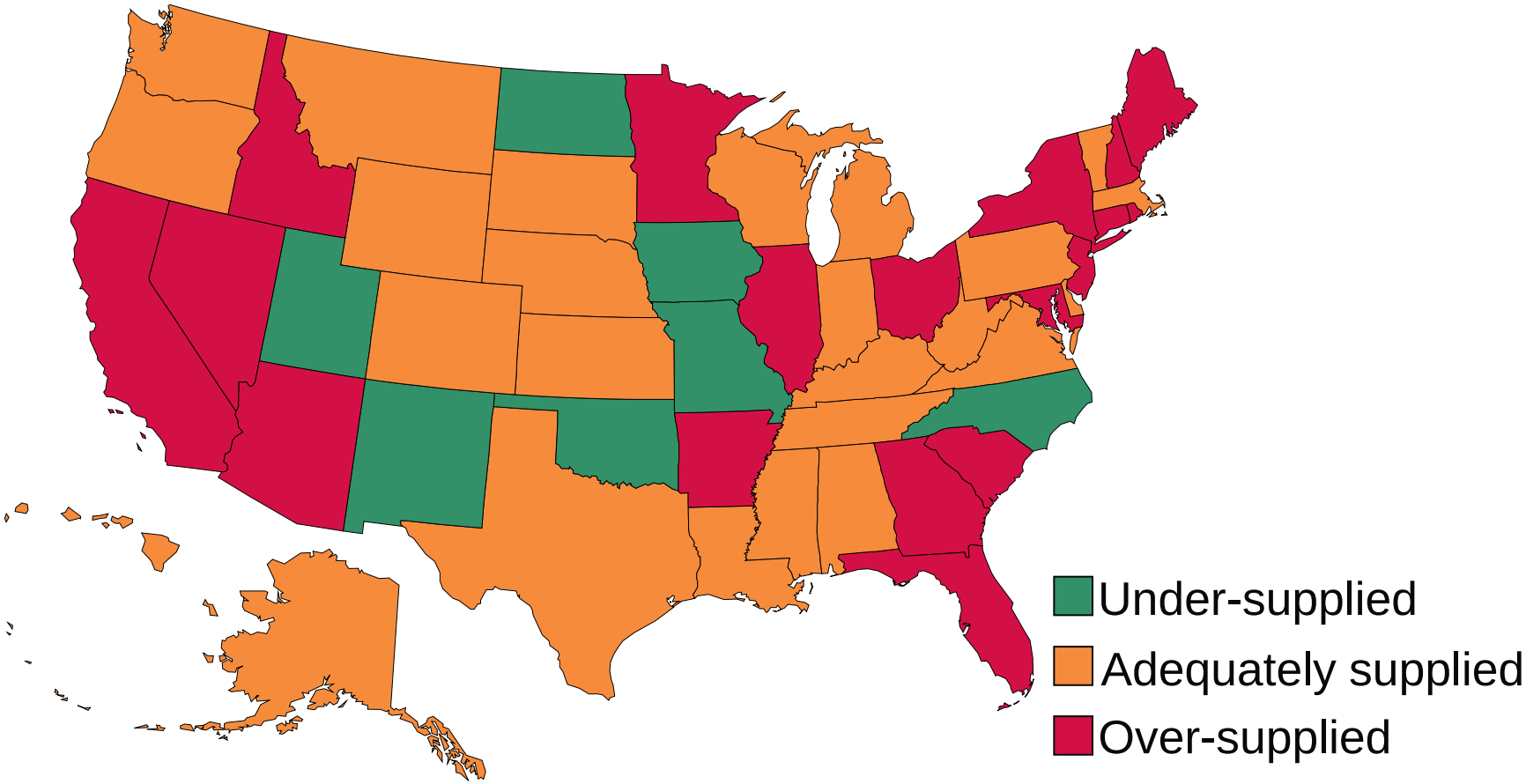


Housing Supply	625,000
Single-family	425,000
Multifamily	150,000
Manufactured housing	50,000
Housing Demand	1,400,000
Household formations	800,000
Obsolescence	400,000
Second homes	200,000

Sources: Census, Moody's Analytics

…And Are Regionally Concentrated

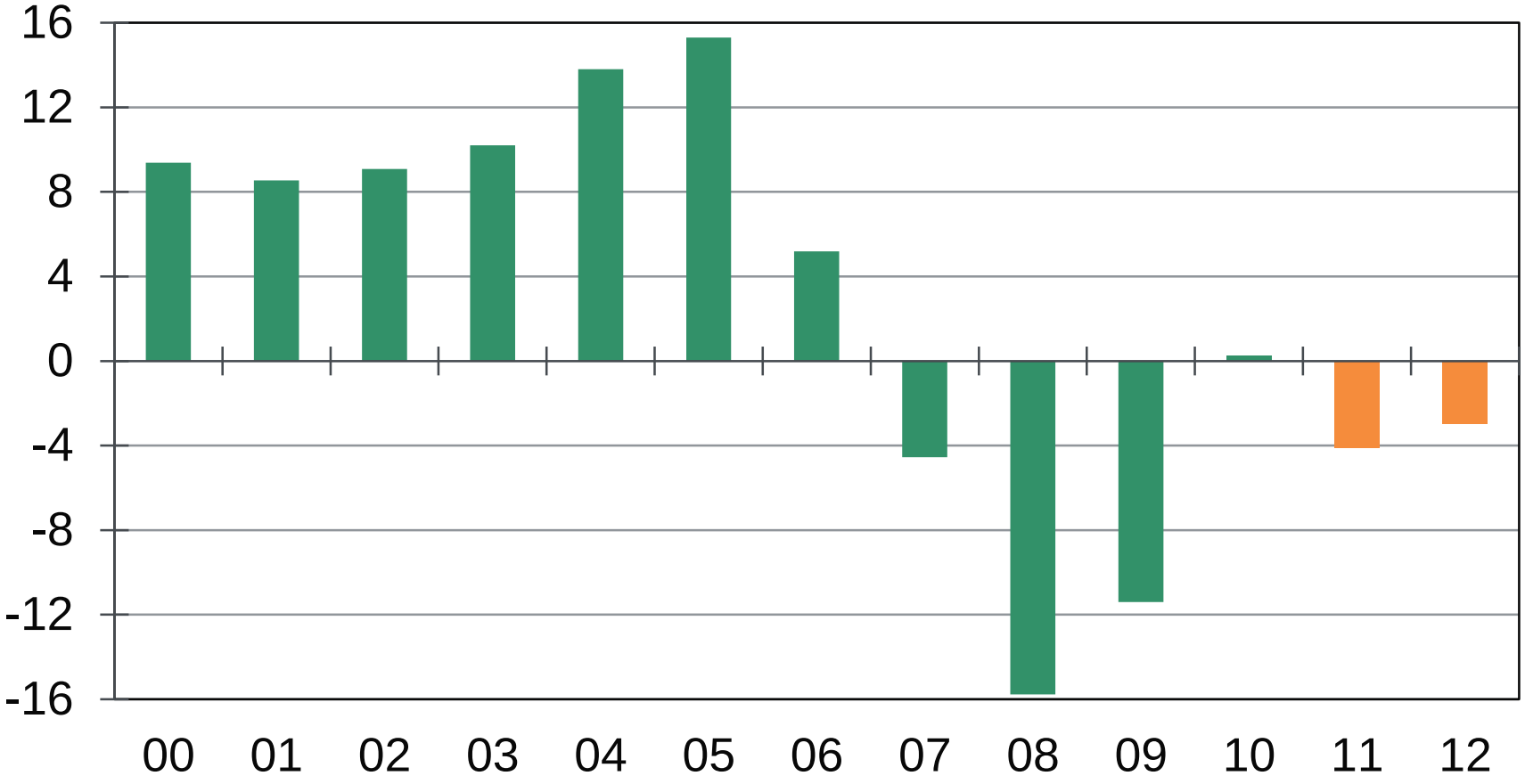
Based on excess inventories as a % of housing stock, 2011Q3



Sources: Census, Moody's Analytics

Another Round of House Price Declines…

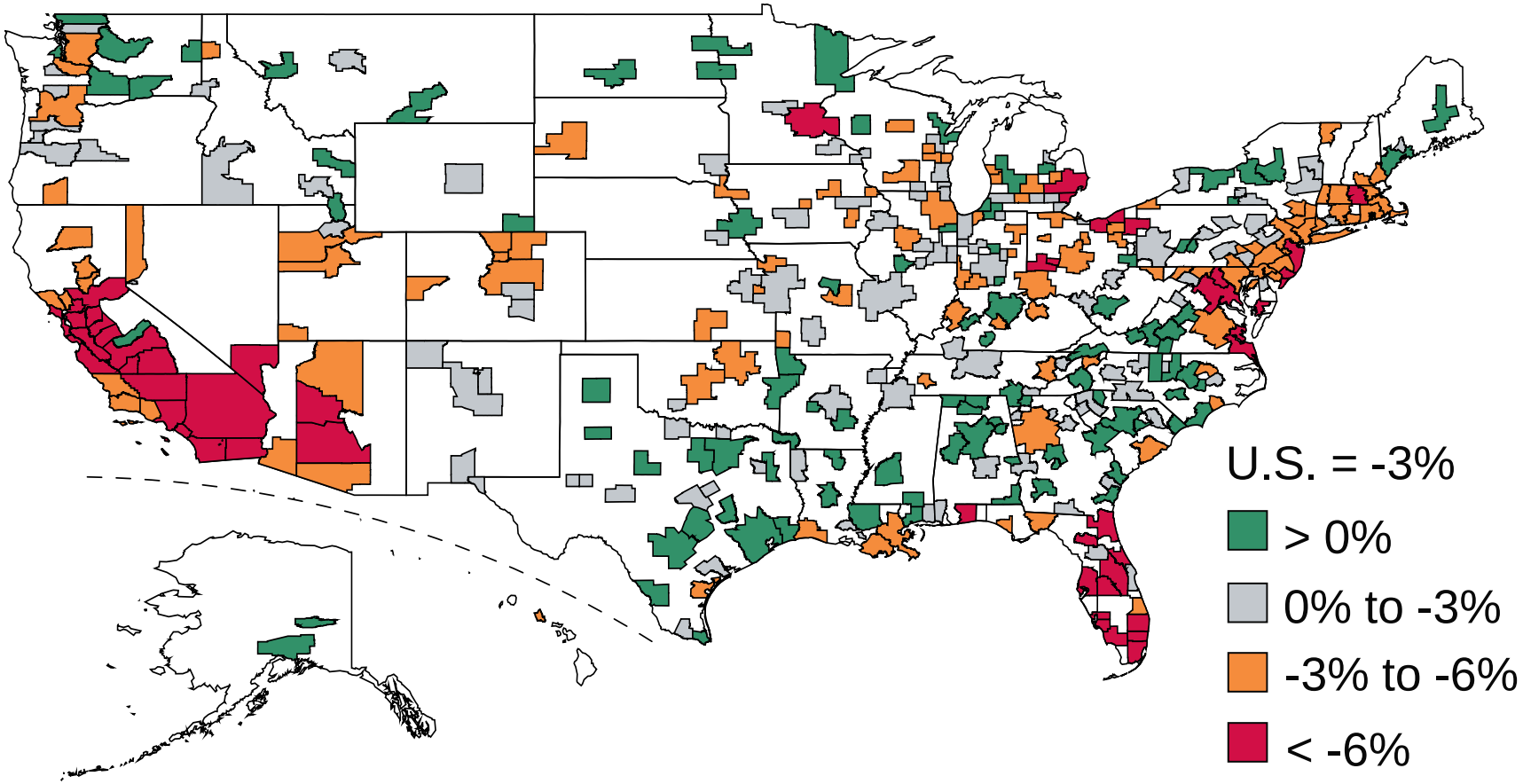
Case Shiller® home price index: 00Q1=100



Sources: Fiserv, Moody's Analytics

…In These Metro Areas

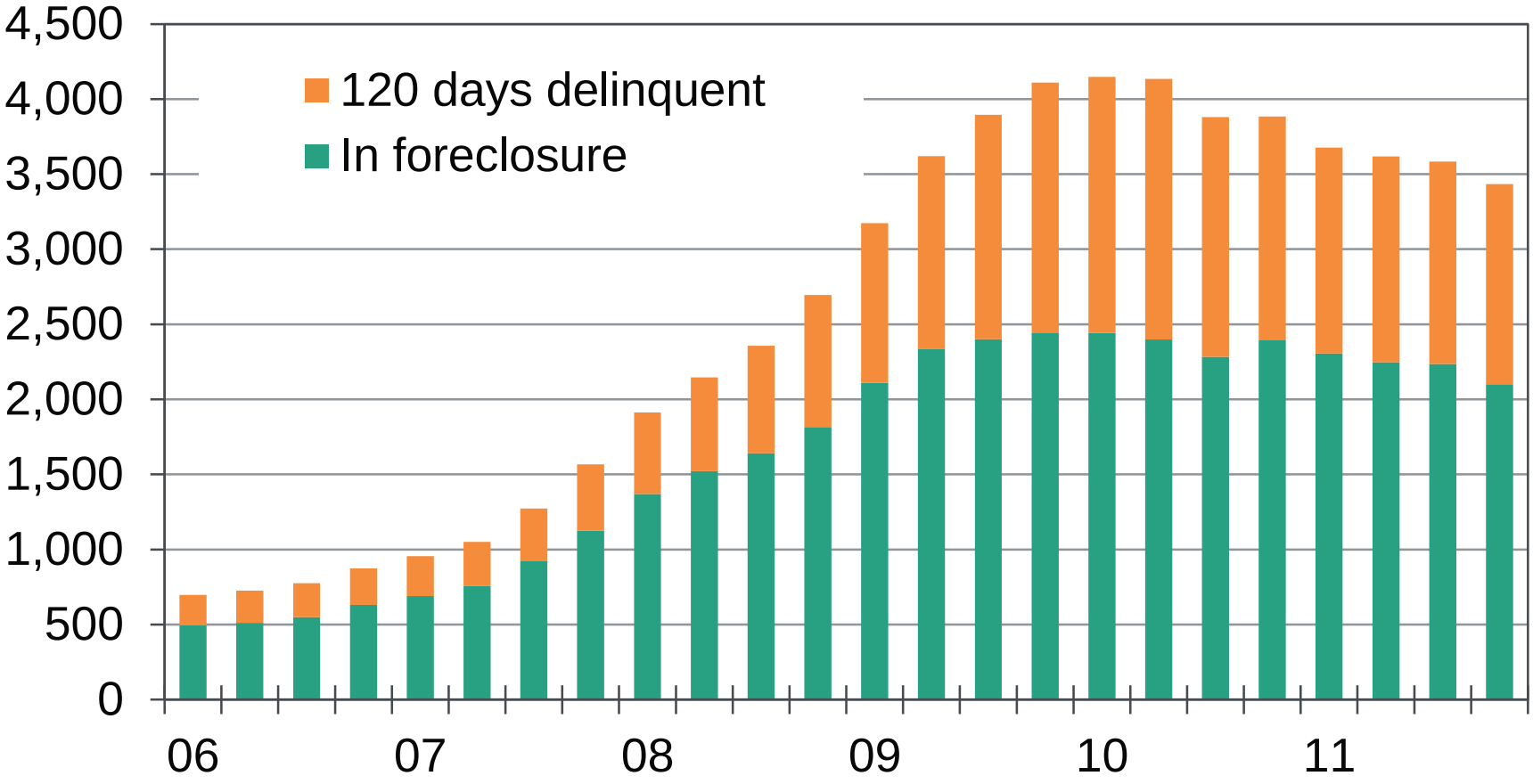
Case-Shiller house price index, % decline, 2011q3 to trough



Sources: Fiserv, FHFA, Moody's Analytics

A Mountain of Foreclosure Property…

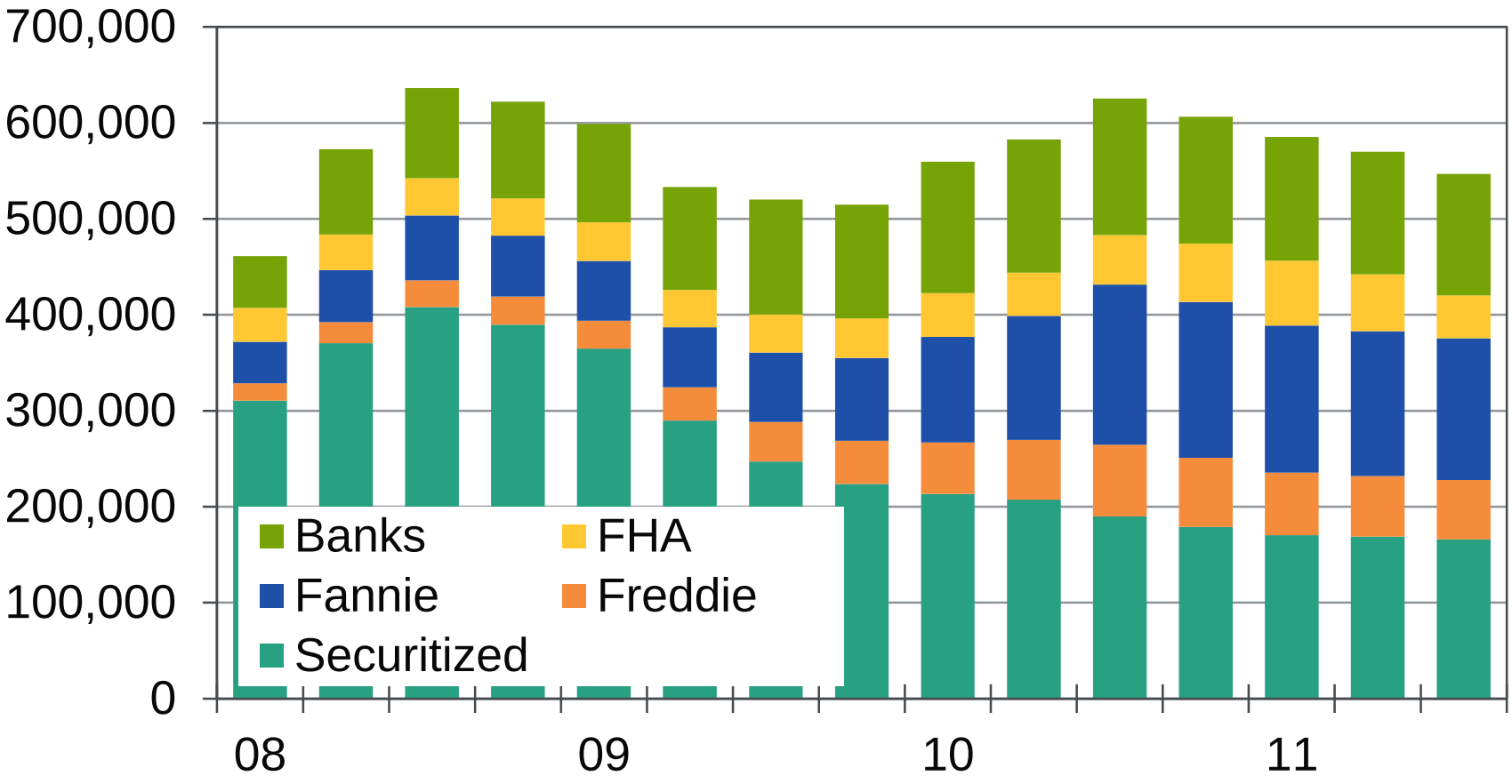
First mortgage loans, ths



Sources: Equifax, Moody's Analytics

…And REO Inventory Remains High…

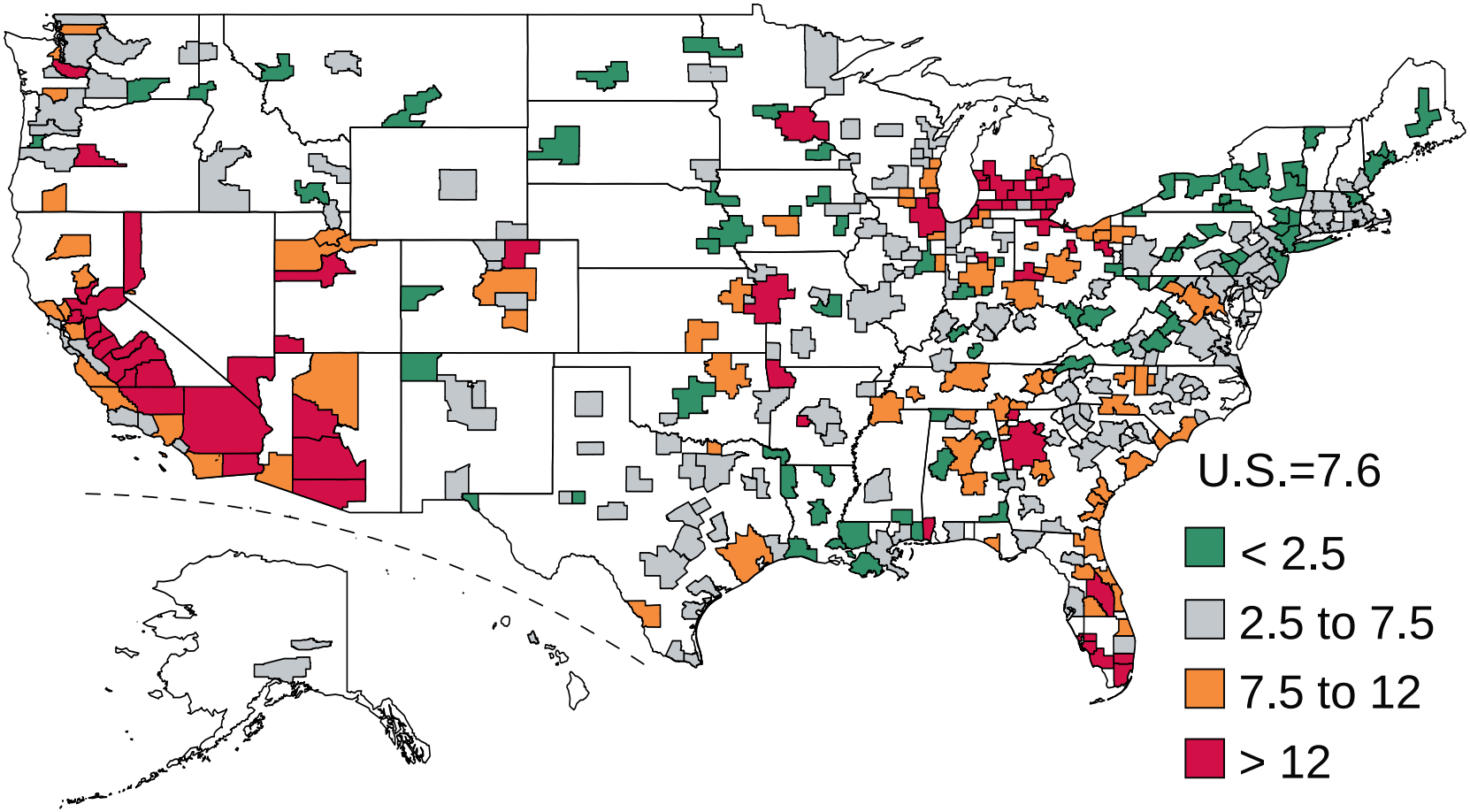
REO inventory



Sources: Fannie, Freddie, FHA, FDIC, Moody's Analytics

…In These Areas…

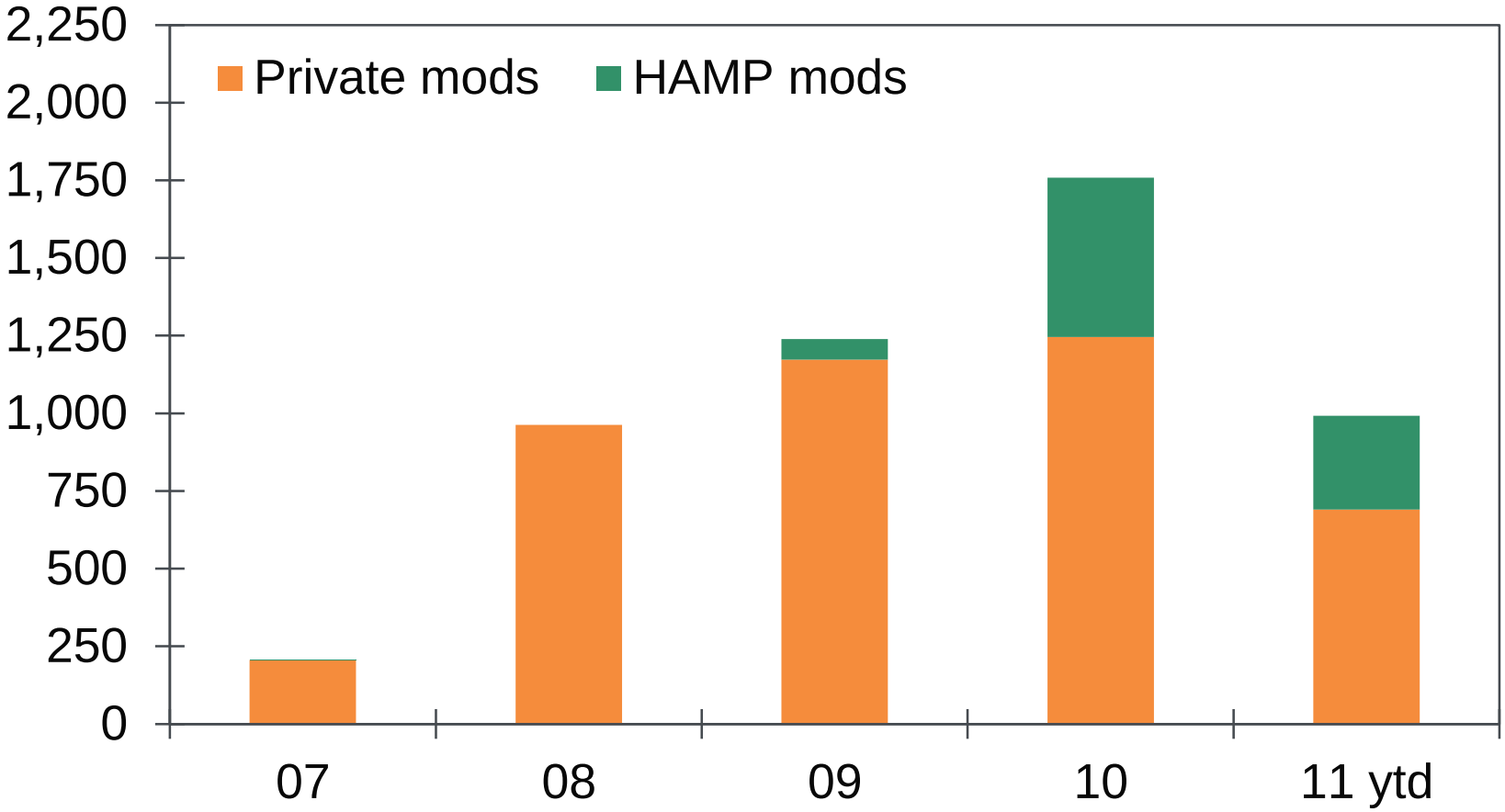
REO inventories per 1,000 households



Sources: RealtyTrac, BOC, Moody's Analytics

…Despite the Modification Efforts

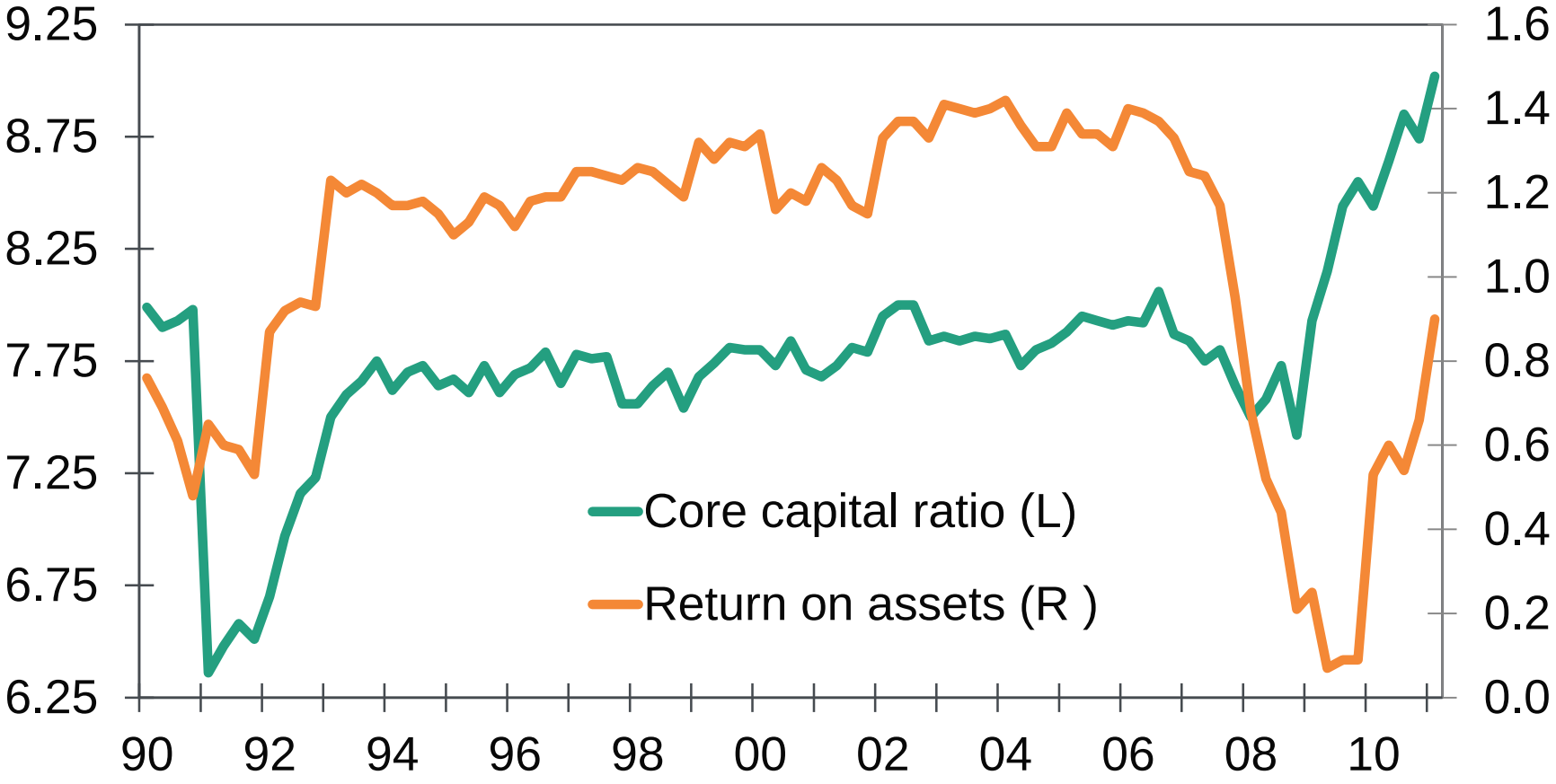
Permanent modifications, ths, annualized



Sources: Hope Now, Moody's Analytics

Banks Are Well Capitalized and More Profitable…

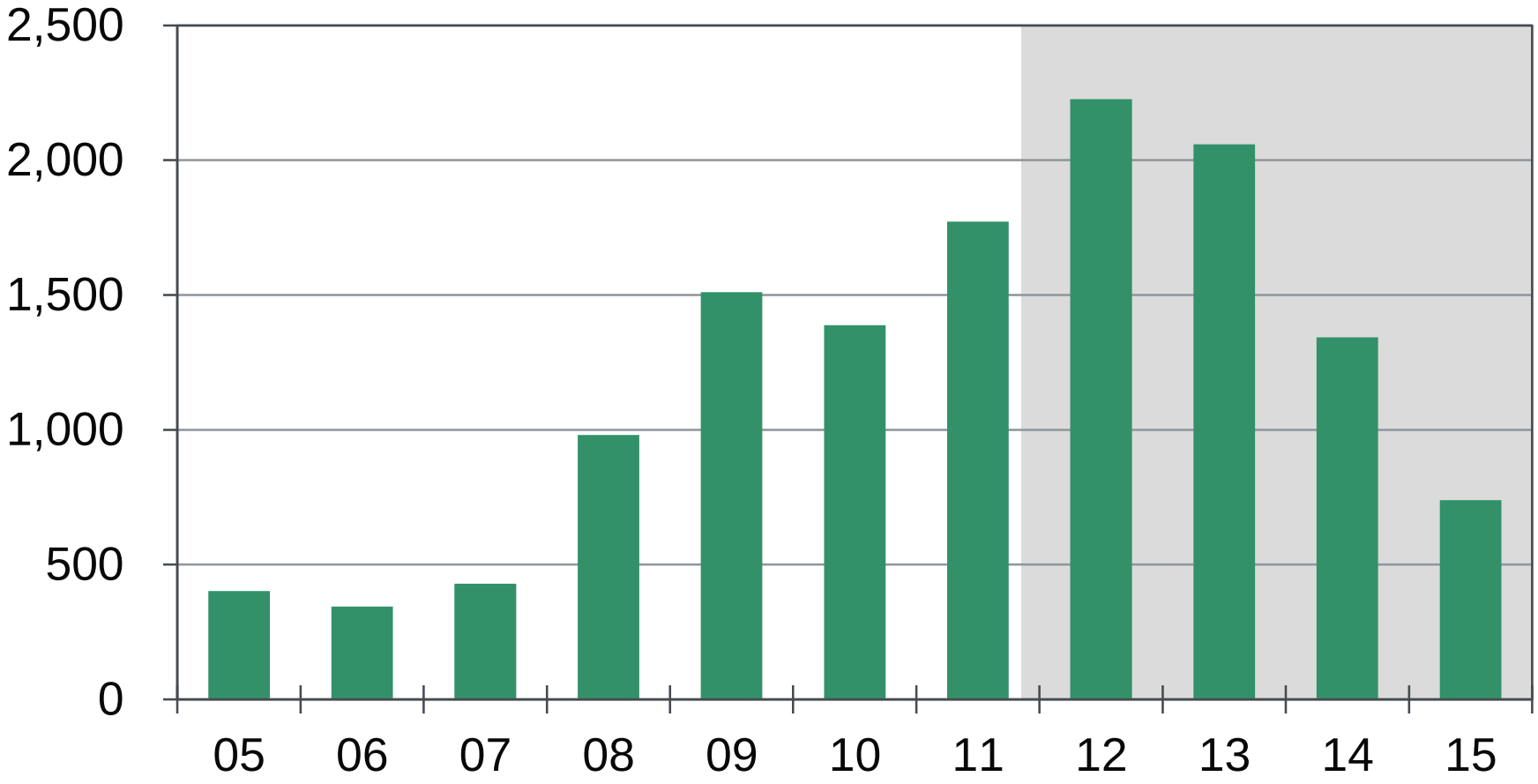
Commercial banks



Source: FDIC

…And Will Accelerate Distress Sales…

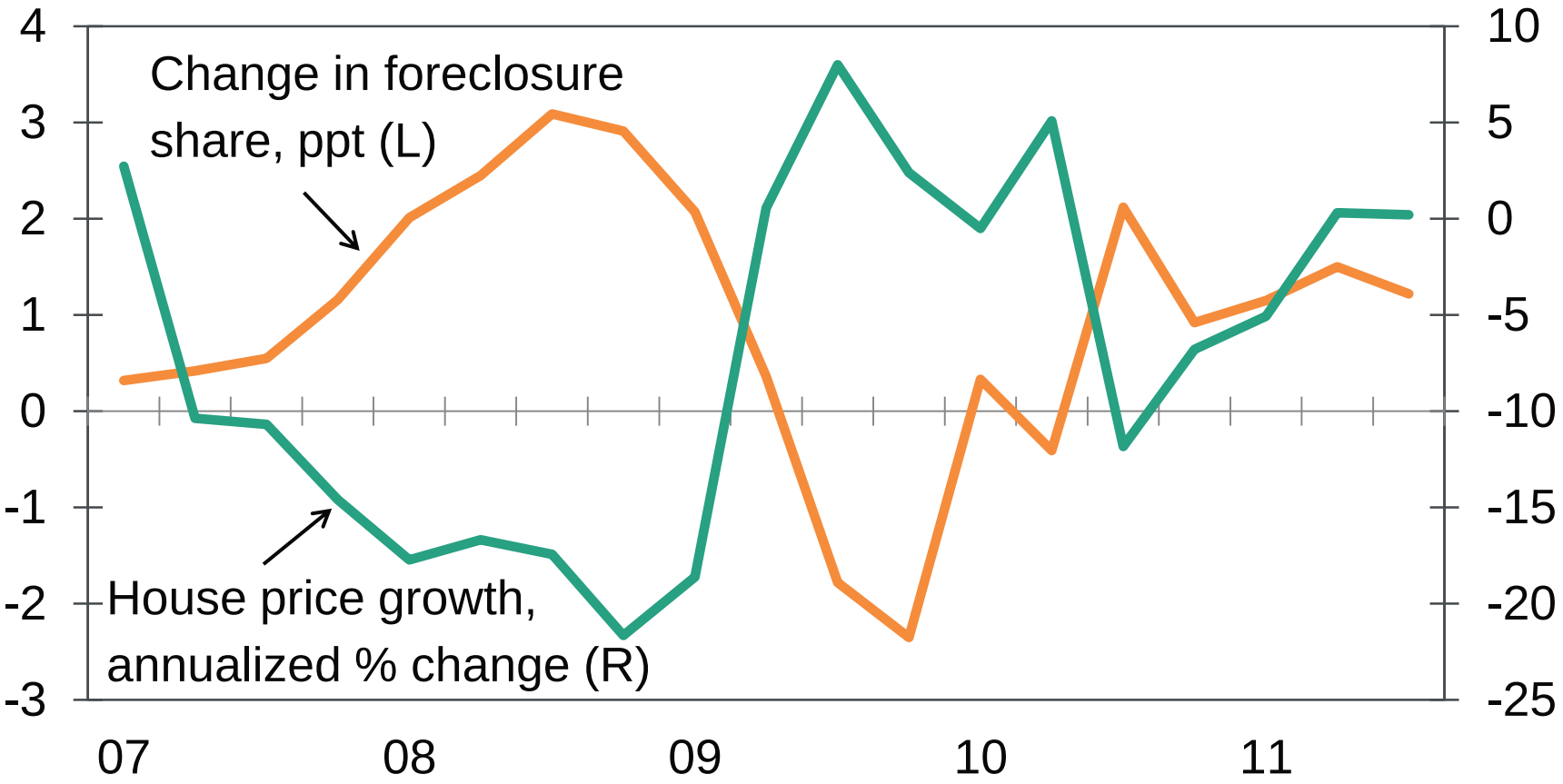
Foreclosures, short sales, deeds in lieu, ths



Sources: FDIC, Equifax, RealtyTrac, Moody's Analytics

…Resulting in More House Price Declines

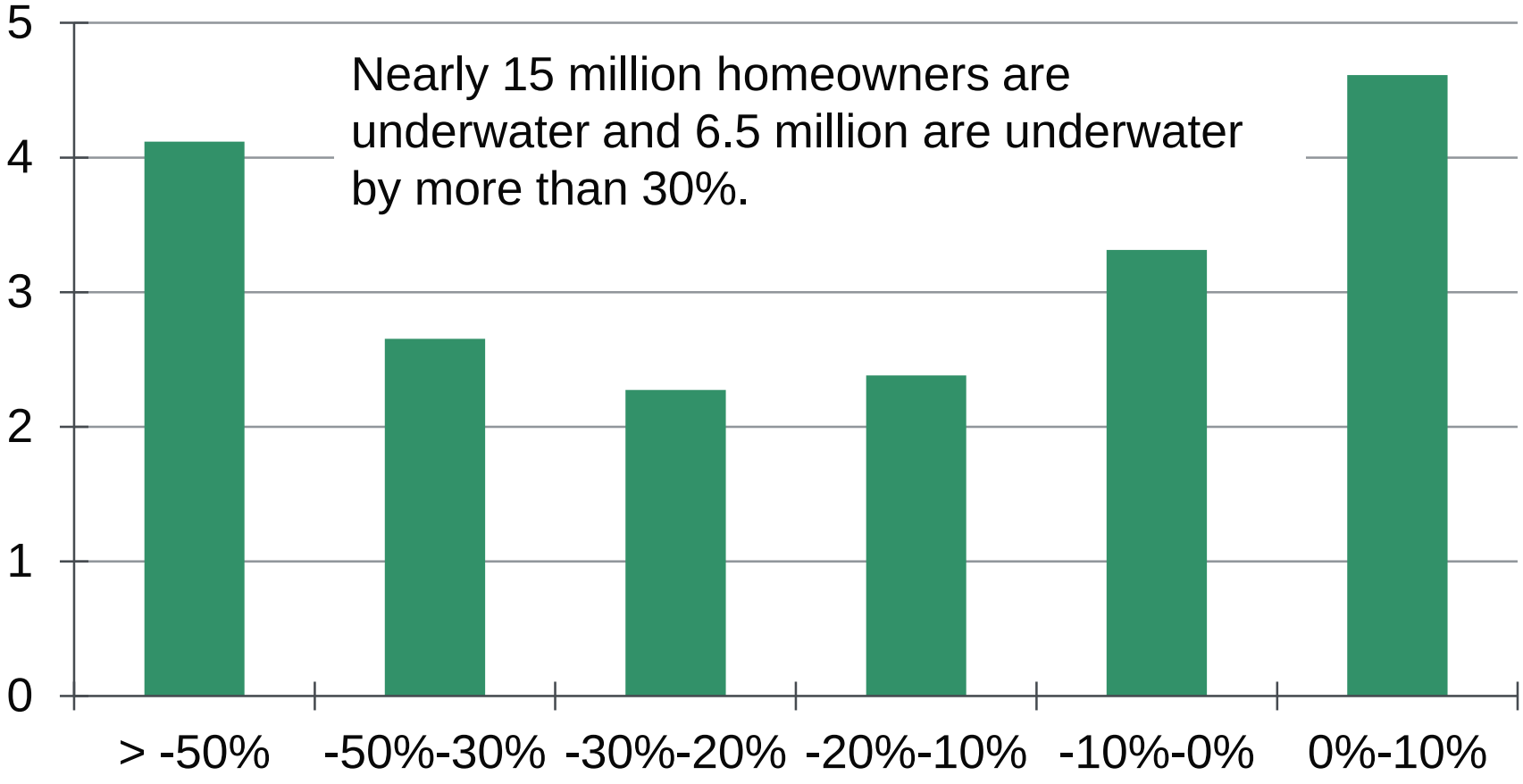
Seasonally adjusted



Sources: Fiserv, Zillow, Moody's Analytics

Millions of Homeowners Sink Underwater…

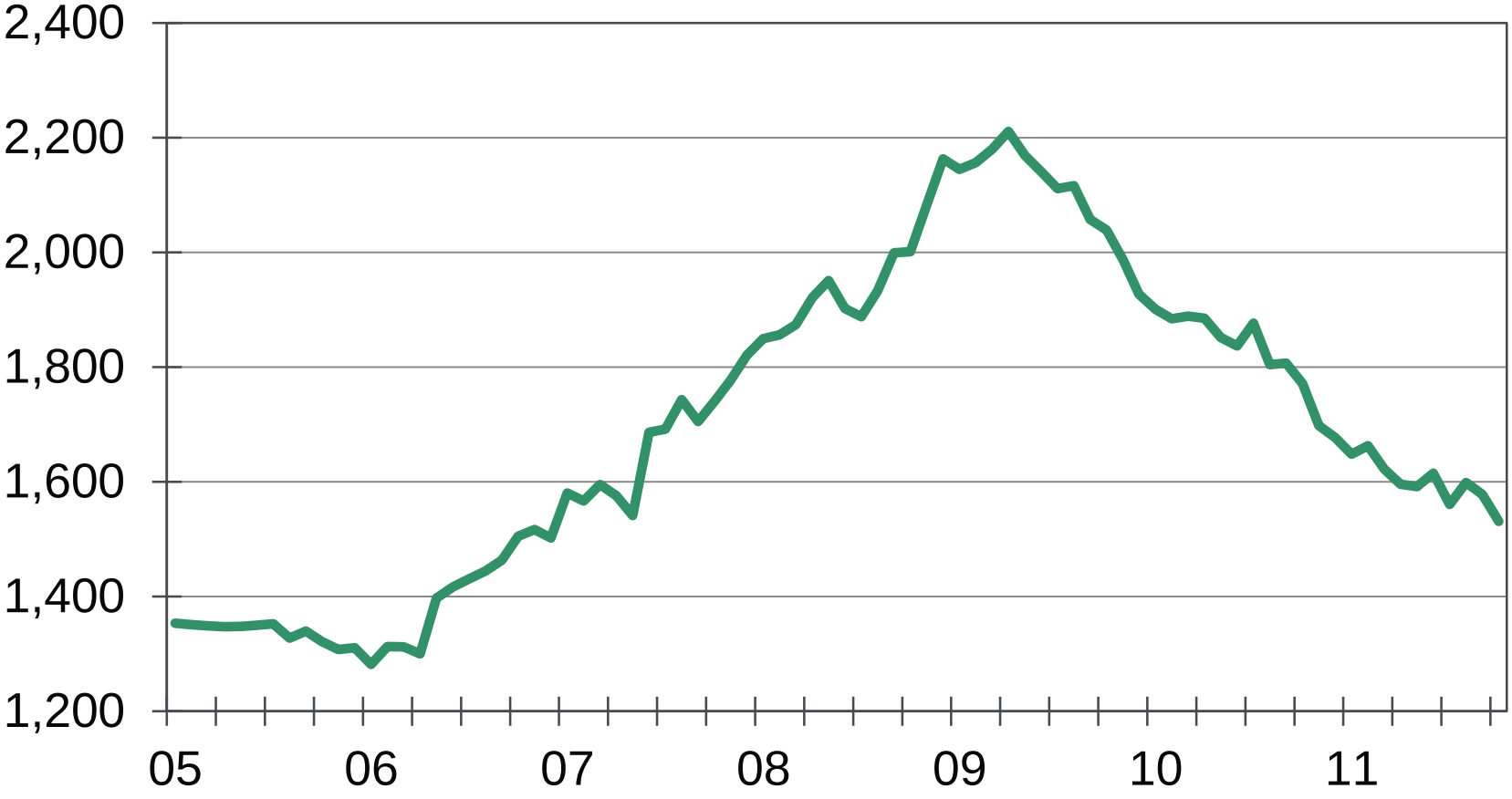
Homeowners' equity distribution, mil of homeowners



Sources: Equifax, Moody's Analytics

…But Early Stage Delinquency Improves

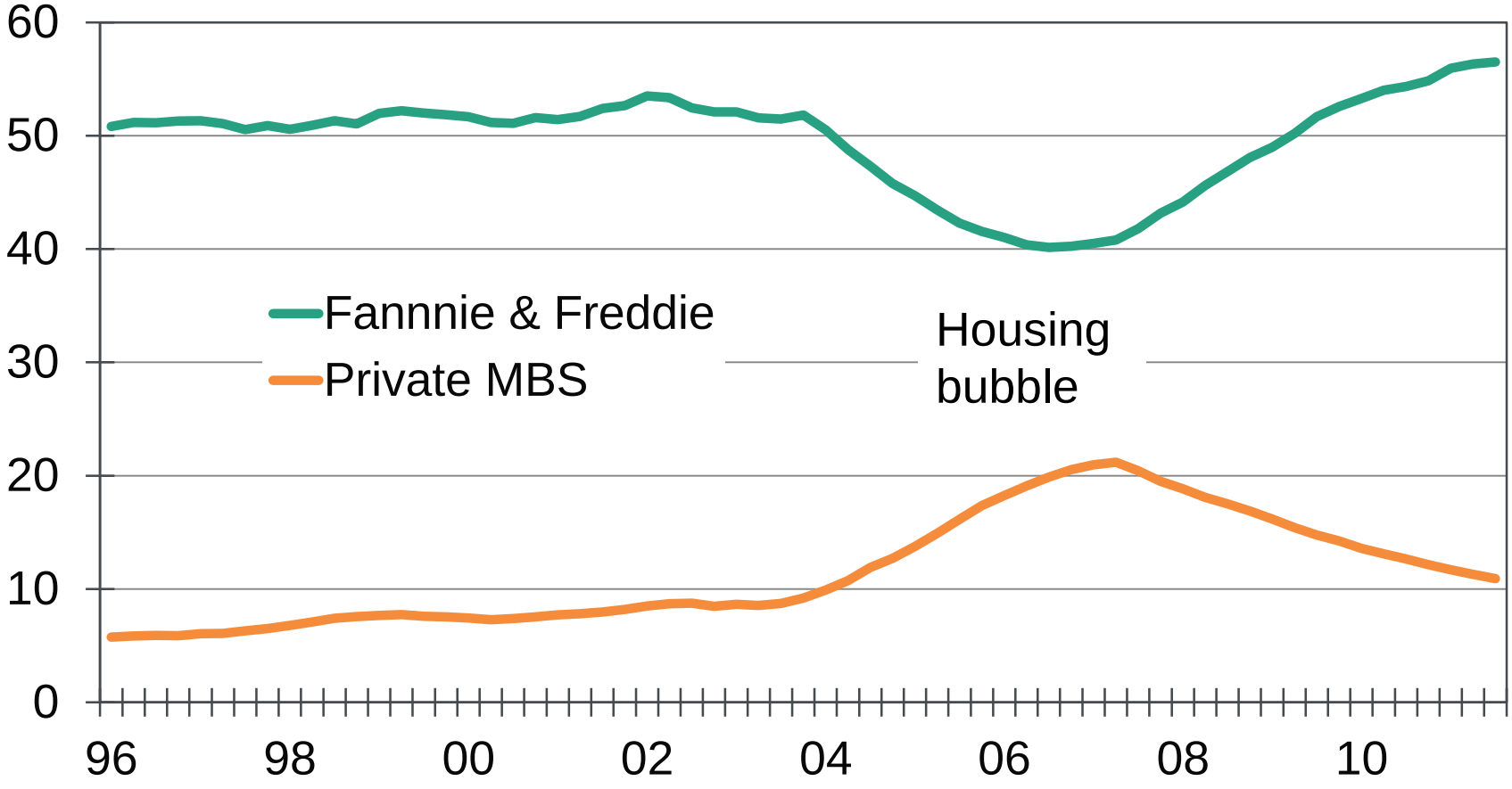
First mortgage loans 30-60 days delinquent, ths



Sources: Equifax, Moody's Analytics

Don't Blame Fannie and Freddie…

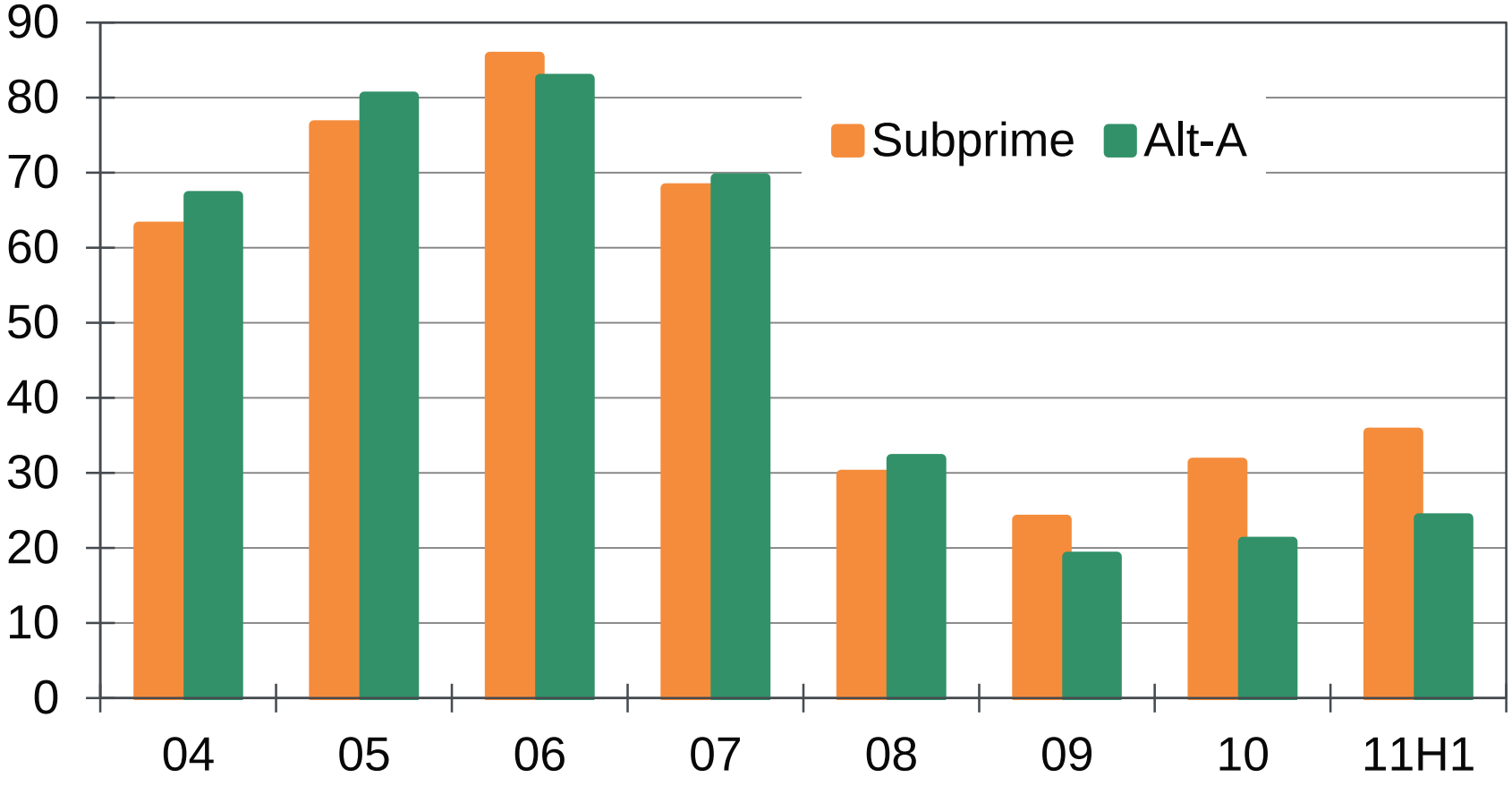
Share of mortgage debt, %



Sources: Federal Reserve Board Flow of Funds, Moody's Analytics

…But the Private Mortgage Industry…

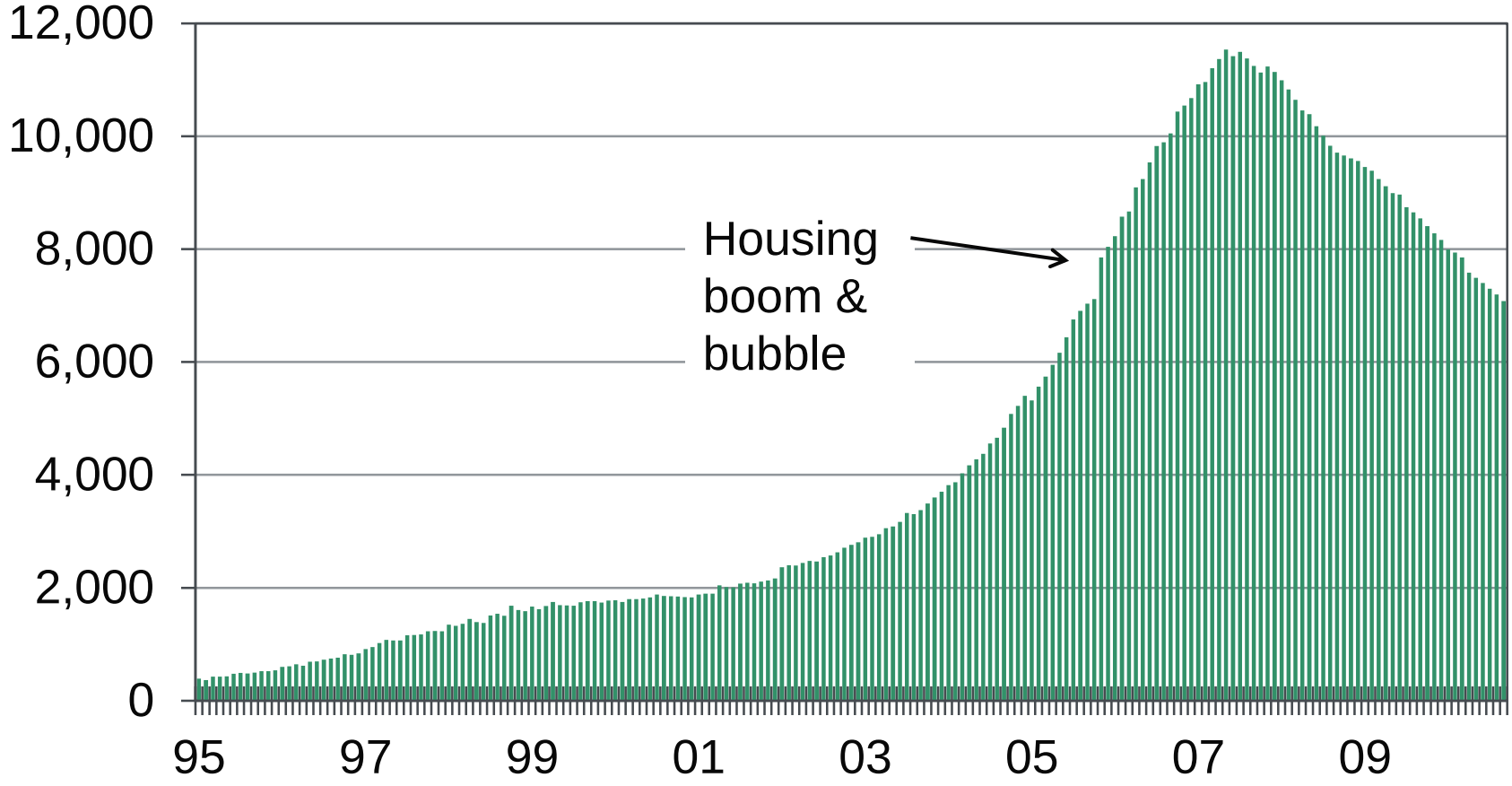
Share of mortgage originations by non-government lenders, %



Sources: Equifax, Moody's Analytics

…Driven by the Flawed Securitization Process

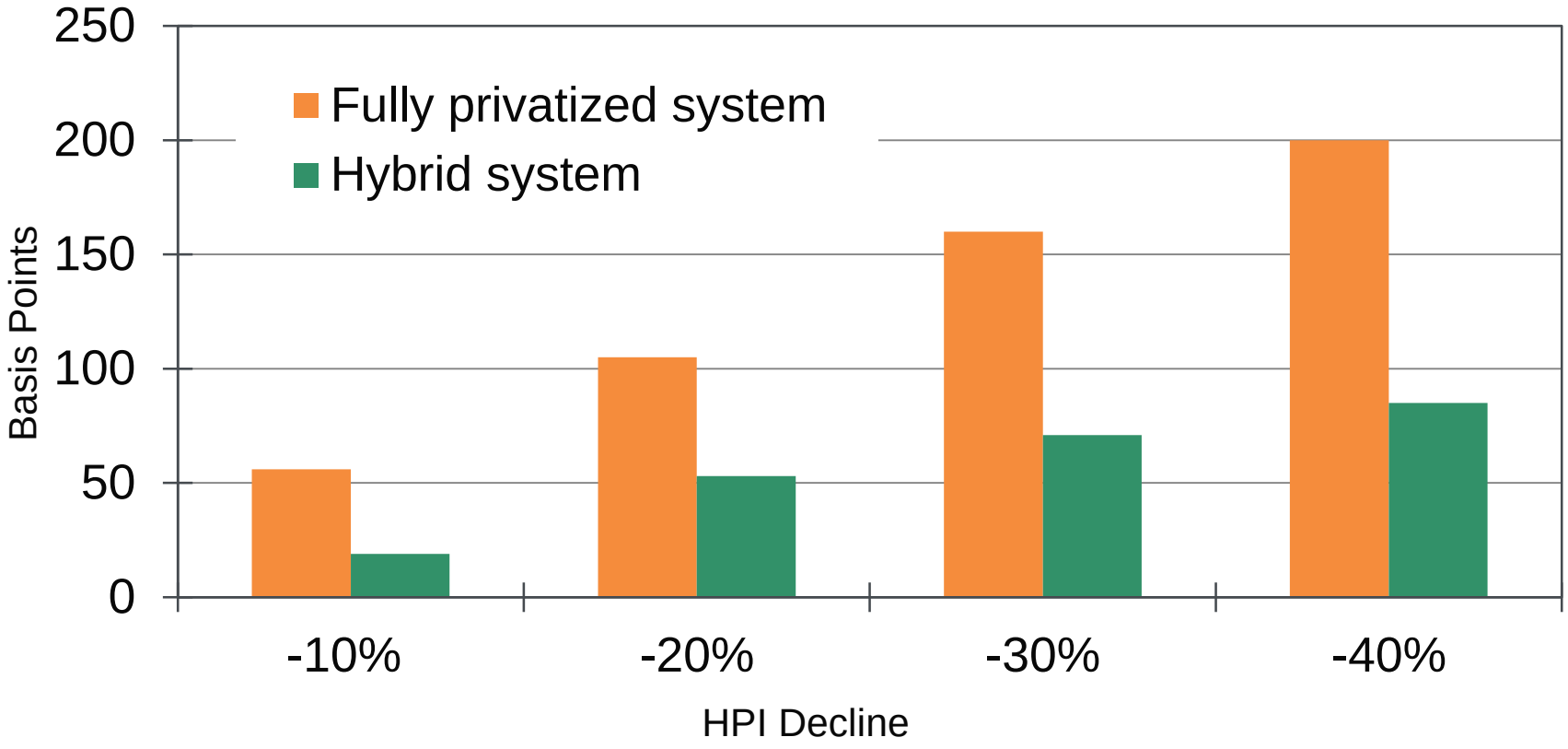
First mortgages in private label securitized pools, mil



Sources: Moody's Investors Service, Moody's Analytics

Government Support Is Vital to Housing Market

Gfee, Assumptions: 80% LTV, full doc, 750 FICO, 31% DTI, 3% loss limit, 4% government return, 25% private ROE, 10 bp liquidity premium. 25 bp system risk premium



Source: Moody's Analytics

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