

Mortgage Market Update: A Focus on Loan Quality

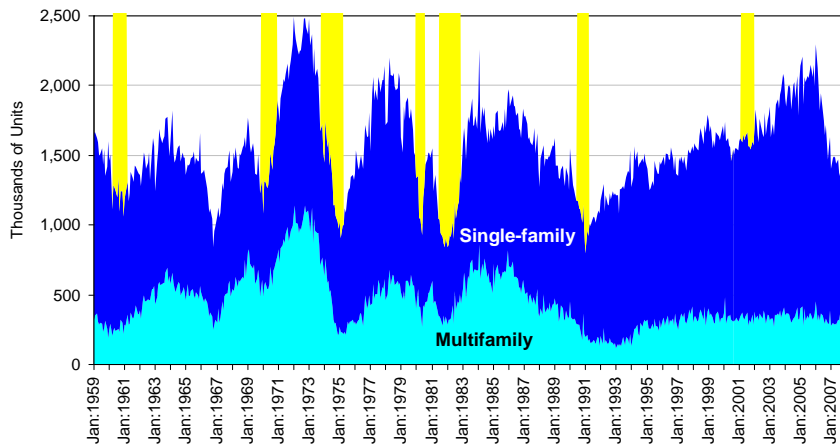
Doug Duncan
Vice President and Chief Economist



April 24, 2008

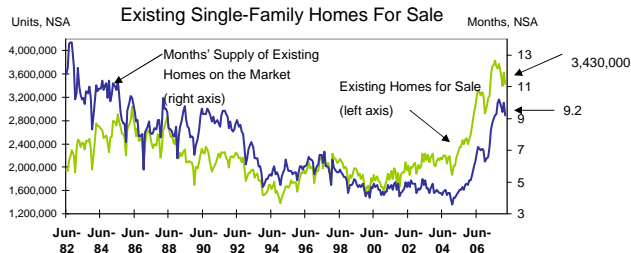
NAHB Construction Forecast Conference

Housing Starts Seasonally Adjusted Annual Rate



Source: Census Bureau

Homes Available For Sale Remain at Elevated Levels

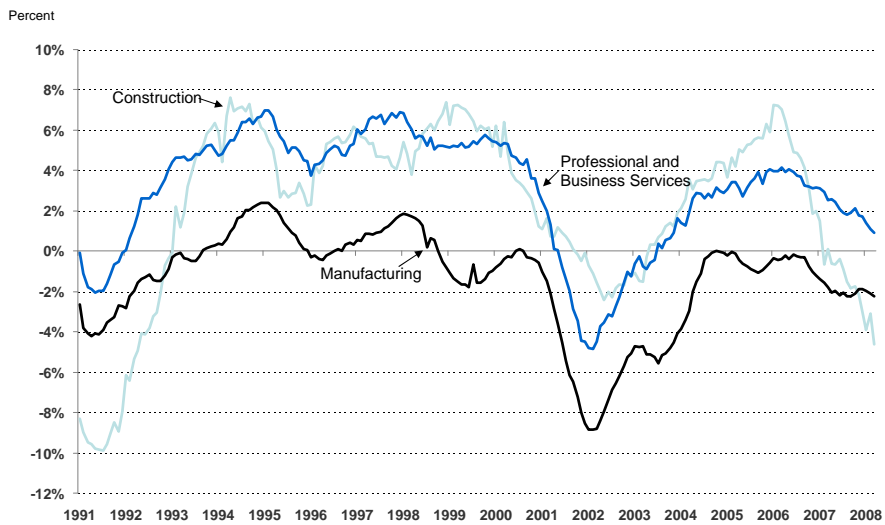


Source: National Association of Realtors



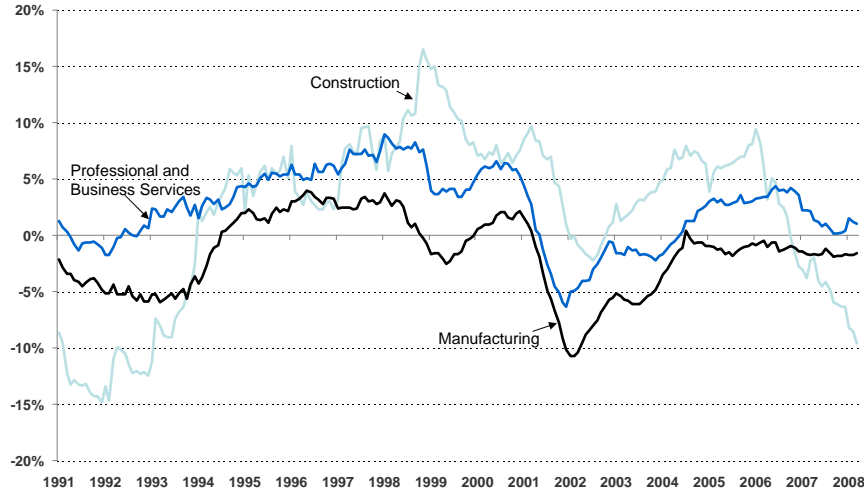
Source: Census Bureau

UNITED STATES: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



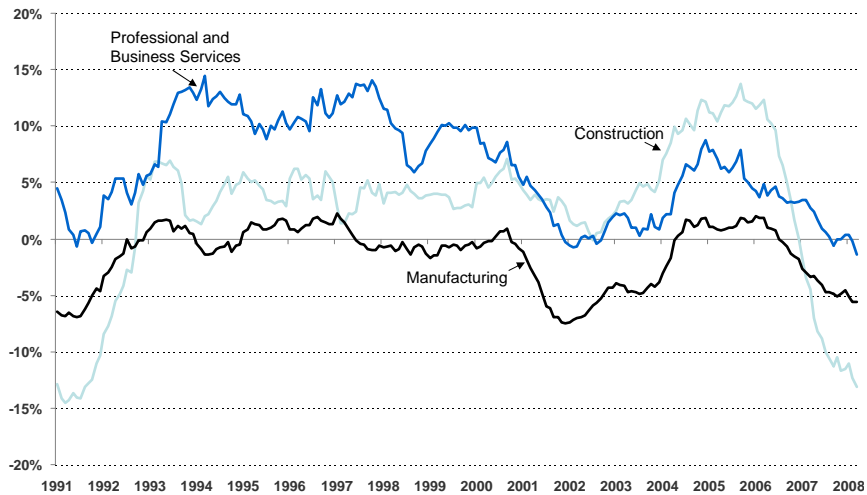
Source: Bureau of Labor Statistics

CALIFORNIA: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



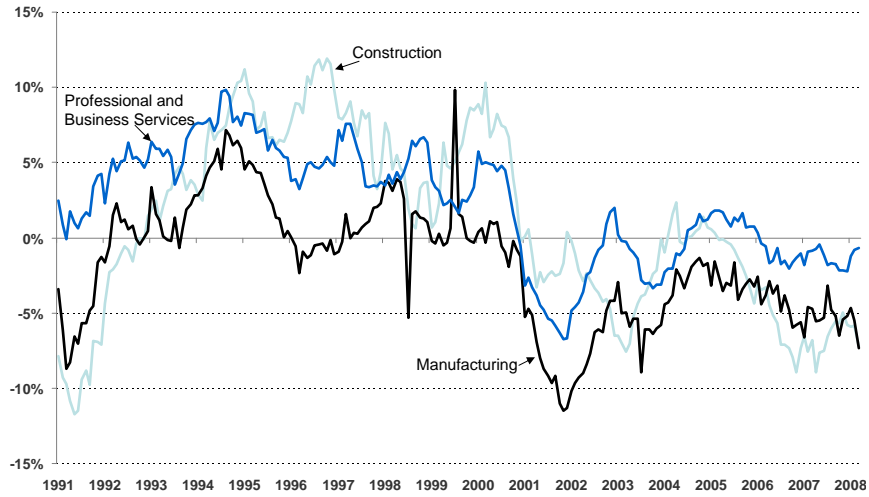
Source: Bureau of Labor Statistics

FLORIDA: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



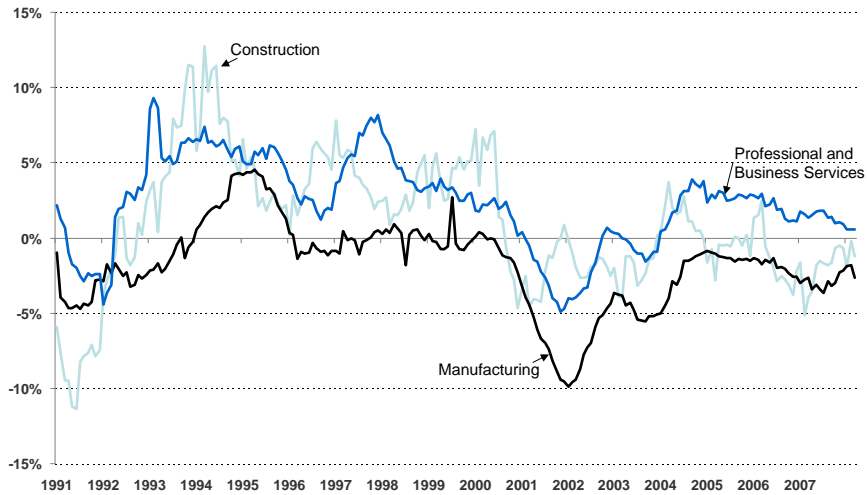
Source: Bureau of Labor Statistics

MICHIGAN: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs

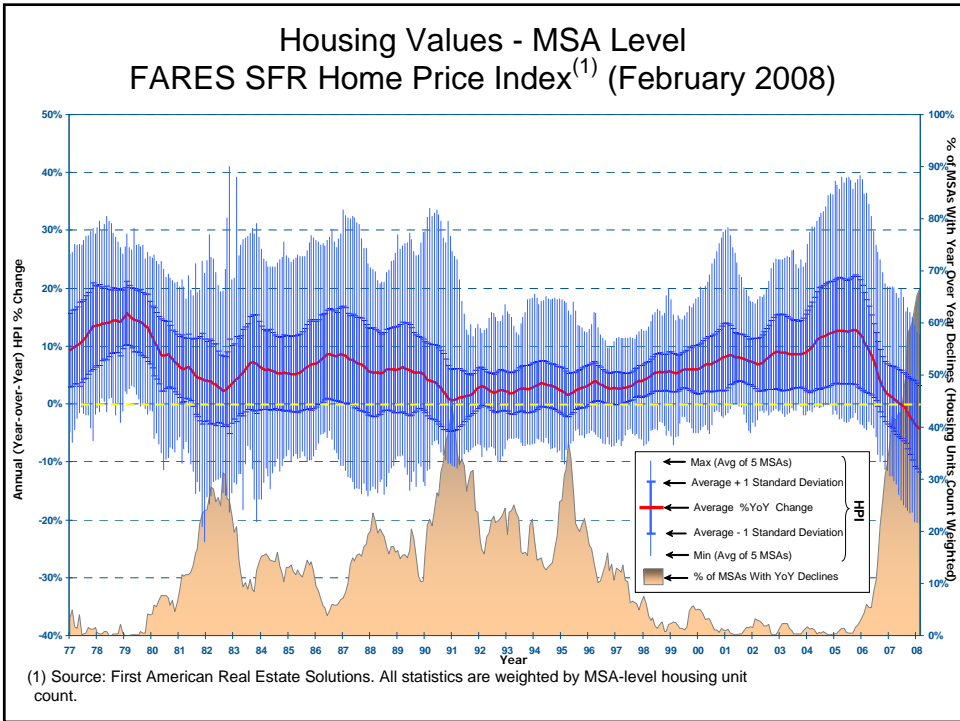
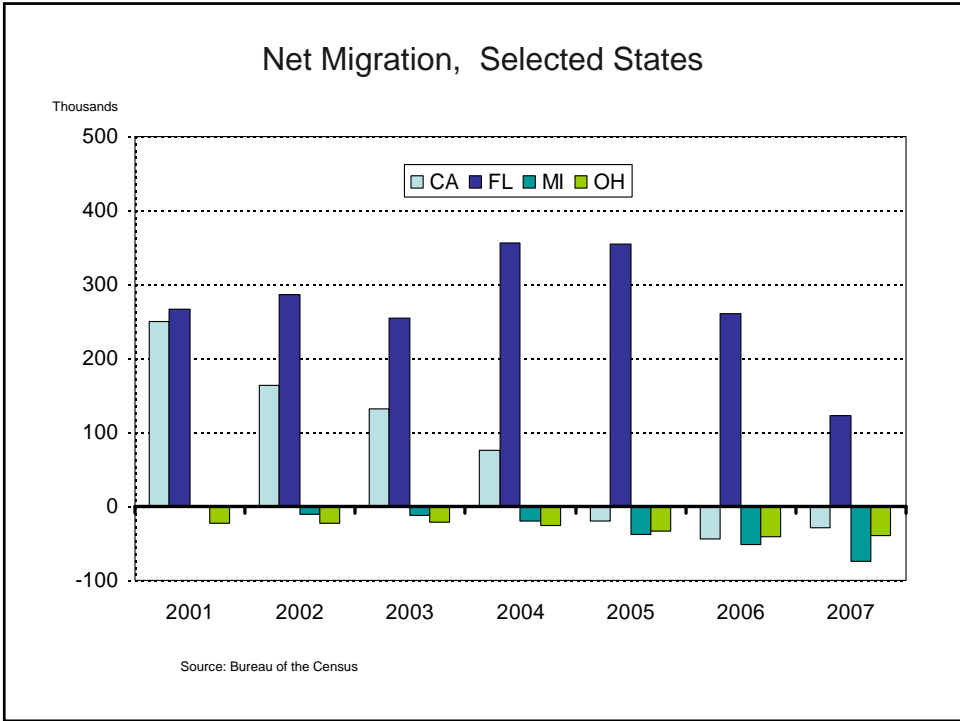


Source: Bureau of Labor Statistics

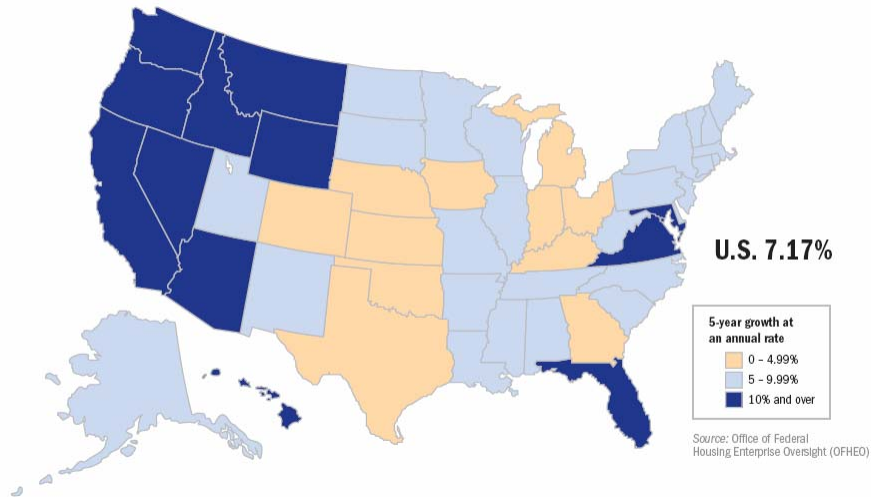
OHIO: Year-over-year Percent Change in Seasonally-adjusted Number of Jobs



Source: Bureau of Labor Statistics

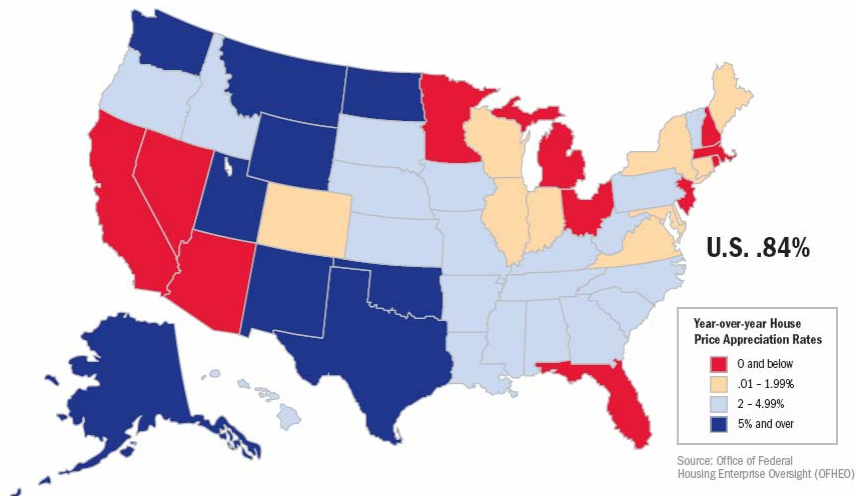


Five-Year Average Home Price Growth, Yearly: 2002Q4 to 2007Q4

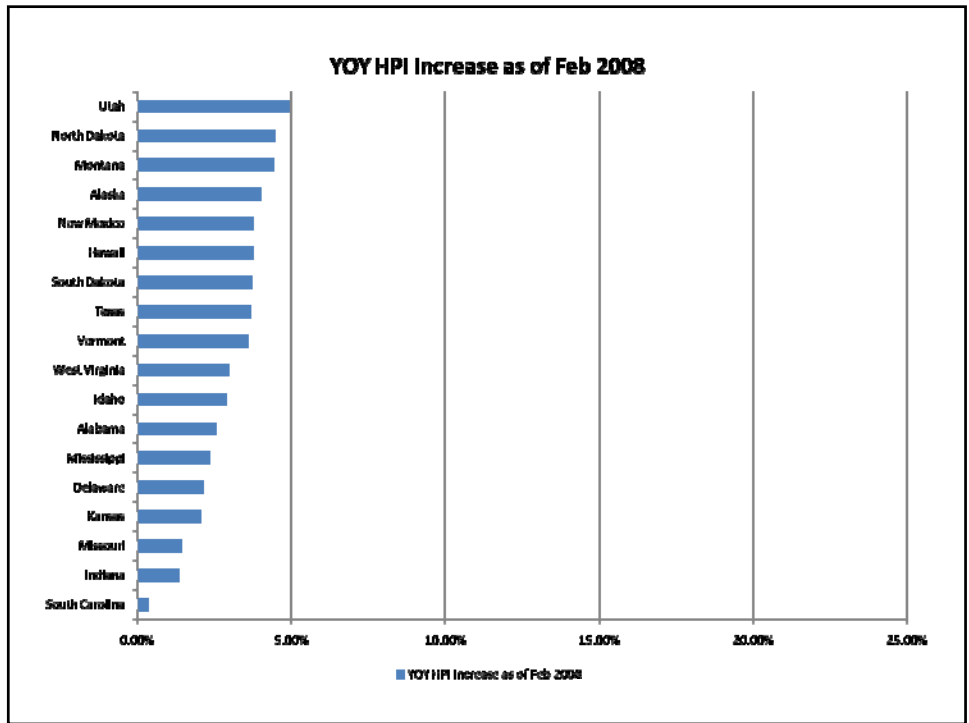
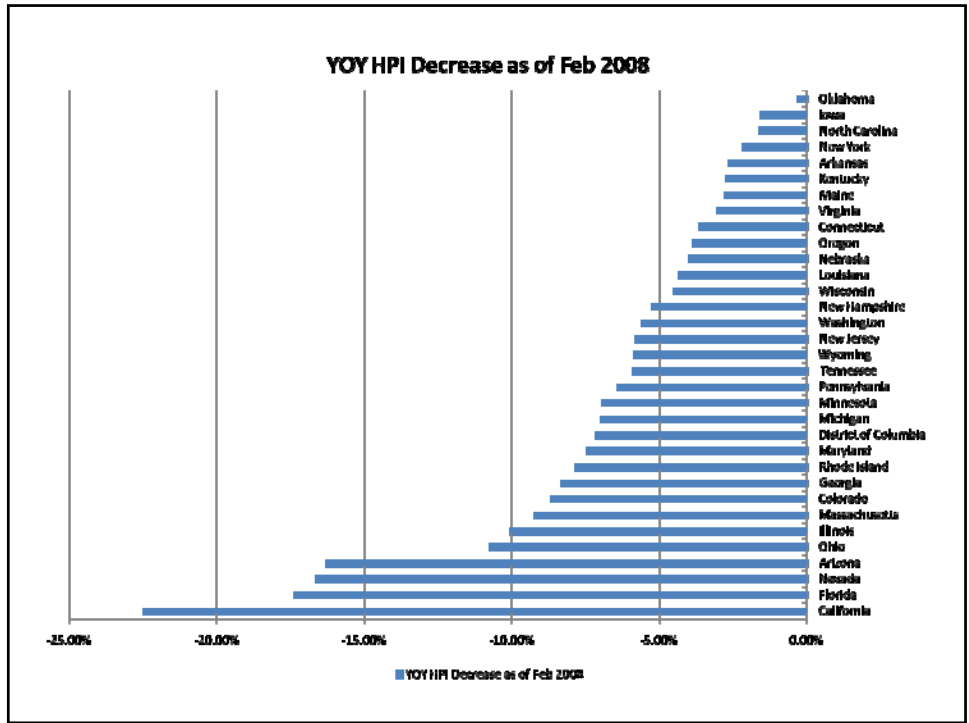


Source: Office of Federal Housing Enterprise Oversight

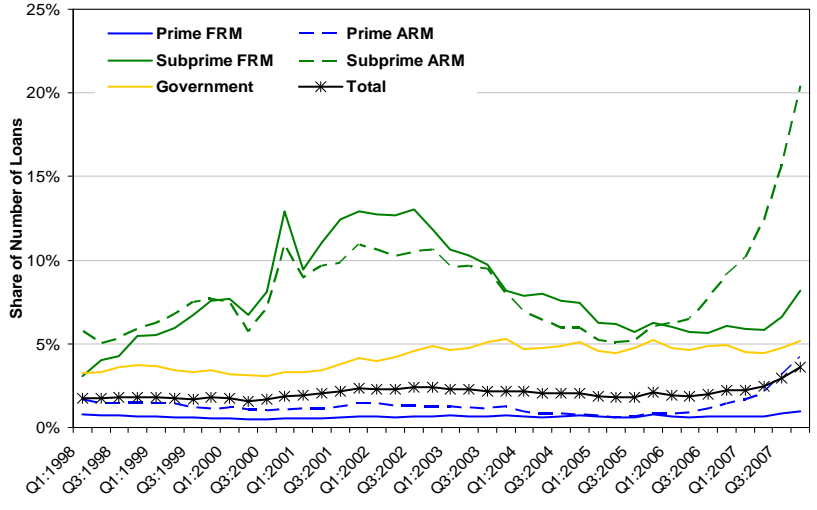
Year-over-Year Home Price Changes by State: 2006Q4 to 2007Q4



Source: Office of Federal Housing Enterprise Oversight



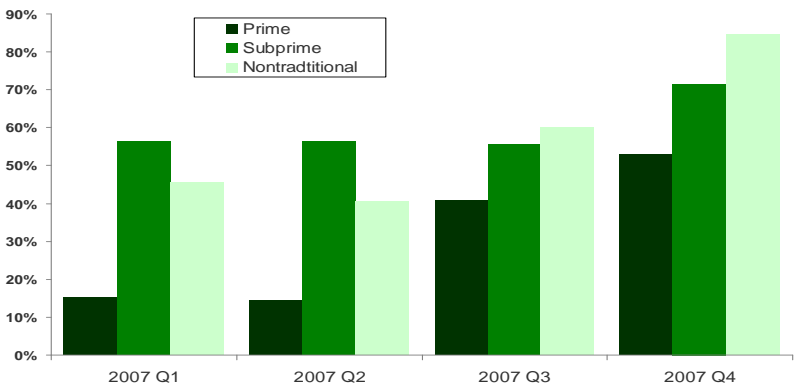
Serious Delinquency Rates¹ by Market Segment



¹The share of loans that are 90 or more days past due or in the process of foreclosure as of the end of each quarter. Source: Mortgage Bankers Association, National Delinquency Survey (Q4:2007)

Significantly Tighter Standards for All Loan Types*

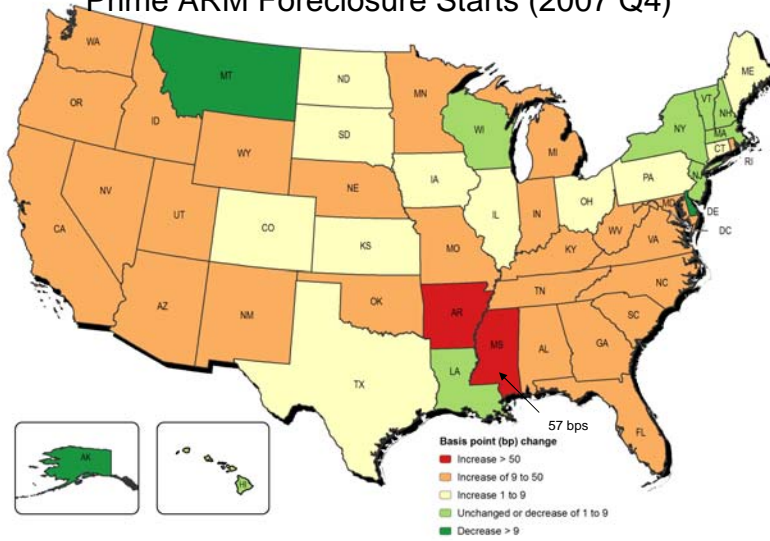
Net % of banks tightening mortgage loan standards



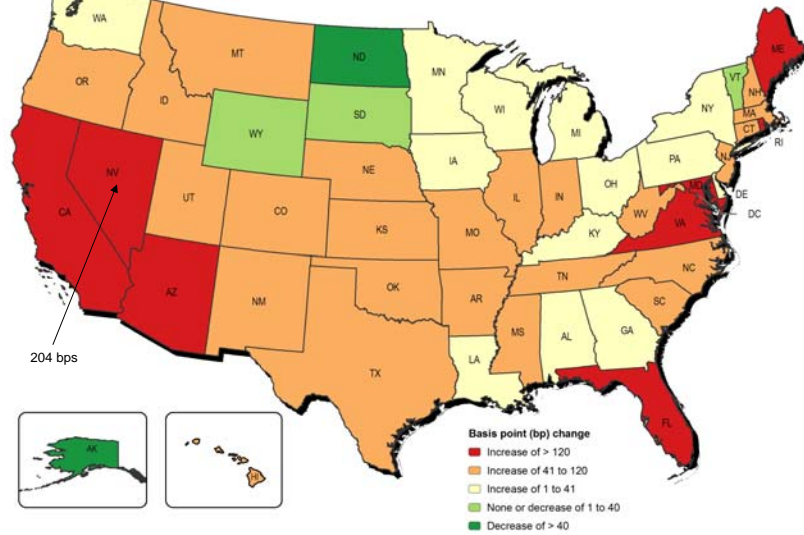
*Starting in 2007, residential mortgage questions were separated into 3 groups: prime, nontraditional (includes option ARMs, I-Os and Alt-A), and subprime (blemished credit). Data for total loans comparable to historical data were no longer reported.

Source: The Federal Reserve Senior Loan Officer Survey

Quarter over Quarter Change in Prime ARM Foreclosure Starts (2007 Q4)



Quarter over Quarter Change in Subprime ARM Foreclosure Starts (2007 Q4)



Product Share of Loans Outstanding and Share of Foreclosure Starts 2007 Q4

	% of Loans Outstanding	% of Foreclosures Started
Prime Fixed	63%	17%
Prime ARM	15%	20%
Subprime Fixed	6%	12%
Subprime ARM	6%	42%
FHA & VA	10%	9%

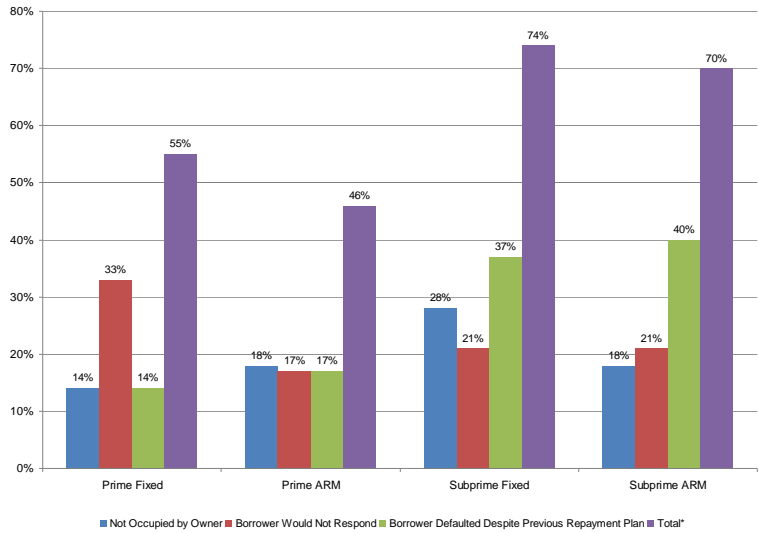
Source: MBA National Delinquency Survey

State Share of Loans Outstanding and Share of Foreclosure Starts (2007 Q4)

	% of Loans Outstanding	% of Foreclosures Started
CA,AZ,FL,NV	24.7%	34.6%
OH,MI,IN	8.6%	11.9%
Combined 7 states	33.3%	46.5%

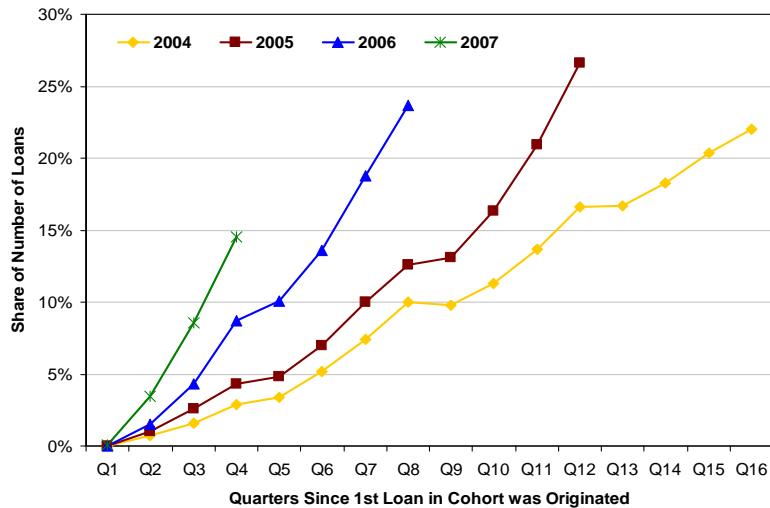
Source: MBA National Delinquency Survey

MBA Loan Modification Study Findings



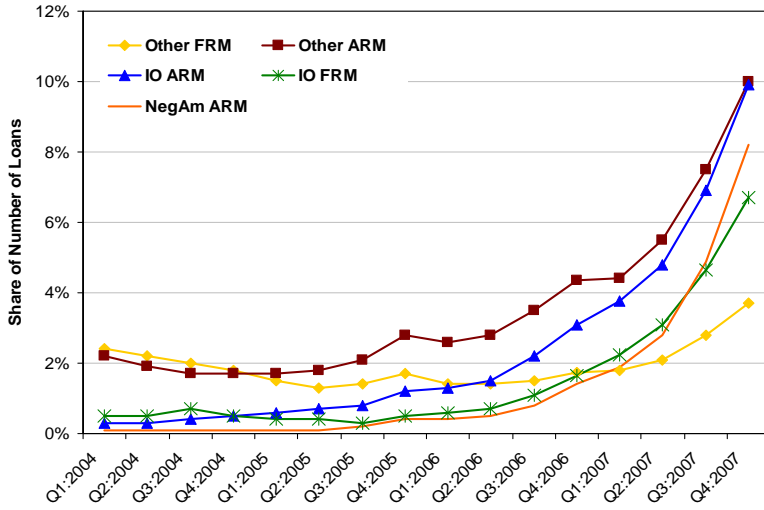
Source: *An Examination of Mortgage Foreclosures, Modifications, Repayment Plans, and Other Loss Mitigation Activities In the Third Quarter of 2007*, MBA

60+ Day Delinquency Rates by Origination Year Cohort for Loans Backing Non-Agency Subprime ABS



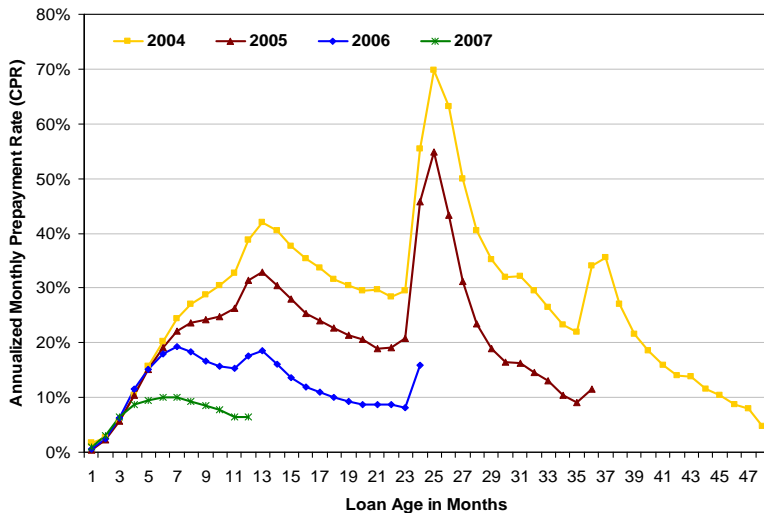
Source: LoanPerformance (January 2008)

60+ Day Delinquency Rates by Product Type for Loans Backing Non-Agency Alt-A MBS

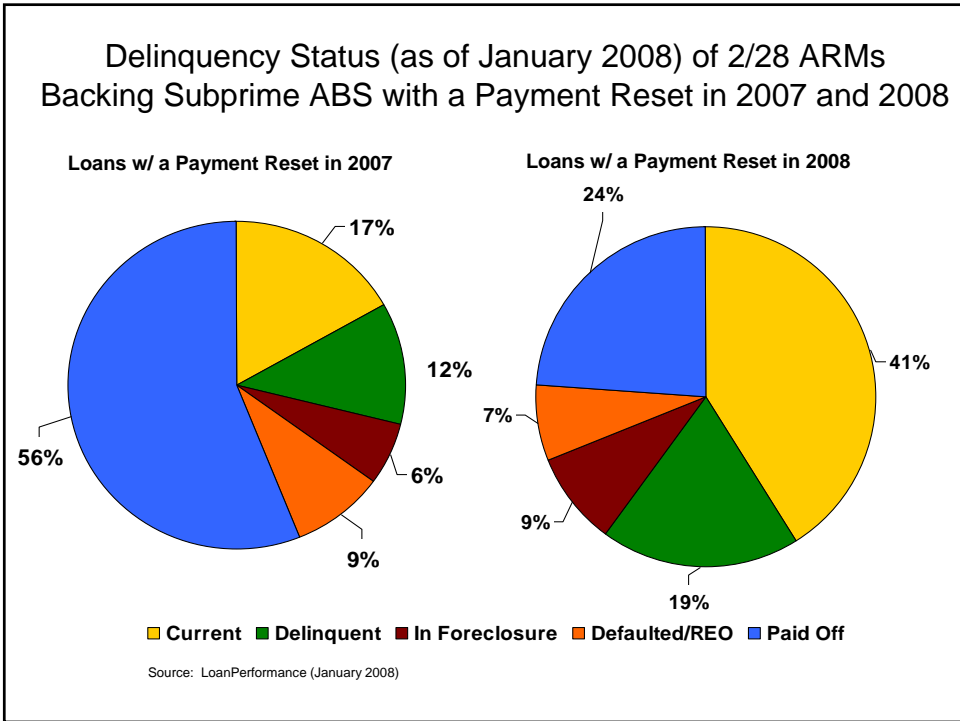
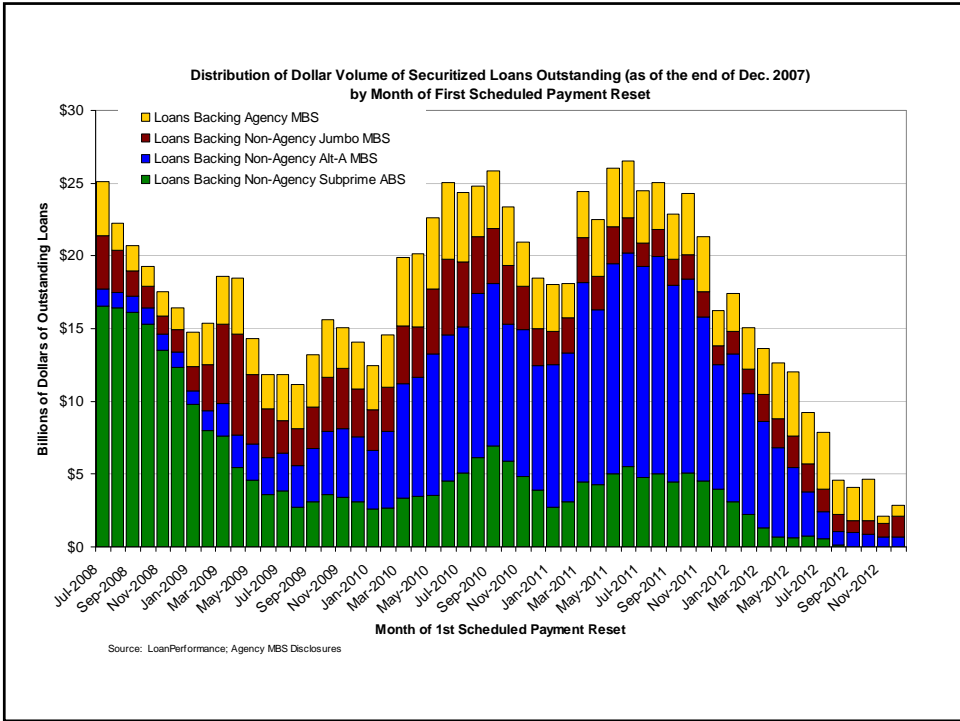


Source: LoanPerformance (January 2008)

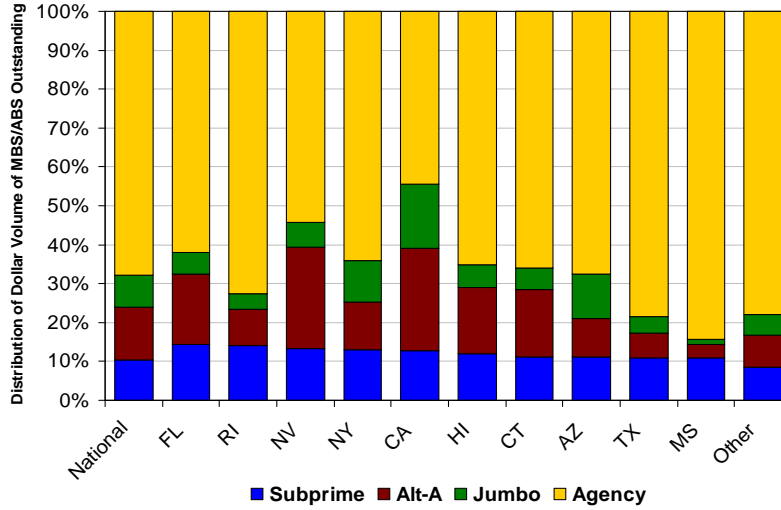
Prepayment Speeds for Loans Backing Non-Agency Subprime ABS by Origination Year and Loan Age



Source: LoanPerformance (January 2008)



Distribution of Loans Backing MBS/ABS Outstanding by MBS/ABS Type and State
 10 States w/ the Highest Subprime Shares



Source: LoanPerformance (January 2008), Agency MBS Disclosures

Fannie Mae Housing Finance Outlook

	2007	2008	2009
<u>Housing Starts (thous.)</u>	1,354	997	1,049
Single family	1,046	700	749
Multifamily	308	297	300
<u>Home Sales (thous.)</u>	6,426	5,261	5,546
New Home Sales	774	584	632
Total Existing Home Sales	5,652	4,677	4,914
<u>Mortgage Originations (bill. \$, 1-4 fam.)</u>	2,543	2,116	2,025
Purchase	1,250	929	923
Refinancing	1,293	1,188	1,102
<u>Interest Rates</u>			
Fed. Funds (%)	5.02	2.18	2.27
1 yr. T-Note (%)	4.52	1.95	2.61
10 yr. T-Note (%)	4.63	3.73	4.08

Bold italicized numbers are Fannie Mae forecasts and estimates

For more information, go to:

www.fanniemae.com/media/economics

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