

Countrywide

CAN



Emerging Issues in Housing Finance

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NAHB Construction Forecast Conference  
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The Marketplace:  
Opportunities & Challenges

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↳ The Macro Perspective

Economic issues

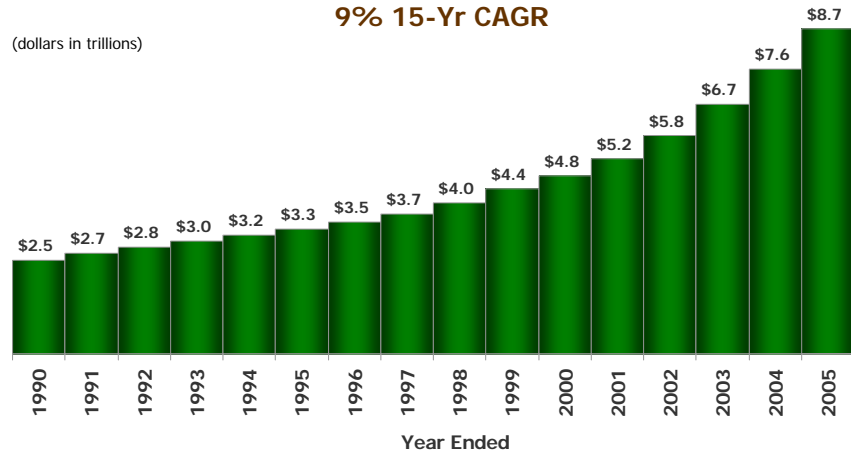
- Higher interest rates & inverted yield curve
- Cooling of housing market
- Unemployment remains in check
- Use of non-traditional mortgage products

↳ Mortgage Market Growth is Strong and Stable

**Mortgage Debt Outstanding** <sup>(1)</sup>

**9% 15-Yr CAGR**

(dollars in trillions)

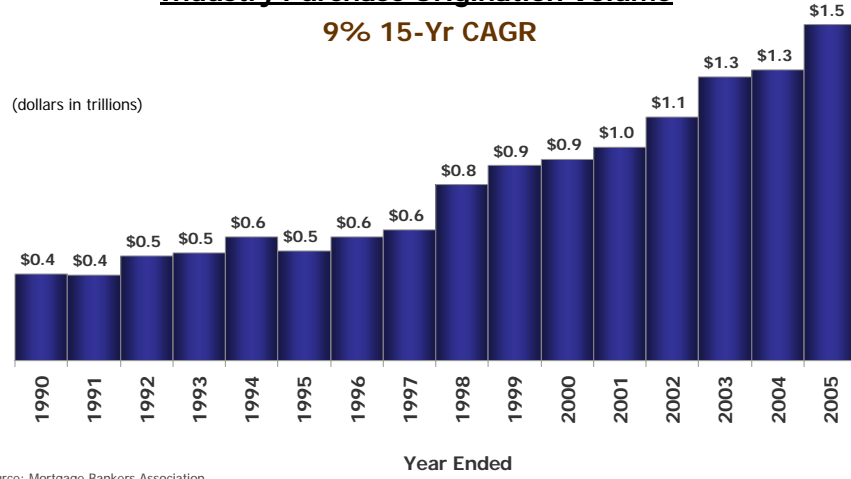


<sup>(1)</sup> Source: Federal Reserve

↳ Mortgage Market Growth is Strong and Stable

**Industry Purchase Origination Volume <sup>(1)</sup>**  
**9% 15-Yr CAGR**

(dollars in trillions)

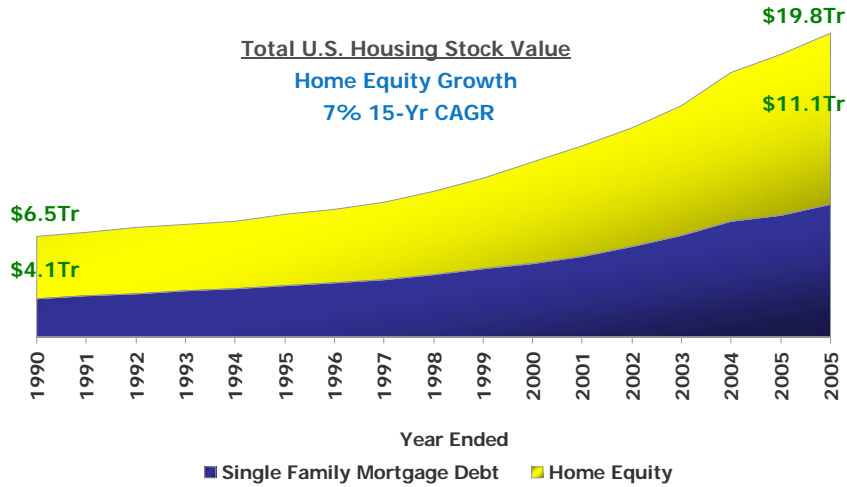


<sup>(1)</sup> Source: Mortgage Bankers Association

↳ Refinance Market Drivers

- Home equity
- ARM resets
- Interest rates

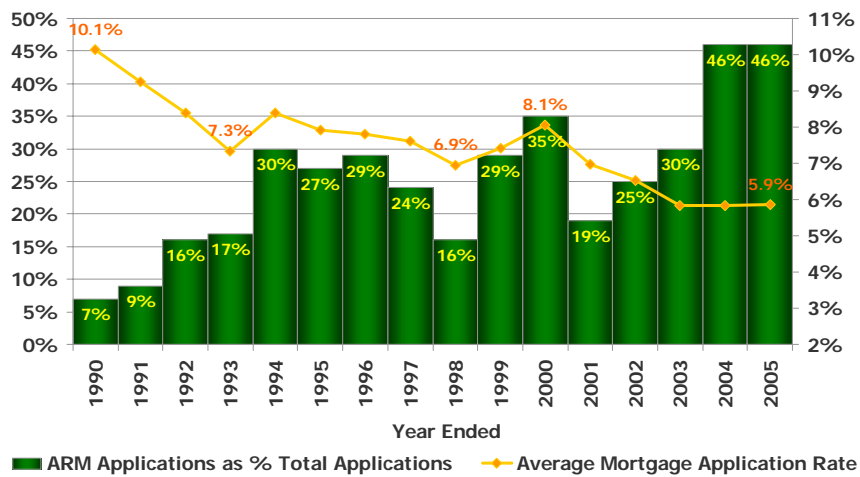
Home Equity Accounts For More Than Half Of Total U.S. Housing Stock  
Ample Cash-Out Refinance & Reverse Mortgage Volume Potential



Source: Federal Reserve

Increased ARM Volume Suggests Higher Baseline Refi Levels In The Future

**Industry ARM Application Activity & Mortgage Rates**

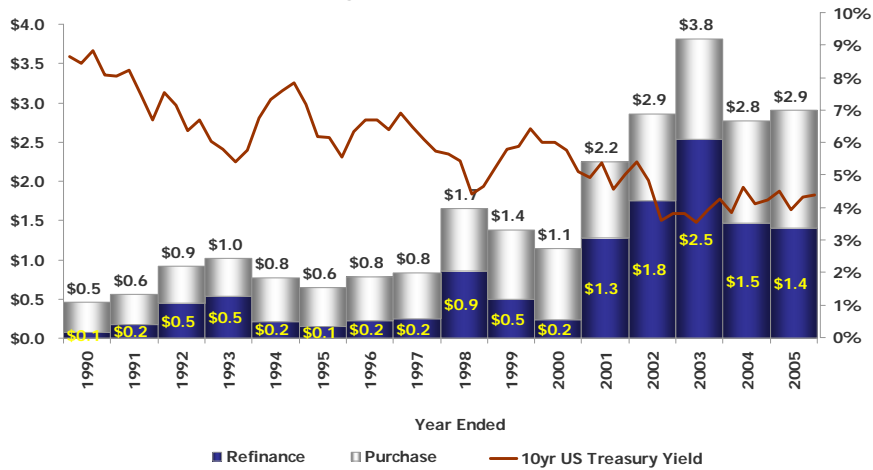


Sources: ARM application activity - Mortgage Bankers Association; Mortgage rates - Freddie Mac

Interest Rate Driven Refinance Booms Periodically Offer Enhanced Growth Opportunities

(dollars in trillions)

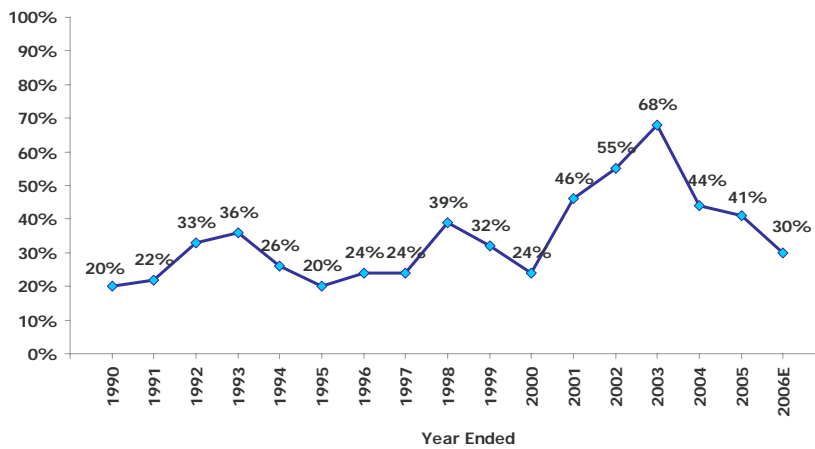
Industry Refinance Volume



Source: Mortgage Bankers Association

Mortgage Debt Outstanding Drives Origination Volume

Mortgage Origination Ratio



Calculated as mortgage origination volume as reported by the MBA for the then current year divided by mortgage debt outstanding as reported by the Federal Reserve for the prior year end; 2006 estimate is based on MBA production estimate for 2006

↳ Outlook For The Housing Market & Mortgage Market Cycle Through 2010

**Implications of MOR in coming years**

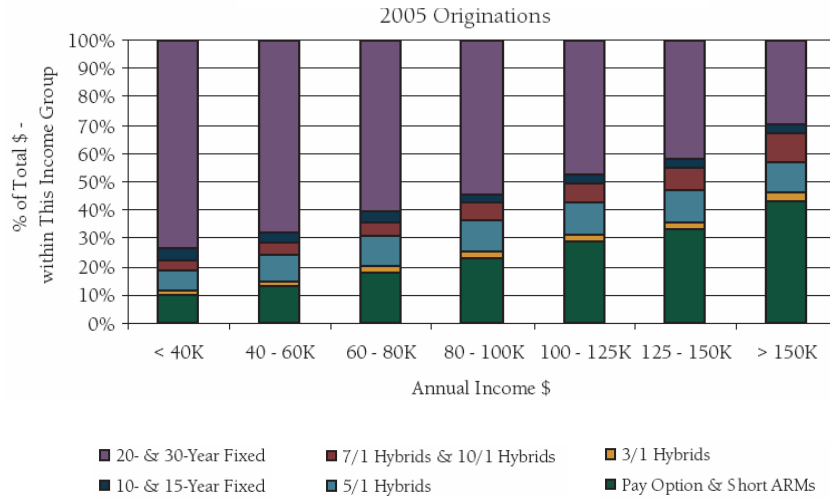
- 2007
  - Assumes an average year (average MOR = 25%)
    - Historical average of 35% between 1990 and 2005 <sup>(1)</sup>
  
- 2008 to 2010
  - 40%+ MOR for any year during this period would surpass 2003's record volume
    - This would be a new industry record

	2007	2008 - 2010					
Mortgage Debt Outstanding (\$ in trillions)	\$10.1 <sup>(2)</sup>	\$11.0			\$12.0		
Estimated Mortgage Origination Ratio ("MOR")	25%	25%	35%	40%	25%	35%	40%
Estimated Origination Volume (\$ in trillions)	\$2.5 <sup>(3)</sup>	\$2.8	\$3.9	\$4.4	\$3.0	\$4.2	\$4.8

<sup>(1)</sup> Source: Represents the average of MOR based on origination volume as reported by the MBA and MDO as reported by the Federal Reserve  
<sup>(2)</sup> Source: 2006 year-end estimate per Fannie Mae  
<sup>(3)</sup> Source: Internal company estimate

↳ Nontraditional Mortgage Products

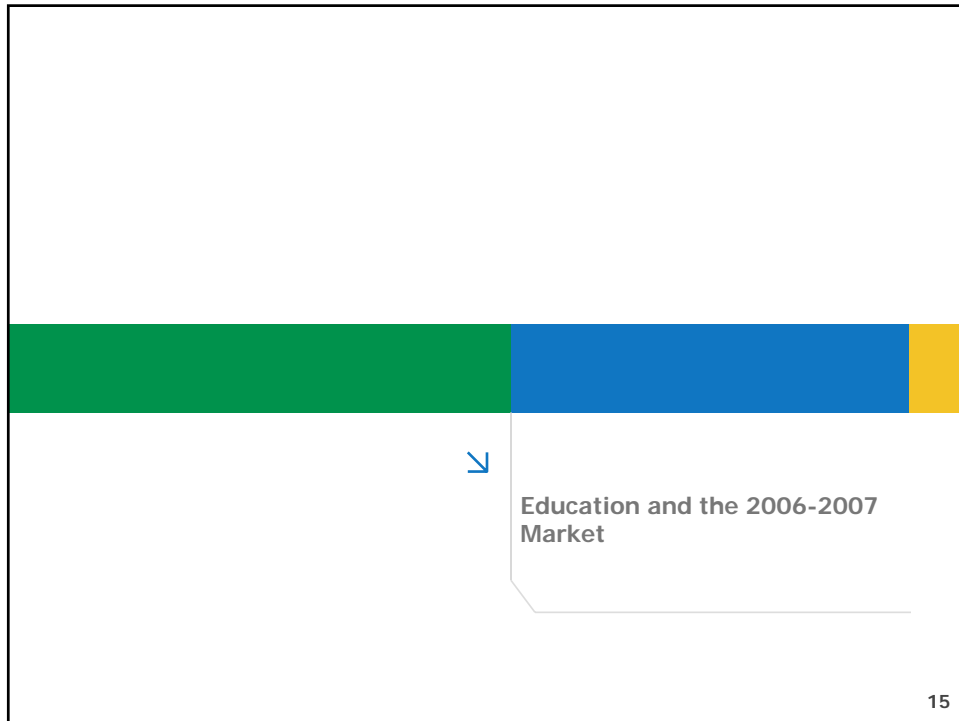
↳ Mortgage Product Choice – by Income Group



Source: Countrywide data – prime 1<sup>st</sup> mortgages

↳ Outlook For Nontraditional Products

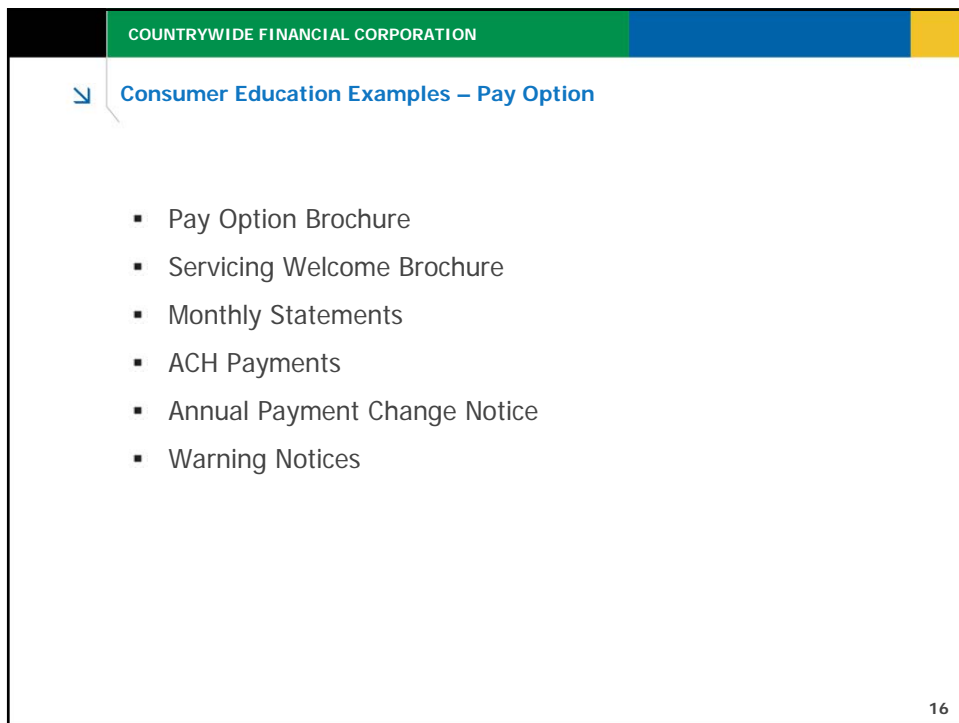
- A function of economic and market conditions
- American Dream continues to burn bright
- “Suitability standards” undermine consumer choice
- Lenders must play a more substantial role in consumer education



Education and the 2006-2007 Market

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This slide features a header bar with three colored segments: green, blue, and yellow. A blue arrow points from the green segment to the text 'Education and the 2006-2007 Market'. The slide number '15' is located in the bottom right corner.



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Consumer Education Examples – Pay Option

- Pay Option Brochure
- Servicing Welcome Brochure
- Monthly Statements
- ACH Payments
- Annual Payment Change Notice
- Warning Notices

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This slide features a header bar with three colored segments: black, green, blue, and yellow. The text 'COUNTRYWIDE FINANCIAL CORPORATION' is centered in the green segment. A blue arrow points from the green segment to the text 'Consumer Education Examples – Pay Option'. Below this is a bulleted list of six items. The slide number '16' is located in the bottom right corner.

↳ A Call To Action

- Educate and inform consumers
- Invest in consumer financial education
- Lower the barriers to homeownership

↳ A Call To Action

- Match housing supply with demand
  - Decrease land use restrictions
  - Update building codes
  - Speed up permitting and inspection processes
- Urge tax policymakers to focus efforts on benefiting broadest group

 **A Call To Action**

- Lobby government officials to fund the development of affordable housing
- Continue efforts to enact FHA reforms
- Provide home finance opportunities to all taxpayers

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 **Disclaimer Slide**

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