

Private Forces Move to the Fore

Doug Duncan

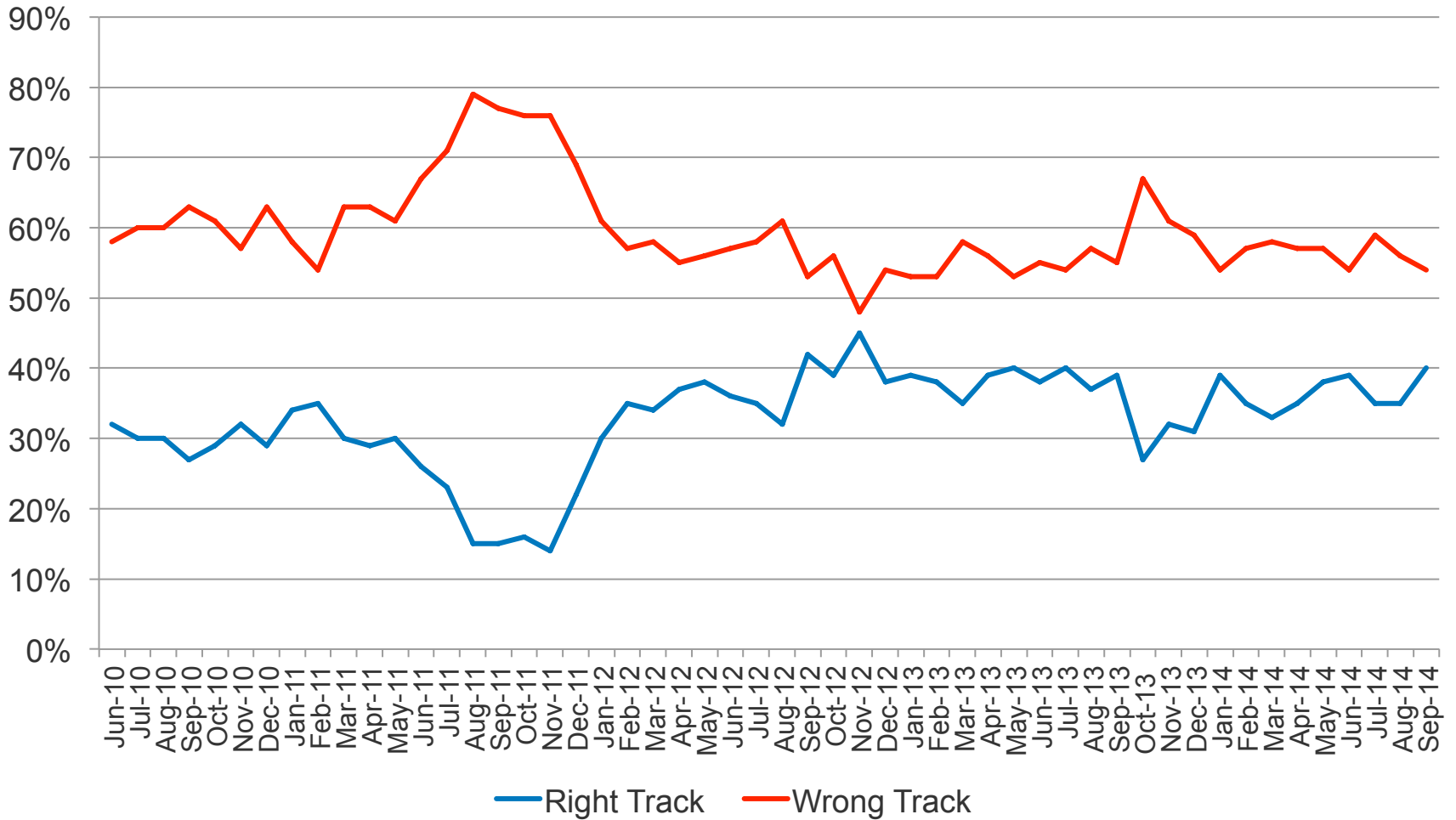
Chief Economist, Fannie Mae

November 5, 2014

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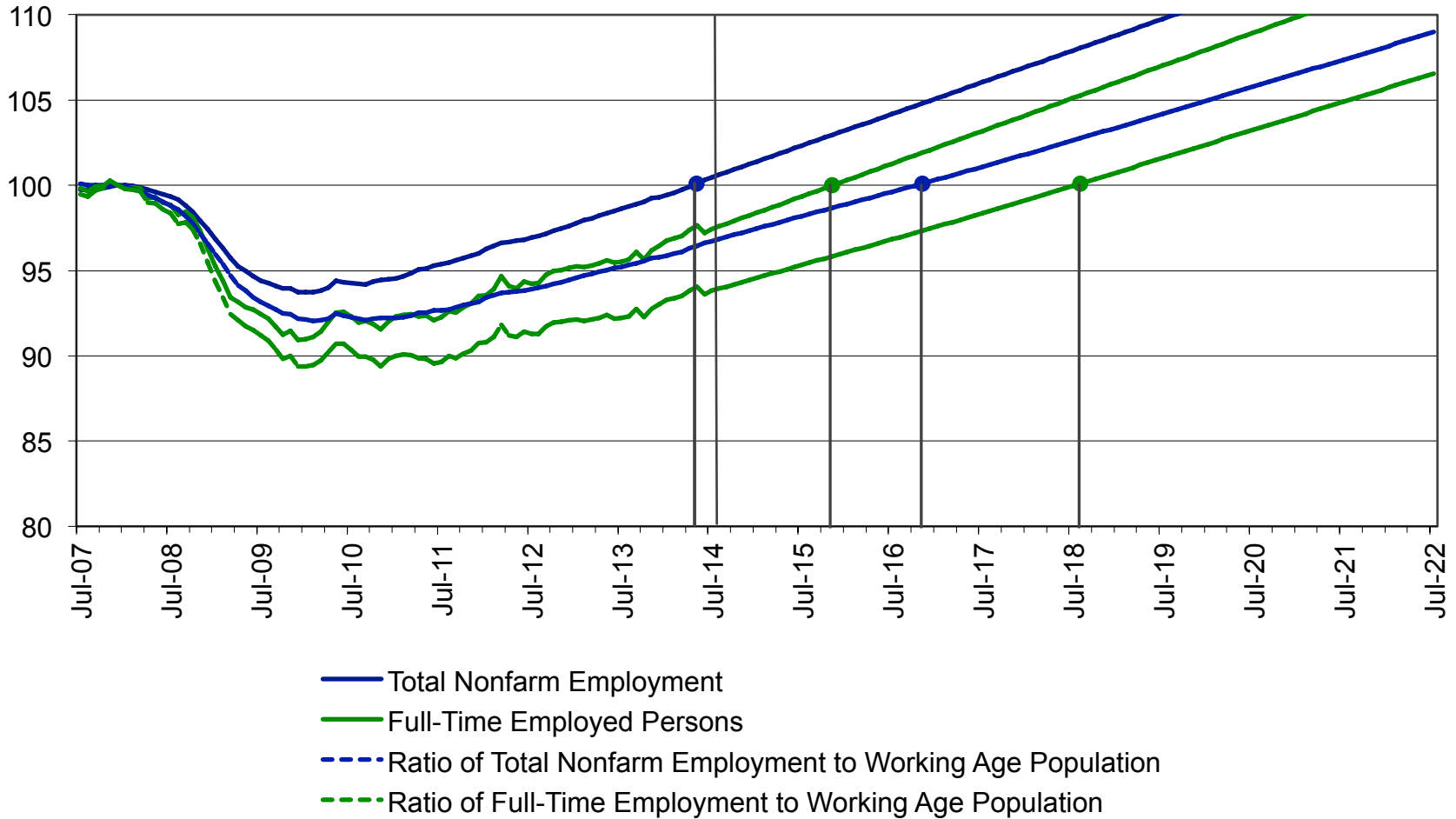
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The Public Are Still Concerned About the Direction of the Economy

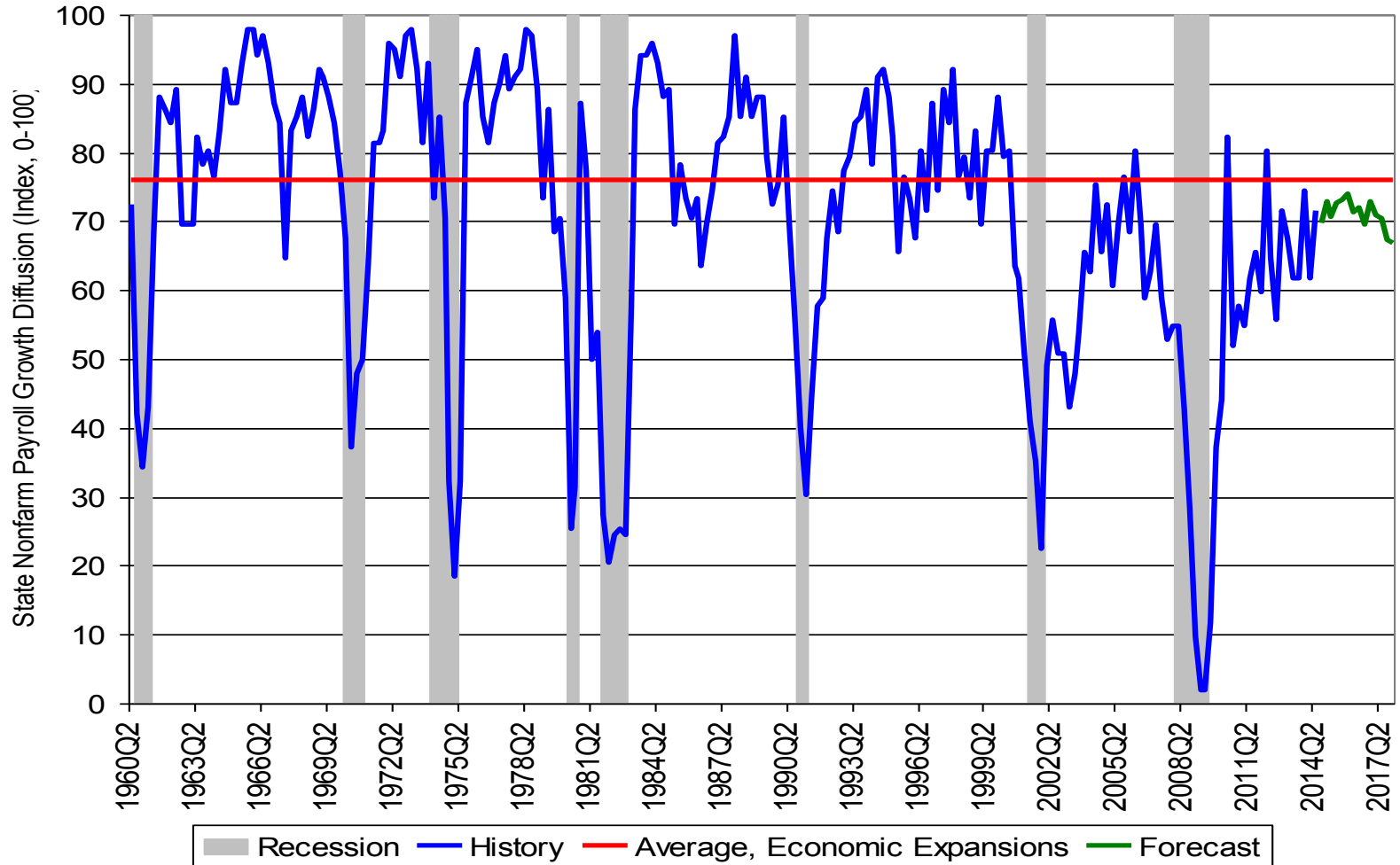


The Recovery of the Full-Time Employment to Working Age Population Ratio Will Be Slow

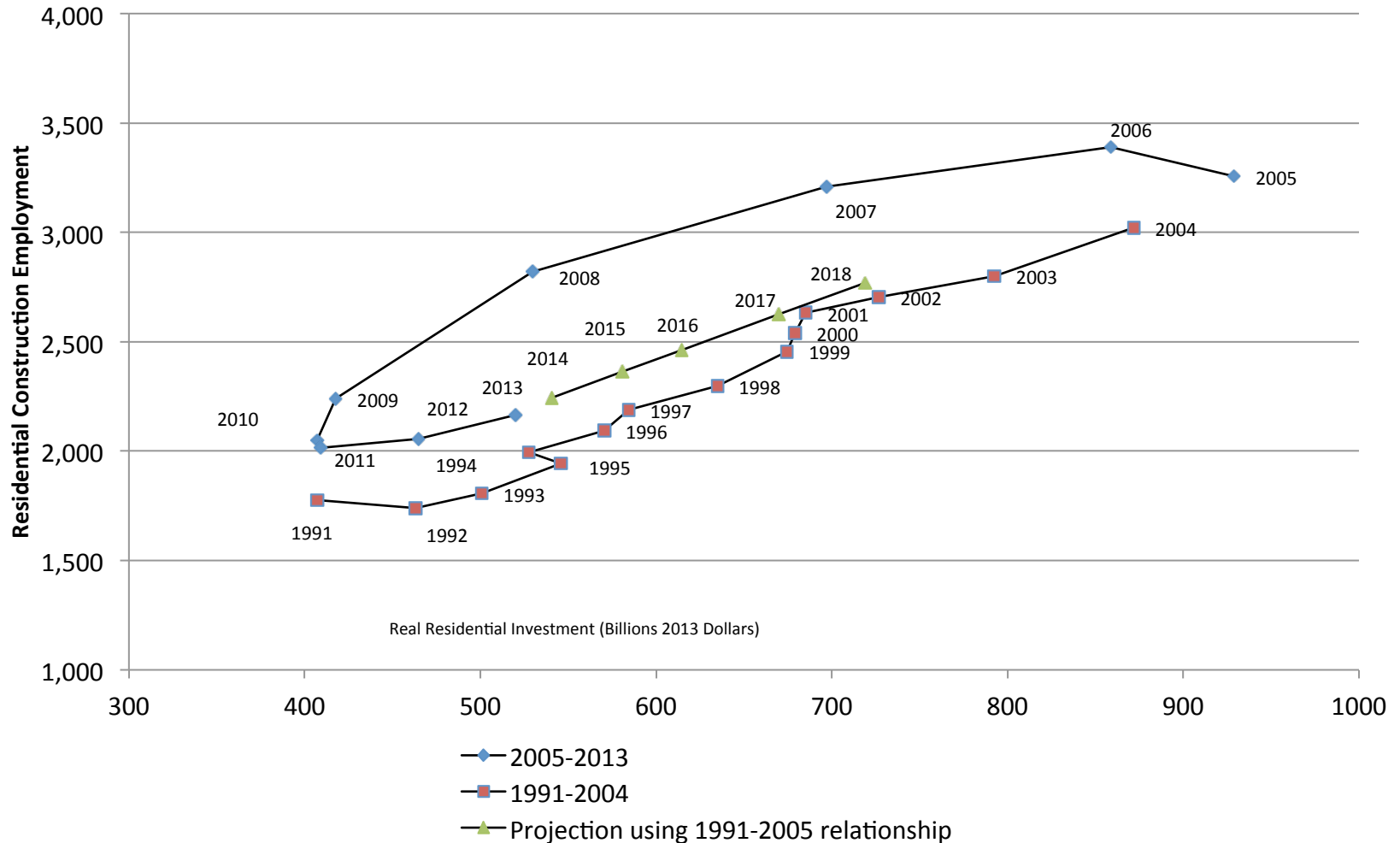
Seasonally Adjusted, December 2007 = 100



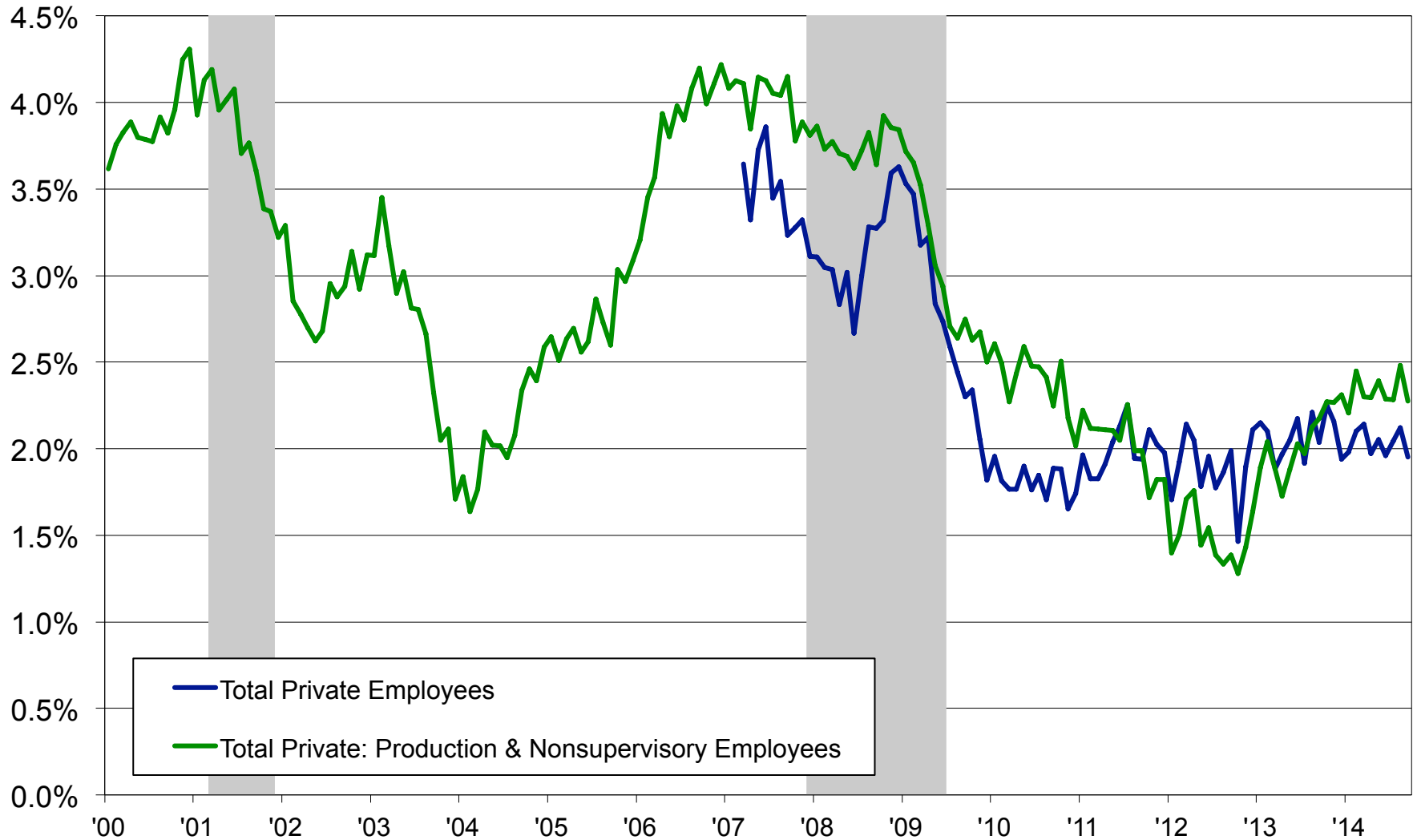
State Level Payroll Growth is More Geographically Concentrated than In Most Prior Recoveries



Even with a Return to a “Normal” Housing Market, Many Lost Residential Construction Jobs Won't Come Back

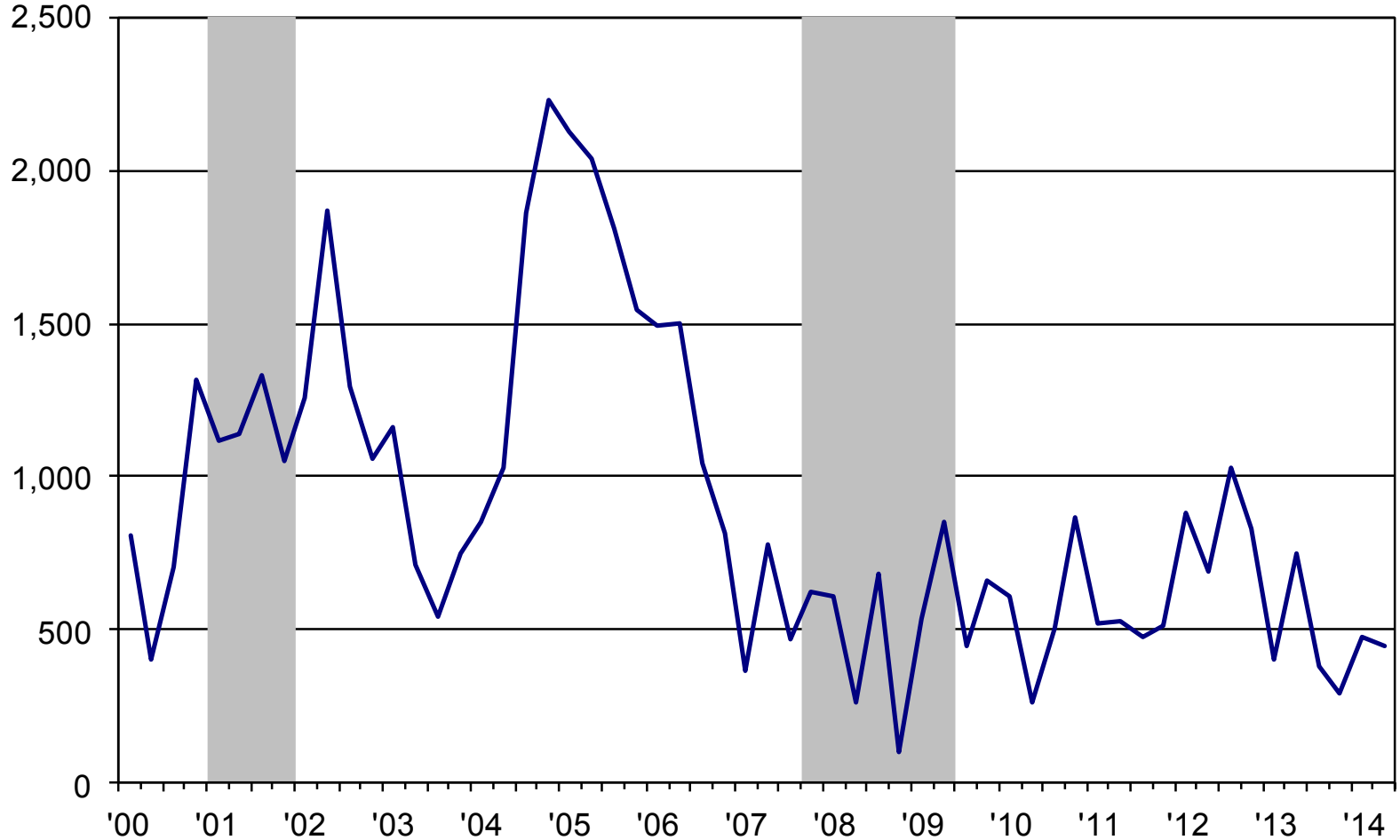


Wage Growth Remains Slow

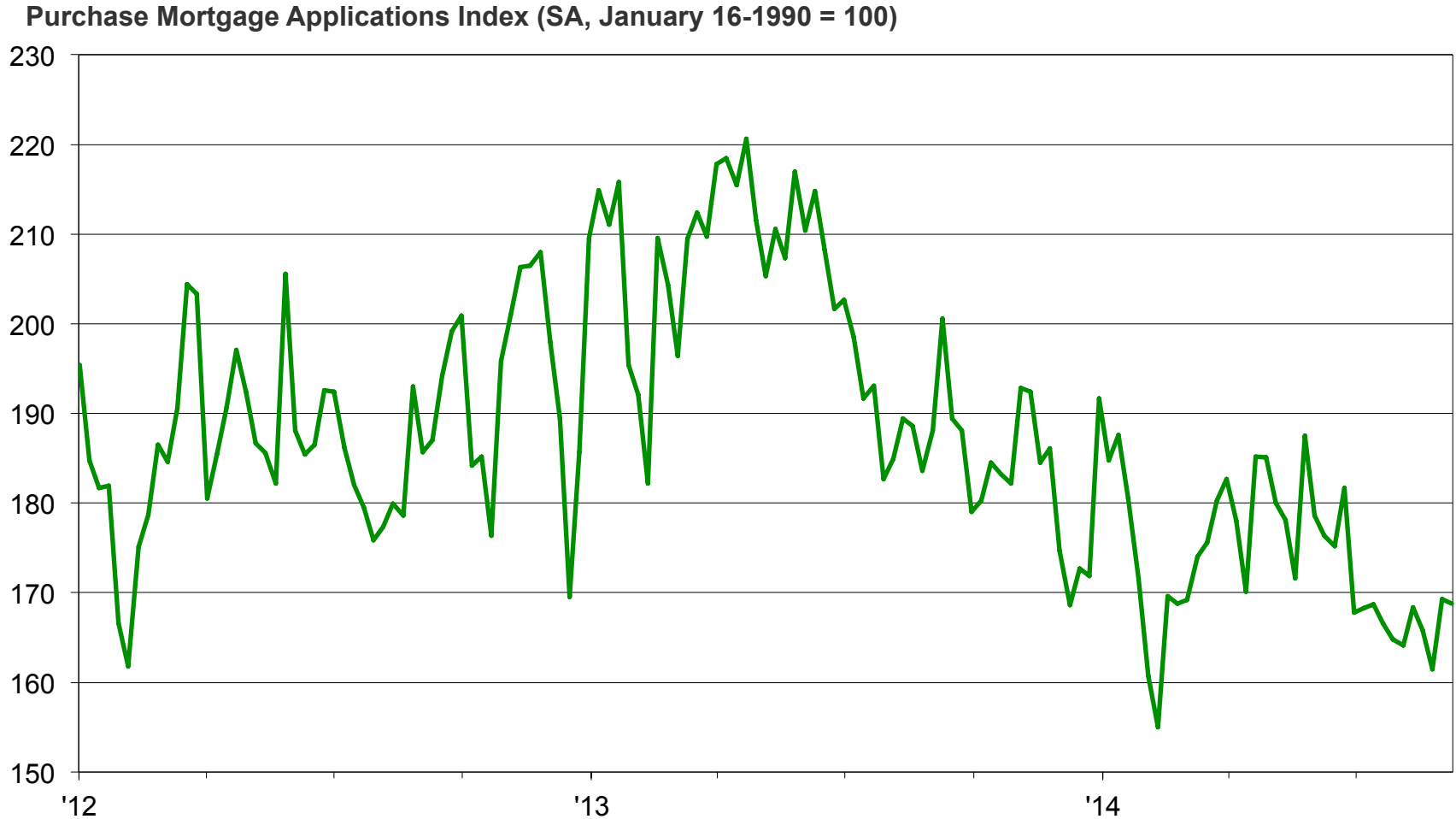


Household Formation Disappoints

Household Formation (Thousands of Households)

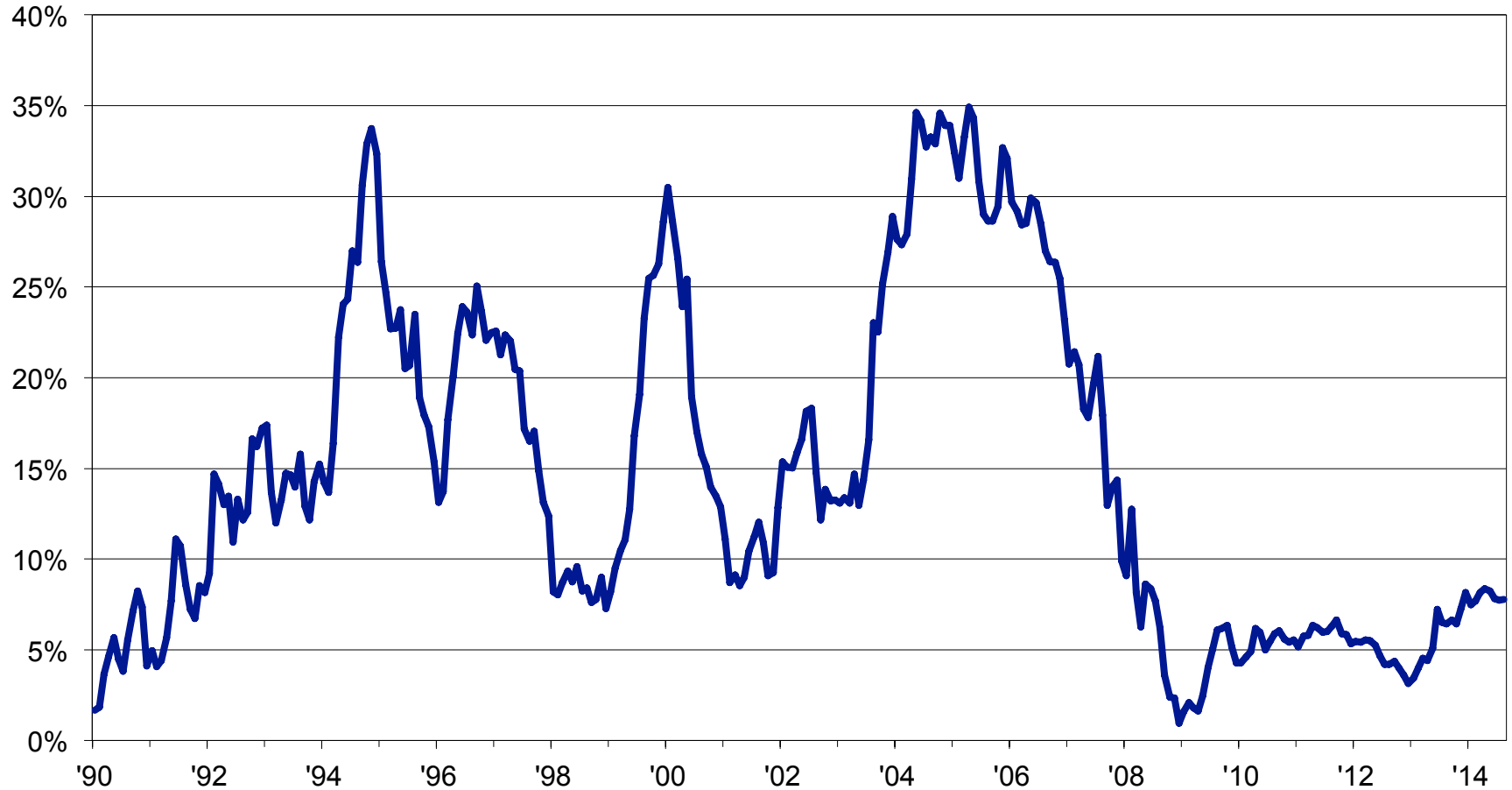


Purchase Mortgage Applications Remain at Low Levels

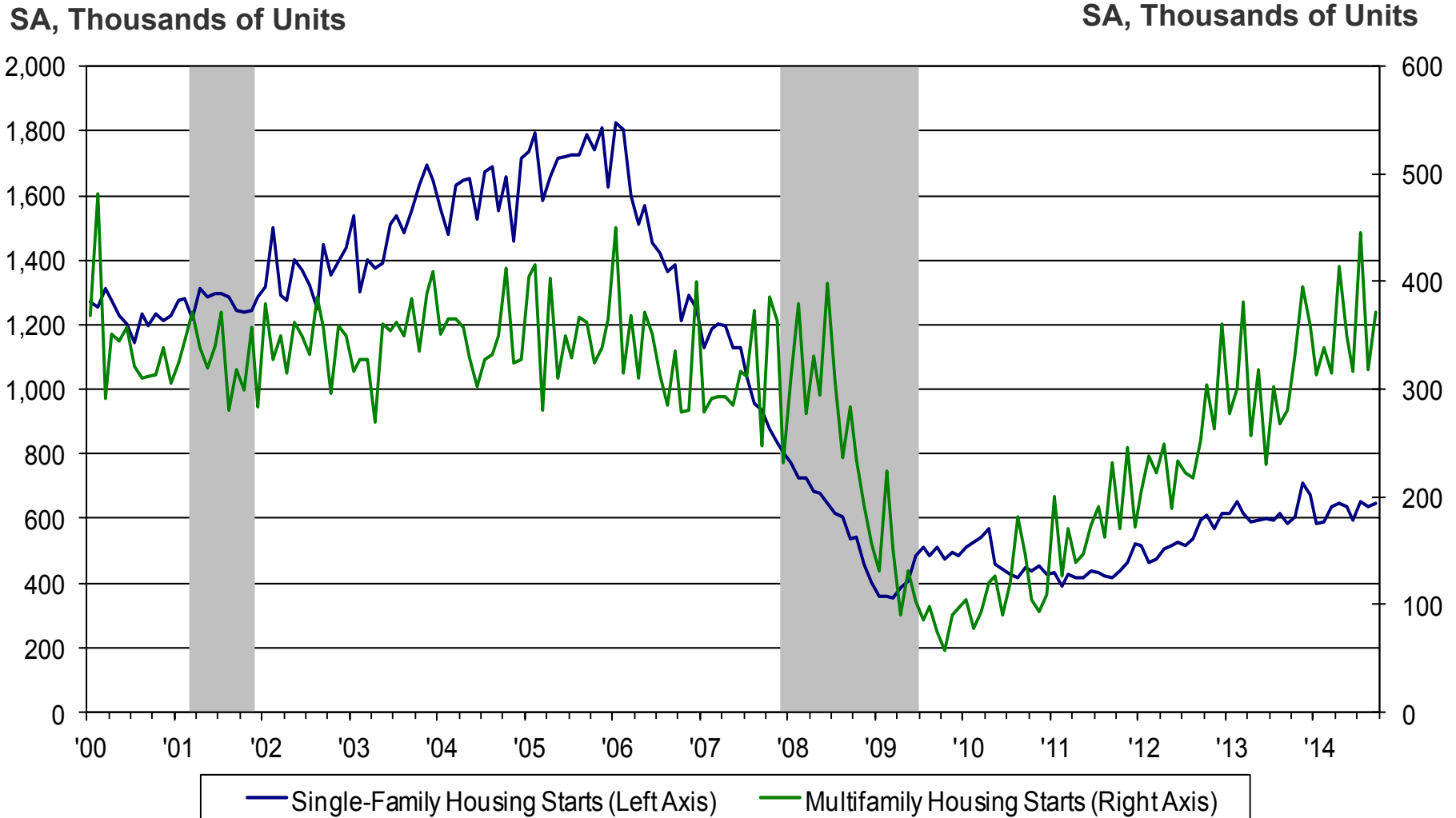


ARM Use Remains Limited Compared to Prior Cycles

ARM Share of Total Mortgage Applications (%)



Both Single-Family and Multifamily Building Had Modest Gains in September

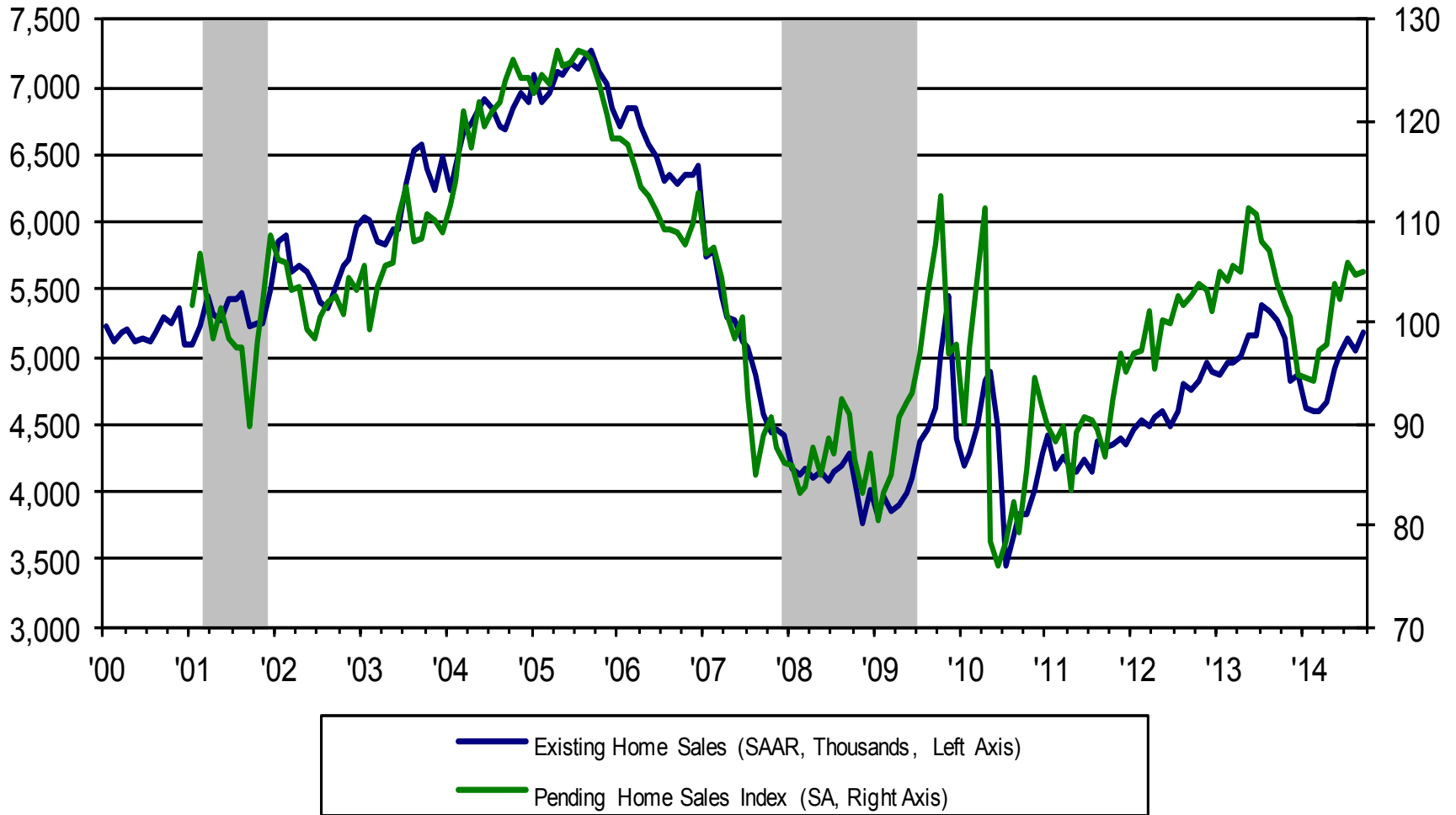


New Home Sales Reached a Six-Year High in September

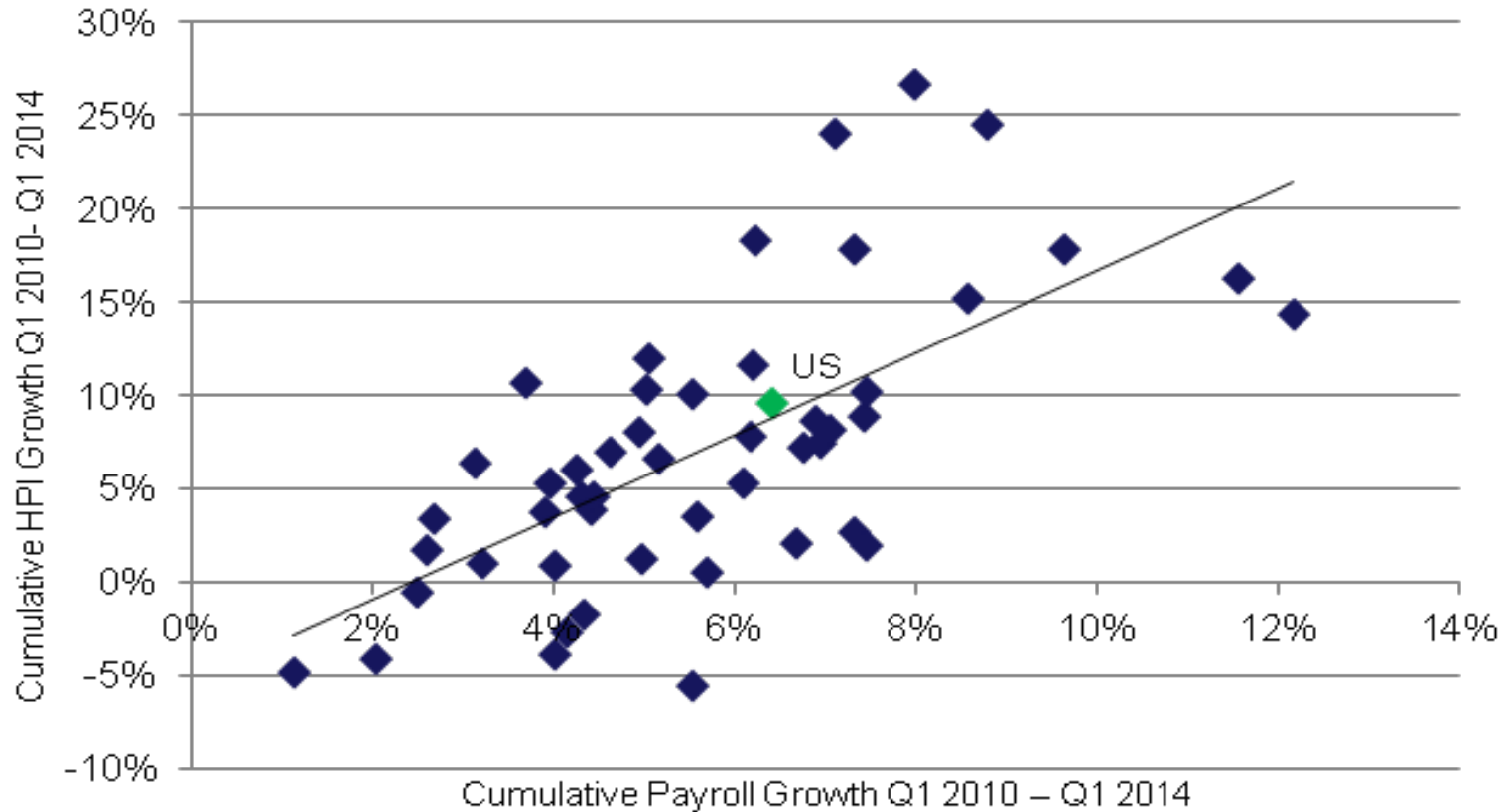
New Single-Family Home Sales (SAAR, Thousands of Units)



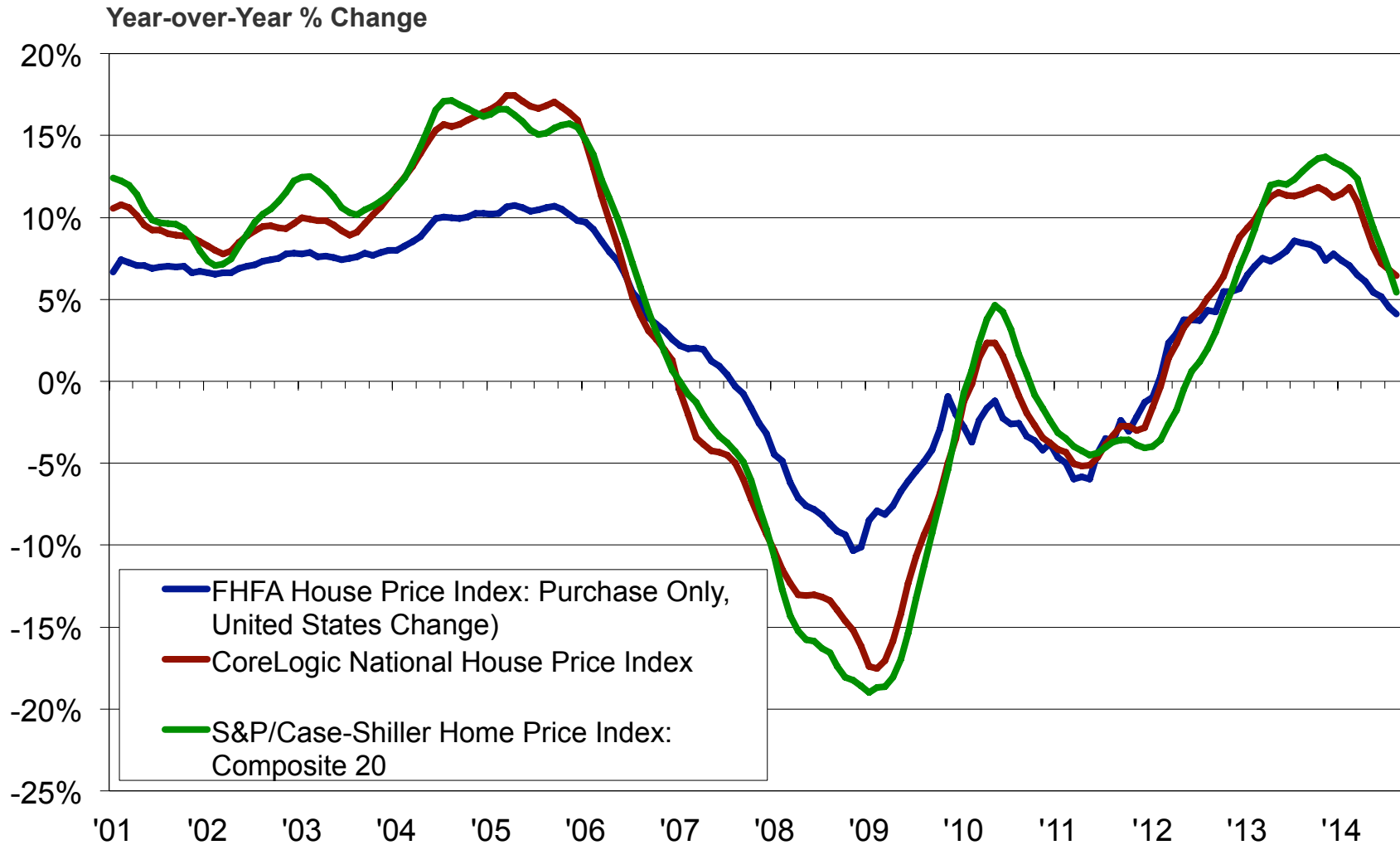
Existing and Pending Home Sales Rise Modestly in September



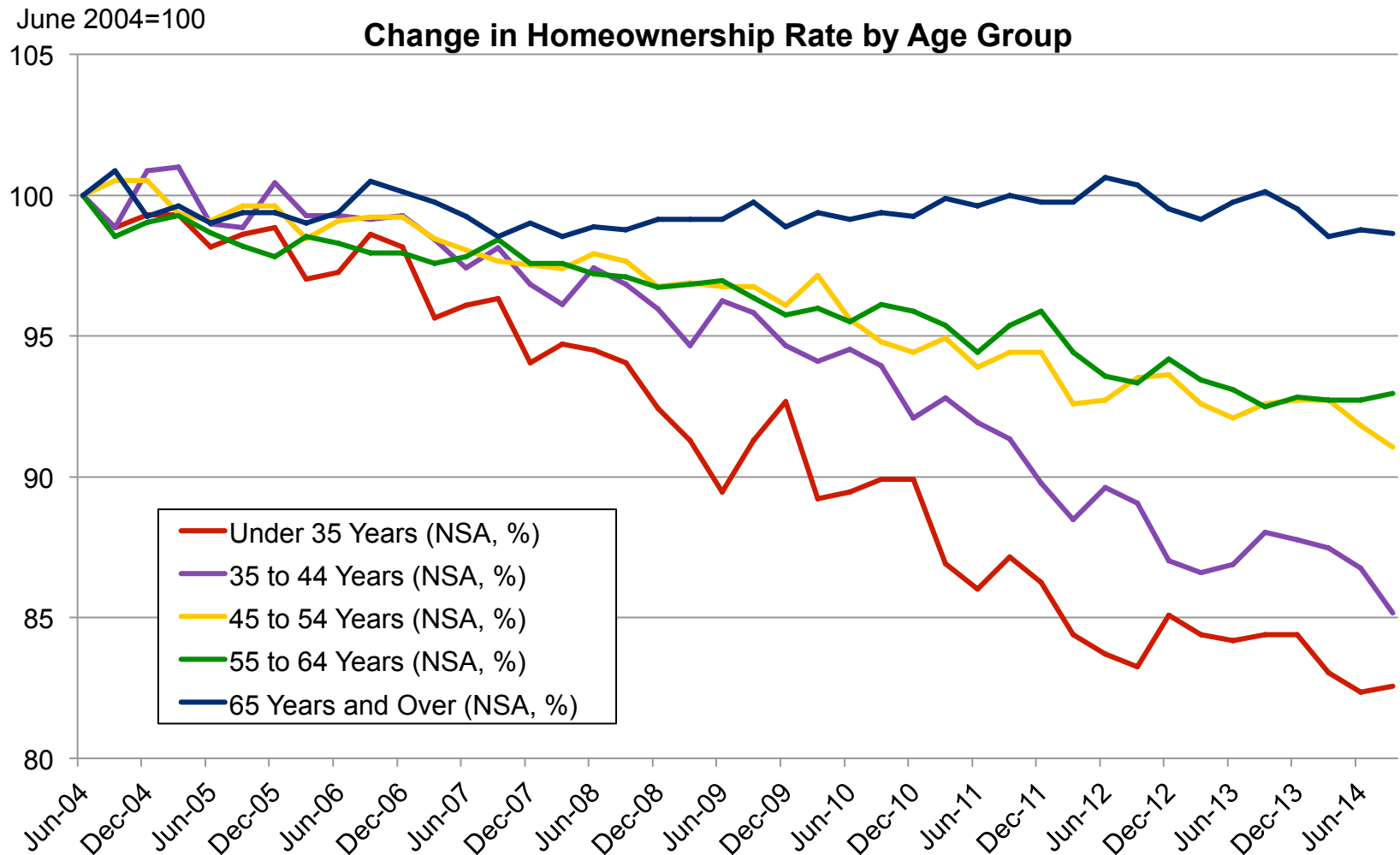
House Price and Payroll Growth are Associated and Vary By State



Major Measures of Home Prices Show Moderating Growth

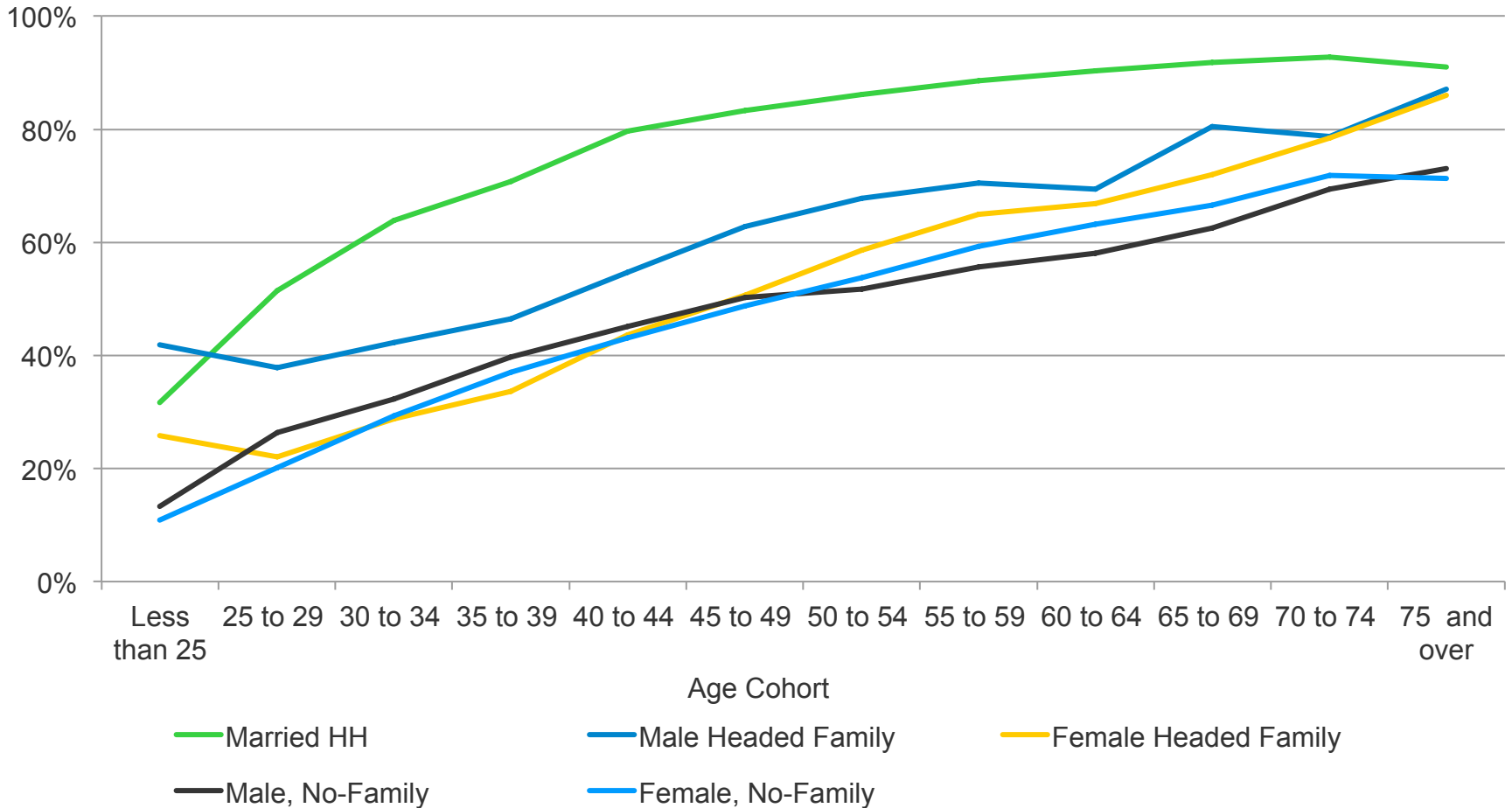


Homeownership Rates Have Declined the Most for the Younger Age Cohorts



Married Households Have A Higher Homeownership Rate Regardless of Age

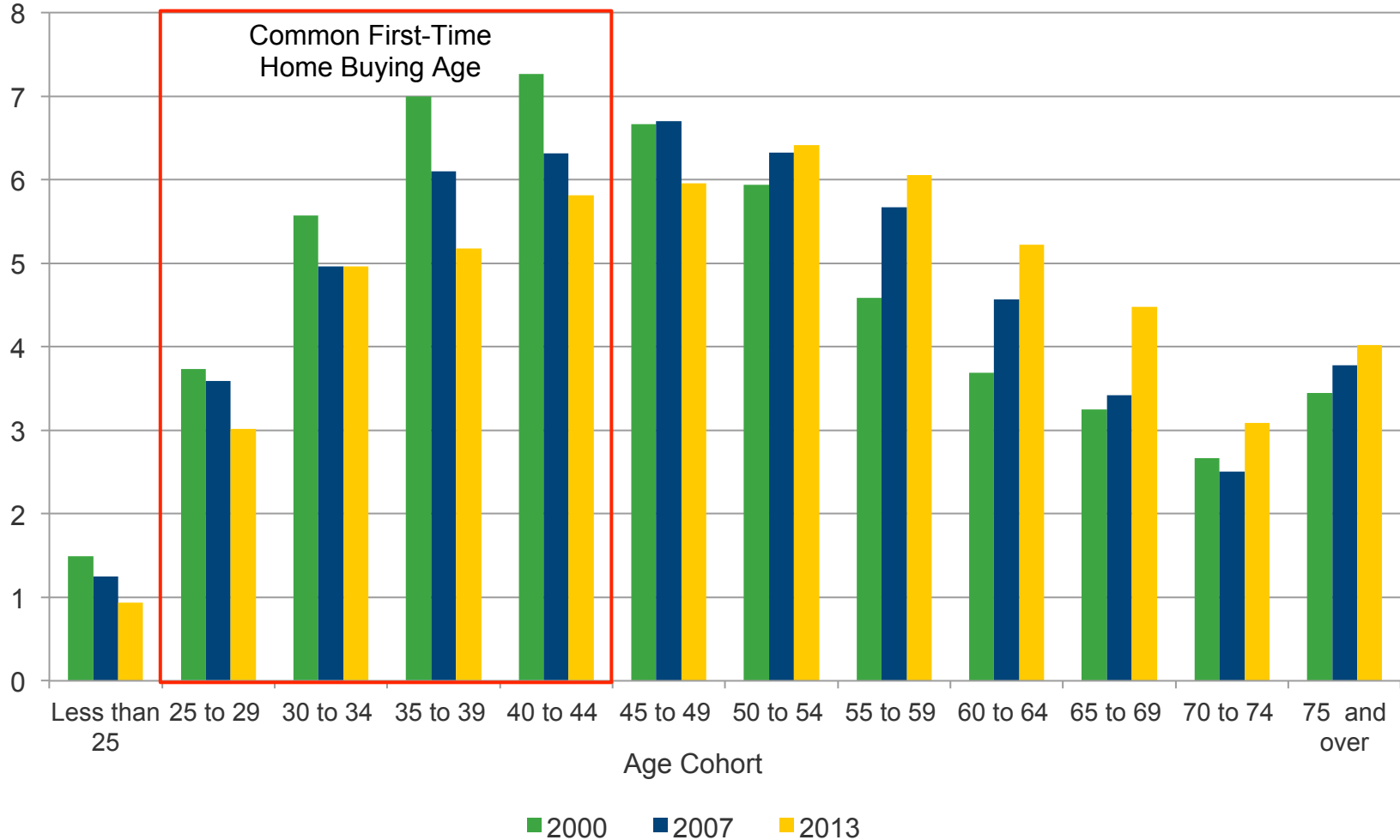
HH Homeownership Rate



*2013 Data

Number of Married Households Declining in Younger Age Cohorts

Millions of HH



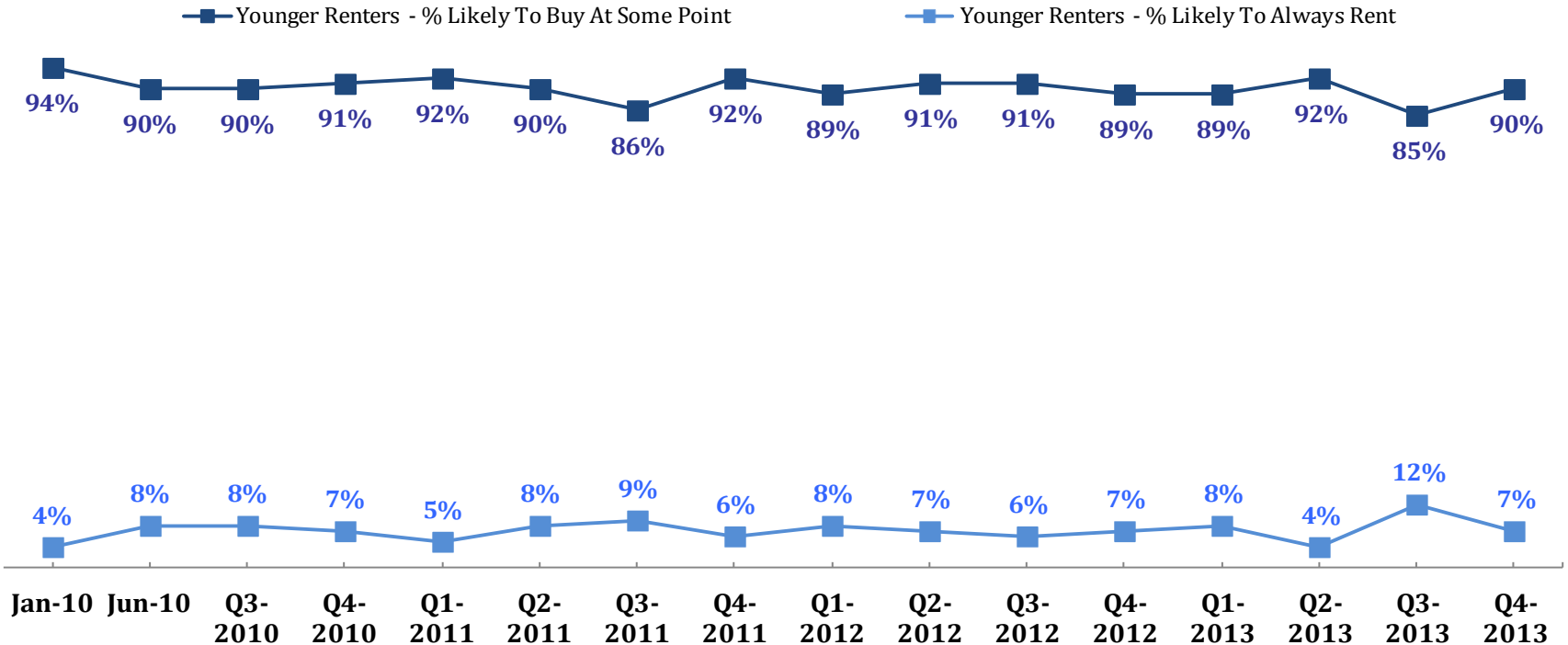
Parents are Generally Supportive of Their Adult Children Living at Home, Though Reasons May Differ

Employment situation for households with...	Adult Children Living at Home Ages 18-22	Adult Children Living at Home Ages 23-34
Parent* full time employed	54%	38%
Adult child full time employed	20%	48%
Please tell me whether you would prefer that [he/she] continues to live in your home or finds alternate living arrangements not in your home.		
I prefer that they continue to live in my home	72%	63%
I prefer that they find alternate living arrangements not in my home	20%	30%

*Employment status for the parent who indicates that they are the “primary financial decision maker” of the household.

The Vast Majority of Younger Renters Still Plan to Buy a Home at Some Point in the Future

Lifetime intentions to own a home among younger renters



Q31. If you were going to move, would you be more likely to: *Rent / Buy*

Q50. [IF Q31=RENT] In the future, are you more likely to: *Always rent / Buy at some point in the future*

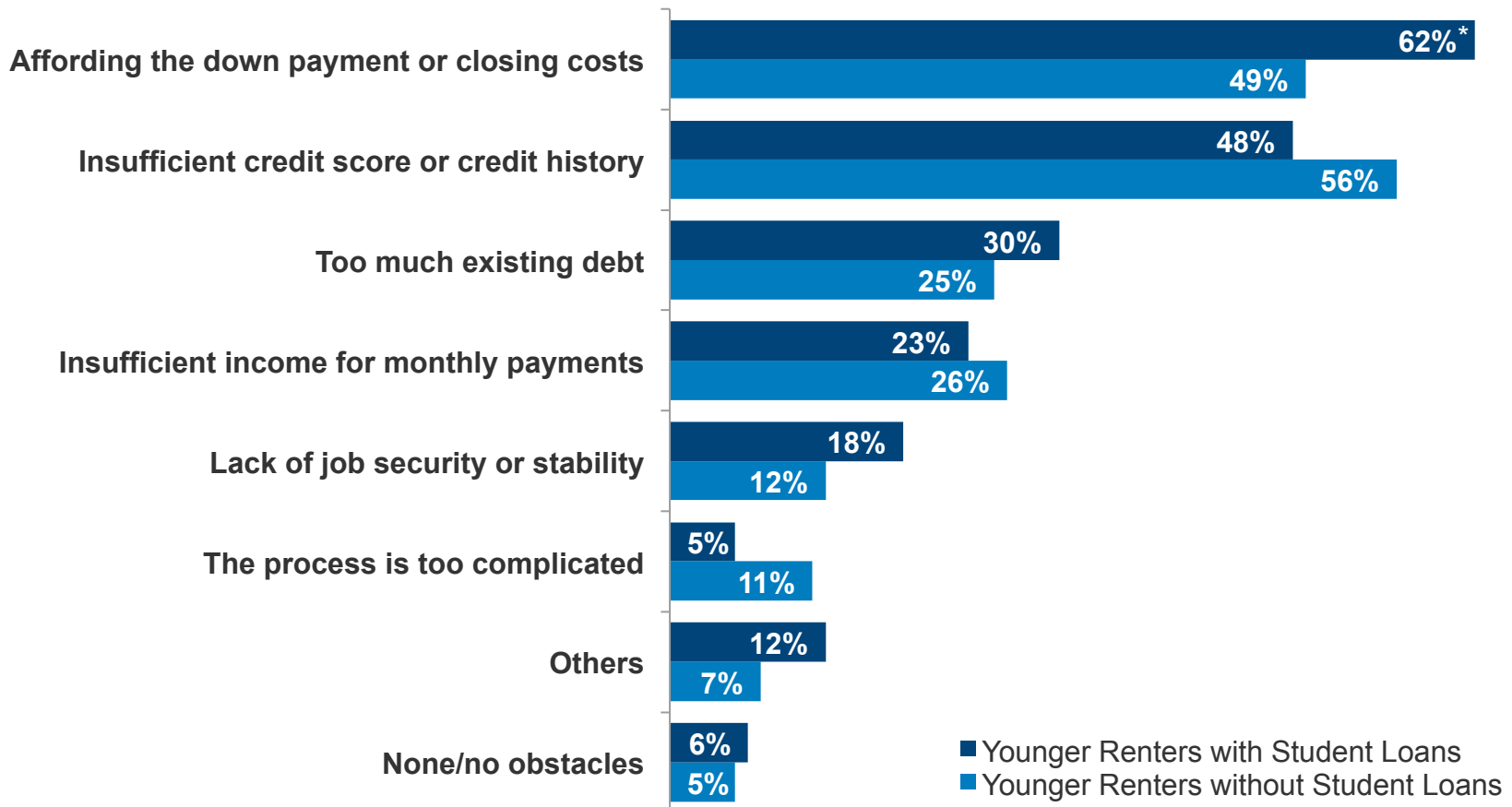
Younger renters likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future

Younger renters likely to always rent: Q50 = Always Rent

Ages 18-39

Younger Renters With Student Loans Cite Affording the Down Payment as Their Biggest Obstacle to Getting a Mortgage, While Those Without Student Loans Cite Insufficient Credit

What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today?
SELECT UP TO 3 - Q3 2014



Ages 25-39

* Denotes a statistically significant difference between younger renters with and without student loans at the 95% confidence level

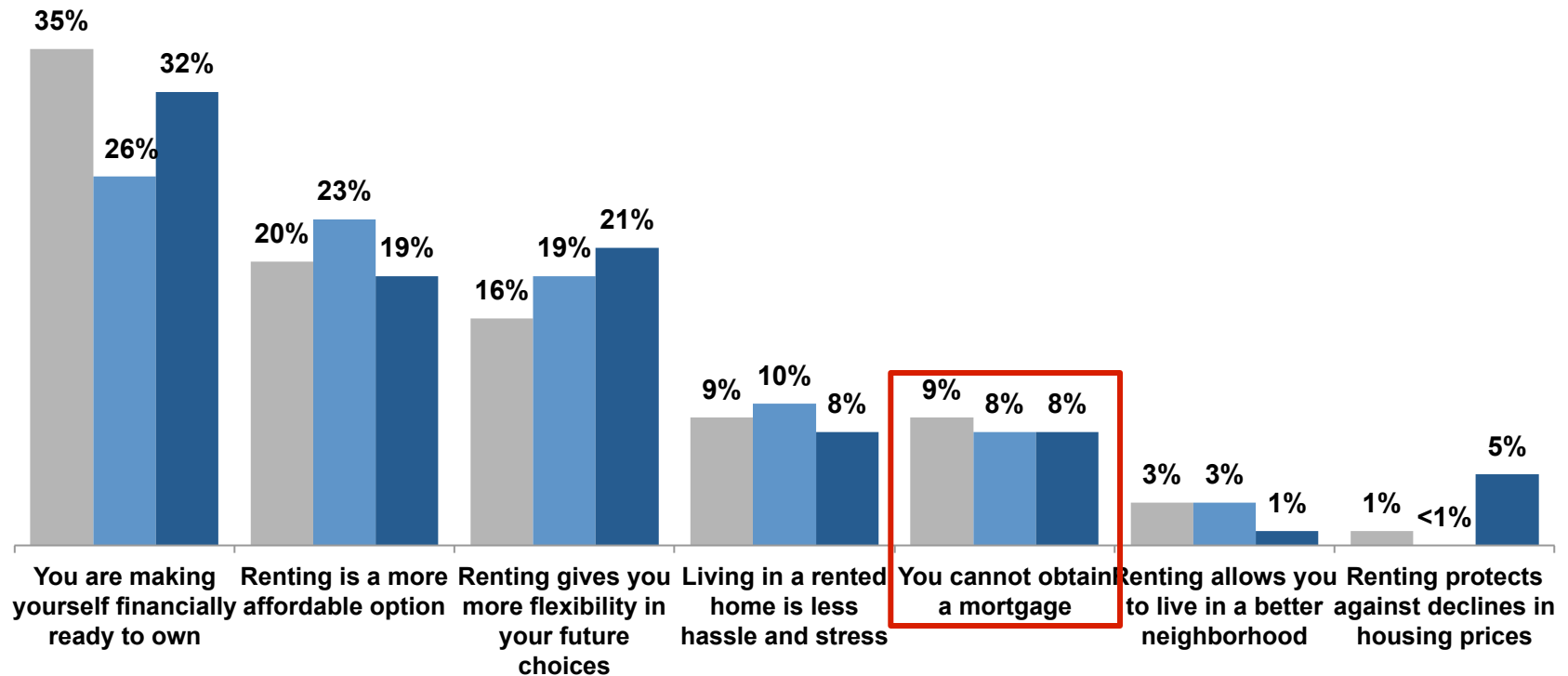
Trouble Accessing Credit is Not the Primary Consideration in the Decision to Continue Renting

What is your primary reason for renting now?

Q3 2012
Younger
Renters

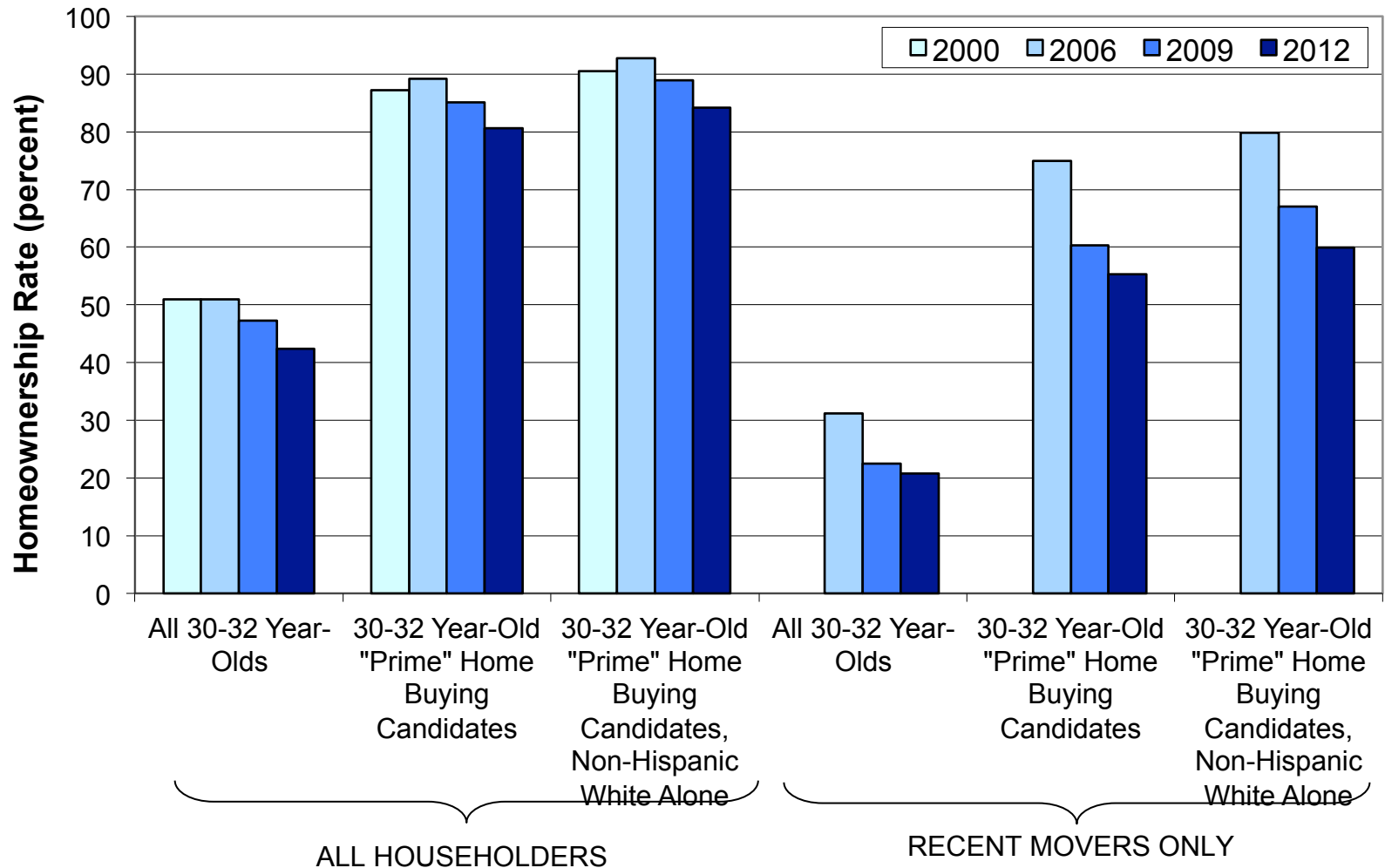
Q3 2013
Younger
Renters

Q3 2014
Younger
Renters



Ages 18-39

Homeownership Has Fallen Even Among Young Adults who are “Prime” Home Buying Candidates

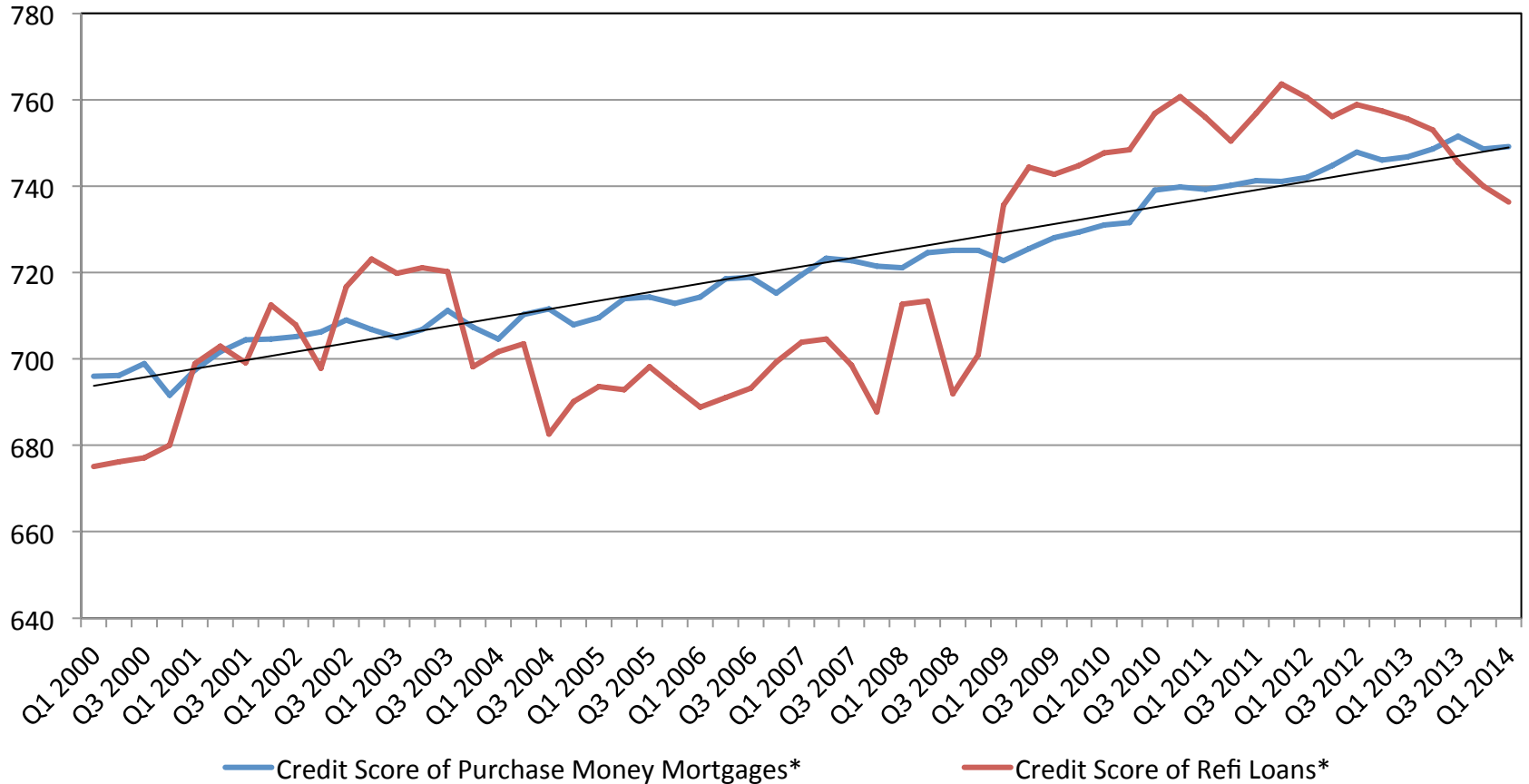


Prime first-time home buying candidates are defined as upper income households with householders in their early 30s who have college educations and are married with children.

Market-Wide Credit Scores For Purchase And Refinance Loans

Purchase Scores at Long-Term Trend

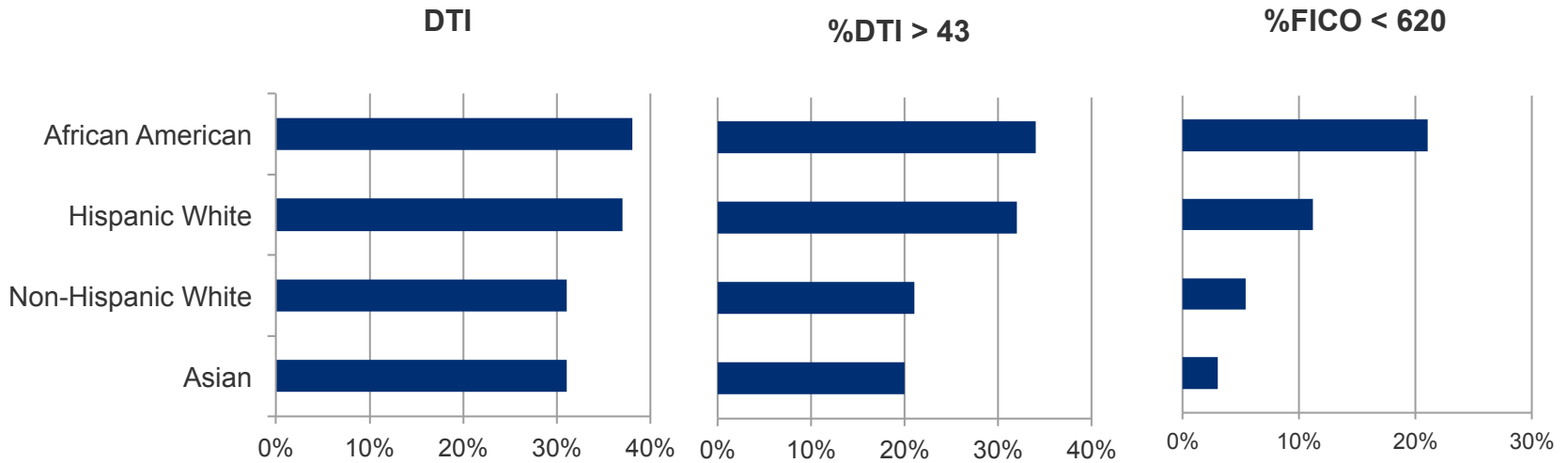
Average Credit Score



* Credit scores are calculated as a weighted average of the entire mortgage market based on loan balance at origination for the segment indicated; Investor weights applied to adjust for CoreLogic's uneven coverage by investor.

Income and House Prices are Impediments to Expanding Access to Credit For Minorities With Lower Homeownership Rates

2010 Government and Conventional 1st Lien Owner-Occupied Purchase Mortgages



- Mortgage credit has been expanded among historically underserved minorities to the point where approved borrower profiles are weaker (FICO and DTI).
- In wake of crisis, policy makers and lenders have focused on DTI being below 43 percent as the primary tool to measure ability to pay. There is an exception for GSE and government loans.
- Today, DTI is the key constraint on expanding approvals for minority homebuyers.
- DTI is a function of incomes, house prices, non-mortgage debt, and interest rates, factors that Fannie Mae cannot control.

Speaker Biography

Douglas G. Duncan is Fannie Mae's Senior Vice President and Chief Economist. He is responsible for managing Fannie Mae's Economic & Strategic Research Group and oversees corporate strategy. In this leadership role, Duncan provides all economic, housing, and mortgage market forecasts and analyses, and serves as the company's thought leader and spokesperson on economic and mortgage market issues.

Prior to joining Fannie Mae, Duncan was Senior Vice President and Chief Economist at the Mortgage Bankers Association. His experience also includes service as a LEGIS Fellow and staff member with the Committee on Banking, Finance, and Urban Affairs for Congressman Bill McCollum in the U.S. House of Representatives, and work on the Financial Institutions Project at the U.S. Department of Agriculture. He has been elected to the Board of Directors for the National Association of Business Economists, is a member of the American Economics Association and the American Real Estate and Urban Economics Association, and is past president of the Housing Statistics Users Group.

Named one of Bloomberg / BusinessWeek's 50 Most Powerful People in Real Estate and one of Inman News' 100 Most Influential Real Estate Leaders for 2013, Duncan is a frequent speaker on national and state economic, housing, and mortgage market conditions.

Duncan received his Ph. D. in Agricultural Economics from Texas A&M University and his B.S. and M.S. in Agricultural Economics from North Dakota State University.



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