

Surviving the Mortgage Crisis

October Research's
National Settlement Services Summit

June 17-18, 2008 – Cleveland, OH

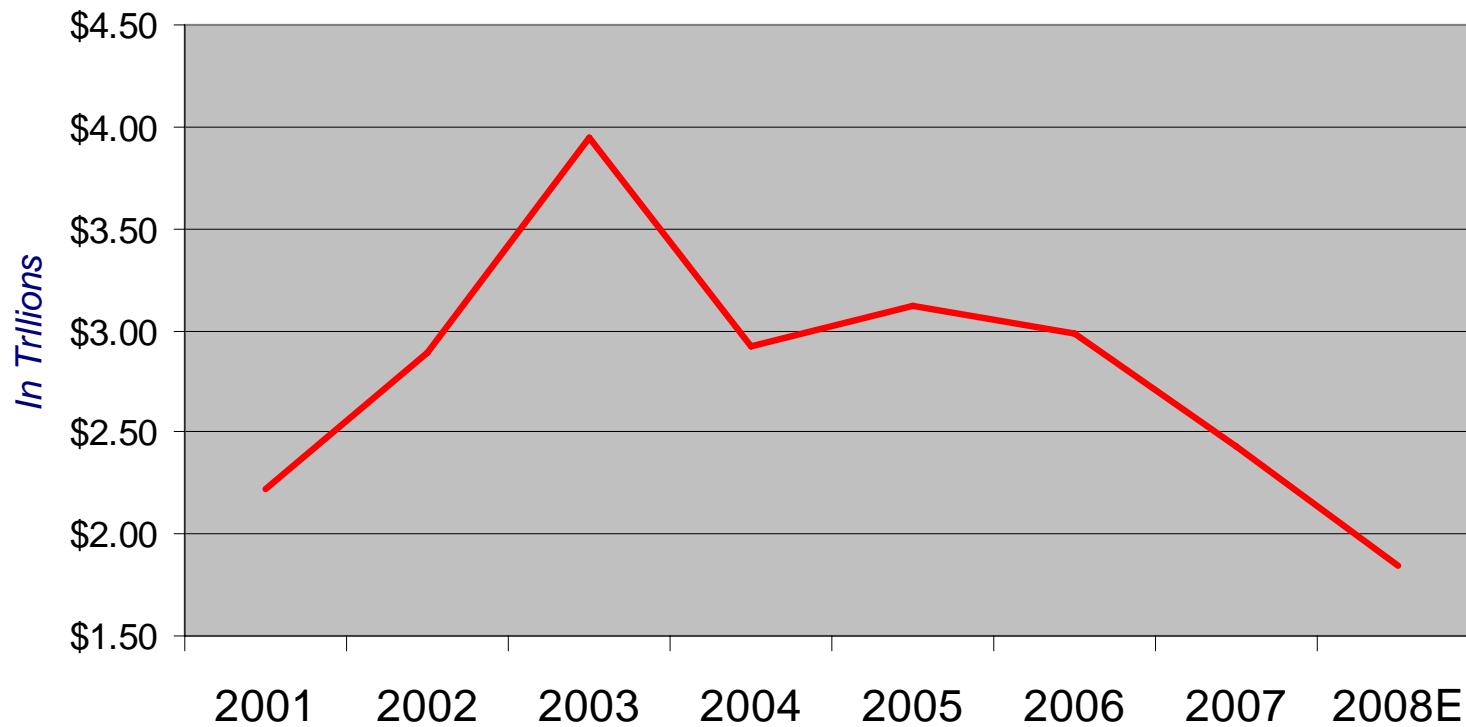
Guy Cecala

CEO & Publisher



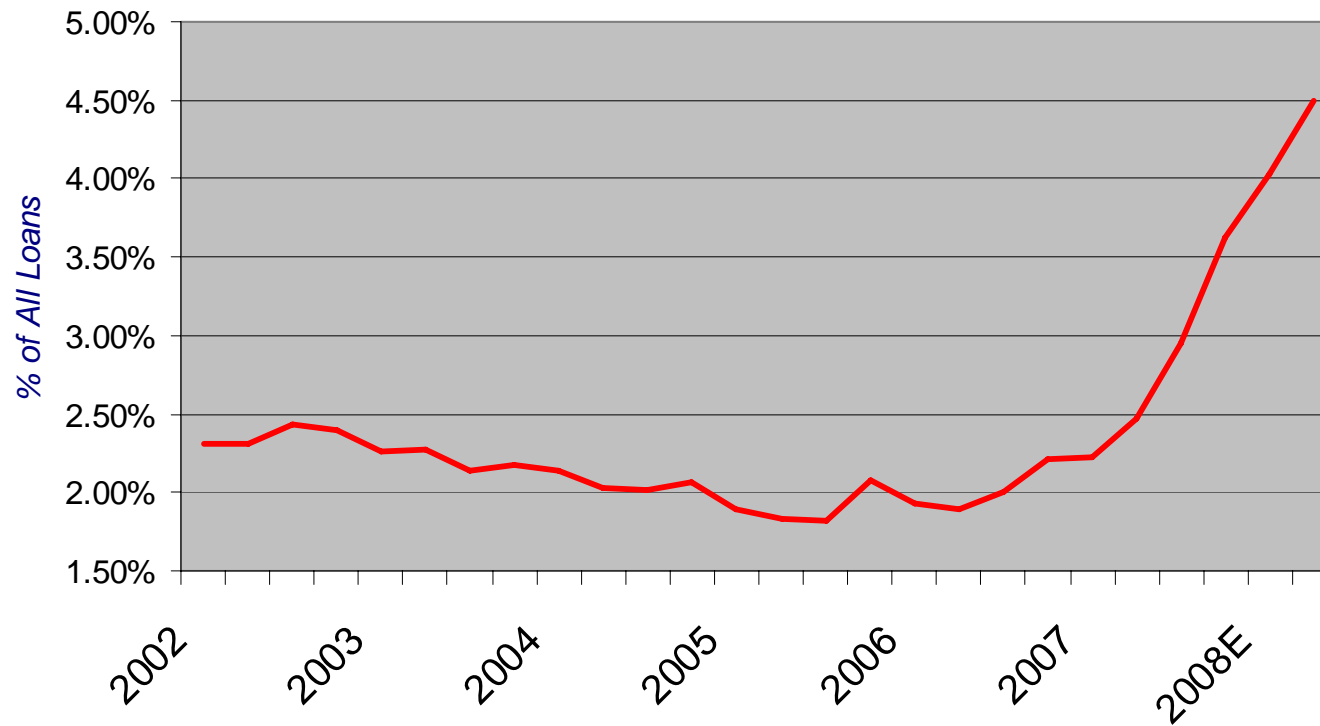
Outlook for the mortgage market...

Mortgage Originations by Year



Remains pretty bleak

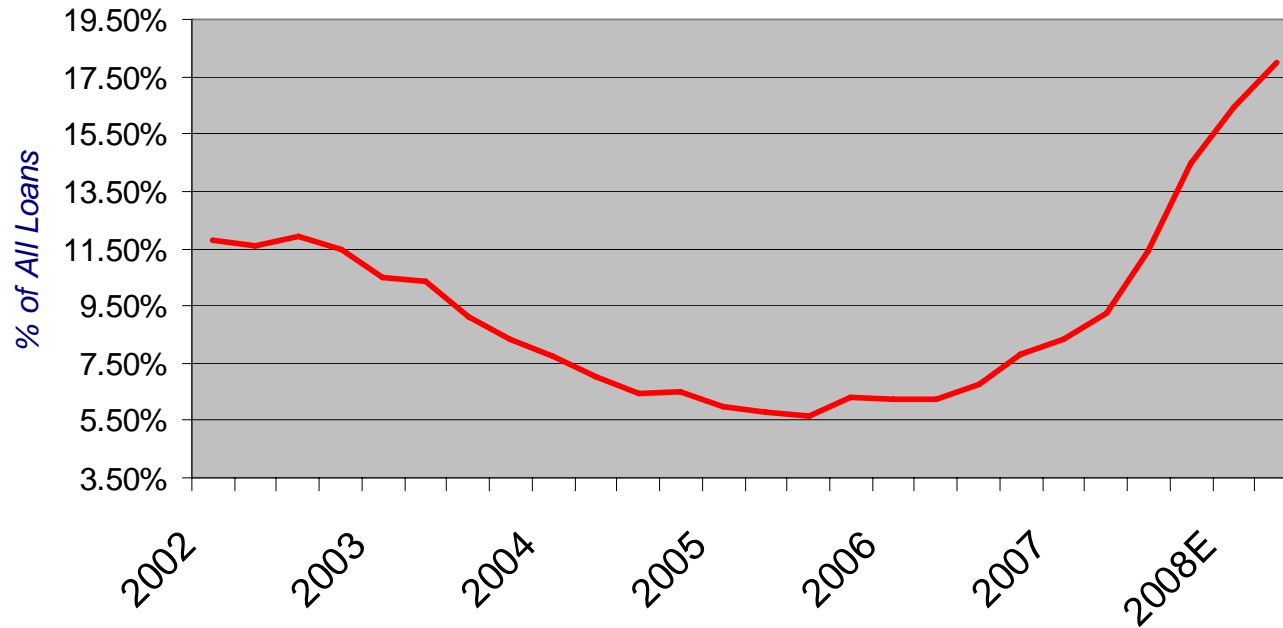
Serious Mortgage Delinquencies



Source: MBA National Delinquency Survey

But bulk of problems in subprime sector

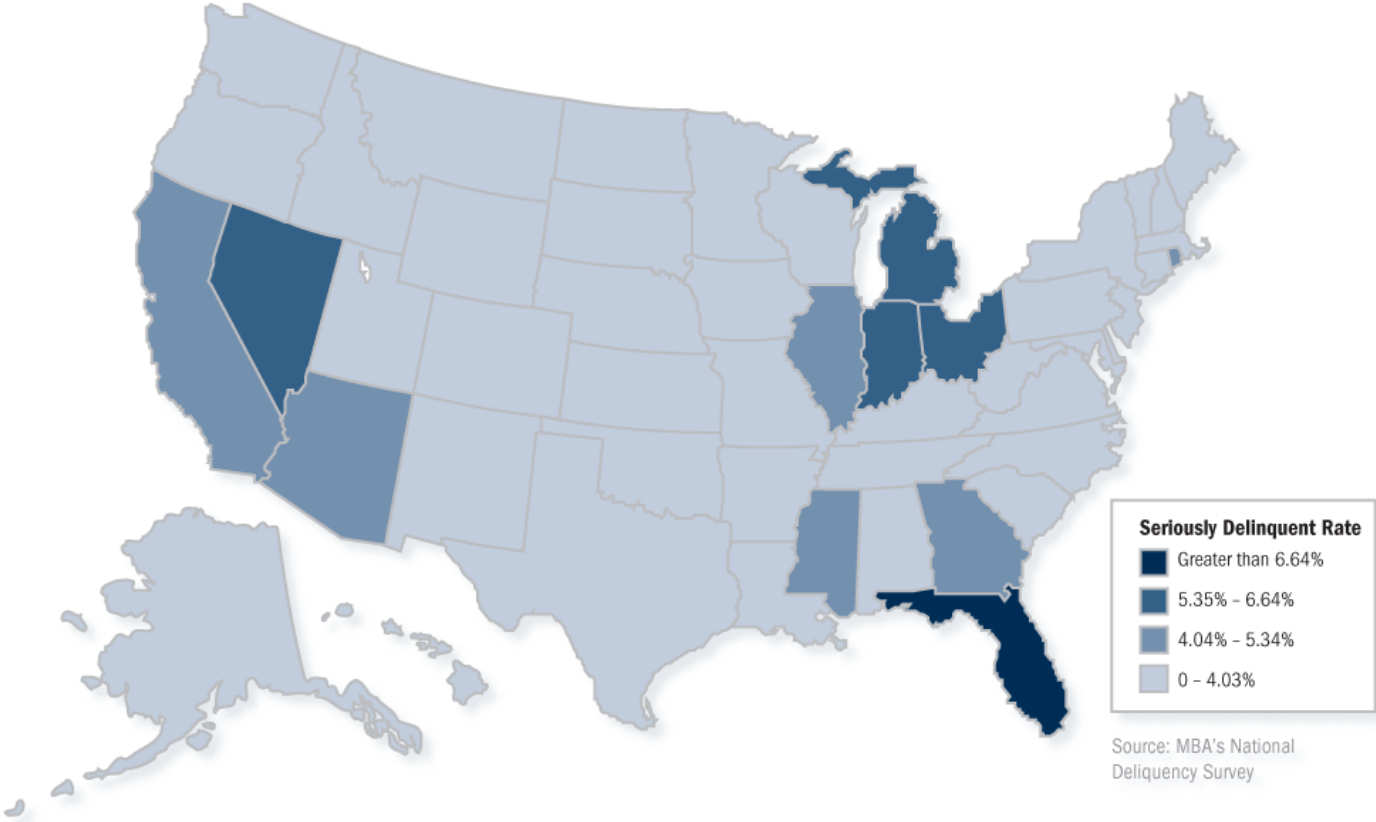
Serious Subprime Mortgage Delinquencies



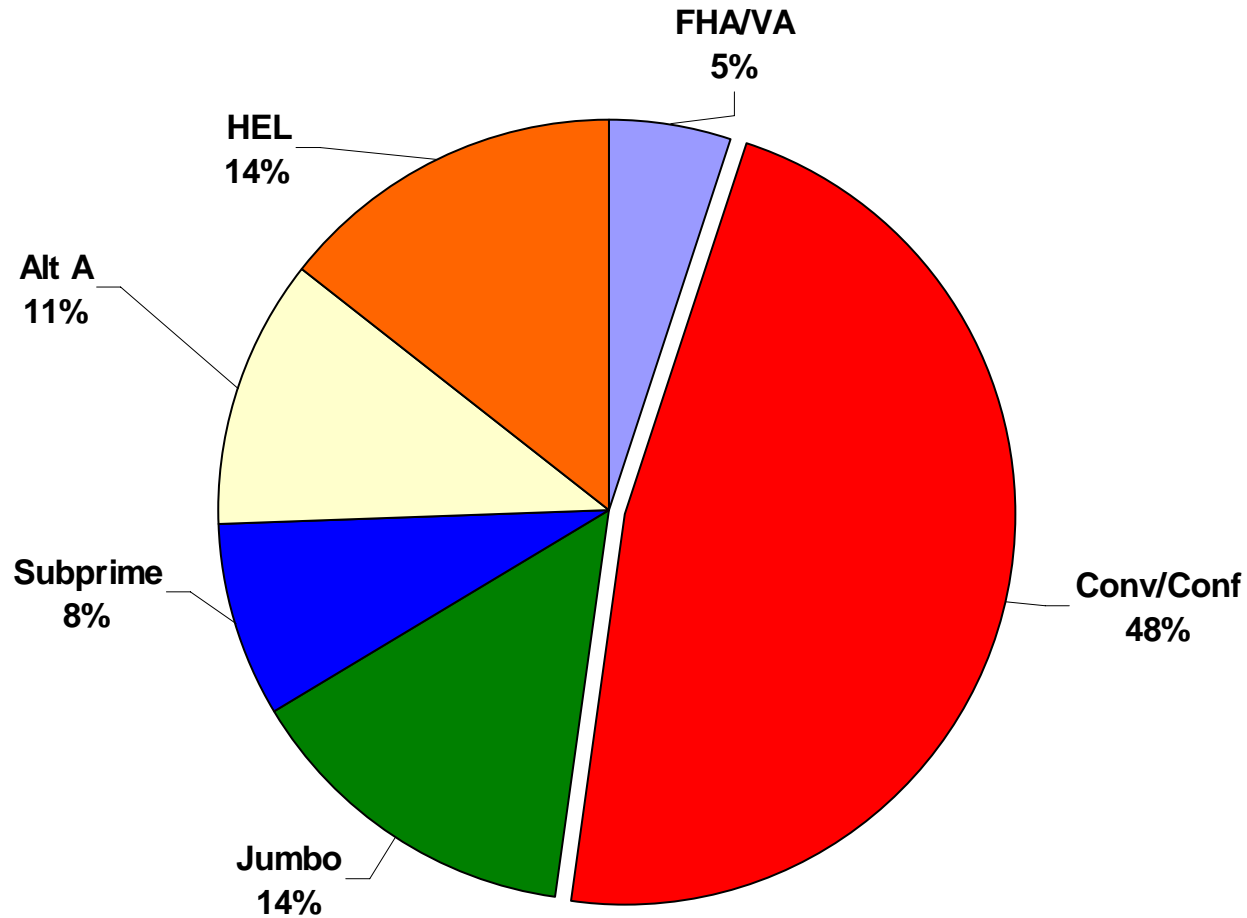
Source: MBA National Delinquency Survey

And problems remain regional

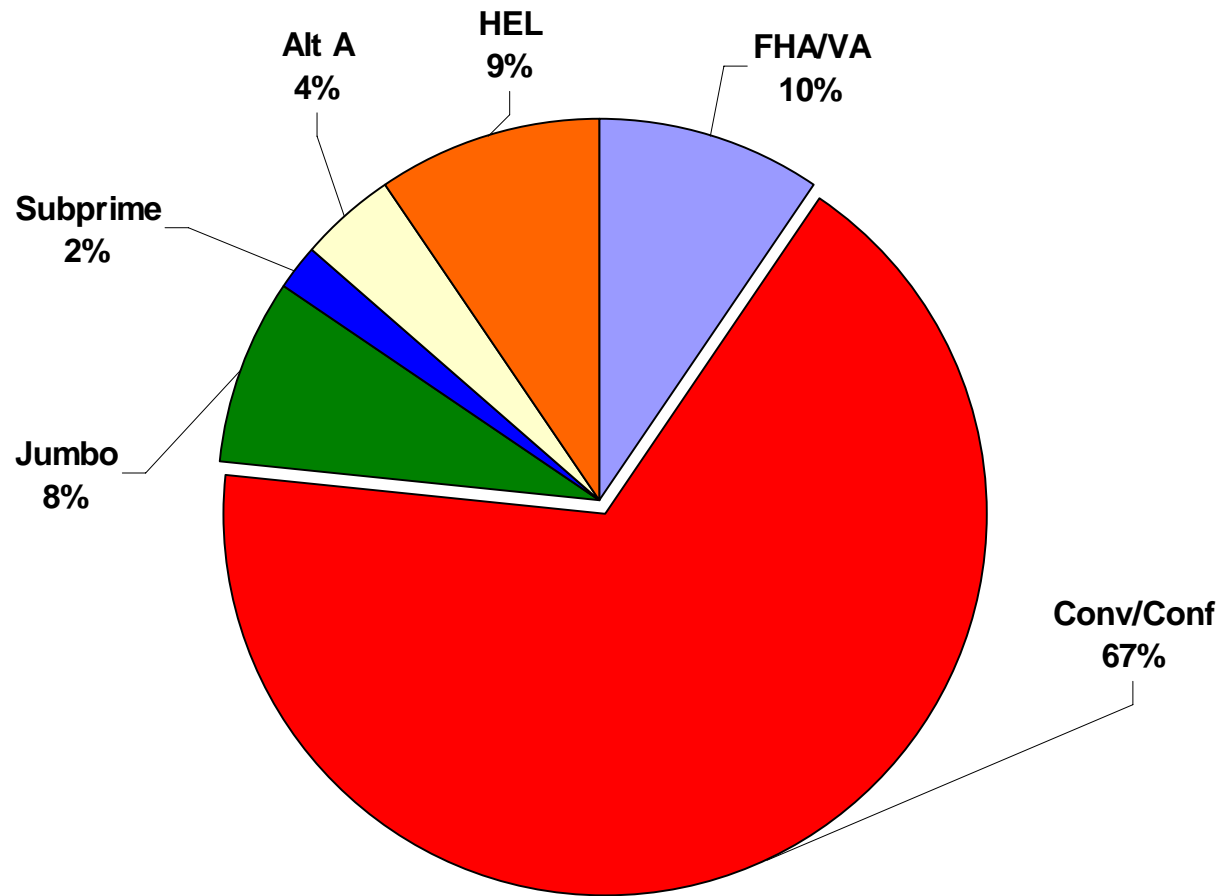
MAP 1: Seriously Delinquent Rate by State for Q1, 2008



Mortgage Product Mix in 2007

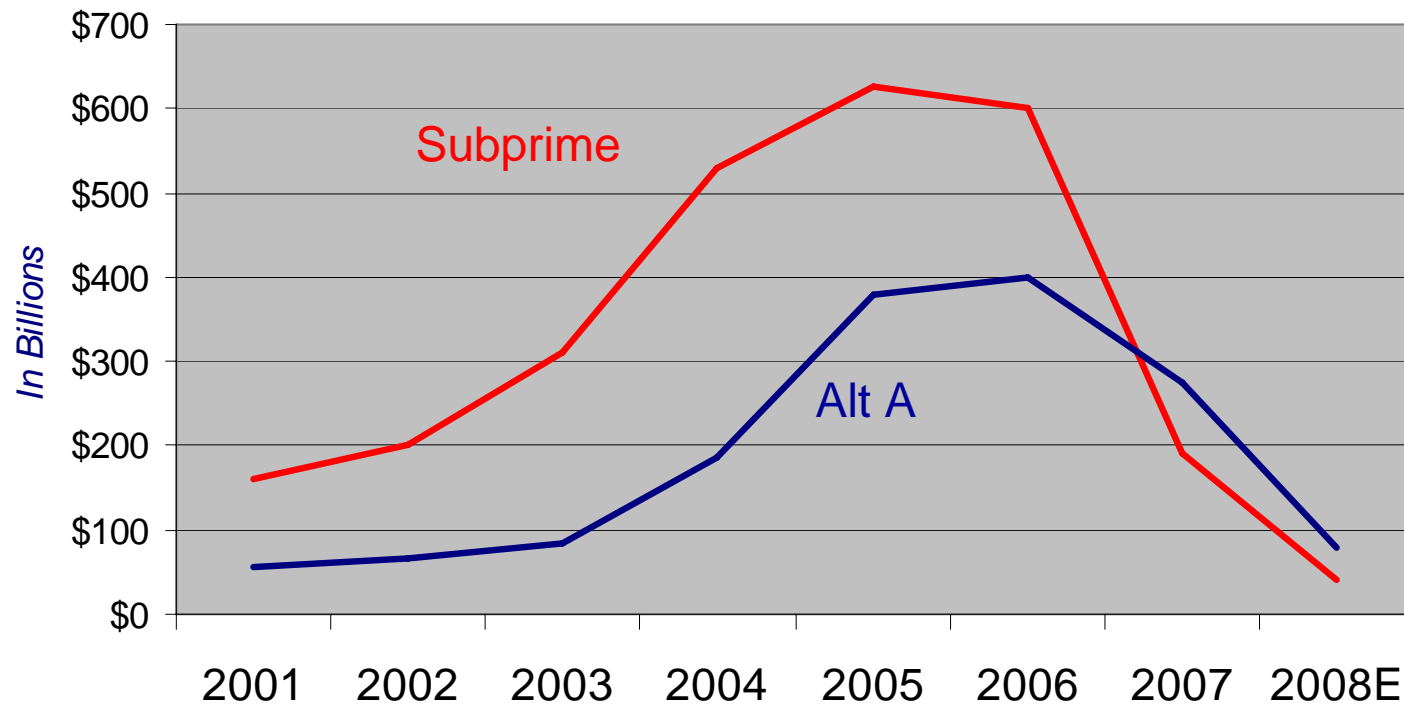


Mortgage Product Mix in 1Q08



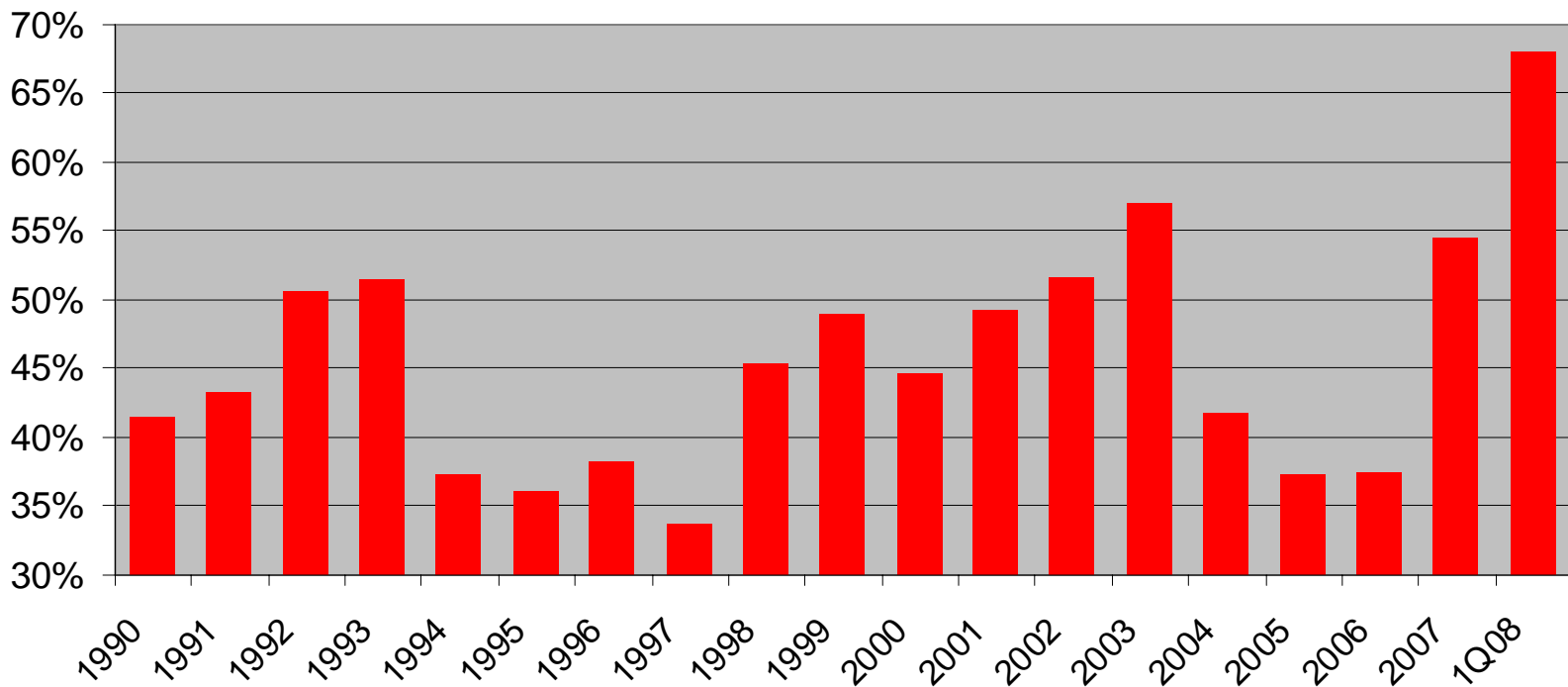
Nonprime Sectors Hit Hardest

Nonprime Mortgage Originations By Year



Dramatic Market Shift to GSEs

Fannie/Freddie Share of Originations



A look at the top mortgage lenders at start of 2007

<i>Rank</i>	<i>Lender</i>	<i>Volume</i>	<i>Share</i>	<i>Rank</i>	<i>Lender</i>	<i>Volume</i>	<i>Share</i>
1	Countrywide Financial, CA	\$462.50	15.5%	16	National City Mortgage Co., OH	\$43.12	1.4%
2	Wells Fargo Home Mortgage, IA	\$397.64	13.3%	17	PHH Mortgage, NJ	\$41.26	1.4%
3	Washington Mutual, WA	\$195.70	6.6%	18	ABN AMRO Mortgage Group, MI	\$38.31	1.3%
4	CitiMortgage Inc., MO	\$183.48	6.2%	19	Aurora Loan Services, CO	\$36.80	1.2%
5	Chase Home Finance, NJ	\$172.90	5.8%	20	GreenPoint Mortgage, CA	\$36.40	1.2%
6	Bank of America Mtg., NC	\$167.90	5.6%	21	WMC Mortgage Corp., CA	\$33.20	1.1%
7	Wachovia Corporation, NC	\$104.74	3.5%	22	Fremont General Corp., CA	\$32.30	1.1%
8	Residential Capital Group, MN	\$102.50	3.4%	23	First Horizon Home Loans, TX	\$31.21	1.0%
9	IndyMac, CA	\$89.95	3.0%	24	First Magnus Financial, AZ	\$30.07	1.0%
10	GMAC Residential. PA	\$74.60	2.5%	25	Option One Mortgage, CA	\$29.92	1.0%
11	EMC Mortgage, TX	\$72.43	2.4%	26	MortgageIT, Inc., NY	\$29.00	1.0%
12	New Century Financial Corp., CA	\$59.80	2.0%	27	Ameriquest Mortgage Co., CA	\$27.80	0.9%
13	American Home Mortgage Corp., NY	\$58.90	2.0%	28	First Franklin Financial, CA	\$27.67	0.9%
14	SunTrust Mortgage Inc., VA	\$56.45	1.9%	29	Taylor, Bean, & Whitaker, FL	\$25.49	0.8%
15	HSBC Finance, IL	\$52.77	1.8%	30	US Bank Home Mortgage, MN	\$22.29	0.7%

Reveals almost half are gone in 2008

<i>Rank</i>	<i>Lender</i>	<i>Volume</i>	<i>Share</i>	<i>Rank</i>	<i>Lender</i>	<i>Volume</i>	<i>Share</i>
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Top 10 'survivors' in 2008

(First 3 Months – Dollars in Billions)

<i>Rank</i>	<i>Lender</i>	<i>Volume</i>	<i>Share</i>
1	Countrywide Financial, CA	\$73.01	15.2%
2	Wells Fargo Home Mortgage, IA	\$65.99	13.7%
3	Chase Home Finance, NJ	\$54.30	11.3%
4	Citi, MO	\$40.88	8.5%
5	Bank of America Mtg., NC	\$39.50	8.2%
6	Wachovia Corporation, NC	\$19.59	4.1%
7	Washington Mutual, WA	\$19.20	4.0%
8	Residential Capital Group, NY	\$48.70	3.9%
9	SunTrust Mortgage, VA	\$11.97	2.5%
10	PHH Mortgage, NJ	\$9.95	<u>2.1%</u>
<i>Market share total for top 10 lenders</i>			73.5%

But even survivors are suffering

- # 1 Countrywide needs to be acquired by BofA to stay out of bankruptcy
- # 6 Wachovia and # 7 Washington Mutual are struggling to keep mortgage operations afloat
- # 8 Residential Capital hovers near brink of collapse as owners forced to plow more capital into company
- Fannie Mae and Freddie Mac expected to report large losses in 2008

What's in store for rest of 2008 and 2009?

- Credit crunch should start to ease as investors see signs that most financial institutions have a handle on mortgage problems.
- But rising energy costs and inflation likely to put new economic pressure on already fragile housing/mortgage markets.
- No relief expected in 2008 or early 2009 in terms of mortgage market recovery.