Housing and Mortgage Market Outlook

Department of Veterans Affairs Lenders Conference

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April 12, 2017
2017 Market: Less Affordability

1. Mortgage rates rise (but historically low)
2. Household composition increasingly diverse
3. Prices up 5% in 2017, rents up 3%
4. Originations: Purchase up, Refi down
5. Loan quality high (new credit ‘lower risk’)
Short-term Interest Rates Heading Up

Federal funds target as of March 15, 2017: 0.75% to 1.00%

Federal funds target projected for December 31, 2017 (based on FOMC member projections):

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Source: Federal Open Market Committee projections released March 15, 2017 (individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of 2017).
# Short-term Interest Rates Heading Up

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Mortgage Rates Heading Up

Rates are still historically low

Interest Rate on 30-Year Fixed-Rate Mortgages (percent)

Great Recession

Forecast

Dec. 2017: 4.5%

Source: Freddie Mac Primary Mortgage Market Survey®; forecast is an average of MBA, Fannie Mae, Freddie Mac and IHS Markit latest projections.
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016

Source: CoreLogic
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016

- Rates up 1.5%
- Rates down 1.5%

Source: CoreLogic
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016

Source: CoreLogic
Low For-Sale Inventory: Part of a ‘New Normal’?

Homes-For-Sale Inventory as a Percent of Households

Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey).
Note: Existing home inventory excludes Condo & Co-op Inventory before 1999.
Home Prices: Expect U.S. Index Up 5% in 2017
Projected to Return to 2006 Peak by Yearend 2017

CoreLogic Home Price Index (January 2000 = 100)

Source: CoreLogic Home Price Index (April 4, 2017 release)
Price Growth Faster For Lower-Priced Houses

Cumulative Price Growth Through July 2016 (percent)

Since July 2015

- More Than 25% Below Median: 8%
- 25% or Less Below Median: 6%
- Up to 25% Above Median: 4%

Since March 2011

- More Than 25% Above Median: 60%
- Above Median: 45%
- Up to 25% Above Median: 30%
- Below Median: 15%
- Below Median: 0%

Price Growth Since:
- Red: One Year Ago
- Black: Price Trough

Source: CoreLogic HPI, Single-family Detached (November 1, 2016 release); March 2011 is “Post-Great Recession” price trough.
Average Equity Gained per Homeowner
Fourth Quarter 2015 to Fourth Quarter 2016

United States $13.7K

Source: CoreLogic Negative Equity (March 9, 2017 Release), Louisiana, Maine, Mississippi, South Dakota, Vermont, and Wyoming have insufficient equity data to report, Hawaii average equity gain is from Q3.
Since 2010, Rent Rising Faster Than Income, Inflation

Single-Family Rent Index Year-over-Year Percent Change

Refi Booms End Quickly As Rates Come Off Lows
Cash-out refi and FHA-to-conventional refi continue

Refinancing Share of Lending (Percent)

30-Year Fixed-Rate Mortgage Rate (Percent)

Source: Home Mortgage Disclosure Act, Freddie Mac Primary Mortgage Market Survey®, CoreLogic; 2017-2018 forecast is average of MBA, Freddie Mac, Fannie Mae and IHS Markit (FRM rate only) projections.
Mortgage Originations: Drop in 2017 and Stable in 2018

Source: Originations are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae, Freddie Mac and Zelman & Associates. Forecasts as of March 2017. 2009-2015 are benchmarked to HMDA. Originations exclude HELOCs.
2016 Loans Have Less Credit Risk Than Pre-2009 Loans

CoreLogic Housing Credit Index (2001 = 100)

Source: CoreLogic Housing Credit Index (through 2016Q4)
Mortgage Credit Risk Along Six Dimensions
First-Lien Purchase Money Originations

Credit Score Less Than 640

Low & No Doc Share

Condo Co-op Share

LTV Share 95 And Above

DTI Share 43 And Above

Non-Owner Occupancy Share

Benchmark (2001 and 2002 Originations)

Current (2016:Q4)

Source: CoreLogic Housing Credit Index
VA Delinquencies Declining

VA 30-Day-Or More Delinquency Rate

VA Current-to-30-Day Delinquency Transition Rate

Source: CoreLogic TrueStandings (through December 2016); 30-day-or-more delinquency includes loans in foreclosure
Where to find more information

Look for regular updates to our housing forecast, commentary and data at

http://www.corelogic.com/blog

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