Housing Outlook: The New Normal?

FTA Revenue Estimating Conference

Office of Chief Economist
CoreLogic
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The ‘New Normal’

1. Low mortgage rates are the norm
2. Household composition increasingly diverse
3. Sales rise but turnover remains below ‘average’
4. Originations: Purchase & HELOC up, Refi down
5. Loan performance excellent (new credit ‘tight’)

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Mortgage Rates Expected To Rise (Soon)

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

- 2007: 7%
- 2008: 6%
- 2009: 5%
- 2010: 4%
- 2011: 3%
- 2012: 3%
- 2013: 3%
- 2014: 3%
- 2015: 3%
- 2016: 3%
- 2017: 3%

Great Recession

Dec. 2017: 4.2%

Source: Freddie Mac Primary Mortgage Market Survey®, IHS Markit October 2016 projection.
Large Demographic Tailwind Has Arrived

Population in 2015 (Millions)

Source: U.S. Census Bureau, Population as of July 1, 2015
Three-fourths of New Households Will Be Minority-Headed

2015 Share of All Households

- White: 68%
- Black: 12%
- Hispanic: 13%
- Asian & Other: 7%

2015-25 Share of Household Growth

- White: 24%
- Black: 18%
- Hispanic: 40%
- Asian & Other: 18%

117 Million Households in 2015

12 Million Increase by 2025

Source: Census Bureau Housing Vacancy Survey (2015 household count), Harvard University Joint Center for Housing Studies (Baseline Household Projections for the Next Decade and Beyond, Working Paper w14-1)
Home “Turnover”: Is ‘New Normal’ Slower?

Home Sales as a Percent of Housing Stock

2000-2003 average = 5.6%

Source: CoreLogic REAS MarketTrends through June 2016, Census Bureau HVS, Forecast averages projections of FNMA, FHLMC, Zelman and Associates, MBA, NAR and NAHB.
Americans Are Keeping Their Homes Longer

Source: American Housing Survey for the United States, various years (difference between survey year and median year owner-occupant moved into unit), CoreLogic public records for United States (length of time between recorded sales on same home).

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Prices: 6% Below 2006 Peak, Up 42% from Trough

CoreLogic Home Price Index (January 2000 = 100)

Source: CoreLogic Home Price Index (October 4, 2016 release)
House Price Performance By State
June 2015 to June 2016

United States 5%

Source: CoreLogic HPI (September 6, 2016 Release)
Negative Equity Share in U.S.:
7.1% of Mortgagors, or about 3.6 Million Homeowners

Negative Equity Share as of Q2 2016

* Louisiana, Maine, Mississippi, South Dakota, Vermont, West Virginia and Wyoming have insufficient equity data to report.

Source: CoreLogic Equity Report, Second Quarter 2016. Louisiana, Maine, Mississippi, South Dakota, Vermont, West Virginia and Wyoming have insufficient equity data to report.
More Purchase, Less Refinance, Less Volume in 2017

Single-family Mortgage Originations (Billions of U.S. dollars)

Source: Originations are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae, Freddie Mac and Zelman & Associates. Fannie Mae, Freddie Mac and MBA forecast as of July 2016, Zelman as of June. Originations exclude HELOCs.
Mortgage Credit Risk Remains Low

Housing Credit Index Compared with 2001-2002 Benchmark

Housing Credit Index

<table>
<thead>
<tr>
<th>Year</th>
<th>2001-2002 Benchmark</th>
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<tbody>
<tr>
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<td>2013</td>
<td>60</td>
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<td>2016</td>
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**HCl factors**
- Credit Score
- Loan-to-Value Ratio (LTV)
- Debt-to-Income Ratio (DTI)
- Broker Share
- Occupancy Status
- Documentation Type

Source: CoreLogic Loan Servicing Database (through June 2016)
Recent Vintages Exhibit Pristine Performance

Serious Delinquency Rate by Origination Cohort

Source: CoreLogic: March 2016; serious delinquency rate is the percent of loans serviced that are 90-or-more days delinquent or in foreclosure proceedings.

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Property Tax Delinquency Improvement between 2008 – 2014, by State

Source: CoreLogic
The ‘New Normal’

1. Low mortgage rates: Below 5% next two years
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