News Release

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Delinquencies Increase, Foreclosure Starts Flat in Latest MBA National Delinquency Survey

Deteriorating Economy a Growing Factor

WASHINGTON, D.C. (December 5, 2008) — The delinquency rate for mortgage loans on one-to-four-unit residential properties stood at 6.99 percent of all loans outstanding at the end of the third quarter of 2008, up 58 basis points from the second quarter of 2008, and up 140 basis points from one year ago on a seasonally adjusted basis, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey.

Top Line Results

The delinquency rate includes loans that are at least one payment past due but does not include loans somewhere in the process of foreclosure. The percentage of loans in the foreclosure process at the end of the third quarter was 2.97 percent, an increase of 22 basis points from the second quarter of 2008 and 128 basis points from one year ago. The percentage of loans in the process of foreclosure set a new record this quarter.

The percentage of loans on which foreclosure actions were started during the third quarter was 1.07 percent, down one basis point from last quarter and up 29 basis points from one year ago on a non-seasonally adjusted basis.

The seasonally adjusted total delinquency rate continues to be the highest recorded in the MBA survey. The increase in the overall delinquency rate was driven by increases in the number of loans 90 or more days past due, primarily in California and Florida. The 30 day delinquency percentage remains below levels seen as recently as 2002.

The foreclosure starts rate differed greatly by loan type. For prime loans, foreclosure starts on fixed rate loans were 0.34 percent, unchanged from last quarter, while prime ARM foreclosure starts fell five basis points to 1.77 percent. For subprime loans, fixed rate foreclosure starts increased 16 basis points to 2.23 percent and subprime ARM foreclosure starts decreased 16 basis points to 6.47 percent. FHA foreclosure starts were unchanged at 0.95 percent and VA foreclosure starts increased two basis points to 0.59 percent, all on a non-seasonally adjusted basis.

Nine states had rates of foreclosure starts that were above the national average: Nevada, Florida, Arizona, California, Michigan, Rhode Island, Illinois, Indiana, and Ohio. The remaining 41 states plus the District of Columbia were below the national average.

Job Losses to Drive Mortgage Delinquencies

Jay Brinkmann, MBA's Chief Economist and Senior Vice President for Research and Economics said, "An initial look at the number of foreclosure starts would seem to indicate at least a leveling off of foreclosures. These numbers, however, are being influenced by several factors including various

moratoria on foreclosure filings and by mortgage companies holding loans in the 90+ day bucket during the modification and workout process. Evidence of this can be seen in the large increase in loans 90 days or more past due but not yet in foreclosure. This rate jumped by 45 basis points, the highest increase in this category ever recorded in the MBA survey and far above the average 4 basis point jump we would expect to see. While 20 states showed declines in the rate of foreclosure starts between the second and third quarters, every state showed an increase in the 90 days or more delinquent category with the exception of Alaska and all of the increases were greater than what we would expect due to normal seasonal factors."

"As for what is driving the national numbers, it is still a case of product and location. Prime and subprime ARMs continue to have the highest share of foreclosures and California and Florida have about 54 percent and 41 percent of the prime and subprime ARM foreclosure starts respectively. Until those two markets turn around, they will continue to drive the national numbers," continued Brinkmann.

"While much of the mortgage problem in some states continues to be overbuilding, poor underwriting and incorrect credit pricing, fundamental economic factors are becoming more important. The 30-day delinquency rate is still lower than it was in the 2001 recession, but job losses are mounting. We have not gone into past recessions with the housing market as weak as it is now so it is likely that a much higher percentage of delinquencies caused by job losses will go to foreclosure than we have seen in the past.

"Until recently, it was job and population losses that were the problems in states like Michigan and Ohio, whereas the problems in California and Florida were a combination of too many houses, speculation and weak underwriting. Economic fundamentals are now deteriorating in California and Florida. Over the past year, Florida led the nation in job losses at 156,200, with California losing 101,300, as compared with Michigan job losses at 71,200 and Ohio at 17,300.

"In the last quarter we saw about 575,000 foreclosure actions started, compared with an estimated 580,000 in the second quarter and 535,000 in the first quarter. At this rate we are looking at finishing 2008 at about 2.2 million foreclosure actions started. Absent a recession, the 2009 number would likely have fallen by several hundred thousand but the effects of job losses and general economic deterioration make the 2009 outlook worse, particularly if mortgage problems become more widespread," Brinkmann said.

Change from last quarter (second quarter of 2008)

The seasonally adjusted delinquency rate increased 41 basis points to 4.34 percent for prime loans, increased 136 basis points to 20.03 percent for subprime loans, increased 29 basis points to 12.92 percent for FHA loans, and increased 46 basis points to 7.28 percent for VA loans.

The percent of loans in the foreclosure process increased 16 basis points to 1.58 percent for prime loans, and increased 74 basis points for subprime loans to 12.55 percent. FHA loans saw an eight basis point increase in the foreclosure inventory rate to 2.32 percent, while the foreclosure inventory rate for VA loans increased 13 basis points to 1.46 percent.

The non-seasonally adjusted foreclosure starts rate remained unchanged for prime loans at 0.61 percent and decreased three basis points for subprime loans to 4.23 percent. The rate was unchanged for FHA loans at 0.95 percent and increased two basis points for VA loans to 0.59 percent.

The seriously delinquent rate, the non-seasonally adjusted percentage of loans that are 90 days or more delinquent, or in the process of foreclosure, was up from both last quarter and from last year. This measure is designed to account for inter-company differences on when a loan enters the foreclosure process.

Compared with last quarter, the seriously delinquent rate increased for all loan types. The rate increased 52 basis points for prime loans to 2.87 percent, increased 171 basis points for subprime loans to 19.56

percent, increased 62 basis points for FHA loans to 6.05 percent, and increased 45 basis points for VA loans percent to 3.45 percent.

Change from last year (third quarter of 2007)

On a year-over-year basis, the seasonally adjusted delinquency rate increased for all loan types, except FHA loans. The delinquency rate increased 122 basis points for prime loans, increased 372 basis points for subprime loans, and increased 70 basis points for VA loans. The seasonally adjusted delinquency rate was unchanged for FHA loans on a year over year basis.

The percent of loans in the foreclosure process increased 79 basis points for prime loans and 566 basis points for subprime loans. The rate increased 10 basis points for FHA loans and 43 basis points for VA loans.

The non-seasonally adjusted foreclosure starts rate increased 29 basis points overall, 25 basis points for prime loans, 105 basis points for subprime loans, one basis point for FHA loans, and 20 basis points for VA loans.

The seriously delinquent rate was 156 basis points higher for prime loans and 818 basis points higher for subprime loans. The rate also increased 51 basis points for FHA loans and 89 basis points for VA loans.

If you are a member of the media and would like a copy of the survey, please contact Carolyn Kemp at ckemp@mortgagebankers.org or Melissa Key at mkey@mortgagebankers.org. If you are not a member of the media and would like to purchase the survey, please call (800) 348-8653.

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The above data were obtained in cooperation with the Mortgage Bankers Association (MBA), which produces the National Delinquency Survey (NDS). The NDS, which has been conducted since 1953, covers 45 million loans on one- to four- unit residential properties, representing between 80 to 85 percent of all "first-lien" residential mortgage loans outstanding in the United States. Loans surveyed were reported by approximately 120 lenders, including mortgage bankers, commercial banks, and thrifts.

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The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 370,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance

companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.