

Some Facts About Mortgage Lending

FACT: The homeownership rate remains near record levels at 68.2 percent.

FACT: Thirty-five percent of homeowners own their home outright; 48 percent are in fixed-rate mortgages. Fifteen percent of homeowners have adjustable-rate mortgages (ARM). Only 5 percent of homeowners are nonprime borrowers with adjustable-rate mortgages.

FACT: ARM products have a long and successful history, and nontraditional products have allowed many first-time homebuyers to own their homes.

FACT: About 1.7 percent of all loans are in the foreclosure process.

FACT: In today's market, trends indicate that more than half of people who enter foreclosure eventually lose their home; however, there are no reliable data to produce exact numbers.

FACT: The number one cause of delinquencies and foreclosures historically is job related as we can see in the Midwest, which has lost a significant number of manufacturing jobs. However, current upward rate adjustments on ARMs combined with falling house prices are driving new foreclosures.

FACT: Historically, delinquency rates tend to peak in the first three to five years after origination. Because more than half of outstanding loans are less than five years old, it stands to reason delinquency and foreclosure rates may rise as they age.

FACT: Nonprime borrowers have always had higher delinquency and foreclosure rates, and ARM borrowers have higher delinquency rates even when rates are falling. Nonprime borrowers also represent a higher share of ARM borrowers; it stands to reason that nonprime ARMs have a higher delinquency rate.

FACT: Lenders want to lend money to borrowers who are willing and able to pay the loan back. Each time a foreclosure goes all the way to a sale, net economic losses are in the range of \$30,000 to \$60,000. Everybody loses when a home goes into foreclosure — the borrower gets a black mark on his or her credit, the lender and investor lose and the community loses.

FACT: There is continuing competition among companies given the current environment, and that is good for consumers, especially those who shop for their loans. *HomeLoanLearningCenter.com* is a valuable resource for consumers who want to learn more about the home buying process.

FACT: The marketplace is working. The volume of many nontraditional products is down because investors, rating agencies and lenders have tightened underwriting standards. One side effect, however, has been to trigger a world wide credit market event centered on overleveraged firms within and outside the mortgage market.

* Data as of Q3 2007

