Diversity in Financial Services: The Impact of Dodd-Frank

Faith Schwartz
Housing Finance Strategies
Executive Director, HOPE NOW Alliance
June 23, 2011
1. Introduction
   a. HOPE NOW
   b. Performance Metrics, Foreclosure Prevention

2. State of the Market

3. Overview of Housing Activity, 2001 - 2010

4. The Rise of Securitization and Subprime Lending

5. Minority Homeownership and Growth of New Households

6. Market Issues that Impact Future Originations and Servicing and Credit Availability
   a. How will the future of origination and servicing be impacted by the current regulatory and credit
      environment for first time homebuyers and existing homeowners?

7. Private market versus Government insured market
   a. GSE’s, FHA almost 95% of Originations, 2011
   b. QRM Rules
   c. Basel III
   d. Dodd Frank
   e. GSE Servicing Compensation
   f. Concentration Risk, Top Five Originators and Servicers

8. Summary
Total Modifications Completed
(thousands of loans)

Source: Making Home Affordable and HOPE NOW
Total Permanent Modifications is the sum of Completed HAMP and Completed (Proprietary).
HOPE NOW has collected data on Completed (Proprietary) Modifications since 2007. Data for
HAMP Trial Modifications began in May 2009 while data for Completed HAMP loans began in
September 2009.
Solutions Offered vs. Foreclosure Sales*
(thousands of loans)

Source: Making Home Affordable and HOPE NOW
*Total Solutions is comprised of HAMP Permanent and Trial Loans, Proprietary Modifications Completed, Repayment Plans Initiated, Other Retention Plans Completed, Short Sales and Deed-in-Lieu
Total Modifications vs. Foreclosures
(thousands of loans)

- Total Permanent Modification
- Foreclosure Starts
- Foreclosure Sales
GSE & GNMA Share Fell When Subprime Boomed; Today GSEs & GNMA Are Main Source of Funds

MBS Share (Percent of MBS Issuance)

- Subprime, Non-Traditional Lending Boom (2004-2007H1)
- Subprime Crisis, Private-label MBS Collapse (2007H2-2009)
- 4th quarter 2010:
  - Freddie Mac & Fannie Mae 75%
  - Ginnie Mae 22%
  - Private-Label 3%

House-Price Growth Exceeded Income Growth 2004-10

Cumulative Growth Since 1975 (Percent)

Sources: U.S. Census Bureau (median family income: 1975-2009); U.S. Department of Housing and Urban Development (2010 median family income); Freddie Mac House Price Index.
Subprime and Alt-A Volume Quintupled 2001 to 2006, then Fell from 2006 to 2010

- **2001**
  - Single-family Originations: $2.2 trillion
  - Subprime and Alt-A: $0.2 trillion

- **2006**
  - Single-family Originations: $3.0 trillion
  - Subprime and Alt-A: $1.0 trillion

- **2010**
  - Single-family Originations: $1.6 trillion
  - Subprime and Alt-A: $0.01 trillion

Source: Inside Mortgage Finance (by dollar amount)
Serious Delinquencies Have Begun to Lessen, but Remain Very High

Loans 90 Days or More Delinquent or in Foreclosure (percent of number)

Source: Mortgage Bankers Association; "Prime Loans" includes Alt-A (Quarterly data not seasonally adjusted; 1998Q1-2010Q4); Freddie Mac.
A Homeownership Gap Exists between White and Minority Households

2009 Homeownership Rate (Percent)

Homeownership by Race / Ethnicity

- White, non-Hispanic: 75%
- Asian or Native Hawaiian / Pacific Islander: 59%
- American Indian or Alaskan Native: 56%
- Hispanic or Latino: 48%
- African-American: 47%

Source: U.S. Census Bureau - Housing Vacancies and Homeownership Report
Three-fourths of New Households Will Be Minority-Headed

2009 Share of All Households
- White: 71%
- Hispanic: 11%
- Asian & Other: 6%
- Black: 12%

112 Million Households in 2009

2010-20 Share of Household Growth
- White: 26%
- Hispanic: 36%
- Asian & Other: 22%
- Black: 17%

14 Million Increase by 2020

Source: Harvard University (Joint Center for Housing Studies)