

MBSauthority.com

Mortgage Industry Index

December 2011



MBSauthority.com Mortgage Industry Index Highlights

The MBSauthority.com Mortgage Industry Index (MII) is a unique index that measures the current strength of the housing market, mortgage industry and the economy and expectations about their future. The index is based upon information received from surveys that were completed by mortgage professionals. Mortgage professionals are unique in that they are the only party involved in every aspect of a real estate transaction. Real estate agents, title companies, home builders, sellers, etc all have access that is limited to their role in the transaction. A mortgage professional has access to all of the information that the other parties have plus detailed financial information about the buyer or borrower along with direct involvement with underwriting, processing, closing and other vital functions. A mortgage professional is in an incomparable position of getting input from many different sources. It is this input that is then reflected in our MBSauthority.com Mortgage Industry Index.

Each month participants respond to questions regarding the current conditions and future expectations of the housing and mortgage industries and the overall economy. Many indices such as the Chicago Purchasing Manufacturer's Index, ISM Manufacturing Index, and the Consumer Sentiment Index use the value of "50" to represent their middle value. For example, a reading above 50 shows expansion and a reading below 50 shows contraction in the indices listed above. The MBSauthority.com Mortgage Industry Index uses the value of "100" in a similar fashion. A reading above 100 shows that the sentiment is positive and the expectations are that the housing industry, mortgage industry and the overall economy is improving. The current month's report is based upon 967 completed survey responses.

Current Month's Reading: The MBSauthority.com Mortgage Industry Index for the month of December 2011 is 120.

The December 2011 reading of 120 is a positive one and is an increase of +6 from the November 2011 reading and continues a three month trend of improvements in the readings and while the following pages will clearly show many concerns by mortgage professionals, the overall sentiment indicates that survey respondents expect some improvement in the near term (six to 12 months from the survey date).

The MII is released the second Tuesday of each month at 8:30 a.m. New York time.

Questions about this report should be directed to Bryan S. McNee at 800-264-7135 xt 430 or bryan@mbsauthority.com



Mortgage
Industry
Index

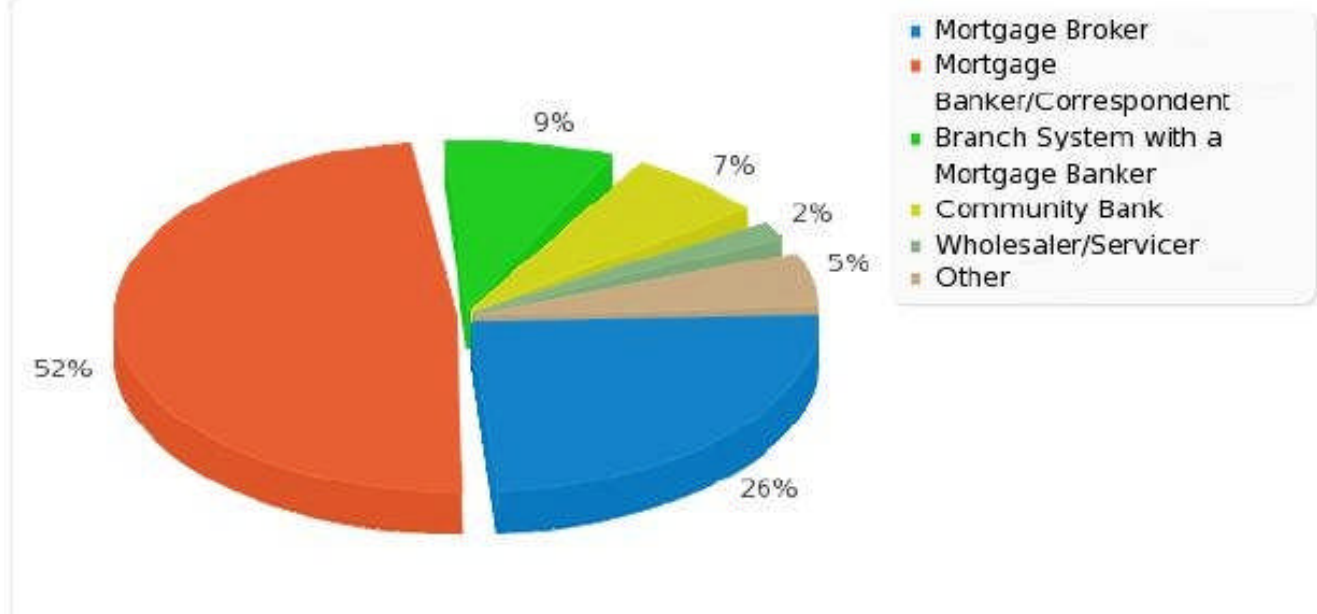


Report Contents:

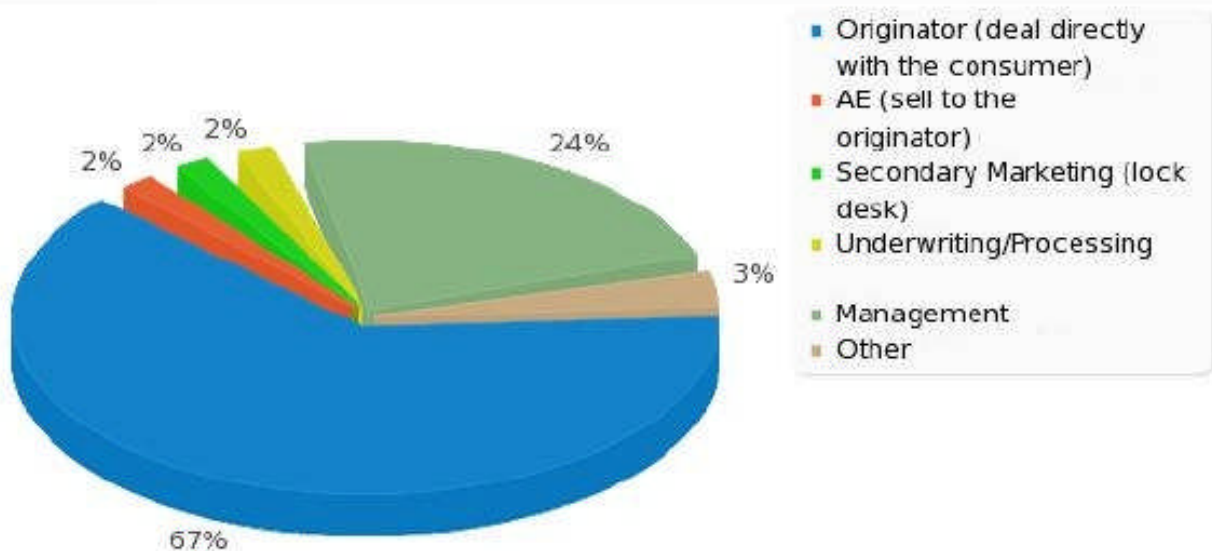
PART I – Composition of Respondents	Page 4
PART II – Housing Sentiment	Page 6
PART III – Mortgage Industry Sentiment	Page 8
PART IV – Comments on Housing Issues	Page 13
PART V – Comments on Mortgage Industry Issues	Page 14

PART I – Composition of Respondents

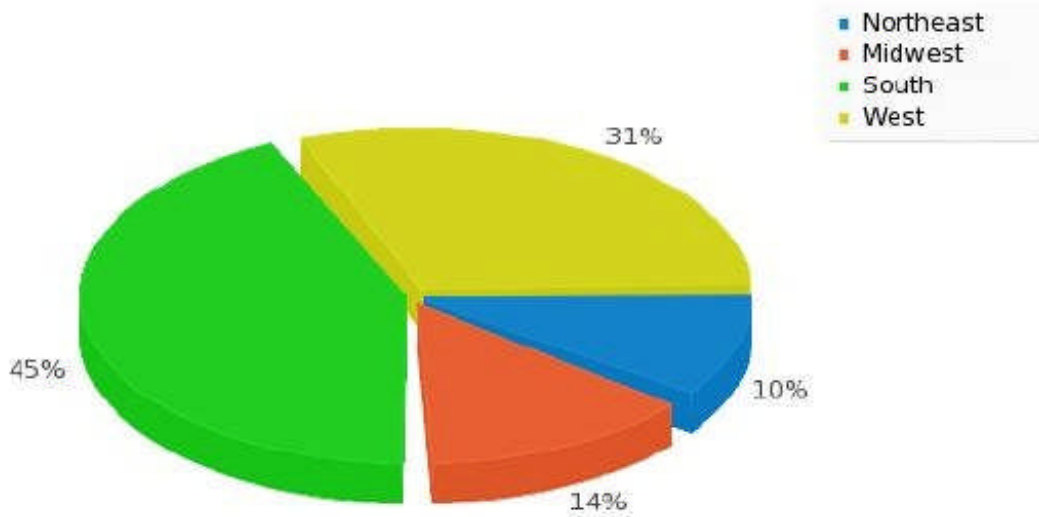
The mortgage industry was well-represented from every type of business model:



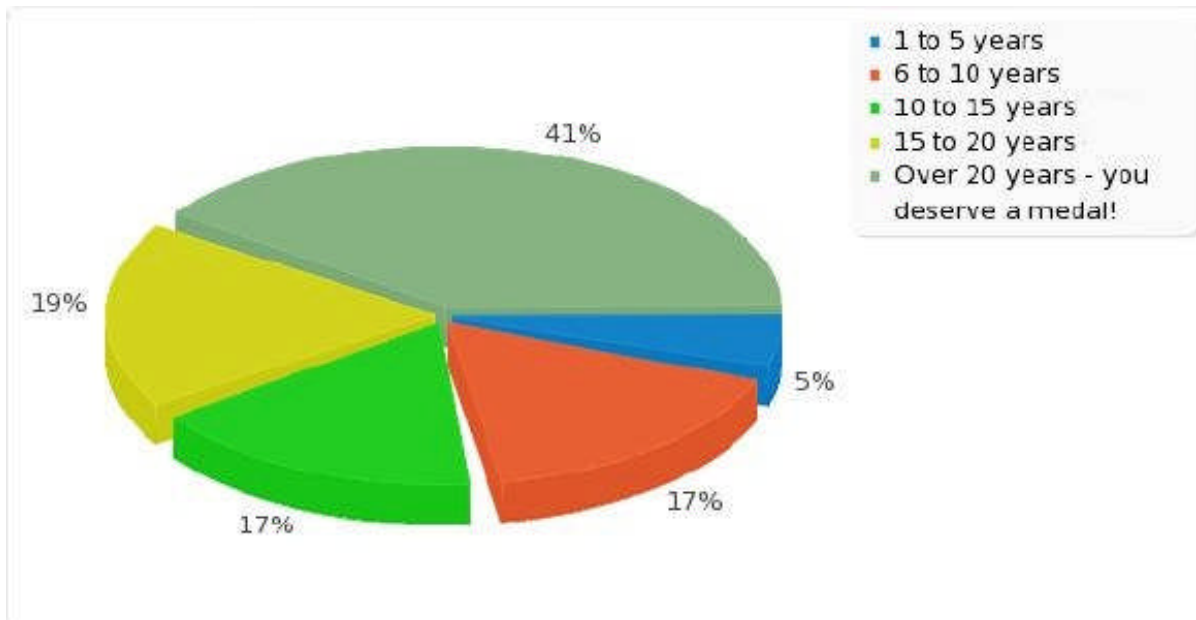
67% of this month's respondents deal directly with the consumer. This is very important because those are the professionals that have the hands-on knowledge that is the most valuable. They know what the sentiment of the consumer (borrower) is and interact with every party of a real estate transaction.



The geographical split of respondents correlates nicely with mortgage volumes from those areas:

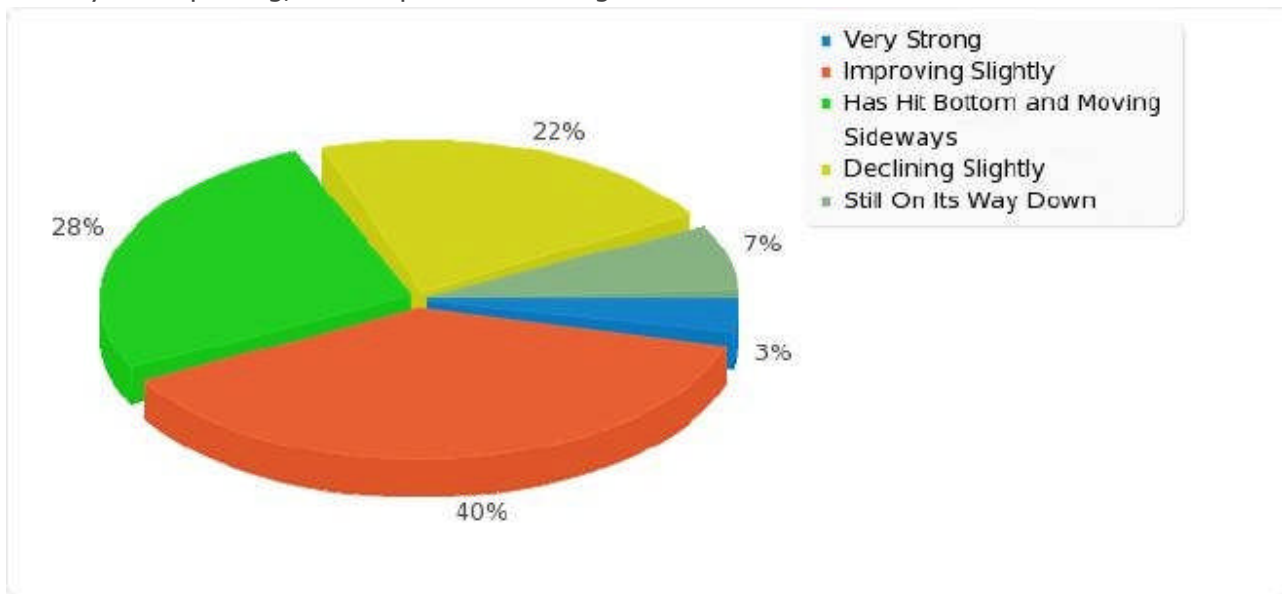


Over 77% of our respondents had over 10 years in the mortgage industry with our largest segment (41%) having over 20 years of experience. Their seasoned insight and feedback make this index even more valuable:

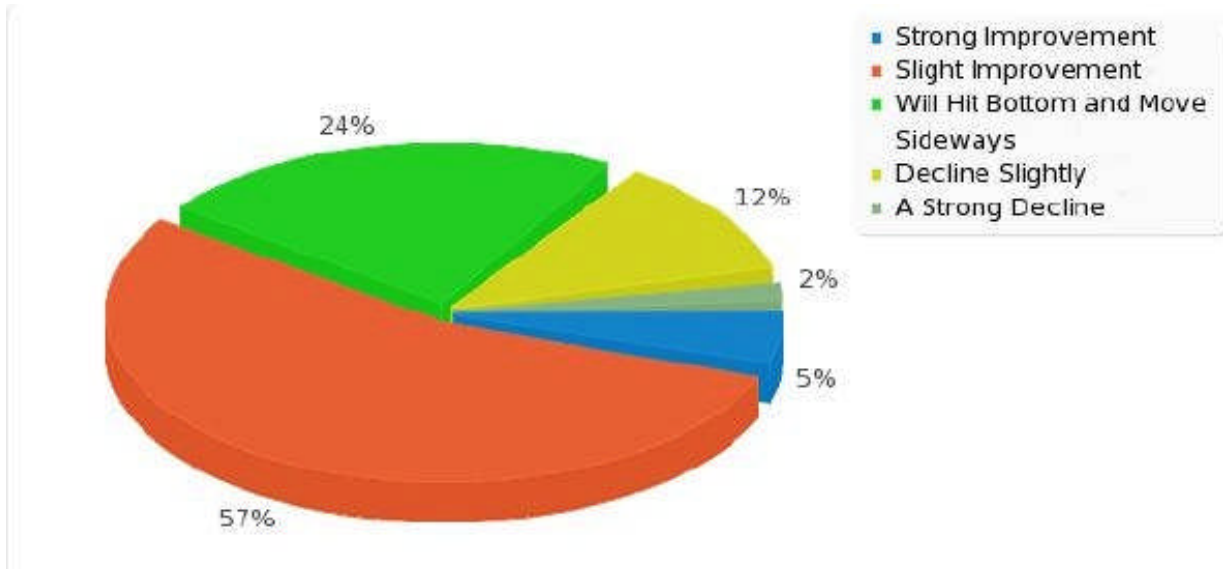


PART II – Housing Sentiment

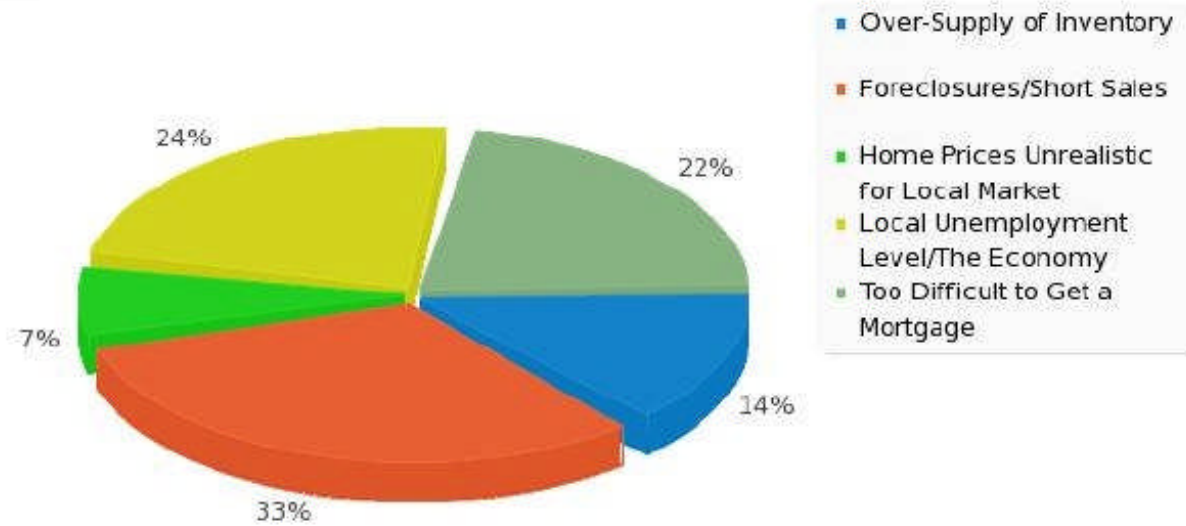
Their view on the condition of the housing market in their local market: 71% said the market is moving sideways or improving, this is up from a reading of 58% in November.



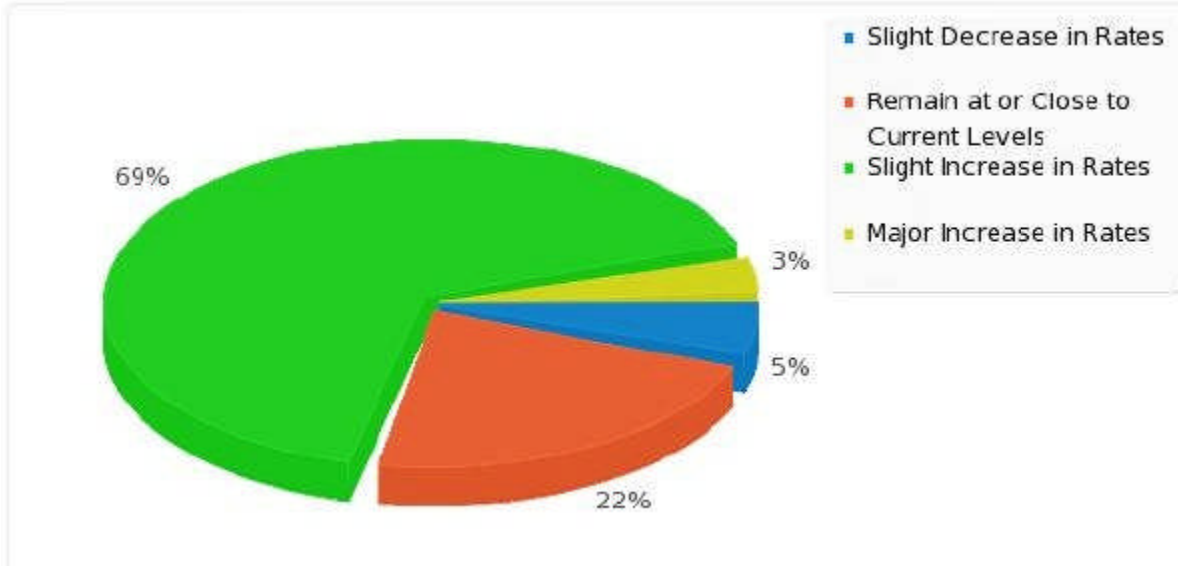
Their view on how the housing market in their local area will perform in the next 6 to 12 months:



The following are what they report as the top 5 drags on the housing market:

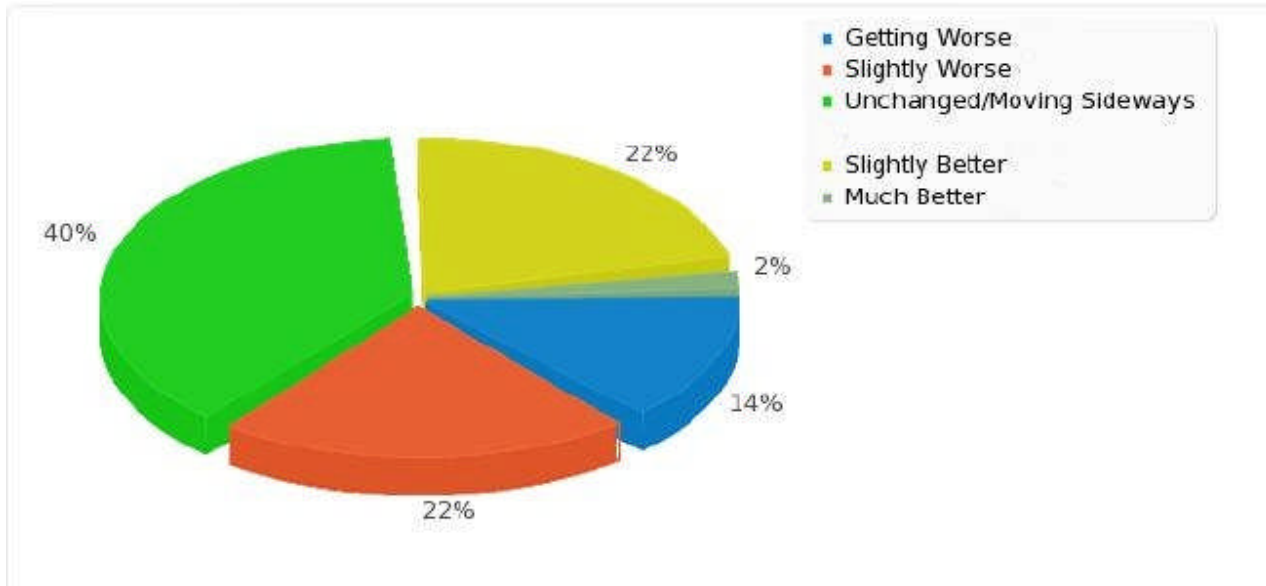


72% of the mortgage professionals stated that they expect mortgage rates to rise in the next 12 months, vs 65% in November:

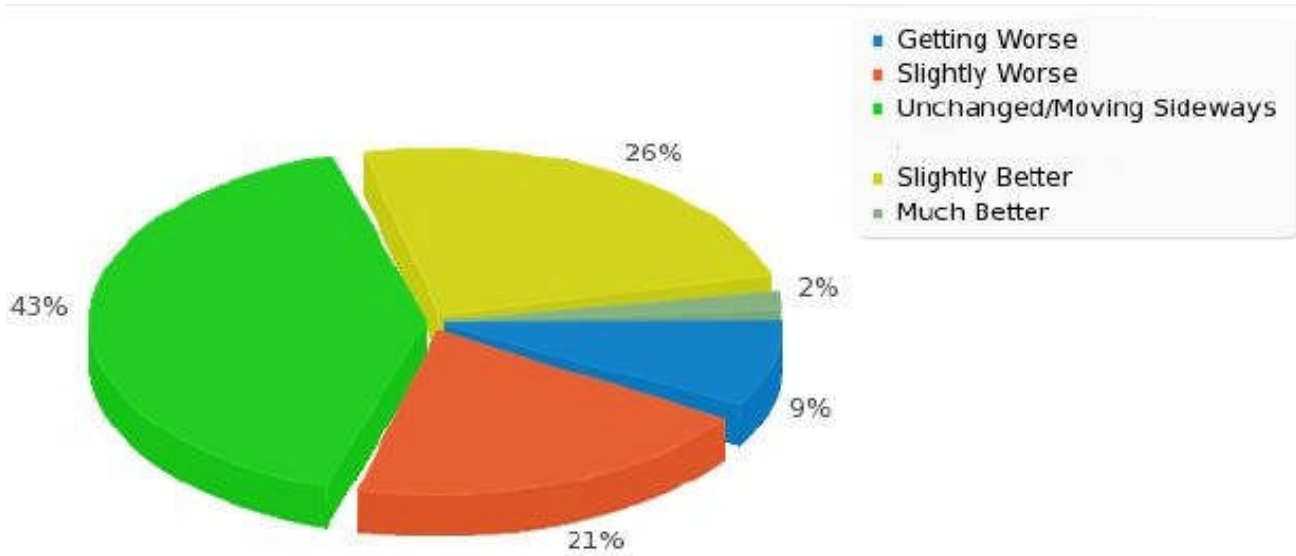


PART III – Mortgage Industry Sentiment

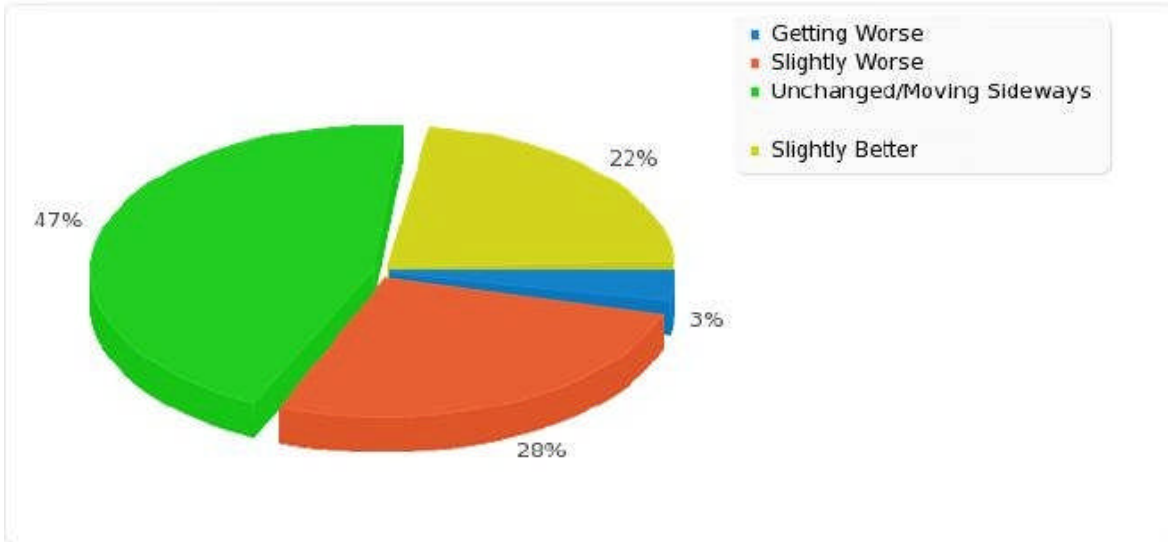
Outlook of Economic Conditions in their local market over the next 6 to 12 months:



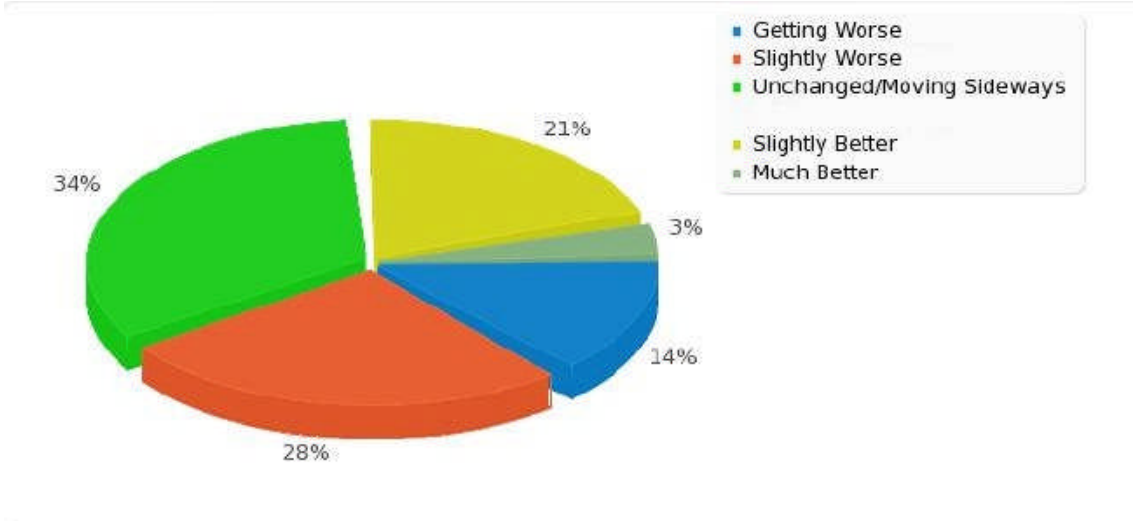
Outlook of Unemployment Levels in their local market over the next 6 to 12 months:



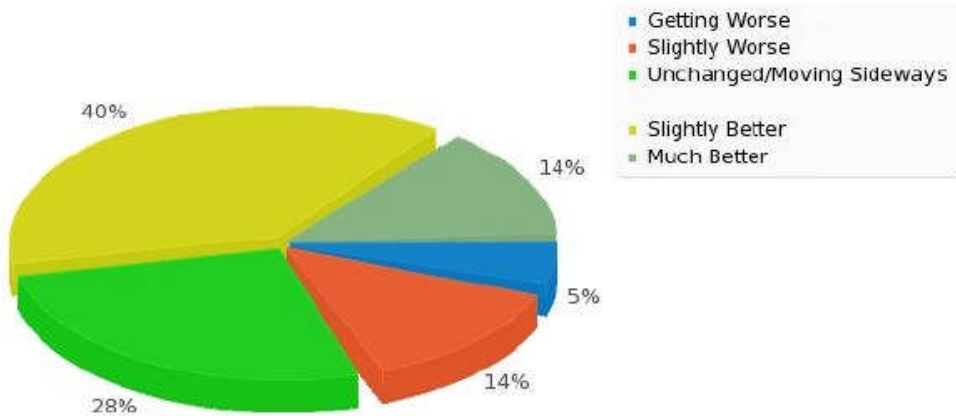
Outlook of Housing Prices in their local market over the next 6 to 12 months:



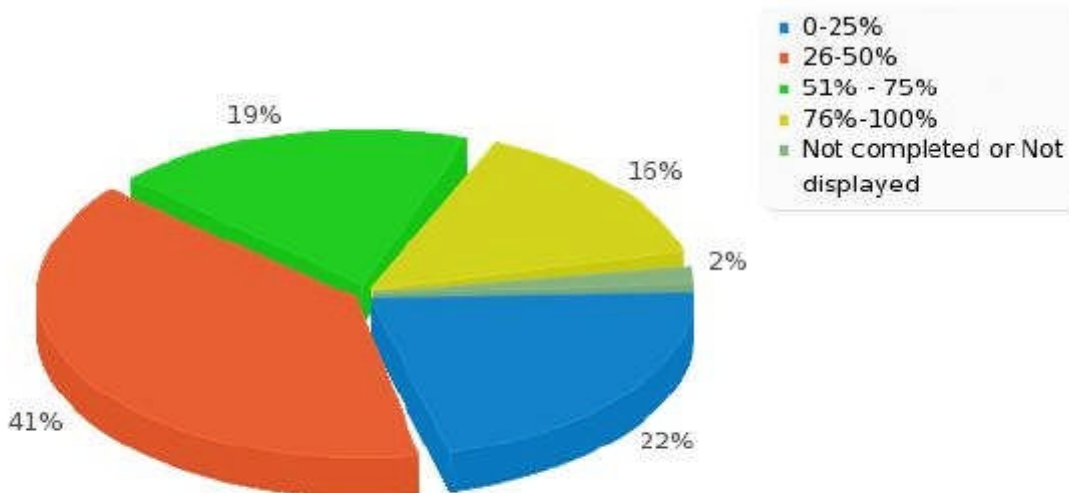
Outlook of the Ability to Close a Mortgage over the next 6 to 12 months:



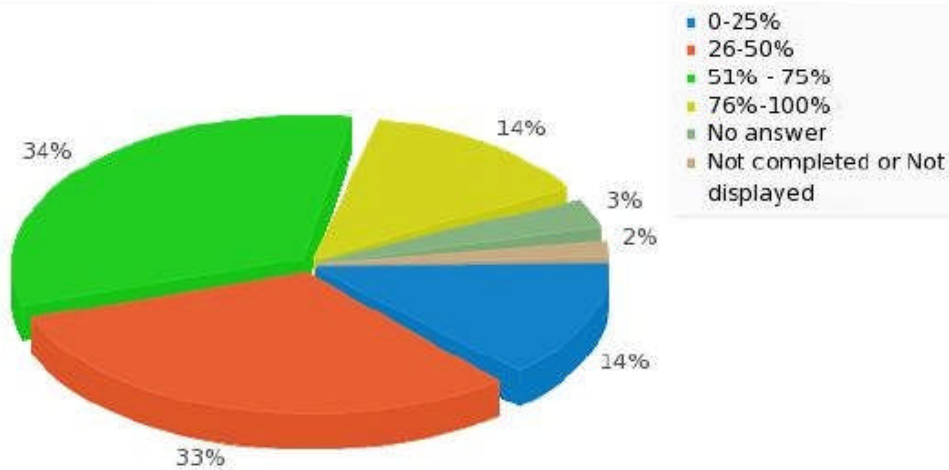
Outlook of their personal loan production (units closed) over the next 6 to 12 months: 45% think their production will improve, down from 53% in November.



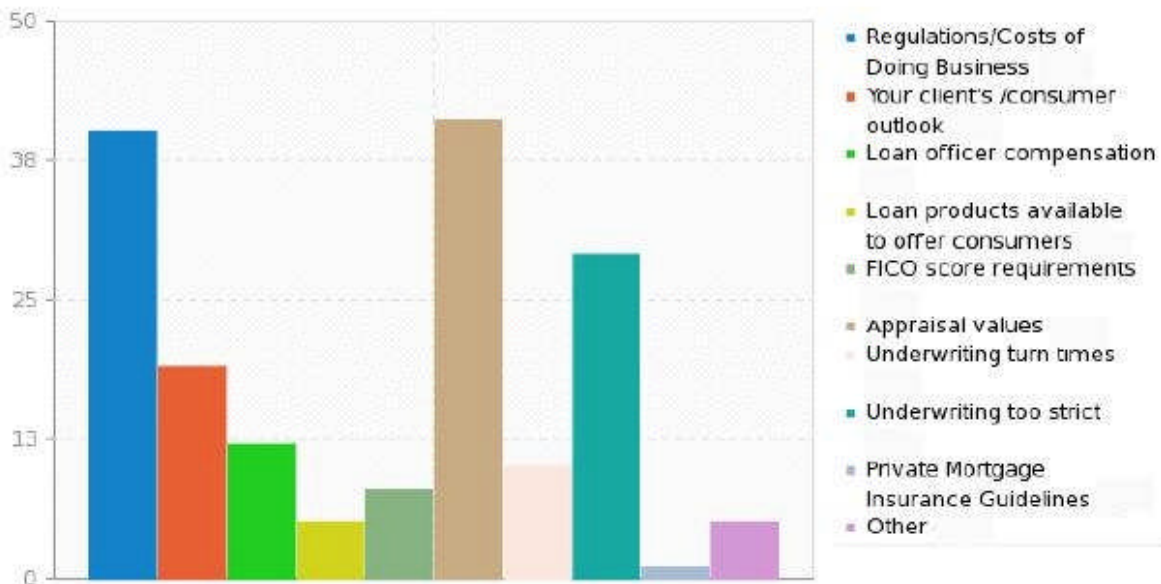
Percentage of business that are purchase transactions:



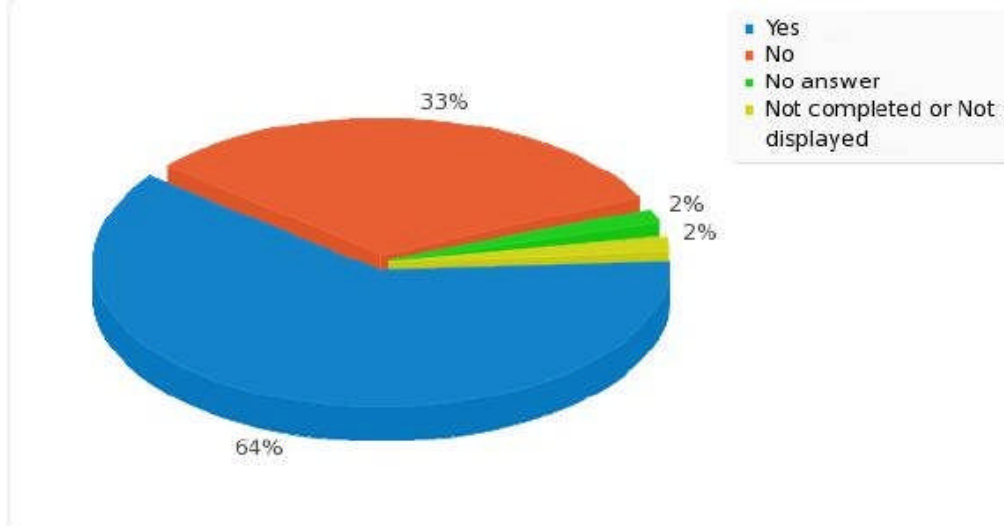
Percentage of business that are refinance transactions:



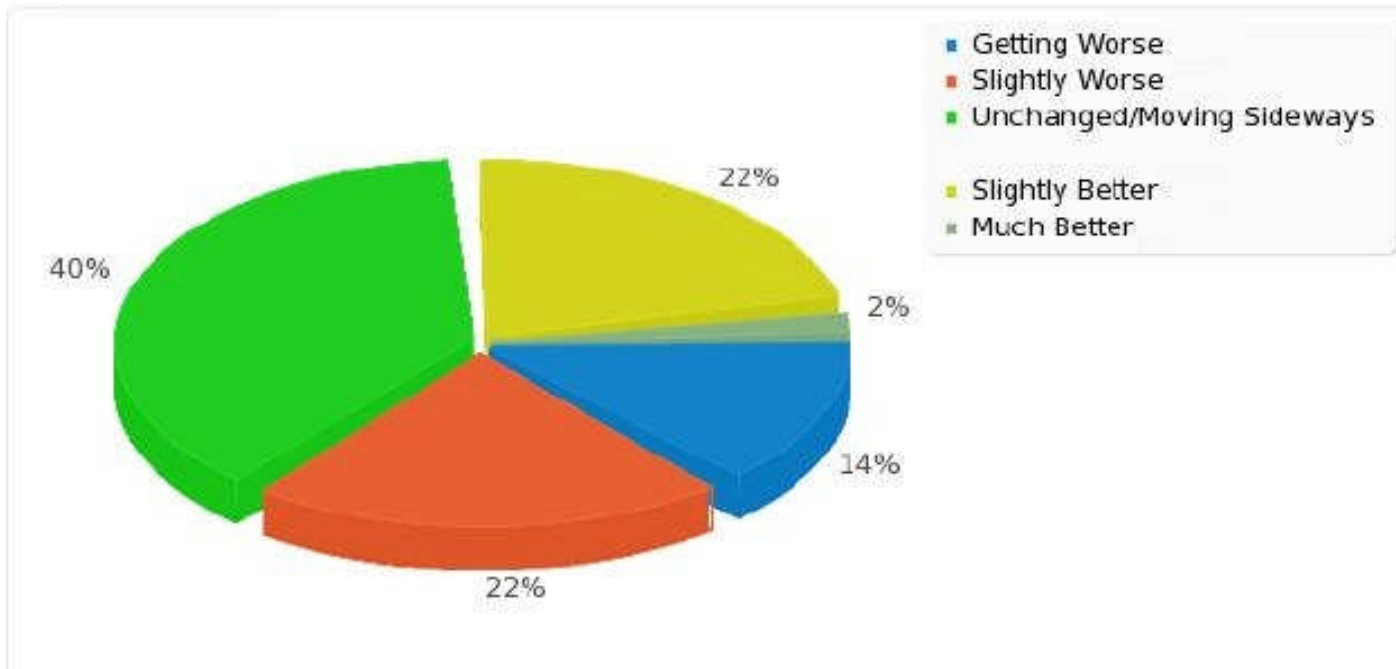
What are the biggest challenges/issues that they are facing in their mortgage business:



Did you close more loans than last month (October), in units not \$ volume:



What are your closing expectations for next month (January), in units:



PART IV – Comments on Housing Issues

The following are some of the comments about housing market issues from the survey. We can't display them all so since there are so many and many of the comments follow the same themes.

Insufficient inventory

Second home market remains in the tank

Our housing market and local economy have remained pretty strong throughout the national decline. The list of 1-5 didnt really apply that well to my area.

It appears Realtors are contributing to price declines by listing homes at or around last comparable sales rather that slightly higher than recent comp to keep prices stable

Housing inventory level is down to 6.8 months in our region which indicates a balanced market. This is positive news. mortgage guidelines/overlays making it more difficult to help borrower with loans.

I think that real estate appraisers are afraid to stick their neck out too far even when there are good supporting comps for fear of getting blackballed.

Although it would be easy to say housing is the problem, at the root is employment. Until there is job security housing will not improve. Most of my applications for purchase are first time buyers who are ill prepared to buy a home. Others who want to move up, cannot unload their current homes.

For the question above, the biggest problem is the consumer's perception of the economy as fueled by the media.

We are slow but steady without major valuation harm.

HVCC is the biggest hurdle to our industry, without HVCC implementation the industry would not have declined at such a pace, and would have rebounded much more quickly. Most of the well qualified appraisers have left the industry, we are left with uneducated, inexperienced and poor appraisers in all markets.



Mortgage
Industry
Index



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PART V – Comments on Mortgage Industry Issues

The following are some of the comments about the mortgage industry issues from the survey. We can't display them all so since there are so many and many of the comments follow the same themes.

Cost of doing business. So many licenses, bonds, insurance, cont ed,

The people representing our government who make the rules must have no idea what a marketplace is. It's just one dumb requirement after another, after another, after another. We are drowning our applicants in paperwork.

My 2010 and 2011 numbers were almost identical. I am looking to hire a part time person to help me with marketing and getting loans closed. I am forecasting that I will have an increase in 2012!!! Thanks for everything you guys do!!!

I truly believe that the writedowns or forgiveness of old HELOC loans would stem the tide of short sales and foreclosures and reduce the inventory therefore getting this market moving in a positive direction.

Compensation SUCKS! I have been with my current company 25 years - honest - excellent customer service - did NOT do sub prime lending and my compensation is terrible.

Fannie and Freddie must go. Their loan buyback threats are making underwriting insane.

We need to get back to AU. Manual underwriting is inferior. It is arbitrary and capricious. AU was never disproved, it was unjustly abandoned.

The CFPB is poised to become one of the largest agencies in the government. While combining mortgage regulation under one agency is good regulators tend to judge success by the amount of regulations promulgated. The decline of the small independent channel will continue leaving the consumer with limited access and higher pricing.

New RESPA is Socialism. No more free market / Capitalism. Forced pricing is not legal; it is price fixing. Sub Prime died and along with it, the need to over-regulate non-Subprime industry.

My business has been increasing even with the economy. If you stay focused and concentrate on your client the job gets done.

The government is doing it's best to regulate many out of their jobs and the regulations are costing the consumers more in closing costs.