

MBSauthority.com

Mortgage Industry Index

November 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 November 2011 is 114.

The November 2011 reading of 114 is a positive one and is an increase of +1 from October 2011 reading of 113 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.

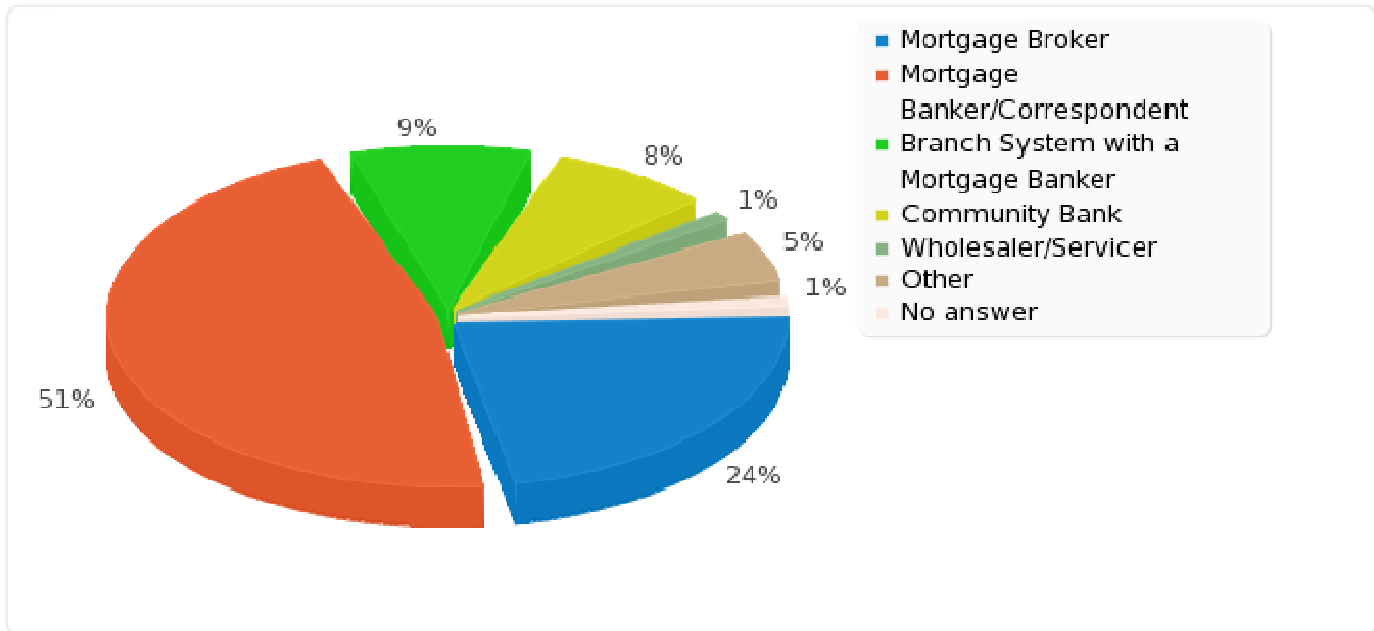
Questions about this report should be directed to Bryan S. McNee at 800-264-7135 xt 430 or bryan@mbsauthority.com

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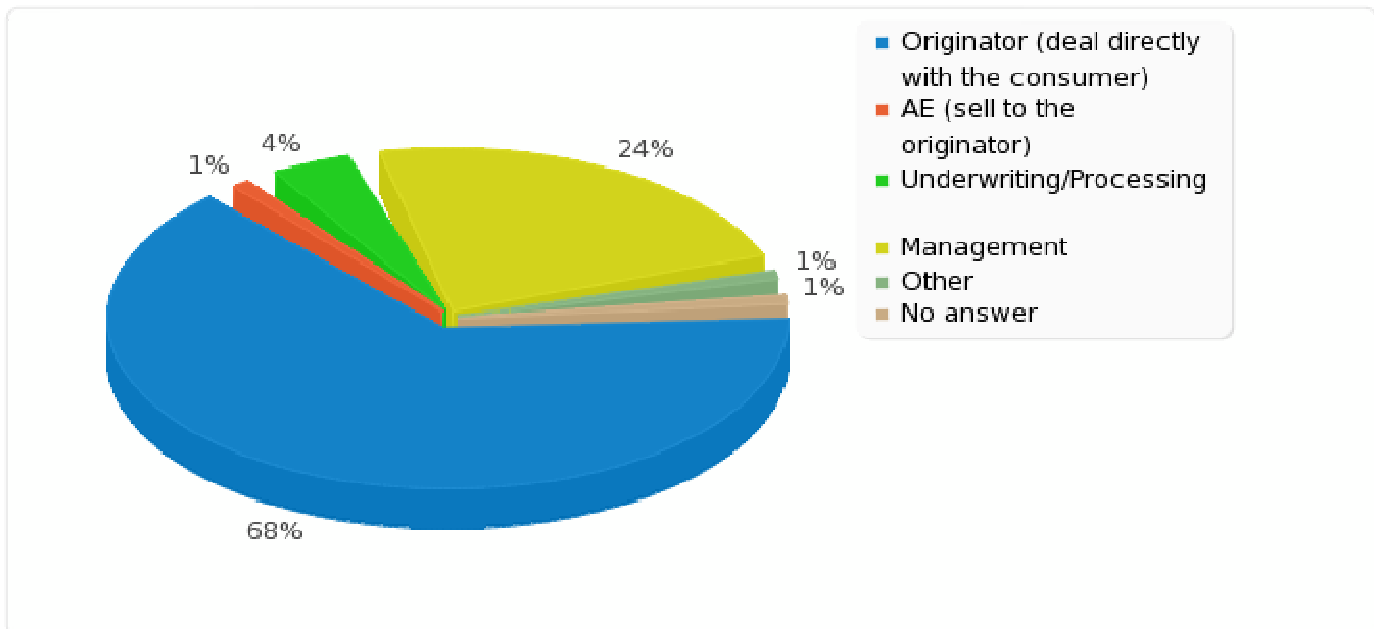
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PART I – Composition of Respondents

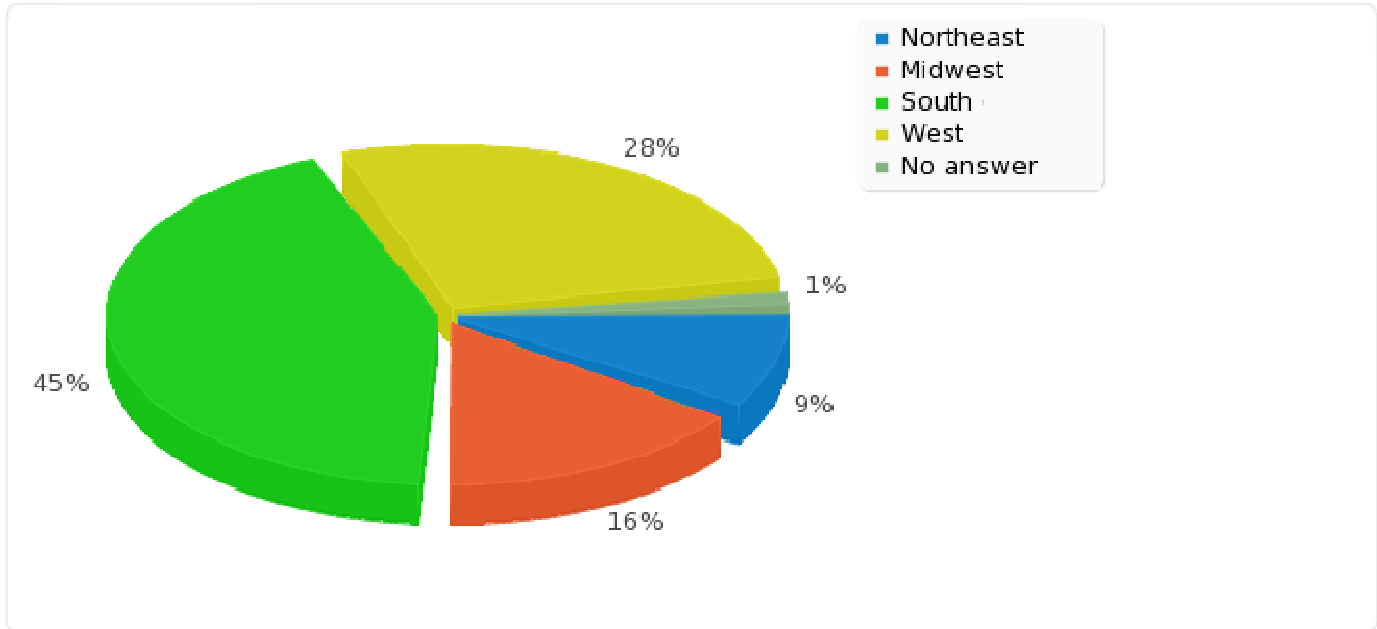
The mortgage industry was well-represented from every type of business model:



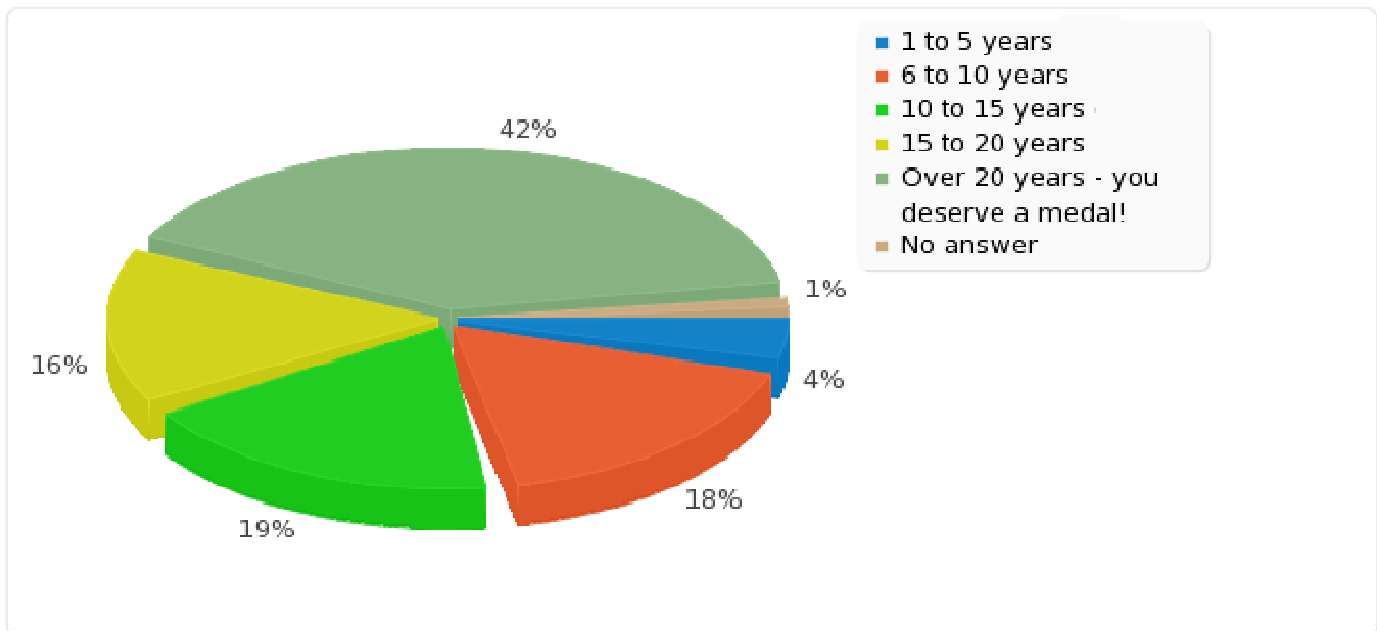
68% of this month's respondents deal directly with the consumer. This is very important because those are the professionals that have the hands-on knowledge that is the most valuable. They know what the sentiment of the consumer (borrower) is and interact with every party of a real estate transaction.



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

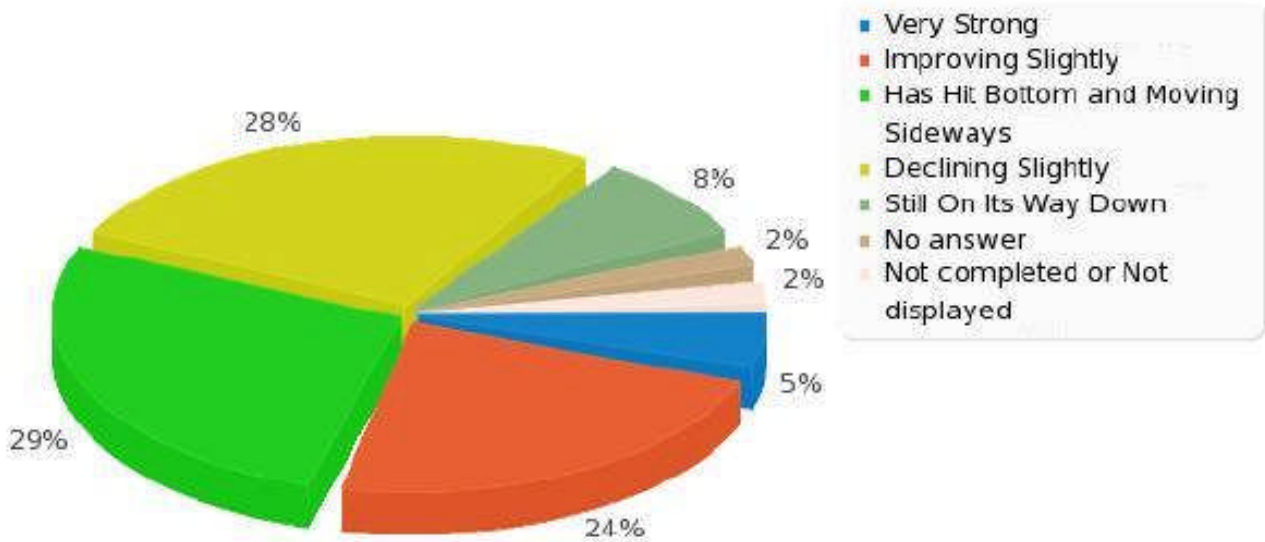


Over 77% of our respondents had over 10 years in the mortgage industry with our largest segment (42%) having over 20 years of experience. Their seasoned insight and feedback make this index even more valuable:

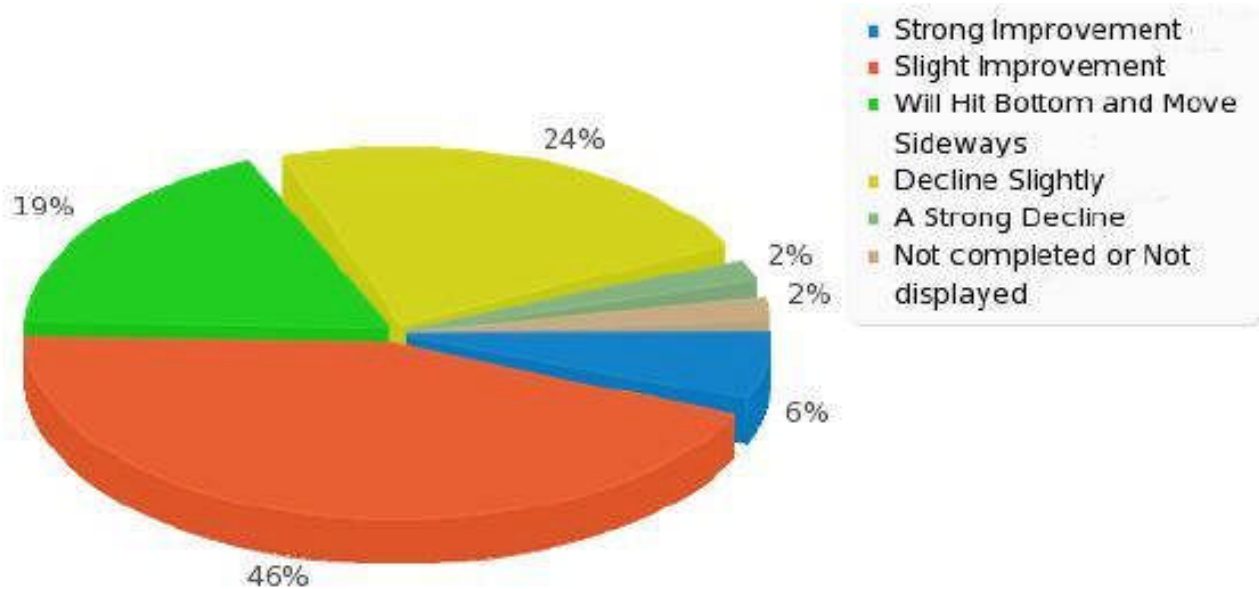


PART II – Housing Sentiment

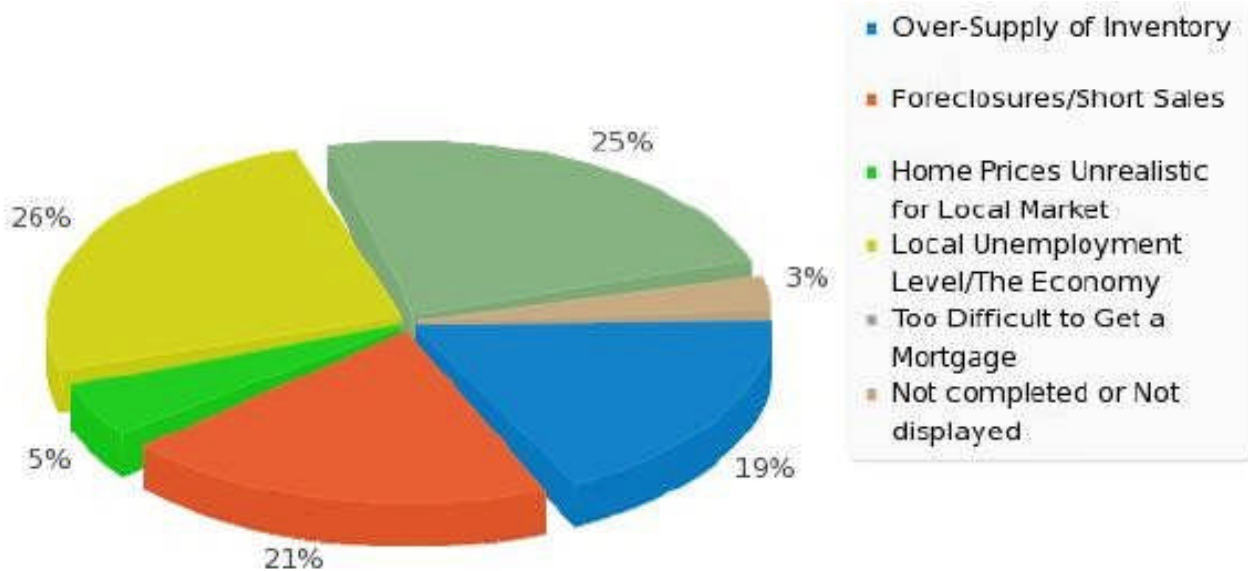
Their view on the condition of the housing market in their local market: 58% said the market is moving sideways or improving, this is down from a reading of 66% in October.



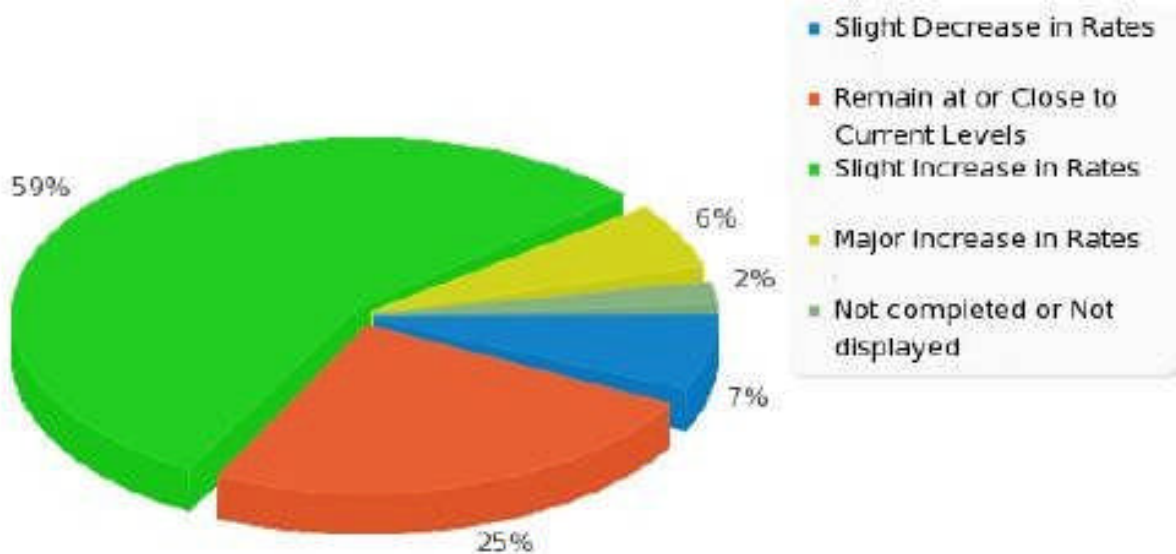
Their view on how the housing market in their local area will perform in the next 6 to 12 months:



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

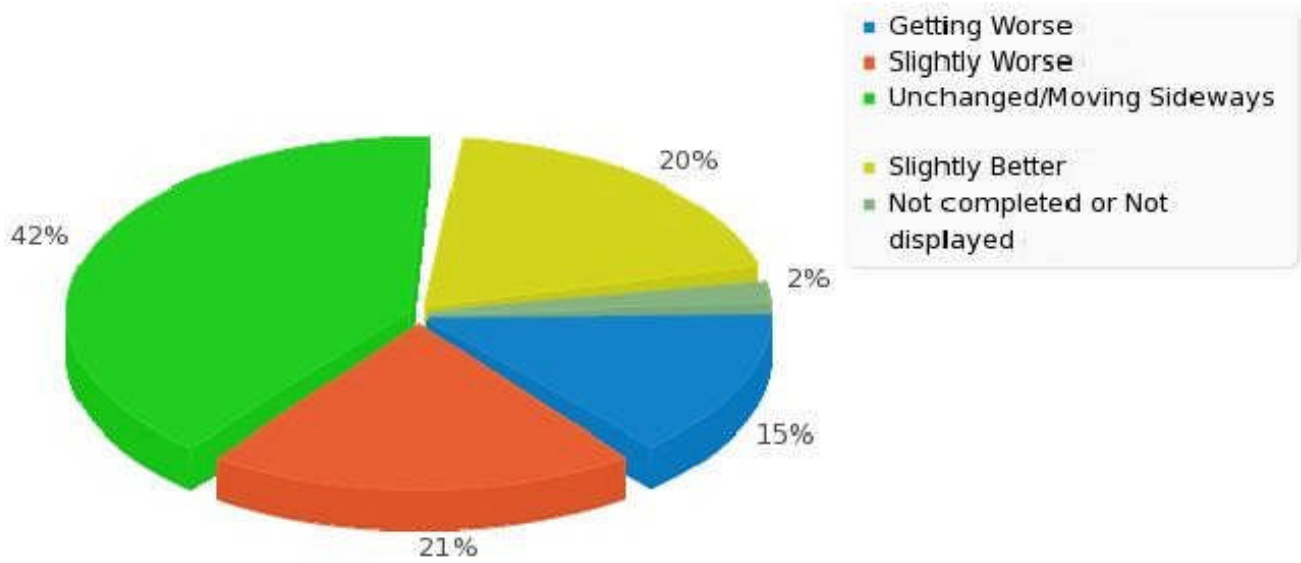


65% of the mortgage professionals stated that they expect mortgage rates to rise in the next 12 months, vs 62% in October:

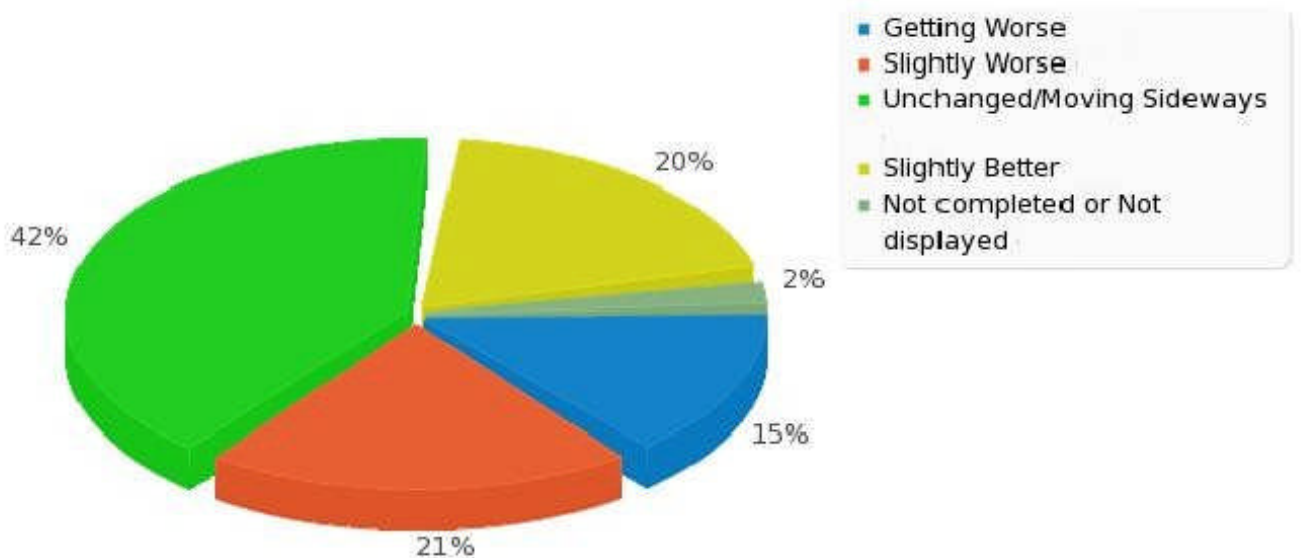


PART III – Mortgage Industry Sentiment

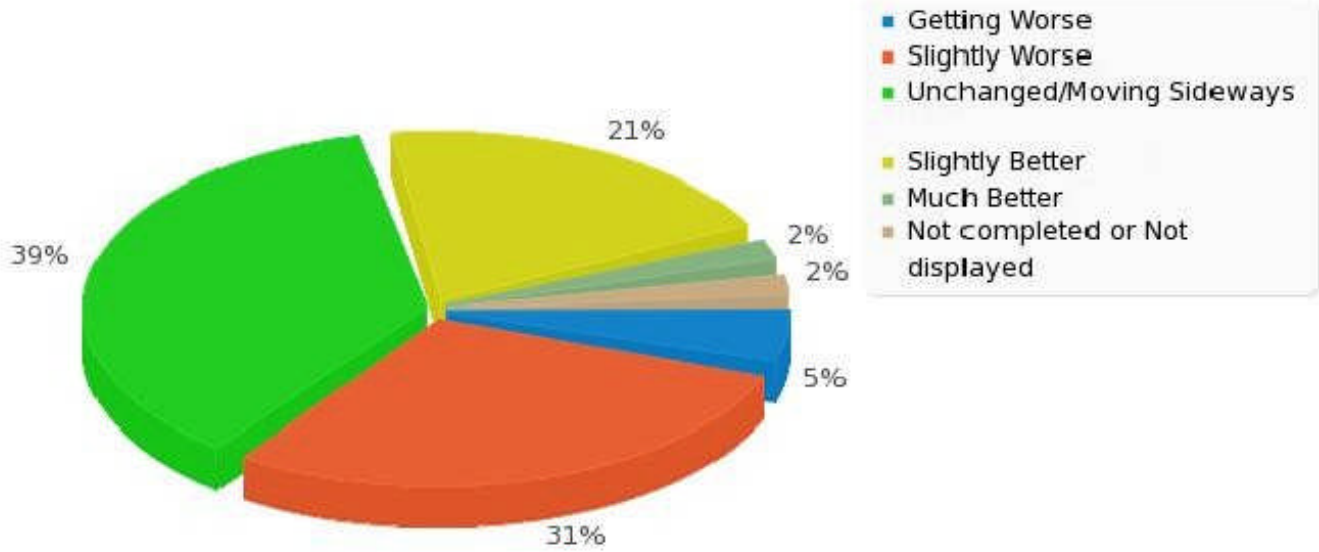
Outlook of Economic Conditions in their local market over the next 6 to 12 months:



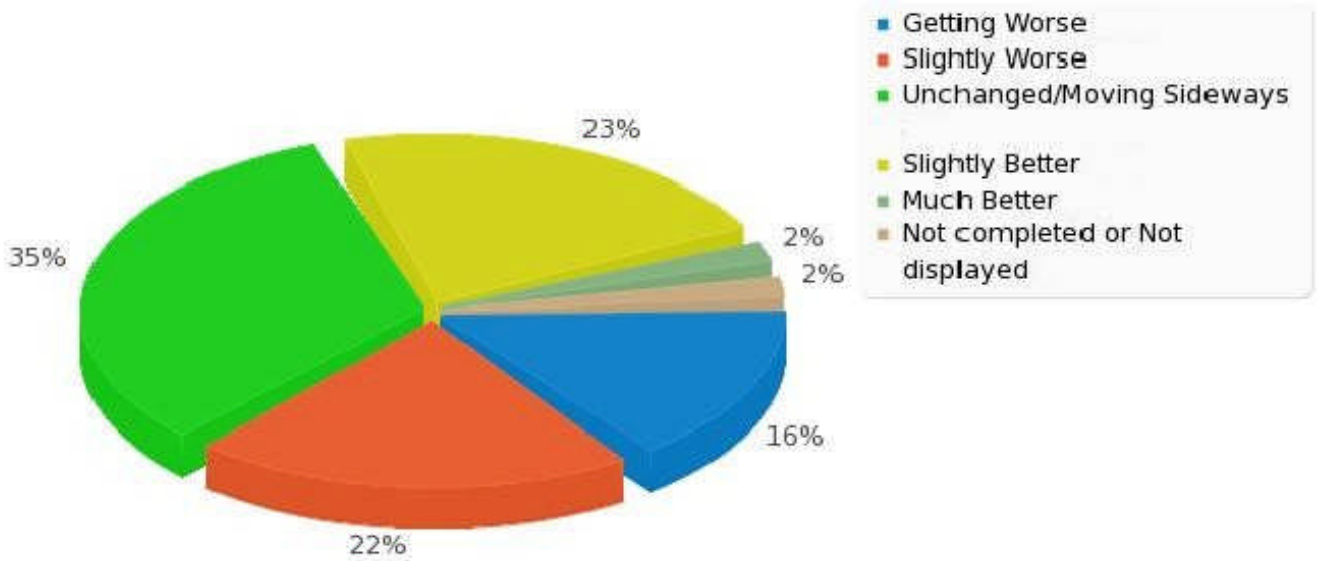
Outlook of Unemployment Levels in their local market over the next 6 to 12 months:



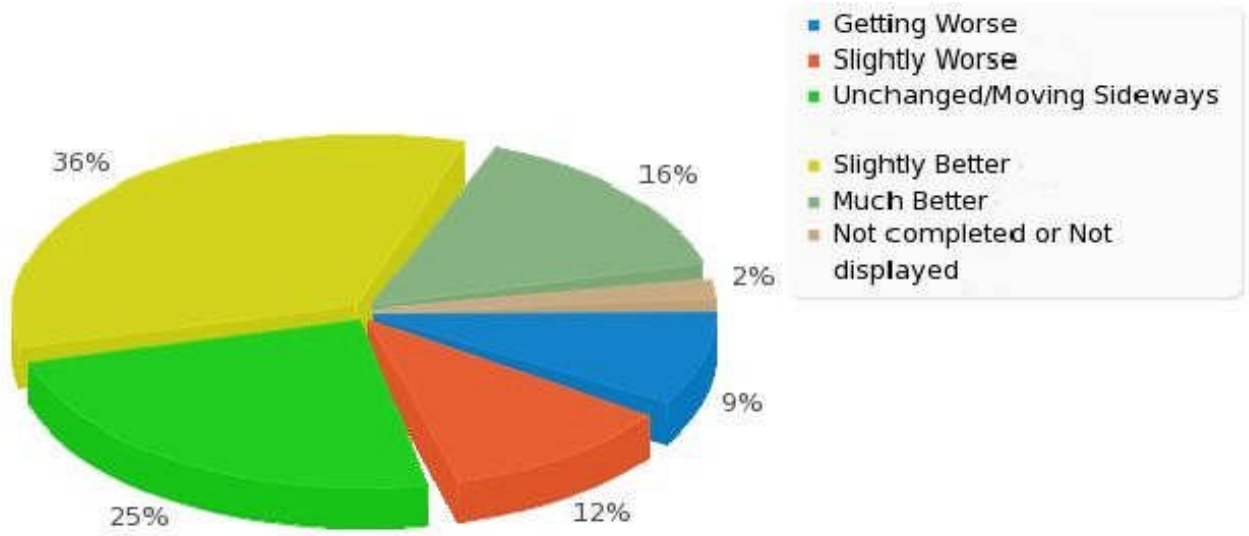
Outlook of Housing Prices in their local market over the next 6 to 12 months:



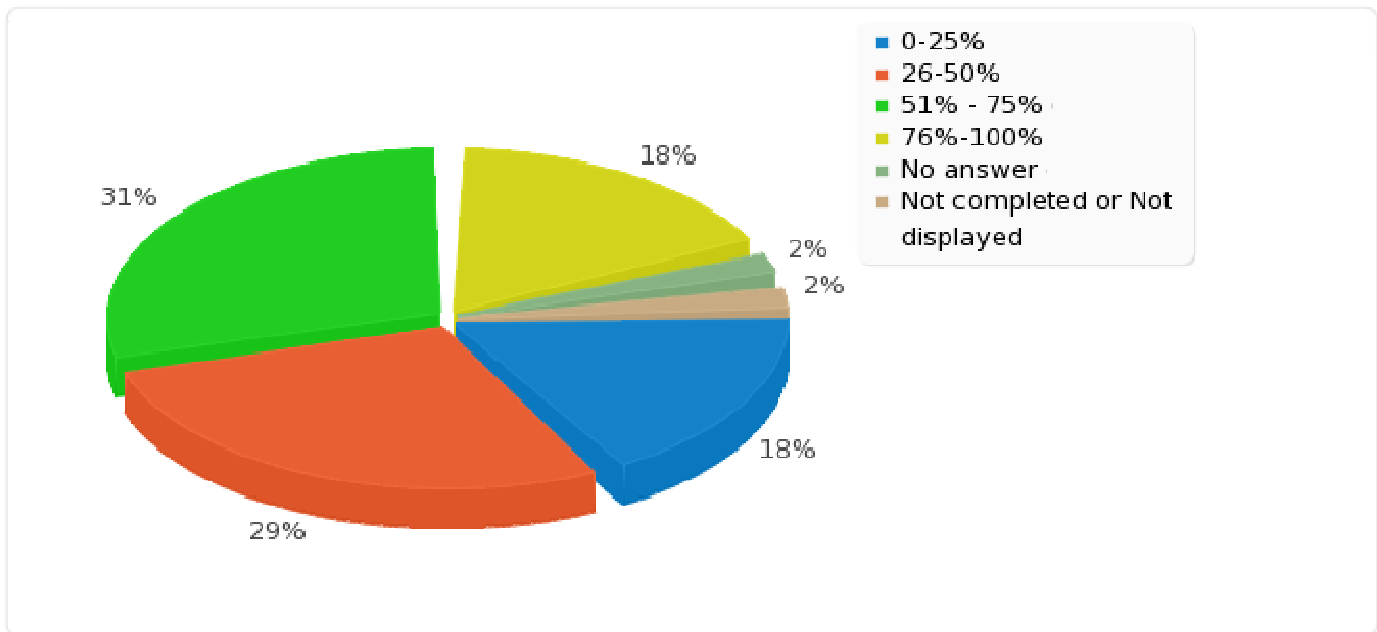
Outlook of the Ability to Close a Mortgage over the next 6 to 12 months:



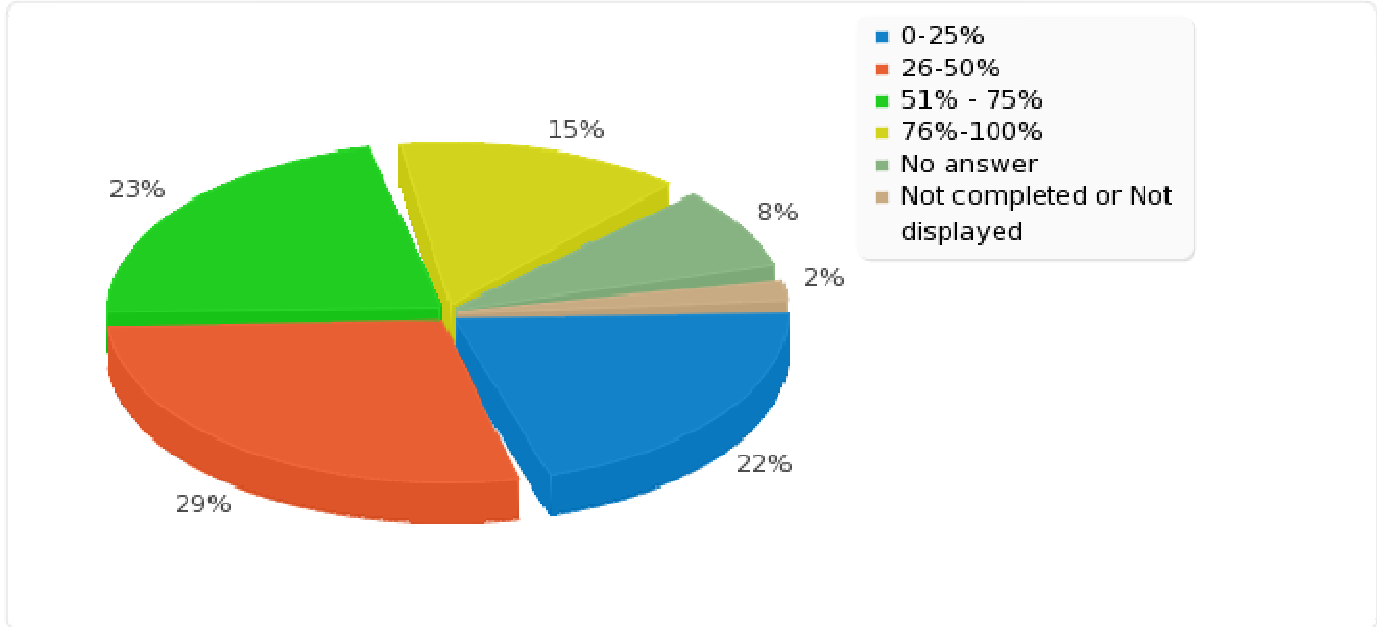
Outlook of their personal loan production (units closed) over the next 6 to 12 months: 52% think their production will improve, up from 49% in October.



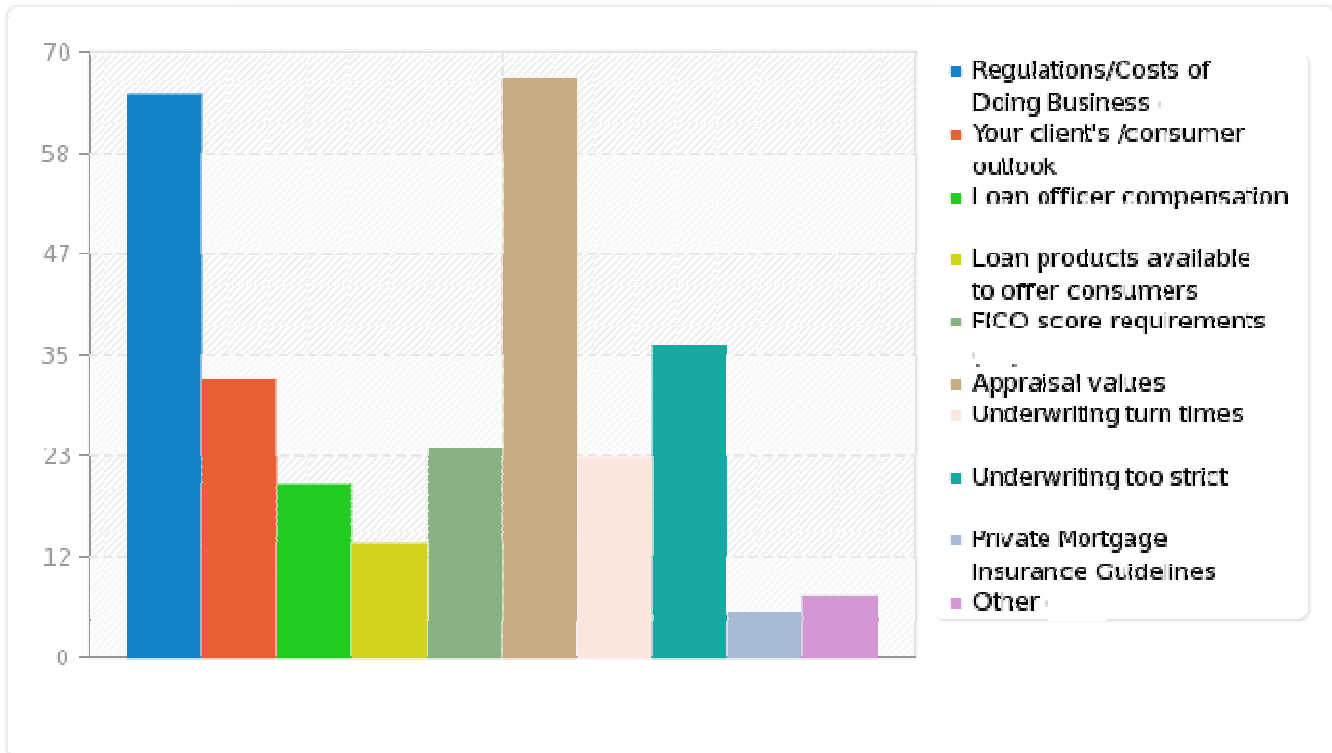
Percentage of business that are purchase transactions:



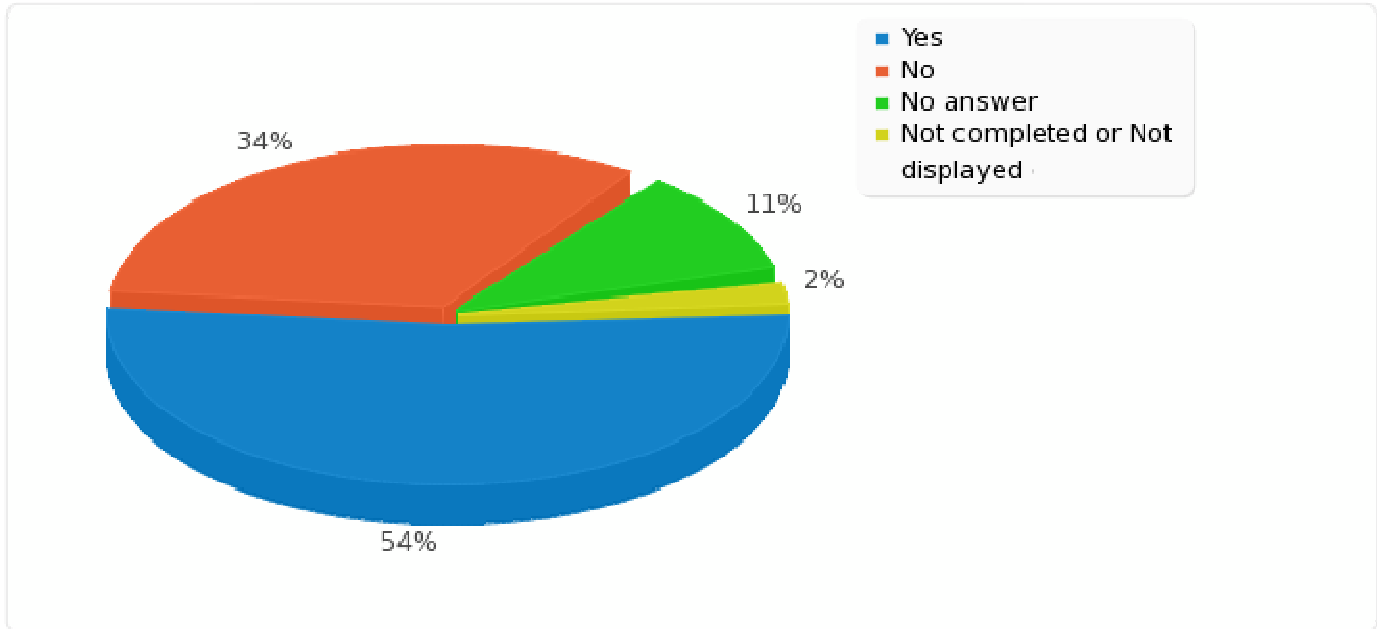
Percentage of business that are refinance transactions:



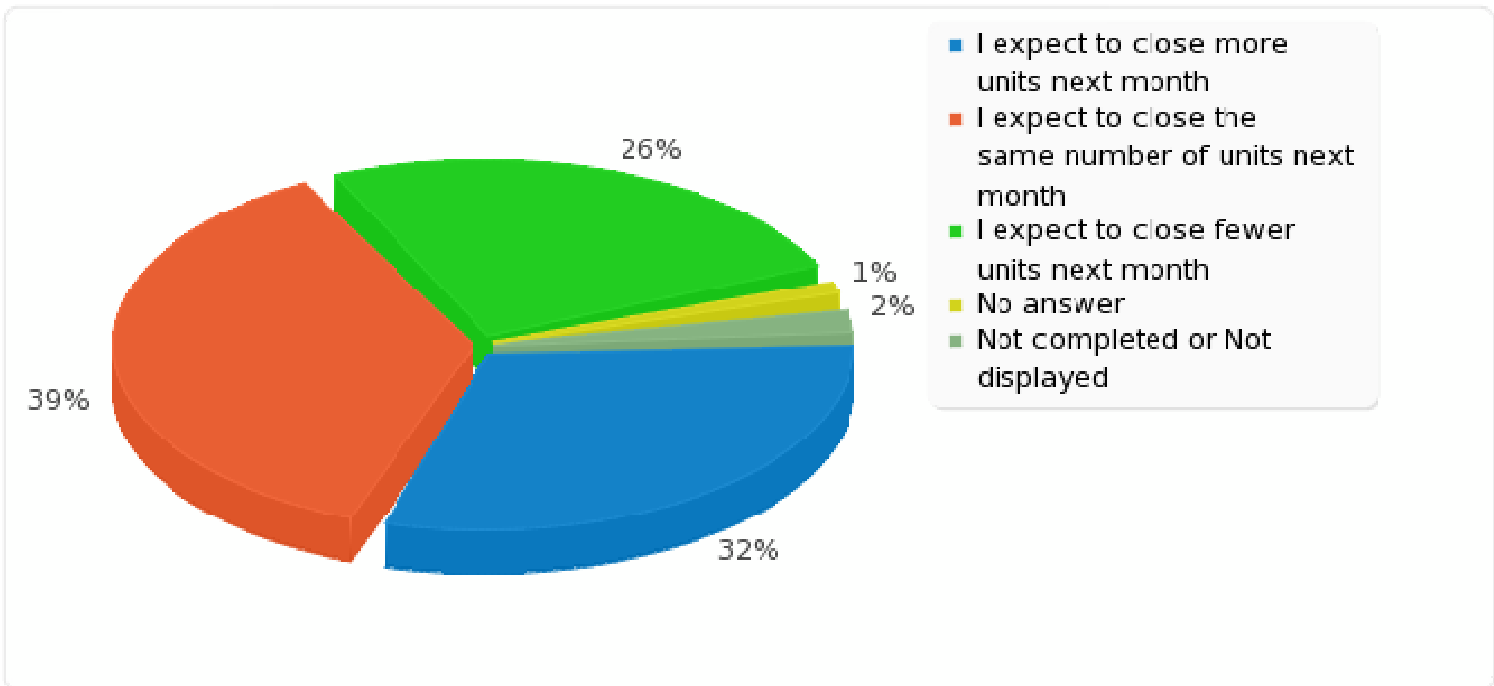
What are the biggest challenges/issues that they are facing in their mortgage business:



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



What are your closing expectations for next month (December), 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.

Guidelines must change if this industry is going to improve. Lenders are afraid to make loans and allow no exceptions to any rules...That is killing the housing market...Repeal the Dodd/Frank Financial Bill will help all lending programs....NOW!

We're a blue collar, industrial market located 30 miles outside Chicago. Though major cities like those on Case-Schiller may be stabilizing, outside the metro areas, there are still major corrections occurring

The housing market needs to improve REO's need to be placed on the market to insure availability of housing for the consumer. We can't rely on the short sale market much longer.

The number one reason that people won't buy in our market and probably many markets, is they don't have confidence in which direction the economy is headed. They are fearful. Eventhough they may in their minds know that their personal situation is fine, in their hearts they have a fear that the other shoe is going to drop. Is this fear unfounded? Well it doesn't matter. Perception is reality. Until people perceptions change regarding how the economy is headed we will not see any significant improvement in the housing market, here or anywhere.

I think that the Market will continue to decline slightly (2% or less per year) over the next 2-5 years, and then move sideways to slight increase (1-2%) for the next 2-3 years after the market bottoms out. I think that in the next 7-12 years we will start to see an increase in prices at a significant rate (5-10%).

Approximate 12 month supply of homes-some sellers unrealistic on prices or are underwater and cannot sell. Therefore moveup buyers are difficult to come by. (In the past they would have rented out their existing home, b ut current guidelines make this very difficult) First time Buyers are concerned about job stability or have credit issues. Toughening mortgage guidelines/overlays making it more difficult to help borrower with loans.

If Washington DC will move on regulatory issues by determining the QRM, QM and related regulations, the money markets may free up enough to start moving the money again. Banks have to move more quickly on short sales approval when there is a willing buyer.

Condo - we'll never rebound in Chicago until we can get the project approval processes to change.

FHA refinancing should be changed to allow previous MIP payments to be at .55 versus the new rate. It's killing any FHA refi's



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.

Repeal the Frank/Dodd financial reform law NOW! Relax some of the under-writing guidelines. SO many wish to buy but can't due to guidelines.

Let's hope they hit a home run with HARP 2.0, as four years of this mess has been too long. Get rid of the redundant fees, appraisals, etc., since the loans are already owned by the GSEs. Also, I would like to see them figure out how to waive the "only one late in 12 months" if the homeowner can show they went late based upon advice given by their current lender.

It's comforting to know that if i ever lose my license, I have a job waiting for me at BofA or wells.

If the Federal Government really wants to put the mortgage business in the hands of the market, the FDIC cannot impose stringent securitization requirements while at the same time requiring banks to increase their capital ratios. Also, they cannot blame Wall Street for the nation's problems if they're going to pay Fannie and Freddie Executives multi-million dollar bonuses then expect taxpayers to throw another \$6 billion at these GSEs (GDP Sucking Entities).

We want to hire originators and processors, but the industry has such a black eye that most job seekers are avoiding it.

Government regulation increases have resulted in increased cost to the consumer without a comcommitant increase in consumer protection. Compensation rules just allow the company to make more money at the expense of the originator since they get all overage above the compensation pricing.

Less oversight on the independent. Let's regulate the industry that truly got our country into the jam that we are in.

Compensation. I turn down loans that are too time consuming and or too small. Not worth the trouble.

I see the biggest hurdle as the media portraying gloom and doom. They need to report the facts about obtaining a mortgage which is not nearly as bad as represented by the media.

FICO scores are preventing refinances with the LLPAs req'd. I'm hearing more and more Realtors complain about appraisals bringing down deals.

The loan originator is being charged without cause for the entire collapse of the housing problem. Wall Street and hedge fund companies are responsible, but yet the little sales person with no control is the only one being penalized! I have to

close 4 times as many loans in a BAD MARKET to make the income needed to live and pay for the over priced houses and inflations cost. Yet in my own company the staff personnel still gets the same wages if not more? I call bull on that one. YOU NEED TO RELLEASE THE APRIL 1 RELEASE UNDER FRANK-DOOD RULE TO COMPENASTAION SO THE LOAN OFFICERS CAN GET BACK ON THE STREET AND START SPENDING MONEY AGAIN. Remember, with a loan, no one will keep a job! "That includes you who are writing this Bull Sh@t article!

I feel it is wrong to set what the loan officer makes. In my region a \$33,900 loan is a jumbo. \$250 per loan is hard to pay my bills. Although I understand the outcome from those who abused the system, it really isn't fair to those who did not.

Until people start to feel better about their own jobs, financial stability and the housing market, the status quo will remain. Americans are losing hope that the government has a way out of this housing market.

Overlays in the Florida Markets and the restriction on active trade lines. See more and more customers with high 700-800 credit scores with closed credit account that cannot go Conv. w/ 20% down. End up forcing them to go FHA and having the cost of MIP.

Thank God Barney Frank is not running for re election and Chris Dodd is gone!

The way they now require us to set our compensation for all customers really hurts our customers. The AMC's I think might work in large cities but when you are in a small community they end up using non qualified appraisers just because they will do it for less money. That process has caused me to lose many loans both on refinance and purchase. Many of the appraisers the AMC's use would never have been on my approved list because of their reputation. I always used appraisers that would protect my lenders.

Lender compensation is ridiculous. A lot of FHA Streamlines cannot be done because of this.

Too many refinance loans do not qualify for HARP. I have checked many 80% Sub prime and ALT A originated loans to see if they would qualify for better rate, but the loans were not Fannie or Freddie loans. Even some regular A paper loans are WF MBS instead of Fannie or Freddie.