



Notes by  
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Freddie Mac Chief Economist

## The Outlook for the U.S. Housing & Mortgage Markets

NAR Washington DC May 12, 2011

These notes match the PDF presentation you can find on my website in the downloadable library under research at [http://www.zanmonroe.com/prod\\_library.htm](http://www.zanmonroe.com/prod_library.htm)

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- Slide # 2 Short term interest rates will remain low in 2011
  - 15 year money is very cheap
  - 30 year money that is below 6% is cheap
  - 4.75 – 5.25% till 2012
- Slide #3 Housing is very affordable...
  - US house price index likely to bottom in 2011
  - Some markets recovered last year...some not till next year
  - Mortgage defaults lessen but remain high
  - 5% more home sales in 2011 over 2010
  - Affordability
- MORTGAGE RAGTES...PRICES AND INCOME
  - Affordability is up...mortgage down
  - **Affordability...Highest in 40 years!!!!**
  - Mortgage levels in 50 years....
- Slide #4 Jumbo loans are higher...+ .5% higher than the market

- Lower than 2009 at +2% above market
- Slide #5 Tax credit affected the thoughts of home ownerships in the citizens of the US....
  - It Fixed their thoughts on home ownership and got them over their depression
  - It Changed consumer mentality
- Slide #6 Mortgage Refinance in 2011 is off 50% from 2010
  - Higher interest rates...will slow it down
- Slide #7 Estimates excess unsold homes for sale....
  - Excess homes on the market are calculated... from the 1995-2004 census data...on average...1 million vacant houses which is considered normal market conditions.
    - Census...today...2005 – 2011 shows that there are 2 million vacant...(minus 1 million homes considered normal market supply)....= excess supply
    - 96 – 2004 considered normal supply
    - supply doubled in 2006 to + 1 million units
- Slide # 8 Prices lowered in June 2006...down 27% from peak
  - Price goes down when supply goes up
  - Now 600,000 houses in excess inventory
  - They should Sell off by end of year 2011
- Slide #9 National statistics hide local reality
  - There is no national re market
  - **SHOW THIS SLIDE TO YOUR CLIENTS!**
    - House price performance varied by state...
    - June of 2006 – March 2011
      - ND is\_ + 11% employment and is the lowest unemployment...farming and oil...
      - Bad....California, Nevada...avg 59% decline
- Slide #11 - We are short 10 million jobs...
- Slide #12 - 27 months to above 8% unemployment...see chart!!
- Slide # 13 Current foreclosures. Are at 6,2%
- Slide #14 Typical foreclosure rate is 1% since 1962

- High risk foreclosure....
- Subprime....27% foreclosure
- All loans 8.6% foreclosure
- Freddie Mack 3.8% lowest default rate....in industry but highest there has ever been

### Summation....

No double dip...economic growth keeps coming...high unemployment....inflation within the target....very very low short term interest rates....SHOP FOR A MORTGAGE NOW!

Should I refinance my house now? It is a great time to ask this question!

AFFORDIBILITY IS SUPER HIGH...DRIVING HOUSING DEMAND...HIGH DELINQUENCY RATES WILL COME DOWN. But remain high...compared to history.