

Housing Finance Now and Tomorrow

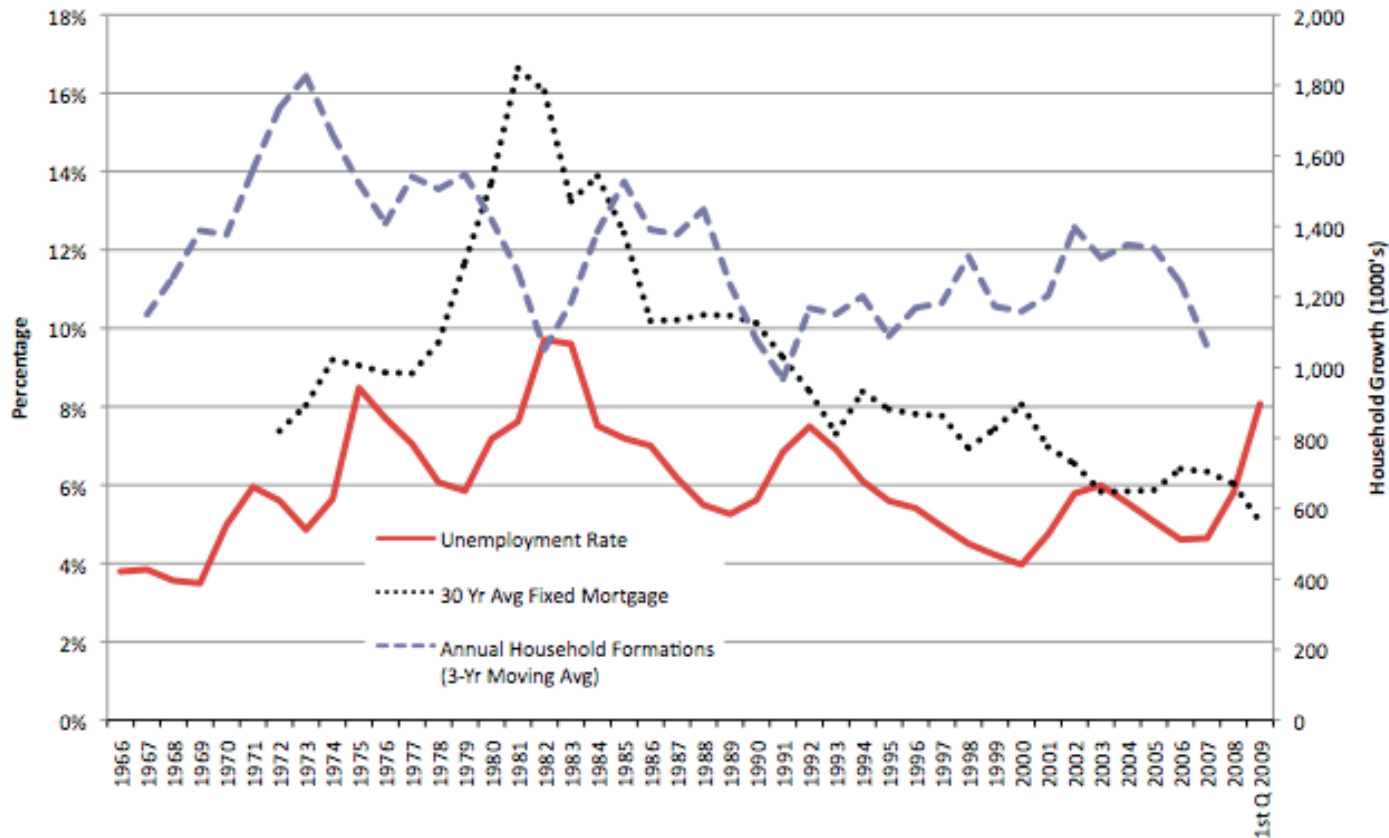
Potomac Mortgage Group

January 25, 2012



Recoveries Happen – Cycles

The Early 1980s Saw a Sharp Rise in Unemployment and Mortgage Interest Rates and a Sharp Drop in Household Formations



Accountability



JAIL WALL ST. CROOKS



SUFFOLK COUNTY DISTRICT ATTORNEY THOMAS J. SPOTA

MORTGAGE FRAUD ARRESTS

 Donald MacPherson	 George Guldi	 Ethan Elner
 Dustin Dente	 Carle Cookley	 Brandon Liss

Occupancy Certificate
MORTGAGE FRAUD IS INVESTIGATED BY THE FBI



258-

SHERIFF SALE

By virtue of a Writ of Decree Will be exposed to
PUBLIC SALE
TUESDAY, JUNE 2, 2009
at 10 o'clock A.M.
First District Plaza
3801 Market Street, 3rd Floor

JOHN D. GREEN, Sheriff
Circuit Court, Adams, Superior of Real Estate
Court Room Building, 100 North Broad Avenue, 5th Floor (215) 486-1810

NOTICE:



Washington's Role in Housing – The New Normal

- **Regulatory Uncertainty**

- QRM
- QM
- Servicing Standards
- Licensing
- Compensation
- Affiliated Businesses

- **Dodd Frank**

- 300 Rules

- **Future of Governments Role in Housing**

- Deficit Reduction and Tax Policy
- Litigation Risk
- The “Silly Season”



- **The Players**

- AG's
- DOJ
- HUD
- CFPB
- Treasury
- FHFA
- Fed
- FDIC
- SEC
- NEC
- DPC
- CEA
- White House
- Congress
- Committees/Tea Party/Partisan

- **National Servicing Standards**
- **Public & Private Roles in Secondary Market**
- **Appropriate Risk Retention/QRM**
- **Ability to Repay/QM Safe Harbor**
- **Rationalize Repurchase Regime**

- **Ethical** - Truthful
- **Accountable** – Eliminate Bad Players
- **Sustainable** – Long Term
- **Transparency** – Full Understanding

“You Can Be At Home With Us”

Facts Do Matter



OCTOBER 15, 2011

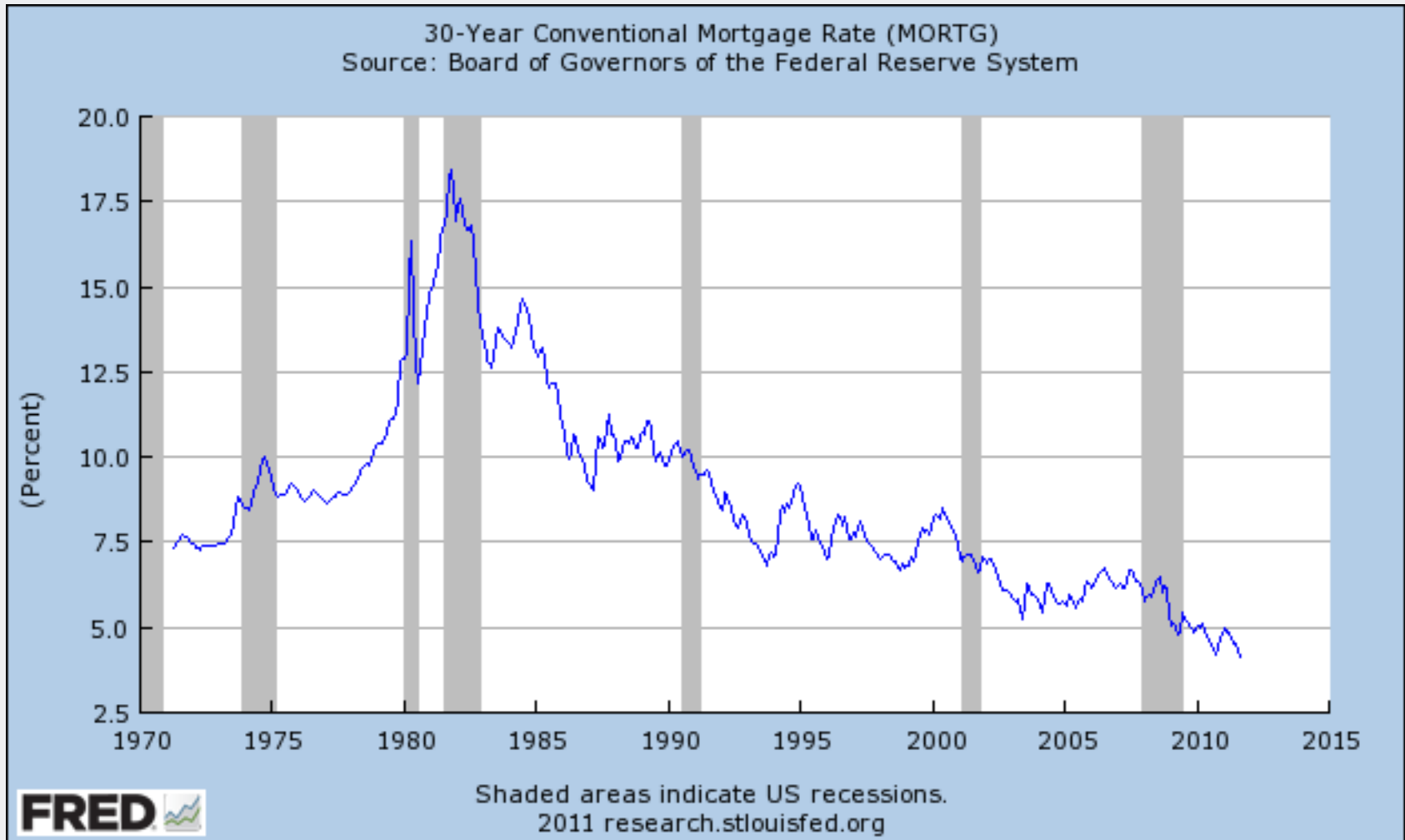
It's Time to Buy That House

U.S. house prices have plunged by nearly a third since 2006, and homeownership rates are falling at the fastest pace since the Great Depression.

The good news? Two key measures now suggest it's an excellent time to buy a house, either to live in for the long term or for investment income (but not for a quick flip). First, the nation's ratio of house prices to yearly rents is nearly restored to its prebubble average. Second, when mortgage rates are taken into consideration, houses are the most affordable they have been in decades.

Two of the silliest mantras during the real-estate bubble were that a house is the best investment you will ever make and that a renter "throws money down the drain." **Whether buying is a better deal than renting isn't a stagnant fact but a changing condition that depends on the relationship between prices and rents, the cost of financing and other factors.**

I Remember When.....



Consulting in Today's Unique Market

\$250,000sp	4%	6%
Financing	\$429,673 \$143,224	\$539,595 \$179,865
Value	-5% -\$12,500	+2% +\$55,299

**(Total Home Cost = Acquisition +
finance cost/time)**

“On the bright side, low interest rates and weak prices havemade homeownership more affordable than in decades. With inventoriesof new homes at historic lows, a turnaround in demand could quickly result in tighter markets.”

Joint Center for housing Studies Harvard University - State of nations Housing 2011

Crazy Chart: Housing Is Crazy Cheap Versus Gold

PIMCO

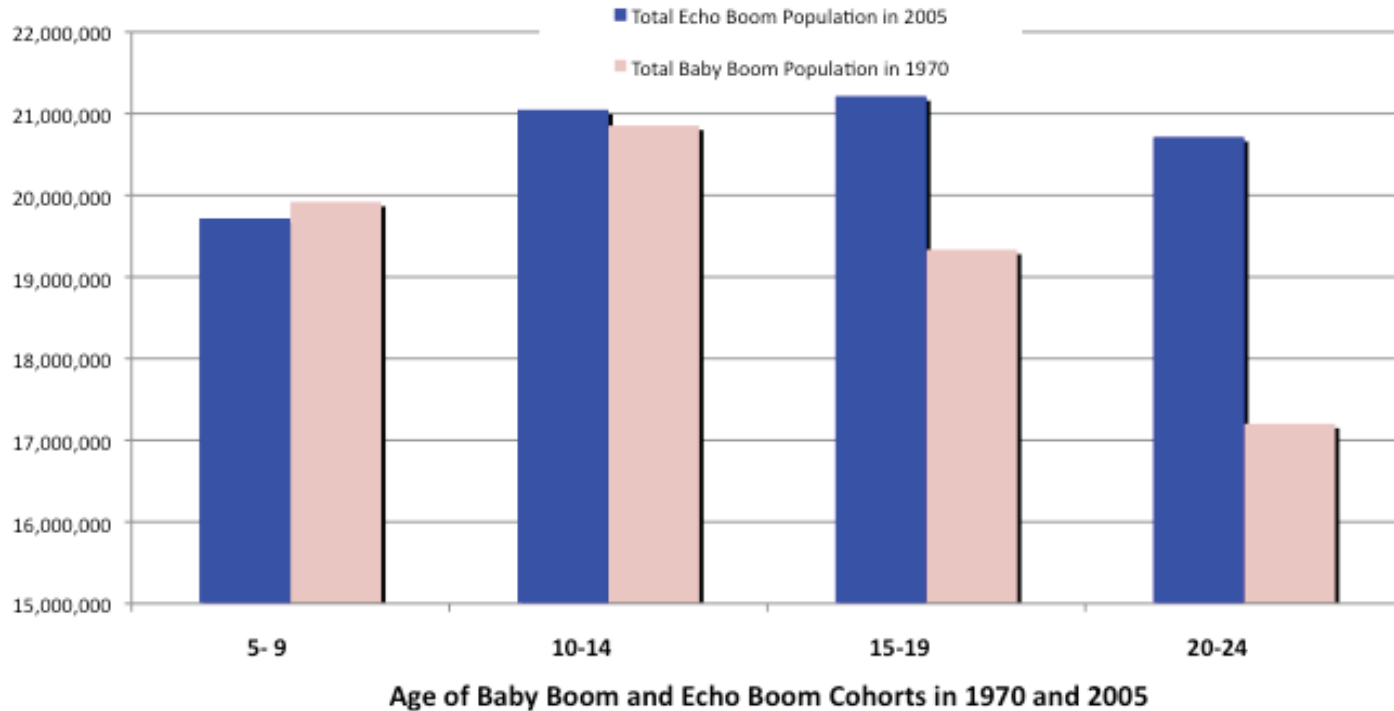
Ounces of Gold Needed to Buy a Median US Home



Future Trends

The Changing Age Structure Will Boost Levels of Household Growth Over the Next Two Decades and Beyond

The Echo Boom is Even Larger than the Baby Boom that has Driven Markets for 50 Years



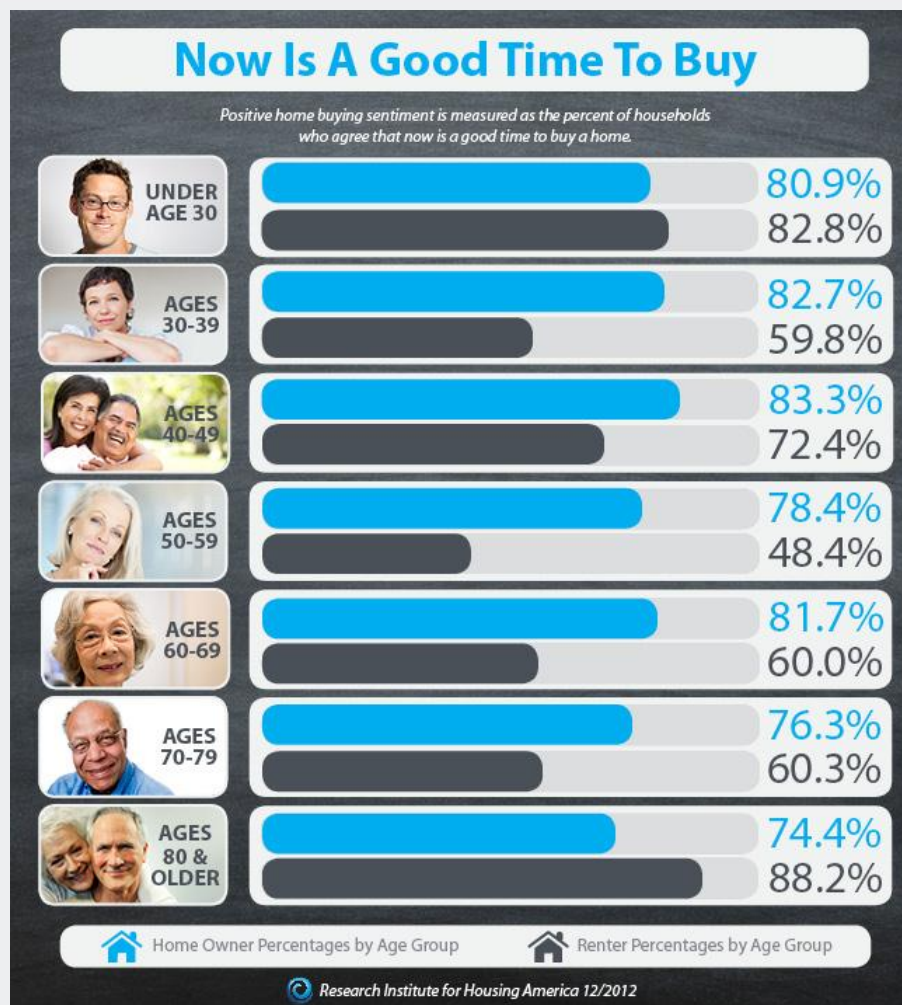
Source: U.S. Census Bureau Estimates
<http://www.census.gov/ipc/www/idb/idbsprd.html>



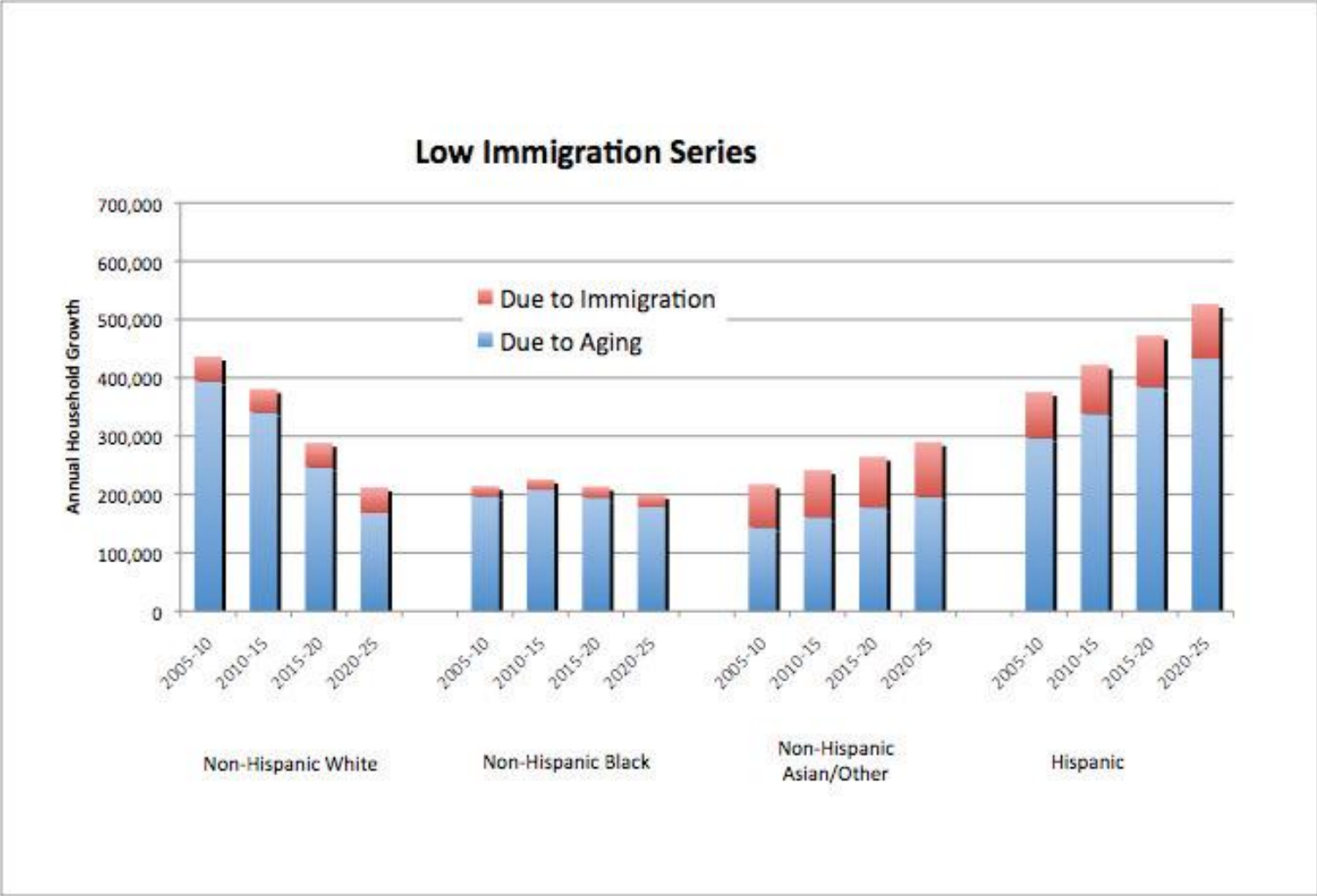
HARVARD Kennedy School
JOHN F. KENNEDY SCHOOL OF GOVERNMENT

"There will be 5 million more echo boomers than there were boomers when they first started swelling housing markets," said Eric Belsky, executive director of the Harvard University Joint Center for Housing Studies. As a result, household growth during the next 10 years should range between 12.5 million and 14.8 million, according to the report. All those new households mean demand for many new housing units.

"This is a powerful, powerful underpinning of future demand," said Belsky.



Aging and Demographics Will Drive the Future



- Short term will be challenging. Bumpy Road to Recovery. **Challenge**
- USG Actions Will Have Extraordinary Impacts to Housing. **Engage**
- Consumer Confidence May Impact Unique Opportunity for Qualified Borrowers. **Educate**
- The Long Term Future is Bright but Will be Built on New Demographics. **Evolve**