



Mortgage Execs Offer Gloomy Outlook...for WHO?:

By **Stephanie Riley**, Stephanie.Riley@CatalystFunding.com

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As you read this article (see below) here are some interesting comments to note on some quotes taken from the article...

- "Obviously we're going to have a period where delinquencies and foreclosures are going to exponentially grow." Unfortunately, there are many uneducated borrowers out there (I know you are not one of them) that have gotten into loan programs without understanding the risks involved. There is a concern that as loan rates and payments adjust, there is going to be a higher than normal number of people not able to continue to make their mortgage payments.
- "Perry challenged the current regulatory drift toward so-called 'suitability,' where mortgage originators must ensure that the loan which borrowers obtain does not prove to be 'harmful.'" I believe their proposal about mortgage brokers making the call on whether or not a loan product is "suitable" for borrowers is not the right answer. The answer is mortgage brokers educating the borrowers so that the borrowers have all of the information to make a wise decision.
- "there's too much capital chasing too little product" Too many lenders chasing you to lend you money!!! Oh no! What are you going to do? I can only speak for myself.... "Well, gosh, if you insist...but you know, you will need to better the terms and lower the cost a little"☺.

At a time where prices have pulled back some and it is a buyers market in real estate, we are seeing amazing new loan products coming down the line due to lenders competing for your business...not to mention continued low interest rates. I can't think of a better formula to make me want to be buyer than this. I hope you are having fun property hunting!!!

Mortgage Execs Offer Gloomy Outlook

Fannie, Freddie CEOs among MBA panelists

October 30, 2006

By **NEIL J. MORSE**

Four senior mortgage banking executives speaking in Chicago last week delivered



uniformly dour forecasts of market performance next year.

"Given what we're going through, we're all kidding ourselves about what's likely to ensue when a lot of product rolls over [next year] and there are questions," declared Richard Syron, chairman and chief executive officer, Freddie Mac, McLean, Va.

His counterpart, Daniel Mudd, president and chief executive officer, Fannie Mae, Washington, D.C., said this is "definitely a cooling mortgage market. The big issue is not the home price bubbles that may exist from place to place, rather it is that of the \$9 trillion in mortgages out there," said Mudd, calculating that "about \$1 trillion [in adjustable-rate mortgage debt] will reset in '07 and those [interest rate] resets are going to have some very interesting and difficult-to-predict impacts on consumers and others."

Syron and Mudd shared a panel discussion with two representatives of the private equities sector, during a general session on capital and secondary market developments at Mortgage Bankers Association's 93rd Annual Convention & Expo last week.

One of the two other speakers, Michael Marriott, managing director, Credit Suisse, New York, described "a very big consolidation wave in the industry." As a result, he said, in the next couple of years, "we're looking at some failures, which will bring margin back but it will be painful to get there." Ultimately, Marriott expects "a more normalized business environment [that] will be good for everybody."

Meanwhile, mortgage lender Michael Perry, chairman and chief executive officer, IndyMac Bank, Pasadena, Calif., said: "Obviously we're going to have a period where delinquencies and foreclosures are going to exponentially grow."

Perry challenged the current regulatory drift toward so-called "suitability," where mortgage originators must ensure that the loan which borrowers obtain does not prove to be "harmful."

The question of suitability, said Perry, "is a slippery slope. If we get into suitability, costs will increase."

The problem, according to the IndyMac chief, is that suitability requires lenders "to go to the views about the consumer in terms of their future income, their ability to take into account variable payments. What's worse, we'd have to deny some people who need a loan because this product isn't suitable for them."

Fannie's Mudd held firm for "innovation in the market and getting more people into homes," but he said, "the thing I would argue against [is that] it's not entirely clear to me that [all borrowers know] exactly what they were getting into and that's going to flesh itself out over the course of the next year."



Syron, of Freddie Mac, concluded with a somewhat glum view of 2007 changes in the mortgage market.

"It's going to be a fairly tough correction," he said. "The long and the short of it is that, in financial services as a whole, there's too much capital chasing too little product. We're all going to get squeezed out on the risk curve; many already have. We'll have to pay a lot of attention to that now because we're entering into a different period of time [when] everything is priced to perfection."

Neil J. Morse is a communications consultant and independent writer working exclusively in the mortgage finance industry. He resides in Newtown, Conn. and may be reached by e-mail at: NeilMorse@MortgageDaily.com