



Housing and Mortgage Market Outlook

Department of Veterans Affairs Lenders Conference

Frank Nothaft, CoreLogic SVP & Chief Economist

April 12, 2017

2017 Market: Less Affordability

- 1. Mortgage rates rise (but historically low)**
- 2. Household composition increasingly diverse**
- 3. Prices up 5% in 2017, rents up 3%**
- 4. Originations: Purchase up, Refi down**
- 5. Loan quality high (new credit 'lower risk')**

Short-term Interest Rates Heading Up

Federal funds target as of March 15, 2017: 0.75% to 1.00%

Federal funds target projected for December 31, 2017
(based on FOMC member projections):

<u>Federal Funds Target</u>	<u>Number of FOMC Members</u>
Same as today	2
1.00% to 1.25%	1
1.25% to 1.50%	9
1.50% to 1.75%	4
Higher than 1.75%	1

Source: Federal Open Market Committee projections released March 15, 2017 (individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of 2017).

Short-term Interest Rates Heading Up

Federal funds target as of March 15, 2017: 0.75% to 1.00%

Federal funds target projected for December 31, 2017
(based on FOMC member projections):

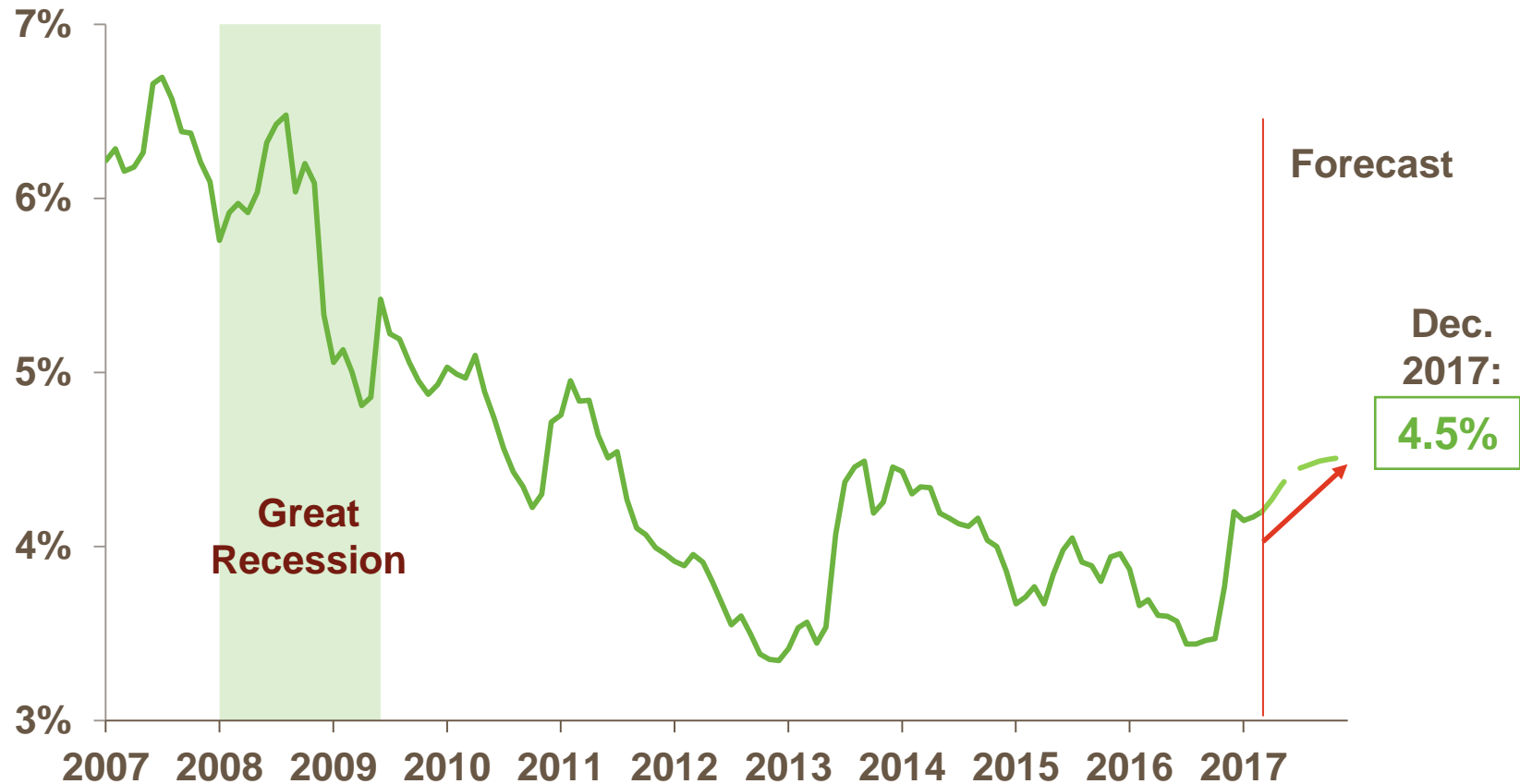
<u>Federal Funds Target</u>	<u>Number of FOMC Members</u>	
Same as today	2	
1.00% to 1.25%	1	
1.25% to 1.50%	9	← Median
1.50% to 1.75%	4	
Higher than 1.75%	1	

Source: Federal Open Market Committee projections released March 15, 2017 (individual FOMC participant's judgment of the appropriate level of the target federal funds rate at the end of 2017).

Mortgage Rates Heading Up

Rates are still historically low

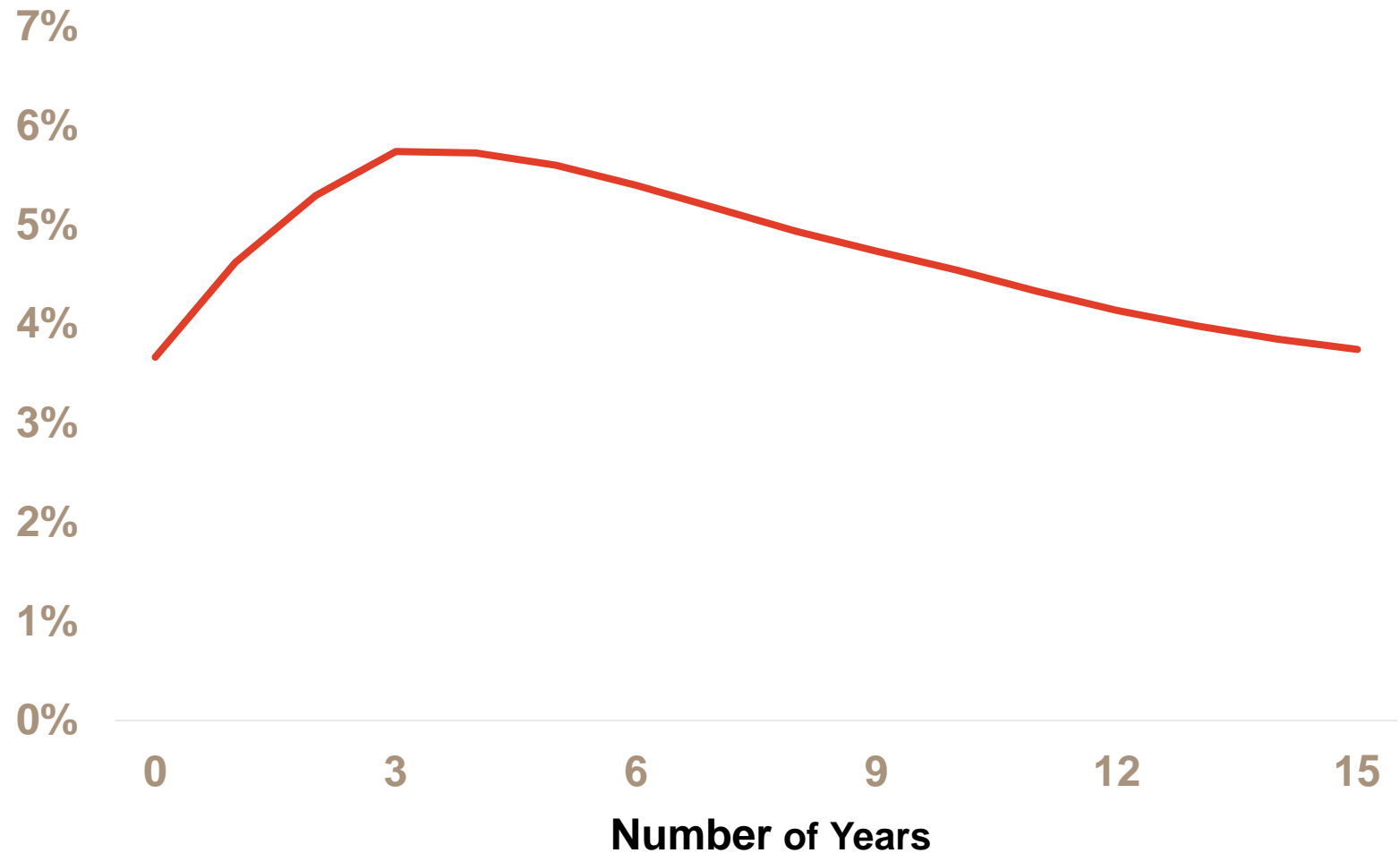
Interest Rate on 30-Year Fixed-Rate Mortgages (percent)



Source: Freddie Mac Primary Mortgage Market Survey®; forecast is an average of MBA, Fannie Mae, Freddie Mac and IHS Markit latest projections.

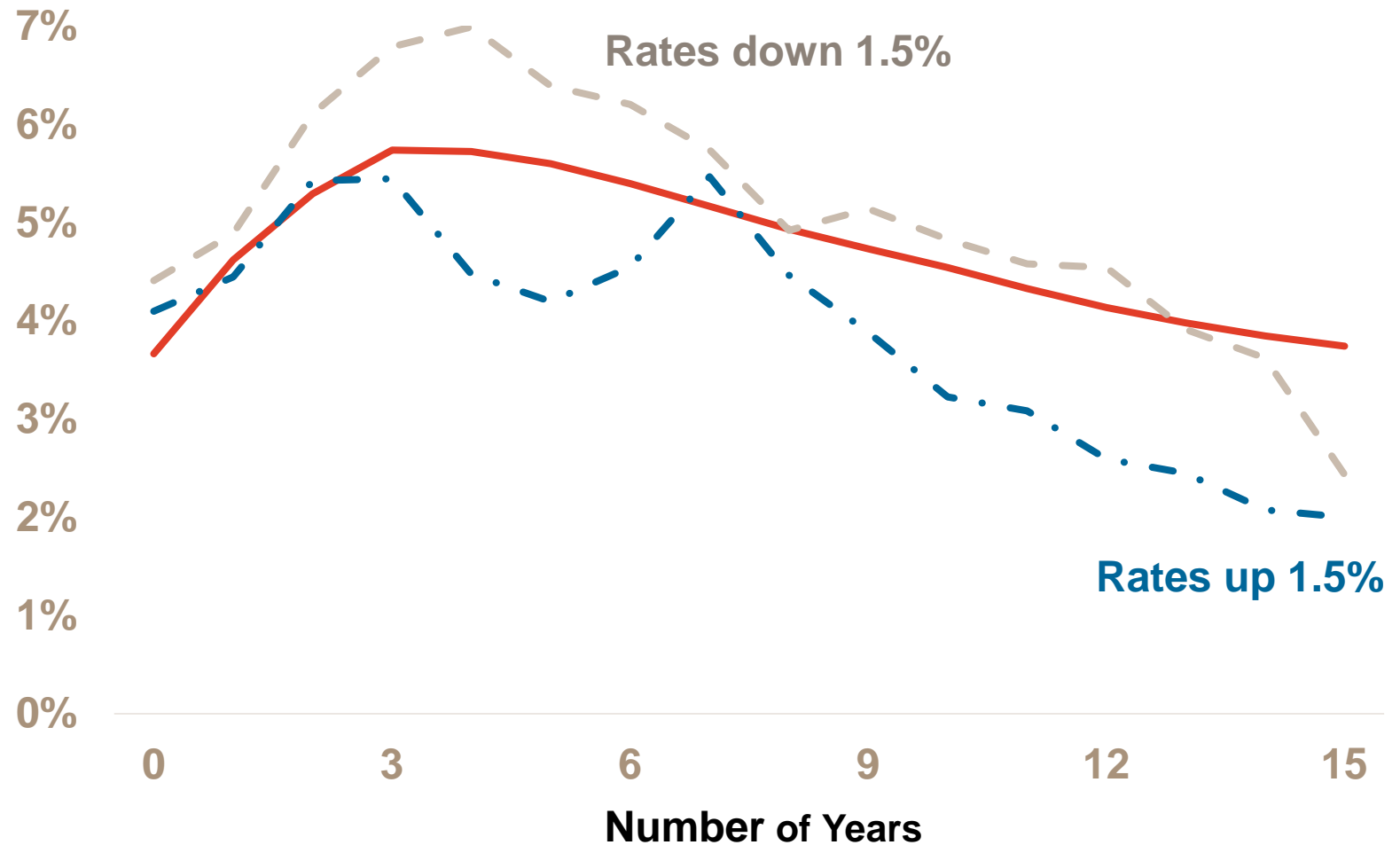
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016



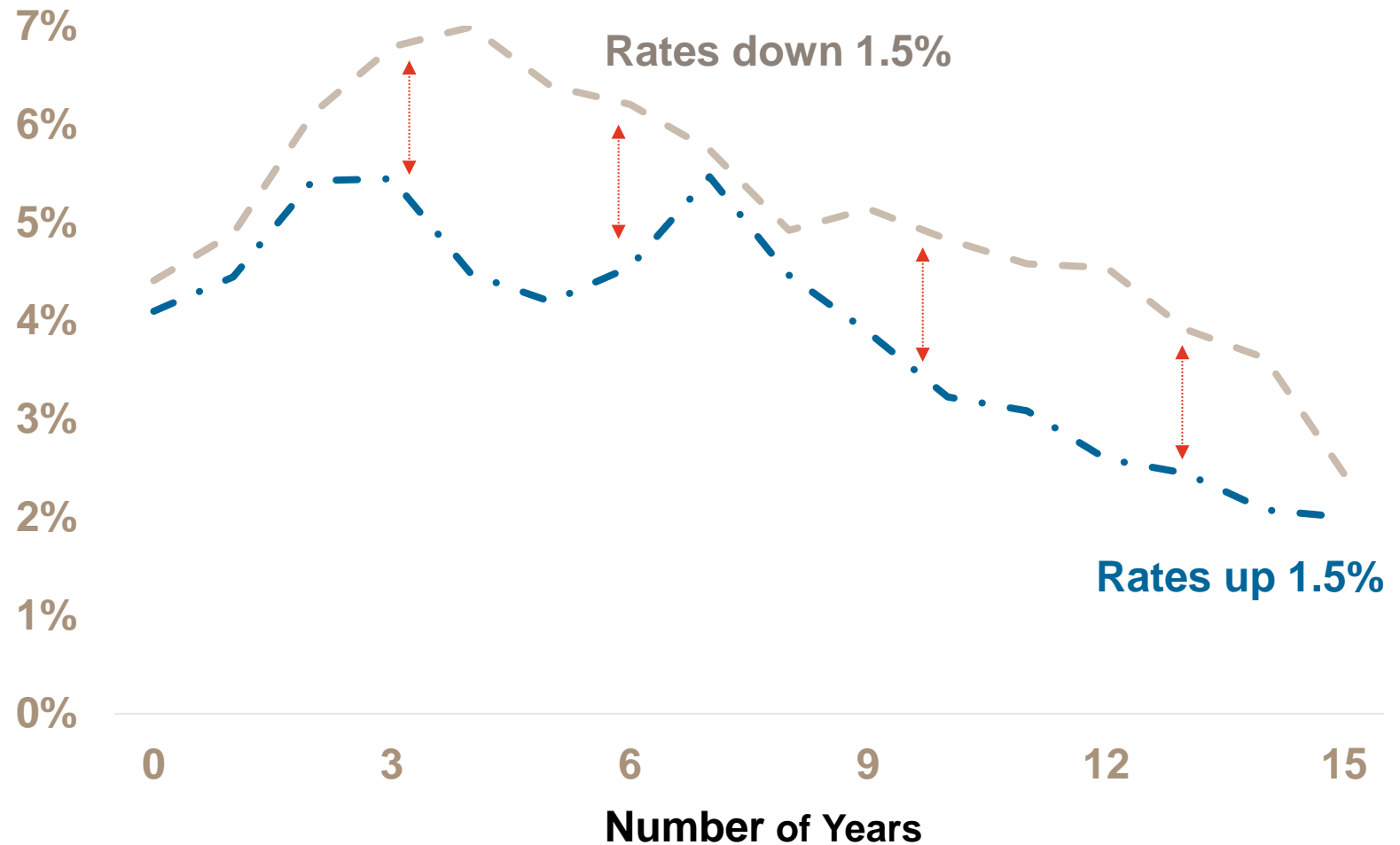
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016



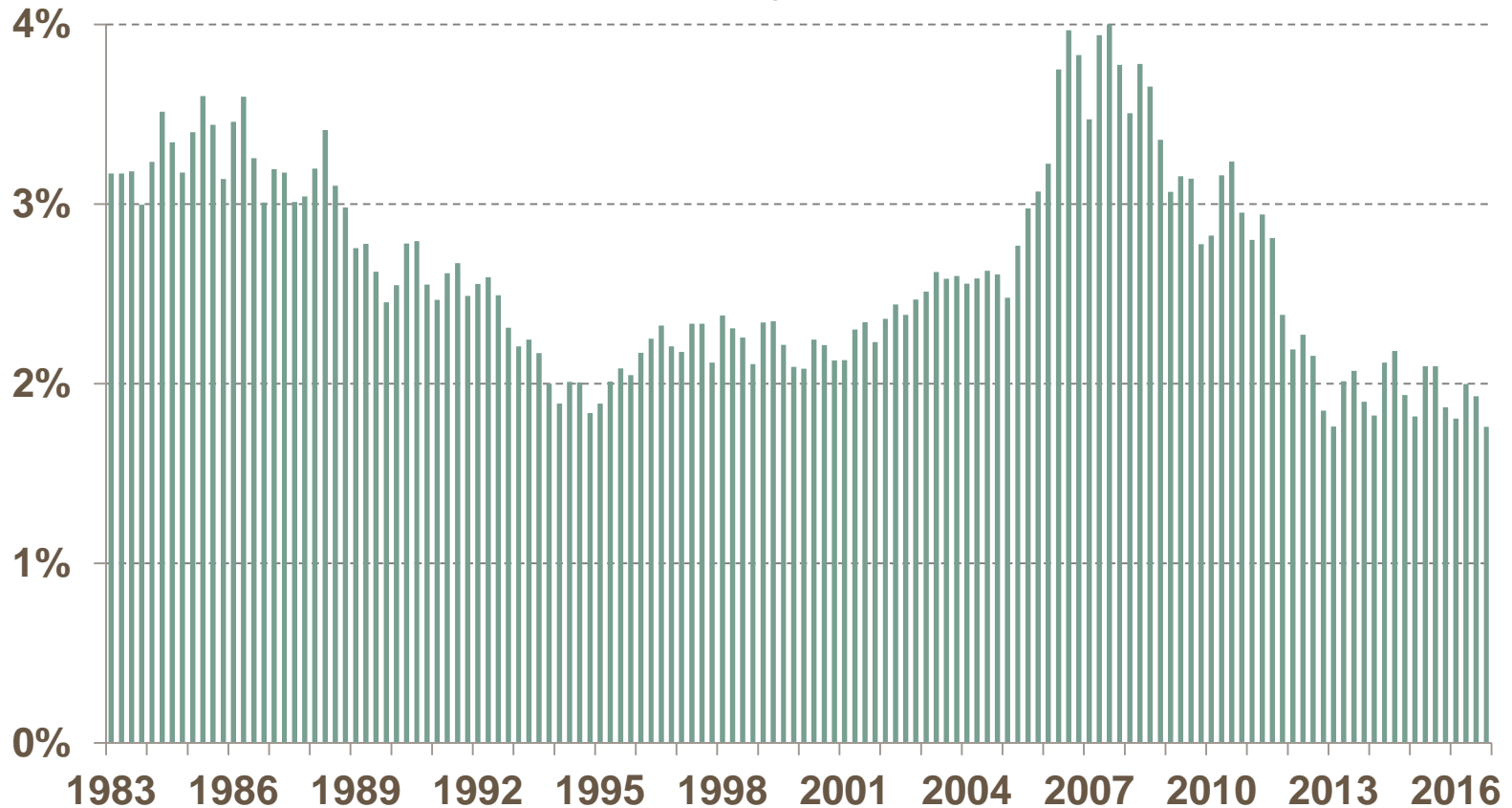
Mobility Rate by Year After Purchase

Percent of home buyers that sell by length of ownership, 1976-2016



Low For-Sale Inventory: Part of a 'New Normal'?

Homes-For-Sale Inventory as a Percent of Households



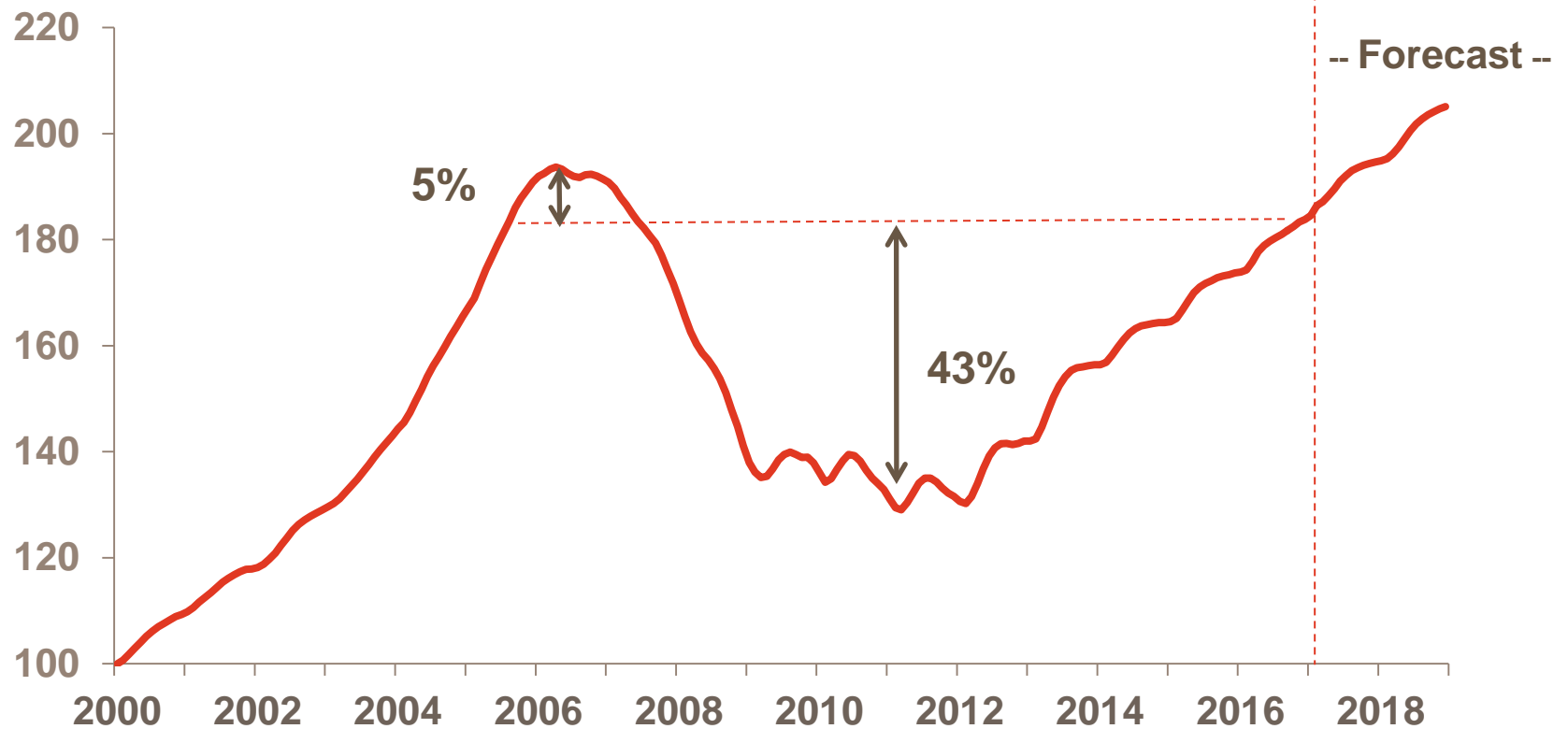
Sources: National Association of Realtors, U.S. Census Bureau (New Residential Sales and Housing Vacancy Survey).

Note: Existing home inventory excludes Condo & Co-op Inventory before 1999.

Home Prices: Expect U.S. Index Up 5% in 2017

Projected to Return to 2006 Peak by Yearend 2017

CoreLogic Home Price Index (January 2000 = 100)



Price Growth Faster For Lower-Priced Houses

Cumulative Price Growth Through July 2016 (percent)

Since July 2015

Since March 2011

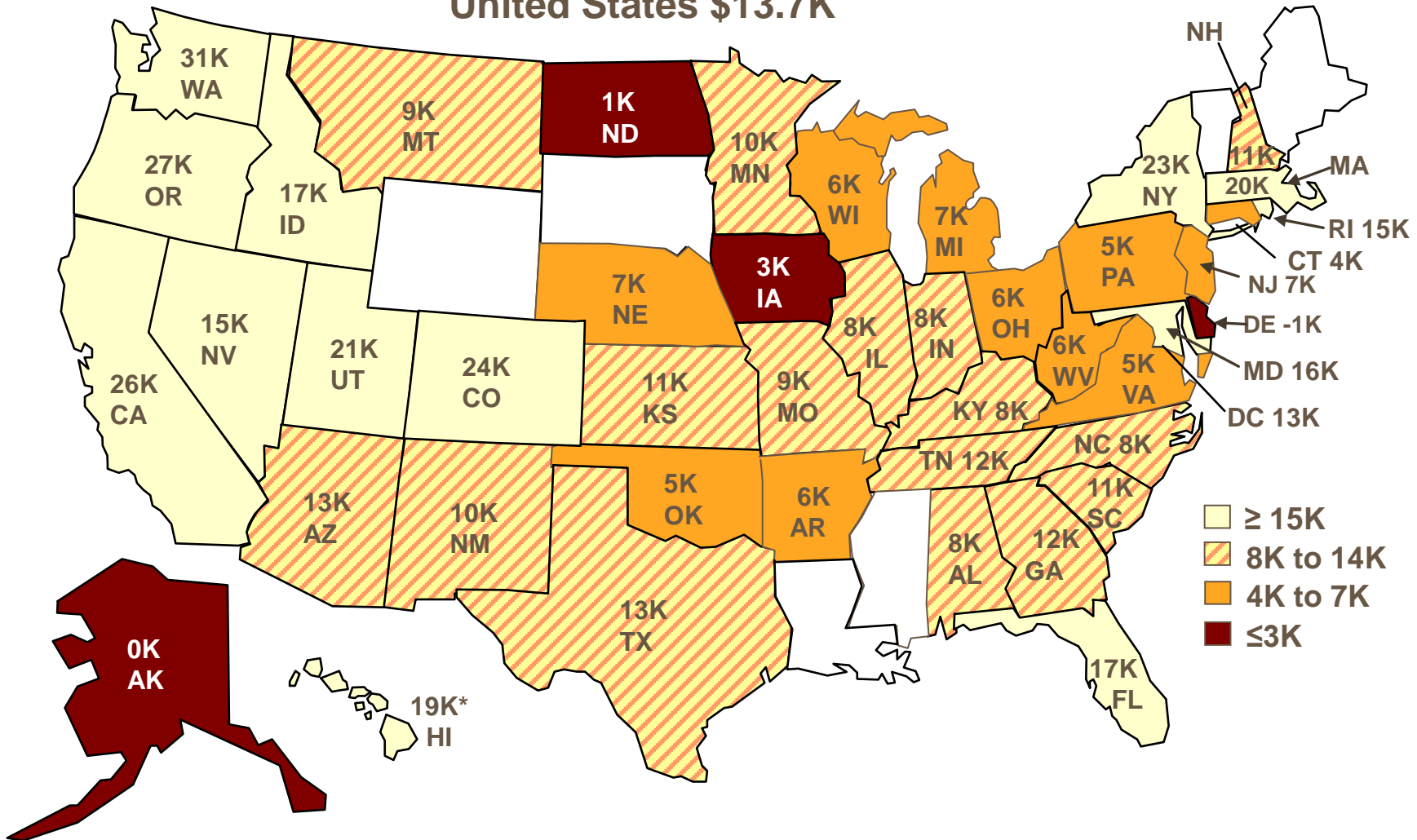


Source: CoreLogic HPI, Single-family Detached (November 1, 2016 release);
 March 2011 is "Post-Great Recession" price trough.

Average Equity Gained per Homeowner Fourth Quarter 2015 to Fourth Quarter 2016



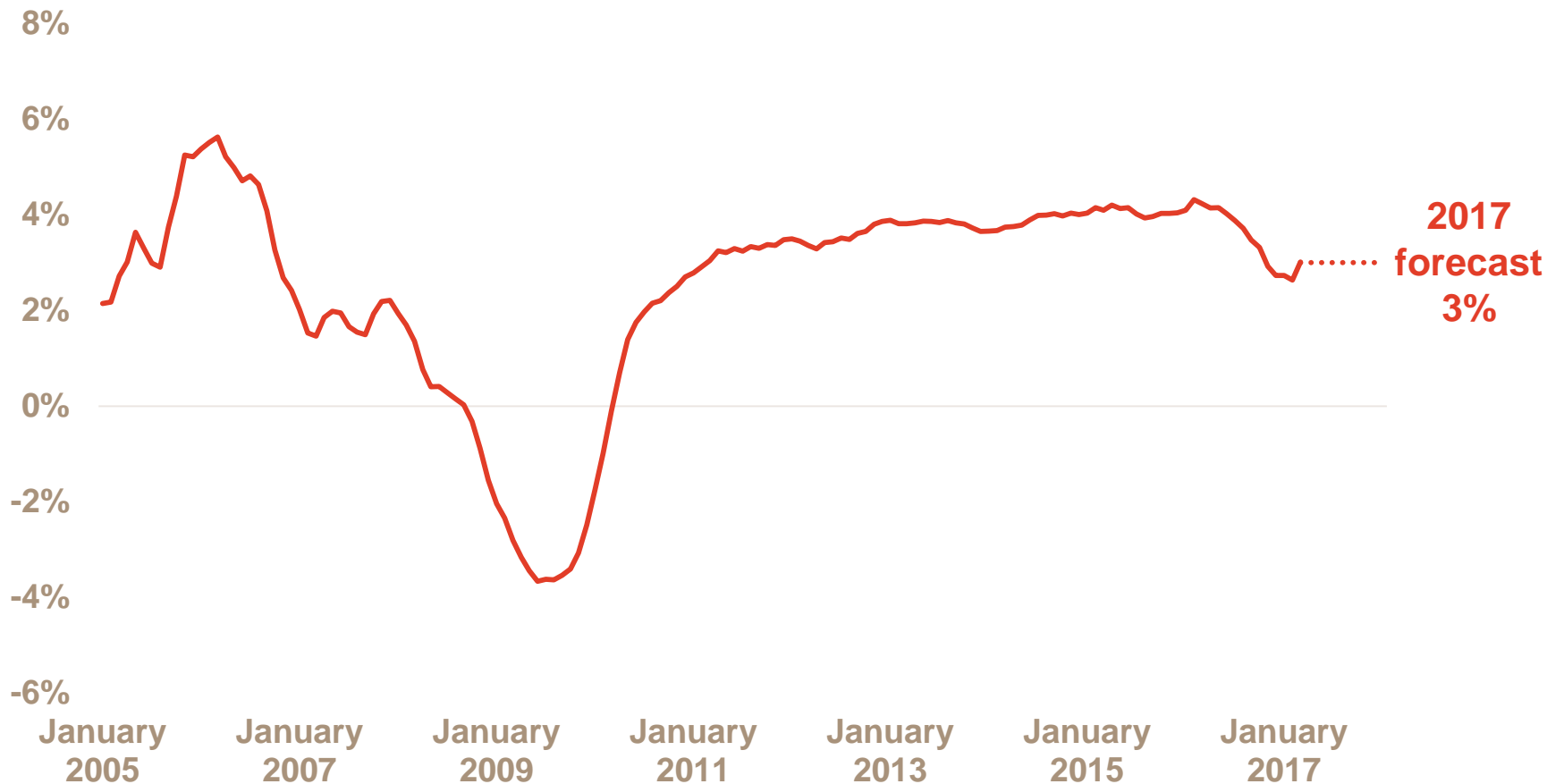
United States \$13.7K



Source: CoreLogic Negative Equity (March 9, 2017 Release), Louisiana, Maine, Mississippi, South Dakota, Vermont, and Wyoming have insufficient equity data to report, Hawaii average equity gain is from Q3.

Since 2010, Rent Rising Faster Than Income, Inflation

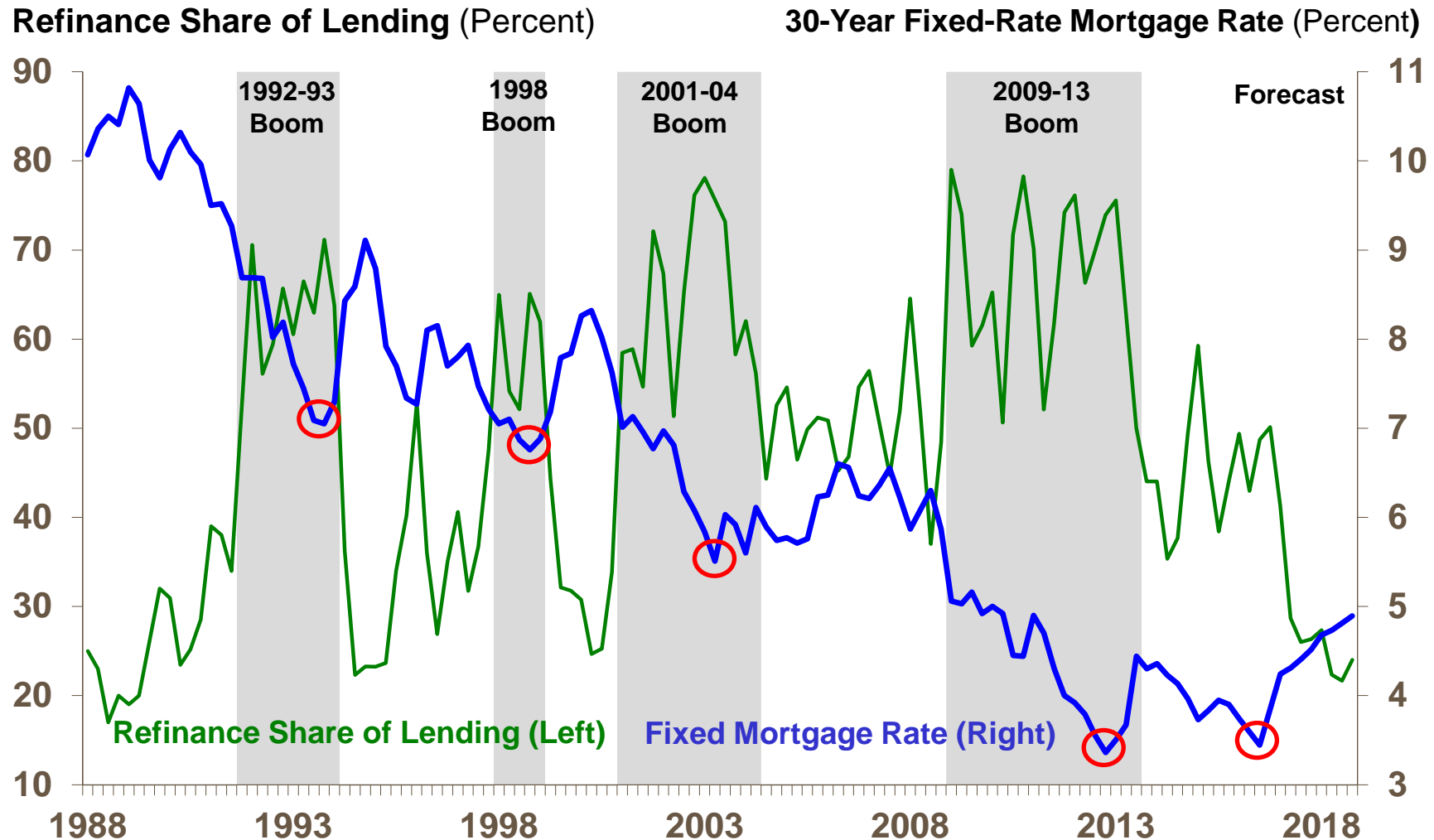
Single-Family Rent Index Year-over-Year Percent Change



Source: CoreLogic Single-Family Rent Index (through March 2017), 21 markets for 2004-2005, 27 markets for 2006-2009, 40 markets for 2010-2017

Refi Booms End Quickly As Rates Come Off Lows

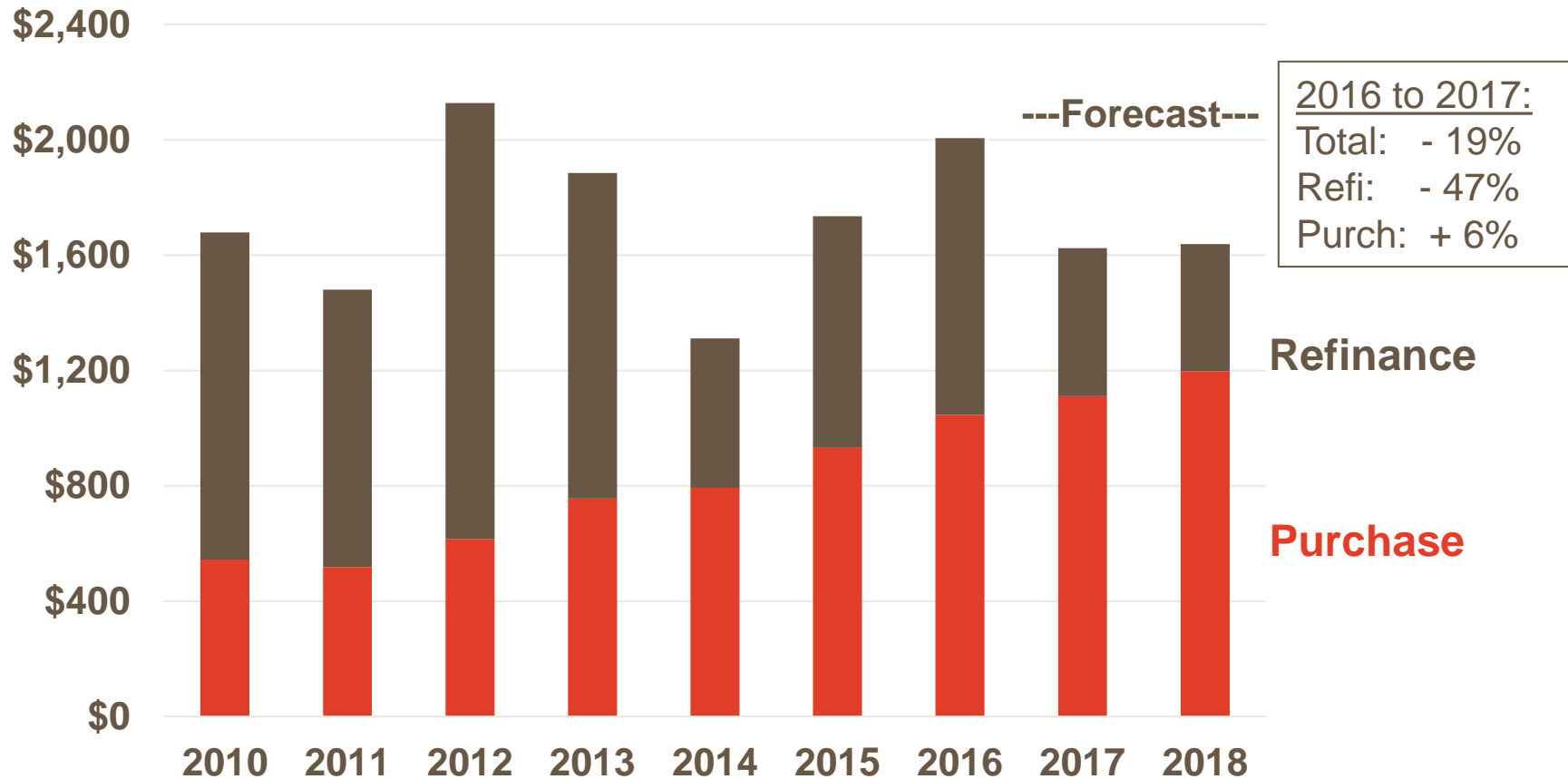
Cash-out refi and FHA-to-conventional refi continue



Source: Home Mortgage Disclosure Act, Freddie Mac Primary Mortgage Market Survey®, CoreLogic; 2017-2018 forecast is average of MBA, Freddie Mac, Fannie Mae and IHS Markit (FRM rate only) projections.

Mortgage Originations: Drop in 2017 and Stable in 2018

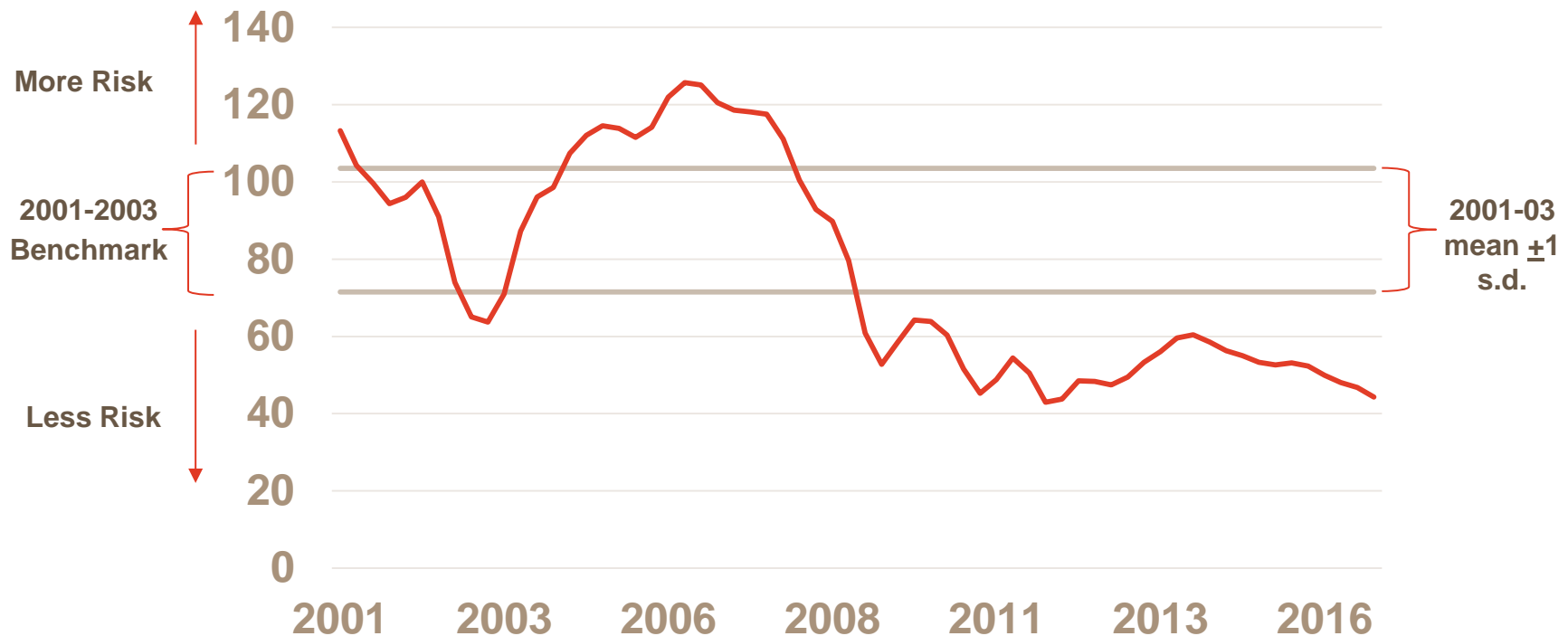
Single-family Mortgage Originations (Billions of U.S. dollars)



Source: Originations are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae, Freddie Mac and Zelman & Associates. Forecasts as of March 2017. 2009-2015 are benchmarked to HMDA. Originations exclude HELOCs.

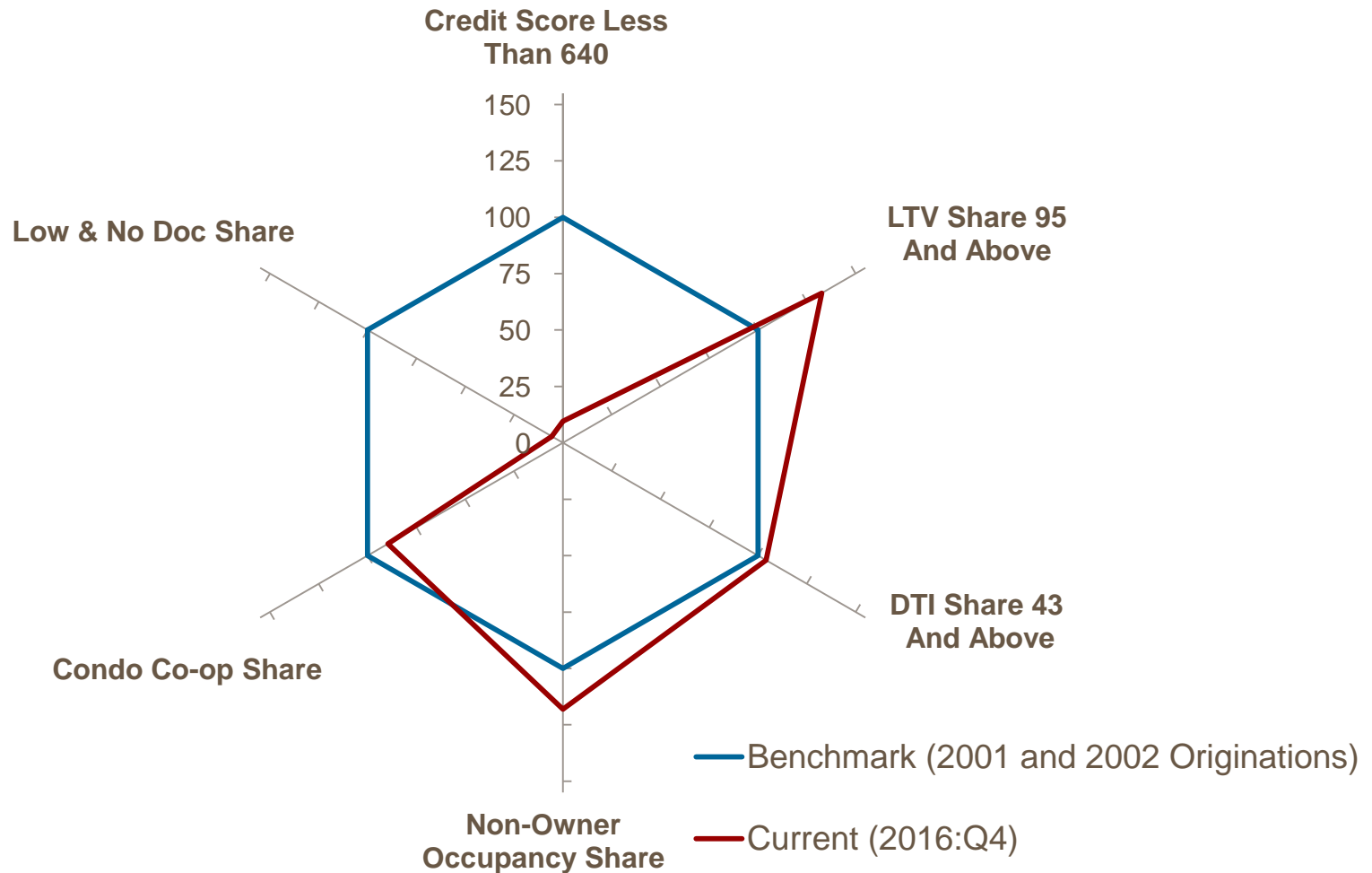
2016 Loans Have Less Credit Risk Than Pre-2009 Loans

CoreLogic Housing Credit Index (2001 = 100)



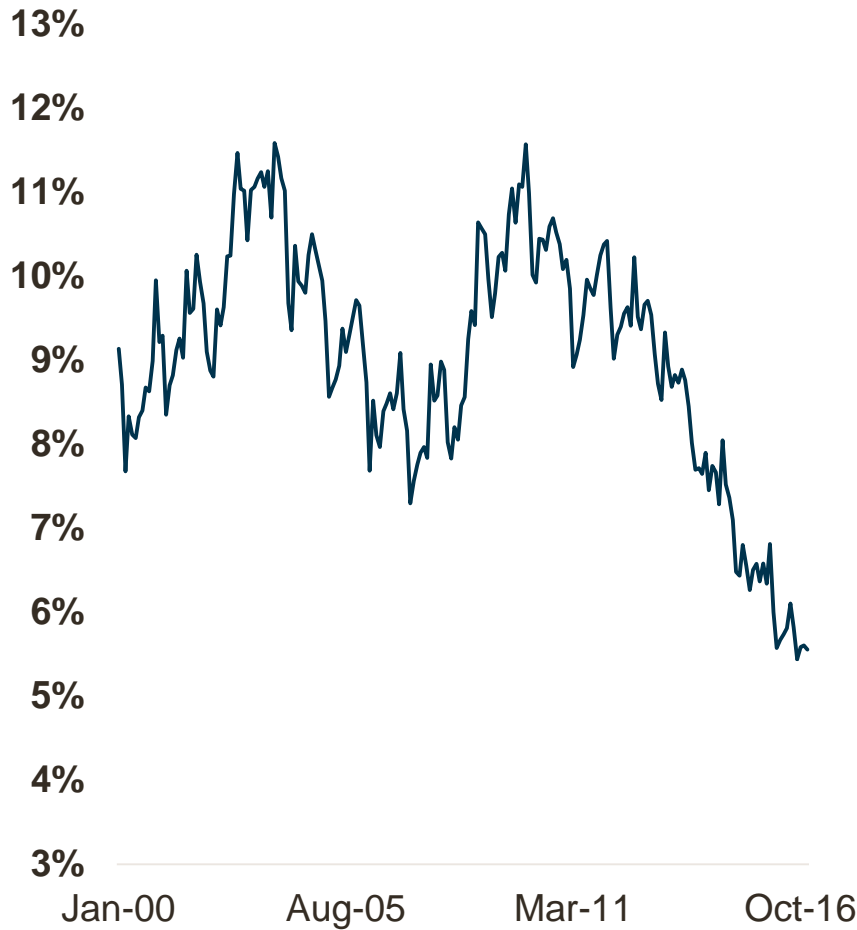
Mortgage Credit Risk Along Six Dimensions

First-Lien Purchase Money Originations



VA Delinquencies Declining

VA 30-Day-Or More Delinquency Rate



VA Current-to-30-Day Delinquency Transition Rate



Source: CoreLogic TrueStandings (through December 2016); 30-day-or-more delinquency includes loans in foreclosure

Where to find more information

Look for regular updates to our housing forecast, commentary and data at

<http://www.corelogic.com/blog>

@CoreLogicEcon

@DrFrankNothaft

The views, opinions, forecasts and estimates herein are those of the CoreLogic Office of the Chief Economist, are subject to change without notice and do not necessarily reflect the position of CoreLogic or its management. The Office of the Chief Economist makes every effort to provide accurate and reliable information, however, it does not guarantee accuracy, completeness, timeliness or suitability for any particular purpose.

CORELOGIC and the CoreLogic logo are trademarks of CoreLogic, Inc. and/or its subsidiaries.