



Mortgage Crisis:
Industry Responses & Next Steps
for Responsible Investors

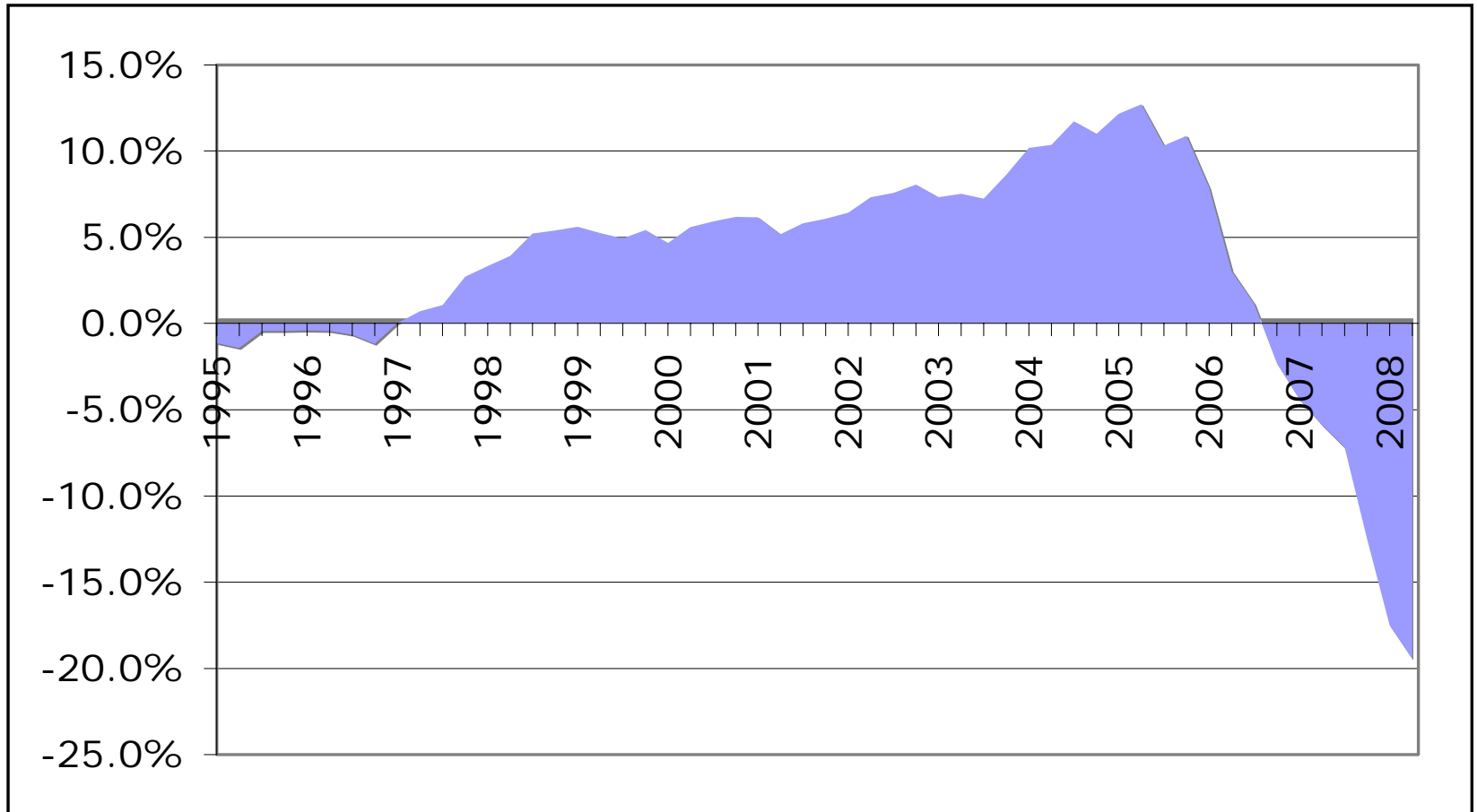
Deborah Momsen-Hudson

Overview



- Context of the Mortgage Crisis
- Comparison of Community Lenders with Prime, Subprime & FHA
- Current Situation
- Investors Response

Real Change in US Housing Prices



Sources: Standard & Poor's S&P Case-Shiller Home Price Indices, BLS

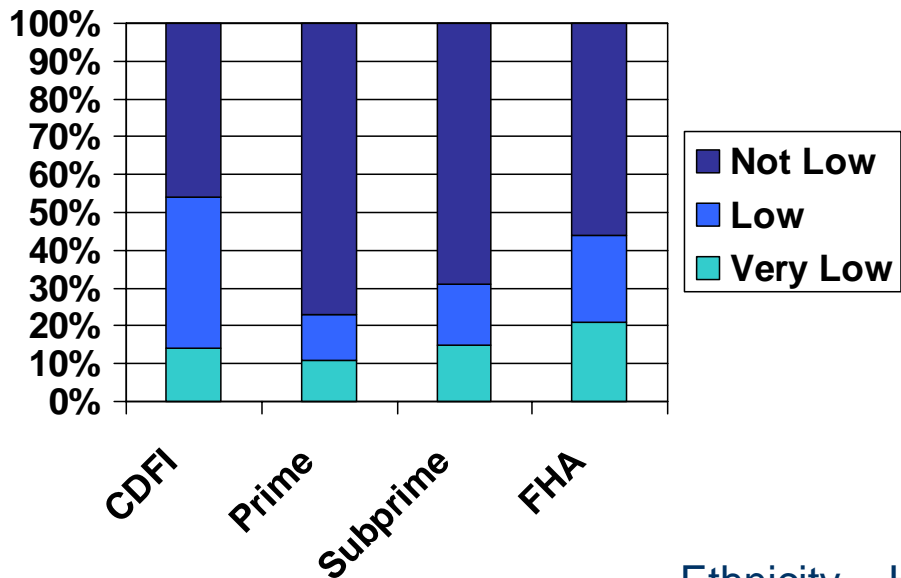
Lender Comparison



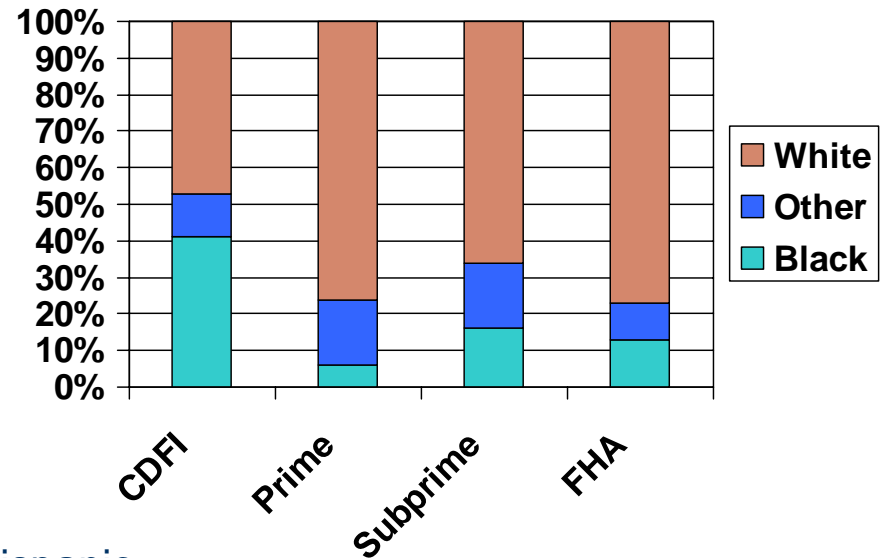
- Community Lenders/CDFIs: low & moderate income borrowers, often credit impaired
- Prime: traditional mortgage market
- Subprime: high cost loans
- Federal Housing Administration (FHA): government program, broad credit guidelines

Income, Race, & Ethnicity Comparison

Income



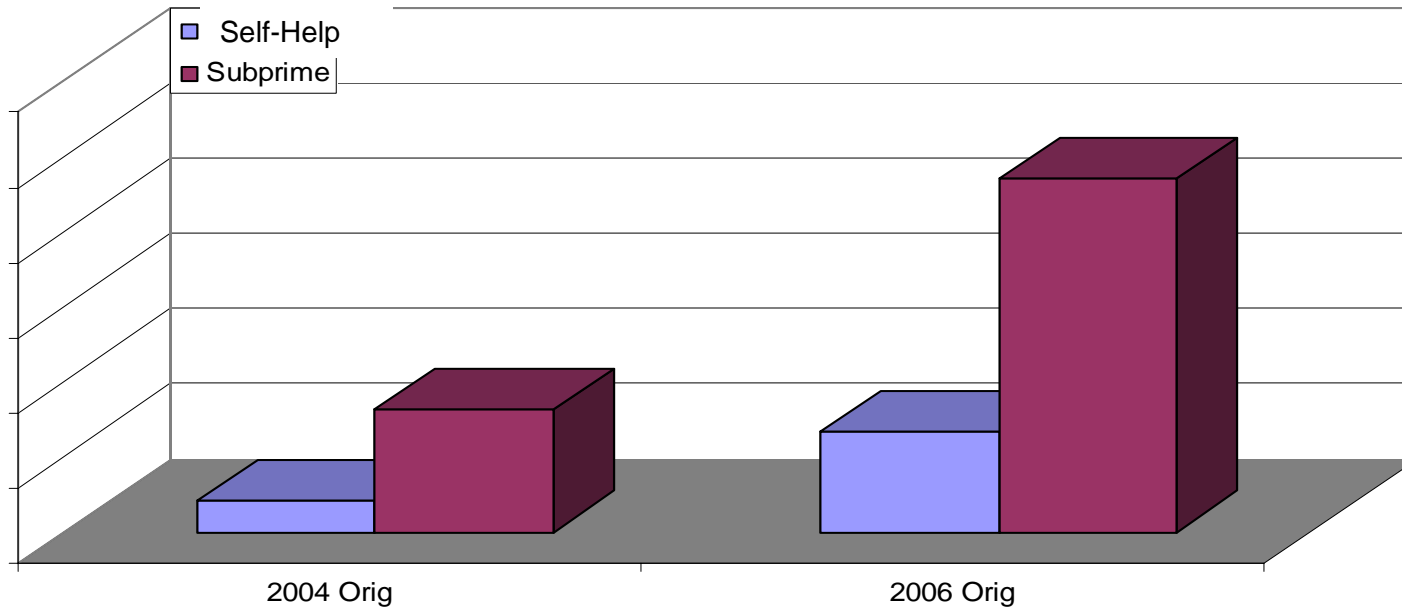
Race



Ethnicity – Hispanic

- 25% of CDFI & Subprime
- 20% of Prime & FHA

Comparison of Delinquency



Community Lenders

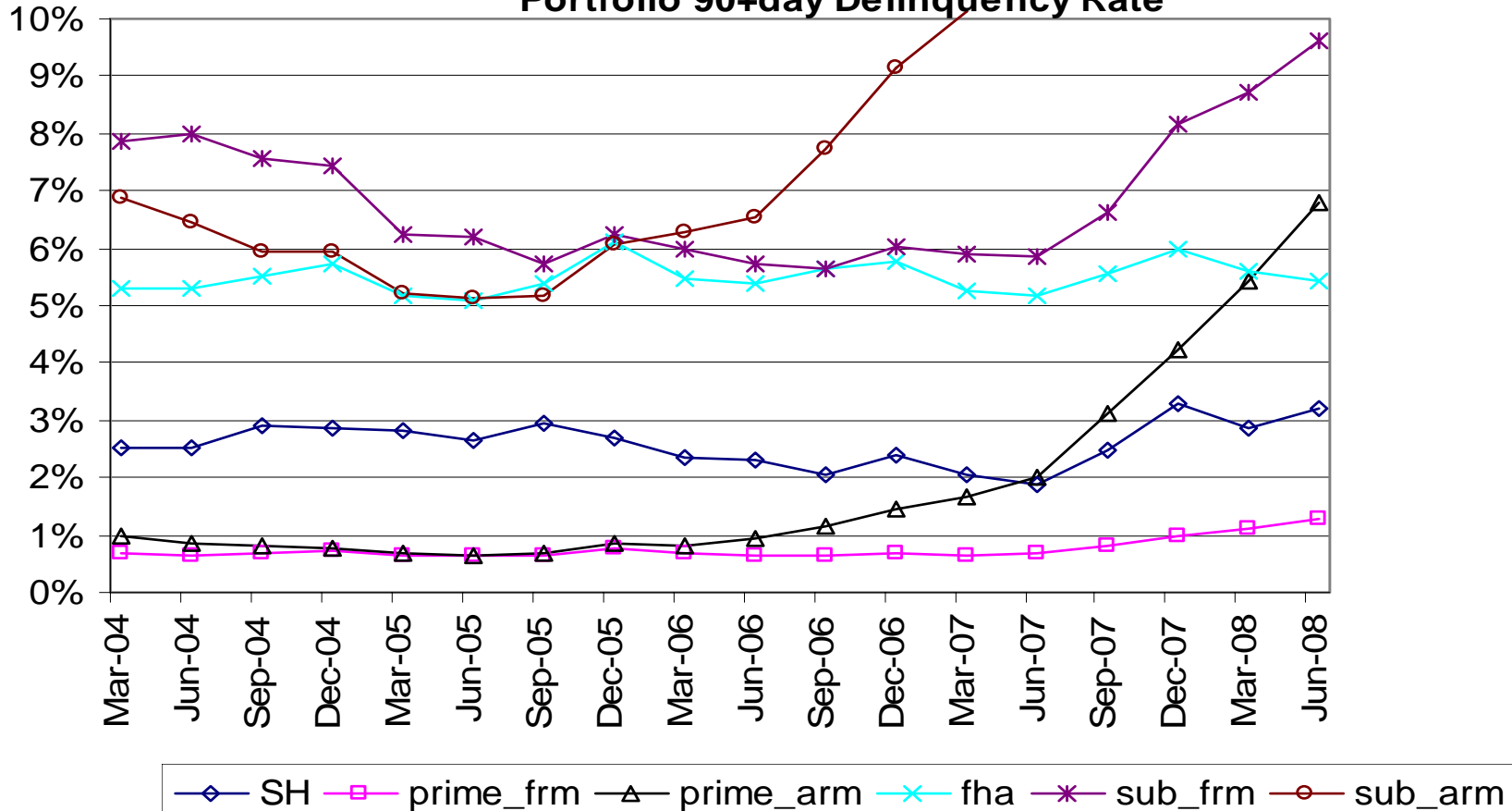


- Fully documented
- Quality underwriting, ability to pay
- Retail originations
- Fully escrowed taxes and insurance
- Fixed rate loans
- Homeownership Retention

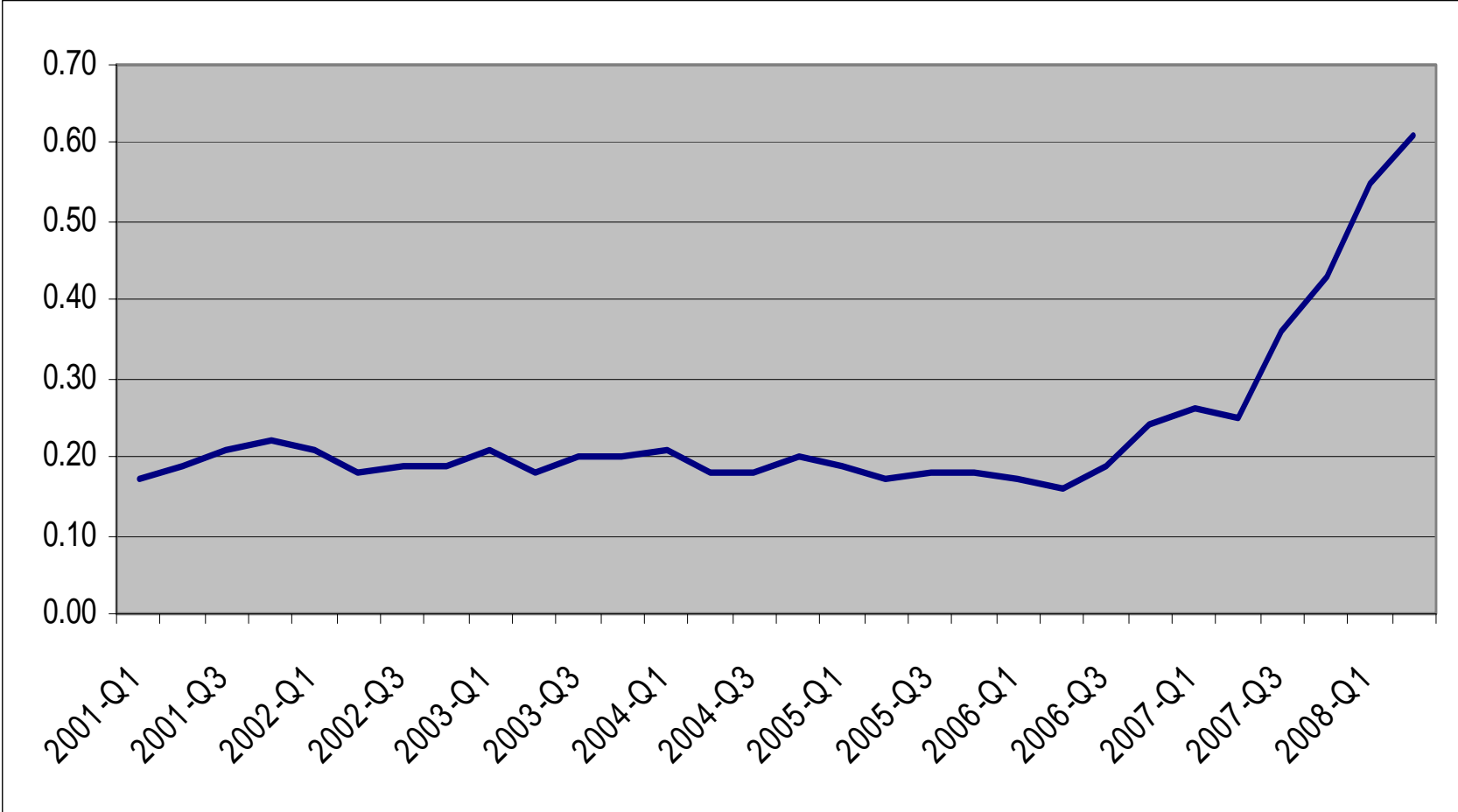
Performance of Community Lenders



Portfolio 90+day Delinquency Rate

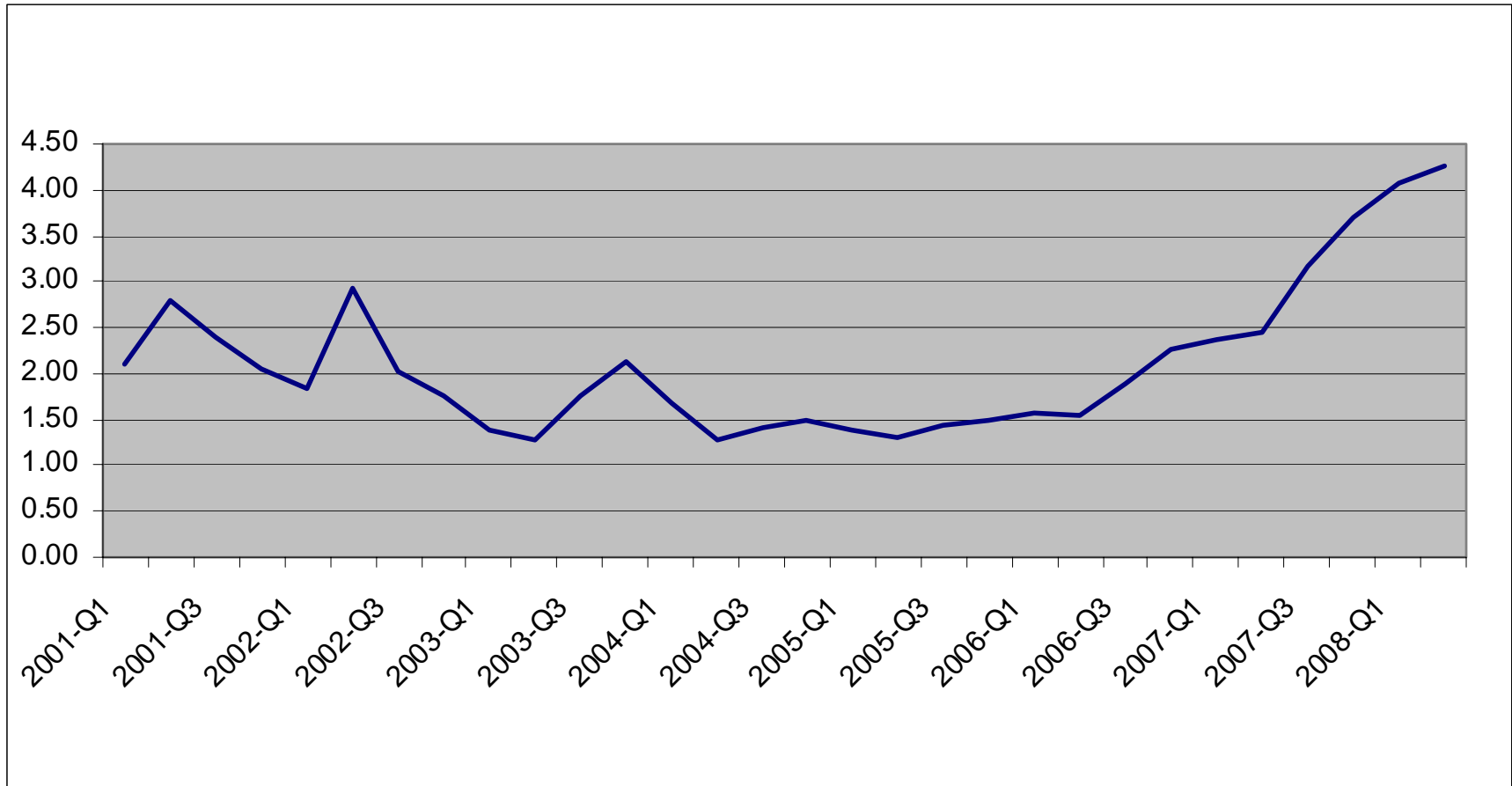


Prime Quarterly Foreclosure Starts



Source: Mortgage Bankers Association National Delinquency Survey

Subprime Quarterly Foreclosure Starts



Source: Mortgage Bankers Association National Delinquency Survey

- Equities:
 - Request homeownership preservation rate
 - Loss on H/O preservation vs. Foreclosure
 - Long term perspective
 - Request product & underwriting parameters
- Debt:
 - Request characteristics of underlying loans
 - Support loan modifications in securities

- Legislation:
 - Support bankruptcy reform to allow mortgage debt to be restructured.
 - Support mandatory homeownership preservation in any bailouts

- Cash investments:
 - Invest in Community Investment Organizations, the R&D for the traditional financial services industry