

National Settlement Services Summit

A Customer Point of View

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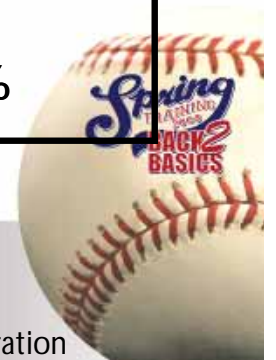
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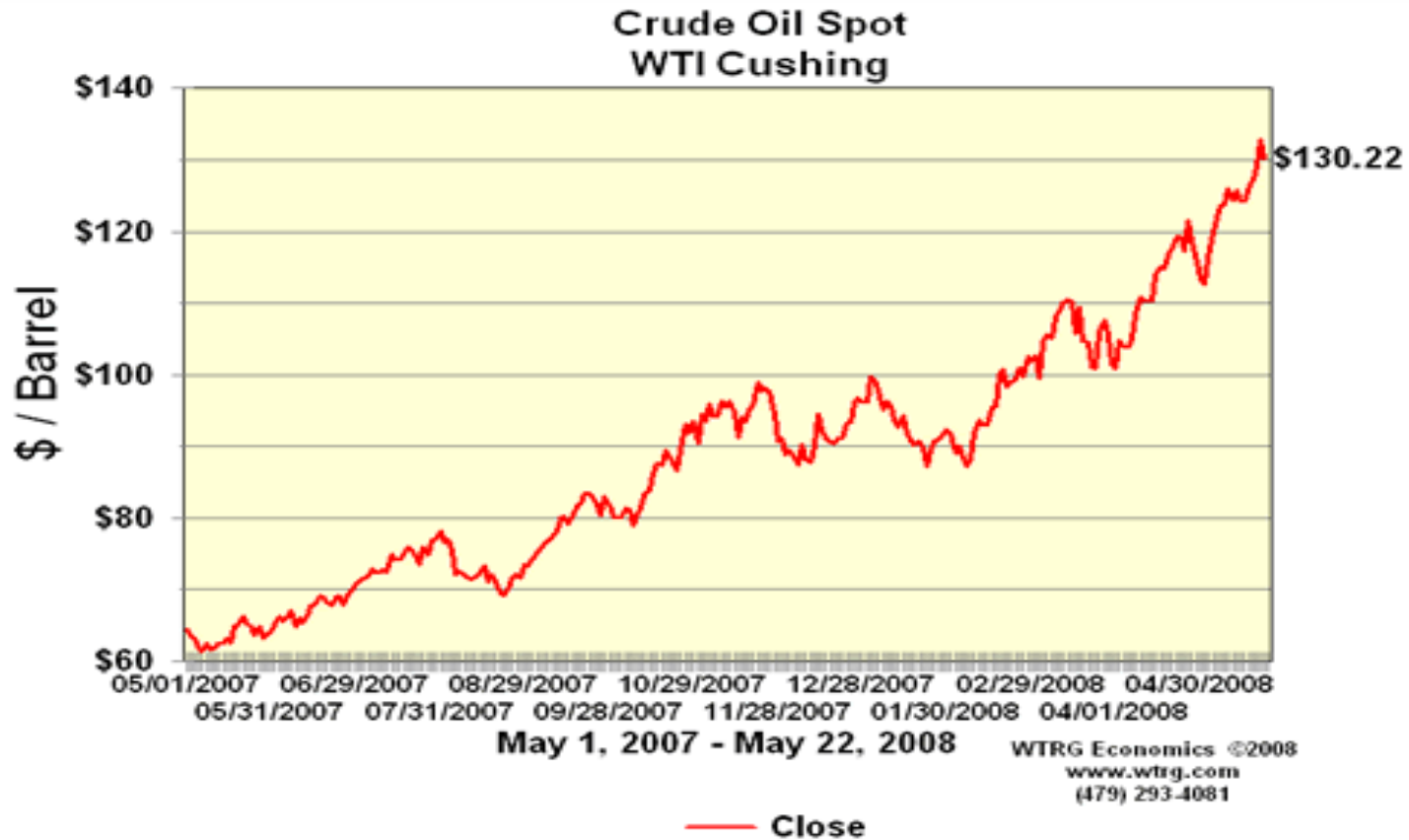


Economic Indices: snap shot of US Economy

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> (Q2 Forecast)
Gross Domestic Product (GDP)	3.2%	3.3%	2.5%	0.3%
Unemployment Rate	5.1%	4.7%	4.8%	5.5%
Consumer Price Index (CPI)	3.4%	3.4%	2.4%	2.8%
10 Year Treasury	4.3%	4.8%	4.9%	4.0%



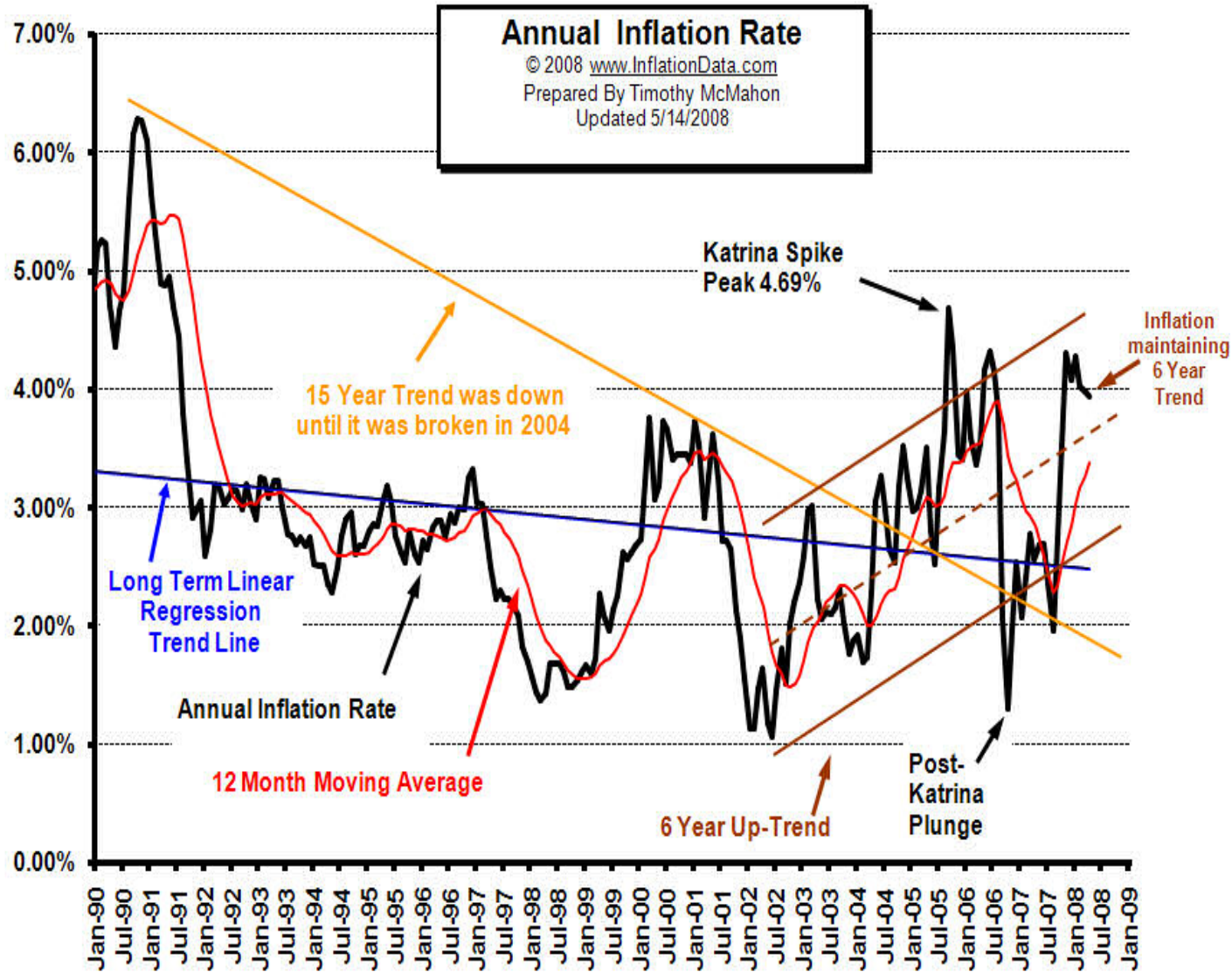
It all starts and ends **HERE!**



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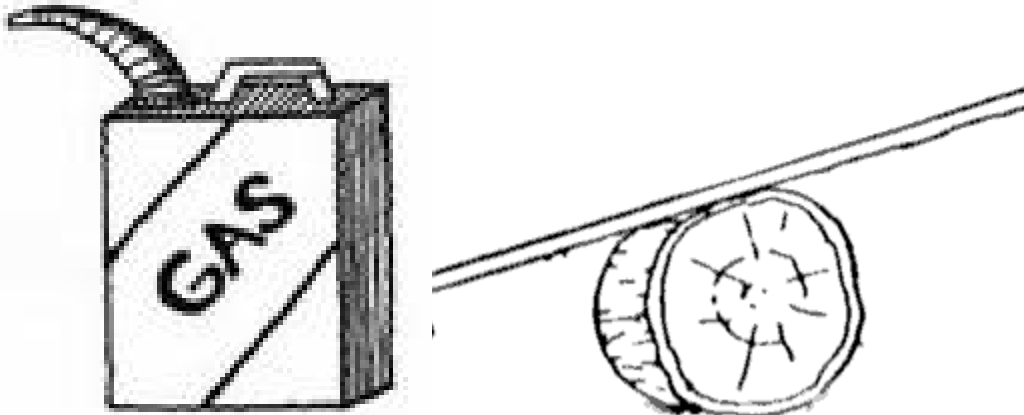


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Cost Push Inflation!

Inflation



How Low Can the Green Back GO???

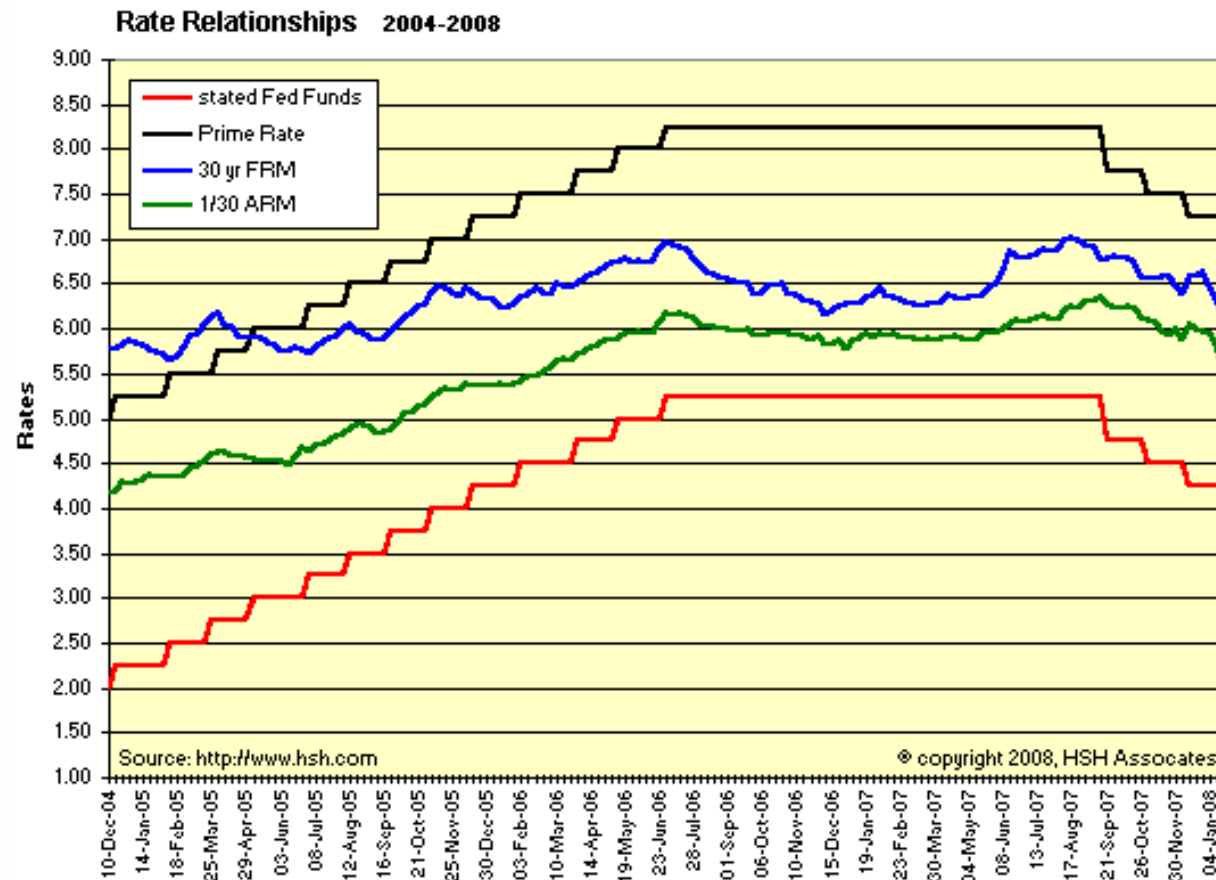


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Fed is low on Ammunition!



As you can see here, the **Federal Funds Rate** and **Prime Rate** track along with each other very closely.

One Year ARMs are also affected by trends in short-term interest rates. As a lender's cost of obtaining funds to lend declines, some of those reductions are passed to consumers in the form of lower starting rates.

Long-term rates, like **30 year fixed rate mortgages**, pay little attention to short-term rates, responding instead to economic growth and inflation pressures. They closely follow other long-term rates, such as the yield on the **ten-year Treasury Constant Maturity**.



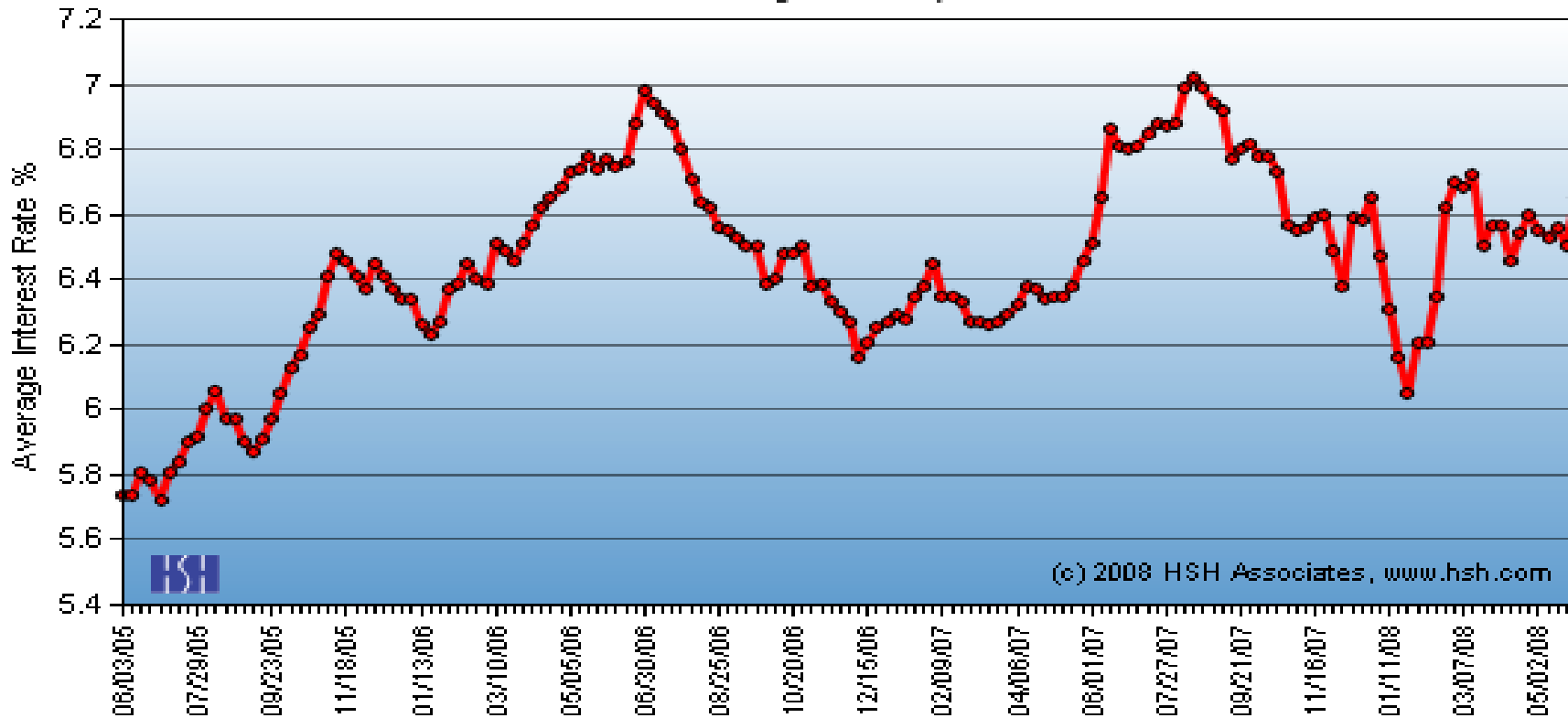
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30 Year is "Range Bound"

HSH Market Trends: 30-year FRM, Last Three Years



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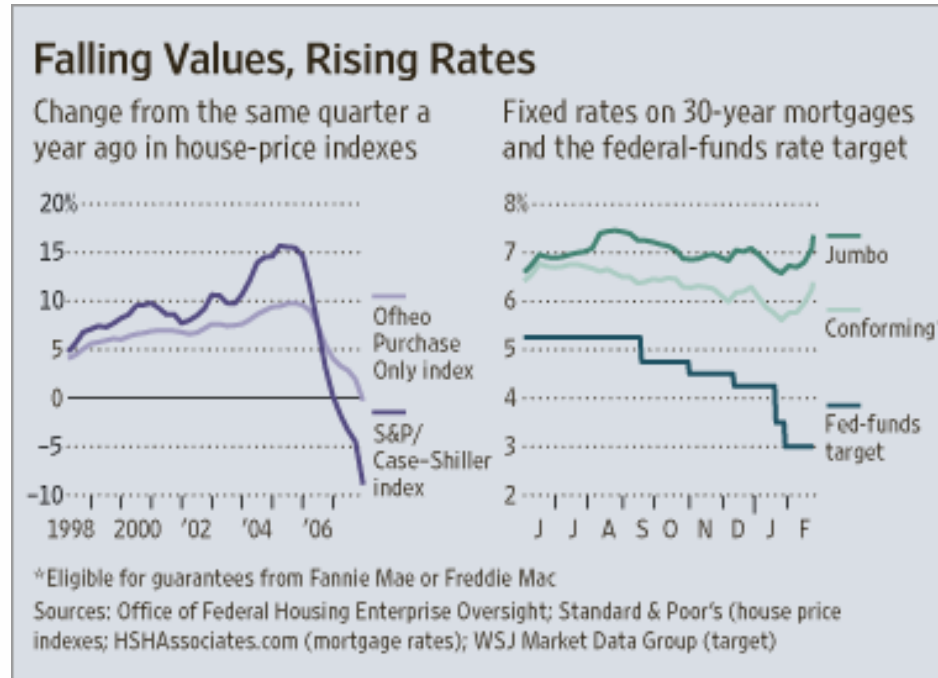


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Massive Write Downs force Higher Risk Premiums

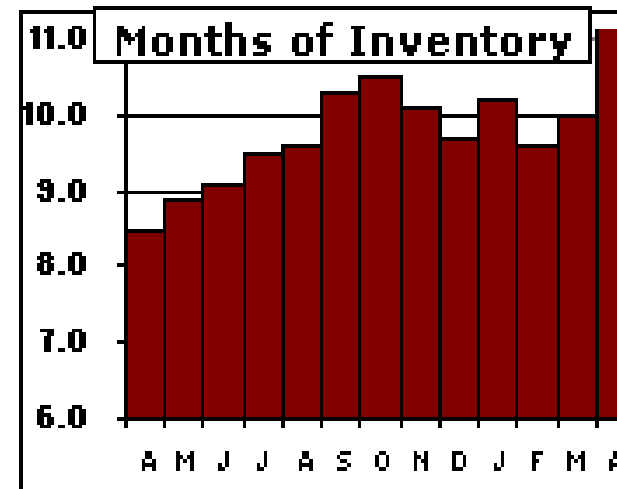
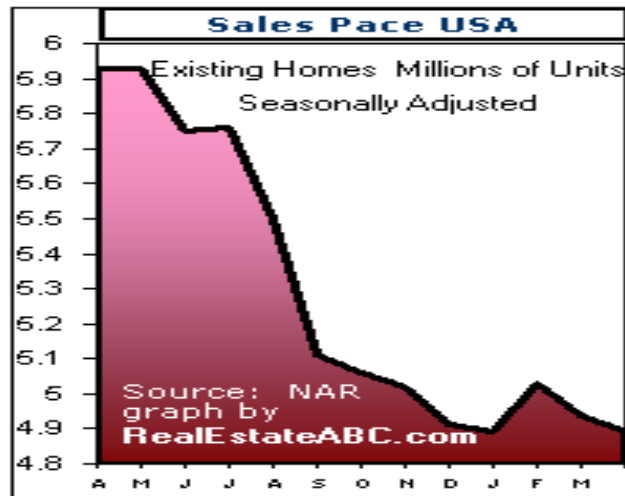


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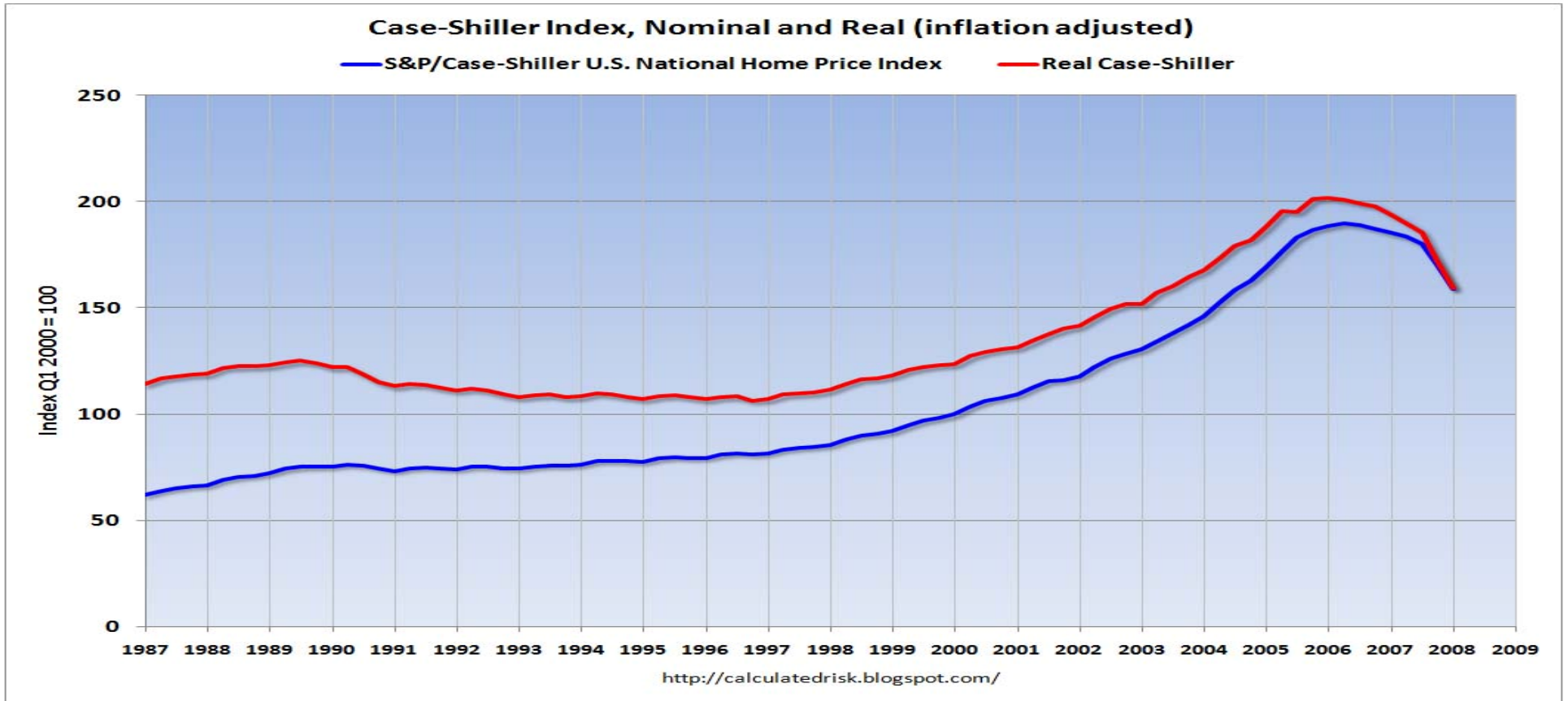


Existing Home Sales

- Sales of existing homes in the USA went down by 1.01% in April, to 4.89 million homes. That's well below last April (2007), by -17.54%.



Prices are Pulling Back, Way Back!

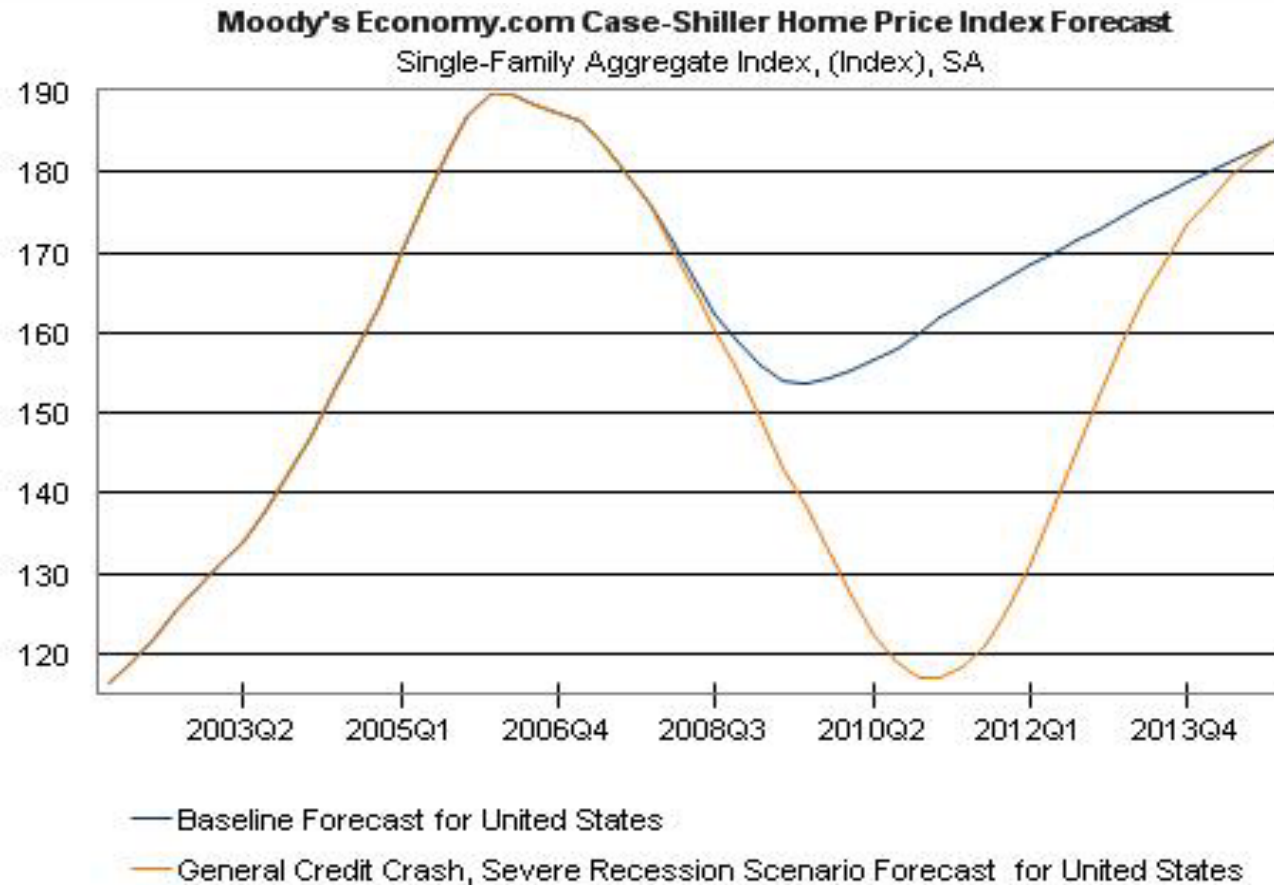


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Home Price Forecast (source: Case - Shiller)



Long Term Real Estate Outlook Still Favorable

- Pros:
 - FHA and new lending limits
 - Baby Boomers
 - Boomer Children – First-Time Buyers
 - Favorable Population Growth
 - Health Care Tech – Retirees Living Longer
 - High Immigration Growth
 - Interest Rates Projected to Remain in Single-Digits
 - Increase in rental demand causes rents to increase
 - Weak dollar supports foreign investment **if prices stabilize**



FIFO



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But significant bumps in the road over the next year

Cons:

- Analytical data will continue to point to declines for next 10 months
- Credit crunch continues as all spectrums of consumer credit underperforms!
- The Press: fear sells papers
 - Drives public perception that Real Estate will continue to be underperformer
 - Foreclosures
- The Economy
- Commercial Real Estate may be near peak
- More competitive second/vacation home rental market
- 1.2 million real estate agents serving 30% fewer sales sides than 2006

