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CENTER *for* COMMUNITY CAPITAL
Research and analysis on the transformative power of capital

The Decision to Own: Smart Leverage or Unnecessary Risk?

Federal Reserve Board Forum on “The Housing
Market Going Forward”

Sept. 1, 2011

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Lending Done Right is Sustainable and Reaches Target Market

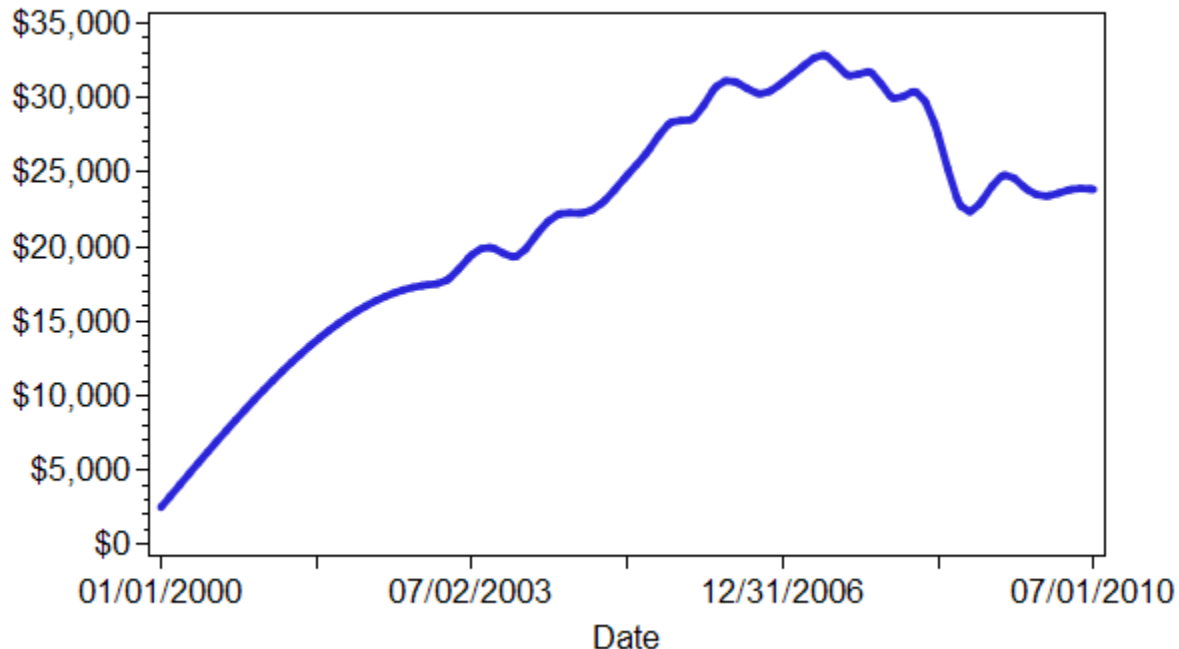
46,000 loans	
Median Original Loan Balance	\$79,000
Median Down Payment	\$2,500
Median Annual Income	\$30,792
Median Annual Income as % of AMI	60.0%
Percent with Original Credit Score <660	46.1%
Percent Female-Headed Household	40.5%
Percent Minority	39.3%

Lending Done Right Leads to Wealth Building

Median annualized CAP house price appreciation since origination stands at 2%, with annualized return-on-equity at 29%.

This appreciation translates into median wealth gains of \$21,000, or about 72% of borrower annual income at the median.

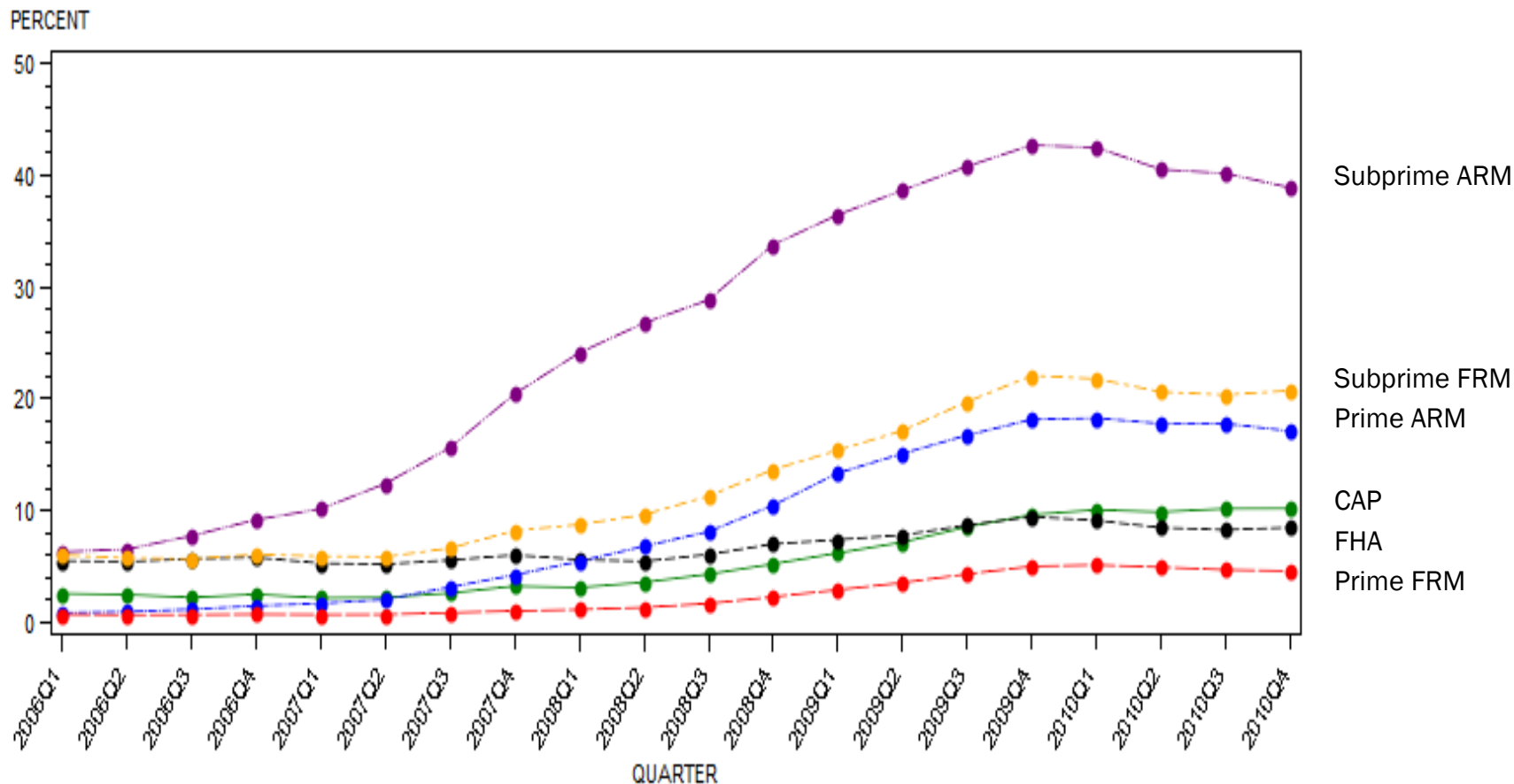
Median Total Equity Accumulated Since Origination



Equity gains have been mostly retained, despite the financial crisis



Lending Risks Are Manageable (90 days+ or in foreclosure) by Mortgage Type





Factors Contributing to Sustainability

- Safe product: 30 year FRM are predictable and longer loan life, even with low downpayment
- Careful underwriting: ability to pay, income documentation, etc.
- Preventive and smart servicing matters
 - Odds that a late repaying borrower will manage to catch up can vary as much as 60% between servicers
- Supportive secondary market functions
 - Equal access to capital markets – no dual markets
 - Pooling of risks: geography, borrower, other
 - Transparency and standardization
 - Portfolio functions