



NATIONAL MORTGAGE  
SERVICING ASSOCIATION

2018 NATIONAL  
MORTGAGE SERVICING  
ASSOCIATION MEMBER  
MEETING

APRIL 4 | WASHINGTON, D.C. | HAY-ADAMS HOTEL

## ABOUT THE PRESENTER

### **RICK SHARGA**

EVP, Carrington Mortgage Holdings



Rick Sharga is EVP at Carrington Mortgage Holdings, which owns and operates multiple businesses in the single-family real estate market, including Carrington Mortgage Services, Carrington Real Estate Services, and Carrington Title Services. Prior to Carrington, he was the Chief Marketing Officer at Ten-X, which operates Auction.com, the largest online real estate marketplace for REO and foreclosure properties. Rick was also Senior Vice President at RealtyTrac, where he was responsible for marketing, data operations and business development.

# **STATE OF THE U.S. HOUSING MARKET**

## Q2 2018



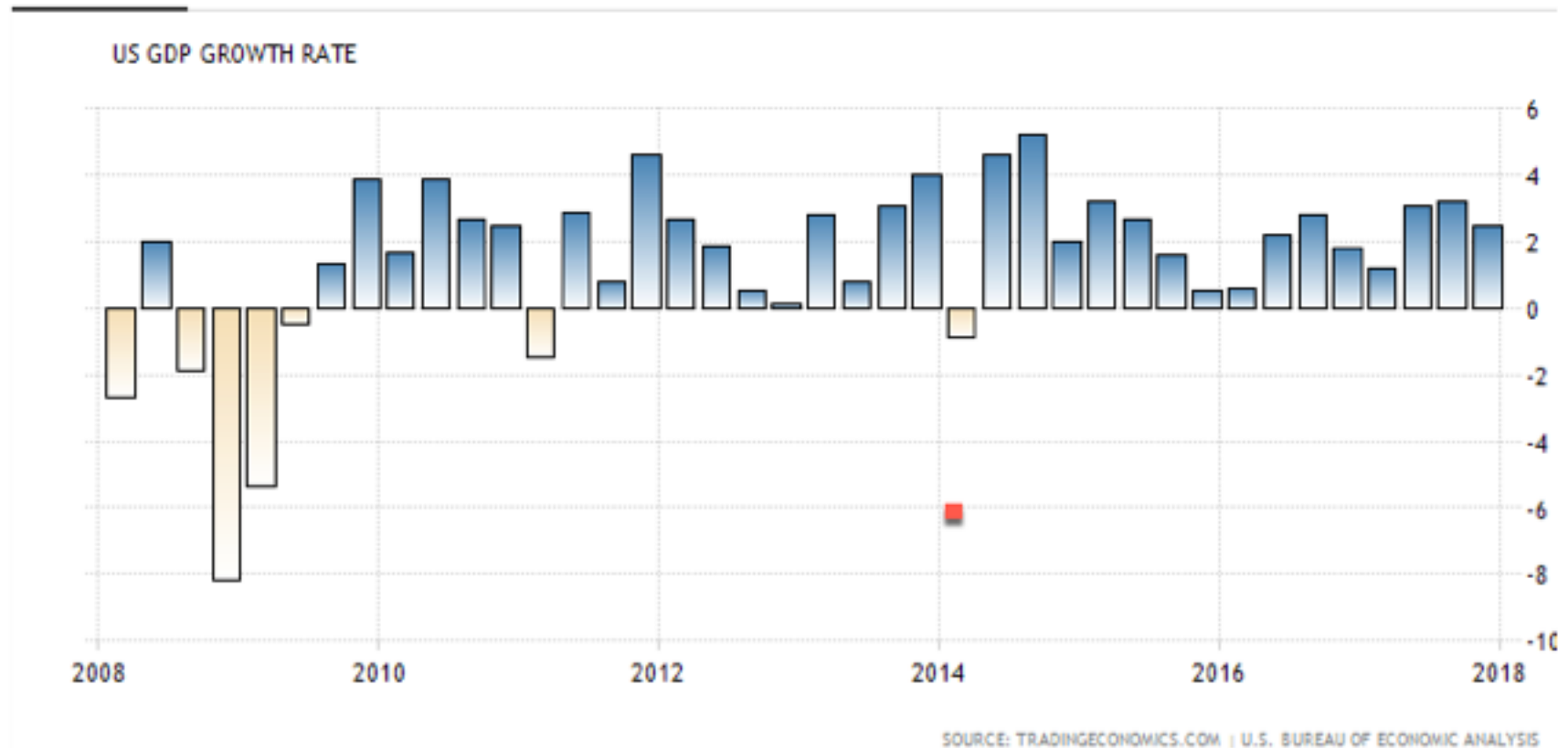
# **WHAT WE'LL COVER TODAY**

**U.S. ECONOMIC OVERVIEW  
EXISTING AND NEW HOME SALES  
OUTLOOK FOR THE HOUSING MARKET  
FORECLOSURE ACTIVITY  
MORTGAGE MARKET ACTIVITY  
CLOSING THOUGHTS  
Q&A**

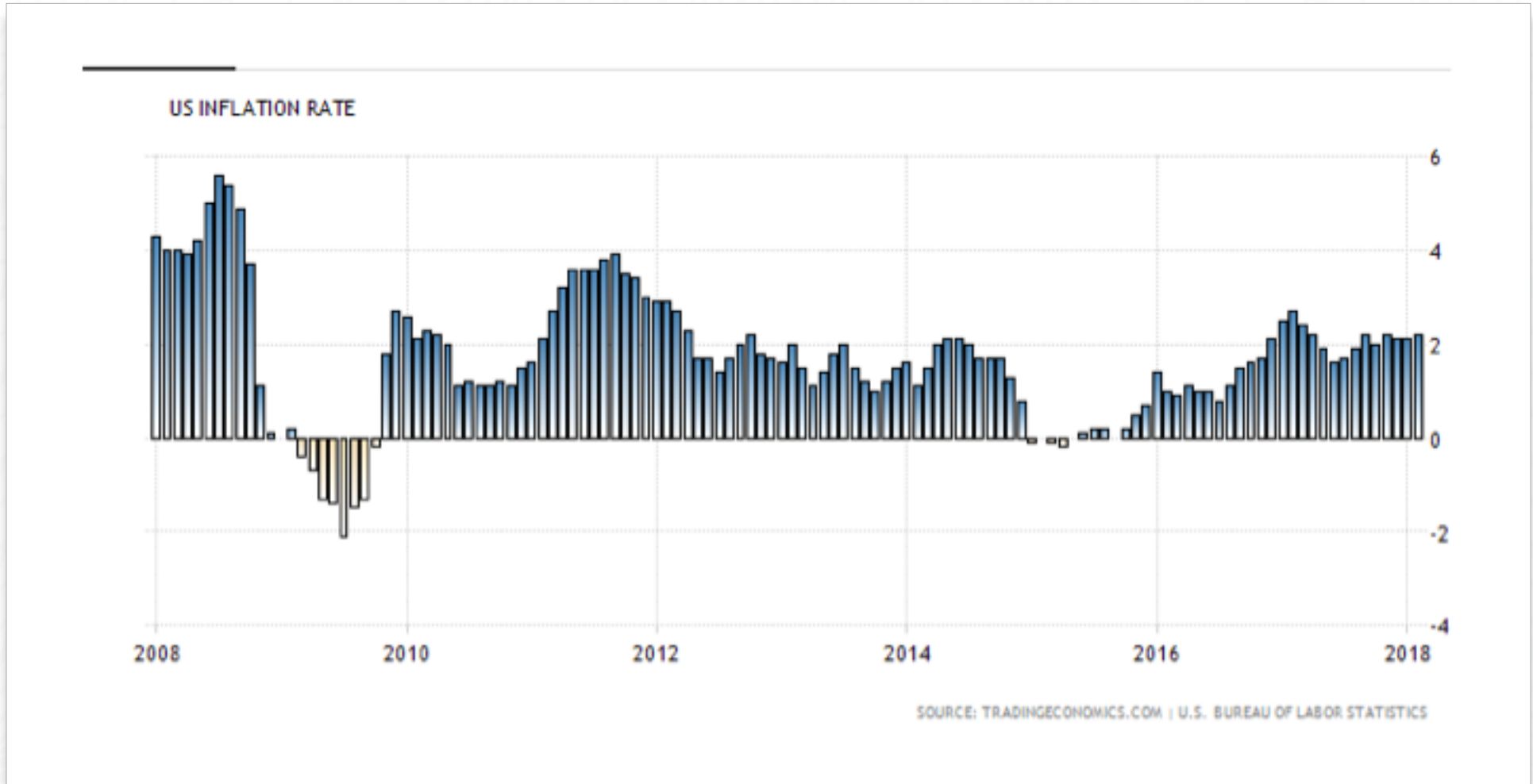
# **THE U.S. ECONOMY**

## STRONG FUNDAMENTALS DRIVING HOUSING DEMAND

## GDP SOLID, BUT BELOW HISTORIC NORMS



## INFLATION REMAINS UNDER CONTROL ... SO FAR

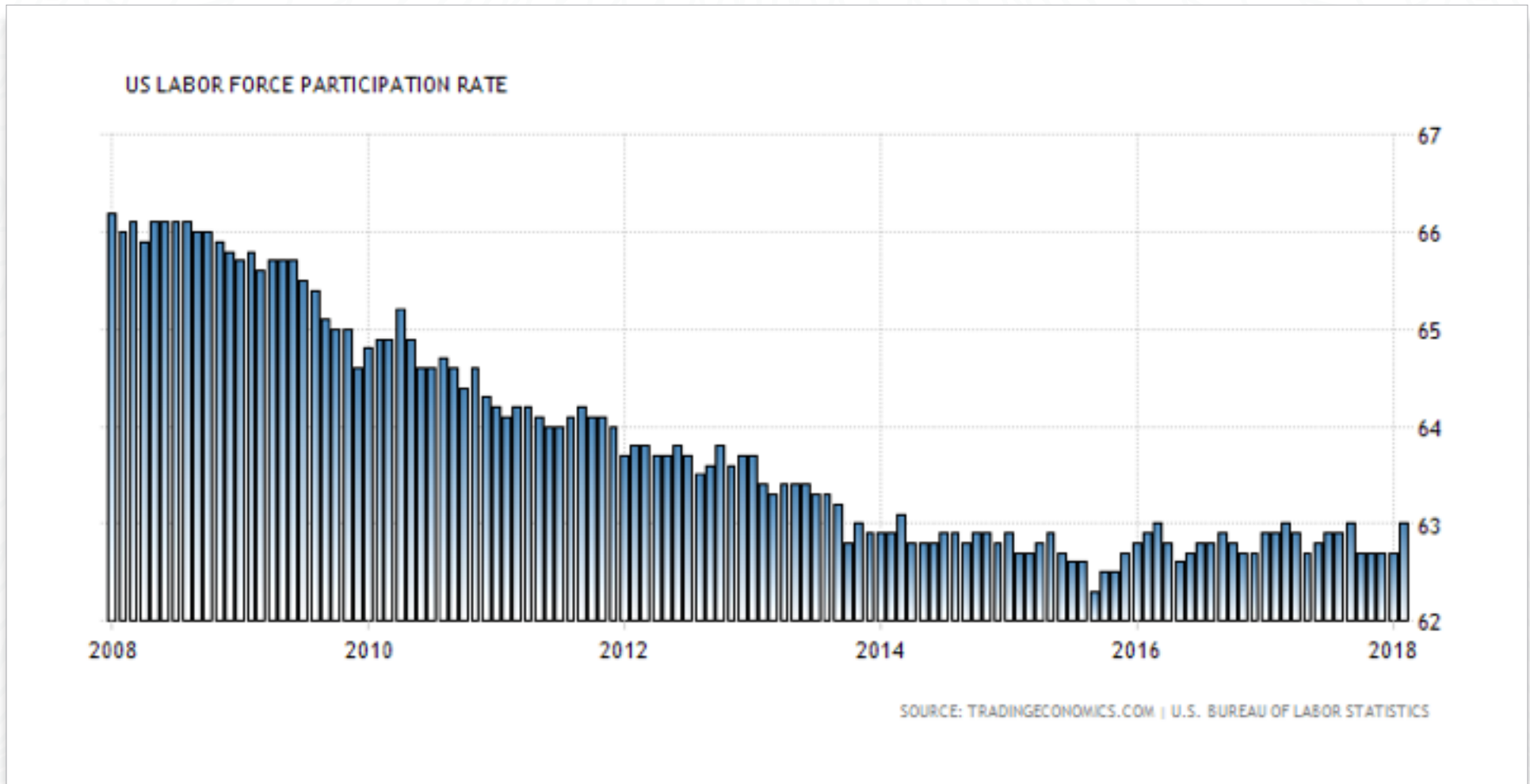


## UNEMPLOYMENT RATE AT 17-YEAR LOW

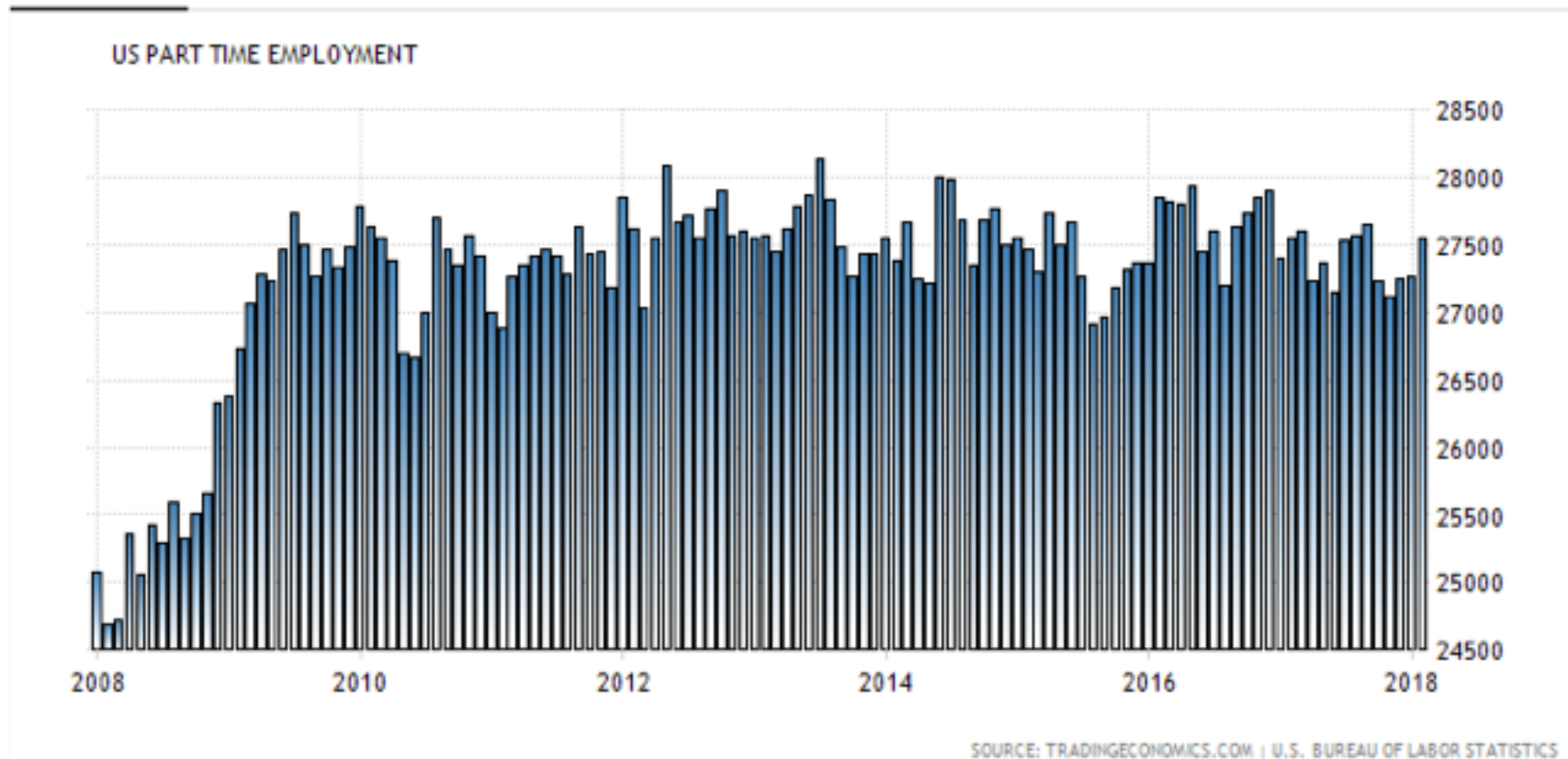




## AND MORE WORKERS RE-ENTERING THE LABOR FORCE

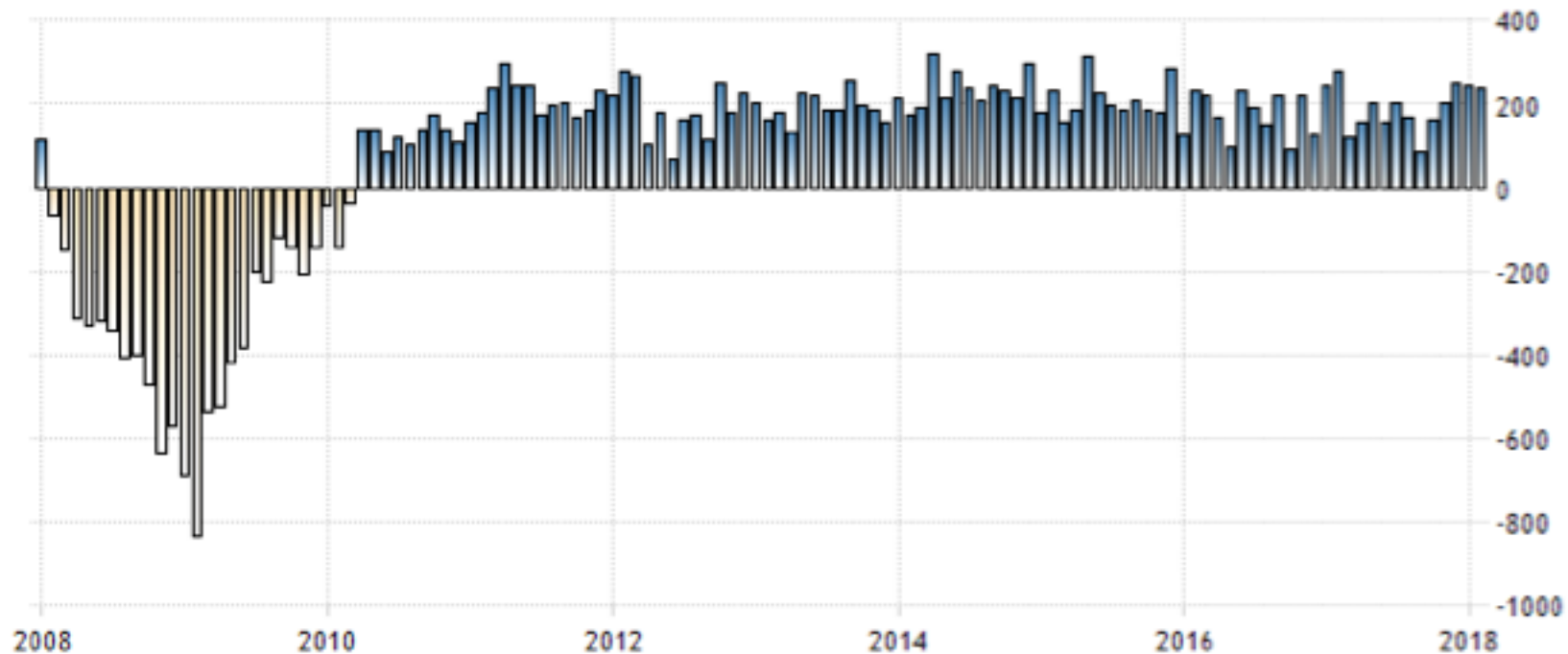


## ALTHOUGH PART-TIME EMPLOYMENT REMAINS HIGH



## JOB CREATION CONTINUES TO BE STRONG

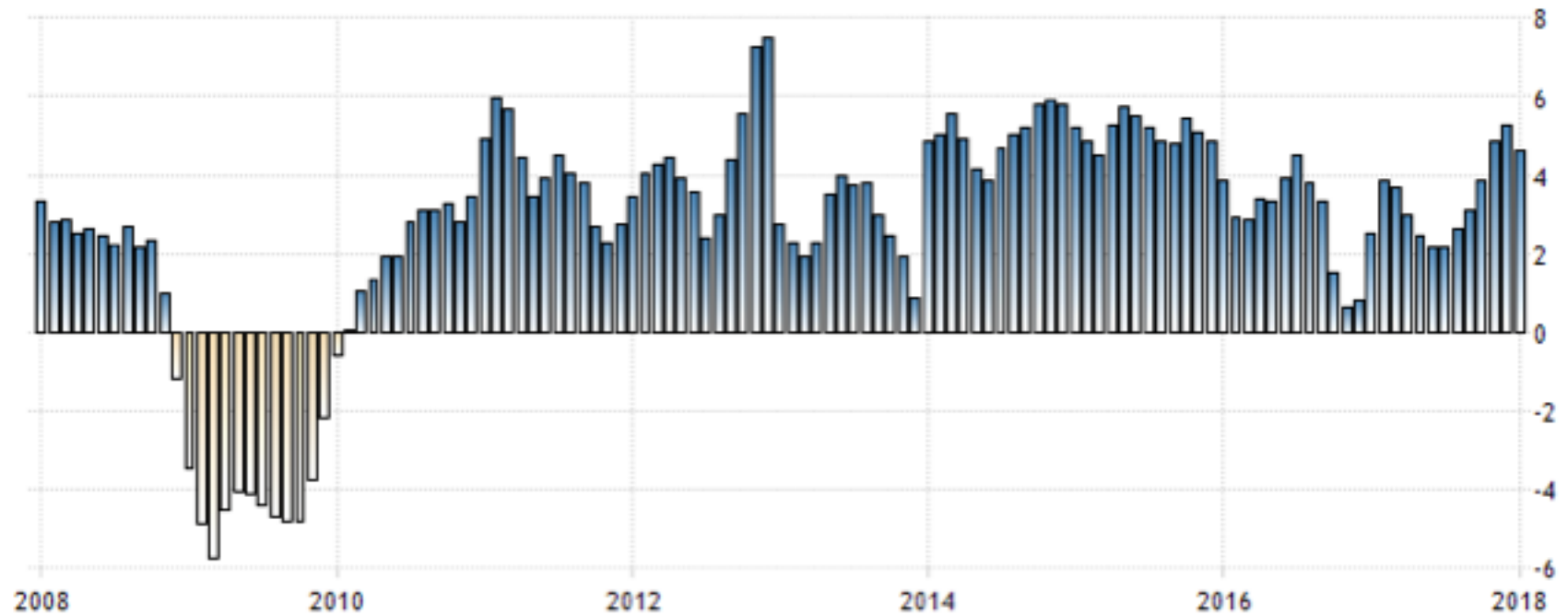
US ADP EMPLOYMENT CHANGE



SOURCE: TRADINGECONOMICS.COM | AUTOMATIC DATA PROCESSING, INC.

## AND WAGE GROWTH CONTINUES TO RECOVER

US WAGES AND SALARIES GROWTH



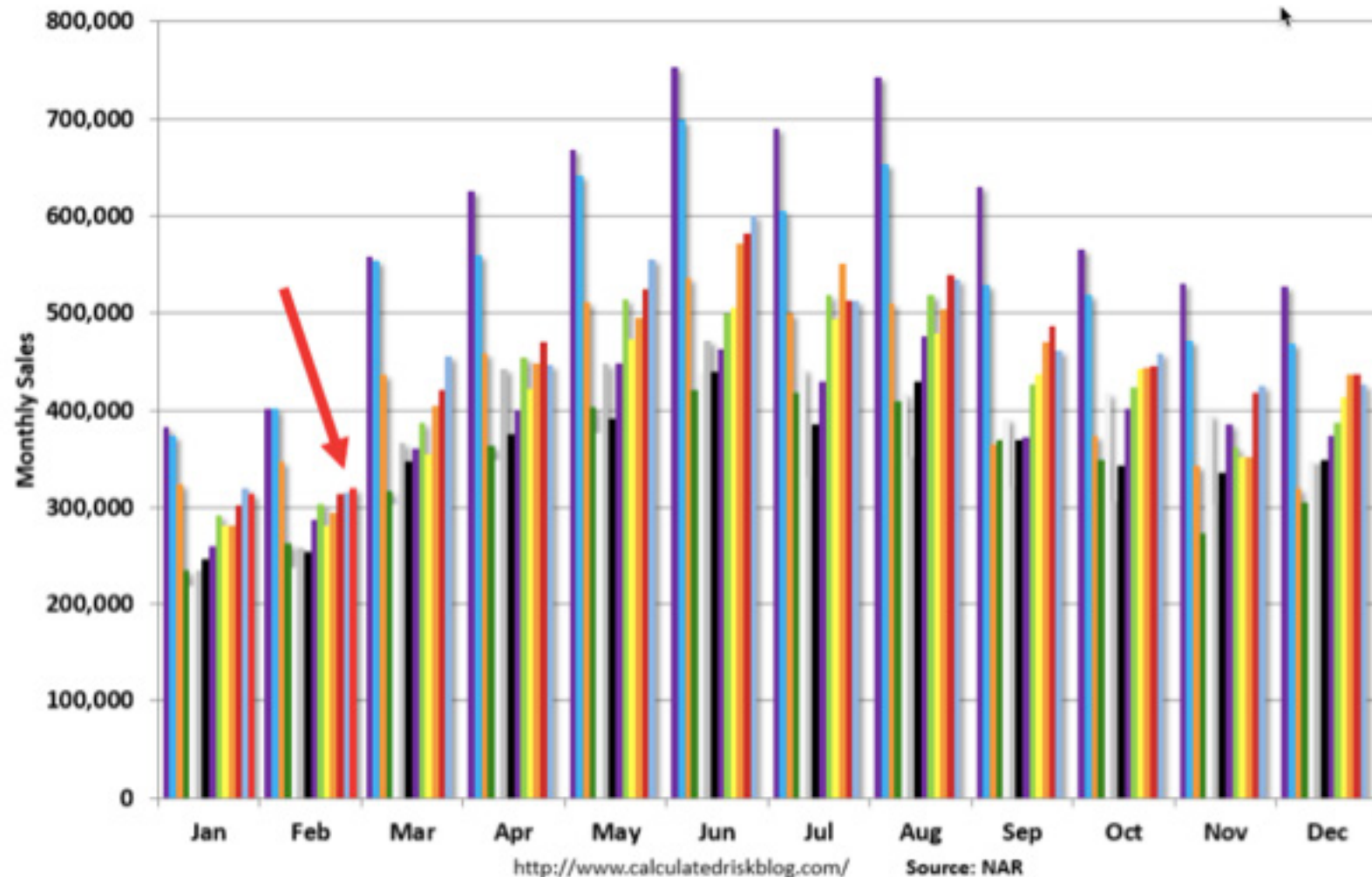
SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS



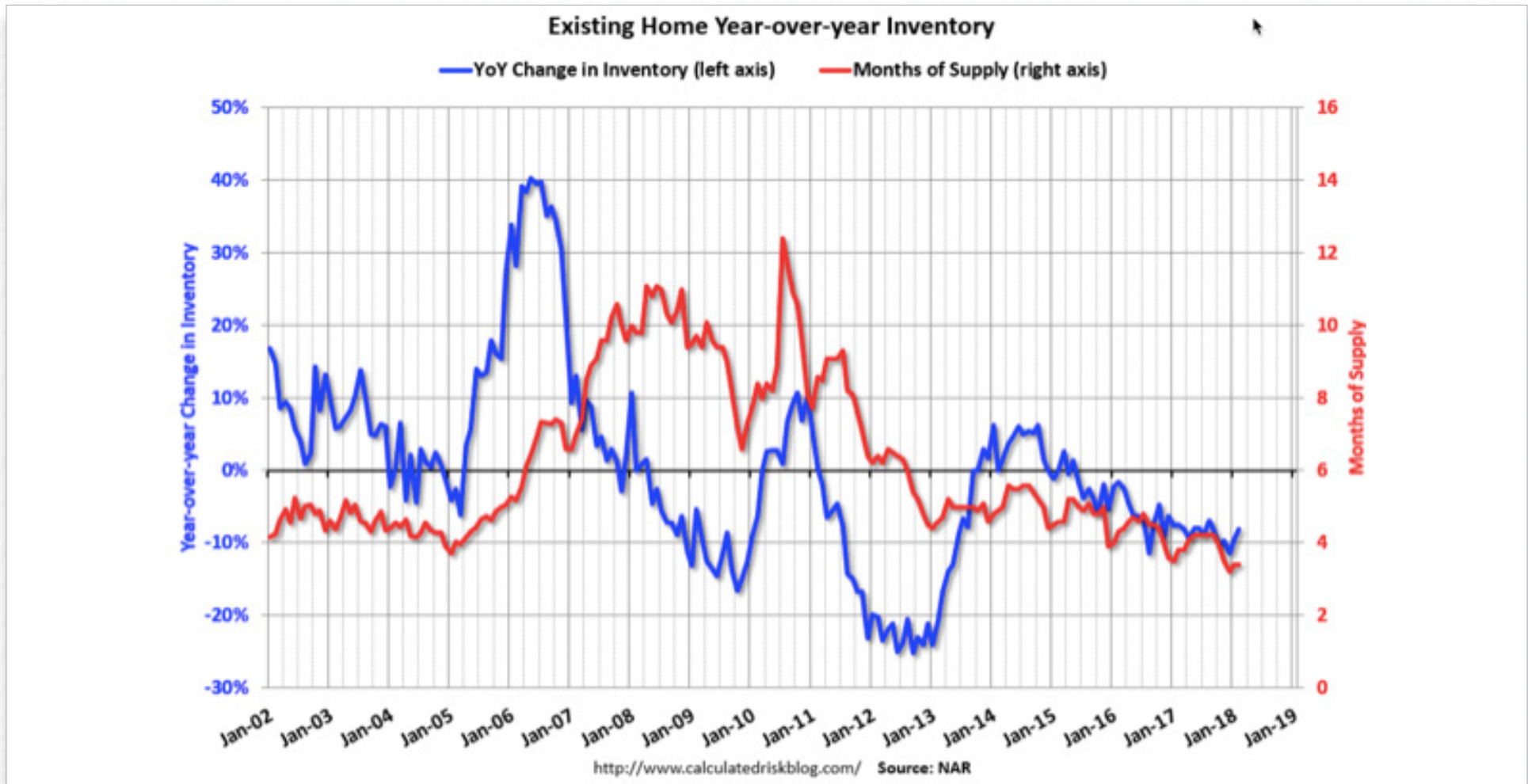
# **THE U.S. HOUSING MARKET**

STILL STRUGGLING TO  
RECOVER 10 YEARS  
AFTER THE CRASH

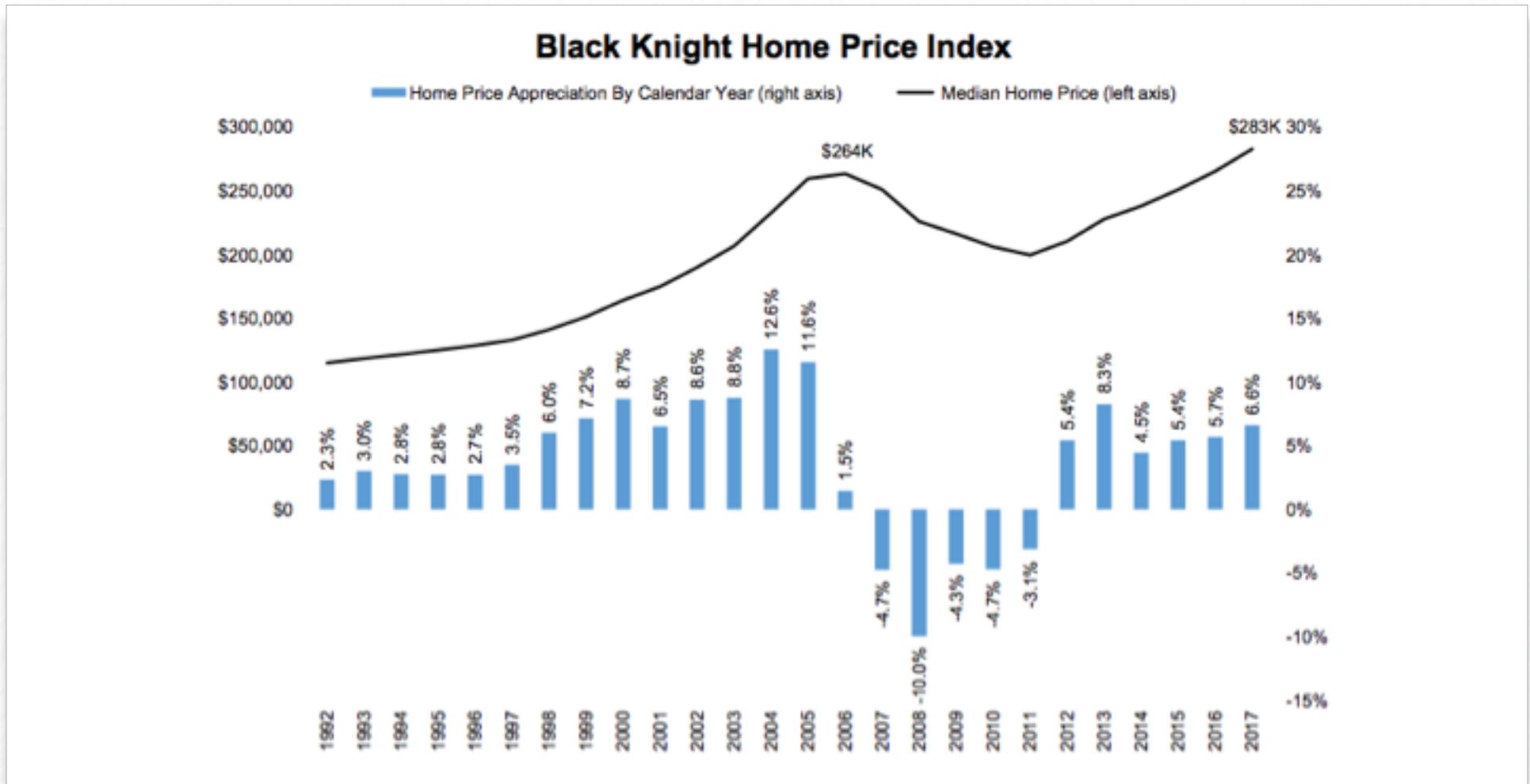
## EXISTING HOME SALES OFF TO A WEAK START



## EXTRAORDINARILY LOW INVENTORY IS THE BIG PROBLEM

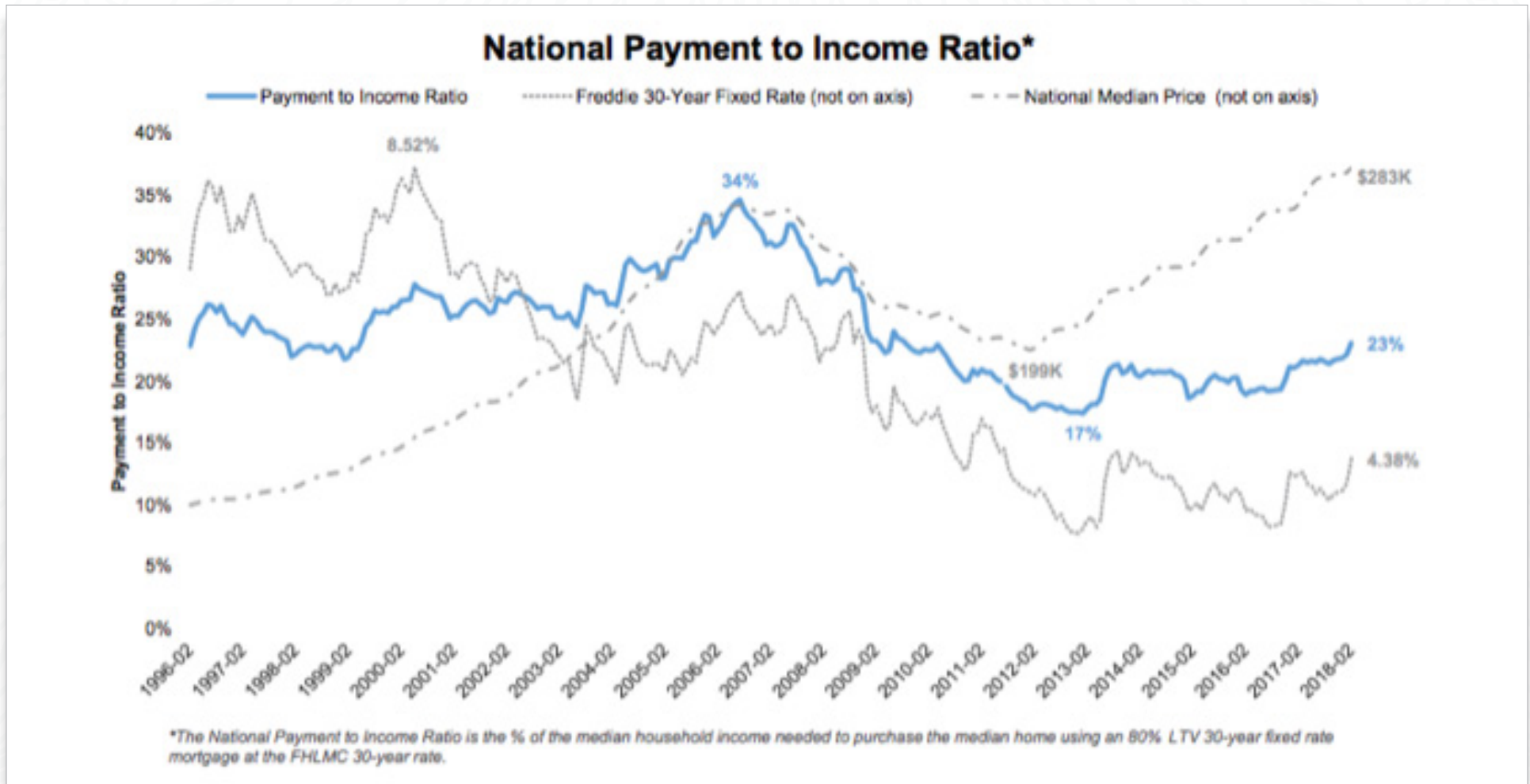


## AND SCARCITY IS DRIVING PRICES HIGHER

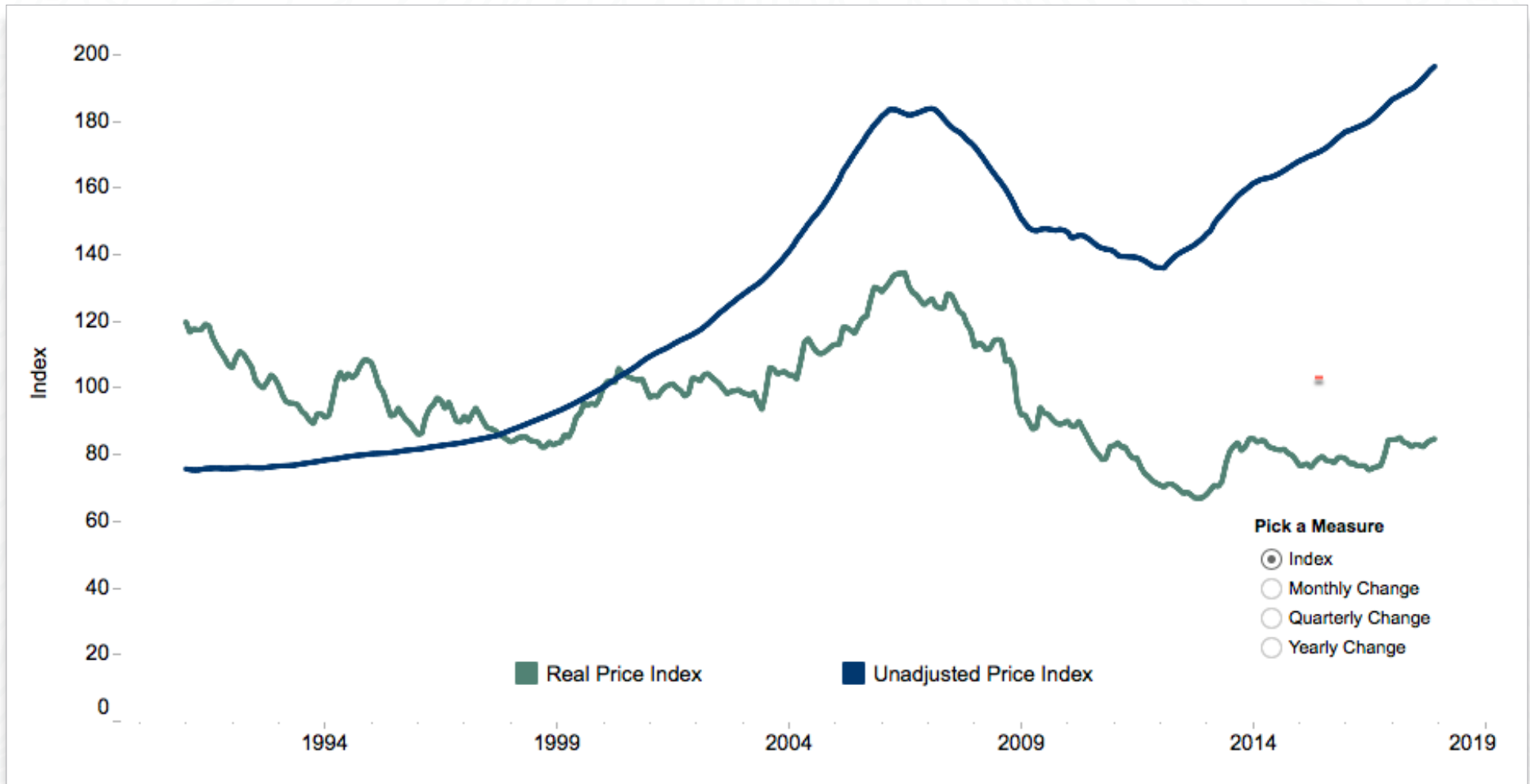




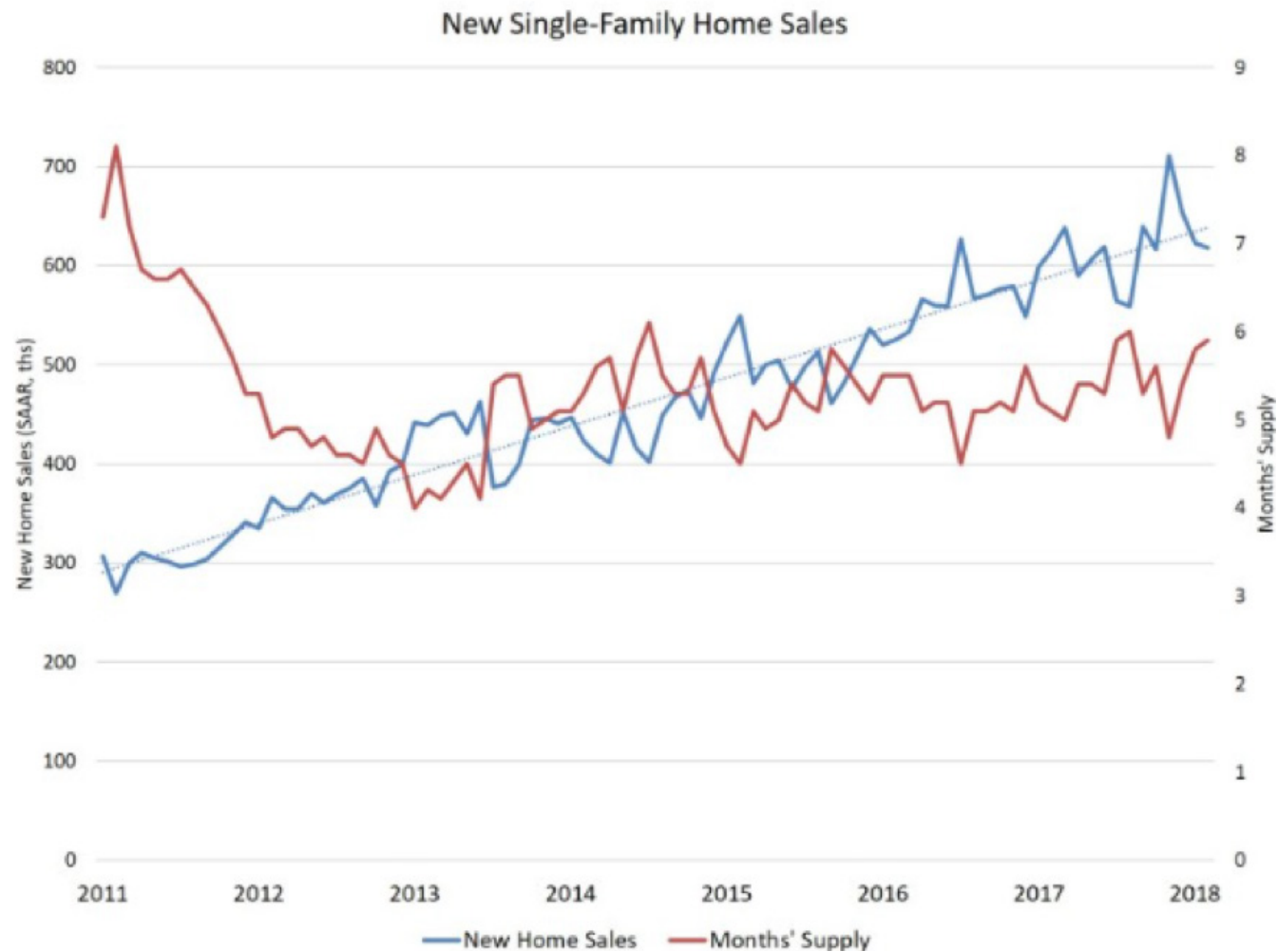
## BUT AFFORDABILITY IS BETTER THAN PEOPLE THINK



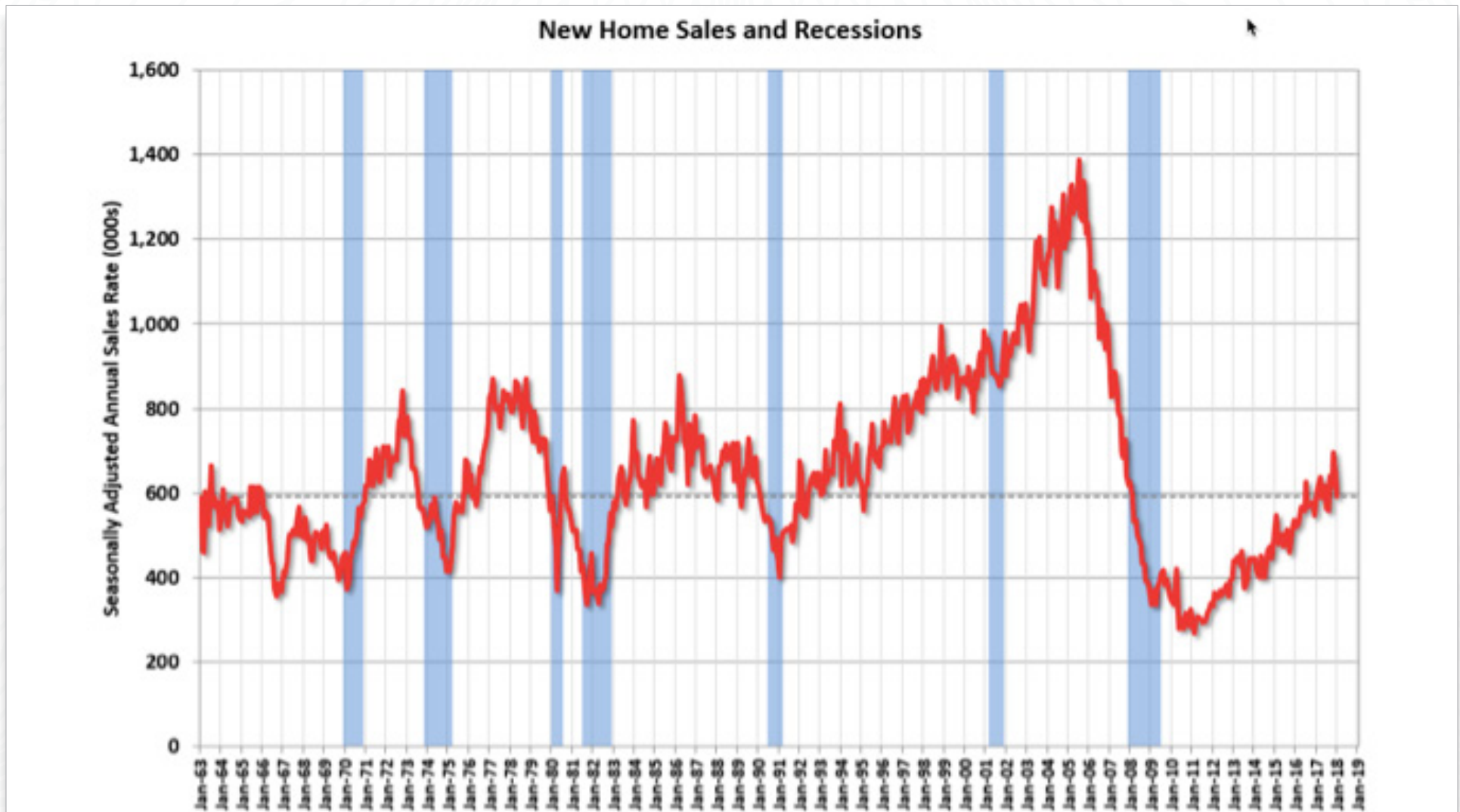
## BUT AFFORDABILITY IS BETTER THAN PEOPLE THINK



## NEW HOME SALES ALSO WEAK

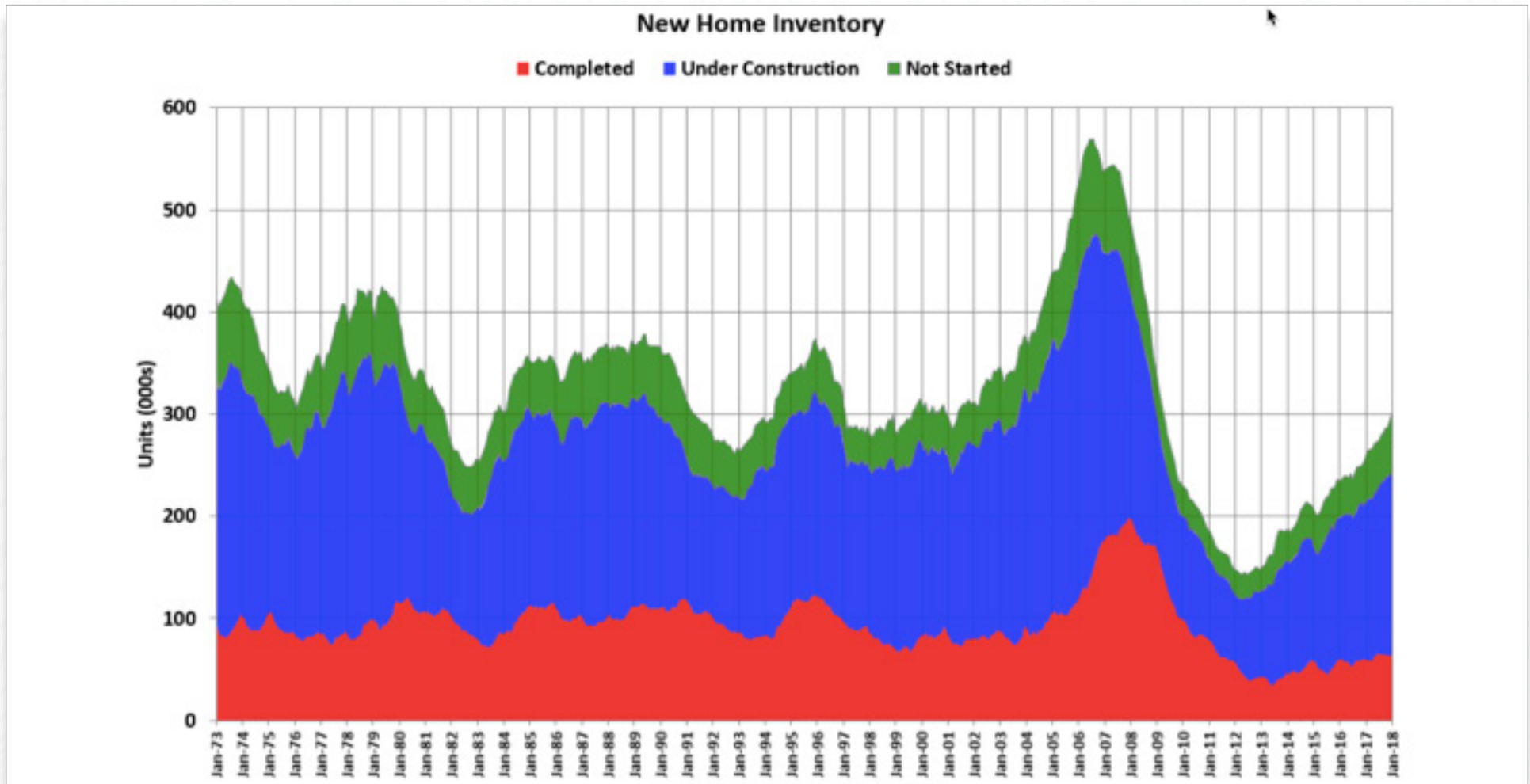


## AND LAGGING BEHIND PREVIOUS RECOVERIES

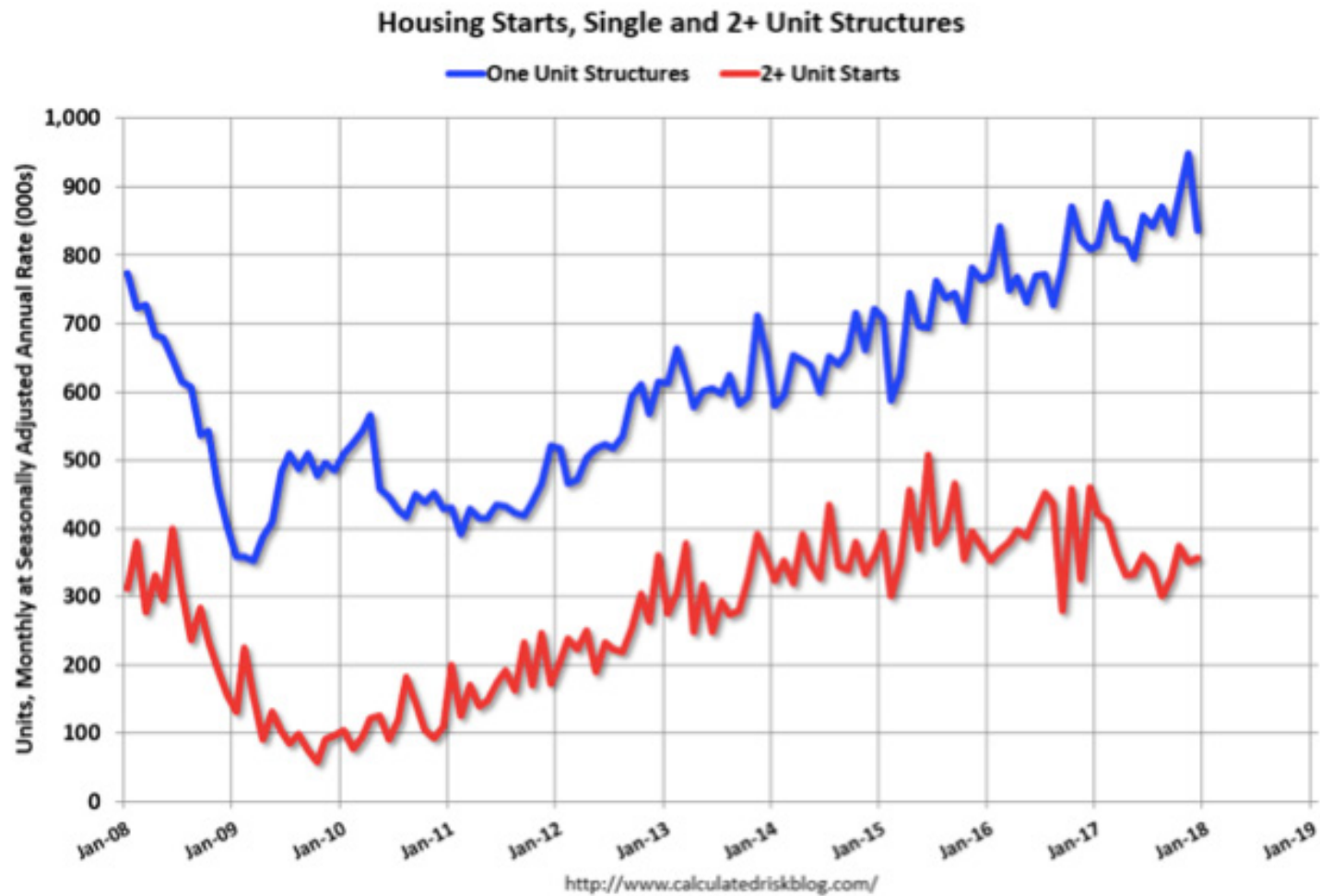




## INVENTORY BEGINNING TO IMPROVE



## BUT HOUSING STARTS ARE STILL WEAK



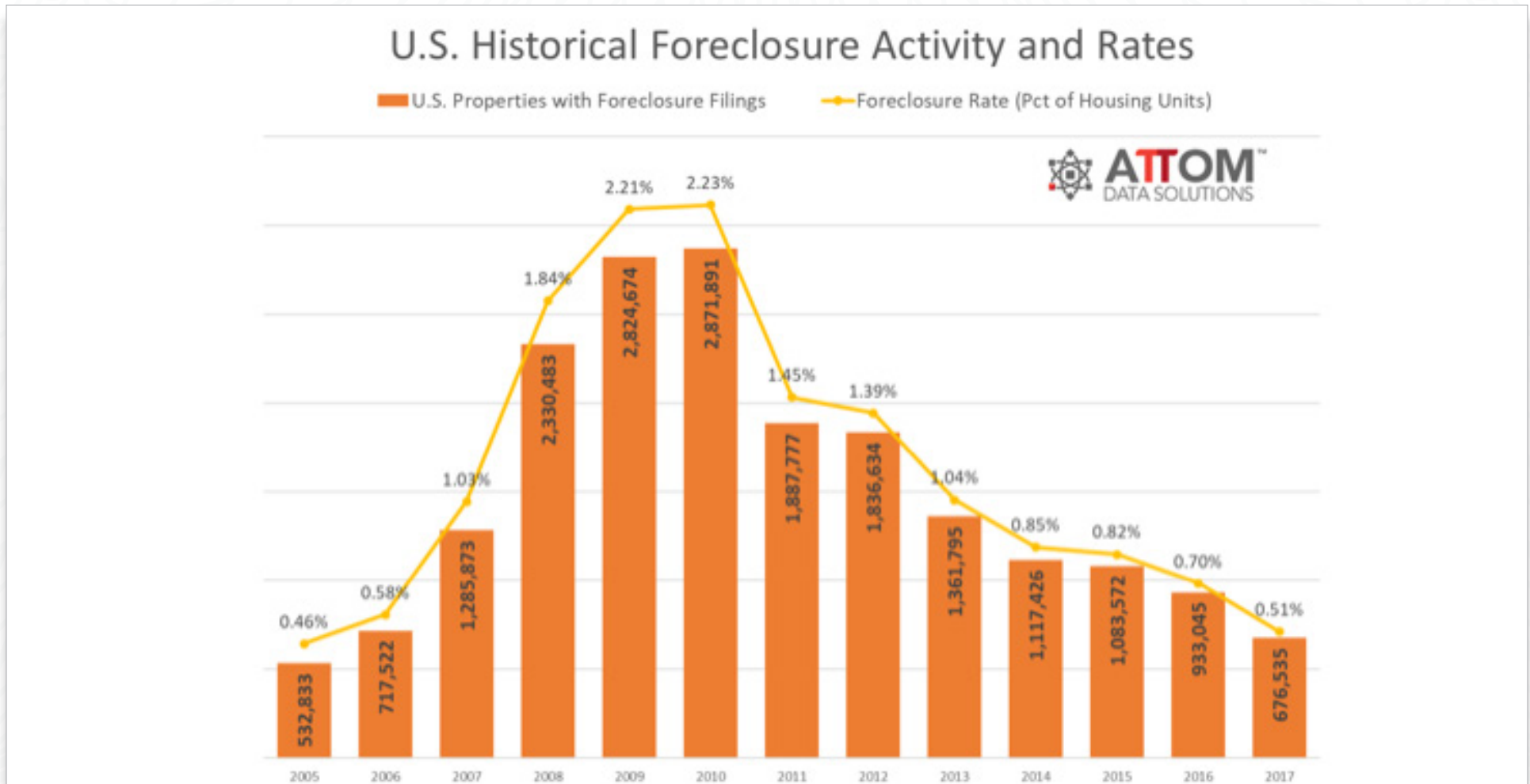


# **THE U.S. FORECLOSURE MARKET**

THE FORECLOSURE CRISIS  
IS FINALLY OVER

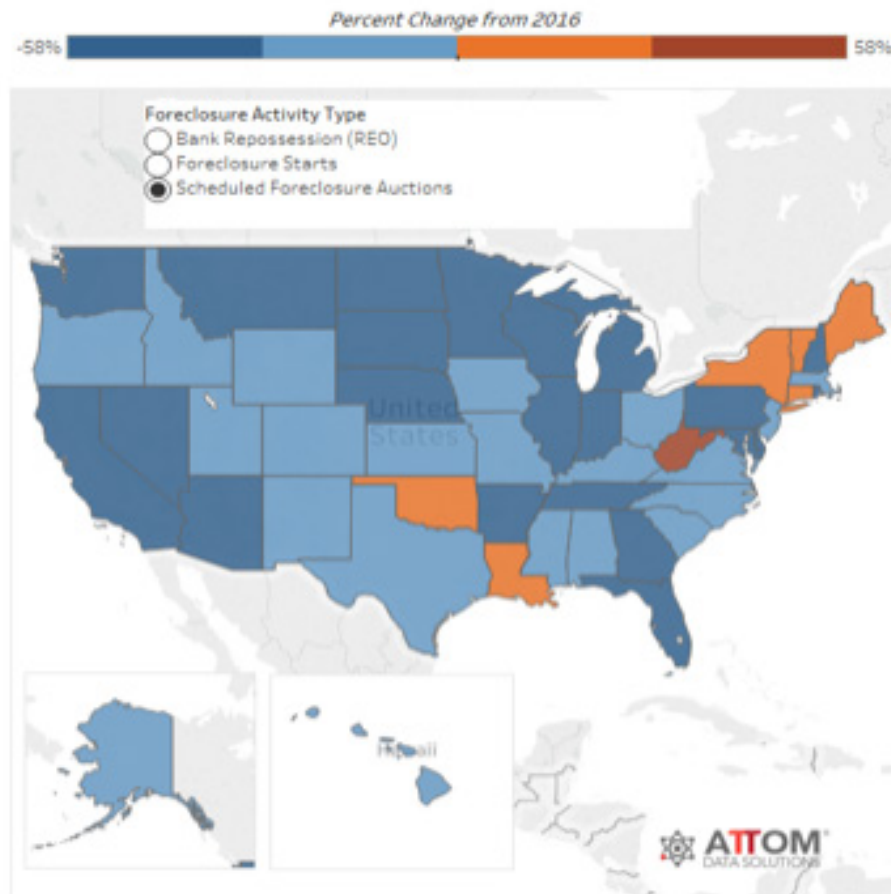


## FORECLOSURE ACTIVITY AT PRE-CRISIS LEVELS

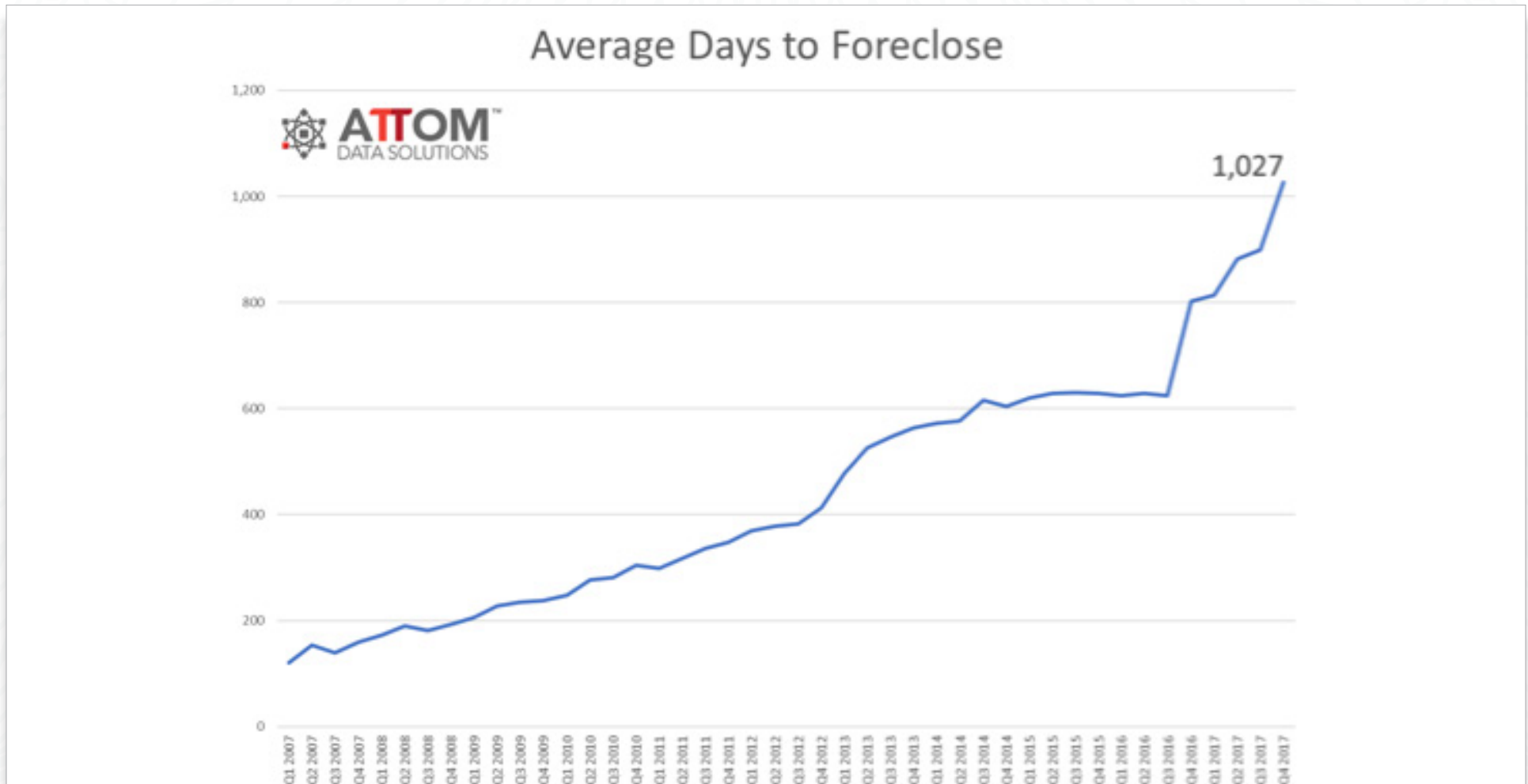


## AND CONCENTRATED IN A HANDFUL OF STATES

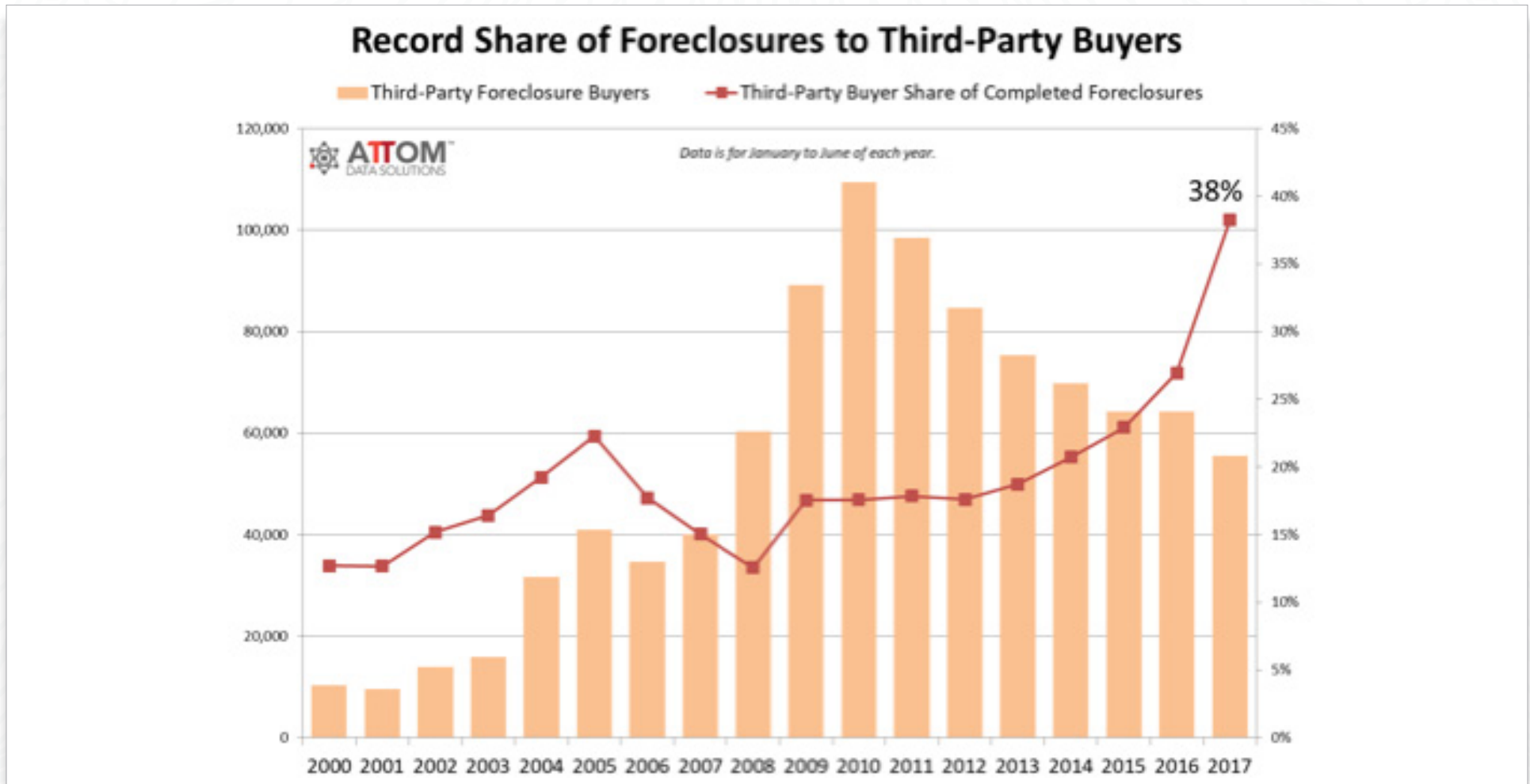
### 2017 Foreclosure Activity Hot Spots



## AGED FORECLOSURES SKEWING THE OVERALL PICTURE



## AND FEWER FORECLOSURES ARE GOING TO REO





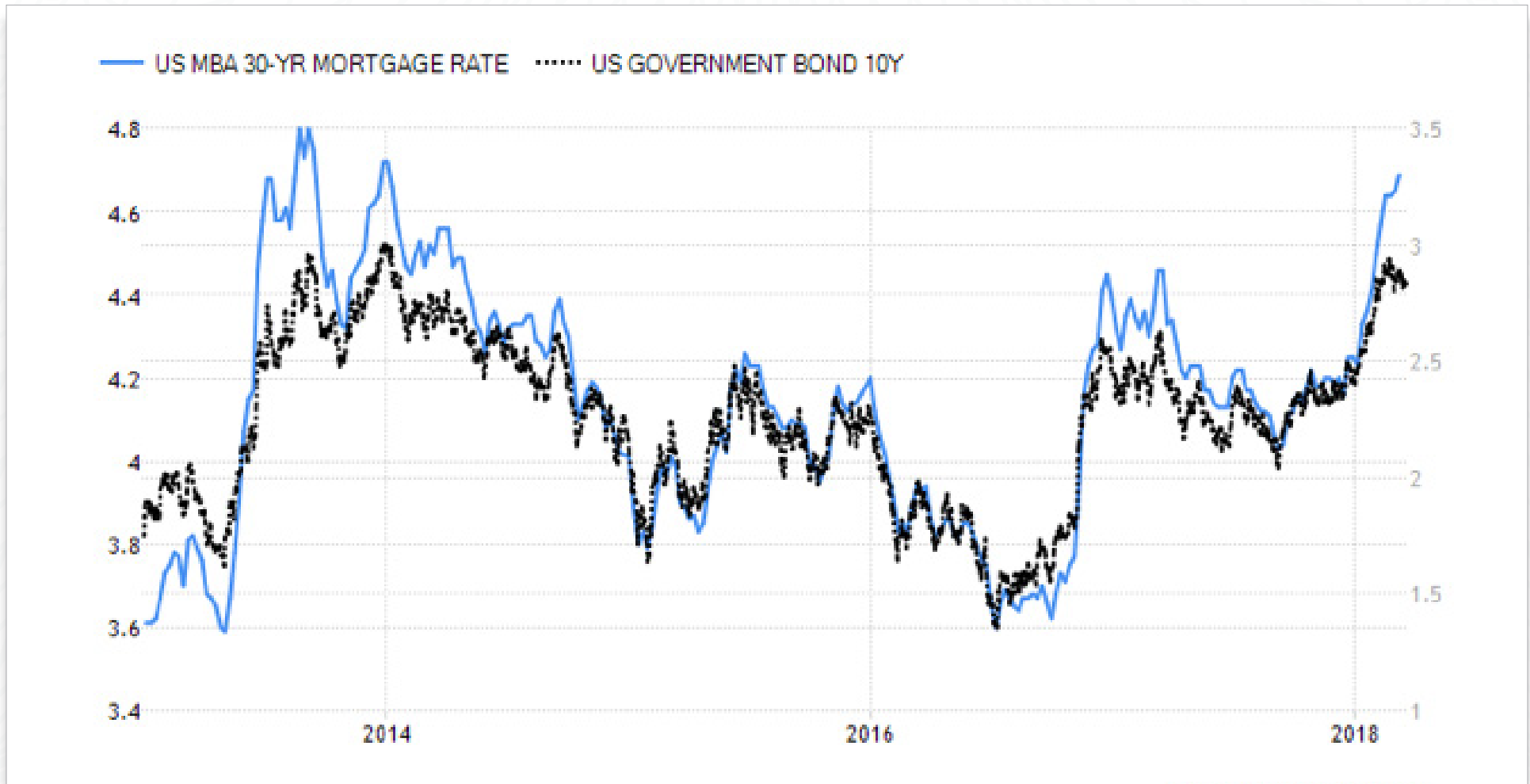
# **THE U.S. MORTGAGE MARKET**

TOO-TIGHT CREDIT IN A  
RISING RATE ENVIRONMENT—  
SOMETHING'S GOT TO GIVE

## FED FUND RATE INCREASES & MORTGAGE RATES

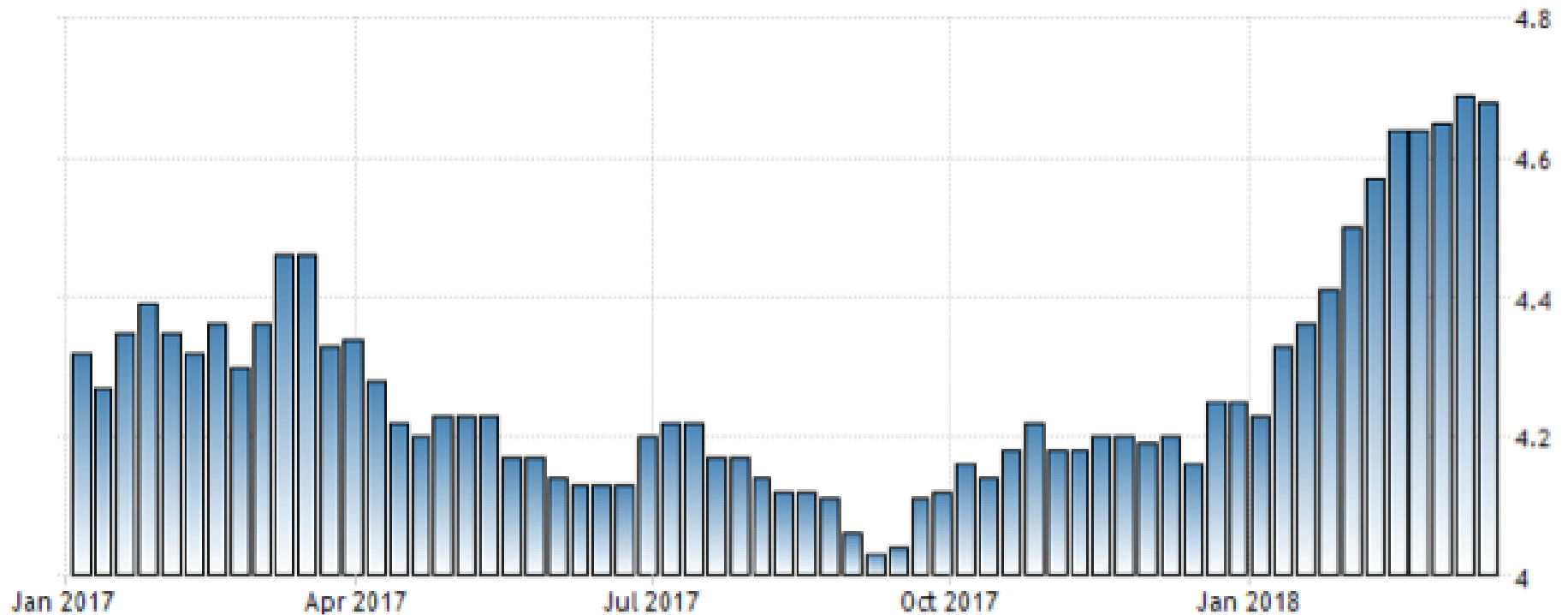


## BUT 10-YEAR U.S. BONDS REALLY DRIVE RATES



## 30-YEAR FIXED RATES ARE CLIMBING

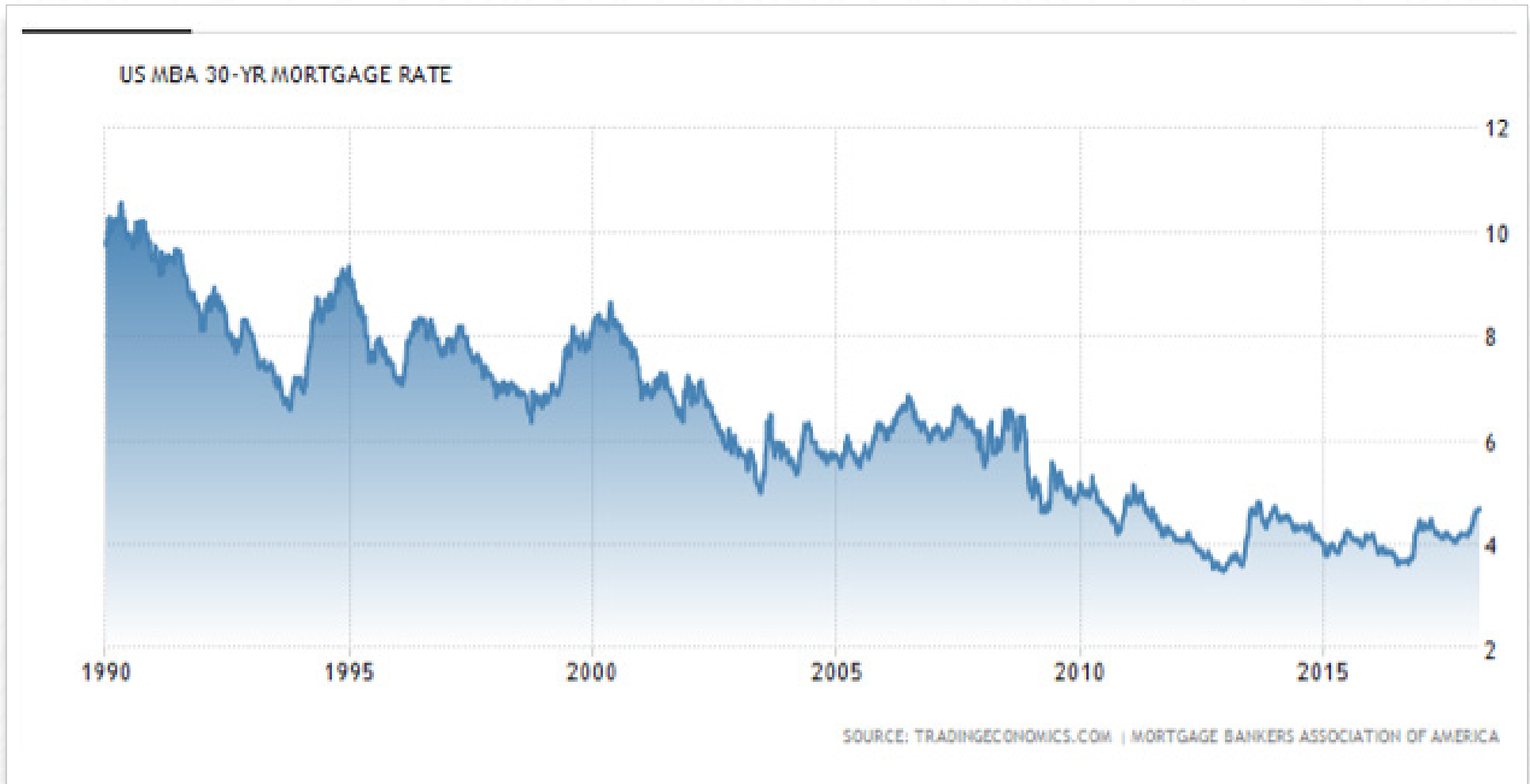
US MBA 30-YR MORTGAGE RATE



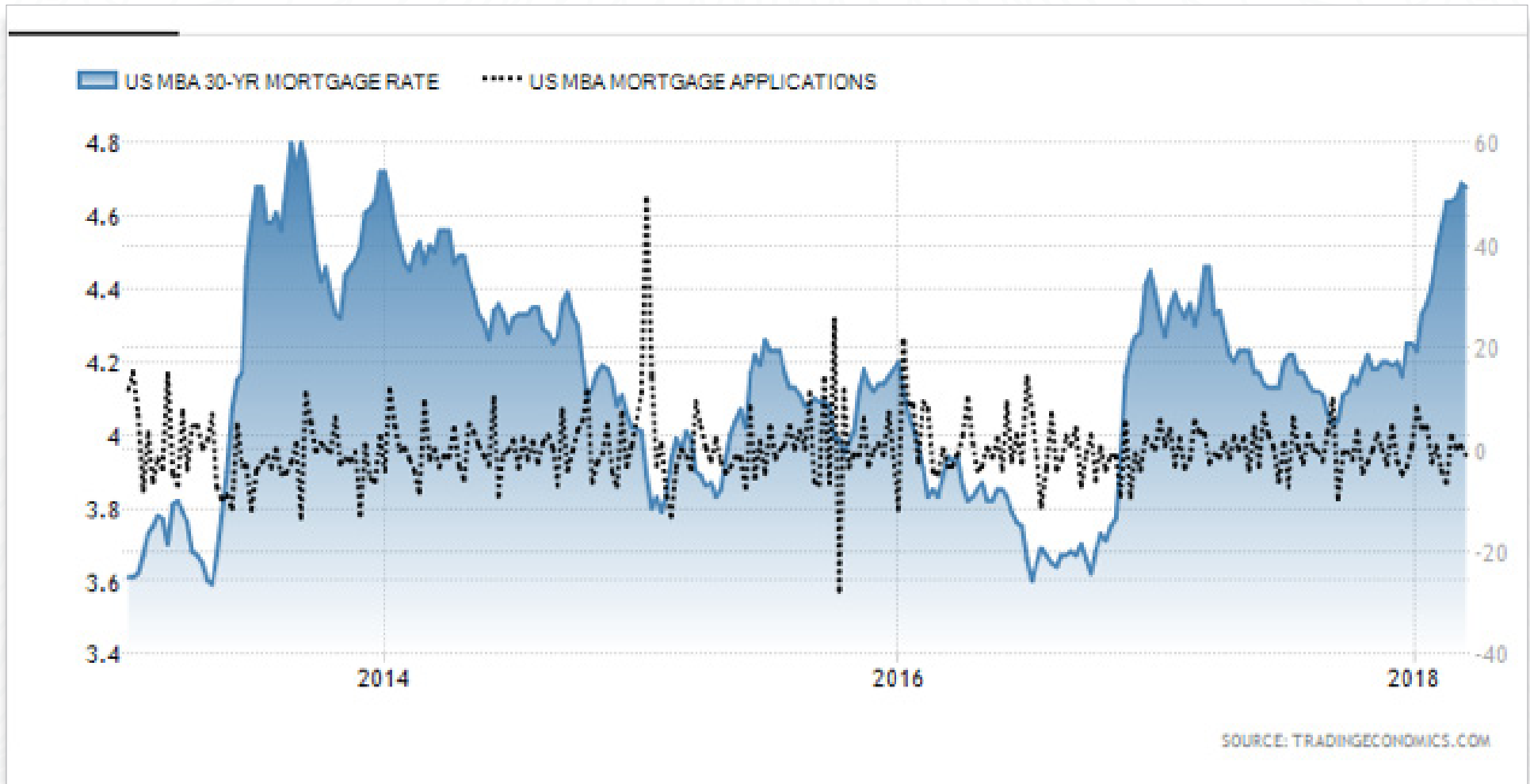
SOURCE: TRADINGECONOMICS.COM | MORTGAGE BANKERS ASSOCIATION OF AMERICA



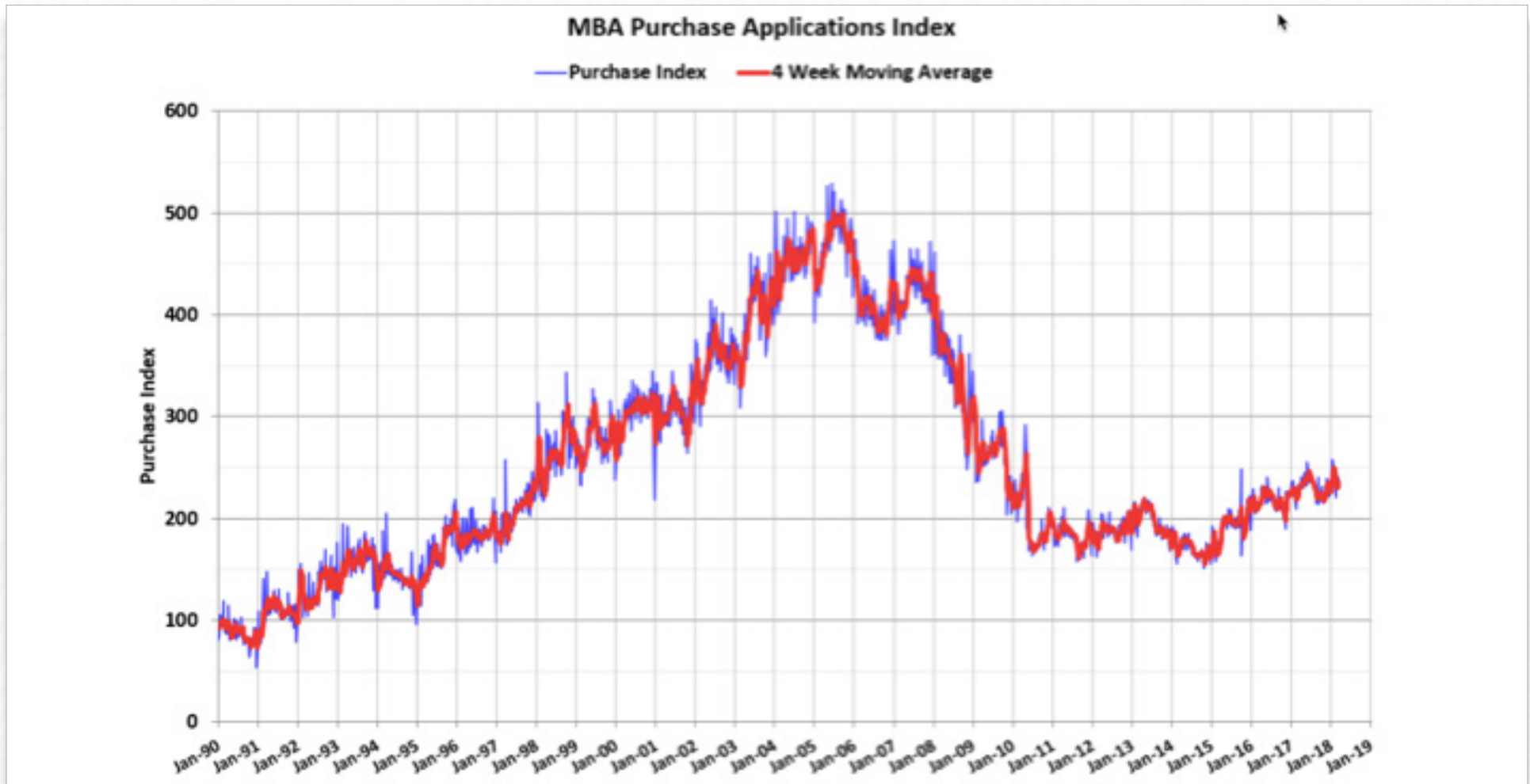
## BUT STILL AT THE LOW END OF HISTORIC RATES



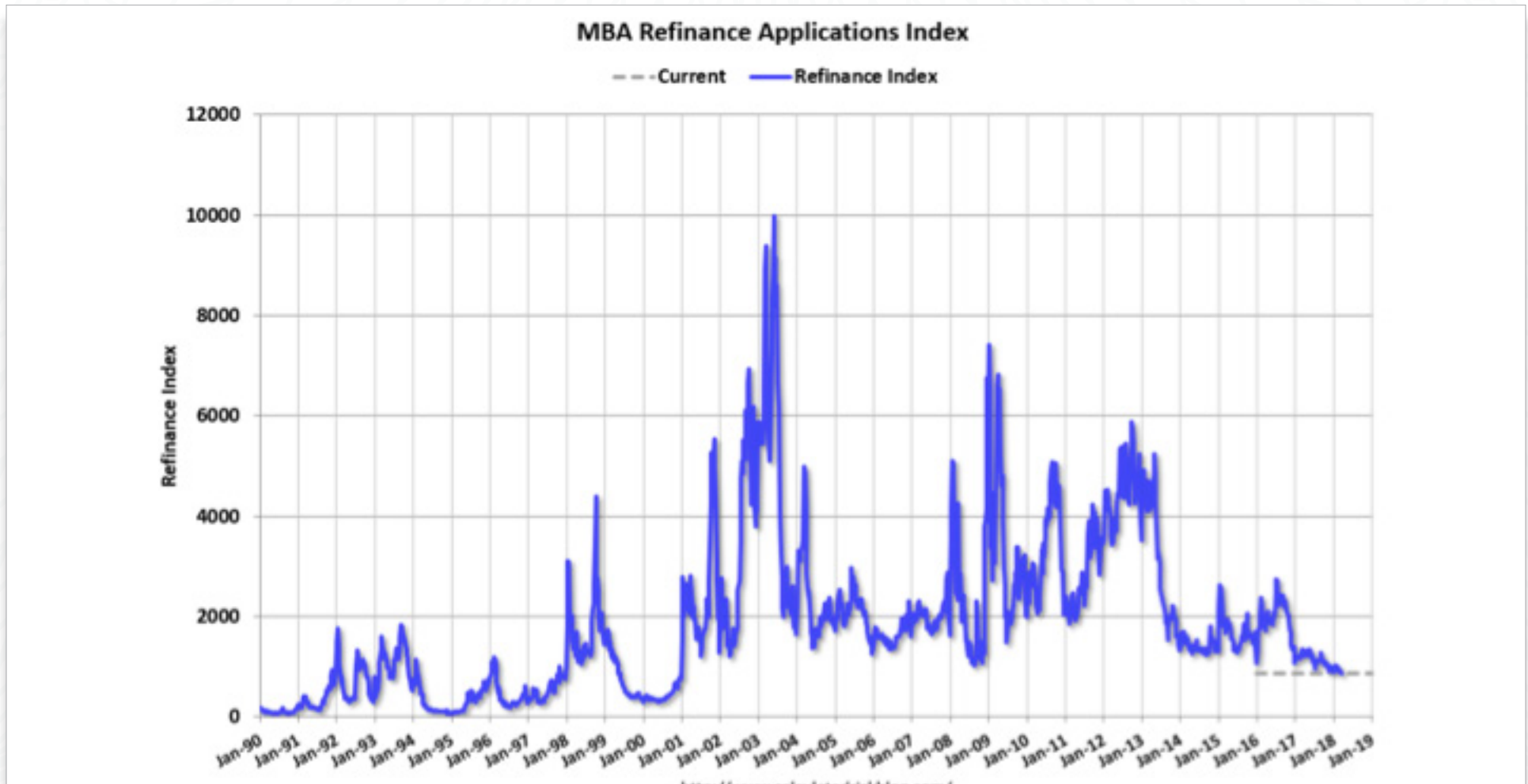
## AND DON'T SEEM TO BE HAVING A MAJOR IMPACT YET



## PURCHASE APPLICATIONS CONTINUE TO CREEP UP ...



## WHILE REFI ACTIVITY CONTINUES TO DECLINE





**CLOSING  
THOUGHTS**  
IF YOU LIKED 2017,  
YOU'RE PROBABLY  
GOING TO LIKE 2018

## **CLOSING THOUGHTS**

### **STRONG HEADWINDS WILL CHALLENGE HOUSING MARKET GROWTH IN 2018**

- » Limited inventory, home price appreciation, rising rates
- » Existing sales likely to be flat; new home sales slightly better
- » Prices will continue to rise, probably between 5-6 percent

### **NEW HOME CONSTRUCTION WILL NOT INCREASE ENOUGH TO MEET DEMAND**

- » Labor shortages, material price increases, cost of regulations
- » “Almost underwater” borrowers a hidden problem

### **FORECLOSURE CRISIS NO LONGER A FACTOR**

- » Historic low numbers of foreclosures a probability

### **BIG CHANGES IN MORTGAGE MARKET**

- » Rates likely to increase to almost 5 percent for 30-year fixed-rate loans
- » Shift towards more purchase, fewer refinance loans
- » Refinance activity will shift from rate-based to cash-out