AS PREPARED FOR DELIVERY

Remarks by Joseph Murin
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Good morning and thank you for inviting me to be here with you today. As I thought about addressing you, I wanted to focus on what I believed would be important to you.

As some of you know, I know a little bit about your business. For 10 years I was the CEO of LSI, at the time one of the largest appraisal/title/closing operations. Therefore I have some confidence that I understand your busines and those "things" that keep you up at night. I would like to take a few minutes of your time to provide you with an insight and my perspective of the housing and mortgage market from "inside the beltway" and do it in such a manner that provides you an opportunity to decide for yourself the future of our business.

We all know that the housing finance industry as well as the economy has certainly seen better days. Actually, I have never seen the housing market in worse shape at anytime during my 37 year career including the early 80's when mortgage rates were at the 17 percent levels. It certainly could cause anyone of us to think seriously about starting that proverbial hotdog stand at the beach as a possible career change. And why not listen to the following:

- Devastating widespread housing declines
- Banks and other key financial institutions have seen their capital severely contract and their balance sheets burdened with troubled assets forcing credit to tighten.
- Unemployment rose sharply in May from 8.9 percent to 9.4 percent. However total payroll fell by 345,000 jobs down from 504,000 jobs in April and 625,000 jobs in March.
- And the economy shrank at an annualized rate of 5.7 percent in the first quarter, which followed a 6.3 percent drop in the fourth quarter, marking the worst back-to-back declines in real gross domestic product in 50 years.

Yet despite the current national economic crisis, there are regions that appear to show a more durable overall economic and housing market. And bright spots do exist.

So, in the spirit of Homeownership Month, today I'd like to focus on what's good. What's going well. What's working.

I'll start with all the positive steps government has made to remedy the housing finance crisis, bring you up to speed on fresh signs of success so far, and I'll wrap it up by explaining why all of this matters to you.

Government Activities

The Administration Chairman Bernanke, Ginnie Mae and practically everyone involved in housing are working hard to help enable housing conditions to improve everywhere.

Because we all know that the housing industry is at the core of our economy. The housing crisis led us to this economic crisis and housing must lead us out.

Facing extraordinary challenges, the Administration and Congress enacted a historic economic recovery plan that is giving 95 percent of American households a tax cut, creating or saving 3.5 million jobs and helping 1.4 million Americans purchase their first home by providing $6.5 billion in tax credits…$8,000 per homeowner.

The government has also taken action to boost new consumer and business lending by re-starting the market for securities and is working to create a market for legacy mortgage loans and securities that are weighing down banks' finances.

But it's been housing that's been high on the agenda. Given the current housing crisis, there is wide support for measures to make it easier for homeowners to modify their mortgages.

During these past few months, the Administration has taken a number of vital steps to prevent foreclosures and expand refinancing options for more borrowers.

As you know, the President announced the Making Home Affordable Plan...a serious plan that will help bring relief to seven to nine million responsible homeowners by making their mortgages more affordable and, thereby, preventing foreclosures.

The Administration recently announced updates to the Plan that will make it easier for borrowers to modify or refinance both their first <u>and</u> second mortgages. And the Senate recently approved a broad bipartisan housing bill that expands the ability of government agencies to help borrowers who are in distress.

It expands the ability of the FHA to modify troubled loans and makes it easier for borrowers to qualify for the Hope for Homeowners program, which seeks to help troubled borrowers refinance.

In May, Secretary Donovan announced that the FHA will permit its lenders to allow homeowners to use the $8,000 tax credit toward their down payment.

FHA's approved lenders will be permitted to "monetize" the tax credit through short-term bridge loans. This will allow eligible home buyers to access the funds immediately at closing. It is a prudent approach because it requires that borrower use their own funds to finance the 3 percent downpayment required by FHA.

<u>All</u> of these efforts are vital steps that offer hope to struggling homeowners across the country…Key steps toward bolstering our housing finance system and restoring the nation's economy.

But there's more. In addition to these bold and decisive actions, Federal agencies have also responded aggressively to the crisis. For example:

> With more than a quarter of the Fed's $500 billion agency MBS purchase program now completed, we're seeing signs of success in lower primary mortgage rates and increased

refinance applications. While rates have inched up in recent days, they're still quite low historically.

Treasury, FDIC, OCC, OTS and Fed announced a Capital Assistance Program to ensure that our banking institutions are appropriately capitalized, with high-quality capital.

The Department of Treasury's Troubled Asset Relief Program, better known as TARP, has injected capital into U.S. financial institutions.

The TARP program has had success in easing bank and inter-bank financing, as indicted by the significant narrowing of LIBOR-OIS spreads.

In conjunction with the FDIC and the Treasury, the Fed announced the Public-Private Investment Program as part of its efforts to alleviate bank balance sheets of troubled legacy mortgage assets. This program will ensure that credit is available to the households and businesses, large and small, and help drive us toward recovery.

While there is no singular scientific solution to successfully solving the challenging conditions we face, I believe that these actions <u>are</u> providing the necessary tools to rebuild the housing and credit industry.

Plans Yielding Successful Results

As a result of <u>all</u> these efforts, the financial system is starting to heal. While risk of a system-wide breakdown is an unavoidable characteristic of market economies, concern about systemic risk has faded and the overall lending conditions have started to improve.

In fact, Treasury Secretary Geithner's New York Times op-ed last month nicely summed up how these efforts are faring:

- The President's programs are already helping to bring down credit risk premiums;
- Companies are finding it easier to issue new debt to finance investment;
- The cost of borrowing for municipal governments has fallen significantly;
- Issuance of securities backed by consumer and auto loans is increasing;
- The Fed reports that credit terms are starting to ease a bit.
- Some banking institutions have already indicated they are ready to begin repaying TARP funds.

In the few months since it launched, the foreclosure prevention plan has outperformed previous attempts, offering more than 50,000 homeowners lower-cost mortgages.

The Making Home Affordable program is making a difference for thousands of American homeowners. Historically low interest rates are allowing homeowners to refinance and modifications are helping avoid foreclosures.

Fourteen servicers, including the five largest, have now signed contracts and begun modifications under the program. More than 75 percent of all loans in the country are now covered by the program.

While the Administration is encouraged by the pace of servicer participation and more and more families are being reached, the demand from distressed borrowers has overwhelmed many lenders. As more homeowners are getting aid, demand continues to rise.

And it looks like many buyers are making their move…they're responding to very, very favorable market conditions.

Pending Home Sales

For example, more Americans signed commitments in April than March to buy existing homes, according to the National Association of Realtors.

"Pending home sales," a forward-looking indicator based on mortgage contracts signed, climbed 84.6 in March to 90.3 in April, which was more than economists had expected.

This is very significant because the pending sales index is a leading indicator for the housing sector.

The increase was the third straight monthly rise and the largest jump since October 2001.

The monthly gain took the index 3.2 percent above its year-ago level.

The month-over-month data also showed increased sales in all regions except the South: The Northeast rose 32.6 percent in April from March, Midwest increased 9.8 percent, West inched up 1.8 percent, while the South dipped slightly, just 0.2 percent.

Housing Affordability Index

At the same time, the NAR's Housing Affordability Index suggests that buyers will have the means to follow through on their word.

The index rose to 174.8 in April, from a reading of 171.9 in March, the second highest monthly reading on record, after it peaked at 176.9 in January.

The higher the index, the better housing affordability is for buyers.

The median sales price decreased to $170,200 down from $201,300 in the same month last year. That was the second-largest price drop on record after January, when prices fell 17.5

Existing Home Sales

NAR reports that *existing home sales* climbed modestly in April as brave buyers purchased homes discounted as a result of foreclosure.

Home resales rose by 2.9 percent in April to a 4.68 million rate from 4.55 in March.

The results slightly beat Wall Street and economists' expectations.

NAR also noted that about 45 percent of the 4.68 million in April sales were foreclosures and short sales and that most of the sales are taking place in the lower price ranges.

Activity is beginning to pick up in the mid-price range, while high-end home sales remain sluggish.

And first time home buyers dropped from 52 percent of existing sales in March to 40 percent in April indicating that more repeat buyers are entering the spring home buying market.

New Home Sales

Purchases of new homes in the U.S. rose in April for the second time in three months, according to the Commerce Department.

N*ew home sales* were up in April 0.3 percent, to a seasonally-adjusted rate of 352,000 units.

Applications to <u>*purchase*</u> a home were up 4.3 percent, according to the Mortgage Bankers Association.

All this has caused the number of empty homes on the market to drop 4.2 percent from March to April and 35.4 percent from April 2008, a record year-over-year drop.

Since their peak in August 2006, inventories have declined by about 48 percent, reaching the lowest level since May 2001.

There's more:

Employment

While there is still weakness in the job market, reports indicate that planned layoffs at U.S. firms are leveling off. The worst of the job market collapse appears to be over.

Planned cuts fell for a fourth consecutive month in May, reaching the lowest level in eight months.

A net total of 345,000 jobs were cut in May – terrible by most standards, but the smallest rate of job losses since September. Economists had expected a much worse loss, of as many as 525,000.

The same jobs report noted that for the first time in more than four months, the number of people receiving unemployment benefits fell.

The much smaller-than-expected reduction in payroll jobs adds to evidence that the recession is loosening its hold on the country…that government's effort to cut taxes, increase public spending and keep interest rates low is helping to stabilize the economy.

Consumer Sentiment

Moreover, consumers appear more confident that the country is moving in the right direction.

For example, *the Conference Board's Consumer Confidence Index* rose from 40.8 in April to 54.9 in May, the highest reading since September 2008.

The 14.1 point surge followed a 13.9 point jump in April, marking the largest back-to-back jumps since the monthly series began in 1977.

Consumers' assessment of the current labor market improved for the second consecutive month and only for the third time in the last 16 months.

The share of consumers finding jobs plentiful increased to 5.7 percent from 4.9 percent in April, while the share finding jobs hard to get decreased to 44.7 percent from 46.6 percent.

Expectations for the labor market improved significantly: the share expecting fewer jobs in the coming months fell to 25.2 percent in May from 32.5 percent in April, down measurably from a record high of 47.0 percent in February.

These views of the labor markets are consistent with moderating job losses going forward.

Overall, consumers continued to see a modest improvement in current conditions and have become much more upbeat about the outlook.

This is consistent with recent economic data pointing to a moderating recession.

According to the Conference Board, the worst is already behind us, as far as consumers are concerned.

What Does All of This Mean for You?

All of this means that business is bound to return to increased levels over the coming months…if it hasn't already.

The National Association of Business Economics says the end of the recession is in sight. The pace of job losses is moderating and economists expect economic growth to turn positive in the second half of the year.

Home prices are declining. Affordability is at a record high. Refinance volumes are up. Applications are up. Consumer spending is down and saving is up. And with the market littered with distressed properties looking for a buyer, homebuyers have begun returning…looking to settle on the home of their dreams.

That’s where many of you come in. Homeownership obviously needs your help. Independent title agents, underwriters and settlement services experts will play a critical role in mortgage closing process.

Keep that in mind as well all work to help the housing market recover and get our economy back up to speed. You’re the final piece in moving a mortgage application to a mortgage settlement.

Thank you for this opportunity to speak with you today.

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