Press Release - Originations

Title:	Mortgage Originations Rise in First Half of 2005; Demand for Interest Only, Option ARM and Alt-A Products Increases
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Mortgage Originations Rise in First Half of 2005; Demand for Interest Only, Option ARM and Alt-A Products Increases

WASHINGTON, D.C. (October 25, 2005) - From the last half of 2004 to the first half of 2005, first mortgage origination volume rose, according to the Mortgage Bankers Association's (MBA's) Midyear 2005 Mortgage Originations Survey released today. The survey provided evidence of the increased popularity of non-traditional products such as Interest Only (IO), Option ARM and Alt-A mortgages. The MBA survey covers single family mortgage originations during the first and second quarters of 2005.

The MBA survey, which includes data from more than half of the mortgages originated last year, showed that the dollar volume of first-mortgage originations increased 10 percent from the second half of 2004 to the first half of 2005. The survey provided evidence of a shift in consumer demand from ARM products to IO and Alt-A products. While the ARM (excluding IOs) share of originations decreased from 46 percent to 36 percent, the share of originations that were IO loans increased from 17 percent to 23 percent and the share of originations that were Alt-A loans increased from 8 percent to 11 percent.

"With the difference in ARM rates and fixed rates narrowing, consumers have shifted from traditional ARMs to nontraditional products such as Option ARMs and Interest-Only loans." said Doug Duncan, MBA's chief economist and senior vice president. "While these new products provide consumers with a wide range of choices to meet their cash flow needs and risk tolerances, borrowers need to be vigilant to ensure that they prudently measure and manage the additional risk of these new products."

Key findings of the survey include the following:

- More than 9 of 10 interest only loans originated during the first half of 2005 are adjustable rate products, the remaining loans were fixed rate products.
- Among all survey respondents, option ARM originations were 7 percent of dollar originations and 4 percent of the loan count during the first half of 2005. These percentages are likely understated as many survey respondents did not report their option ARM volume. Among survey respondents that did report option ARM data, option ARM loans comprised 16 percent of their dollar originations and 10 percent of their loan count.
- The vast majority of loans (88 percent) in the first half were for owner occupied homes, but the percentage of loans for non-owner occupied properties was significant (12 percent). This finding is consistent with the 2004 Home Mortgage Disclosure Act data which revealed that more than 11 percent of 2004 originations were for non-owner

occupied properties.

- While nearly half (48 percent) of all loans originated were agency eligible, they represented only 38 percent of the origination dollar volume. Agency eligible loans are mortgage loans which conform to the size and credit quality guidelines and would be available for sale to Fannie Mae and Freddie Mac under any of their loan programs.
- From the second half of 2004 to the first half of 2005, reverse mortgage originations increased 28 percent, with FHA's Home Equity Conversion Mortgages (HECMs) increasing by 31 percent and other reverse mortgages up 8 percent.
- Compared with the last half of 2004, the first half of 2005 origination volume of all second mortgages increased 12 percent, closed-end seconds increased 37 percent and open-end seconds or home equity lines of credit (HELOCs) increased 20 percent (based on companies submitting data for both time periods).
- In the first half of 2005, 82 percent of second mortgage originations were HELOC loans compared with 18 percent for closed-end loans. HELOC origination volume refers to the size of the line, not the drawn amount.

The survey included more than 110 companies, including the top 12 loan originators and 25 of the top 30 loan originators. Based on internal market estimates, sample coverage included more than 50 percent of total market originations of first and second mortgages. This survey collected detailed information on origination of first and second mortgages - including for the first time origination data on option ARMs, interest only adjustable and fixed breakouts, occupancy status (including second home and investment property information) and agency eligibility. All trends were based on data from repeater companies - companies that reported data for both the second half of 2004 and first half of 2005. Detailed survey results from the MBA study are only available to participants.

The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation`s residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,900 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA`s Web site: www.mortgagebankers.org.

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