



The Recession - How Deep, How Long - and its Impact on Housing Finance

Q&A from the March 10 Webinar with John Tuccillo and Sig Anderman

Following are some of the top questions received during the March 10, 2009 webinar with former Chief Economist for the National Association of Realtors John Tuccillo and Founder and CEO of Ellie Mae Sig Anderman.

For a copy of the webinar, John's PowerPoint and John's 2009 Economic Forecast, please visit [Ellie Mae's website](#).

Q: What do you see as the future for correspondent third-party originators?

A: We are bullish on the future of correspondents within the market provided that warehouse facilities continue to be available for this channel.

Q: It seems that bankers and REO sellers are insisting on getting buyers to be approved by them, compromising the brokers' relationship with their clients. What do you think about these practices?

A: Since the banks and REO sellers have a high level of risk, we think they will continue with these practices.

Q: It is difficult to determine if we are in a depression and usually we cannot determine this until several years later, following three consecutive years of economic downturn and a 10+ percent unemployment rate. However, the government tends to adjust unemployment numbers consistently after they have been released. Do you feel we are currently in a depression?

A: No, we are not in a depression, although there is no technical definition for the word. In all likelihood, we will see a contraction of 7-10 percent of GDP, an unemployment rate at or slightly above 10 percent, and will bottom out in the early fall.

Q: Do you foresee the minimum credit score going below the 620 FICO? (FHA)

A: Not in the foreseeable future.

Q: I understand that we are now past the majority of sub-prime adjustment periods and that we are facing a similar wave of adjustments with pay Option ARMs. Do you agree and how do you think it will affect the market in the future?

A: The foreclosures will continue. However, there will be an increase in both bank forbearance and Federal action to prevent foreclosures, and this will mitigate the magnitude of the issue.

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Q: If Fannie and Freddie were masking as solvent institutions, doesn't it stand to reason that there are many banks that are also insolvent?

A: Yes, there are. The FDIC will take a major role of disposing of these banks either through sale or merger.

Q: Pardon me for being simplistic, however, if the government insists on meddling in the auto industry, why don't they just buy 10,000,000 hybrid cars and give them away to the public?

A: The government is mishandling the auto manufacturers by rewarding their failed business model. Rather we should tie any loans to the production of a fleet averaging 60 mpg within five years. If they don't, the term of the loans should be drastically shortened and the interest rate tripled. This would force a change in their business model and create a huge number of sustainable jobs.

Q: Could you please address the following: what kind of lending will be expanding in the short run (the next 2-3 months) through mortgage brokers? What can we expect to see growing soon?

A: We expect status quo as far as product mix for the wholesale channel, with the potential of further tightening of product to Mortgage Brokers in the future.

Q: Any projection for a lower Jumbo loan rate? The average California Bay Area home price is very expensive, but the maximum high balance conforming loan limit is around \$730K. What's your take for the real estate market trend priced at above 1 million?

A: It's difficult to forecast at this time many prognosticators expect further softening in the higher priced housing market.

Q: What is the chance of the mortgage deduction being eliminated?

A: Directly, none. However, the limitation of deductions for high income individuals reduces the value of the deduction and may be the camel's nose under the tent.

Q: Potential refinance customers are extremely confused at this time. Everyone thinks rates are going to go lower due to the confusing information coming from the government. What would you tell them?

A: A bird in the hand is worth two in the bush. In a world where interest rates are at historic lows and prices have dropped significantly, grab what the market offers NOW, rather than waiting for what the Congress may or may not do.

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Q: What do you think is the future of the Down Payment Assistance programs? From my point of view they are badly needed to jump start the first time home buyer market!

A: That policy is now the \$8,000 first-time buyer grant.

Q: A recent WSJ article talked about the difficulty in obtaining Jumbo financing particularly in California. In New Jersey, we do not seem to have this same problem, although lending is stricter. Can you comment on this please?

A: Our customers continue to tell us it is still difficult in all markets for jumbos.

Q: Could you please provide a contact to get more information on loan modifications?

A: You can learn more about loan modifications and how to facilitate them through Encompass by contacting Retreat Capital, a DRE-approved resource, at 877-448-1622 or www.retreatcapital.com.

For more about this webinar, please visit [Ellie Mae's website](#).