

MARKET SNAPSHOT

SUMMER 2017 | ISSUE NO. 1

Welcome to the first edition of the National MI Market Snapshot.

We are pleased to bring you the Market Snapshot, your quarterly guide to the market for mortgage professionals. We hope you will find this information valuable and share it within your organization.

In our efforts to help our customers succeed in an ever-changing and complex marketplace, National MI is introducing the *National MI Market Snapshot* — a quarterly collection of data related to the U.S. economy, housing and mortgage markets, and key demographics to enable industry decision makers to implement successful strategies to drive business growth.

National MI has collaborated with John Burns Real Estate Consulting, LLC, a highly recognized source of U.S. housing analysis, to develop the Market Snapshot. John Burns Real Estate Consulting provides independent research expertise and consulting services related to the housing industry, through an experienced team of research analysts and consultants in offices across the country.

In this Issue, we highlight key data pertaining to mortgage rate forecasts, U.S. employment

growth rates, projections for existing home sales, and a myriad of forward looking charts, metrics, and unique graphics illustrating demographic changes related to the housing industry and economic climate, that you can act upon.

The economy continues to move forward and is fueling the year-to-date momentum we have seen across almost all major housing markets. Most leading indicators remain positive, with job and income growth also improving year-over-year. The Burns Economic Performance Index™ signals above average economic conditions with a positive trend. Additionally, data demonstrates key demographic changes related to low down-payment borrowers, including metrics that indicate that 35% of all homebuyers who use a mortgage are putting 5% or less down. This figure jumps to 41% among the cohort of homebuyers who are age 36 and younger.

Please contact National MI if you have any questions.

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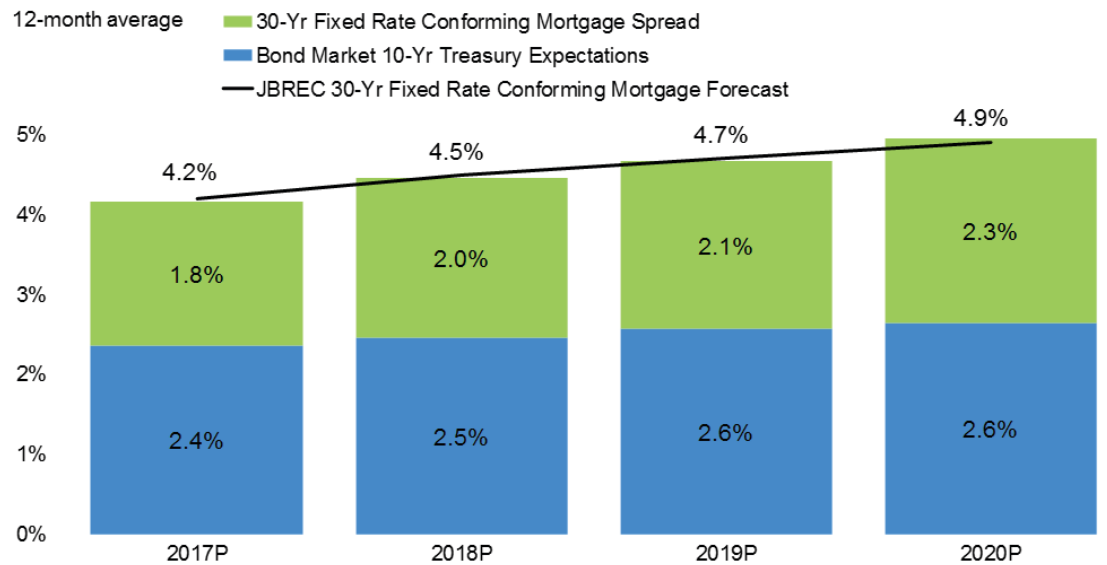
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CONSULTING, LLC**
Real Estate Advisory

We Base Our Mortgage Rate Forecast on Market Pricing for 10-Year Treasuries and Our View of the Mortgage Premium

The future spread for mortgage rates over 10-year Treasuries should be ~50 basis points higher than the historical 170 basis point spread for 3 reasons: 1) mortgage servicing compliance costs have risen ~25bps per year, 2) GSE mortgage fees have increased ~25bps per year, 3) mortgage investing risk has increased as some liability shifts to mortgage owners, but has also decreased due to better documentation and an explicit government guarantee, so assume a negligible net effect. We are calling for slowing economic growth going forward, which should gradually drive premiums higher. The spread can vary widely over time for other reasons.

30-Year Fixed Conforming Mortgage Rate Forecast



Sources: Bloomberg; John Burns Real Estate Consulting, LLC (Data: Jul-17, Pub: Jul-17)

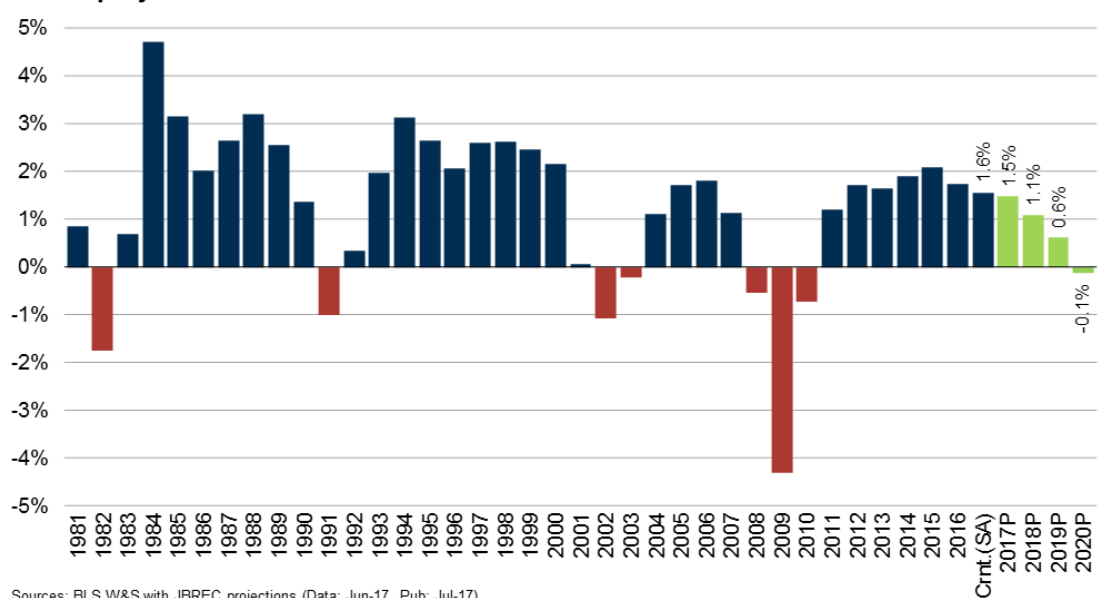
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US Employment Growth Rates

We assume the economy will grow for 10.5 consecutive years. We forecast decelerating job growth out to 2020. Job growth of 1.5% in 2017 will slow to -0.1% in 2020.

US Employment Annual Growth Rates



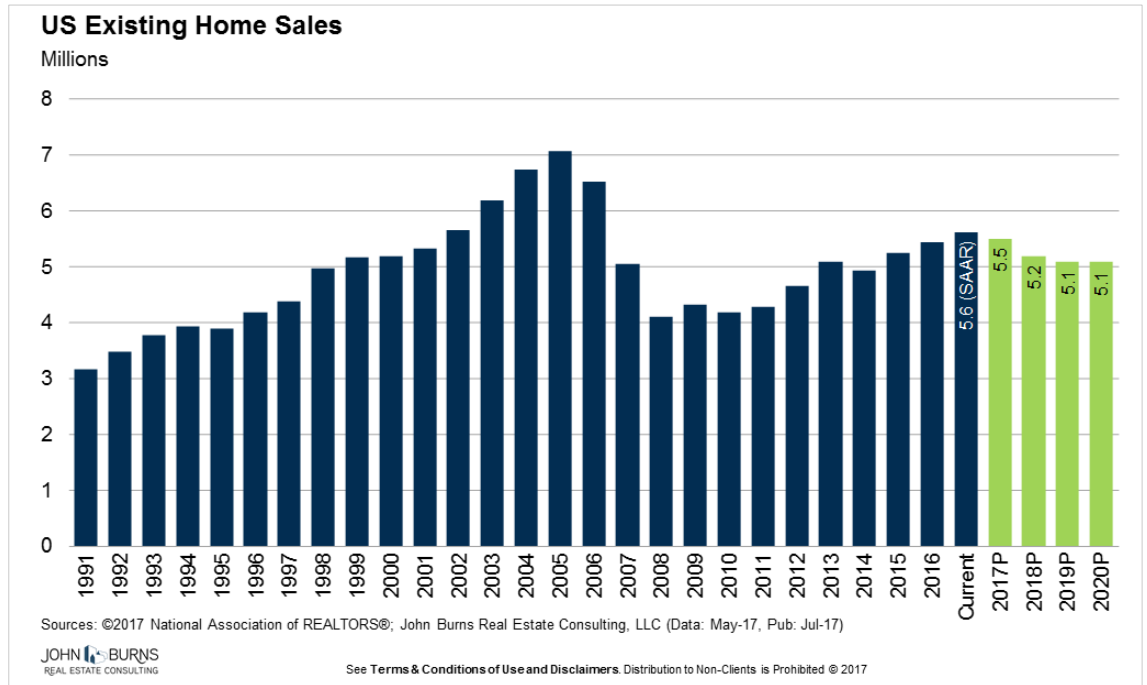
Sources: BLS W&S with JBREC projections (Data: Jun-17, Pub: Jul-17)

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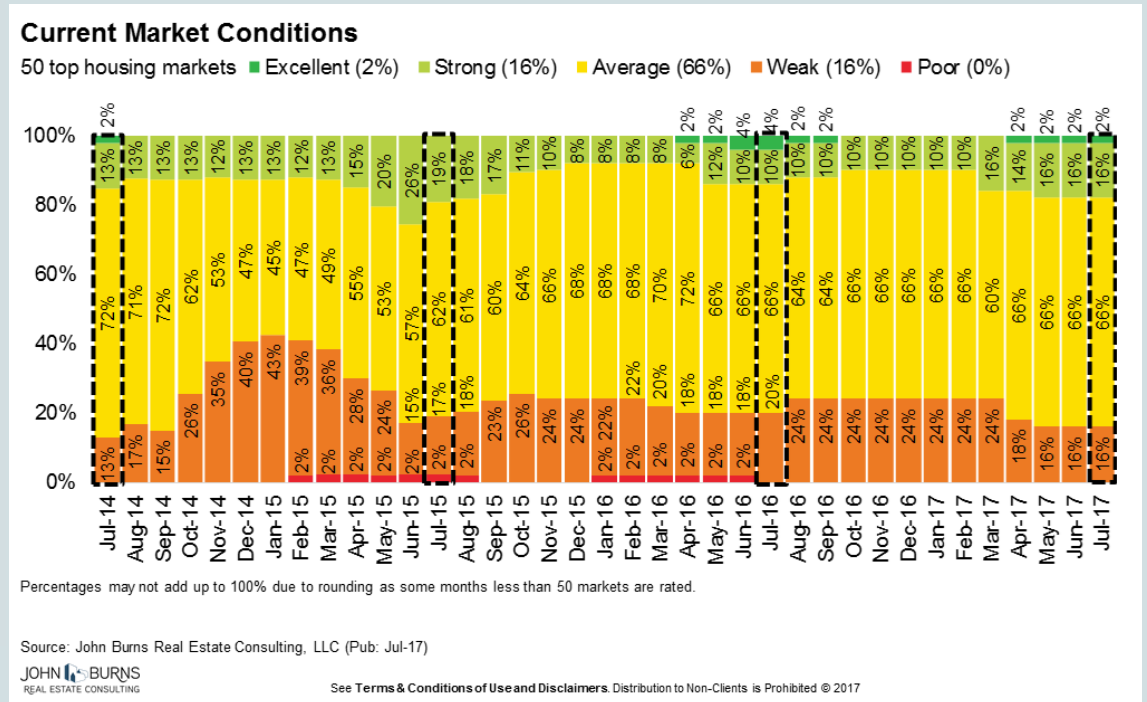
US Existing Home Sales

Existing home sales are currently running at a 5.6 million seasonally adjusted annual rate (SAAR). We forecast flat to declining existing home sales volumes through 2020.



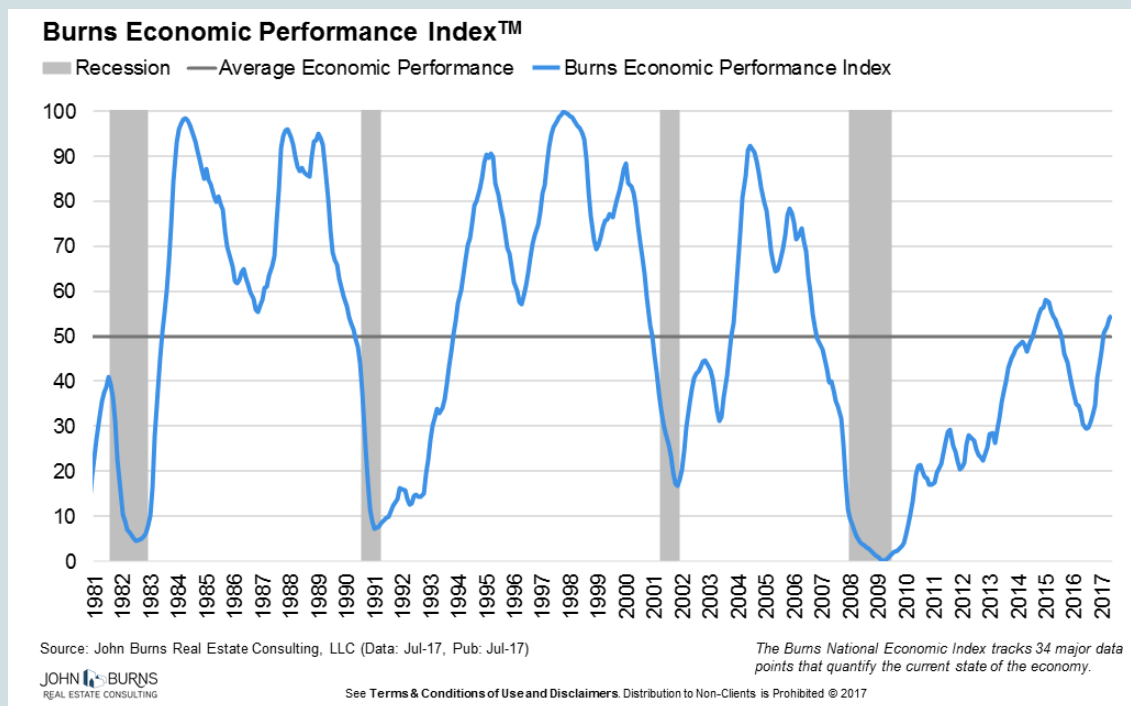
Current Market Conditions: 84% of Markets are Average or Better

In our rating process, Average sales reflect builders selling 2-3/ month per community with flat to slightly rising net prices. We have recently upgraded several markets to Strong given a strong spring selling season.



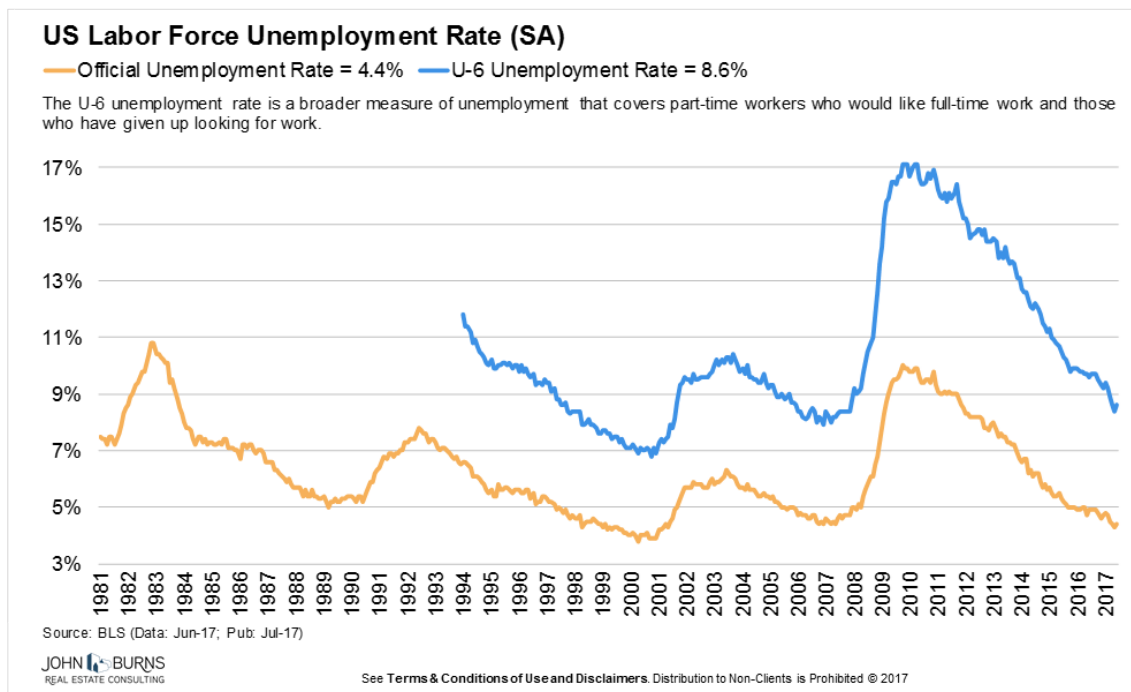
Burns Economic Performance Index™

Our Burns Economic Performance Index signals above average economic conditions with a positive trend.



Unemployment Rate

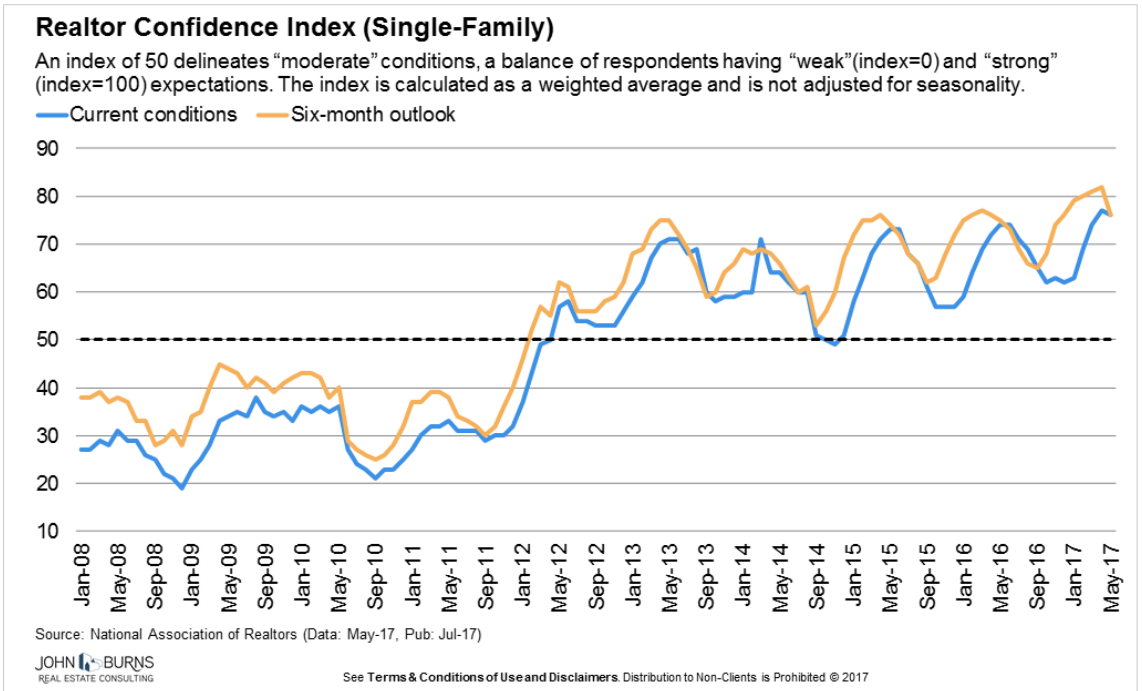
The unemployment rate declined to 4.4% in June, the lowest level since 2001. The U6, a broader measure of unemployment that captures underemployment and discouraged workers, has been trending down and remains at the lowest level since 2007.



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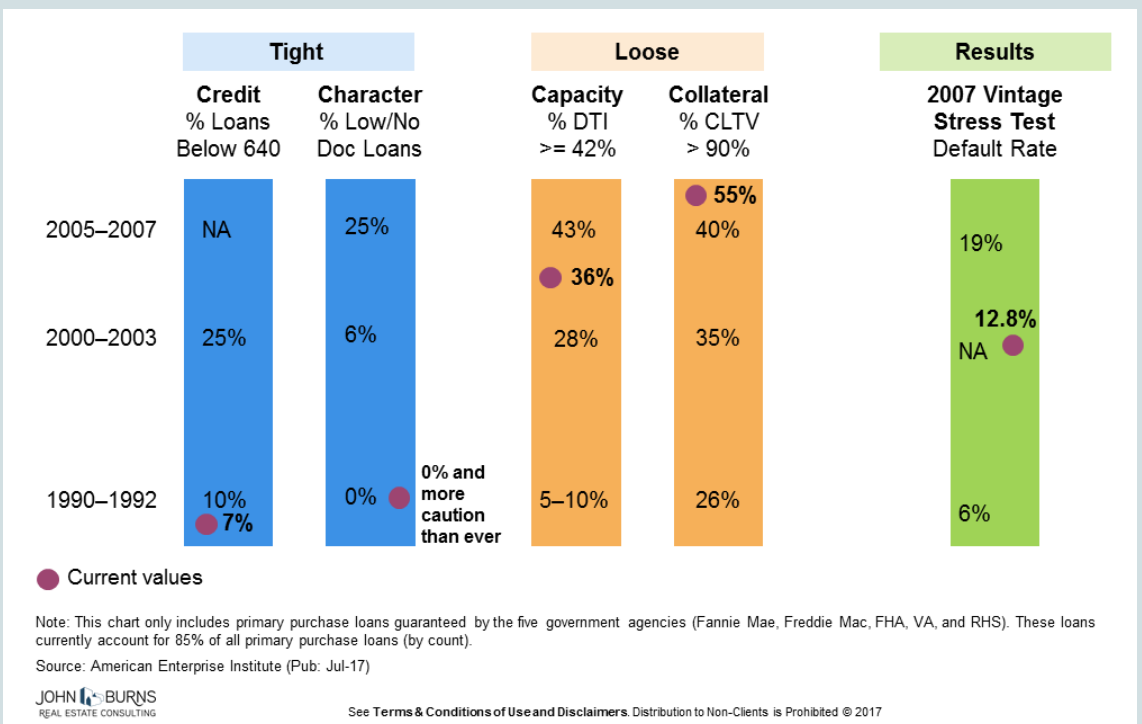
Realtor Confidence Index

The Realtor Confidence Index shows that most real estate professionals feel optimistic about current conditions and the six-month outlook for the housing market.



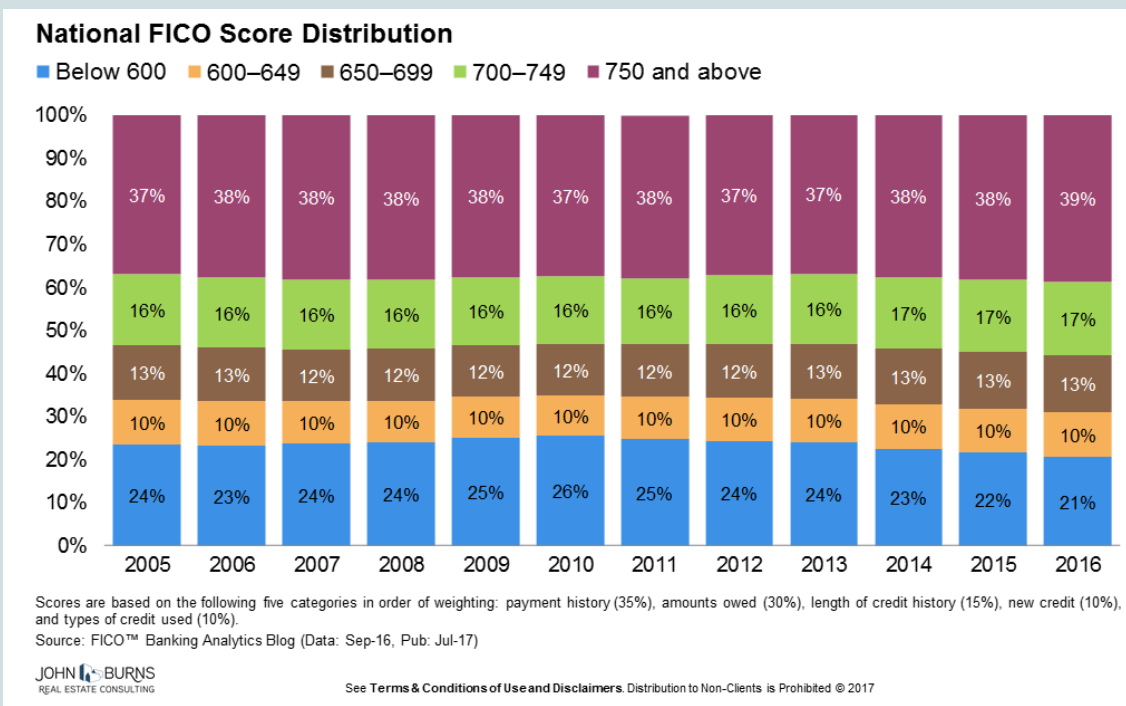
Lending Standards

Current lending standards are tight on credit and documentation but not on DTI and LTV.



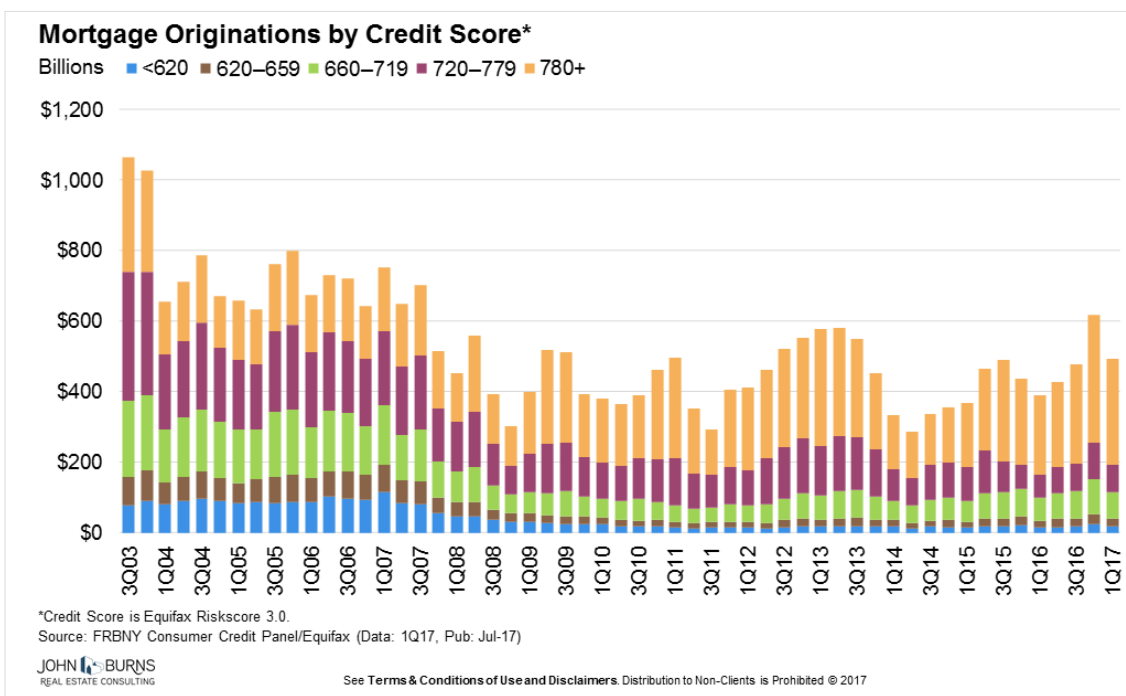
National FICO Score Distribution

Consumers have slowly rebuilt their credit profiles. In 2016, 56% had FICO scores above 700, and 79% had FICO scores above 600.



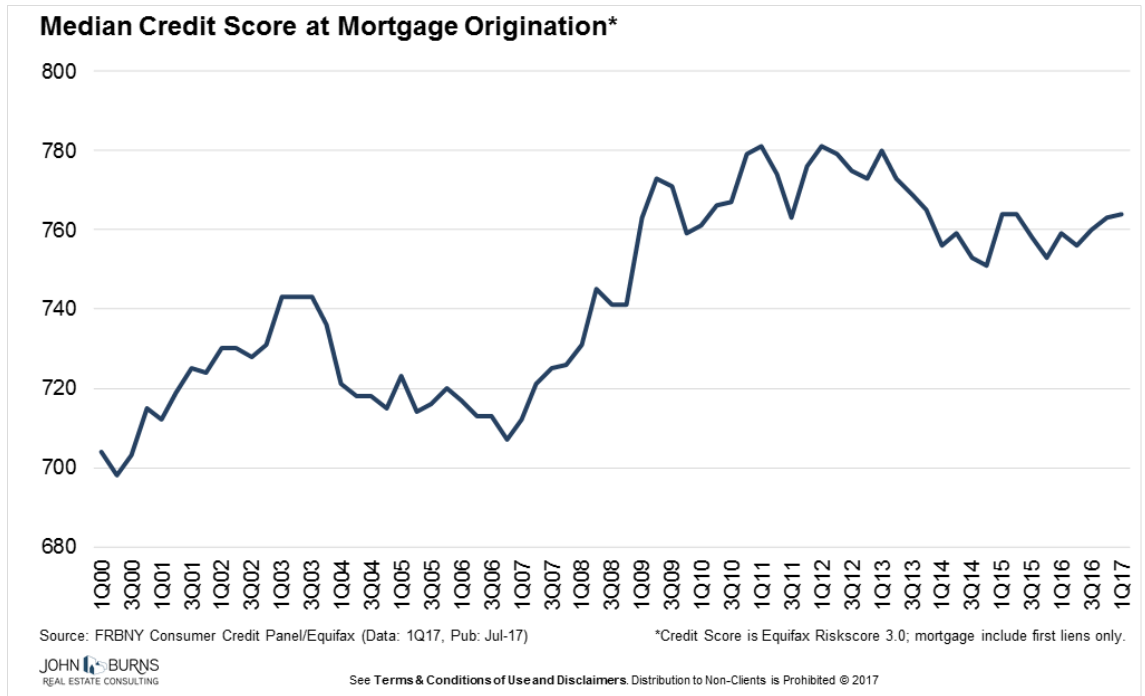
Mortgage Originations by Credit Score

In 1Q07, 15% of mortgage originations were to subprime borrowers with a credit score of <620. As of 1Q17, only 4% of mortgages went to borrowers with a credit score less than 620.



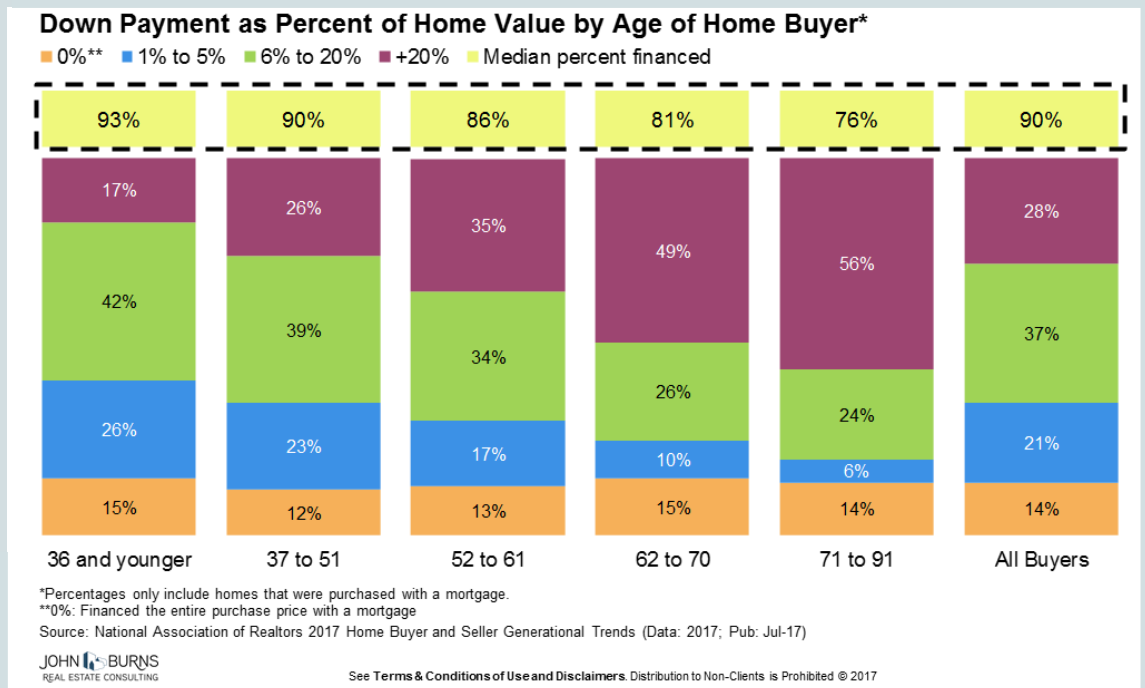
Median Credit Score at Mortgage Origination

The median credit score at mortgage origination fell to 707 during the credit heyday of 2006. Since then, creditors have tightened standards. As of 1Q17, median score at origination was 764.



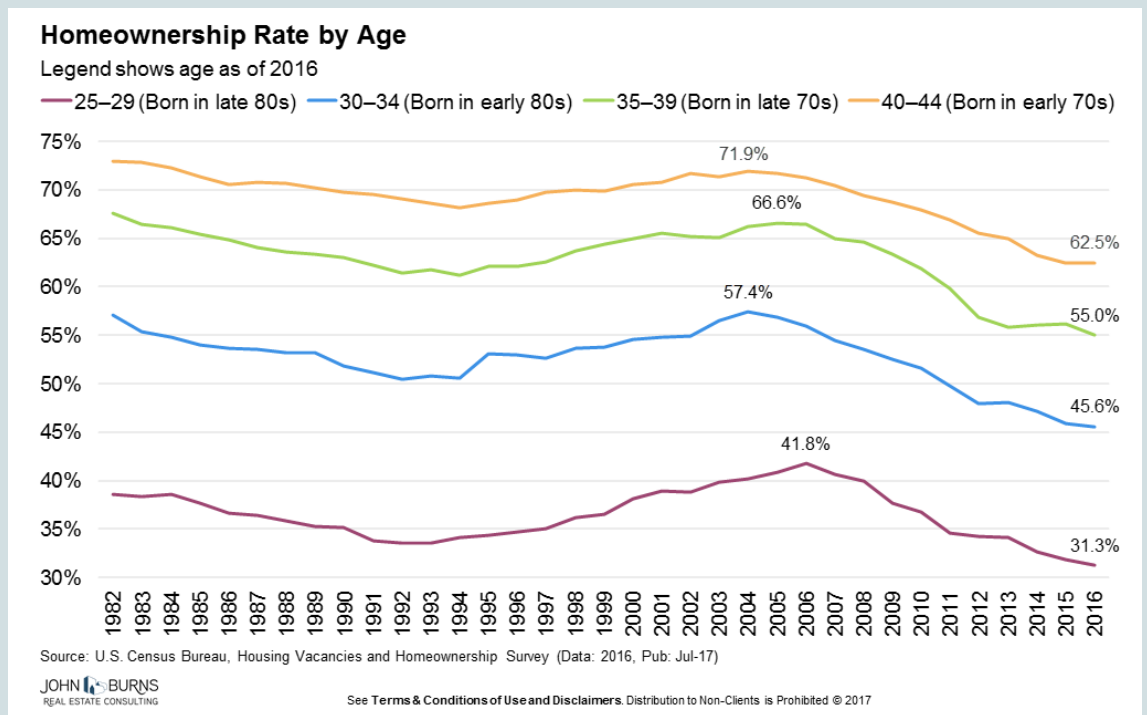
Financing the Home Purchase by Age Group

35% of all home buyers who use a mortgage are putting 5% or less down. The figure jumps to 41% among those 36 and younger. Only 25% of 62- to 70-year olds have a LTV of +95%.



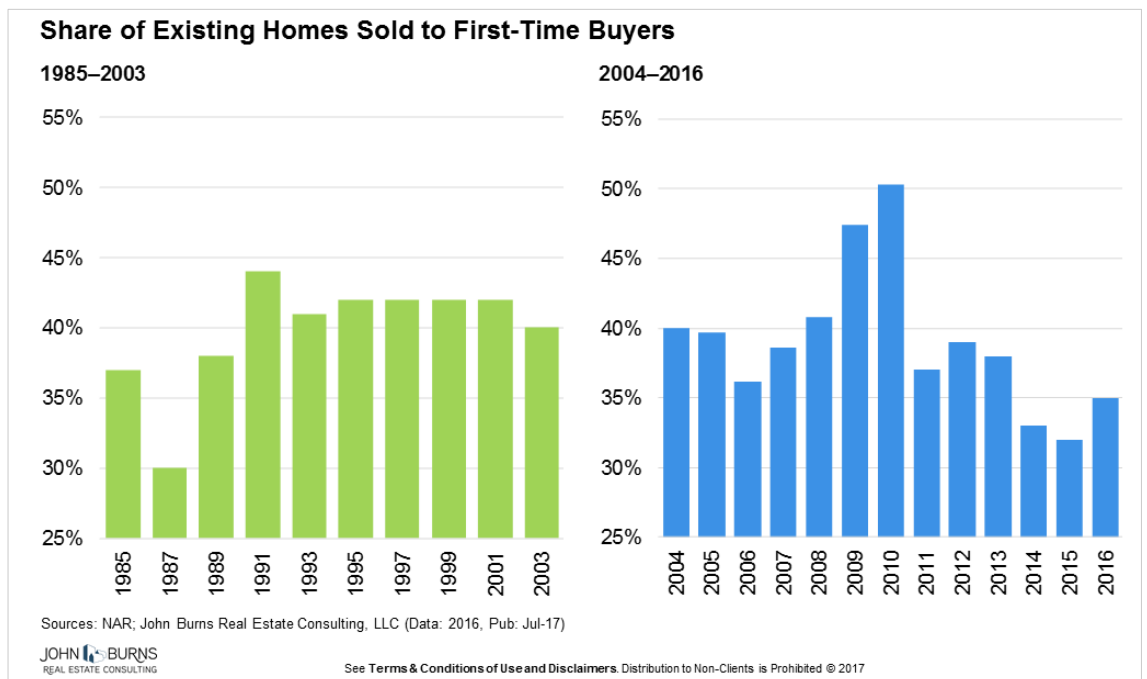
Homeownership Rate by Age (25 to 44 Age Cohorts)

Homeownership rates for 25-44 year-olds remain at the lowest levels in over 30 years.



Share of Existing Homes Sold to First-Time Buyers

The share of existing homes sold to first-time buyers is near the lowest level since 1987. Peak share was reached in 2010, when 50% of buyers were first-time buyers.



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Research

An ongoing, retainer-based relationship, providing clients with our published research, client services, and exclusive events.



Consulting

A specific contracted engagement to help clients with a housing related strategic decision.

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AMERICAN Built with MI Innovation

OUR PROMISE DELIVERED

- **Stability.** And the strength to drive change in the mortgage industry
- **Reliability.** Transparent pricing
- **Sensible Servicing[®]** of life events
- **Pioneered** 12-month rescission relief
- **Built to pay claims**

Cautionary Note Regarding Forward Looking Statements

This Market Snapshot report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause actual events to differ materially from those expressed in such forward-looking statements. Forward-looking statements in this report include, without limitation, statements regarding certain economic and market indicators that impact the U.S. residential mortgage and mortgage guaranty insurance markets. Any or all of the forward-looking statements in this report may turn out to be inaccurate. More information about the risks, uncertainties and assumptions affecting National MI can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings we make with the Securities and Exchange Commission. All forward-looking statements are necessarily only estimates of future trends, and actual events may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.