The Economy Drags Housing Upward

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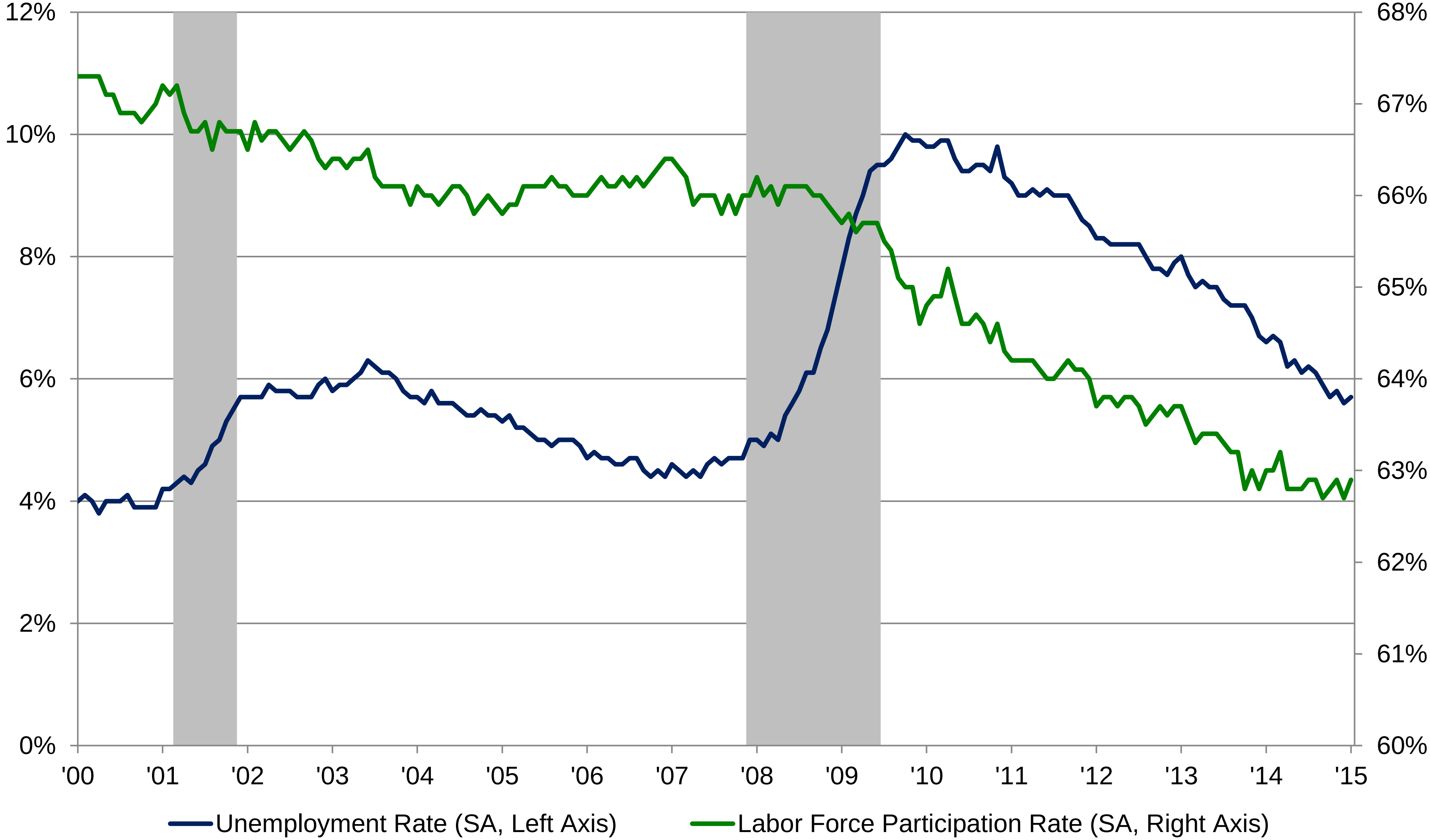
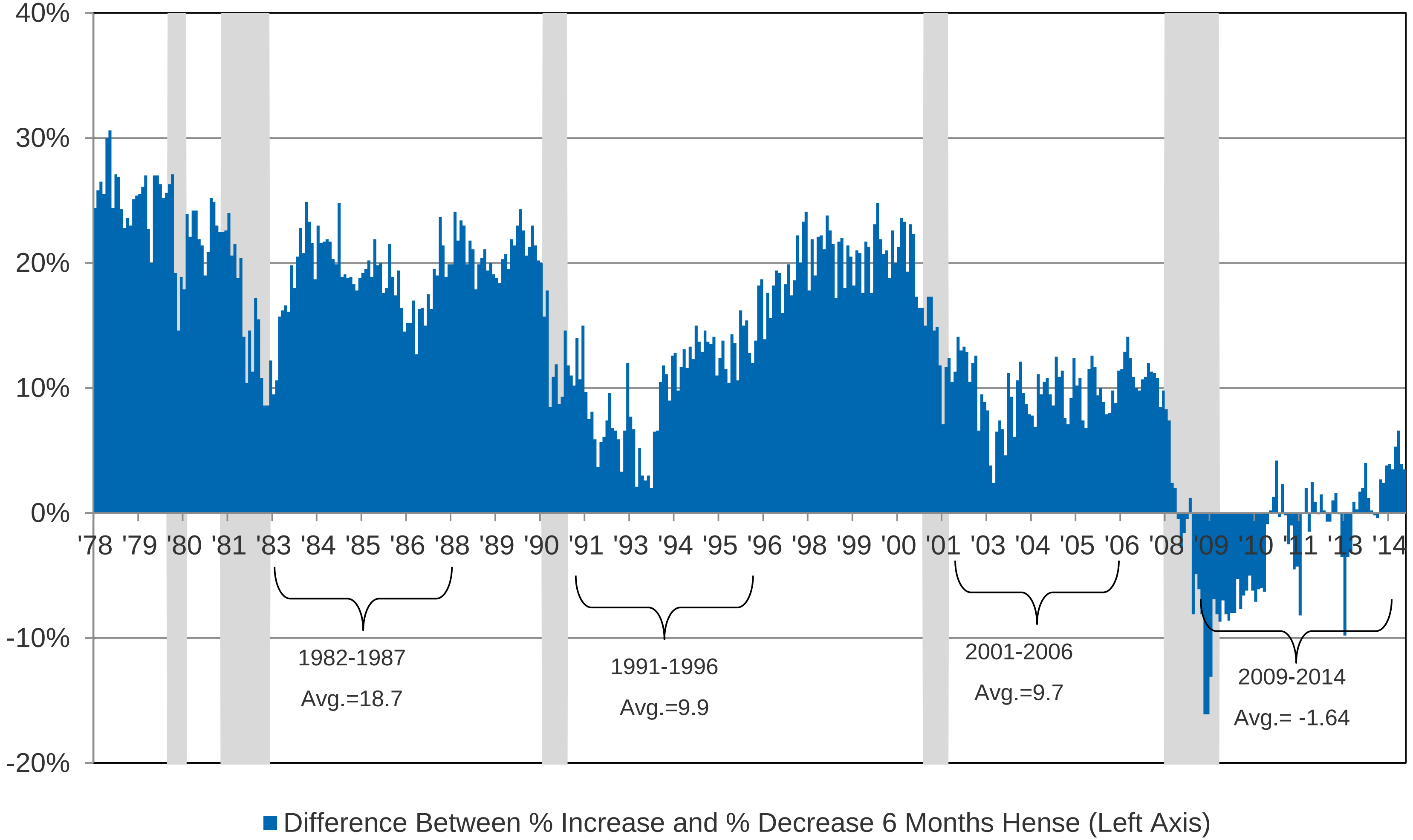
The Drop in the Unemployment Rate Amid a Near 40-Year Low Participation Rate Overstates the Labor Market Improvement

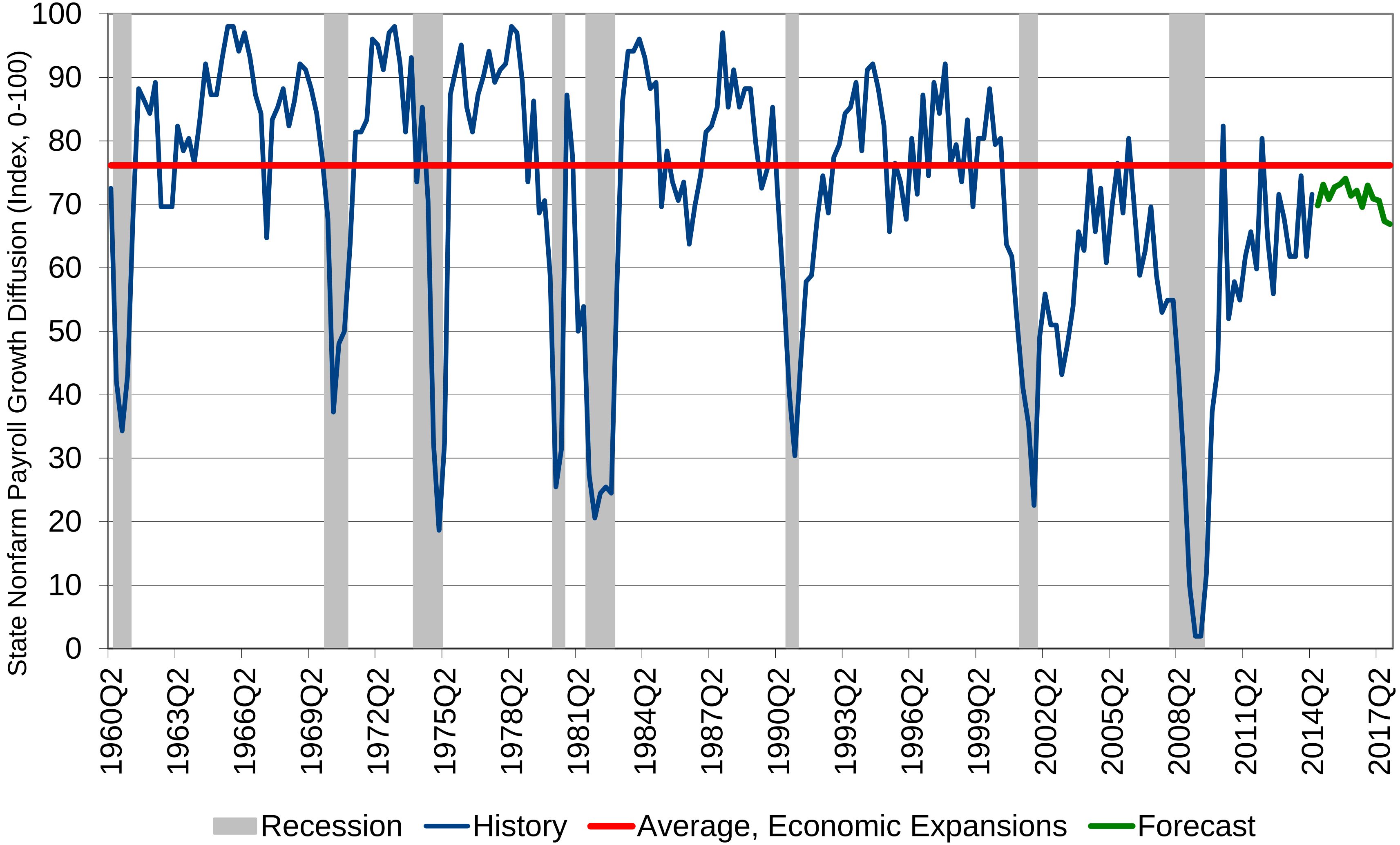


Source: Bureau of Labor Statistics

Income Growth Expectations Continue to Improve and Remained Positive Throughout 2014

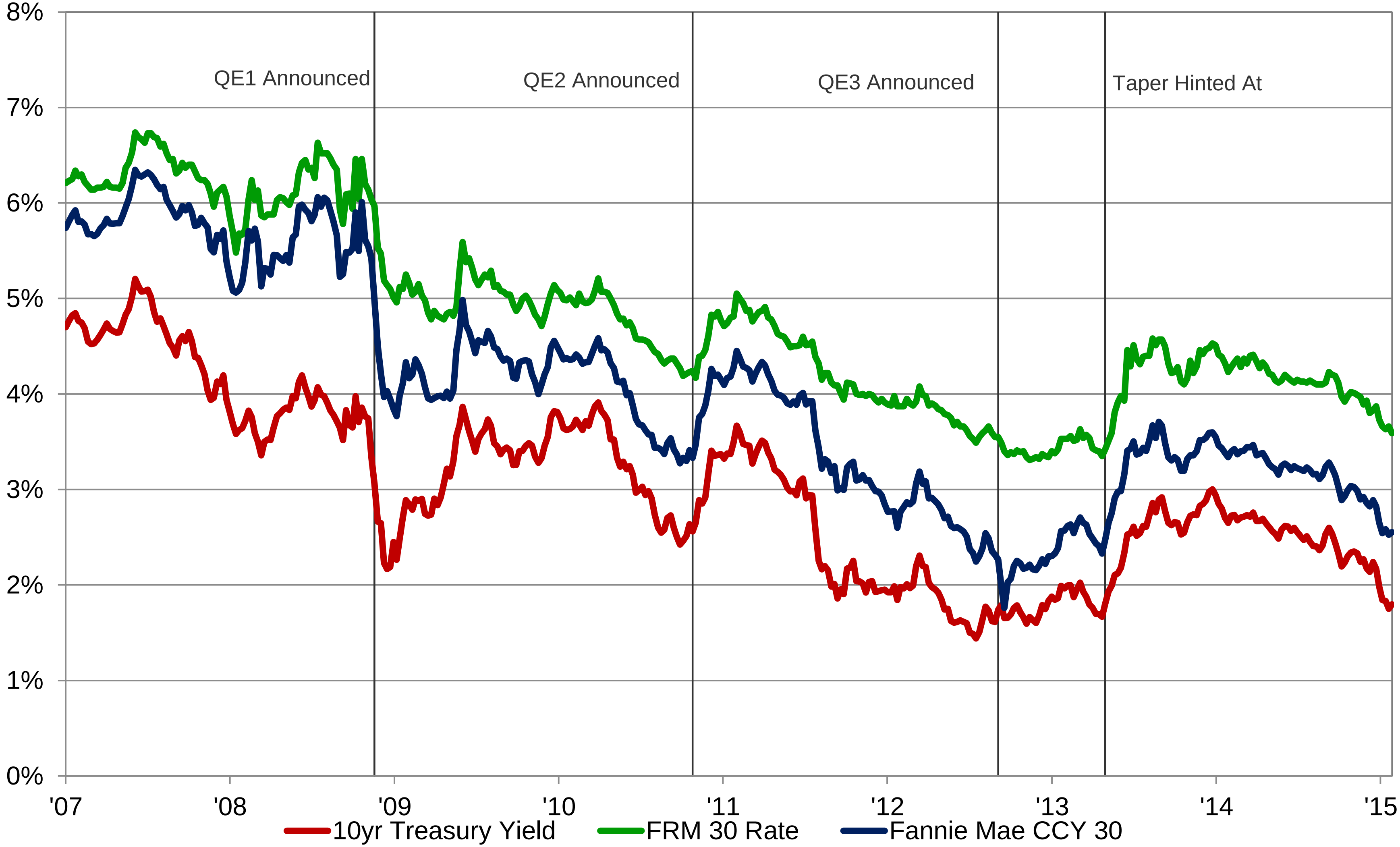


State Level Payroll Growth is More Geographically Concentrated Than in Most Prior Recoveries



Source: Bureau of Labor Statistics, Fannie Mae Economic & Strategic Research projections

The Sharp Rise in Interest Rates in 2013 Sparked by Fed "Tapering" has Reversed



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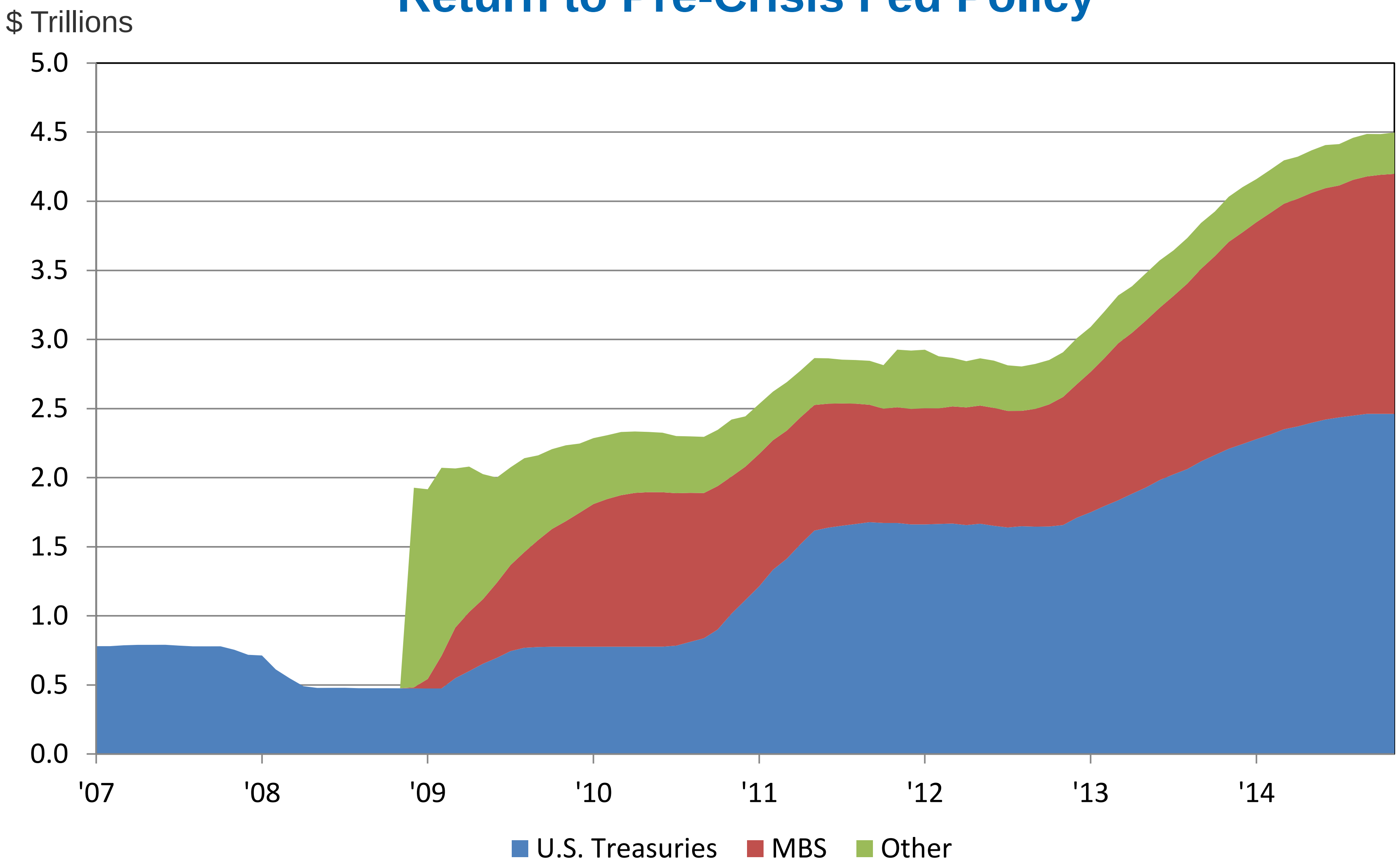
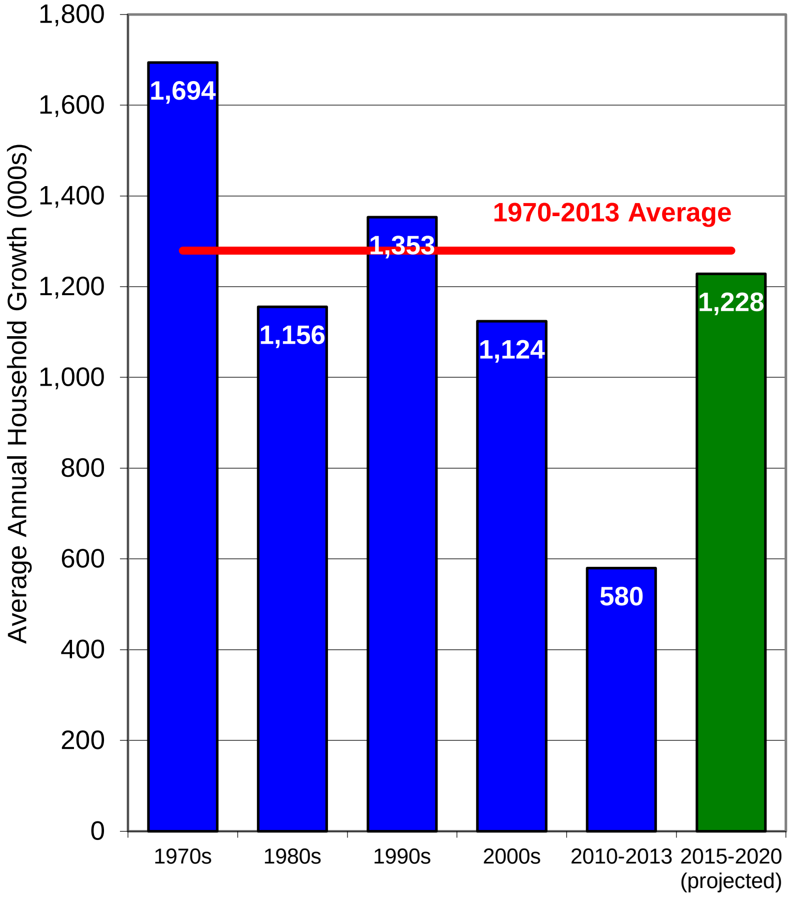
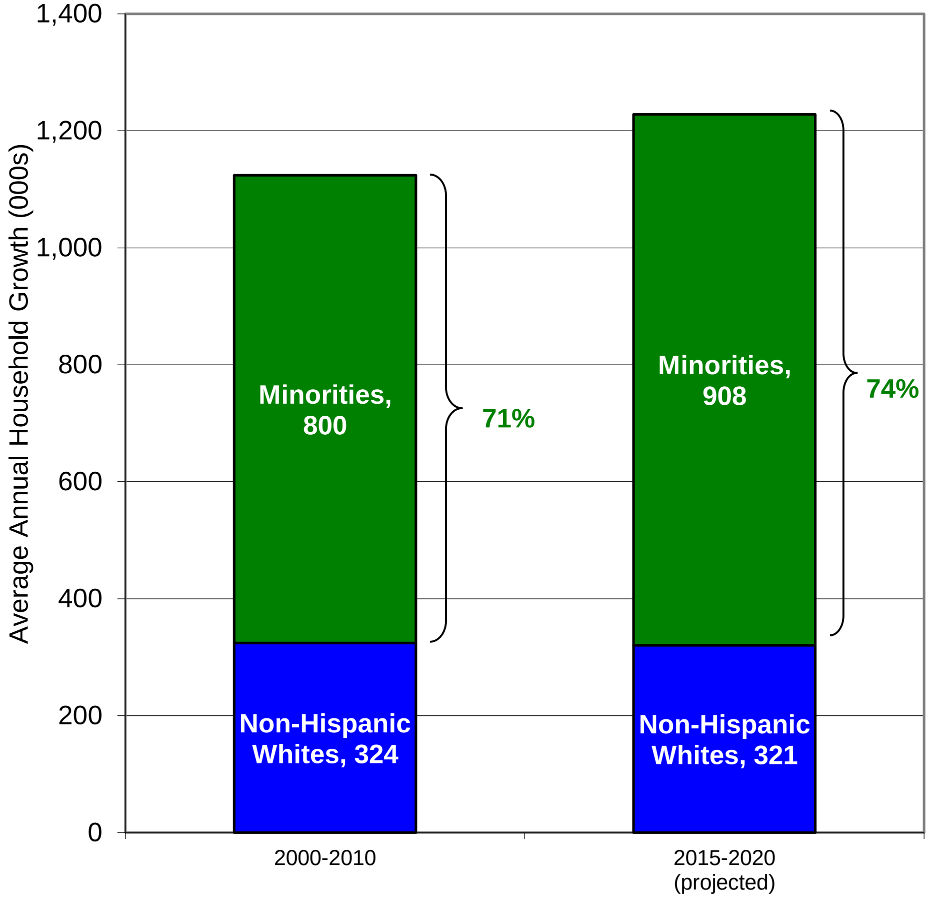
The Fed Ended the QE Program, Marking the Beginning of a Return to Pre-Crisis Fed Policy



Source: Federal Reserve Board

Household Growth Has Been Severely Depressed, However, Racial and Ethnic Minorities are Expected to Account for the Bulk of Net Household Growth in the Second Half of the Decade

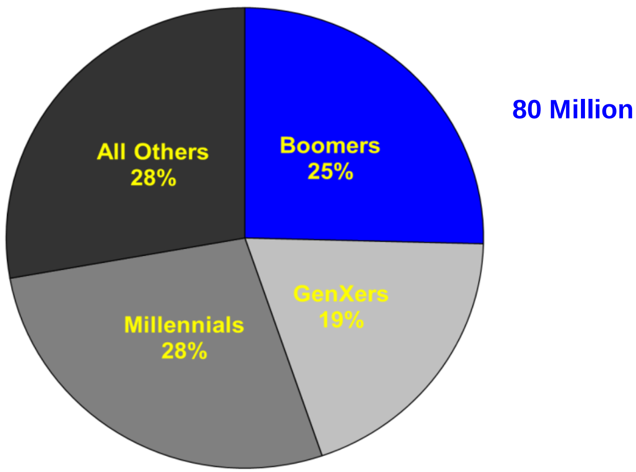




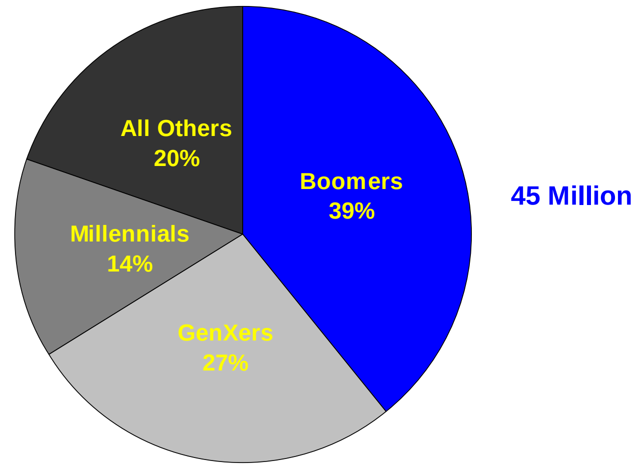
Sources: Census Bureau, Decennial Census; Fannie Mae Economic & Strategic Research projections

Baby Boomers Have an Enormous Housing Market "Footprint"

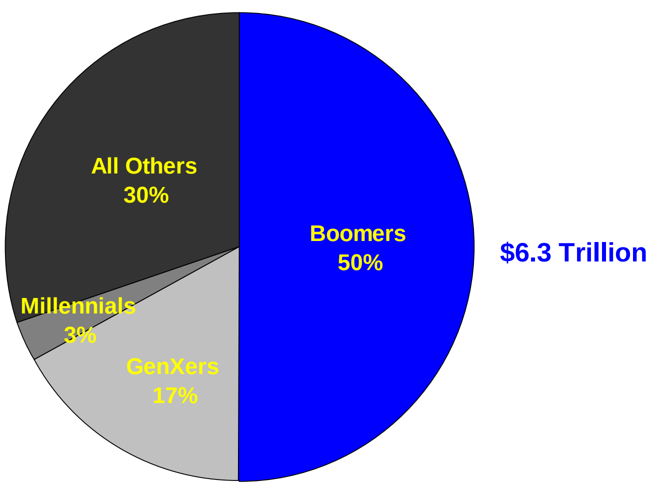
Population



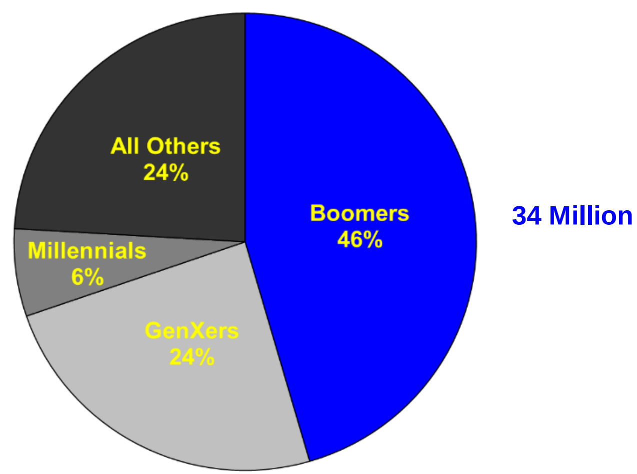
Occupied Housing Units



Primary Residence Home Equity



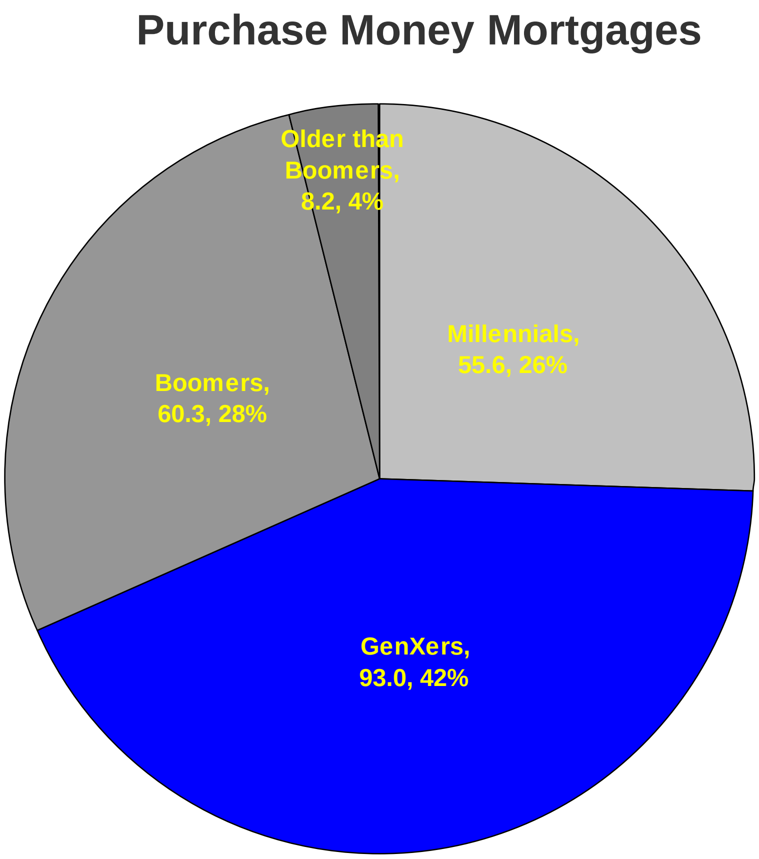
Owner-Occupied Housing Units

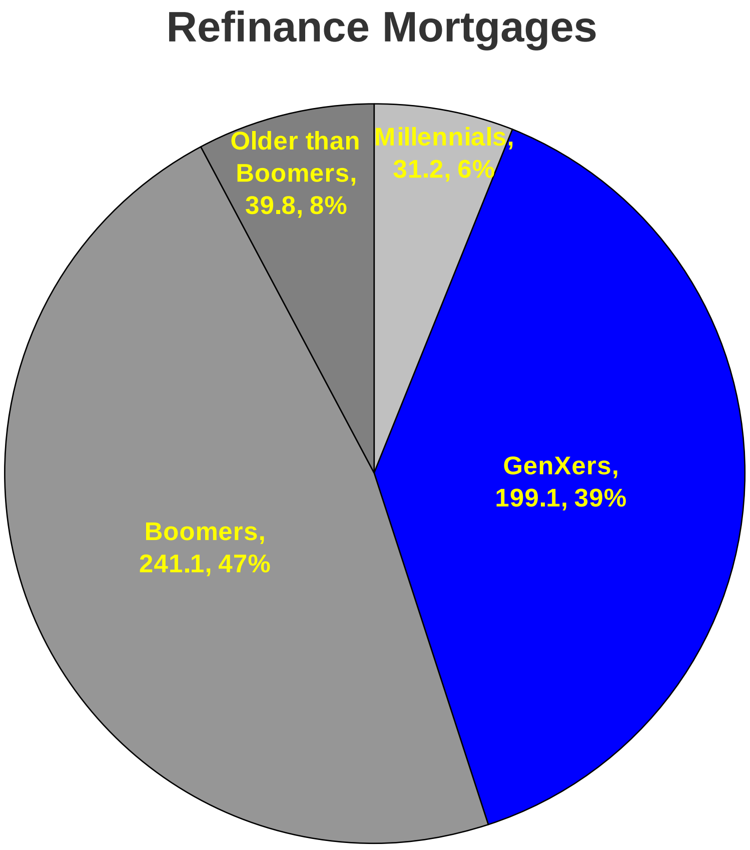


Source: U.S. Census Bureau: Population Estimates, American Community Survey; Federal Reserve Board: Survey of Consumer Finances

Despite Slow Household Growth, GenXers Are Large Source of Purchase Money and Refi Demand

Fannie Mae Single-Family Mortgage Acquisitions in 2013

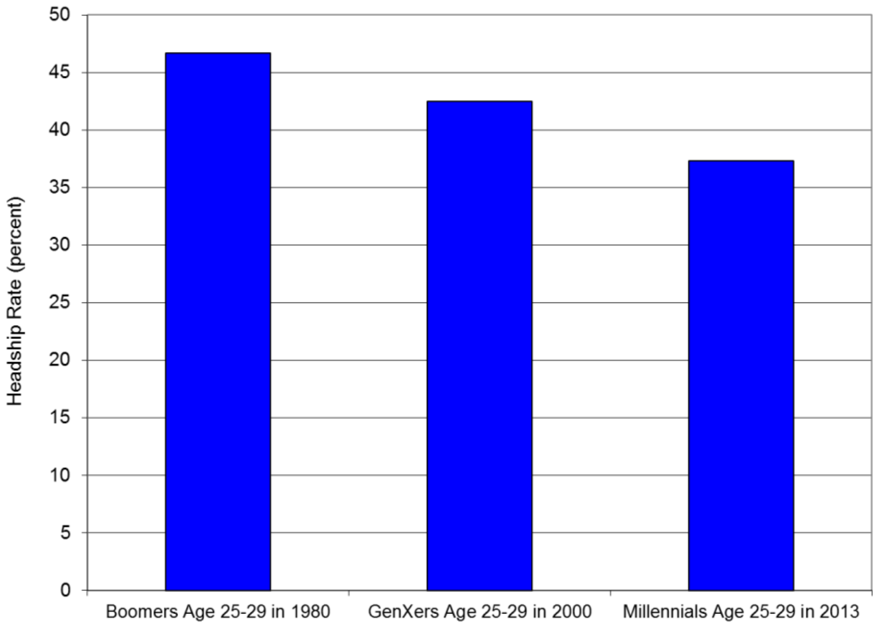




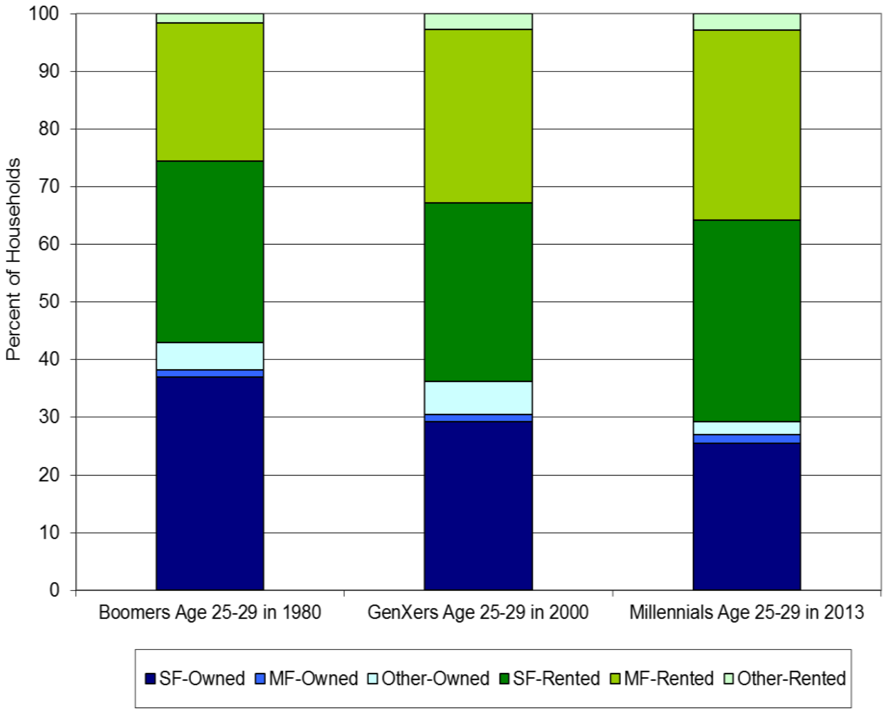
First number in data label is the unpaid principal balance of Fannie Mae conventional single-family acquisitions in billions of dollars. Excludes loans for which borrower age was missing.

But Millennial Housing Demand Has Been Suppressed Compared with Previous Generations

Millennials Are Less Likely to Form Households Than Their Predecessors

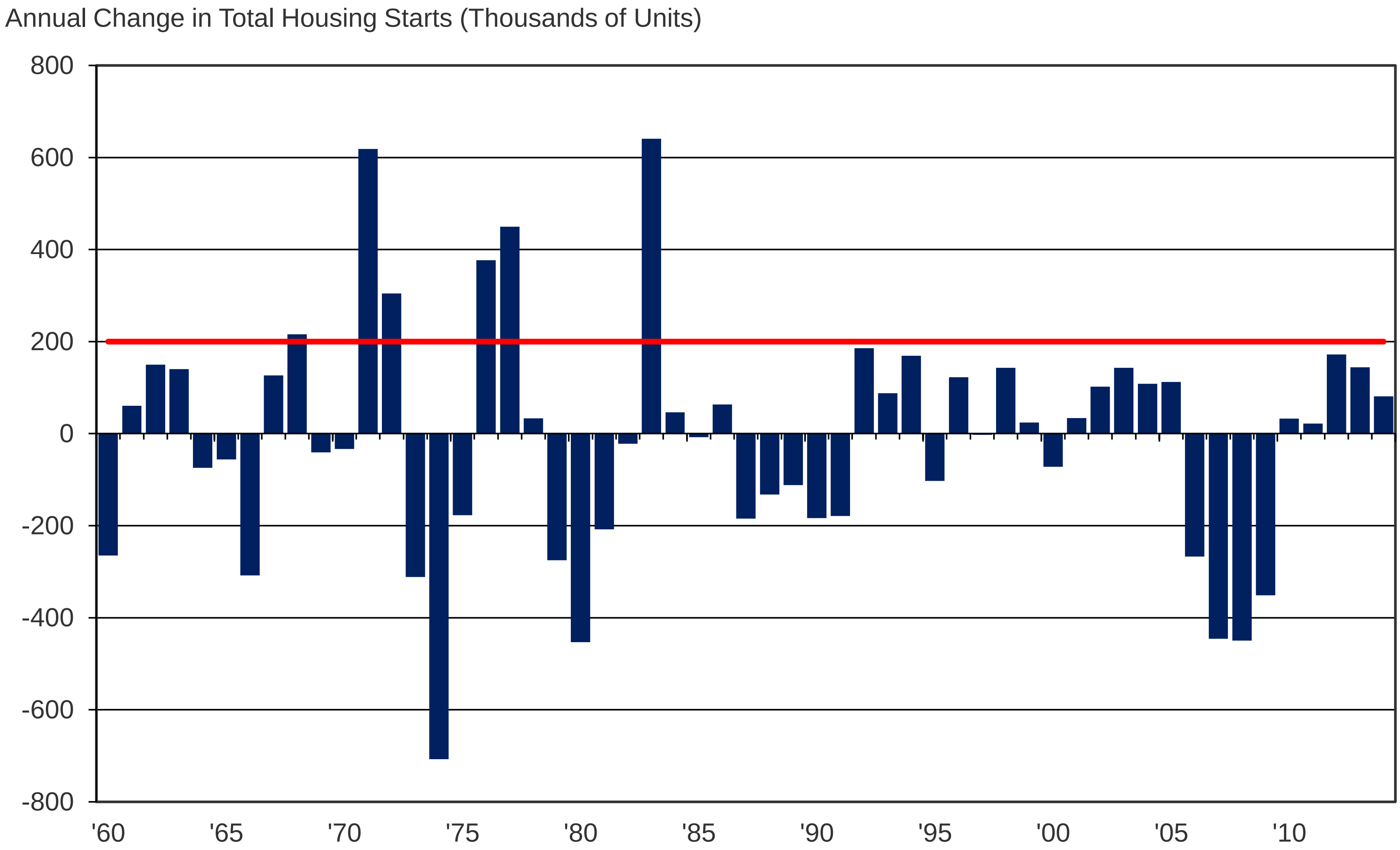


When They Do Form Households, They Are More Likely to Rent, Particularly SF Homes



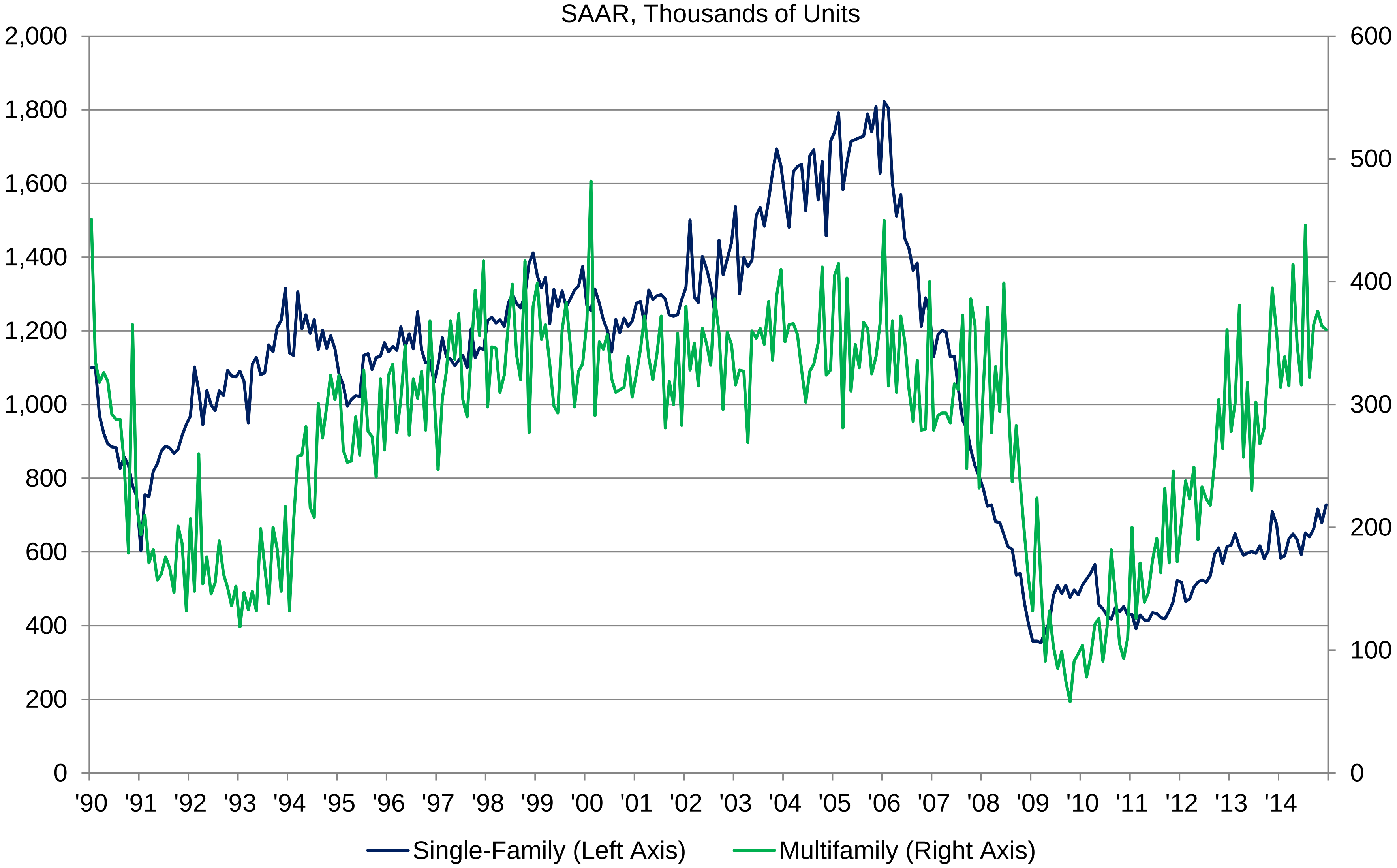
The headship rate, a commonly used metric of household formation, is the proportion of the population in a given age group that is a householder, i.e., the person, or one of the persons, in whose name a housing unit is owned, being bought, or rented. "Single-family" (SF) is 1 to 4 units in structure, "multifamily" (MF) is 5+ units in structure, and "Other" is predominantly manufactured/mobile homes.

We Have Not Seen an Increase in Annual Housing Starts Greater than 200K Since the Early 1980s



Source: Census Bureau

Recovery in Single-Family Construction is Sluggish



Source: Census Bureau

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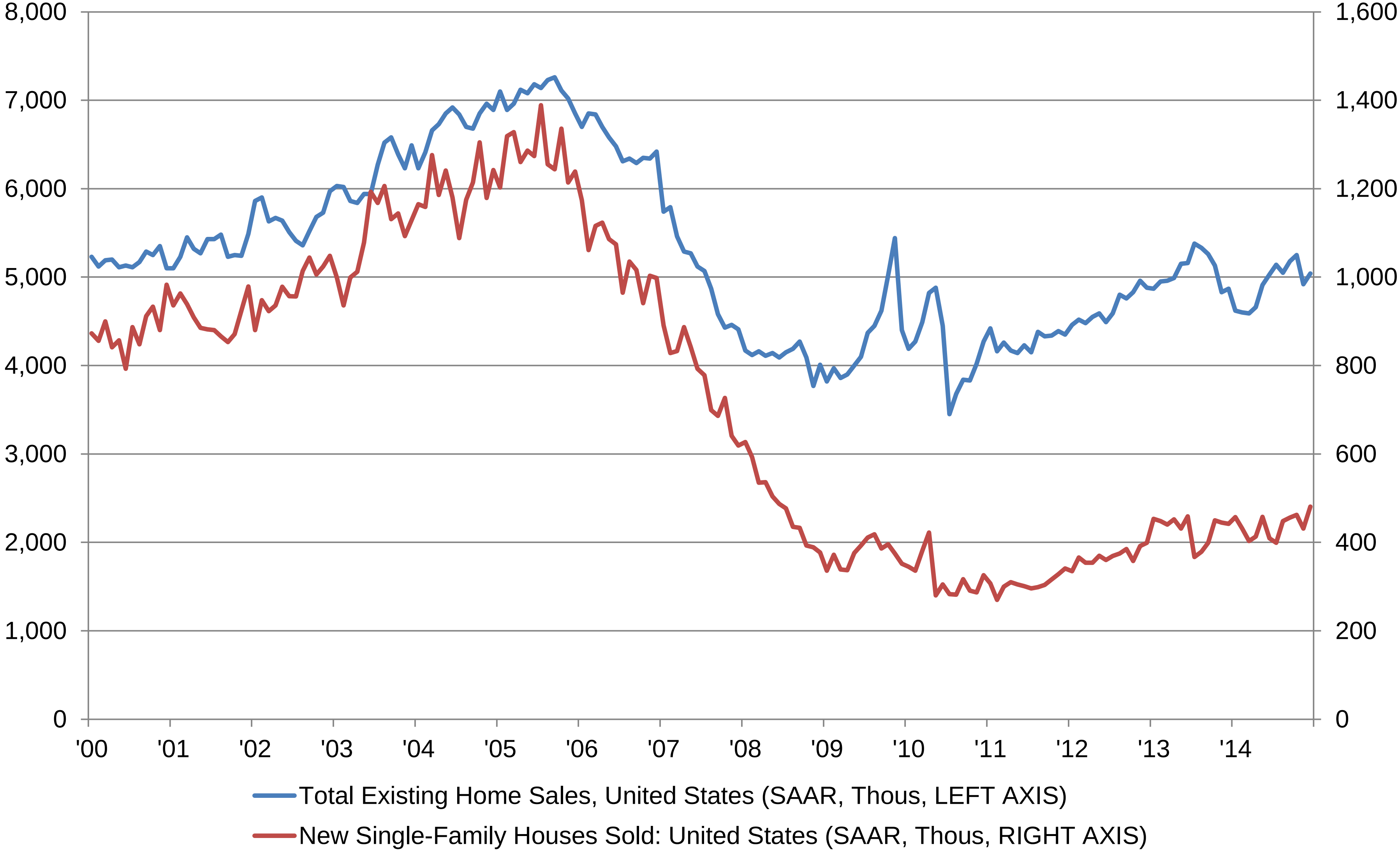
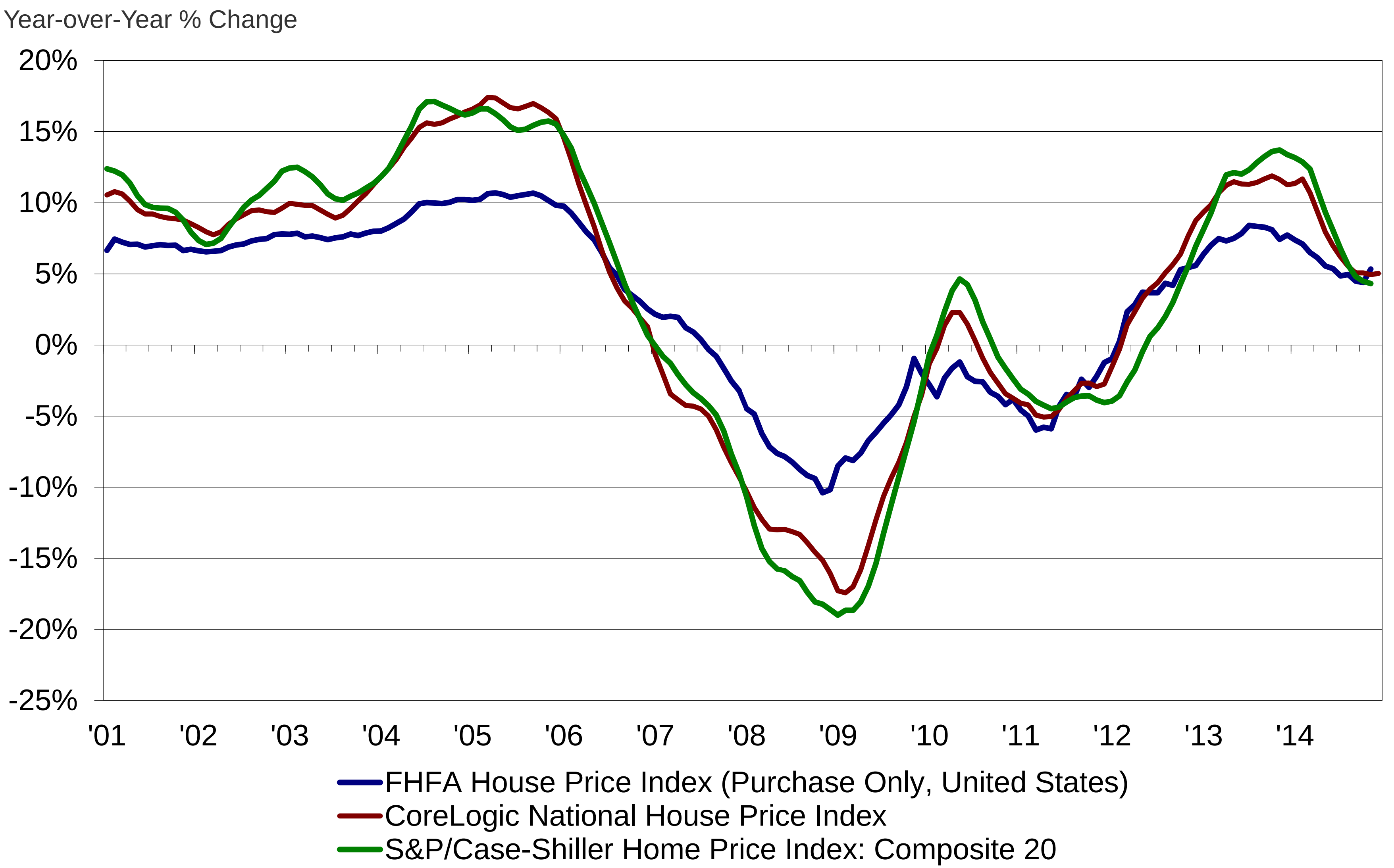
New Home Sales Reached a Six-Year High



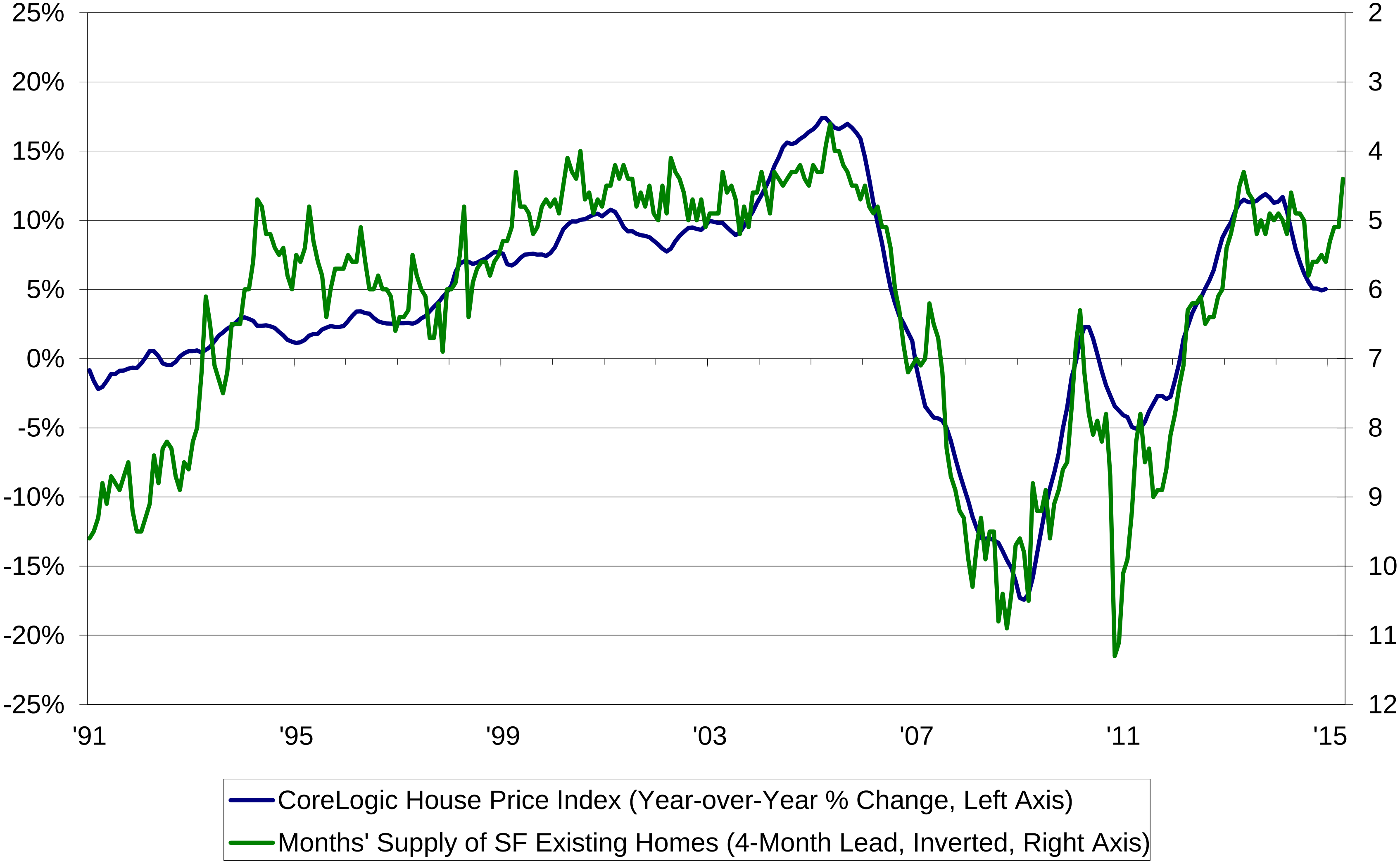
Source: National Association of REALTORS®, Census Bureau

Home Price Growth Should Moderate only Modestly…

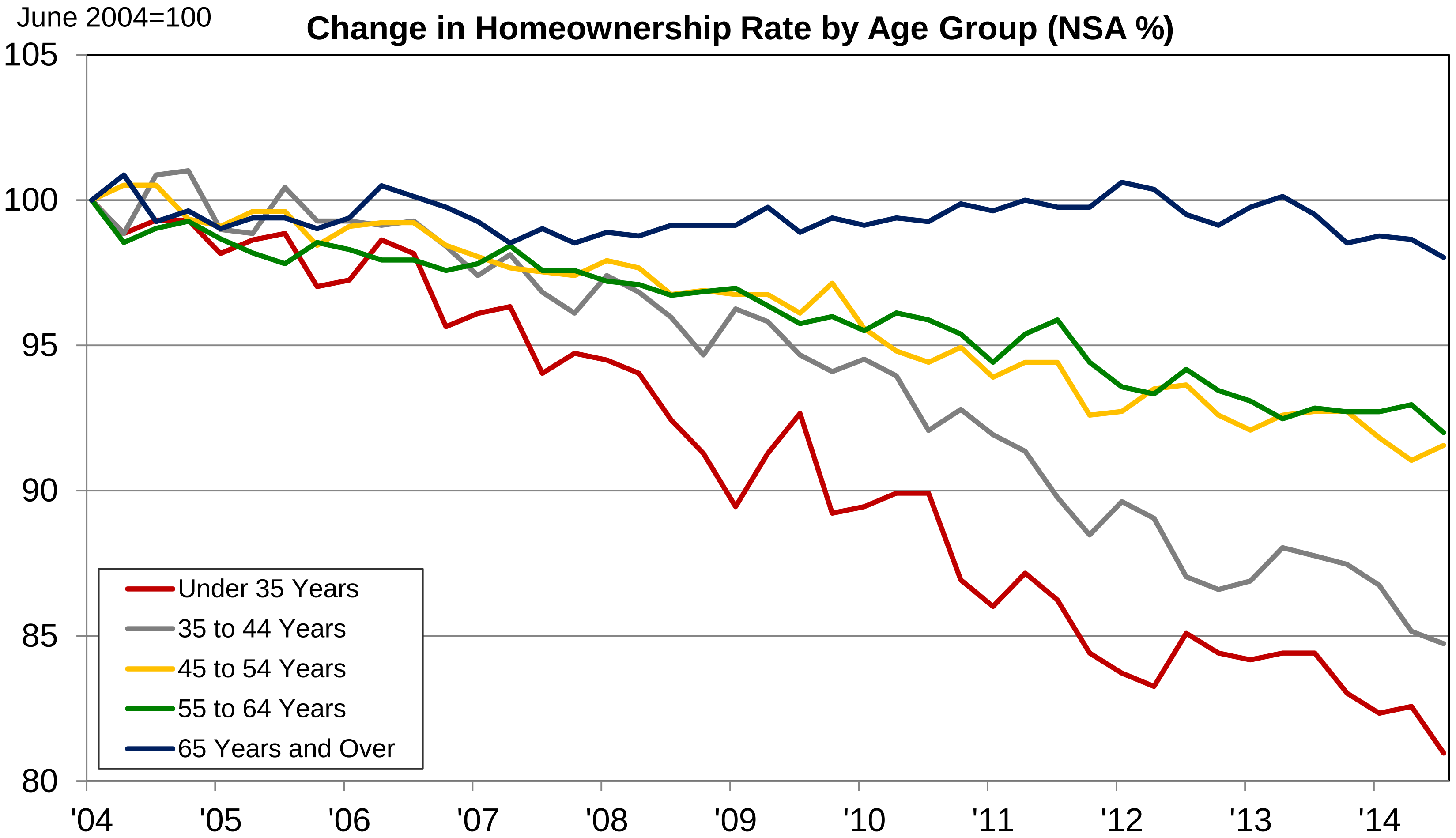


Source: S&P/Case-Shiller, CoreLogic, Federal Housing Finance Agency

…as Tight Supply Will Continue to Support Growth



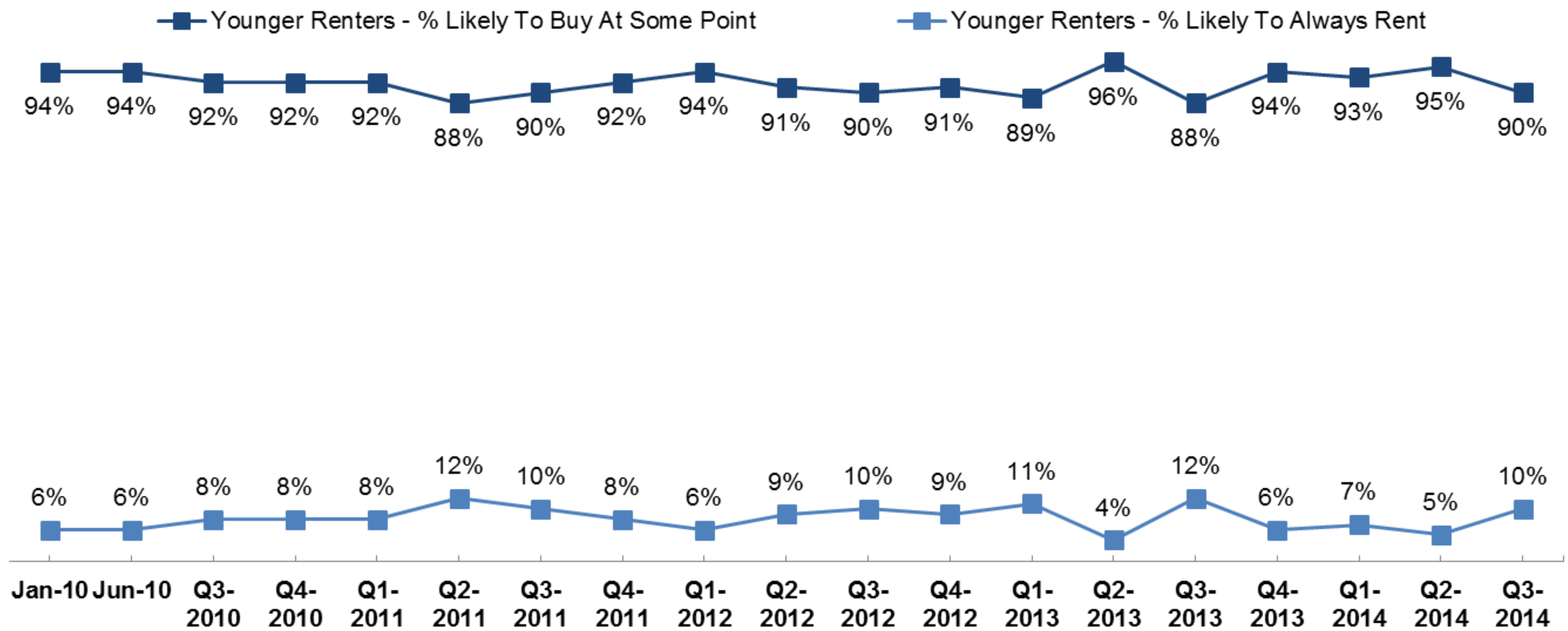
Homeownership Rates Have Declined the Most for the Younger Age Cohorts



Source: Census Bureau

The Vast Majority of Younger Renters Still Plan to Buy a Home at Some Point in the Future

Lifetime intentions to own a home among younger renters



Q31. If you were going to move, would you be more likely to: *Rent / Buy*
Q50. [IF Q31=RENT] In the future, are you more likely to: *Always rent / Buy at some point in the future*

Younger renters likely to buy at some point: Q31= Buy or Q50 = Buy at some point in the future
Younger renters likely to always rent: Q50 = Always Rent

Ages 25-39
Q3 2014: Younger Renters – n=325; MOE +/- 5.44%

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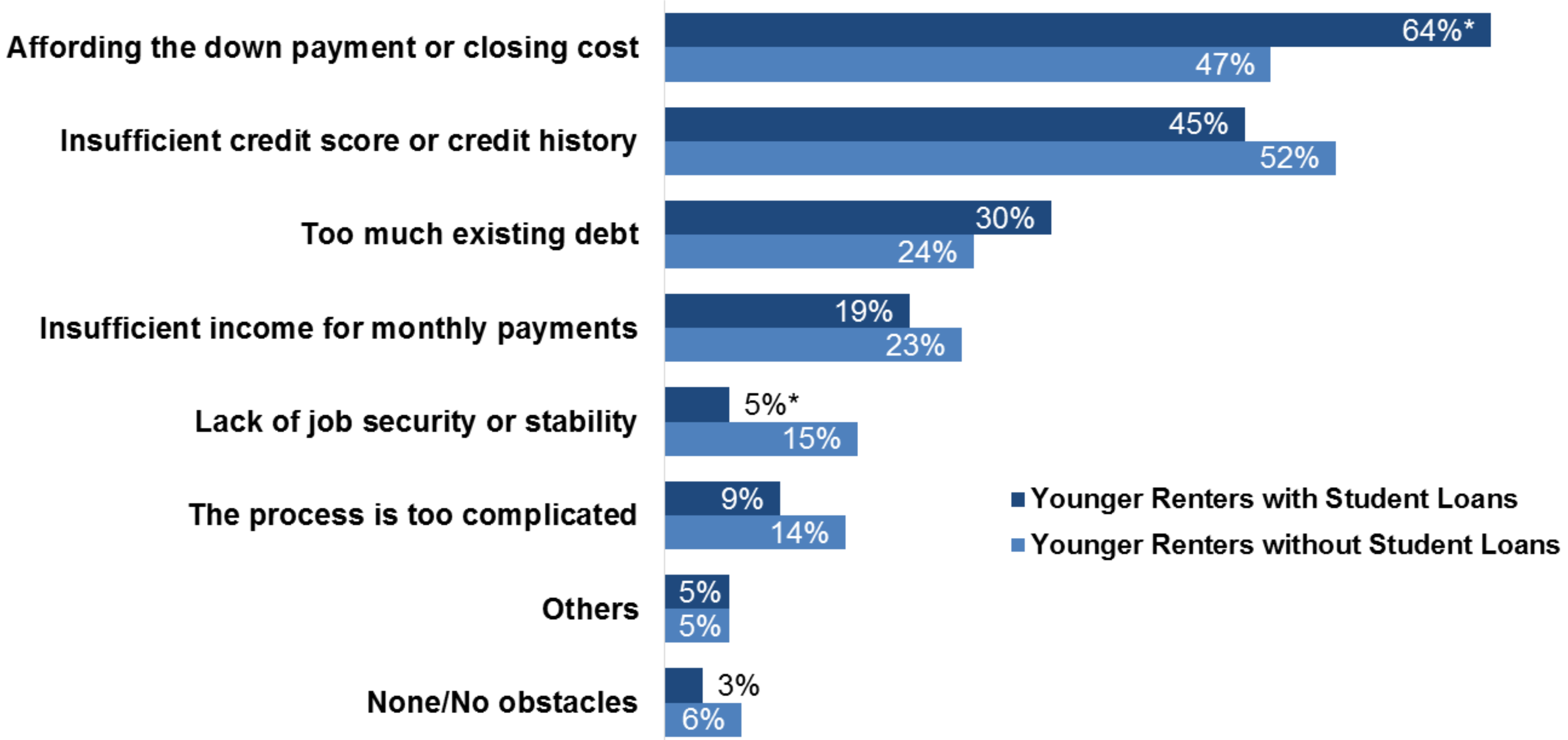
Younger Renters With Student Loans Cite Affording the Down Payment as Their Biggest Obstacle to Getting a Mortgage, While Those Without Student Loans Cite Insufficient Credit

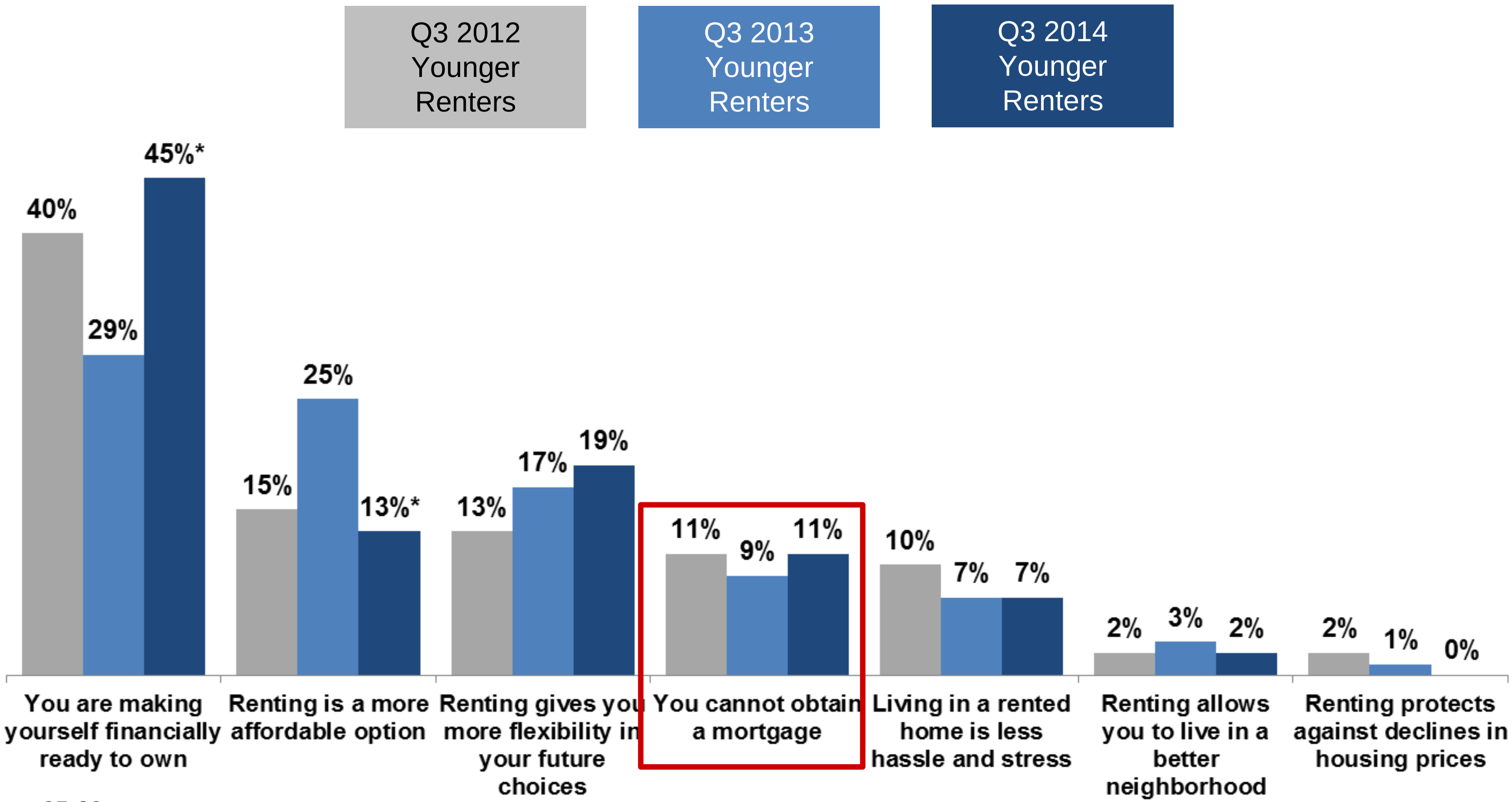
What would be your biggest obstacle to getting a mortgage to purchase or refinance a home today?
SELECT UP TO 3 – Q3 – 2014



Ages 25-39
Younger Renters with Student Loans – n=109; MOE +/- 9.39%
Younger Renters without Student Loans – n=217; MOE +/- 6.65%
** Denotes a statistically significant difference between younger renters with and without student loans at the 95% confidence level*

Trouble Accessing Credit is Not the Primary Consideration in the Decision to Continue Renting

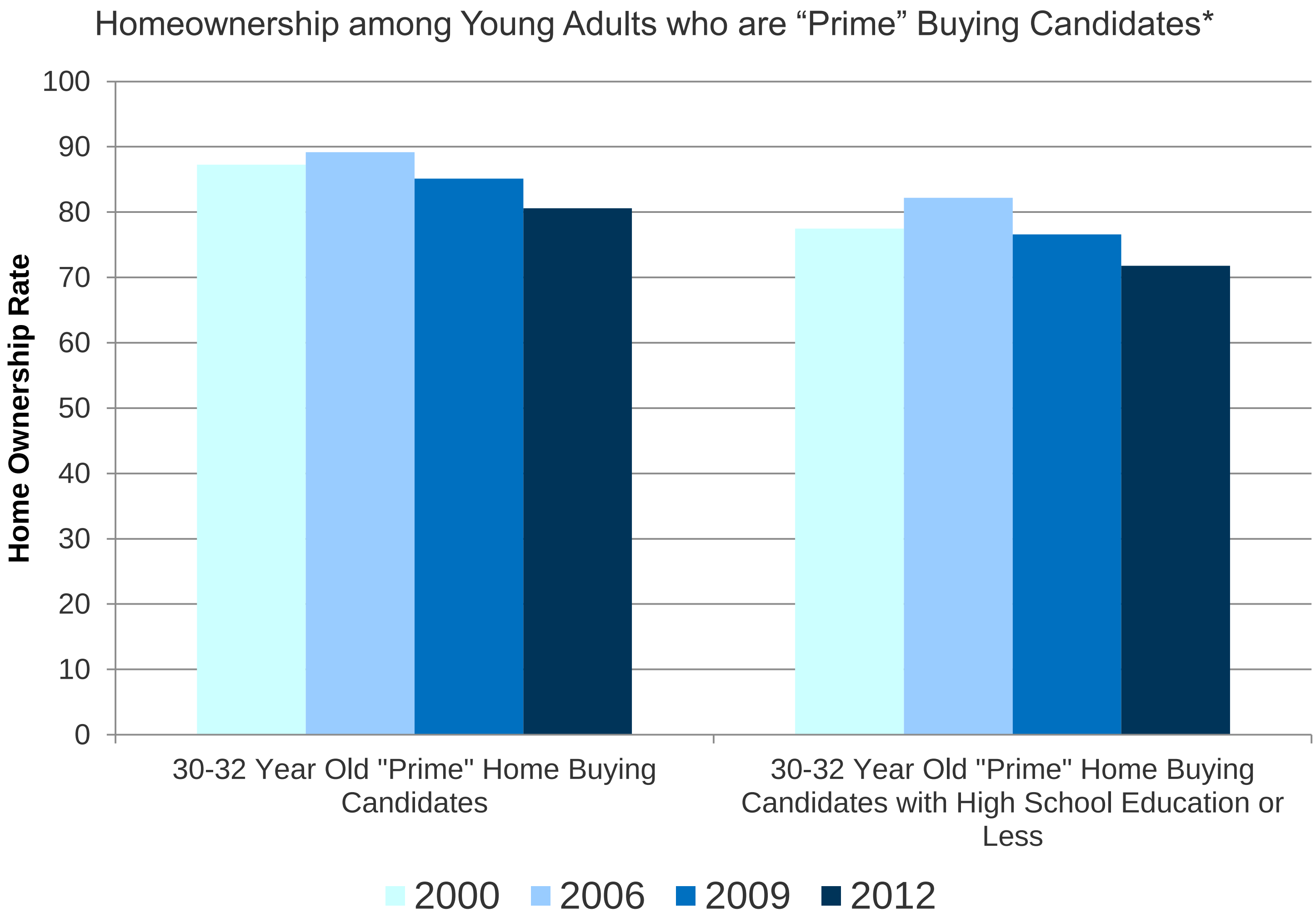
What is your primary reason for renting now?



Ages 25-39
Younger Renters Q3 2012 – n=328; MOE +/- 5.41%
Younger Renters Q3 2013 – n=346; MOE +/- 5.27%
Younger Renters Q3 2014 – n=325; MOE +/- 5.44%
** Denotes a statistically significant difference between younger renters in Q3 2013 and Q3 2014 at the 95% confidence level*

Source: Fannie Mae National Housing Survey

But the Problem is Not Just Student Loans

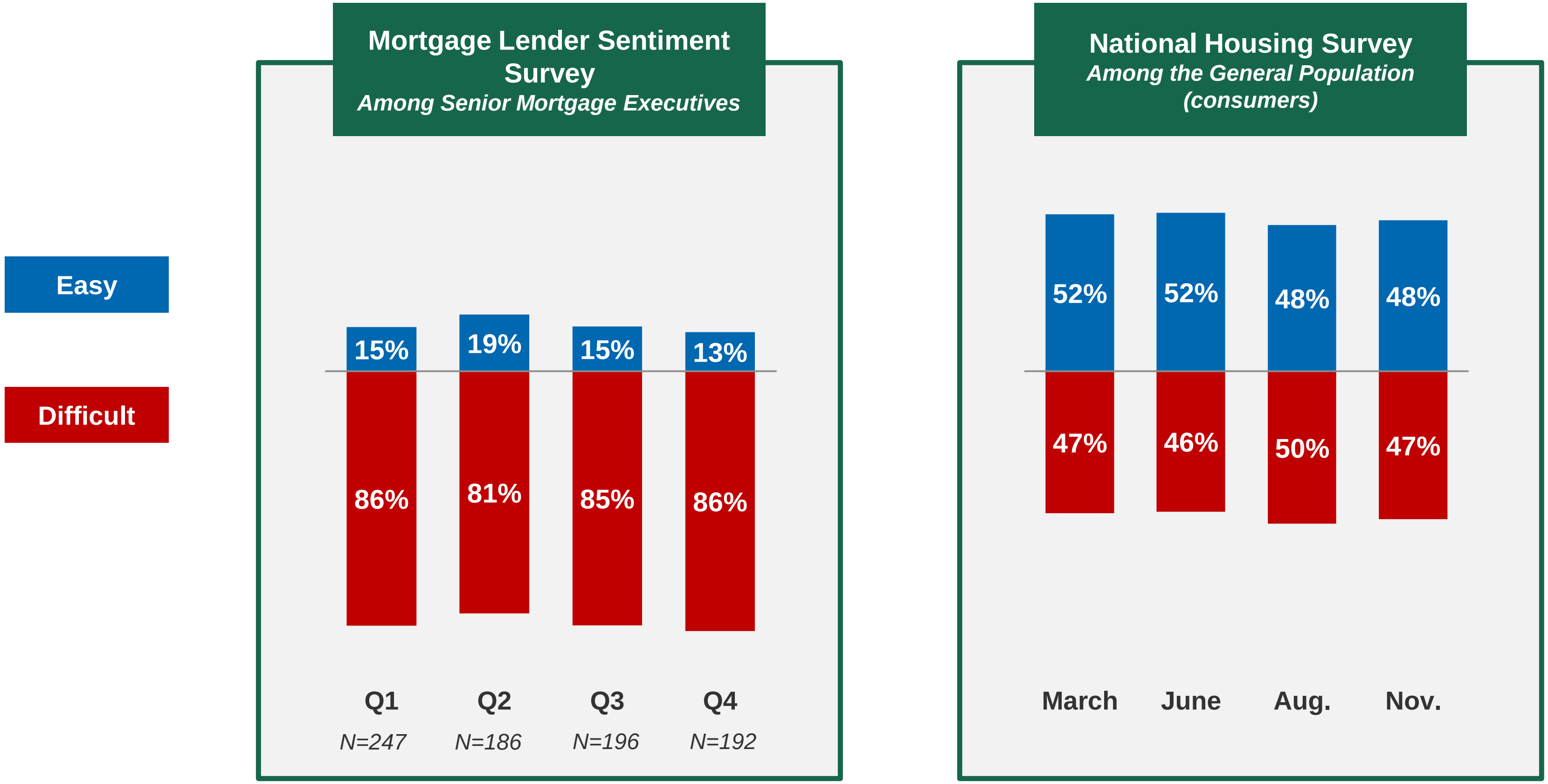


*Prime homebuyers are defined as upper income households with householders in their early 30s who have college educations and are married with children.

Source: U.S. Census Bureau, American Community Survey

Senior Mortgage Executives Continue to be More Pessimistic Than General Consumers When it Comes to the Ease of Getting a Mortgage Today

Do you think it is very difficult, somewhat difficult, somewhat easy, or very easy for consumers to get a home mortgage today?

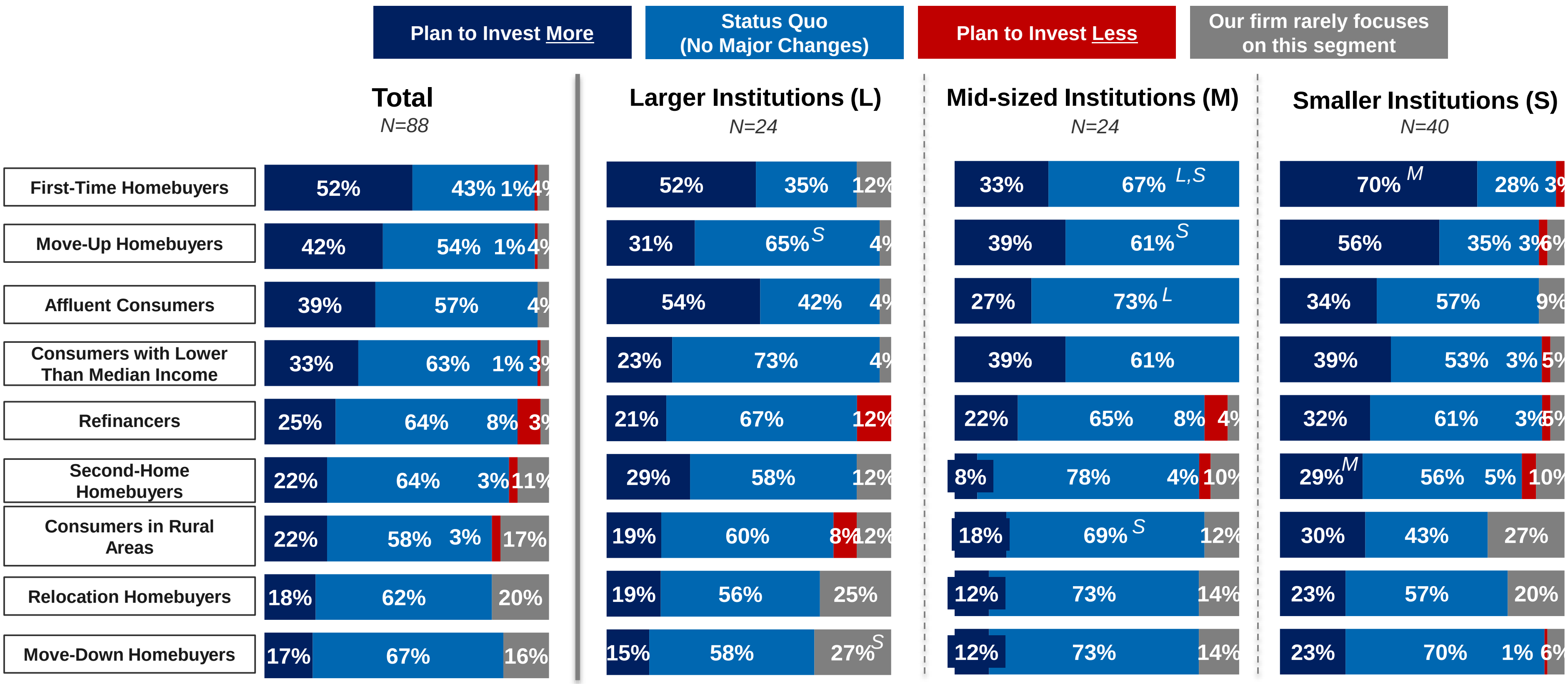


** Denotes a statistically significant change since Q3*
"Easy" = Very easy + Somewhat easy
"Difficult" = Very difficult + Somewhat difficult
National Housing Survey: http://www.fanniemae.com/portal/research-and-analysis/housing-survey.html

Lenders Plan to Increase Their Marketing Investments in First-Time Homebuyers and Move-Up Homebuyers

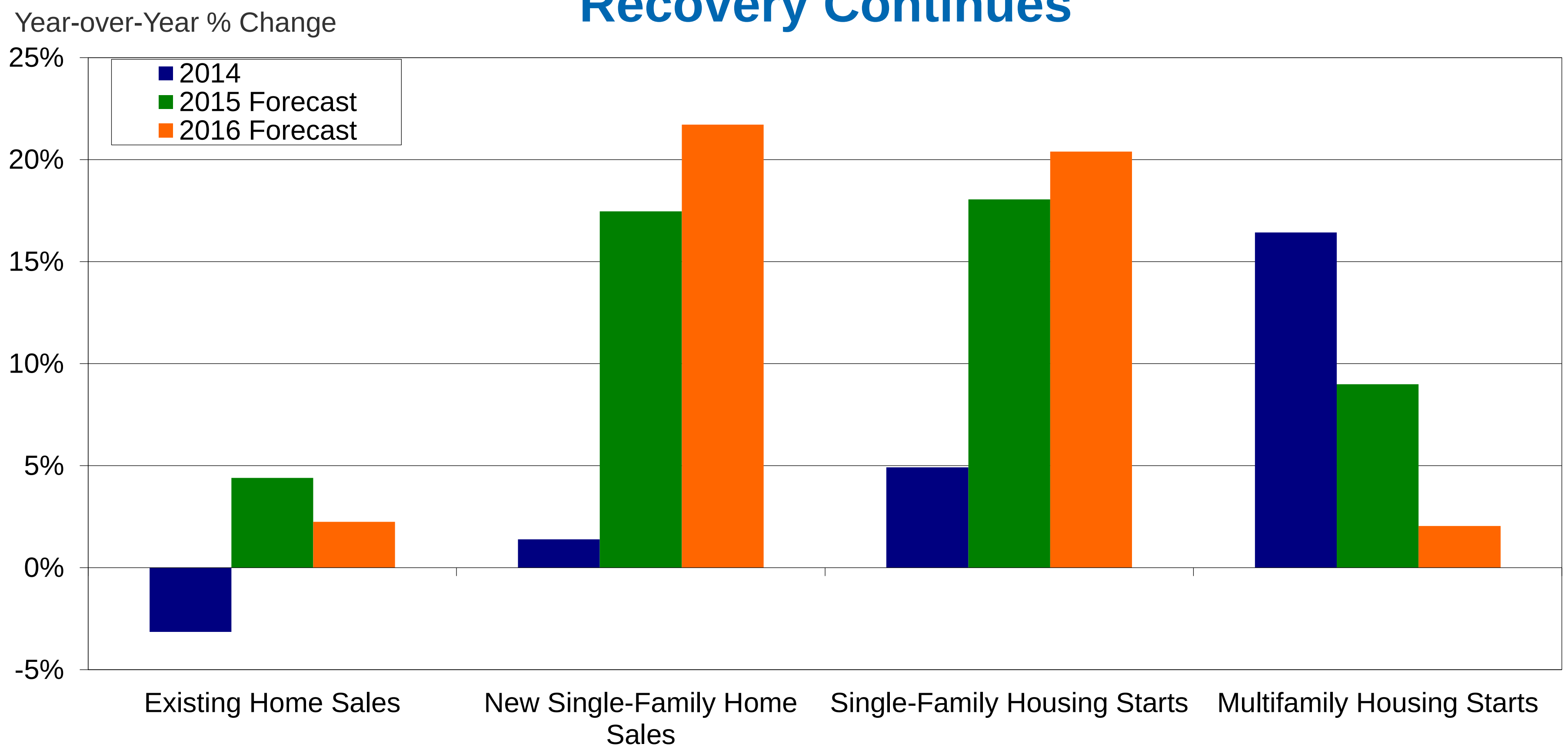
In addition, larger institutions are more likely to invest in affluent consumers and mid-sized and smaller lenders are more likely to invest in lower-then-median income consumers.

[If YES, firm develops or implements Direct-to-Consumer marketing programs] Listed below are some possible mortgage consumer segments. For each consumer segment, please indicate whether your firm plans to make marketing investments in 2015 to increase your firm's penetration into the consumer segment as part of your firm's 2015 mortgage origination strategy. (Q4 2014)



L/M/S - Denote a % is significantly higher than the annual loan origination volume group that the letter represents at the 95% confidence level
Please note that percentages are based on the number of financial institutions that gave responses other than "Not Applicable." Percentages may add to under or over 100% due to rounding.

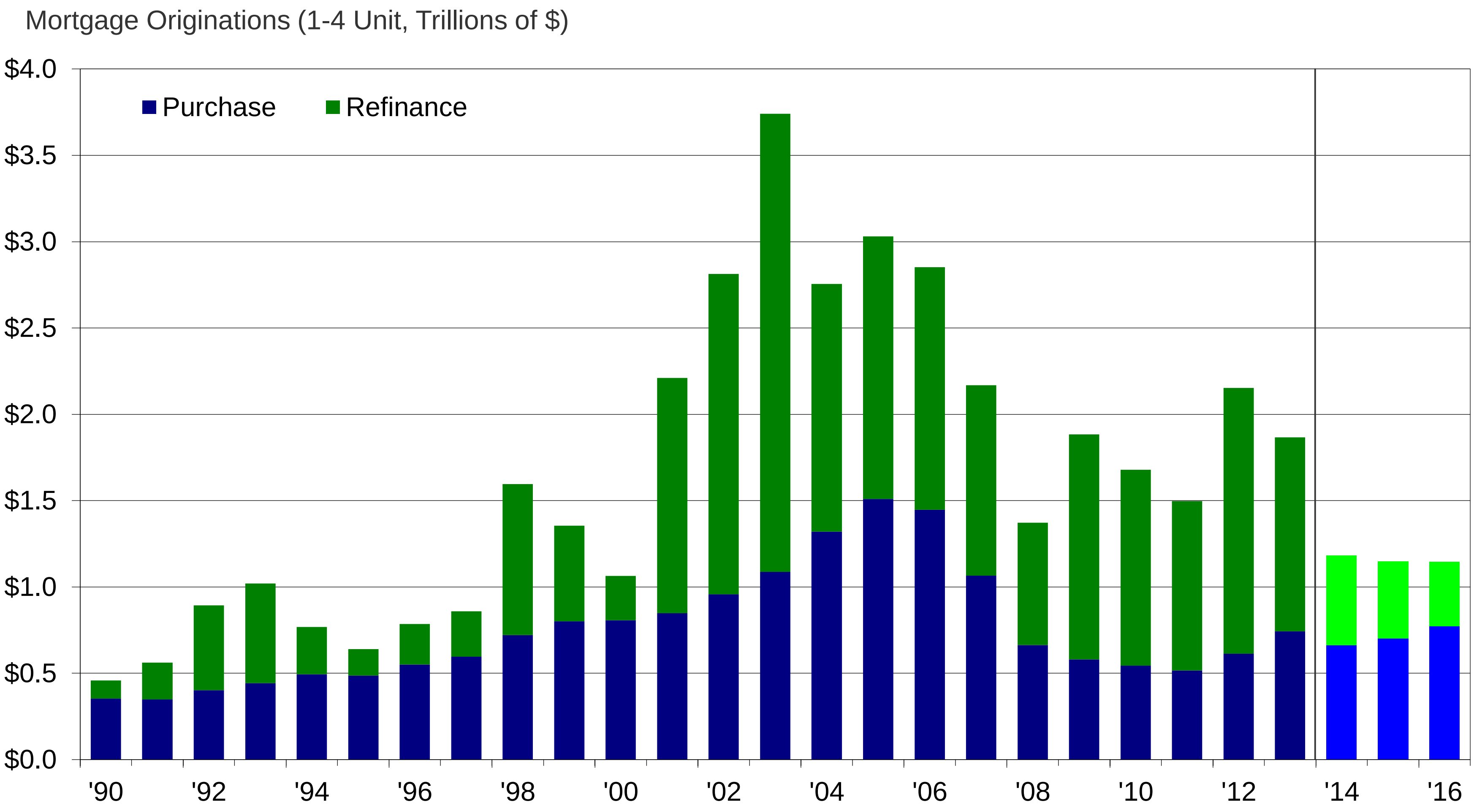
Housing Activity Mixed in 2014, but Measured Recovery Continues



	2013	2014	2015 Forecast	2016 Forecast
	Thousands of Units			
Existing Home Sales	5,090	4,930	5,147	5,263
New Home Sales	429	435	511	622
Single-Family Housing Starts	618	648	765	921
Multifamily Housing Starts	307	358	390	398

Source: National Association of REALTORS®, Census Bureau, Fannie Mae Economic & Strategic Research Forecast

Mortgage Production Expected to Be Little Changed in 2015 Amid Shift to Purchase Market



Source: Fannie Mae Economic & Strategic Research Forecast

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Speaker Biography

Douglas G. Duncan is Fannie Mae's Senior Vice President and Chief Economist. He is responsible for managing Fannie Mae's Economic & Strategic Research Group and oversees corporate strategy. In this leadership role, Duncan provides all economic, housing, and mortgage market forecasts and analyses, and serves as the company's thought leader and spokesperson on economic and mortgage market issues.

Prior to joining Fannie Mae, Duncan was Senior Vice President and Chief Economist at the Mortgage Bankers Association. His experience also includes service as a LEGIS Fellow and staff member with the Committee on Banking, Finance, and Urban Affairs for Congressman Bill McCollum in the U.S. House of Representatives, and work on the Financial Institutions Project at the U.S. Department of Agriculture. He has been elected to the Board of Directors for the National Association of Business Economists, is a member of the American Economics Association and the American Real Estate and Urban Economics Association, and is past president of the Housing Statistics Users Group.

Named one of Bloomberg / BusinessWeek's 50 Most Powerful People in Real Estate and one of Inman News' 100 Most Influential Real Estate Leaders for 2013, Duncan is a frequent speaker on national and state economic, housing, and mortgage market conditions.

Duncan received his Ph. D. in Agricultural Economics from Texas A&M University and his B.S. and M.S. in Agricultural Economics from North Dakota State University.

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