

Prospectus

The Home Purchase Market of 2005

- **Top 10 Lenders by County:
1st Half 2005 & Full-Year 2004**
 - **County-Level Home Prices & Mortgage Amounts**
 - **2005 Piggyback Lending: Highest Levels Yet**
 - **CLTV Ratios By County: The Rise in Over-95s**
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Important Information about a new SMR Research Study

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SUMMARY OF THE STUDY

In 2004, SMR first gained access to home sales and loan data from county recorder offices, updated monthly and covering most larger counties in the USA.

This study of the home purchase loan market takes full advantage of the new numbers. It is SMR's first real-time study of what's going on in local home purchase loan markets – right now.

• Top Lenders by County

We have identified the Top 10 lenders in home purchase lending in each of 263 of the most populous U.S. counties, spanning most states. We sampled 838,637 homes purchased with financing in the first half of 2005, and 2.43 million in 2004, in counties from San Diego to Boston and from Seattle to Miami.

• Home Selling Prices: The Real Story

We have calculated median and mean home selling prices by county for the first half of 2005 and also from 2002 through 2004. **As far as we know, this is the first current-time, county-level home price data series.**

We cover sales of residential homes of all kinds – existing homes and newly constructed, single-family, condos, duplexes, and co-ops, from the lowest-end mobile homes to the highest-end mansions. By contrast, home prices from the National Association of Realtors omit newly constructed homes, so they are too low. And the home price “index” published by the government's OFHEO omits most FHA/VA-financed homes, jumbo-financed homes, and homes sold for cash.

• CLTV Ratios By County And For The Nation

How much high-LTV lending is really going on? You don't know unless you look at all kinds of home financing on all kinds of home sales, and you don't know unless you count both loans in a piggyback financing package.

We've done it for 2005 and 2004. **Conclusion: A large and increasing majority of homes sold with financing now have CLTV ratios above 80%, typically regarded as risky. Over-95% CLTV deals are growing the most.**

• Piggyback Mortgage Update

In a prior study covering data through the first half of 2004, SMR first disclosed that more than 40% of all home purchase loan dollars were being produced in piggyback (two-loan) packages. That made headlines.

The news: Piggybacks gained even more share in 2005. They'll soon reach 50% of all home purchase dollars. We count them nationally and by county.

Printed Study With Spreadsheet Backup

This study covers several aspects of the home purchase market in 2005 and 2004. Please read this page carefully to understand the output you will receive.

All clients who order the study get the printed version of it: more than 300 pages of detailed information. Every subject we cover in the study is in the printed book version.

A large up-front section analyzes national trends and data drawn from the sum of the counties studied. Additional sections show all the data we gathered, including the Top 10 Lenders, in each of 263 major counties in the nation.

Of course, a 300-plus-page book can be tough to use in terms of sorting data. If you wanted to count the number of local markets in which GMAC Mortgage was one of the Top 10 players, it wouldn't be easy in print. **So, we also provide three “sortable” Excel spreadsheets to each client:**

Spreadsheet #1: Home Prices & CLTV Ratios By County

- 1) Median and mean (average) home prices, 2002 through first-half 2005
- 2) CLTV analysis based on number of homes sold with financing (% of transactions with CLTV ratios of below 80%, 80.1-90%, 90.1-95%, 95.1-100%, and over 100%)
- 3) Same CLTV analysis based on dollars of homes sold with financing.

Note: Home price and CLTV analysis limited to 230 major counties where county recorder offices still publicly release selling prices. Texas and some smaller states are excluded.

Spreadsheet #2: Average Mortgages & Piggybacks By County

- 1) 2004 and first-half 2005 average home purchase mortgages (if a home was sold with piggyback loans, we count the sum as the “mortgage amount”).
- 2) Piggyback deals as a percent of the number of homes sold with financing and also as a percent of the dollars of financing provided.
- 3) Covers 335 counties with at least 300 transactions to study per year.

Spreadsheet #3: Top 10 Purchase Mortgage Lenders By County

- 1) There are 10 rows per county, showing the ranked Top 10 lenders and their share of market in both the first half of 2005 and full-year 2004. Data are shown for parent lending companies, not for their subsidiaries or trade names.

There's no extra charge for the spreadsheets. All spreadsheets are in Microsoft Excel format.

SAN BERNARDINO COUNTY, CA (Sample County Data Page)

Top Purchase Lenders, Full-Year 2004 & 1st Half 2005 (\$ Millions)

2005			2004		
Rank	Lender	\$MM	Rank	Lender	\$MM
1	COUNTRYWIDE FINANCIAL CORP	335	1	COUNTRYWIDE FINANCIAL CORP	755
2	WASHINGTON MUTUAL BANK, FA	144	2	NATIONAL CITY CORP	517
3	NEW CENTURY MORTGAGE CORP	144	3	WASHINGTON MUTUAL BANK, FA	359
4	NATIONAL CITY CORP	143	4	NEW CENTURY MORTGAGE CORP	290
5	GENERAL ELECTRIC CAPITAL CORP	141	5	GENERAL ELECTRIC CAPITAL CORP	263
6	AMERIQUEST MORTGAGE CO	116	6	WELLS FARGO AND CO	248
7	FREMONT INV & LOAN	84	7	FREMONT INV & LOAN	186
8	WELLS FARGO AND CO	83	8	WORLD SAVINGS BANK	148
9	BNC MORTGAGE	81	9	AMERIQUEST MORTGAGE CO	146
10	MORTGAGEIT	64	10	BNC MORTGAGE	139
TOTAL \$ LOANS SAMPLED.....		3,133			7,070

2005 Home Prices & Mortgage Amounts

	# Sales Sampled	Mean Price	Median Price		Average Mortgage Amt.
2002	24,240	190,163	168,000		
2003	27,995	234,904	206,000	2004	260,550
2004	28,728	293,195	269,900	2005	305,493
1st Half					
2005	10,789	338,884	315,000		

Piggyback Loan Production

	2005	2004		2005	2004
# Deals Measured	10,310	27,231	\$(MM) Deals Measured	3,143	7,092
% With Piggybacks	59.0	50.8	% With Piggybacks	63.2	56.5

Combined Loan-To-Value Ratios; Homes Purchased With Financing

	% of # Transac- tions, 05	% of # Transac- tions, 04	% of \$ Transac- tions, 05	% of \$ Transac- tions, 04
0-50% CLTV	2.9	3.2	1.3	1.6
50.1-80% CLTV	24.3	24.8	23.7	24.4
80.1-90% CLTV	14.8	15.2	16.3	16.8
90.1-95% CLTV	7.7	10.4	7.8	10.7
95.1-100% CLTV	47.2	42.1	48.2	43.0
OVER 100% CLTV	3.1	4.3	2.7	3.5
% OVER 80%	72.8	72.0	75.0	74.0
% OVER 90%	58.0	56.8	58.7	57.2
% OVER 95%	50.3	46.4	50.9	46.5
# Transactions For CLTV Analysis	10,188	27,123		