



LATE AND IN TROUBLE

The tip of the delinquency iceberg has risen above the surface. The MBA's Quarterly Delinquency Survey arrived this past week bearing disturbing news. Hold your head; here are their numbers.

California leads the field

The delinquency rate for mortgage loans on one-to-four unit residential properties in California increased 57 basis points. The percentage of loans in which foreclosure was started during 4Q06 rose 17 basis points to 0.43 percent. At the end of Q406 the percentage of loans in the foreclosure process rose 19 basis points to 0.58 percent, according to MBA's National Delinquency Survey. The California foreclosure inventory rate for prime ARMs increased 22 basis points.

Prime loans - The delinquency rate for prime loans was 1.81 percent, up 35 basis points from the previous quarter. The percentage of prime loans in foreclosure increased 9 basis points to 0.23 percent. The delinquency rate for prime ARMs (Adjustable Rate Mortgages) increased 61 basis points and the rate for prime FRM (Fixed Rate Mortgages) loans increased 19 basis points. The rate for prime FRM loans increased 2 basis points. The foreclosure inventory rate for subprime ARM loans increased 108 basis points, while the rate for subprime FRM increased 30 basis points. The new foreclosure rate for prime ARMs increased 19 basis points, while the rate for prime FRM loans increased 2 basis points

Subprime loans - The rate for subprime loans was 10.9 percent, up 178 basis points from the previous quarter. The percentage of subprime loans in foreclosure increased 81 basis points to 2.64 percent. The delinquency rate for the subprime ARM loans increased 202 basis points, while the rate for subprime FRM increased 135 basis points. The percentage of subprime loans in foreclosure increased 81 basis points to 2.64 percent. The new foreclosure rate for subprime ARM loans increased 94 basis points, while the rate for subprime FRM increased 21 basis points.

FHA and VA - The delinquency rates for FHA and VA loans were 8.66 percent and 4.99 percent, respectively-up 83 basis

Key Economic Reports Released This Week

RELEASE DATE	ECONOMIC INDICATORS	RELEASED BY	CONSENSUS SURVEY	Wt.	INFLUENCE ON INTEREST RATES
Mon 03/19 1:00 pm et	NAHB Housing Index <i>for March '07</i>	National Association of Home Builders	N/A	*	Undetermined
Tue 03/20 8:30 am et	Housing Starts/Bldg Permits <i>for February '07</i>	Bureau of the Census Dept. of Commerce	1.45M	***	▲ If above consensus ▼ If below consensus
Wed 03/21 7:00 am et	MBA Mtg Apps Survey <i>for week ending 03/16</i>	Mortgage Bankers Association of America	N/A	*	Undetermined
Wed 03/21 2:15 pm et	FOMC Meeting <i>Fed Open Market Committee</i>	Federal Reserve Board	No rate change Inflation Bias	****	Determines Policy
Thu 03/22 8:30 am et	Jobless Claims <i>for week ending 03/17</i>	Bur. of Labor Statistics Department of Labor	323K	**	▼ If above consensus ▲ If below consensus
Thu 03/22 10:00 am et	Leading Economic Indicators <i>for February '07</i>	Bur. of Econ. Analysis Department of Commerce	-0.3%	**	▲ If above consensus ▼ If below consensus
Fri 03/23 10:00 am et	Existing Home Sales <i>for February '07</i>	National Association of Realtors	6.35M	**	▲ If above consensus ▼ If below consensus

¹Survey courtesy of Insight Economics, LLC

* Low Importance ** Moderate Importance *** Important **** Very Important

points for FHA loans and up 47 basis points for VA loans. The percentage of FHA loans in foreclosure increased 3 basis points to 0.65 percent. The percentage of VA loans in foreclosure decreased 1 basis point to 0.31 percent. The percentage of FHA loans in foreclosure increased 3 basis points to 0.65 percent. The percentage of VA loans in foreclosure decreased 1 basis points to 0.31 percent.

Moreover, California ranked 43 in delinquencies and 40 in foreclosure inventory. It is important to note that California has 16 percent nonprime borrowers (FHA and subprime); with a greater percentage of lower credit quality borrowers. As with FHA and subprime, delinquencies will typically be higher.

Pacific Northwest

The Pacific region had an overall SA delinquency rate of 3.13 percent, up 51 basis points from the last quarter. For the foreclosure inventory rate, the Pacific region had a rate of 0.54 percent, which was up 15 basis points from the last quarter, while the new foreclosure rate increased 13 basis points to 0.37 percent.

Nationally

For the fourth quarter of 2006, 49 out of 50 states and the District of Columbia saw their delinquency rate increase, while 44 states saw an increase in the foreclosure inventory rate.

On a national level, the delinquency rate on one-to-four unit residential properties was 4.95 percent in the fourth quarter, up 28 basis points from the last quarter. The percentage of loans in which foreclosure was started during the quarter rose 8 basis points to 0.54 percent, while the percentage of loans in the foreclosure process at the end of the quarter rose 14 basis points to 1.19 percent.

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