



To: Representatives of the Financial Services Roundtable, GAC, Public Affairs, All Staff, Research Working Group

Fast Facts: MORTGAGE OVERHANG

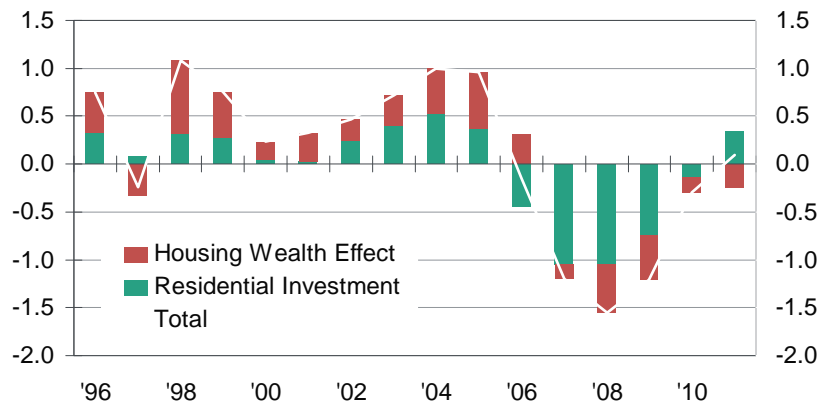
Part II – How does it impact the economy?

FACT: The mortgage overhang [see Part I] has been a large reason that the housing sector is struggling to recover, despite historic modification and refinancing efforts by the industry and government.

FACT: [Moody's Analytics](#) estimates that falling housing prices will reduce GDP by 0.5% this year alone.

Housing Headwind Fades

Contribution to real GDP growth, %



Source: Moody's Analytics

FACT: According to [Moody's recent study](#), falling housing prices mean:

- Less collateral for small business owners;
- Less tax revenue for local governments because property tax revenues decline; and,
- More homeowners go under water as their loans exceed the market values of their houses.

FACT: On September 16, 2011, the Housing Policy Council of The Financial Services Roundtable (HPC) made the following recommendations to the FHFA, Treasury Department and HUD in response to the request for ideas on reducing the Real Estate Owned (REO) properties of the GSEs and FHA:

- REO properties should be sold in a timely fashion, and in significant blocks based on local market conditions.
- Purchasers of the REO properties should have the flexibility to sell, rent, or demolish if necessary to enable the local real estate market to begin to recover.
- Additionally, these properties need to be sold “free and clear” to purchasers. It is important that Fannie Mae, Freddie Mac or FHA do not remain landlords in the REO process.

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

The full letter from HPC can be found online at:

http://www.fsround.org/fsr/policy_issues/regulatory/other.asp

If you have questions or comments, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at abbyresearch@fsround.org; Scott Talbott, Senior Vice President of Government Affairs, at scott@fsround.org; or Paul Leonard, Vice President of Government Affairs of HPC, at paul@fsround.org.