

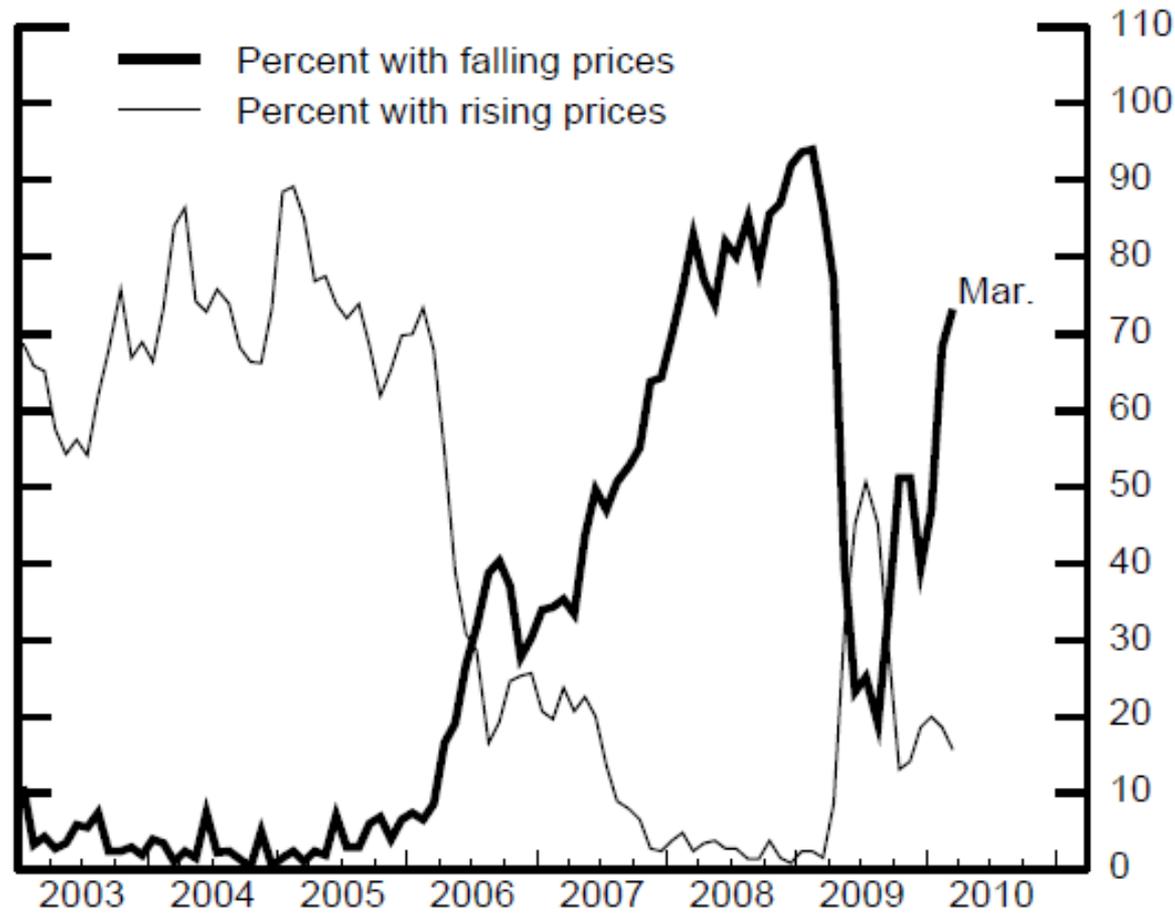
What is “sustainable homeownership?”

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The views in this presentation are mine alone and not necessarily those of the Board of Governors or its staff

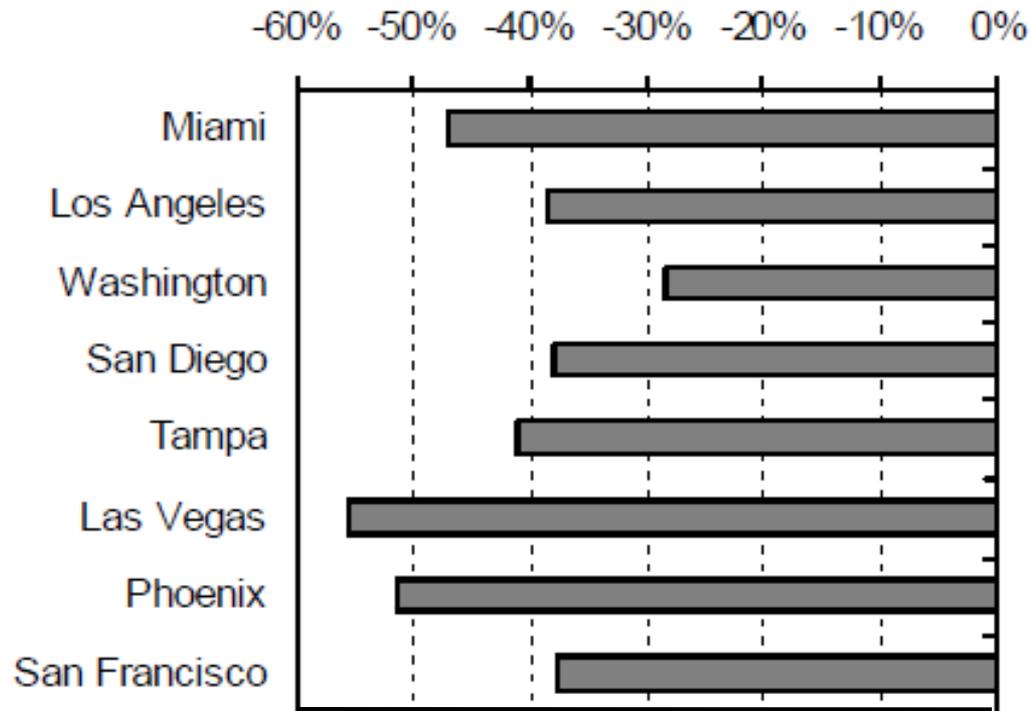
House prices fell in almost all 383 MSAs



Source. FRB tabulation from FirstAmerican CoreLogic data.

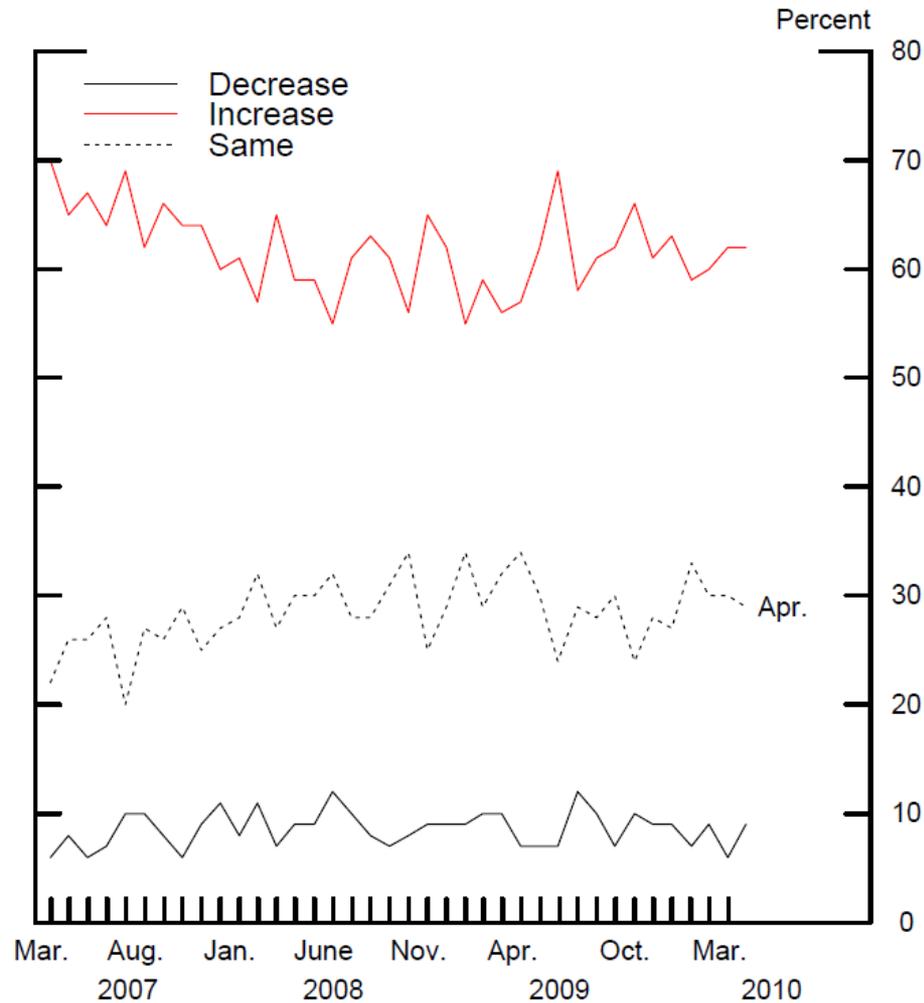
House price declines were large

Decline from peak through October 2009



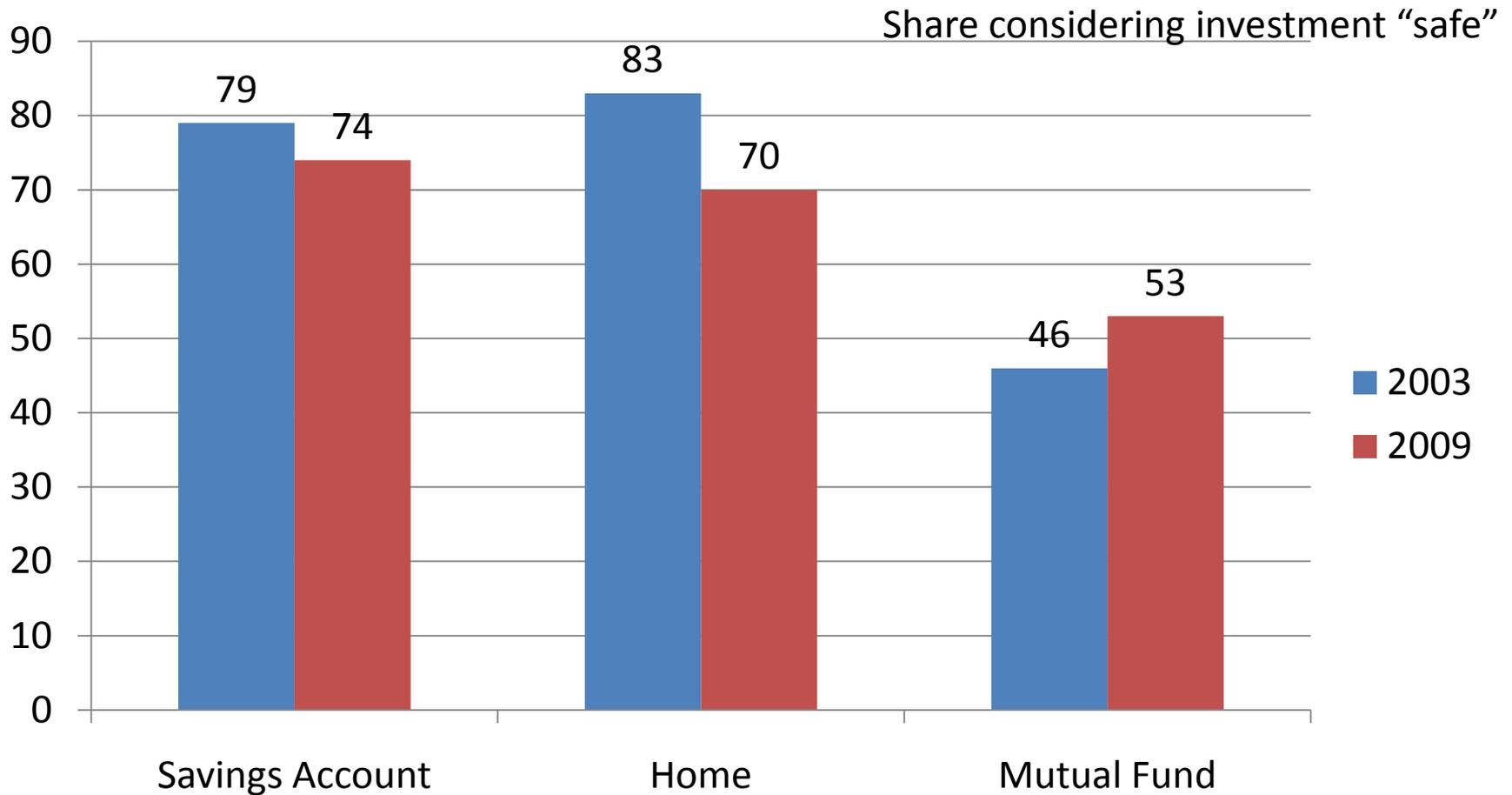
Source. S&P Case Shiller.

Households perceive house prices declines over the next five years as unlikely



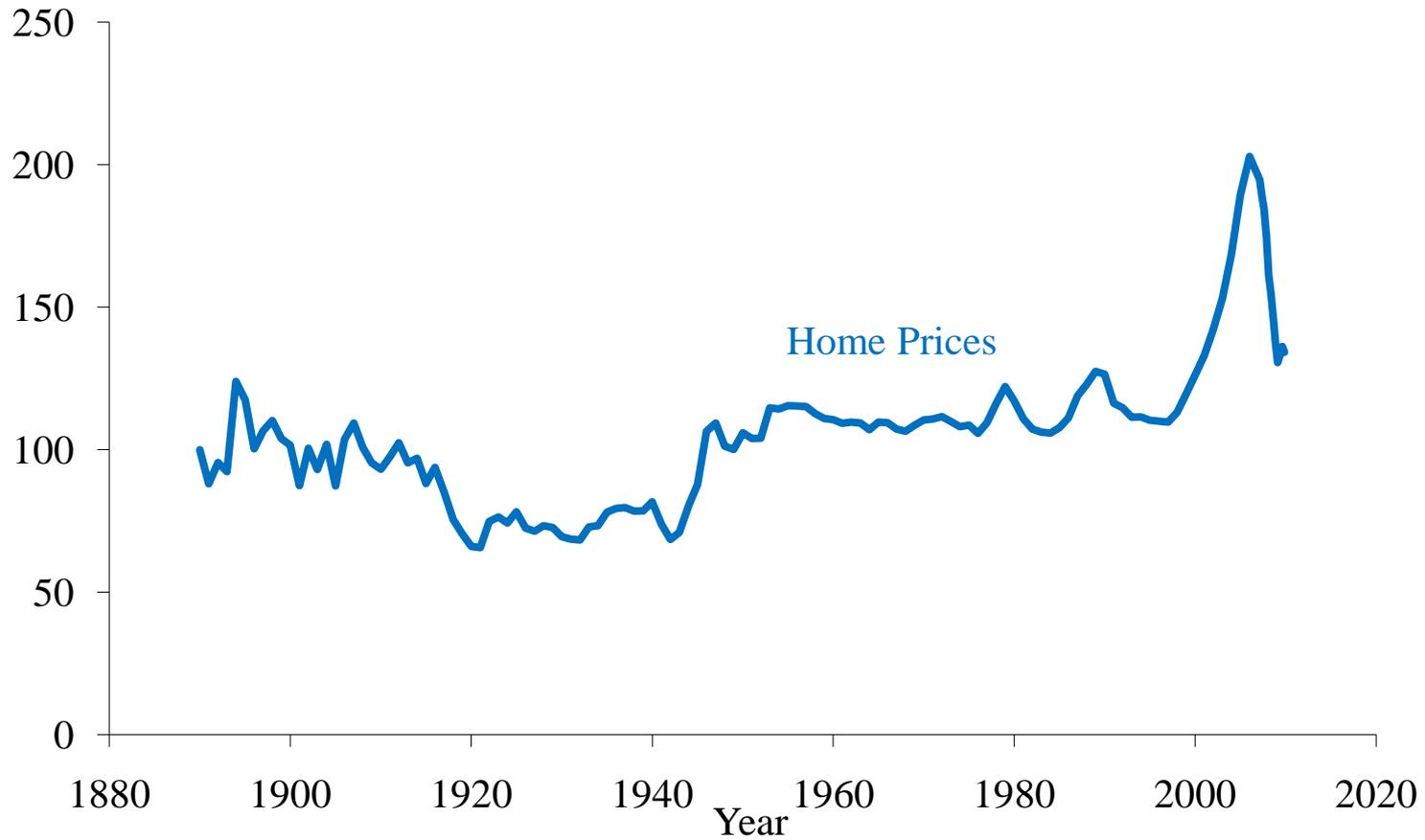
Source. Thomson Reuters / University of Michigan Survey of Consumers.

Households consider home purchases as safe as savings accounts



Source. Fannie Mae housing survey.

House prices decline frequently... although current episode is extreme



Source. Robert Shiller.

What is “sustainable homeownership?”

- Presumably homeownership experiences that do not end in foreclosure
- Better underwriting, stronger consumer protections, improved regulatory data, etc will likely help
- But house prices are a significant part of “sustainable”
- Track record at controlling and forecasting house prices not impressive

Parting questions

- Do households understand the riskiness of housing as an investment?
- How do we communicate this risk to households?