



Minneapolis-St. Paul-Bloomington, MN-WI

Metropolitan Statistical Area

Metro Area Risk Summary

- Home prices continue to rise in Minneapolis, with 12-month growth of 3.1% and 3-month growth of 4.7% based on the CoreLogic Home Price Index.
- Employment has trended up in Minneapolis despite negative growth over the last 12 months. The number employed fell 1.1% over the last 12 months, but rose 2.5% over the last 3 months (annualized).
- Delinquency rates are Very High compared to historical norms for this area, with 3.8% of mortgages 60+ days past due. Minneapolis has the 290th highest 60+ delinquency rate and 206th highest foreclosure rate among all metro areas in the country.
- The current homeowner vacancy rate in Minneapolis of 1.3% is Very Low compared to historical norms. The national homeowner vacancy rate is 2.5%. Shadow inventory is a potential problem here since delinquency rates are high relative to history in this area.
- Home prices are low relative to equivalent rents in Minneapolis. Currently, monthly mortgage payments (principal + interest) based on the average priced property are 24.5% less than comparable rents in this area. Historically, average monthly payments (principal + interest) are 0.5% more than comparable rents in Minneapolis.
- Home prices are high relative to income levels in Minneapolis. Currently, average home values are 3.2 times higher than median household income. Historically, average home values are 2.8 times higher than median household income in Minneapolis.
- Minneapolis had the 126th highest rate of foreclosure notices from June-August 2010 out of the largest 384 metro areas, with 1 per every 149 housing units.
- Based on 2010 Q2 investigations, Minneapolis had the 28th highest (worst) Interthinx Property Valuation Fraud Index out of 366 metro areas.

RMIC Market Classification

	<b>Policy Effective 8/5/2010</b>
RMIC Market Policy <sup>(1)</sup>	Level 2

(1) This market is eligible for RMIC's Level 2 Market Policy. Please see our Current Market Policy. <http://www.rmic.com/ratesguides/guides/Documents/Market-Classification-UW-Overlays.pdf>

High Risk Indicator Summary

High Risk Indicators	vs. History	vs. Control	Value Relative to Metro Historical Average	Metro Value Relative to Control
Home Prices:	●	○	3-yr Home Price Appreciation (Very Low)	Current 1-yr HPA 2-8%
Employment:	●	●	Y/Y Employment Growth (Low)	Y/Y Employment Growth < 0%
Affordability:	●	○	Avg Price (RMIC) / Household Income (High)	Home Prices Not Overvalued
Housing Inventory:	●	○	Permits / 1000 Households (Very Low)	Homeowner Vacancy Rate < 1.8%
Credit Conditions:	●	●	60+ Delinquency Rate (Very High), 90+ Delinquency Rate (Very High), Foreclosure Rate (Very High)	60+ Delinquency Rate 2.5-4.0%

- = High Alert
- ◐ = Warning
- = Normal



# Metropolitan Area Market Analysis (MAMA)

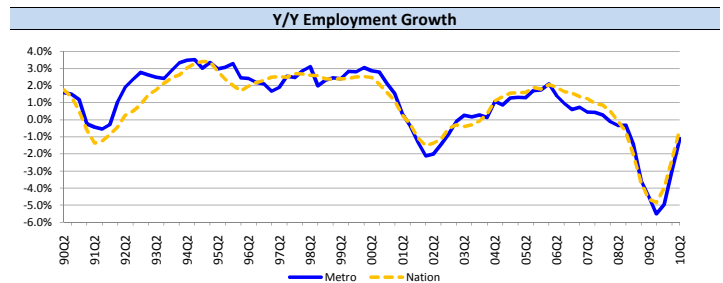
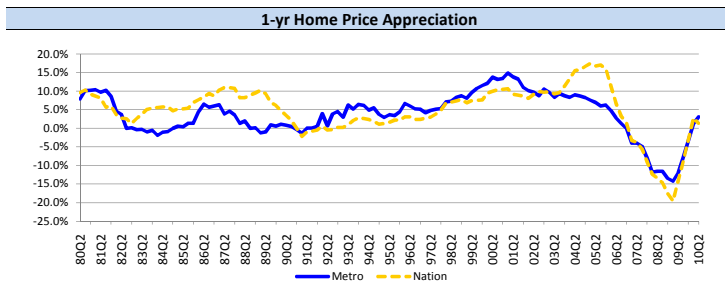
Data through 2010 Q2

## Minneapolis-St. Paul-Bloomington, MN-WI

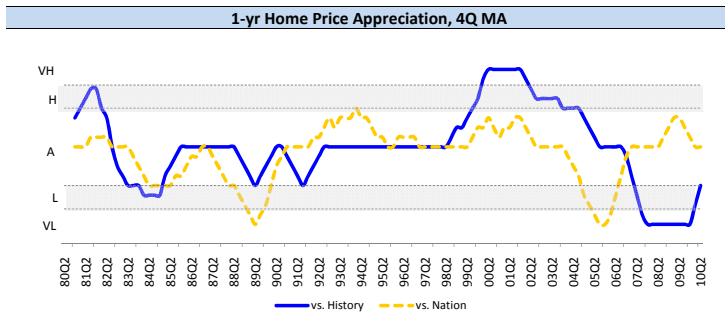
Metropolitan Statistical Area

● = High Alert  
 ● = Warning  
 ○ = Normal

High Risk Indicators	vs. History	vs. Control	Value Relative to Metro Historical Average	Metro Value Relative to Control
Home Prices:	●	○	3-yr Home Price Appreciation (Very Low)	Current 1-yr HPA 2-8%
Employment:	●	●	Y/Y Employment Growth (Low)	Y/Y Employment Growth < 0%
Affordability:	●	○	Avg Price (RMIC) / Household Income (High)	Home Prices Not Overvalued
Housing Inventory:	●	○	Permits / 1000 Households (Very Low)	Homeowner Vacancy Rate < 1.8%
Credit Conditions:	●	●	60+ Delinquency Rate (Very High), 90+ Delinquency Rate (Very High), Foreclosure Rate (Very High)	60+ Delinquency Rate 2.5-4.0%



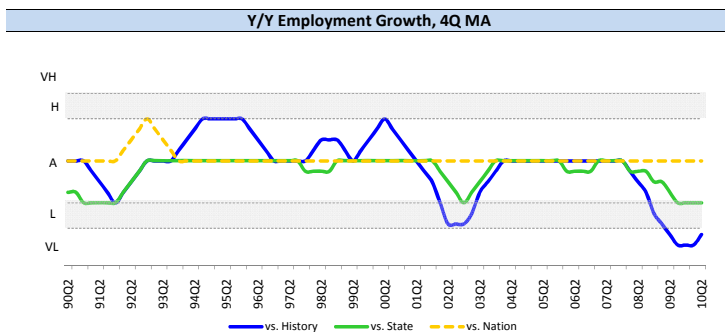
Note: Scale of axes may vary by metro area / state



Home Prices			
	vs. History	vs. State	vs. Nation
3-mo Home Price Appreciation	Very High	Average	High
6-mo Home Price Appreciation	Average	Average	Average
1-yr Home Price Appreciation	Average	High	Average
3-yr Home Price Appreciation	Very Low	Average	Average

	Metro	State	Nation
3-mo Home Price Appreciation	4.7%	4.7%	2.8%
6-mo Home Price Appreciation	0.7%	0.5%	-0.2%
1-yr Home Price Appreciation	3.1%	1.7%	1.4%
3-yr Home Price Appreciation	-19.8%	-19.2%	-24.6%

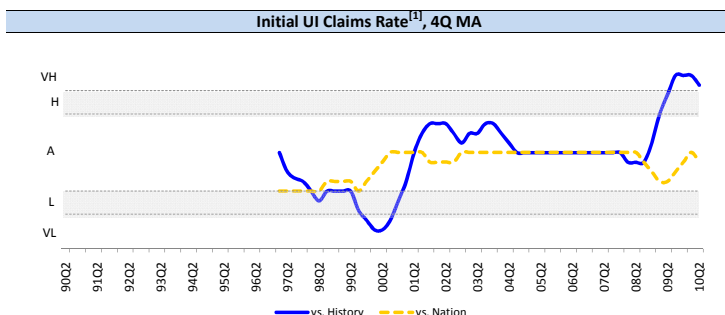


Employment			
	vs. History	vs. State	vs. Nation
Annualized 3-mo Employment Growth	Average	Average	Average
Y/Y Employment Growth	Low	Low	Average
Initial UI Claims Rate <sup>(1)</sup>	High	N/A	Low
% Receiving UI Benefits <sup>(1)</sup>	Very High	N/A	Average

	Metro	State	Nation
Annualized 3-mo Employment Growth	2.5%	2.1%	2.1%
Y/Y Employment Growth	-1.1%	-0.4%	-0.6%
Initial UI Claims Rate <sup>(1)</sup>	3.4%	3.4%	4.6%
% Receiving UI Benefits <sup>(1)</sup>	3.3%	3.3%	3.7%

<sup>(1)</sup> Does not include extended benefits or emergency unemployment compensation.



Major Industry Concentrations			
	Metro	State	Nation
<b>Top 3 Concentrations in Metro:</b>			
Education / Health Services	15.7%	17.3%	15.0%
Professional / Business Services	14.9%	11.7%	12.8%
Wholesale / Retail Trade	14.7%	15.5%	15.4%
<b>Total for Top 3</b>	<b>45.3%</b>	<b>44.5%</b>	<b>43.1%</b>

High Concentration Relative to State:			
	Metro	State	Nation
Professional / Business Services	14.9%	11.7%	12.8%
Finance Activities	7.8%	6.4%	5.8%
Leisure / Hospitality	9.5%	9.1%	10.0%

High Concentration Relative to Nation:			
	Metro	State	Nation
Professional / Business Services	14.9%	11.7%	12.8%
Finance Activities	7.8%	6.4%	5.8%
Manufacturing	10.4%	11.2%	8.9%

<sup>(1)</sup> State-Level Data; Comparison vs history based on state-level rates  
 Note: 4Q MA = 4-qtr Moving Average, UI = Unemployment Insurance



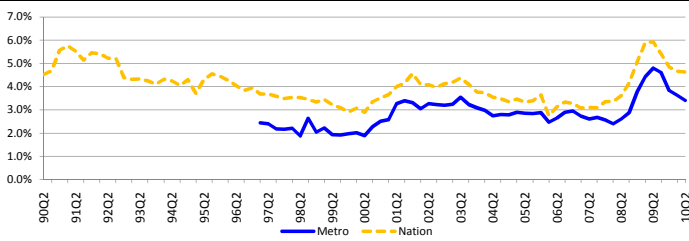
# Metropolitan Area Market Analysis (MAMA)

Data through 2010 Q2

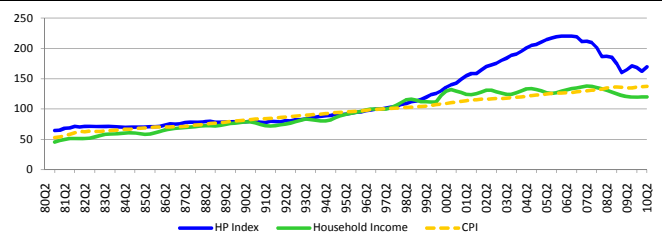
## Minneapolis-St. Paul-Bloomington, MN-WI

Metropolitan Statistical Area

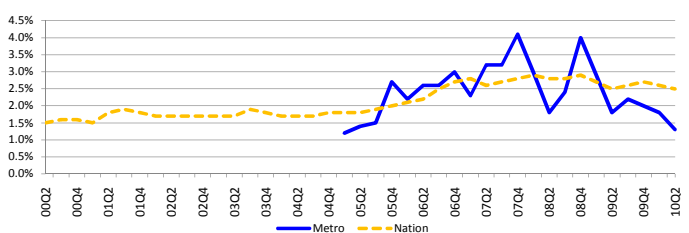
**Initial UI Claims Rate<sup>[1]</sup>**



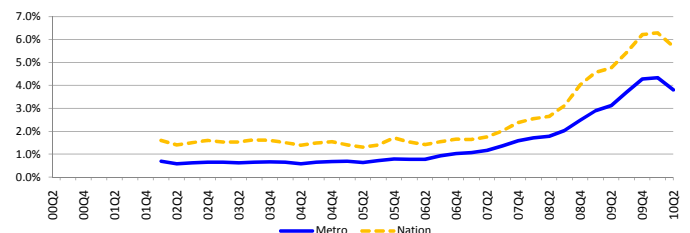
**Balance Between Income & Housing Costs in Metro**



**Homeowner Vacancy Rate**

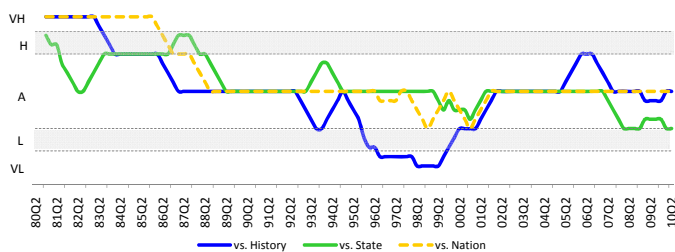


**60+ Delinquency Rate (McDash)**



Note: Scale of axes may vary by metro area / state

**Home Price Valuation (RMIC), 4Q MA**



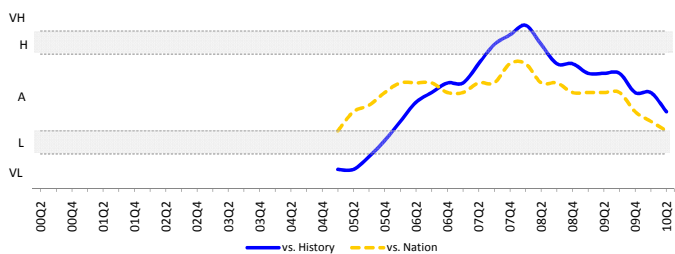
**Affordability**

	Metro Comparisons		
	vs. History	vs. State	vs. Nation
Home Price Valuation (RMIC)	Average	Low	Average
NAR Affordability Index	Very High	Very Low	Average
Average Home Price (RMIC)	High	Very High	Average
Avg Price (RMIC) / Household Income	High	Very High	Average
Avg Mortgage Payment (RMIC) / Fair Market Rent	Very Low	Average	Average

	Metro	State	Nation
Home Price Valuation (RMIC)	Proprietary		
NAR Affordability Index	222.0	233.3	189.1
Average Home Price (RMIC)	\$188,430	\$158,778	\$190,986
Avg Price (RMIC) / Household Income	3.2	3.1	3.9
Avg Mortgage Payment (RMIC) / Fair Market Rent	0.8	0.7	0.7

**Homeowner Vacancy Rate, 4Q MA**



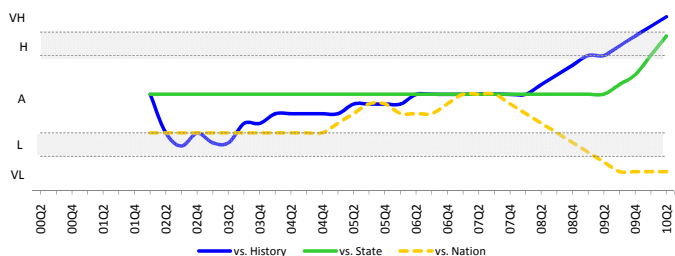
**Housing Inventory**

	Metro Comparisons		
	vs. History	vs. State	vs. Nation
Homeowner Vacancy Rate	Very Low	Very Low	Very Low
Rental Vacancy Rate	Average	Average	Average
Homeownership Rate	Average	High	Average
Permits / 1000 Households	Very Low	Average	Average

	Metro	State	Nation
Homeowner Vacancy Rate	1.3%	2.0%	2.5%
Rental Vacancy Rate	8.5%	8.4%	10.6%
Homeownership Rate	71.1%	72.3%	66.9%
Permits / 1000 Households	4.4	4.9	5.3

**60+ Delinquency Rate (McDash), 4Q MA**



**Credit Conditions**

	Metro Comparisons		
	vs. History	vs. State	vs. Nation
30+ Delinquency Rate	Very High	Average	Very Low
60+ Delinquency Rate	Very High	Very High	Very Low
90+ Delinquency Rate	Very High	Very High	Very Low
Foreclosure Rate	Very High	Very High	Very Low
Personal Bankruptcy Rate <sup>[1]</sup>	Very High	N/A	Average

	Metro	State	Nation
30+ Delinquency Rate	5.9%	5.9%	8.7%
60+ Delinquency Rate	3.8%	3.7%	5.7%
90+ Delinquency Rate	2.9%	2.7%	4.4%
Foreclosure Rate	1.9%	1.8%	3.3%
Personal Bankruptcy Rate <sup>[1]</sup>	1.1%	1.1%	1.4%

<sup>[1]</sup>State-Level Data; Comparison vs history based on state-level rates  
 Note: 4Q MA = 4-qtr Moving Average, UI = Unemployment Insurance