NFP®

Property and Casualty
Equity Protection Program

Not Another Great Recession

Comparing factors from 2008 and 2022 that indicate that the current uncertain economy is taking a different path.

Today's economy poses challenges when trying to plan for the future. The effects of inflation, rising interest rates, possible home price decreases and potential job elimination are offering far from optimistic outlooks.

Some economists wager that a recession looms soon, while others argue that the United States is already in a recession and has been for some time. Some even fear that we could be headed towards a catastrophic economic downturn as we saw in 2008.

Here is a comparison of The Great Recession and 2022 that indicates that the current conditions, while uncertain, are vastly different from 2007 and 2008.

As industry experts then and now, we recognize the apprehension about what could come next. However, based on what we are seeing today, there is ample evidence that indicates we are not on the same path to a total economic meltdown as we saw with the subprime mortgage crisis.

Loan Underwriting Guidelines

	2022: Prudent Underwriting Guidelines	2008: Extremely Liberal Underwriting Guidelines
Income and Assets	Verified.	Stated used.
Employment	Verified.	Not verified.
Credit Scores	Floors are much higher.	Lower allowed.
Debt Ratio Qualifications	Controlled with much lower maximums. Debts are not being paid down. Terms are not being extended.	High limits allowed. Debts were being paid down. Terms were extended.
Adjustable-Rate Mortgages	Are not as common. When used, they are typically fixed for the first five to ten years.	With very short adjustment terms.
Interest-Only loans	Not allowed.	Allowed.
Negative Amortization	Not allowed.	Allowed.
Investment Properties	More regulations for underwriting.	Were allowed with virtually no change in underwriting guidelines.
Property Values	Valuations are obtained on each loan.	Stated were being inflated.
FICO Scores	Almost 50 points higher on average.	—

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Housing Market

	2022: Regulated	2008: Fraud Prevalent
Market	Housing prices driven up by low inventory instead of inflated values.	Saturated with investors, which drove up the prices of housing. Flippers made up a big part of the market.
Mortgage Brokers	Lesser part of the market and regulated.	Unregulated and a large part of the market.
Appraisers	Regulated appraisers.	Mortgage brokers and the appraisers worked together to inflate property values in order to qualify for loans.
Seller Concessions	Are controlled through tighter underwriting guidelines.	Excessive to sell properties.
Equity	Negative equity is almost nonexistent.	Almost 25% of homeowners were in a negative equity position.

Today, lenders follow more conservative underwriting guidelines, which is making all the difference across the board and safeguards us from another mortgage crisis. As we move forward through this period of economic uncertainty, we continue to be a trusted partner with insights on key factors to lenders that matter. While no one can see the future, the evidence indicates that it's highly likely that we are not doomed to follow the same tracks as 2008.

Meet the Experts

Trusted partners in 2008 and today.

Rick Hughes, Senior Vice President – Rick has directed all aspects of loan insurance, underwriting and operations in his three decades of experience in the lending industry. His commitment to developing individualized solutions for lenders, combined with his knowledge of the market and attention to detail, has led to customized programs for some of the largest credit unions in the nation.

Sue Sparling, Account Executive – Sue has over 20 years of experience in the insurance industry, beginning in commercial property and casualty insurance. She is committed to fully understanding clients' needs and challenges in order to offer beneficial solutions. Her role with the Equity Protection Program provides lenders with the tools and resources to ensure their success in using the program to significantly increase revenue.

NFP'S EQUITY PROTECTION PROGRAM

NFP's Equity Protection Program provides lenders with the ability to safely increase their equity loan portfolio with expanded loan-to value thresholds. This fully insured program generates an additional source of income while reducing the exposure to loan default.

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