

Mortgage Market Outlook

Prepared for AARMR Conference

August 2022

Presented by:

Mike Fratantoni

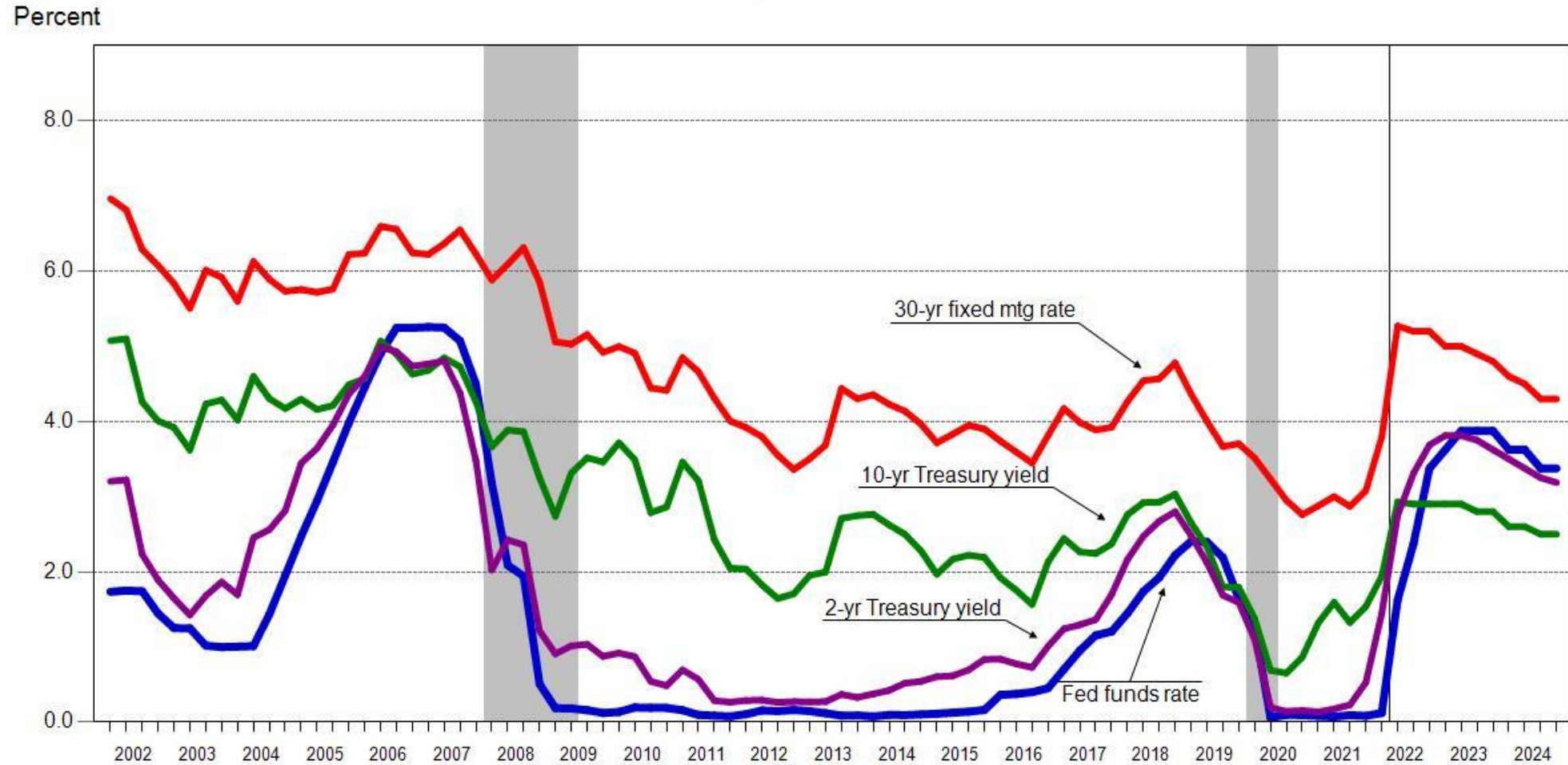
Mortgage Bankers Association

Economic Forecast Summary

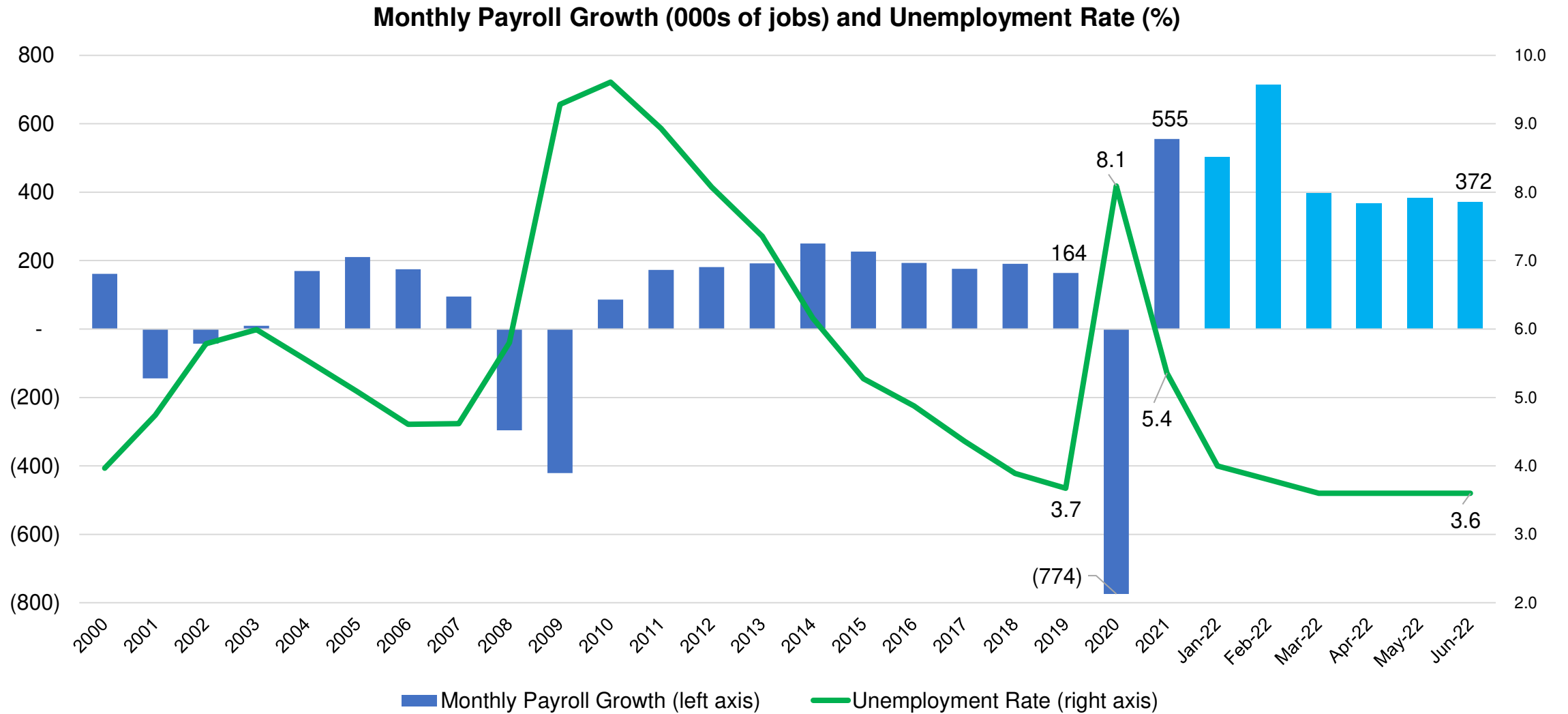
	2020	2021	2022	2023	2024
GDP Growth	-2.3%	5.5%	0.6%	1.5%	1.5%
Inflation	1.2%	6.7%	6.0%	2.5%	1.9%
Unemployment	8.1%	5.4%	3.7%	4.0%	4.5%
Fed Funds	0.125%	0.125%	3.375%	3.875%	3.375%
10-year Treasury	0.9%	1.5%	2.9%	2.8%	2.5%
30-year Mortgage	2.9%	3.1%	5.2%	4.8%	4.3%

Many More Rate Hikes in 2022

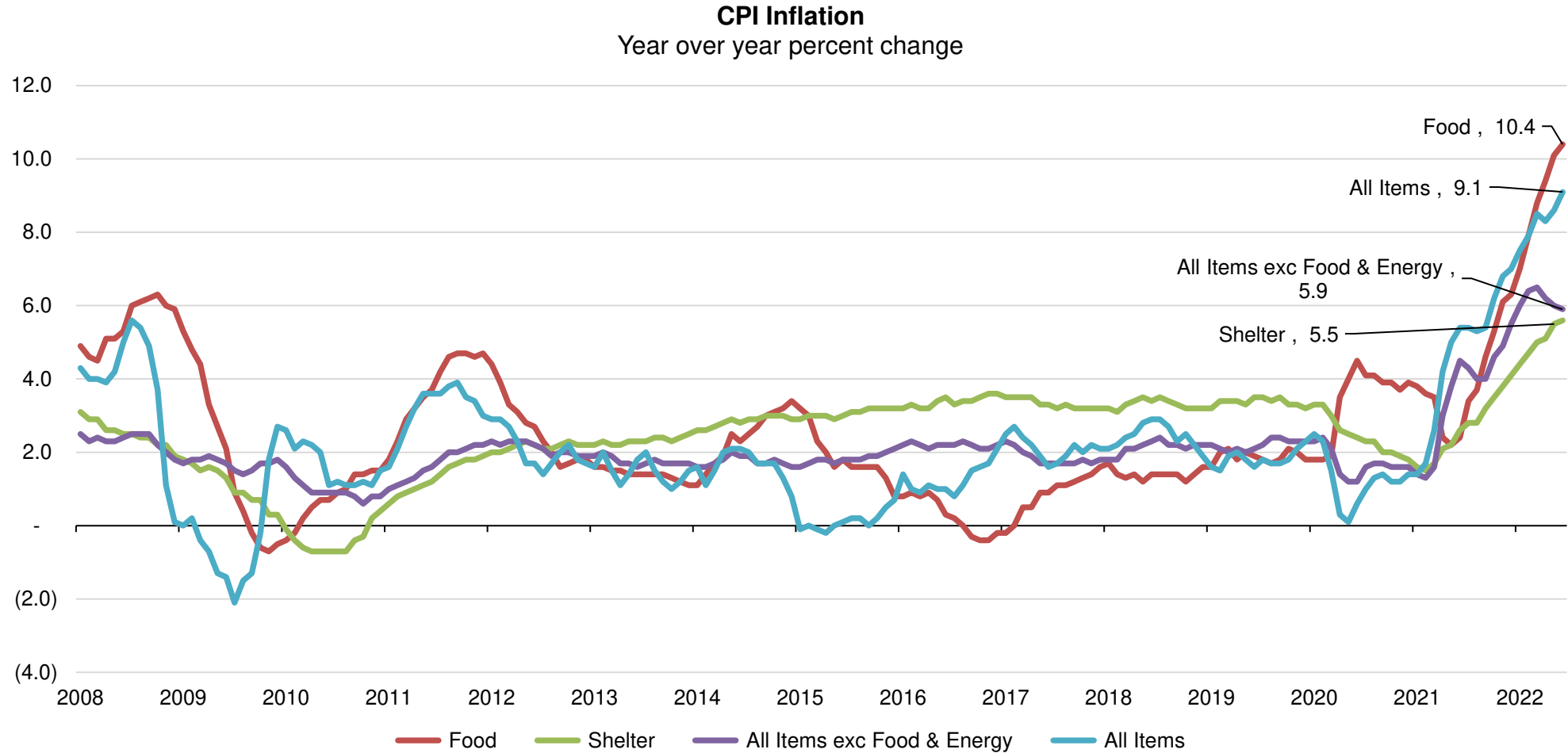
Rate History and Forecast



Unemployment Rate Likely Near a Trough

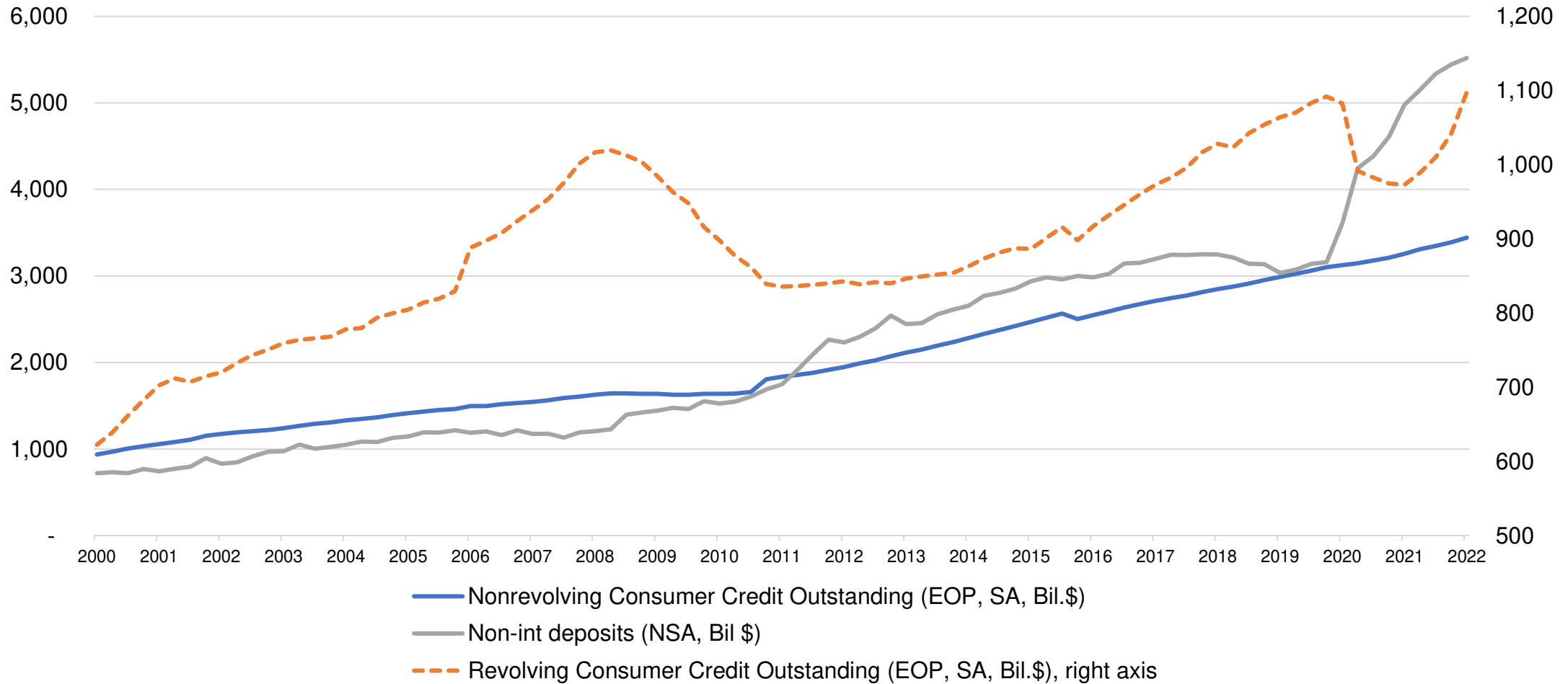


Inflation at 40-Year High



Household Balance Sheets Still Strong? Net Worth Declined in Q1 2022

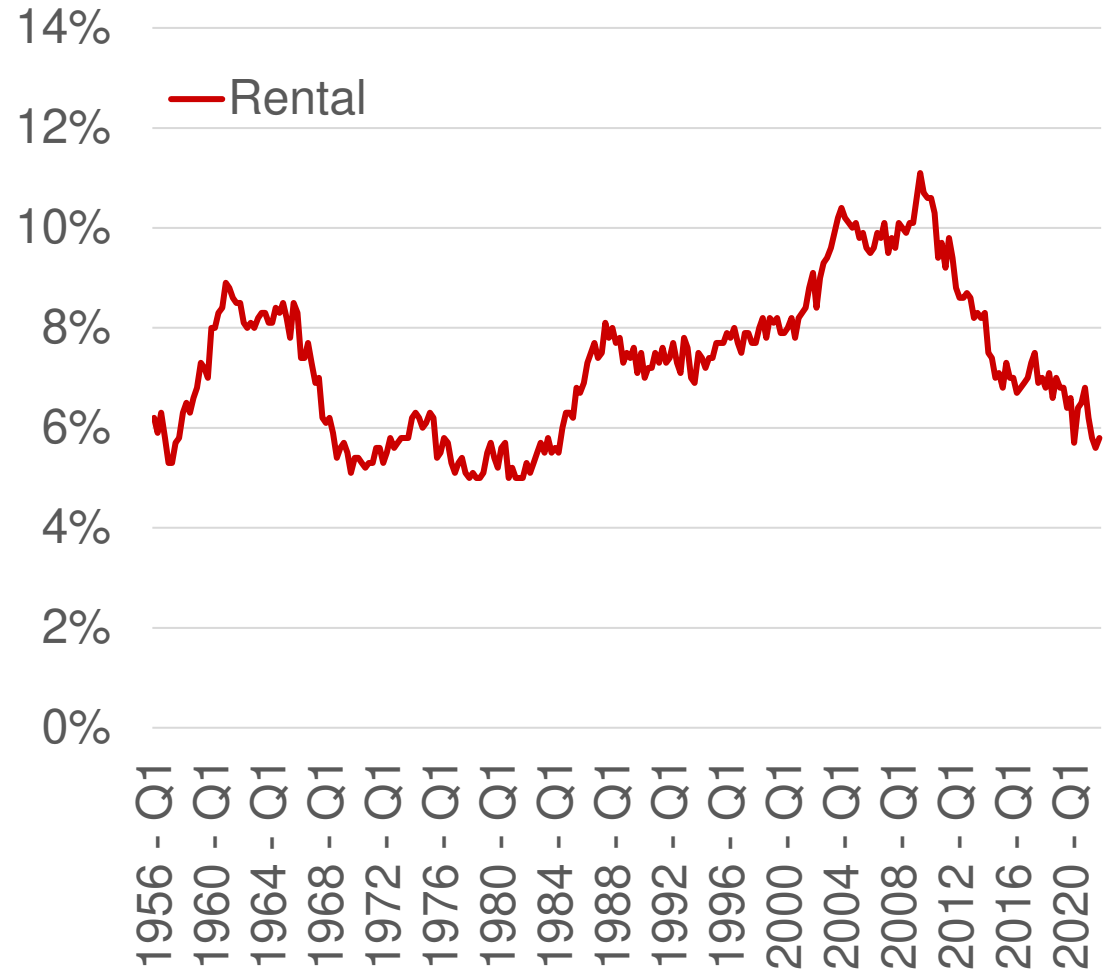
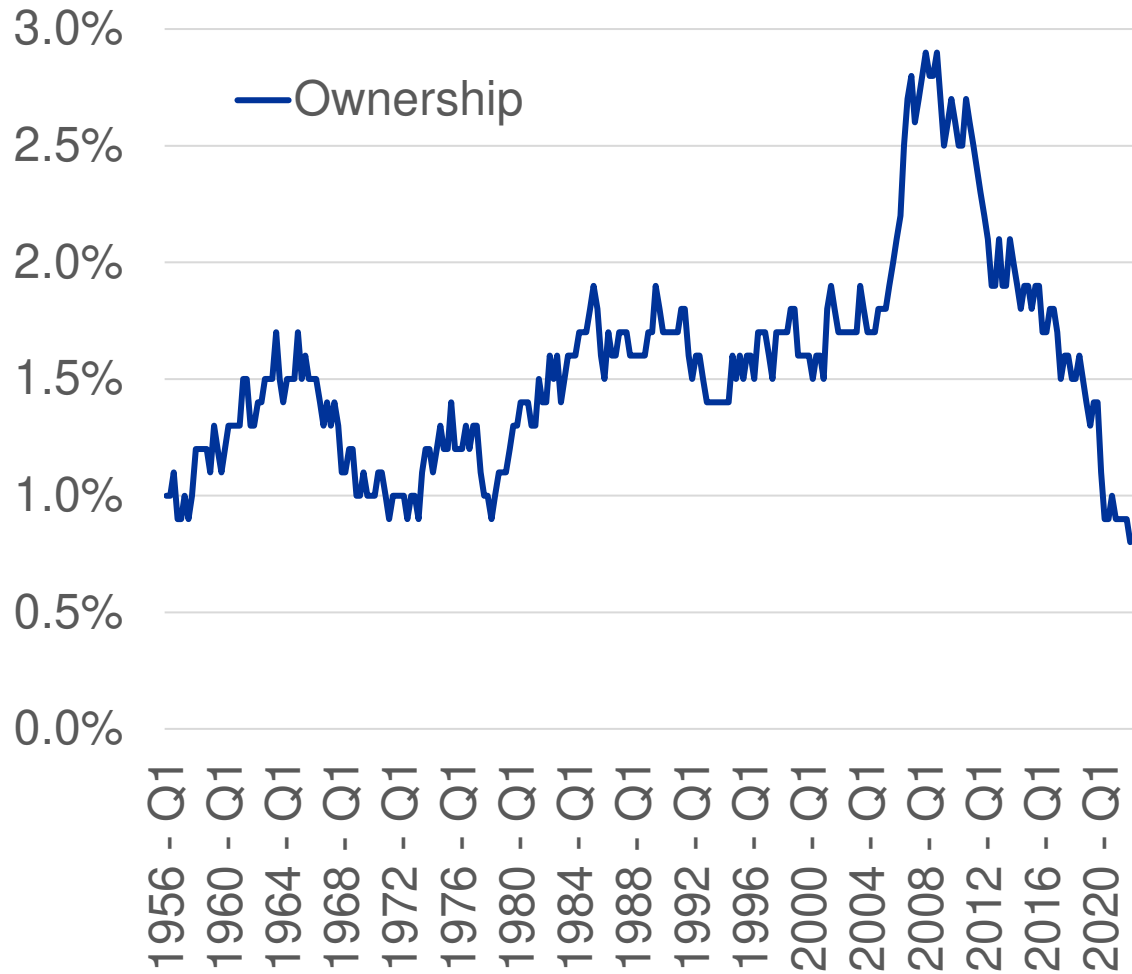
Consumer Credit and Bank Deposits



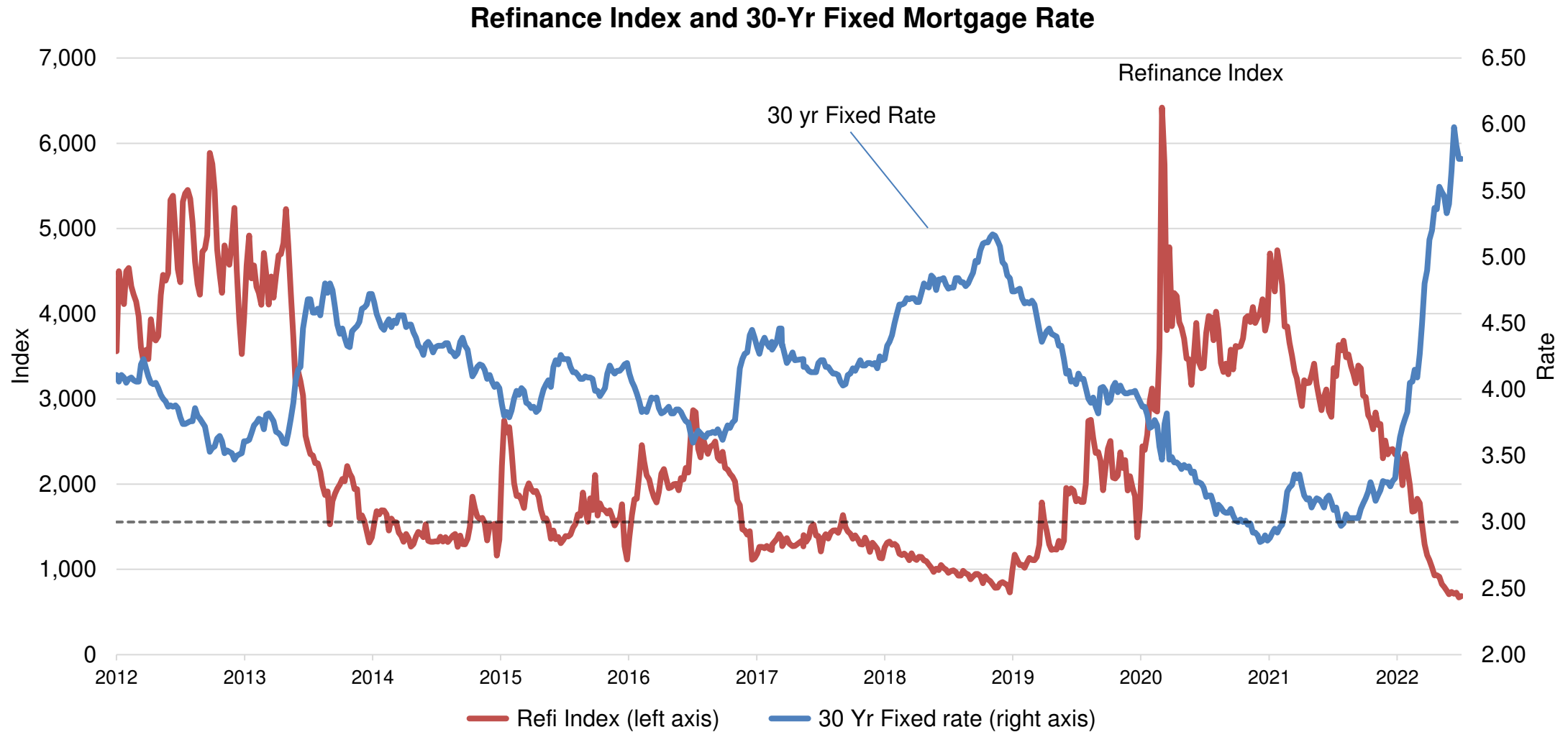
Housing and Mortgage Market Forecast Summary

	2020	2021	2022	2023	2024
Total housing starts (000s)	1,397	1,605	1,623	1,623	1,699
Single-family housing starts (000s)	1,004	1,131	1,105	1,156	1,251
New home sales (000s)	828	771	744	766	810
Existing home sales (000s)	5,678	6,127	5,611	5,509	5,634
Home price growth (YOY pct chg)	10.9	17.5	2.7	2.4	2.5
Purchase originations (\$billions)	1,482	1,646	1,663	1,704	1,806
Refinance originations (\$billions)	2,625	2,345	706	540	695
Total originations (\$billions)	4,108	3,991	2,369	2,244	2,501
Purchase originations (000s of loans)	4,917	4,876	4,446	4,374	4,494
Refinance originations (000s of loans)	8,780	6,407	2,173	1,649	1,802
Total originations (000s of loans)	13,696	11,283	6,619	6,023	6,296

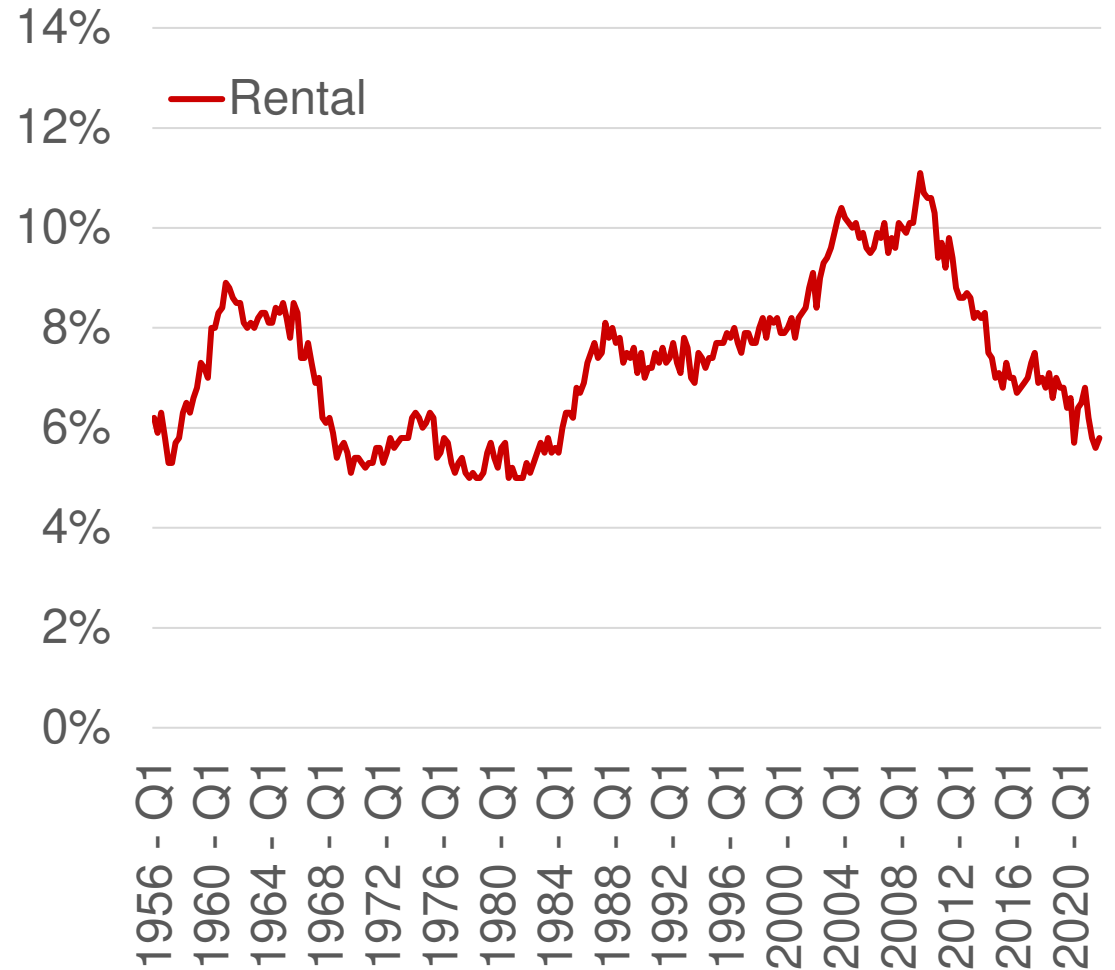
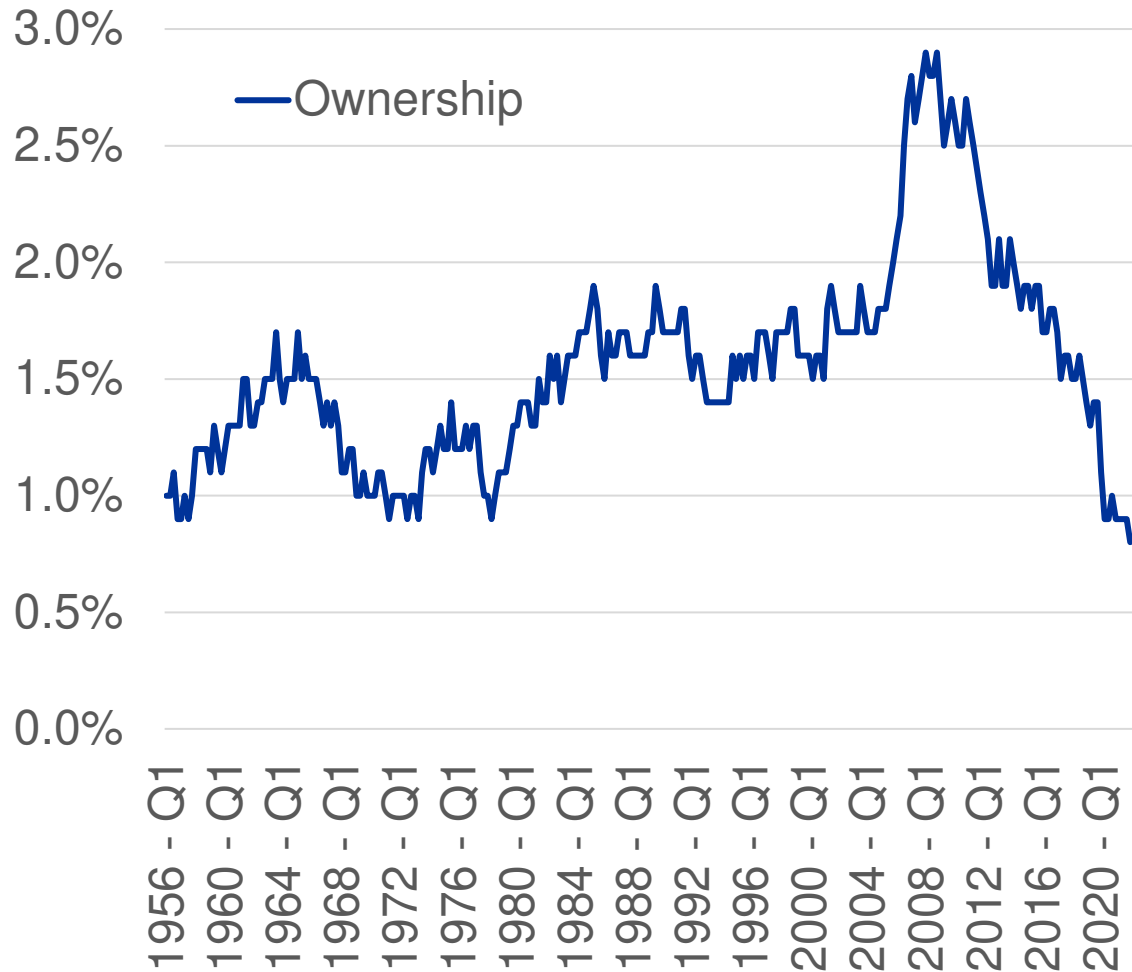
Ownership and Rental Vacancy Rates



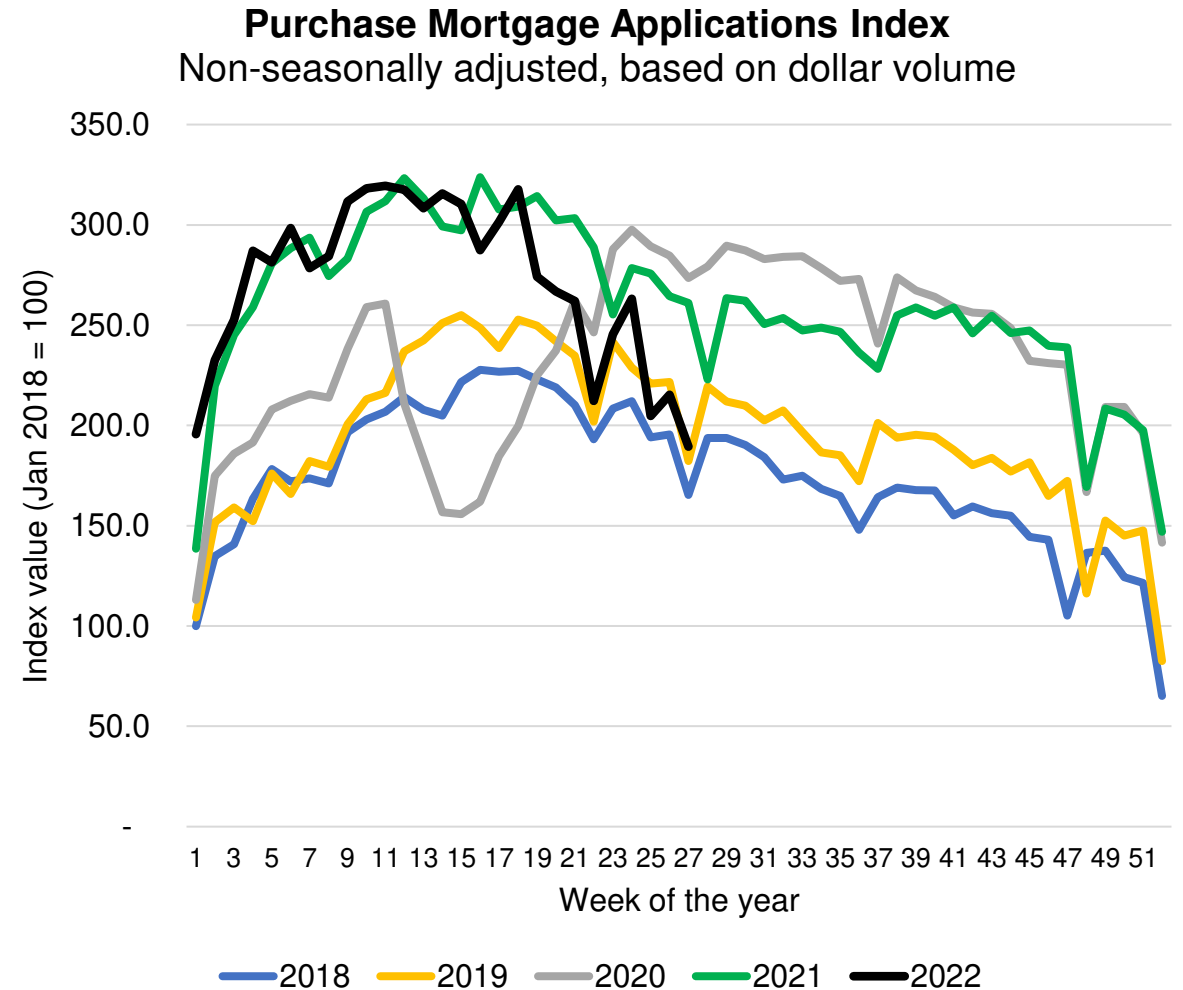
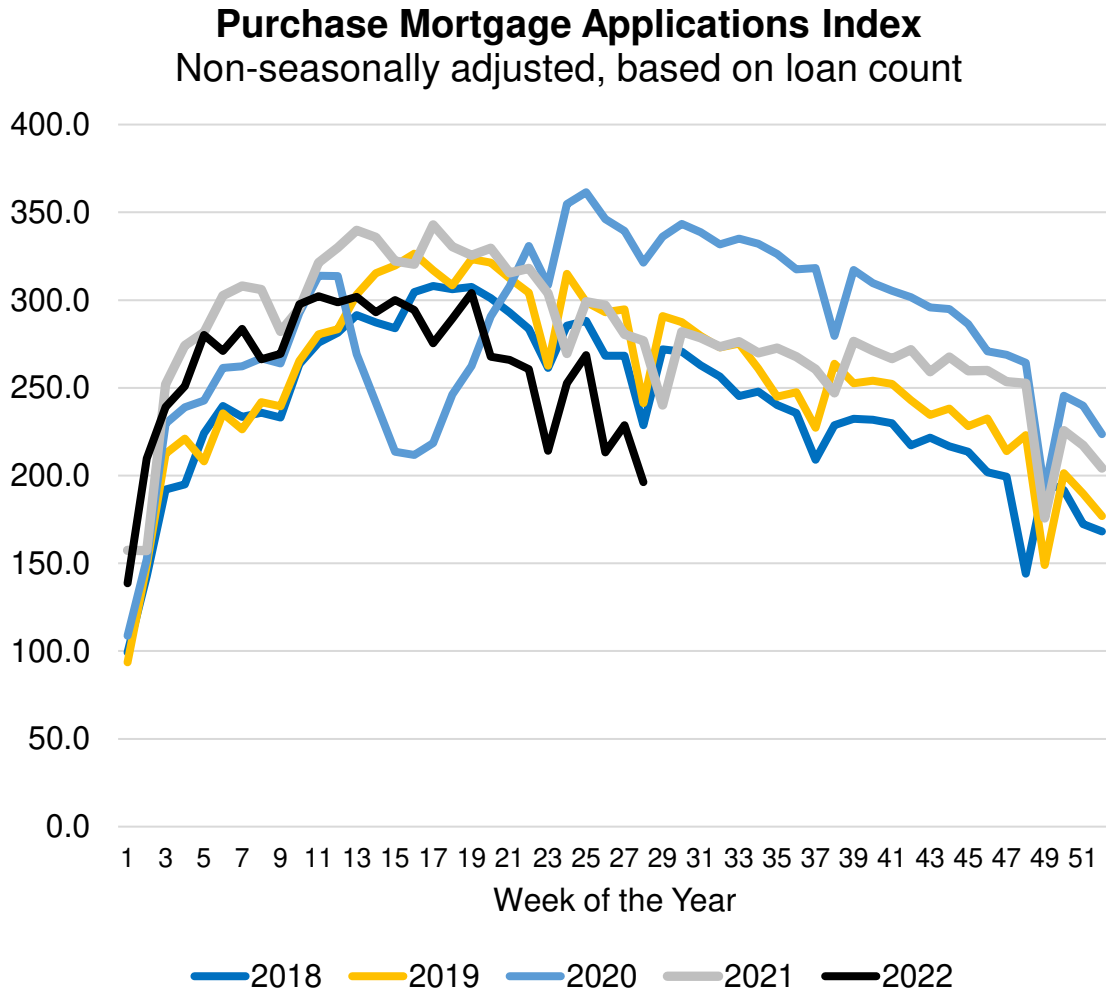
Refinance Applications Down Sharply



Ownership and Rental Vacancy Rates

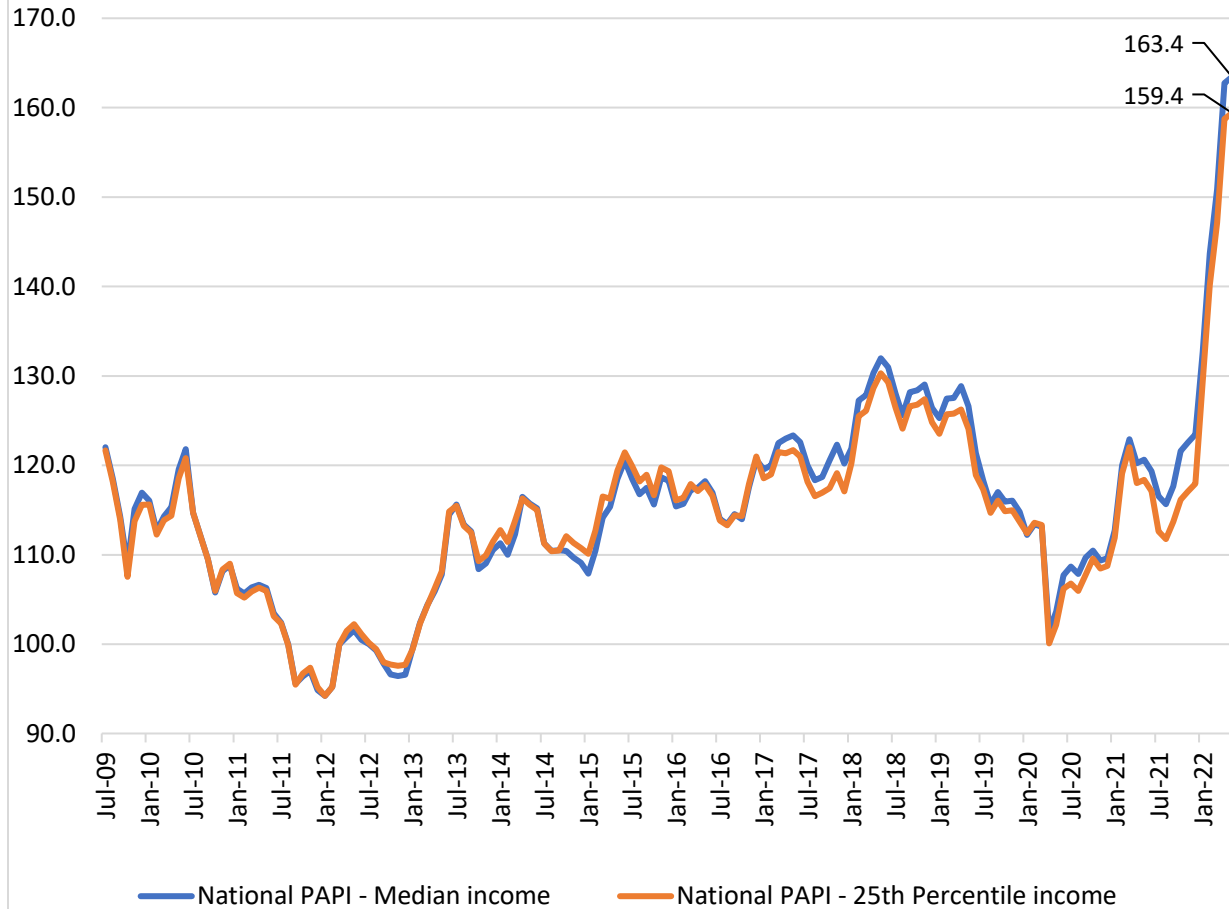


Purchase Applications (#) Lag 2021's Levels, Dollar Volume Starting to Weaken

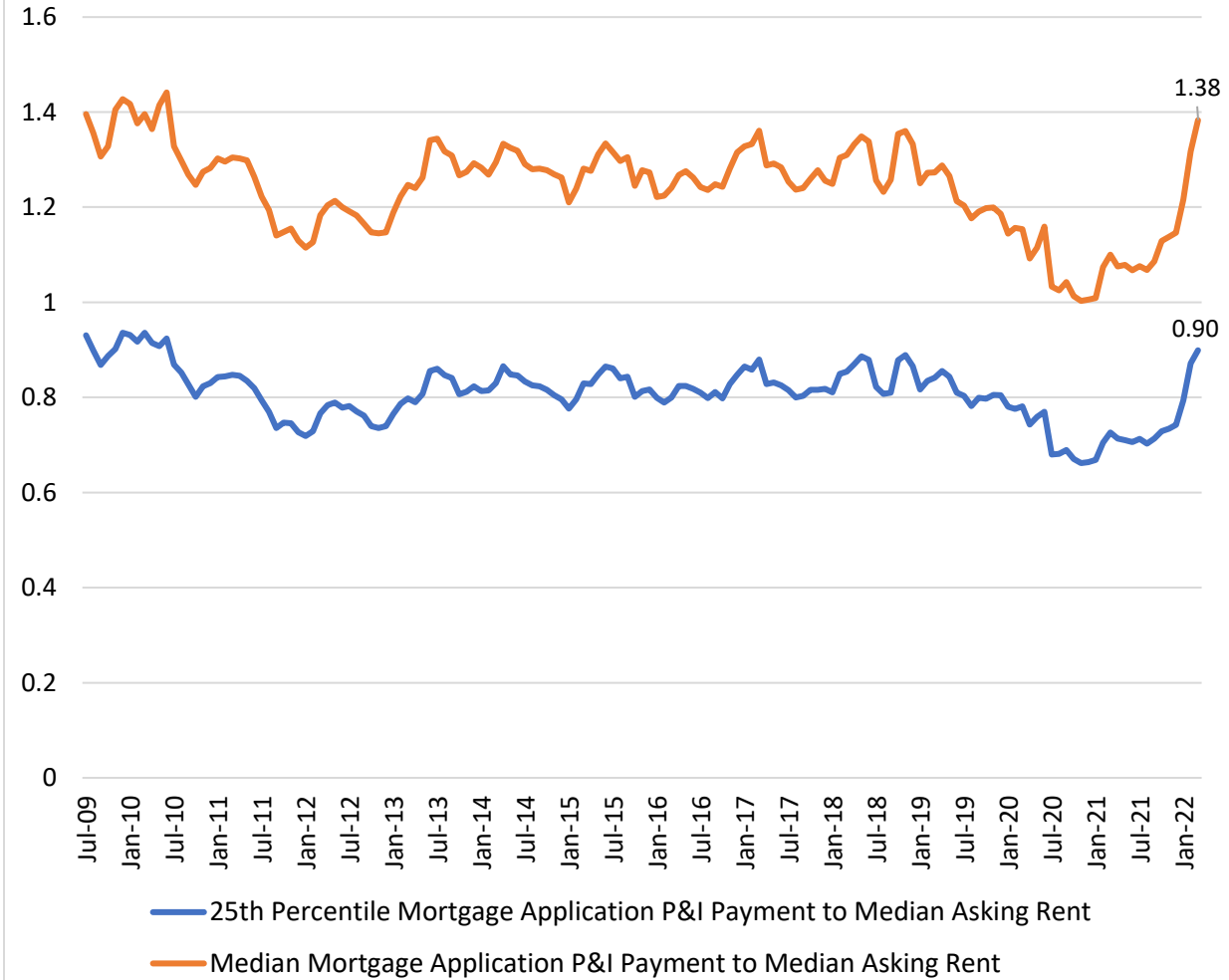


Measuring Homeowner Affordability: Payment/Income and Payment/Rent

Purchase Applications Payment Index for All U.S.
(March 2012 = 100)

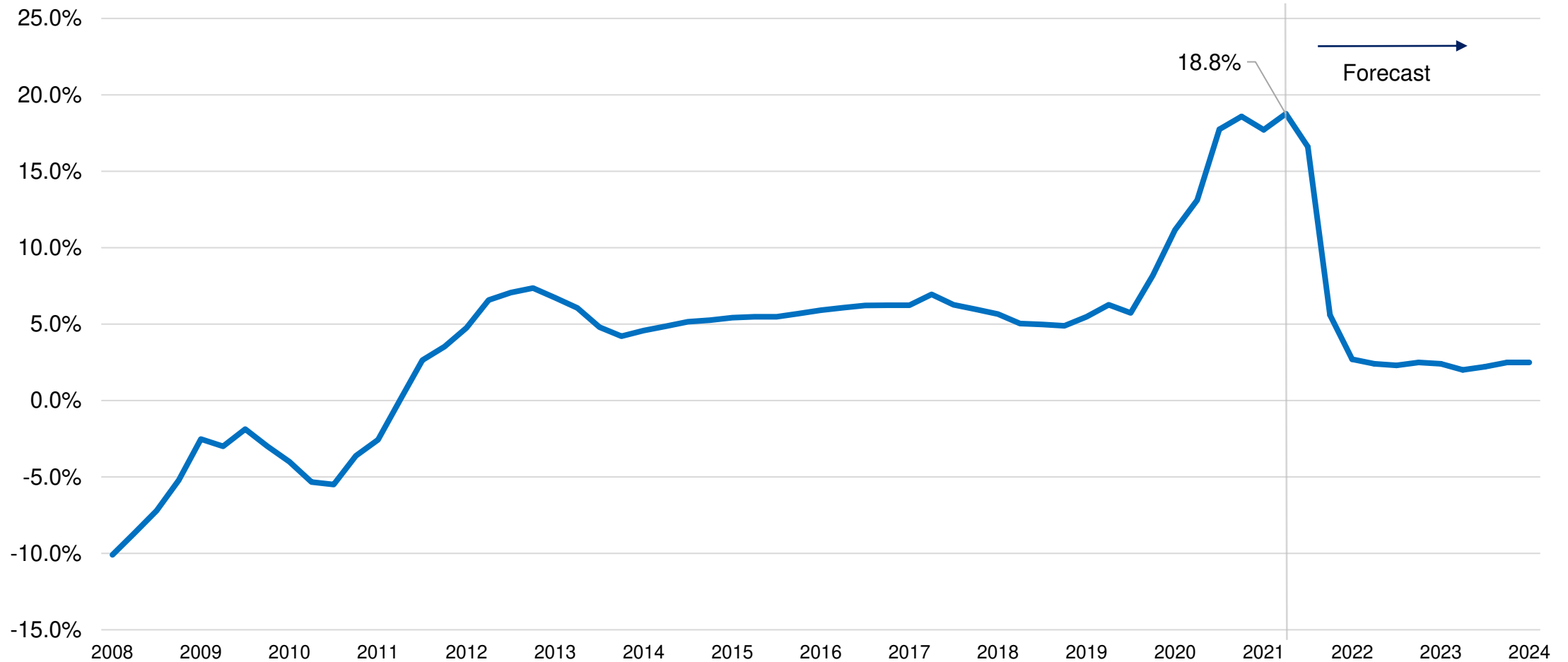


Mortgage Payment to Rent Ratio



Home Price Growth to Moderate as Demand Cools

FHFA Purchase Only House Price Index, MBA Forecast
Non-seasonally adjusted, year over year change



Existing Inventory Beginning to Increase

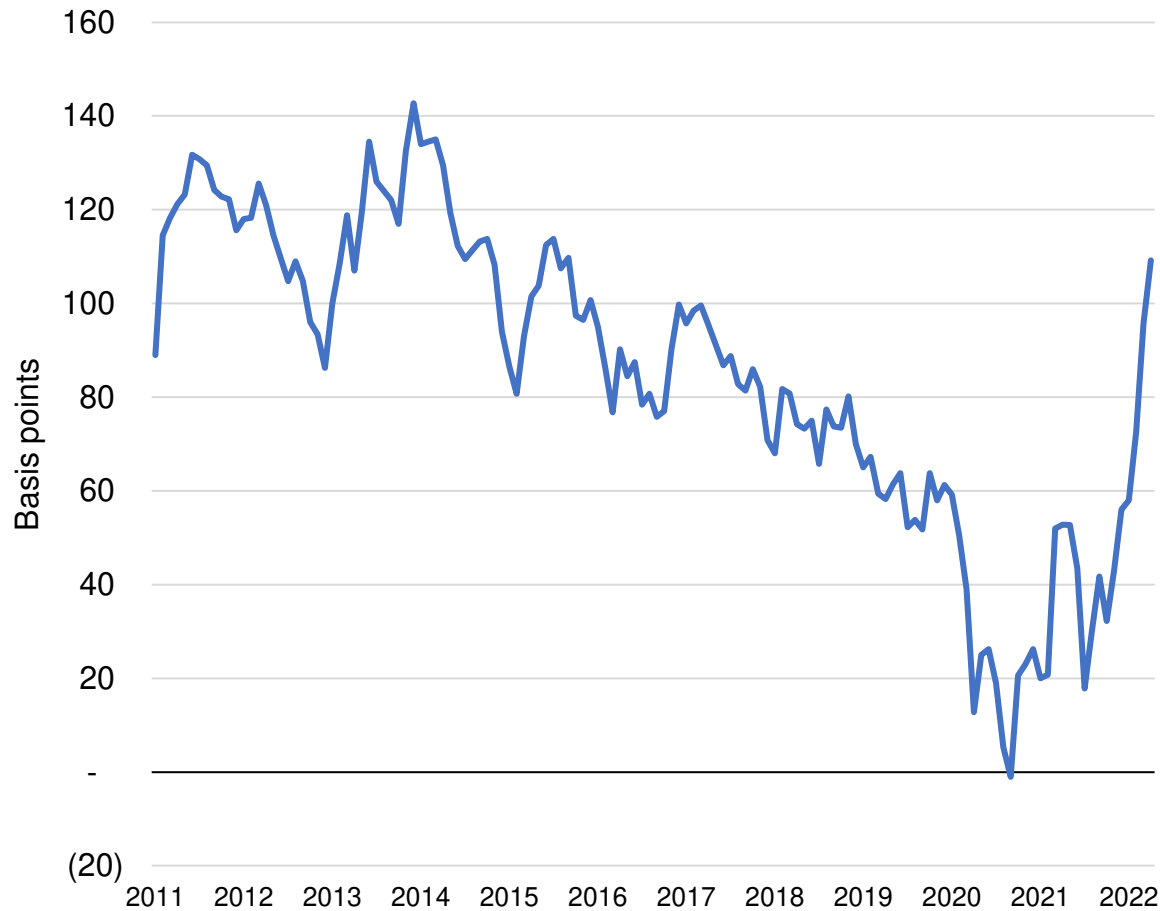


Source: Citi analysis of Realtor.com data, June 2022



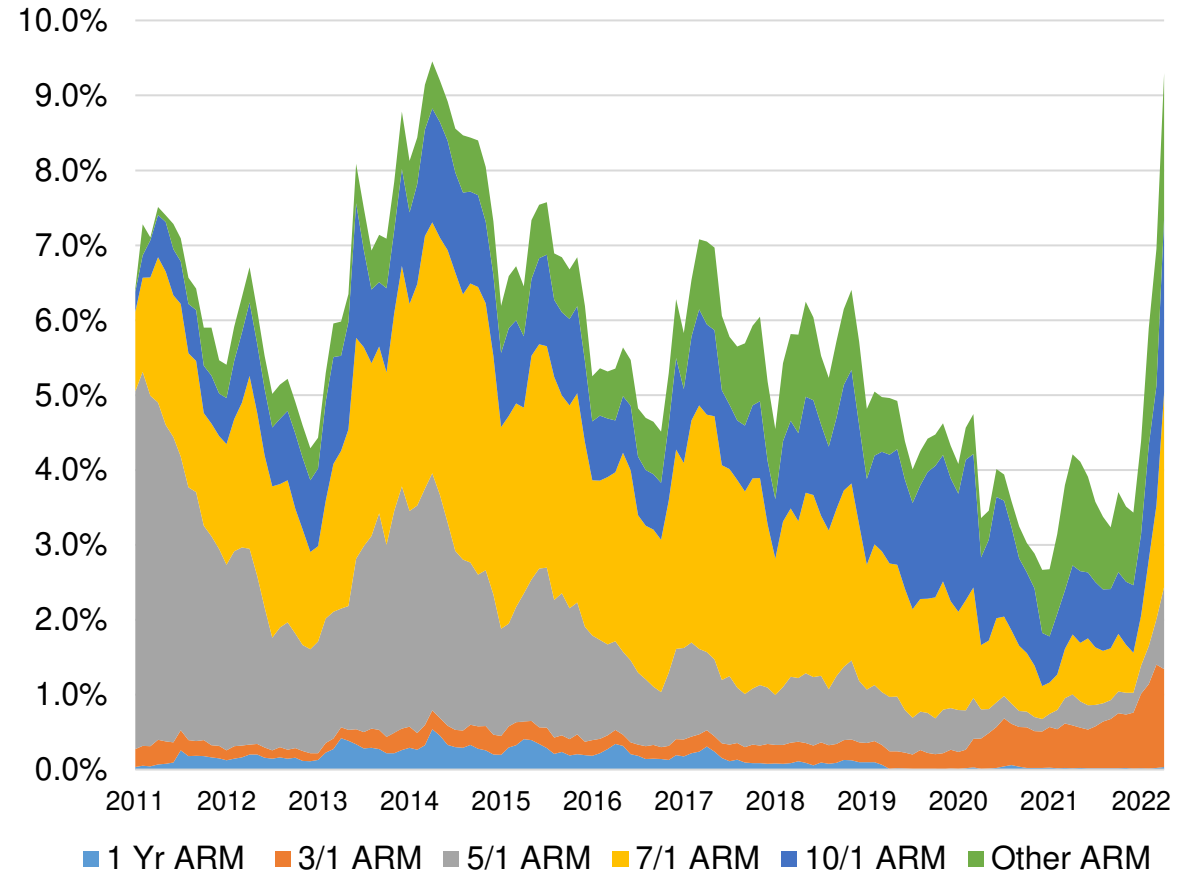
ARM Loan Applications Increasing

30-Year Fixed vs 5/1 ARM Rate Spread

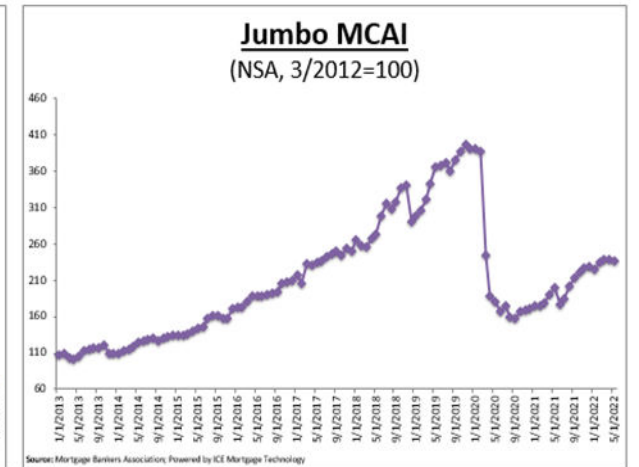
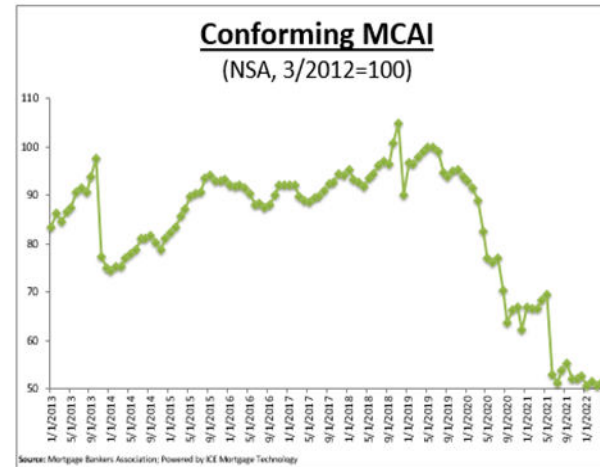
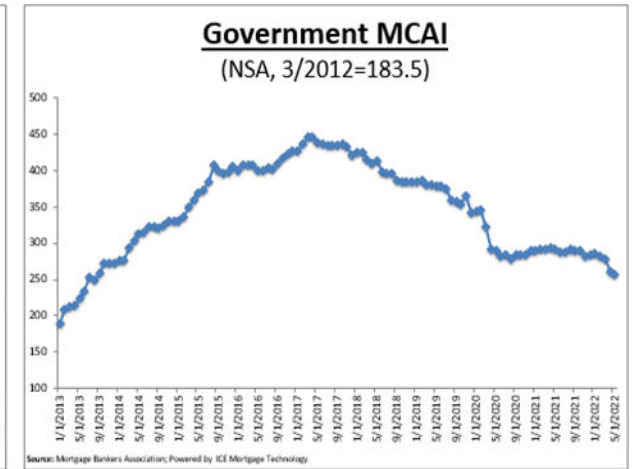
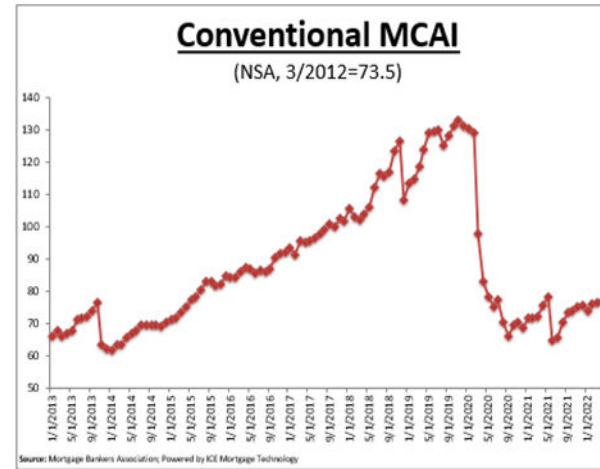
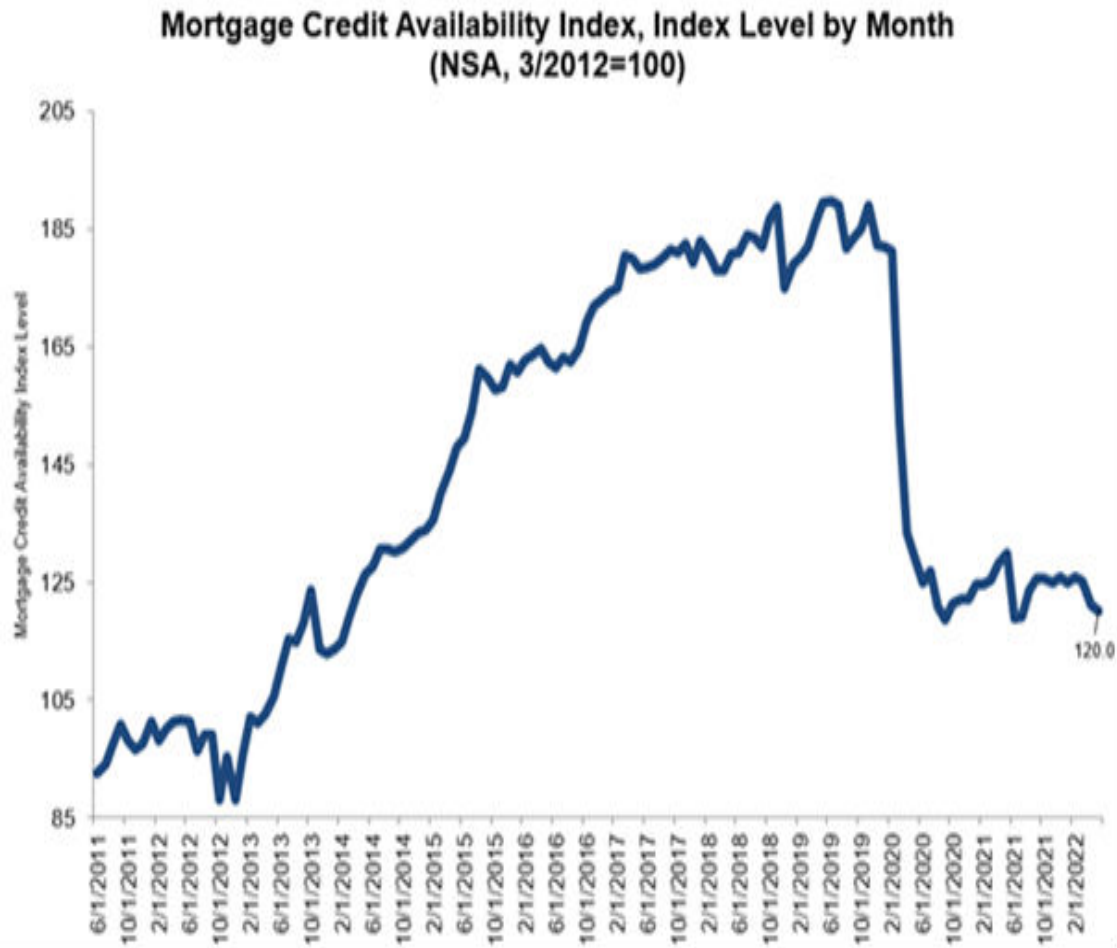


ARM Loans as Share of Home Purchase Applications

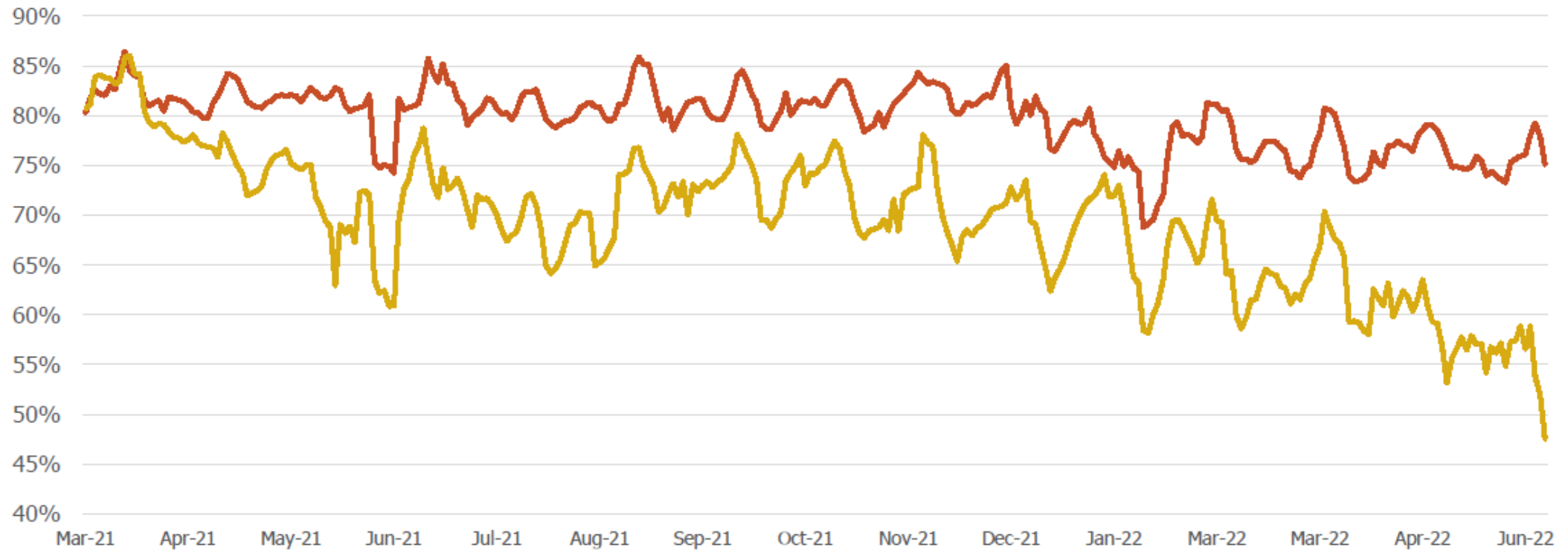
NSA, based on loan count



Credit Availability Remains Tight



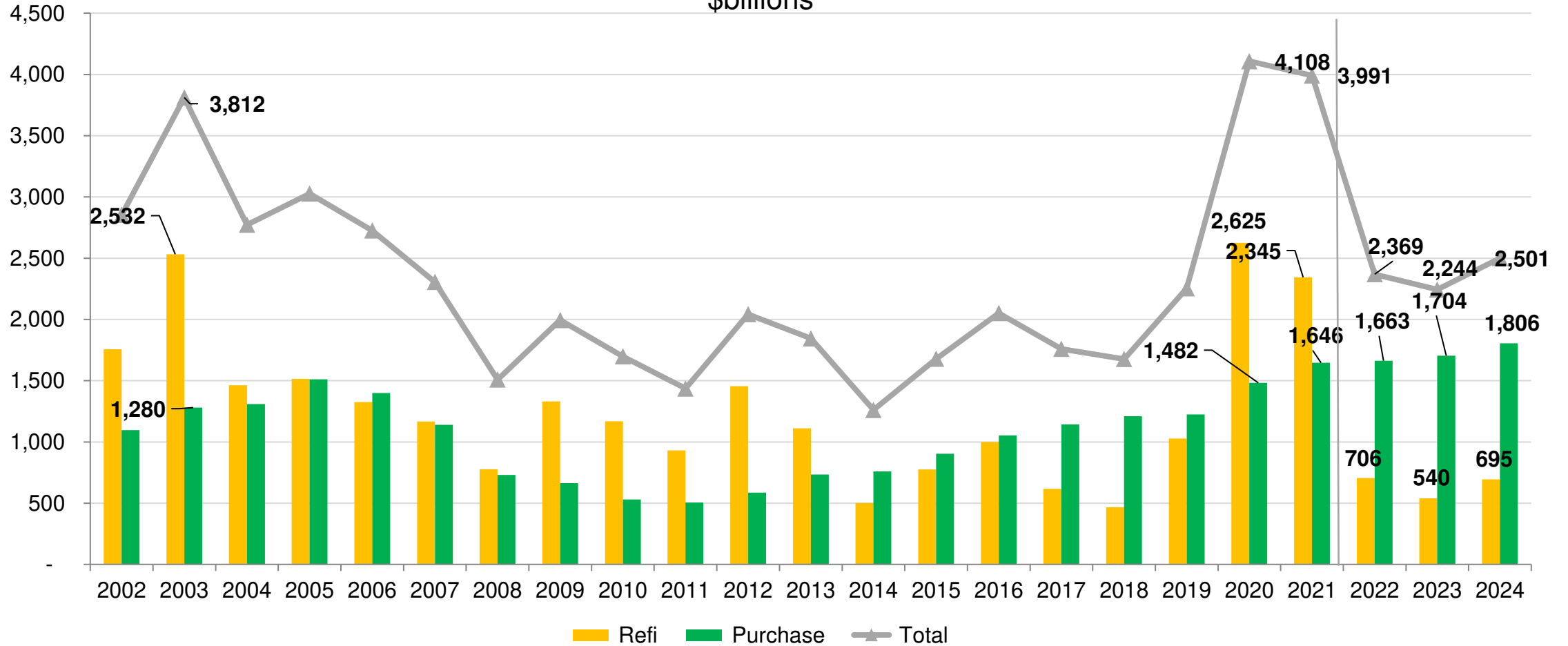
Pull-through Rates: Sharp Decline for Refis, Less So for Purchase



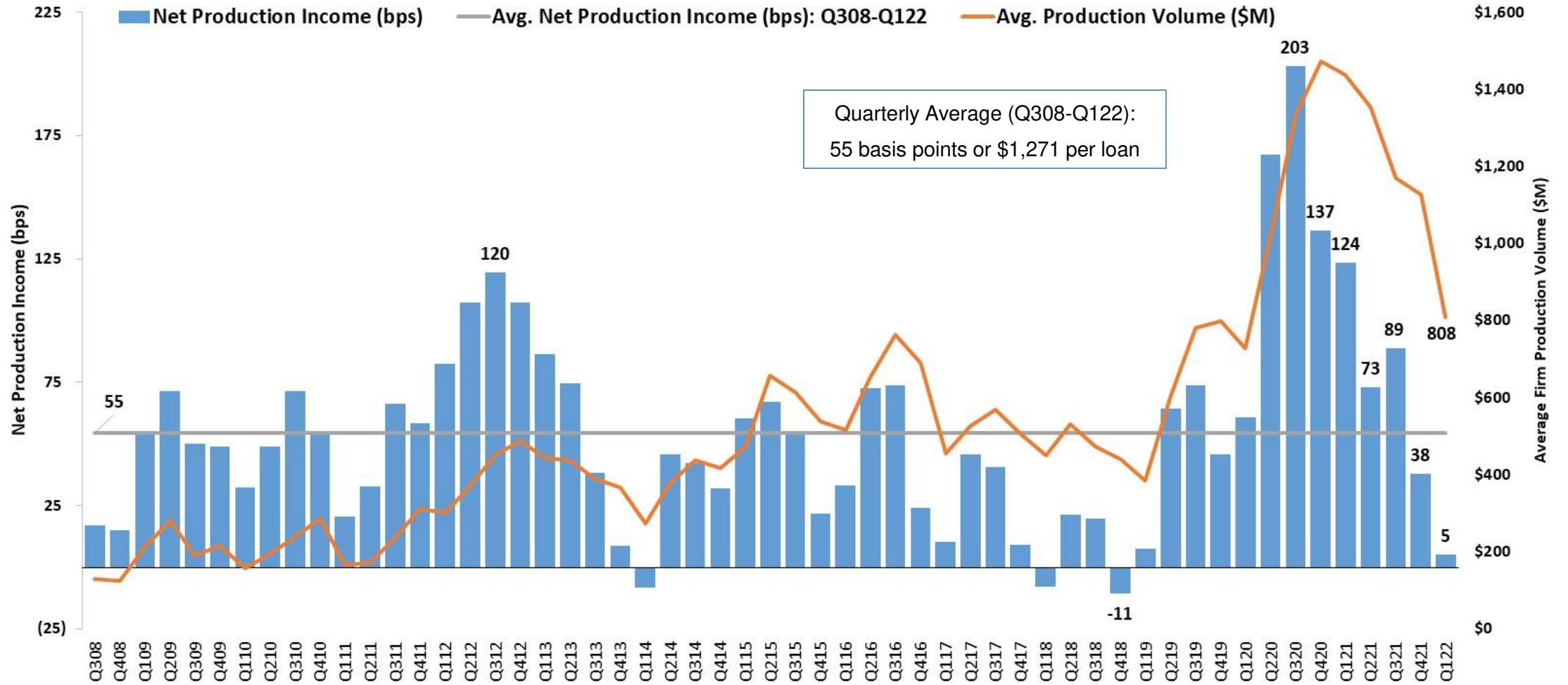
Pull-through Rate (5-Day Moving Average)	Current Rate	1-Day Delta	7-Day Delta	4-Week Delta
— Purchase Pull-through	75.1%	(281 bps)	(80 bps)	(108 bps)
— Refi Pull-through	47.6%	(441 bps)	(1130 bps)	(559 bps)

Originations to Decline More than 40% in 2022

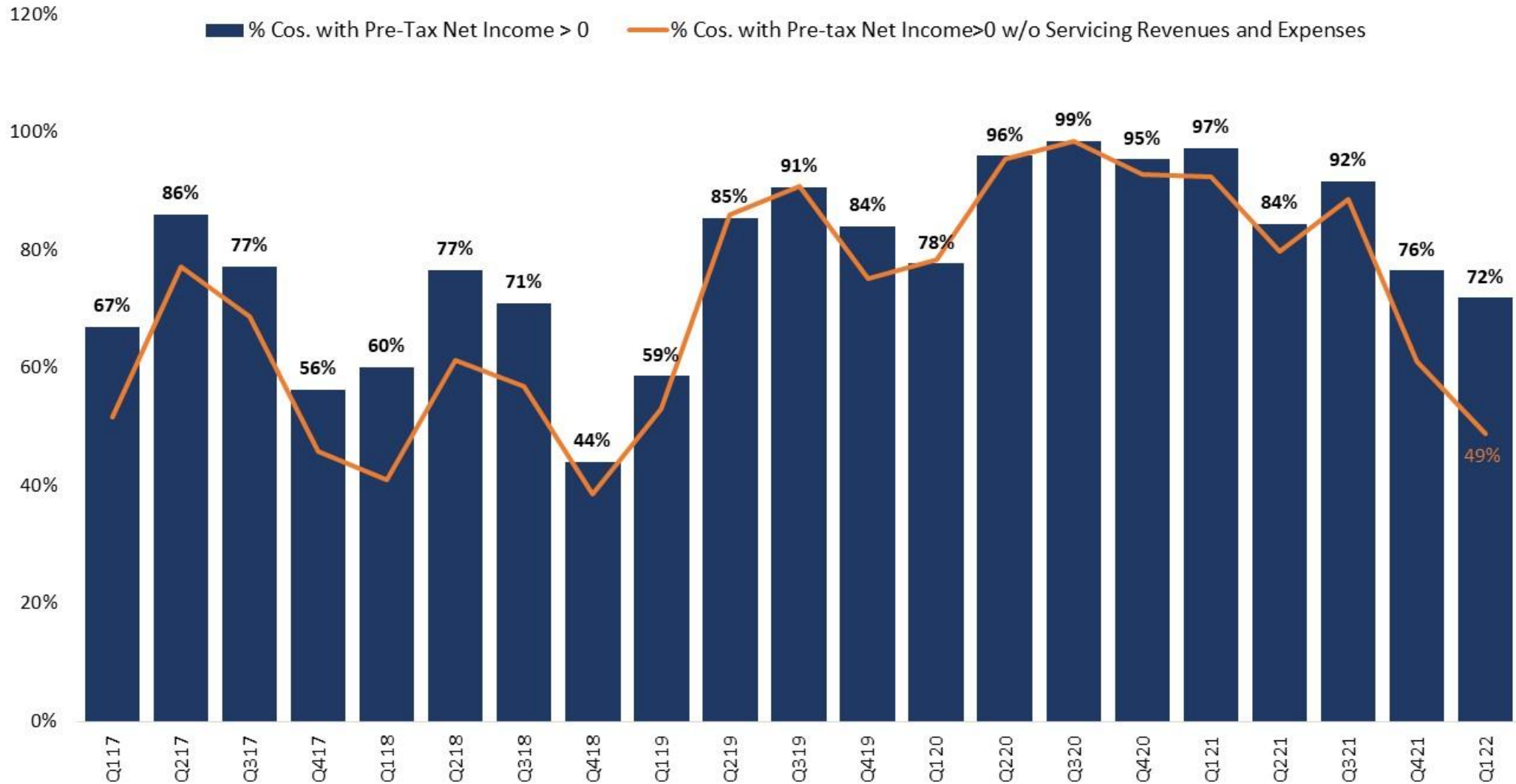
Mortgage Originations History and Forecast
\$billions



IMB Net Production Profits Drop in Q2 2022; Lowest Since Q4 2018



72% of IMBs Profitable on Pre-Tax Basis in Q1 2022



Q1 2022 Warehouse Lending Survey Year-Over-Year Results Show Changing Market Conditions

OUTSTANDING BORROWINGS (\$000s):

SIMPLE AVERAGE BASED ON MONTH-END:

Warehouse Lines for First Mortgages Held for Sale:

- Outstanding Borrowings (\$000s)
- First Mortgages - Purchase (%)
- First Mortgages - Refinance (%)
- Total Debt Facility Limit/Sublimit (\$000s)
- Usage Level (%)
- Total # of Active Borrowers
- Average Outstandings (\$000s) per Active Borrower
- Average Debt Facility (\$000s) per Active Borrower













Maximum Debt Facility Offered to One Borrower (\$000s)

Average Days in Warehouse

COVENANT NON-COMPLIANCE RATE:

- % of Active Borrowers Non-Compliant with One or More Covenants*
- Number of Companies Reporting No Covenant Violations

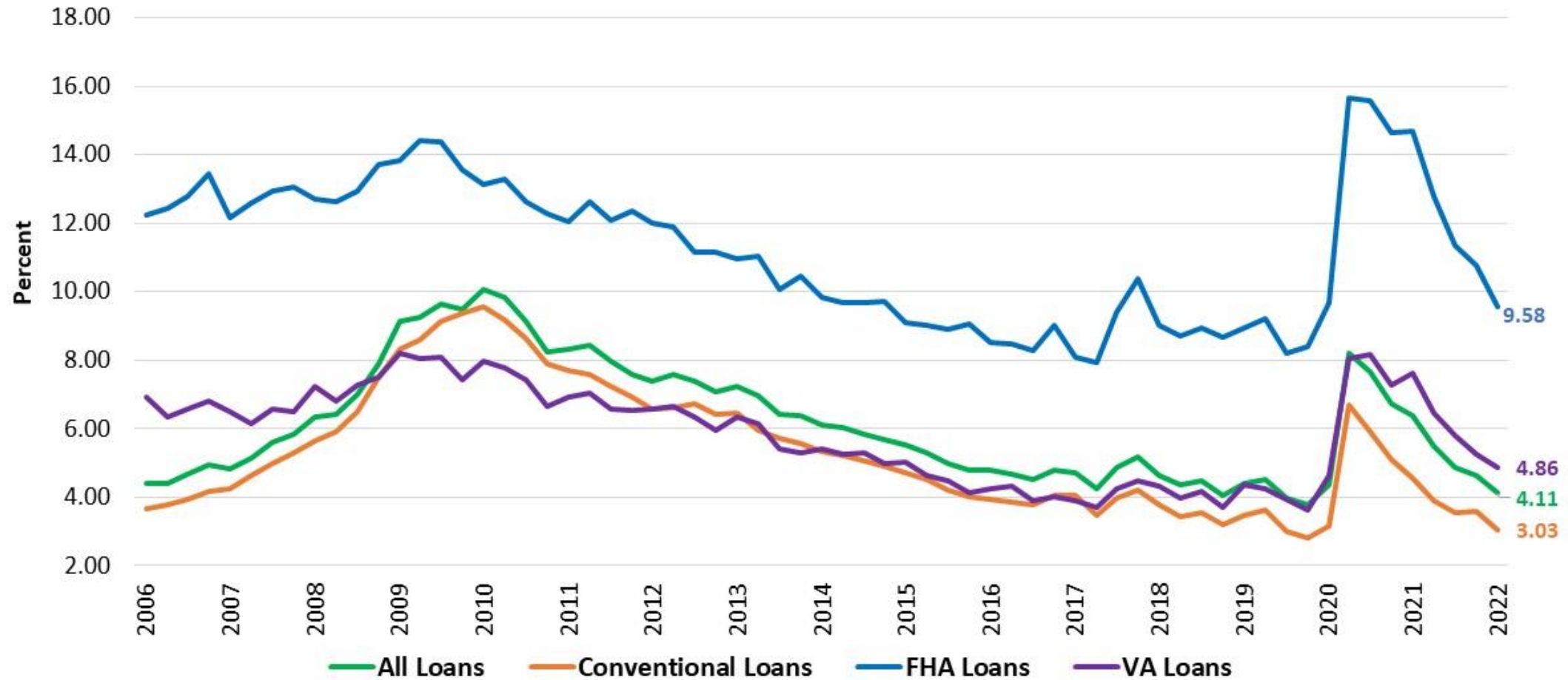
**Excludes zero reporters; Reflects previous quarter's financials*

	YEAR-OVER-YEAR:		
	MARCH 2022	MARCH 2021	SAMPLE SIZE (MARCH 2022)
 Outstanding Borrowings (\$000s)	\$1,244,120	\$2,554,524	28
 First Mortgages - Purchase (%)	63.84	38.03	27
 First Mortgages - Refinance (%)	36.16	61.97	27
 Total Debt Facility Limit/Sublimit (\$000s)	\$3,659,746	\$4,300,049	28
 Usage Level (%)	30.33	52.75	28
 Total # of Active Borrowers	82	73	28
 Average Outstandings (\$000s) per Active Borrower	\$23,141	\$42,158	28
 Average Debt Facility (\$000s) per Active Borrower	\$64,732	\$71,317	28
 Maximum Debt Facility Offered to One Borrower (\$000s)	\$297,786	\$263,896	28
 Average Days in Warehouse	15.2	14.9	28
 % of Active Borrowers Non-Compliant with One or More Covenants*	9.81	5.00	21
 Number of Companies Reporting No Covenant Violations	7	10	28

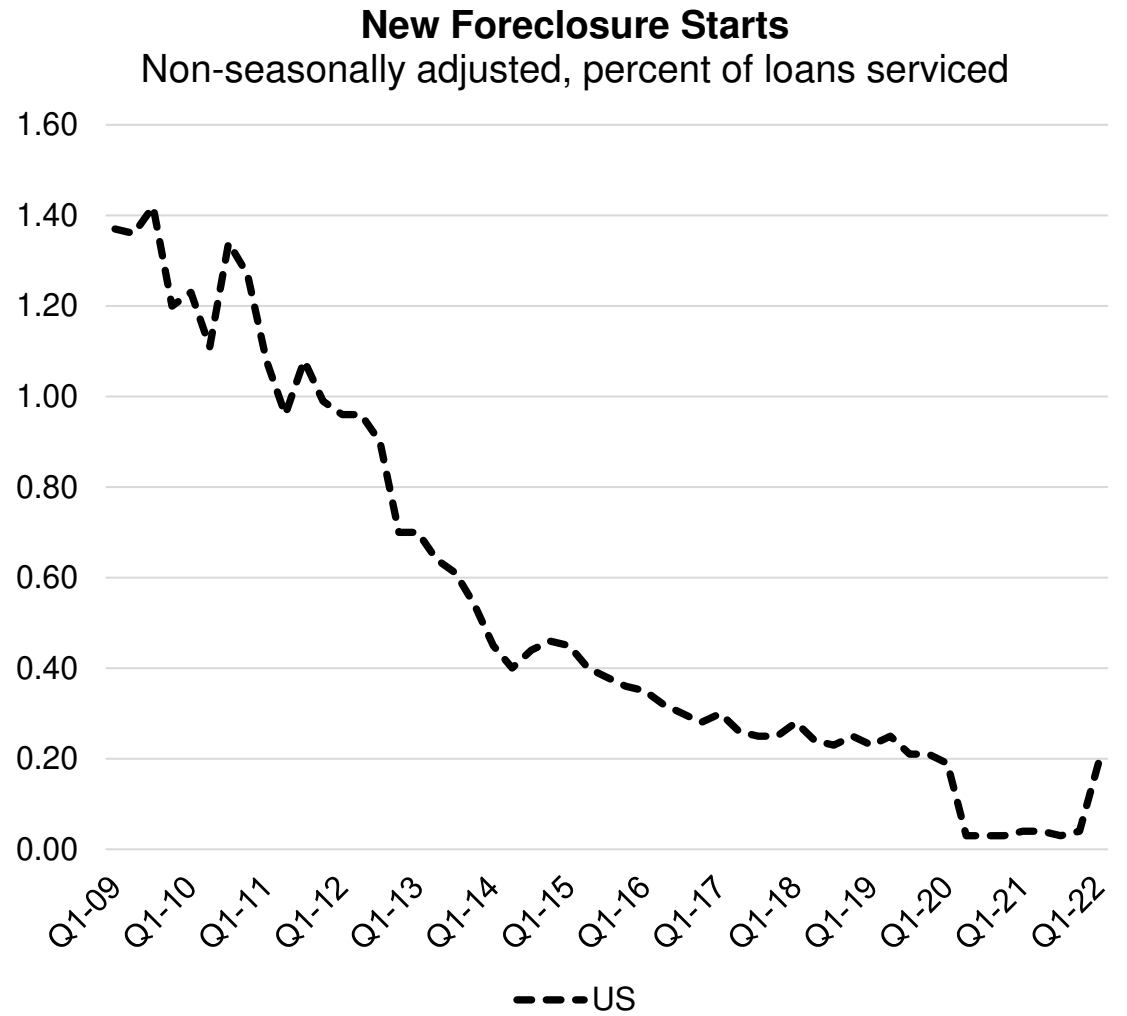
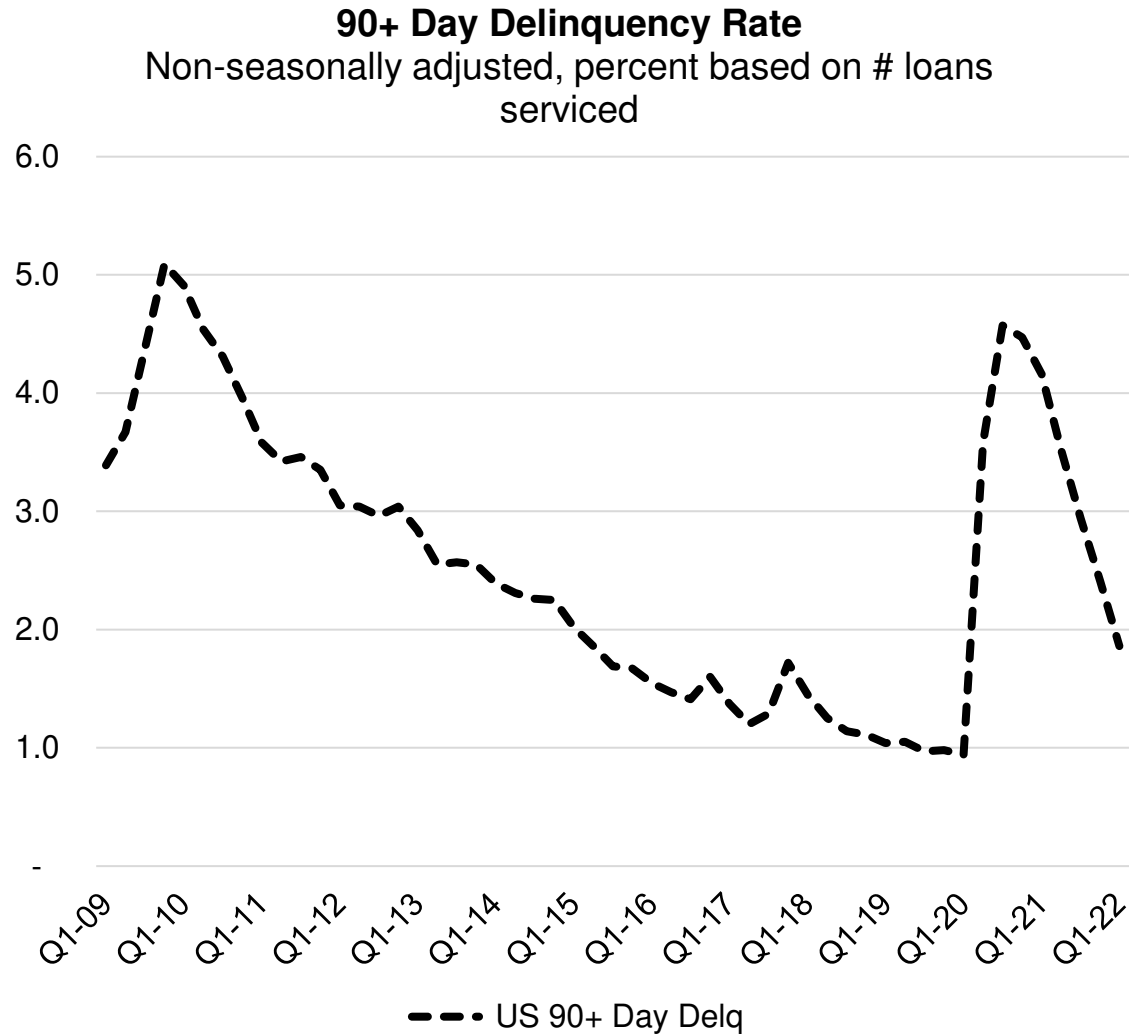
Mortgage Delinquency Rates Still Dropping Across All Loan Types

Mortgage Delinquency Rates by Loan Type

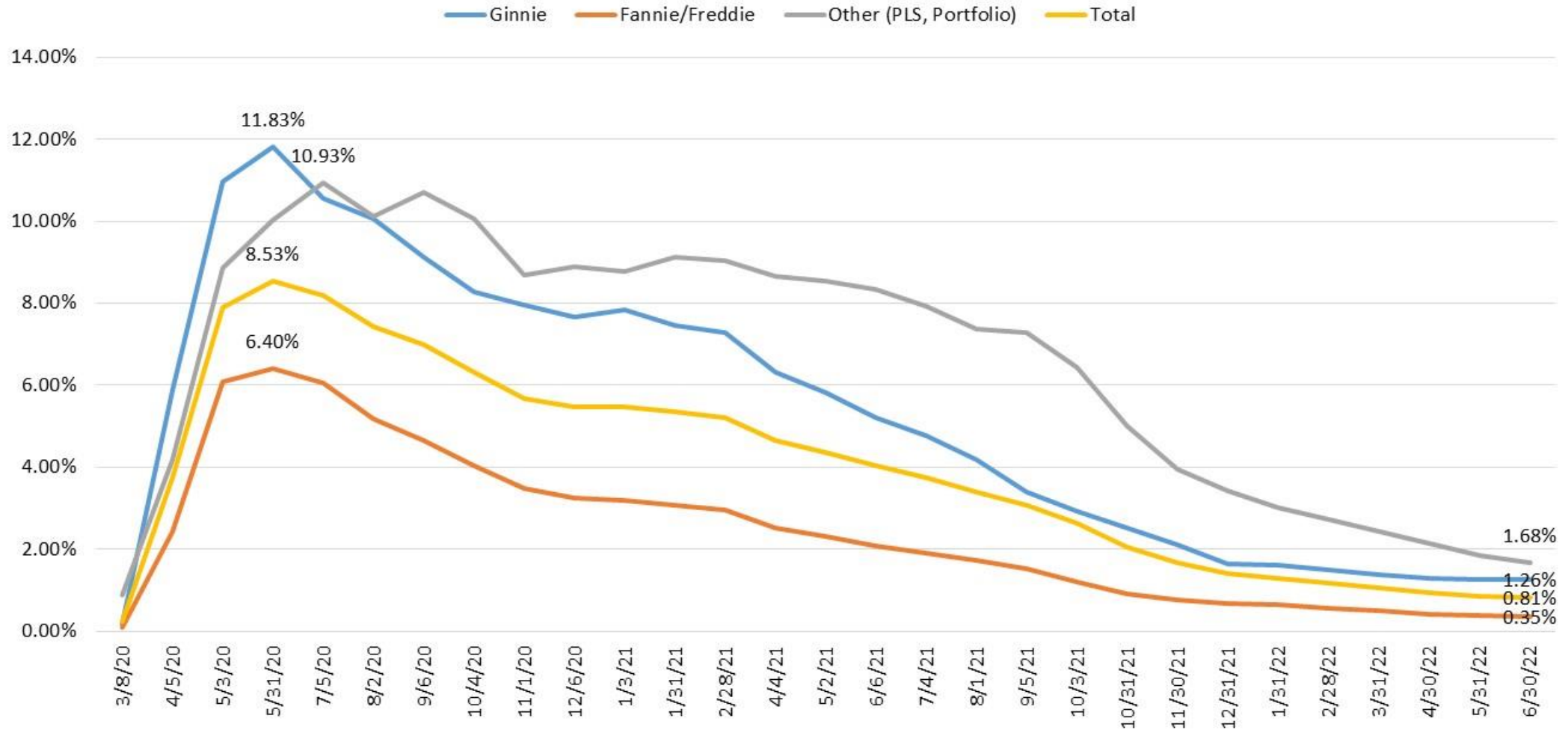
Seasonally adjusted, based on loan counts, excludes loans in foreclosure



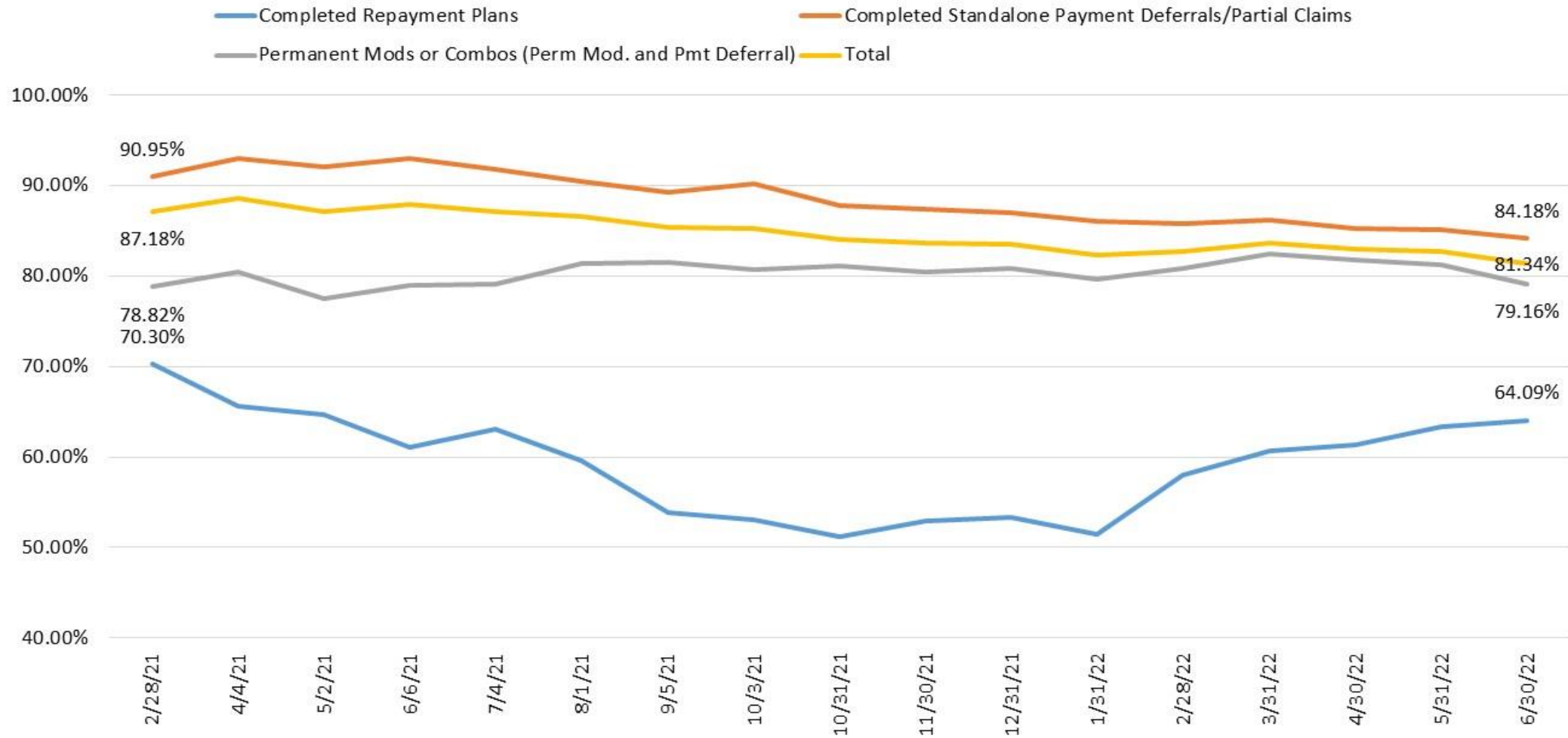
Delinquency Rates Declining, Foreclosure Starts Up from Low Level



% of Servicing Portfolio in Forbearance by Investor Type Over Time (Full Sample)



Total Completed Loan Workouts in 2020 or After: % Current at End of Reporting Period



Contact Information and MBA Resources

Mike Fratantoni, Ph.D

Chief Economist & Senior Vice President | Research and Industry Technology

(202) 557-2935

mfratantoni@mba.org

MBA Research:

www.mba.org/research

RIHA:

www.housingamerica.org