

KEEPING CURRENT MATTERS

February 2022





Homeownership as a Hedge Against Inflation

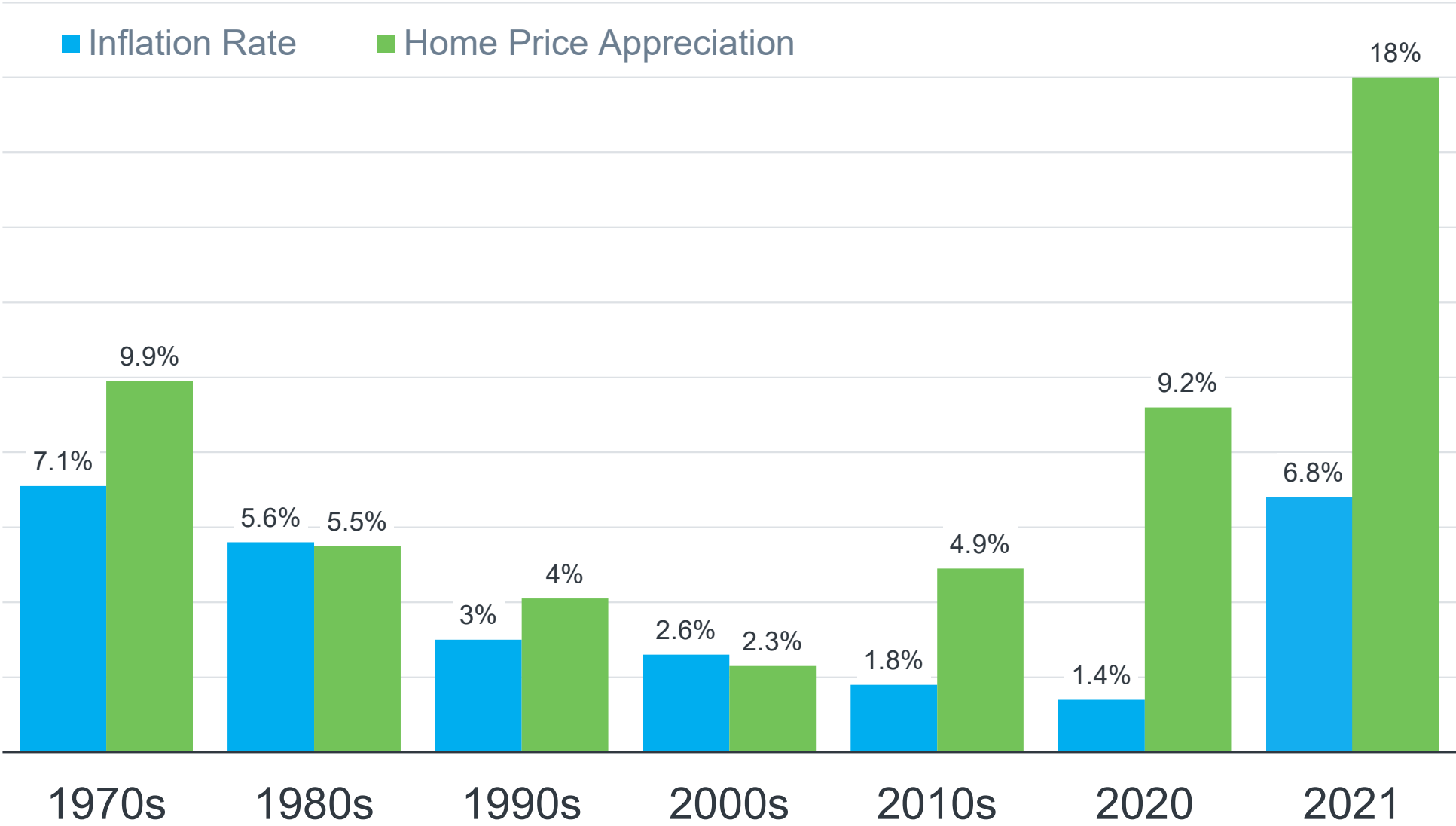


Real estate is one of the time-honored inflation hedges. It's a tangible asset, and those tend to hold their value when inflation reigns, unlike paper assets. More specifically, as prices rise, so do property values.

- **Mark P. Cussen**, Financial Writer, Investopedia

Homeownership: a Hedge Against Inflation

Home Price Appreciation vs. Consumer Price Increases over the Decades



Source: NAR, CoreLogic, Consumer Price Index

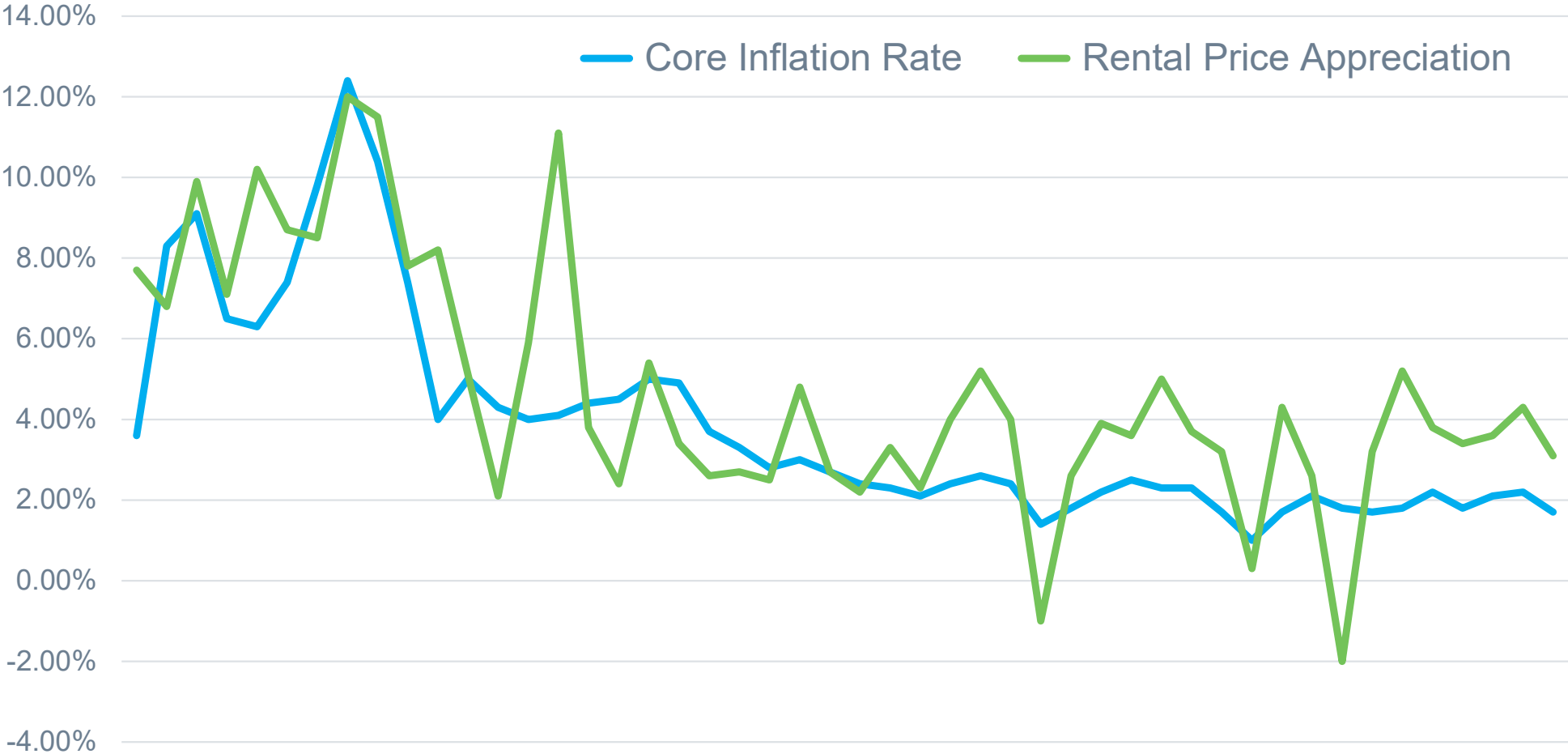


A fixed-rate mortgage allows you to maintain the biggest portion of housing expenses at the same payment. Sure, property taxes will rise and other expenses may creep up, but your monthly housing payment remains the same. **That's certainly not the case if you're renting.**

- **James Royal**, Senior Wealth Management Reporter, Bankrate

Rent Increase Greater Than Inflation Most Years

Rental Price Appreciation and Core Inflation Rate from 1973 – 2020



Source: iProperty Management and U.S. Inflation Calculator

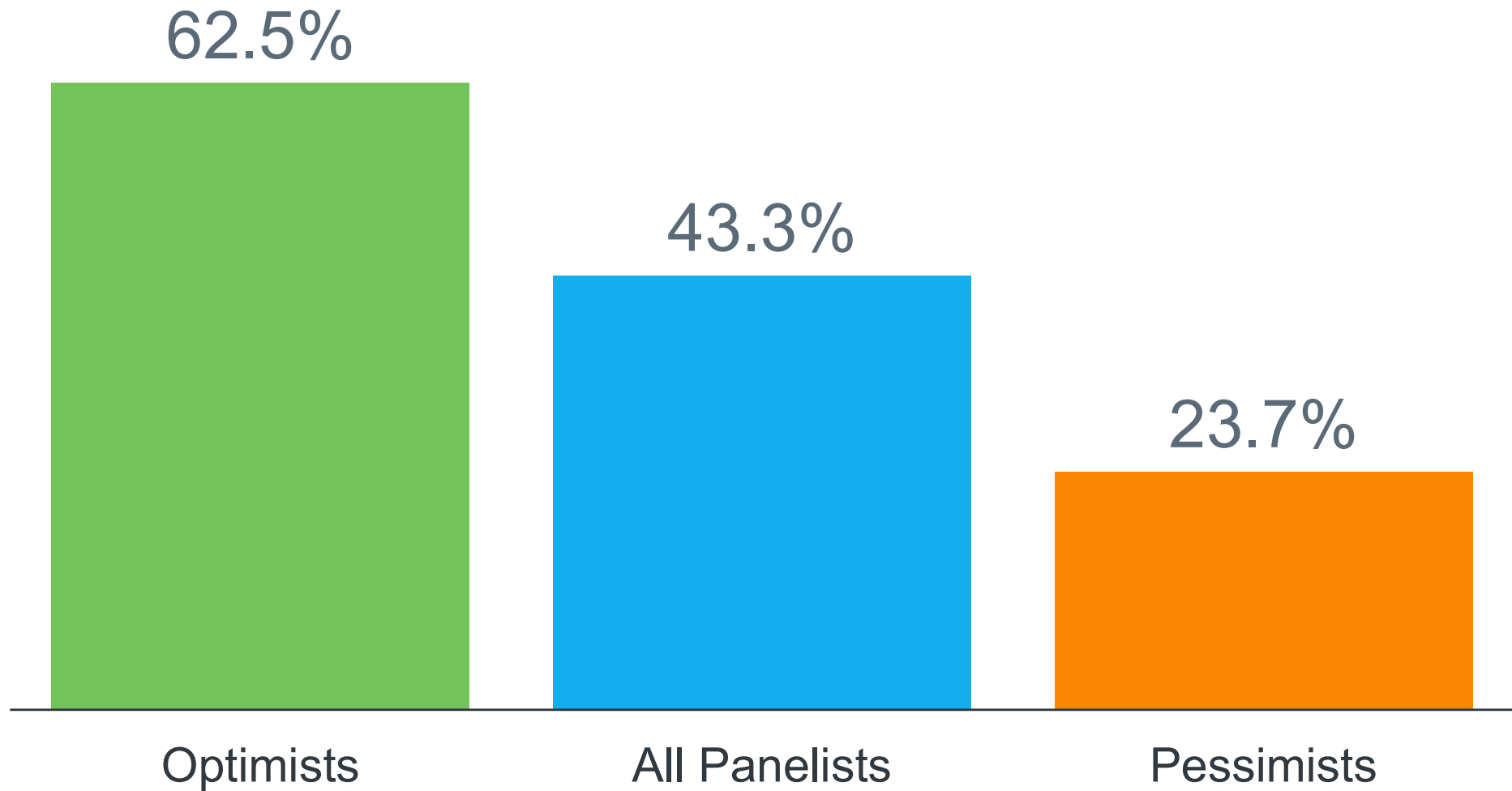


Homeowners are shielded from mounting rental prices because their cost is fixed, regardless of what's happening in the market. . . . Tangible assets like real estate get more valuable over time, which makes buying a home a good way to spend your money during inflationary times.

- **Natalie Campisi**, Advisor Staff, Forbes

Cumulative House Appreciation by 2026

As forecasted in Q4 2021





Mortgage Rates

Mortgage Rates Remain Unchanged from Last Week

February 3, 2022

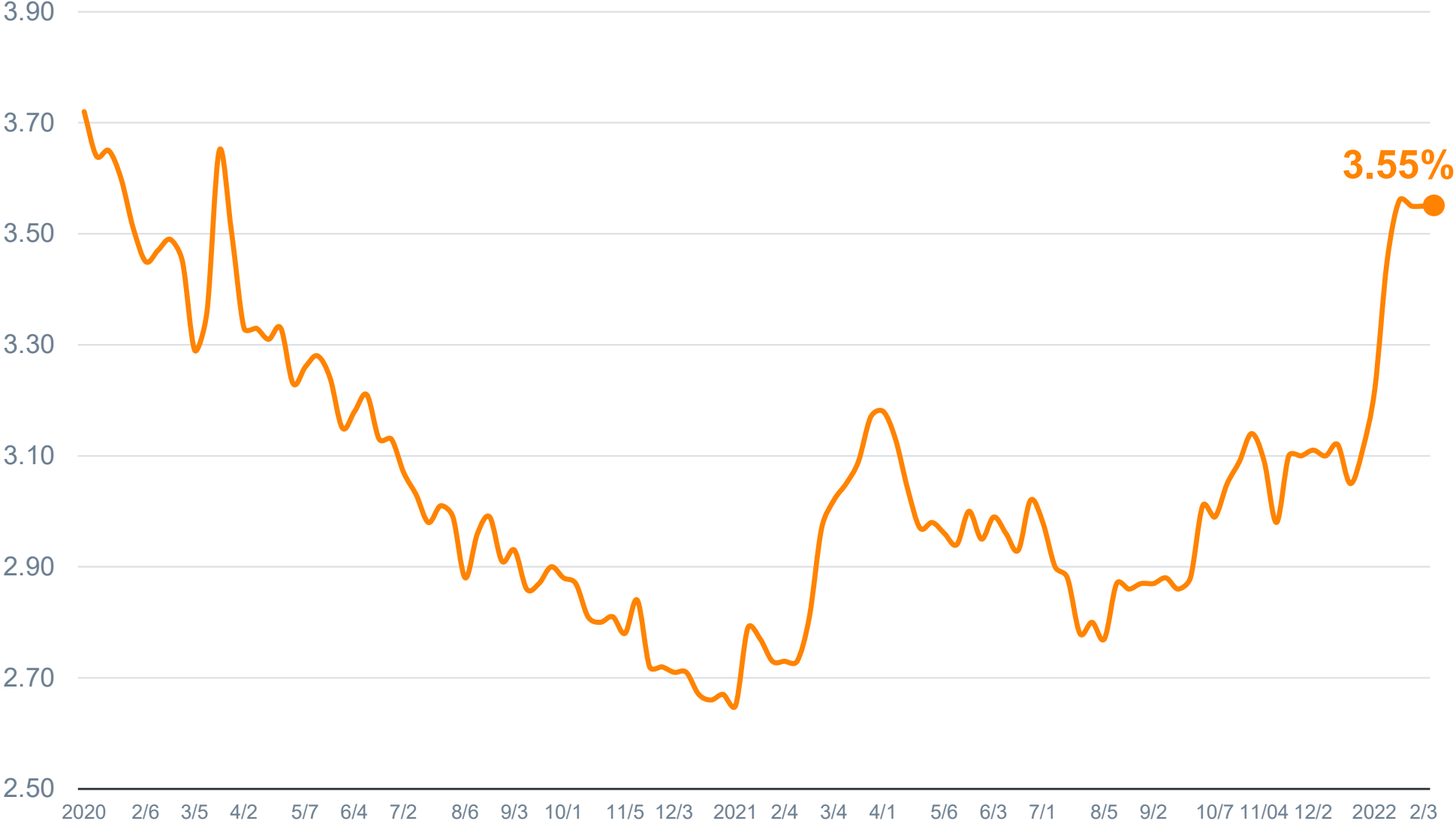
Sam Khater, Chief Economist, Freddie Mac:

“The economy lost some momentum in January, leaving mortgage rates unchanged from last week and relatively flat for the third consecutive week. This stagnation reflects the economic impact of the Omicron variant of COVID-19, which we believe will subside in the coming months. As economic recovery continues going into the spring and summer, mortgage rates are expected to resume their upward trajectory. In the meantime, recent data suggests that homebuyer demand continues to be elevated as supply remains low, driving higher home prices.”

Primary Mortgage Market Survey®					
U.S. Weekly Averages As Of 02/3//2022					
30-Yr FRM		15-Yr FRM		5/1-Yr FRM	
3.55%	0.00 1-Wk	2.77%	▼0.03 1-Wk	2.71%	▲0.01 1-Wk
	▲0.82 1-yr		▲0.56 1-yr		▼0.07 1-yr
0.8 Fees/Points		0.7 Fees/Points		0.2 Fees/Points	

Mortgage Rates

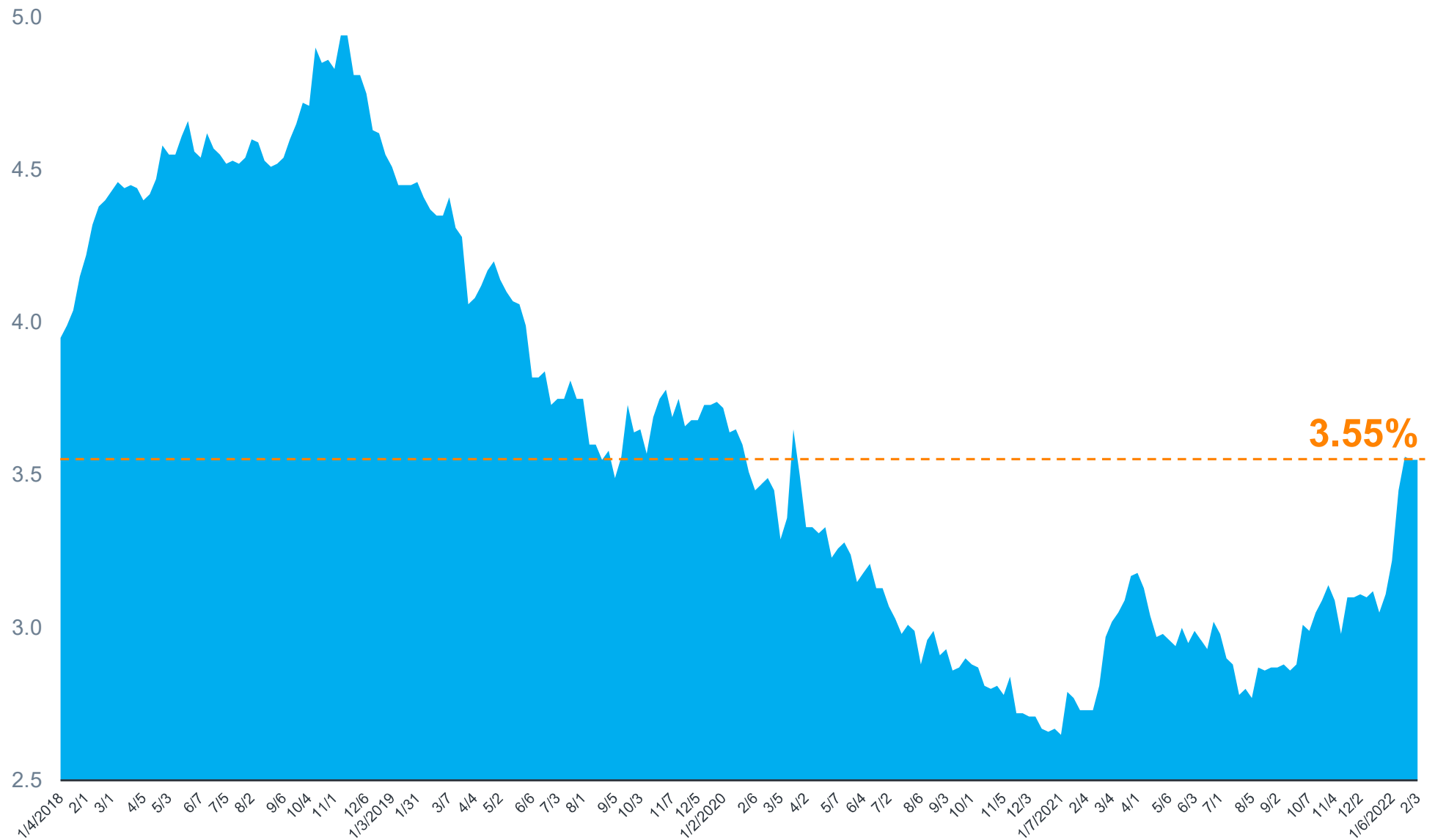
30-Year Fixed Rate, January 2020 – Today



Source: Freddie Mac

Mortgage Rates

30-Year Fixed Rate, January 2018 – Today



Source: Freddie Mac

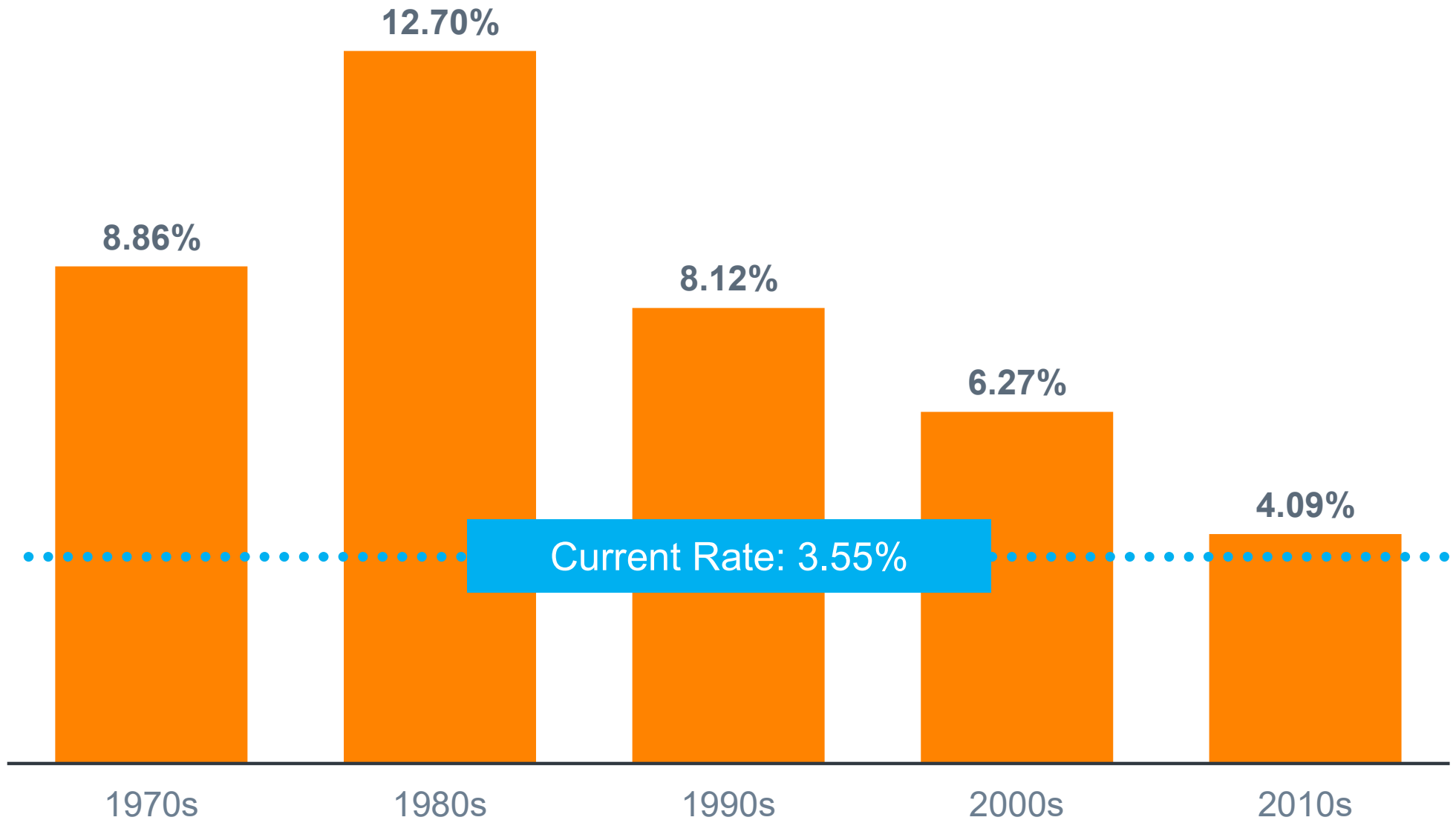


As mortgage rates rise, we do expect some moderation in housing demand, causing house price growth to temper. However, the combination of a large number of entry-level homebuyers facing a shortage of entry-level inventory of homes for sale should keep the housing market competitive...

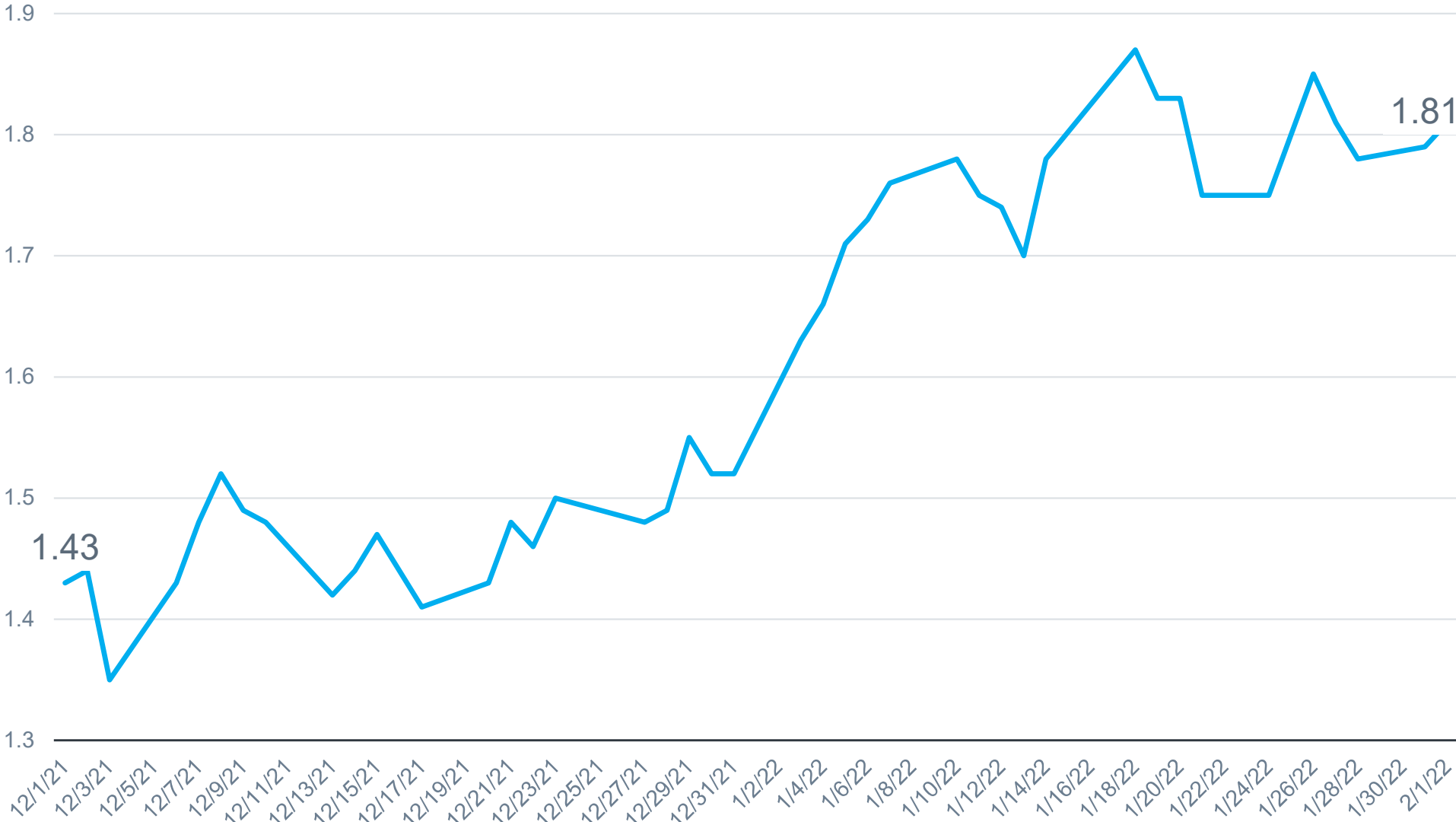
In 2022, we expect purchase originations to grow from \$1.9 trillion in 2021 to \$2.1 trillion in 2022 while refinance activity is anticipated to decrease from \$2.7 trillion in 2021 to \$1.2 trillion in 2022.

- **Sam Khater**, Chief Economist, Freddie Mac

Current Mortgage Rate Compared to the Last Five Decades

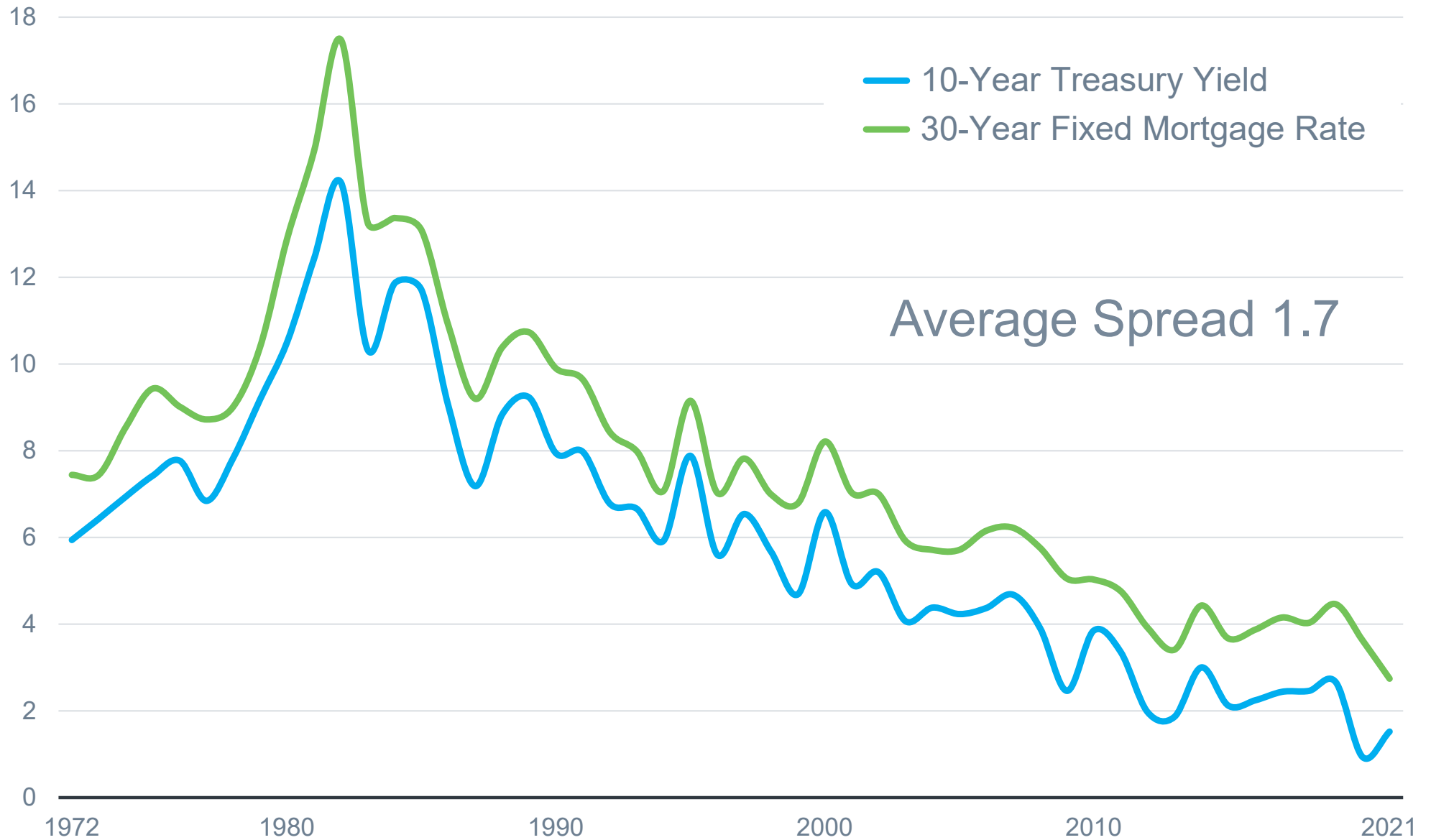


10-Year Treasury Yield Skyrocketing



Source: Macrotrends

The Relationship Between the Mortgage Rate and the 10-Year Treasury Yield over the Last 50 Years





Mortgage rates hit their highest levels since March 2020, leading to the slowest pace of refinance activity in over two years.

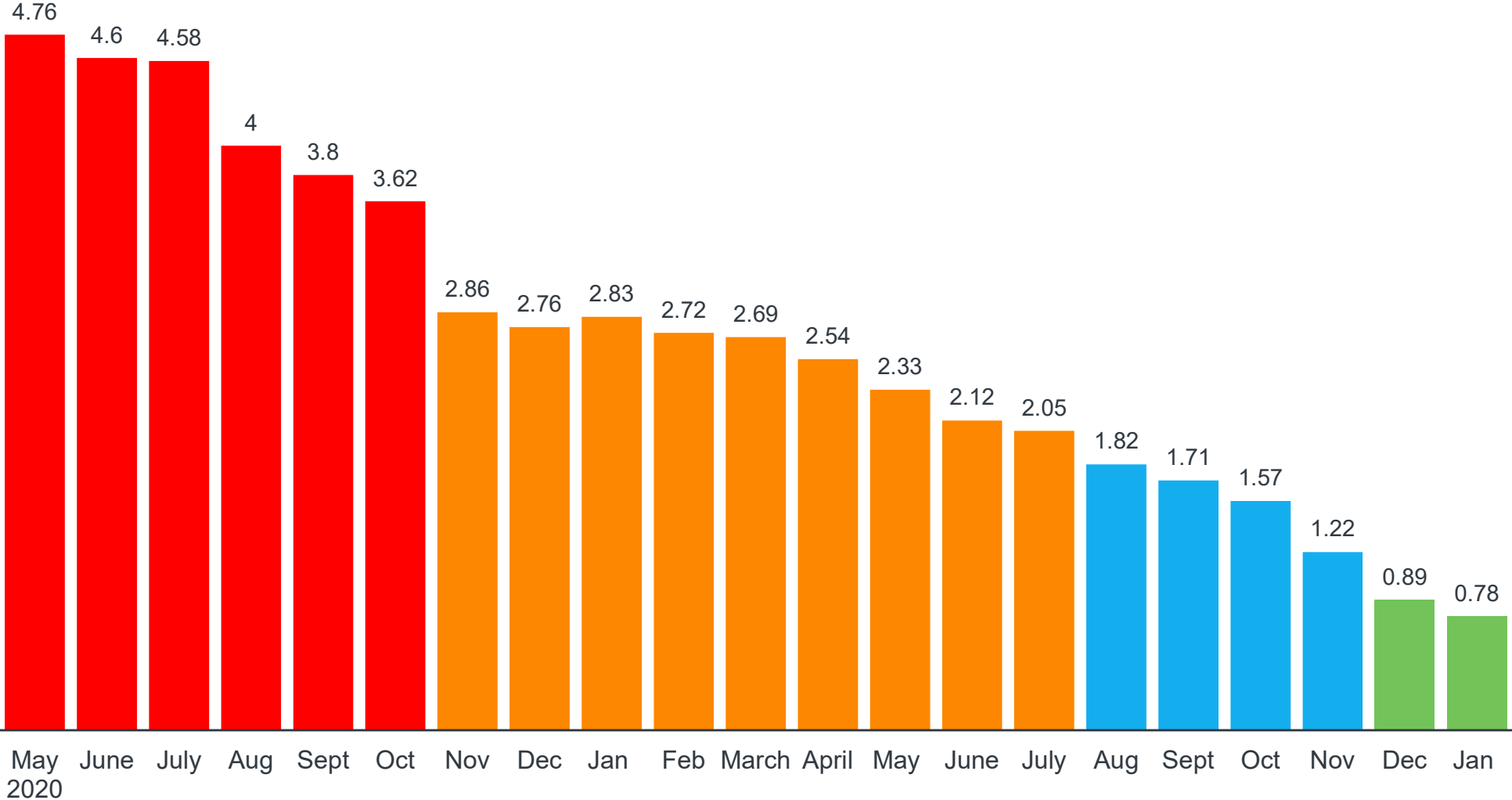
- **Joel Kan**, Associate VP of Economic and Industry Forecasting, MBA



Forbearance

Loans in Forbearance Fall Below 1 Million

Monthly Number of Loans in Active Forbearance (in millions)



Source::Black Knight

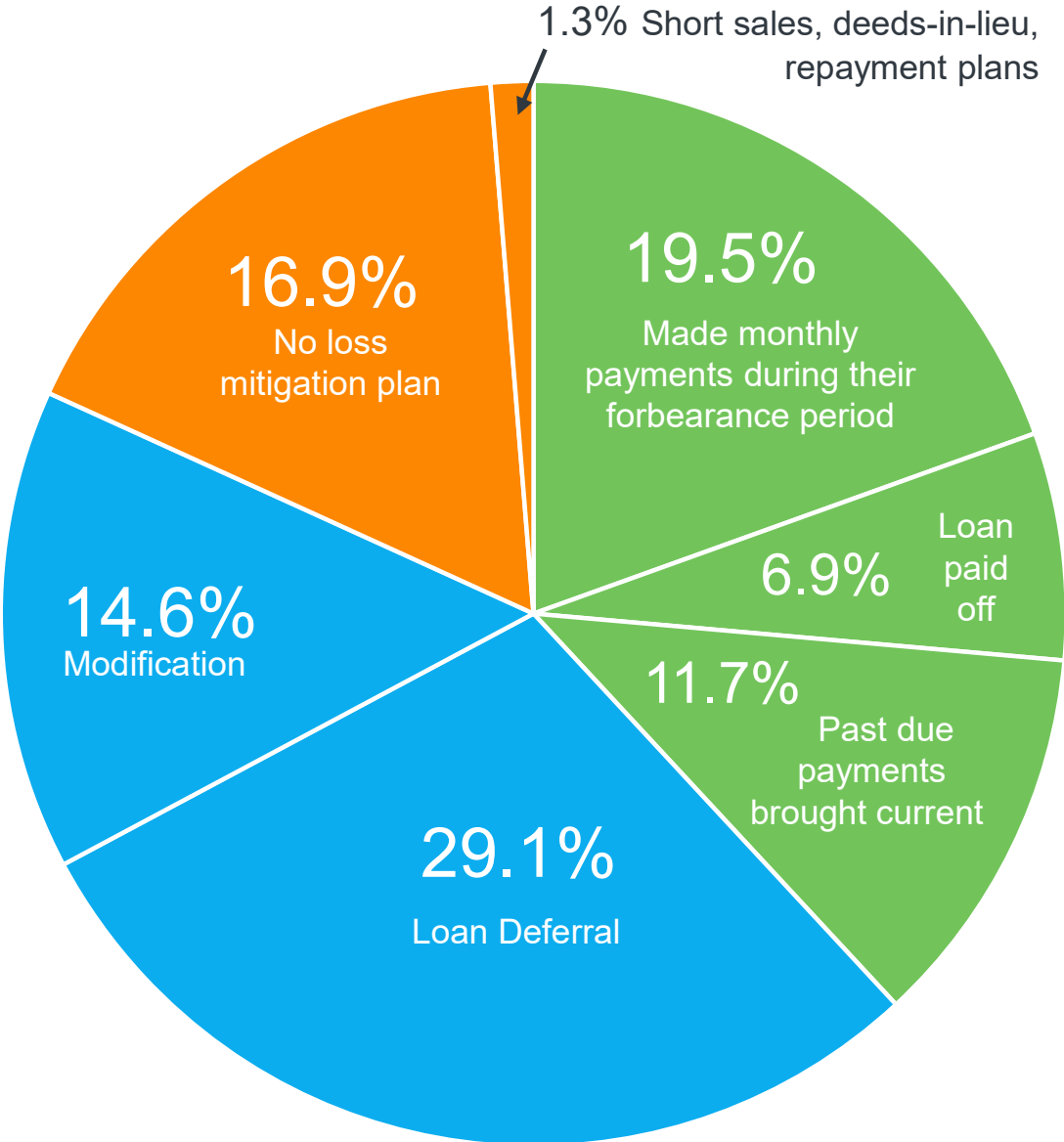


As the COVID-19 pandemic continues to create uncertainty in the global economy, the overwhelming majority (89%) of single-family homeowners who sought financial assistance through COVID-related mortgage payment forbearance plans have exited those plans.

- **Andy Walden**, VP of Market Research, Black Knight Data

Loans Upon Exiting Forbearance Program

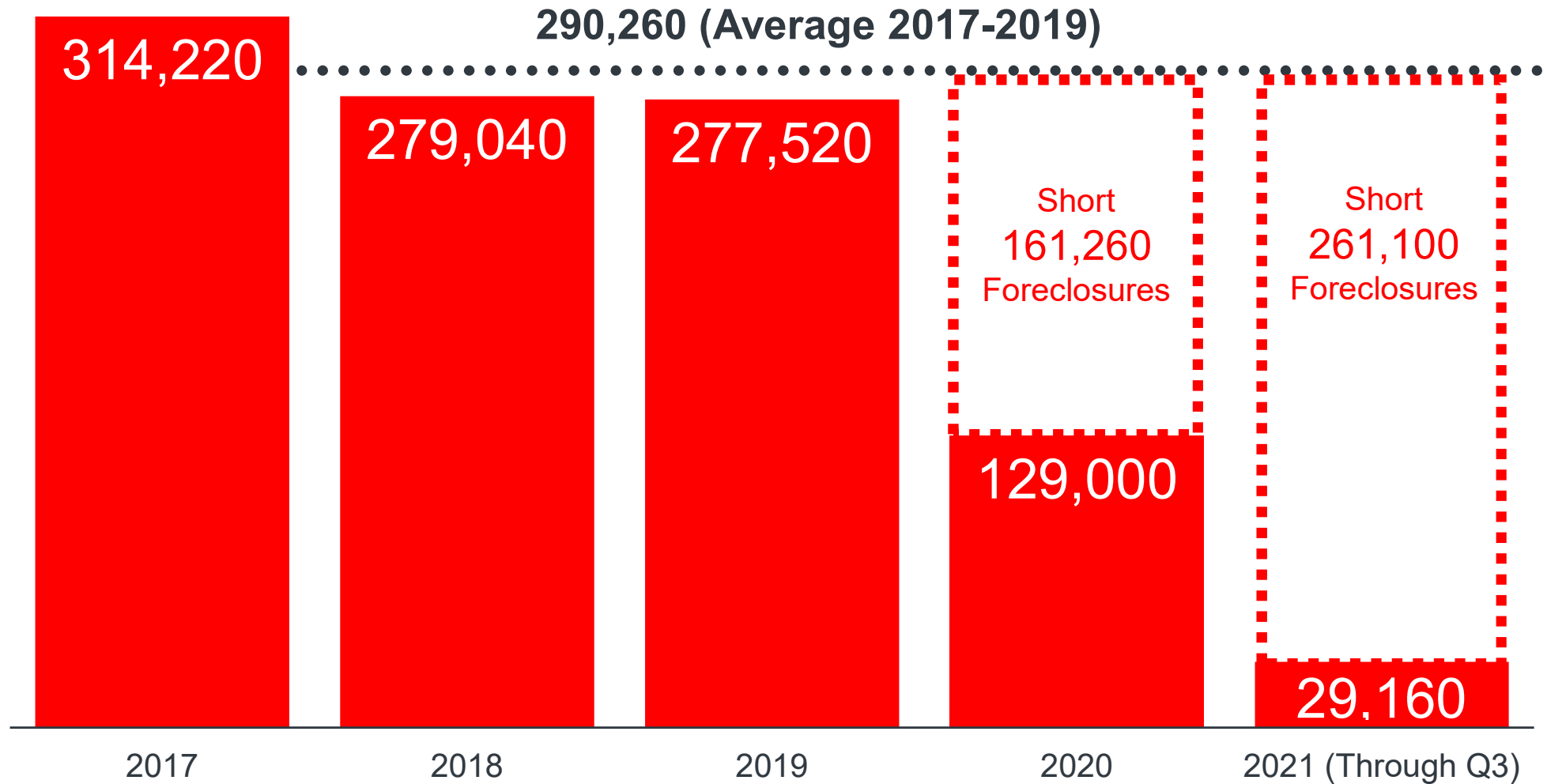
- 38.1% paid in full
- 43.7% work outs or repayment plans
- 18.2% still in trouble



Cumulative forbearance exits for the period from 6/1 2020 through 12/31 2021

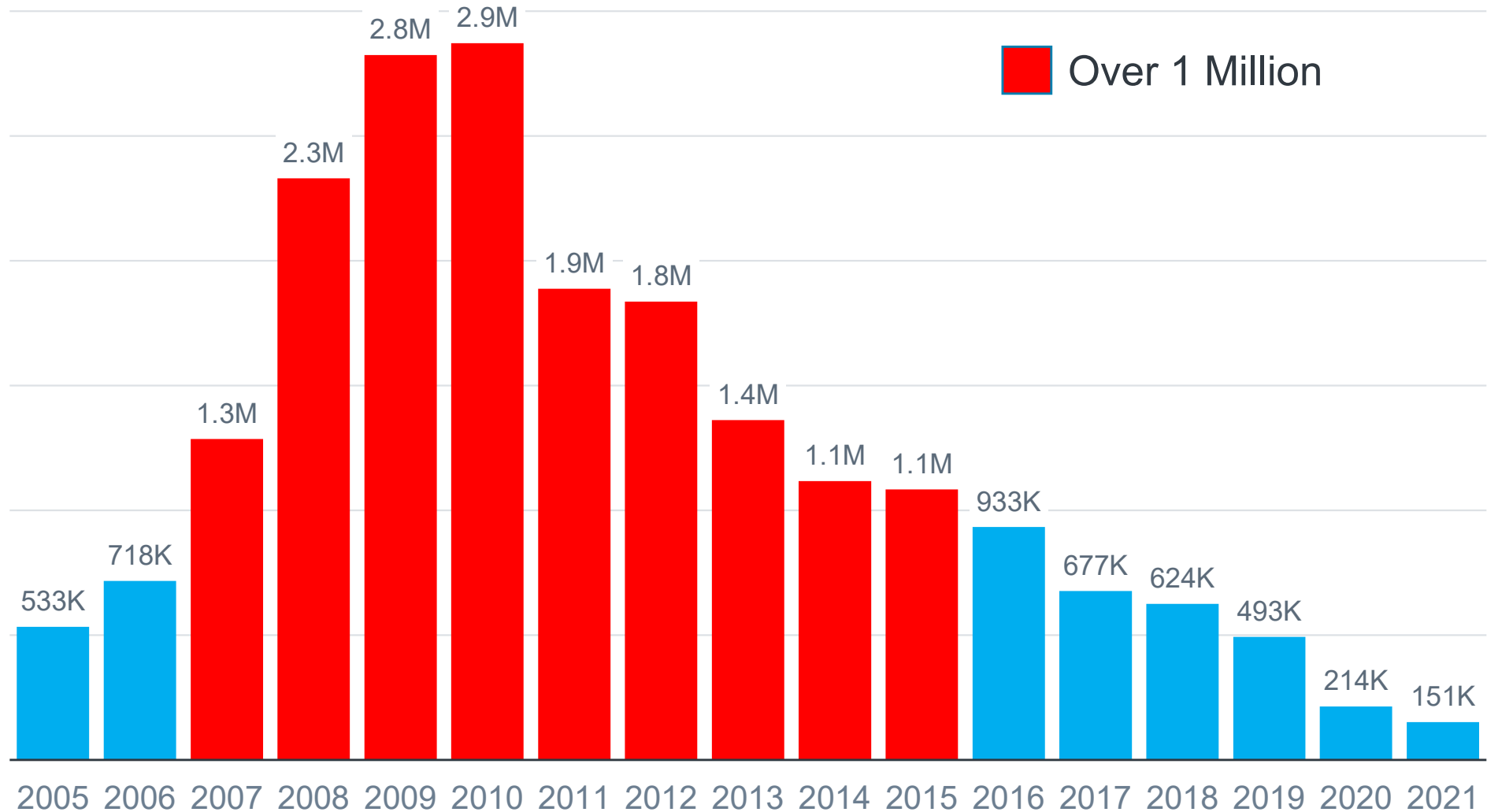
422,360 Fewer Foreclosures over the Last Two Years

Number of Consumers with New Foreclosures



Foreclosure Activity at an All-Time Low

U.S. Properties with Foreclosure Filings: ATTOM 2021 Year-End Report





We may see a little bit of an uptick in foreclosure rates in 2022. Just an uptick though, from an extraordinarily low level, we're not expecting to see a big increase. . . . **We expect delinquency rates overall on home mortgages to actually continue to remain quite, quite low.**

- **Maiclaire Bolton-Smith**, Senior Leader of Research, CoreLogic

Spring Buyer & Seller Guides: March 4, 2022



Resources

Slide(s)	Description	Link(s)
3	Cussen Quote	https://www.investopedia.com/articles/investing/060916/top-5-ways-hedge-against-inflation.asp
4	Homeownership: Hedge Against Inflation	https://cdn.nar.realtor/sites/default/files/documents/2021-11-12-residential-economic-issues-and-trends-lawrence-yun-presentation-slides-11-12-2021.pdf https://www.bls.gov/news.release/archives/cpi_01132021.pdf https://www.corelogic.com/intelligence/find-stories/home-prices-topple-expectations-surg-ing-at-the-end-of-2020/
5	Royal Quote	https://www.bankrate.com/investing/inflation-hedges-to-protect-against-rising-prices/
6	Rent & Inflation	https://ipropertymanagement.com/research/average-rent-by-year https://www.usinflationcalculator.com/inflation/united-states-core-inflation-rates/
7	Campisi Quote	https://www.forbes.com/advisor/author/ncampisi/
8	HPES Appreciation	https://pulsenomics.com/surveys/#home-price-expectations

Resources

Slide(s)	Description	Link(s)
10	Mortgage Rates Unchanged from Last Week	https://freddiemac.gcs-web.com/node/24781/pdf
11	Mortgage Rates Since 2020	https://freddiemac.gcs-web.com/node/24781/pdf http://www.freddiemac.com/pmms/
12	Mortgage Rates Since 2018	http://www.freddiemac.com/pmms/ http://www.freddiemac.com/pmms/pmms_archives.html
13	Khater Quote	http://www.freddiemac.com/fmac-resources/research/pdf/Quarterly_Forecast_January2022_Press_Release.pdf
14	Mortgage Rates vs. Last 5 Decades	http://www.freddiemac.com/pmms/pmms_archives.html
15	10-Year Treasury Yield	https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart

Resources

Slide(s)	Description	Link(s)
16	Mortgage Rate & Treasury Yield	https://ycharts.com/indicators/10_year_treasury_rate www.freddiemac.com
17	Kan Quote	https://www.mba.org/2022-press-releases/january/mortgage-applications-increase-in-latest-mba-weekly-survey-x288554
19	Forbearances	https://www.blackknightinc.com/blog-posts/
20	Walden Quote	https://www.blackknightinc.com/blog-posts/forbearance-plan-exits-moderate-in-second-week-of-january/
21	Upon Exiting Forbearance	https://www.mba.org/news-research-and-resources/newsroom https://www.mba.org/2022-press-releases/january/share-of-mortgage-loans-in-forbearance-decreases-to-141-percent-in-december-2021
22	Foreclosures Since 2017	https://www.newyorkfed.org/microeconomics/hhdc.html
23	Foreclosures All-Time Low	https://www.attomdata.com/news/market-trends/foreclosures/attom-year-end-2021-u-s-foreclosure-market-report/
24	Bolton-Smith Quote	https://www.corelogic.com/intelligence/whats-in-store-for-2022/



Updates

Resources

Slide(s)	Description	Link(s)
33, 53, 63	Confidence Index	https://www.nar.realtor/research-and-statistics/research-reports/realtors-confidence-index
34-36, 44, 46, 47, 54-58	Existing Home Sales	https://www.nar.realtor/topics/existing-home-sales
37-40	New Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf http://www.census.gov/newhomesales
41	Total Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf https://www.nar.realtor/topics/existing-home-sales
42, 43	Pending Home Sales	https://www.nar.realtor/research-and-statistics/housing-statistics/pending-home-sales
48-50	Case Shiller	https://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-20-city-composite-home-price-nsa-index/#news-research
51	CoreLogic Price Forecast	https://www.corelogic.com/intelligence/u-s-home-price-insights/
54-60	Inventory	https://www.nar.realtor/topics/existing-home-sales http://www.census.gov/construction/nrs/pdf/newressales.pdf

Resources

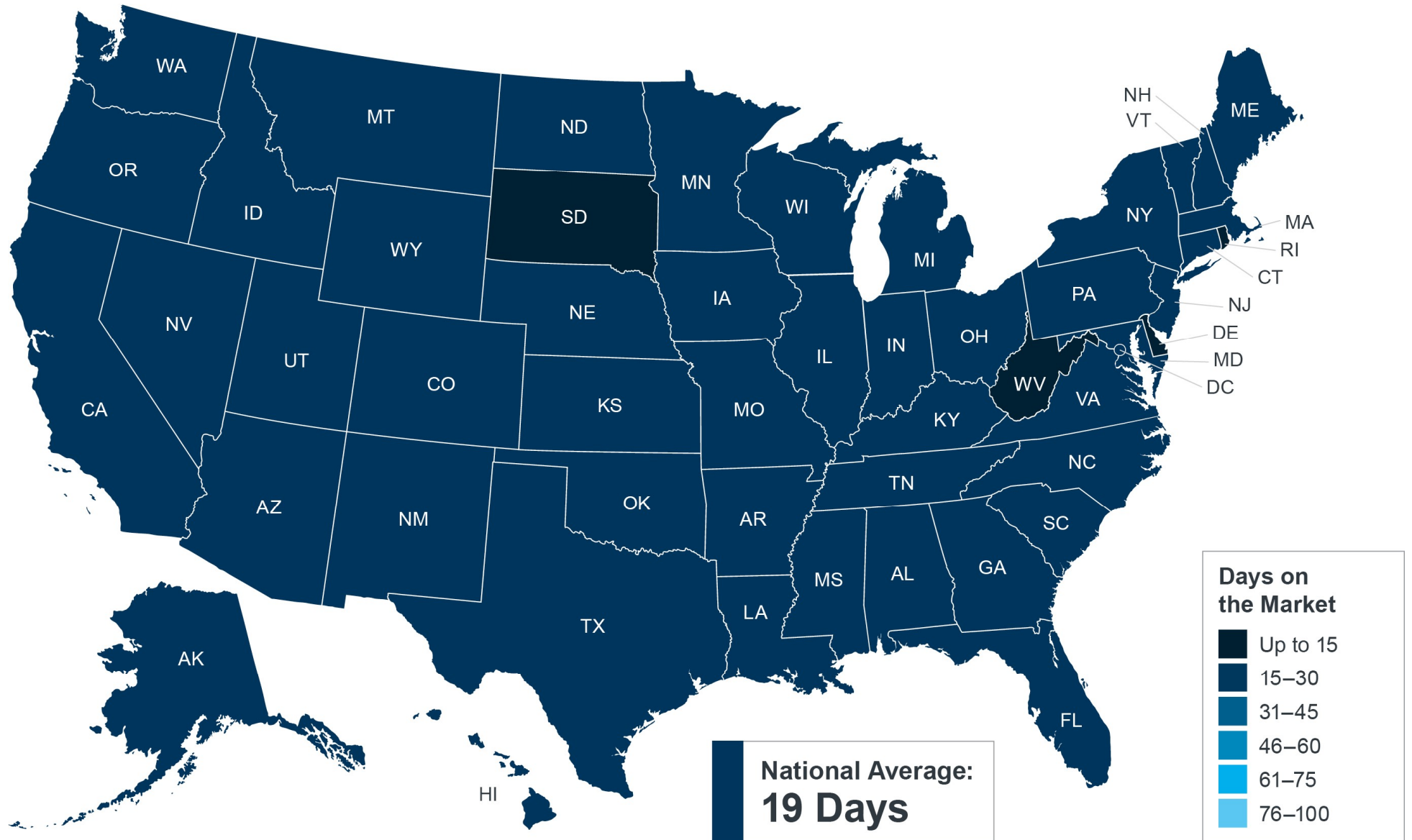
Slide(s)	Description	Link(s)
62	Showing Activity	https://www.showingtime.com/blog/december-2021-showing-index-results/
65, 66, 68, 69	Mortgage Rates	http://www.freddiemac.com/pmms/pmms_archives.html http://www.freddiemac.com/research/forecast/
67	Mortgage Rate Projections	http://www.freddiemac.com/research/forecast/ http://www.fanniemae.com/portal/research-insights/forecast.html https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary https://www.nar.realtor/research-and-statistics
71, 72	Mortgage Credit Availability	https://www.mba.org/news-research-and-resources/newsroom https://www.mba.org/news-research-and-resources/research-and-economics/single-family-research/mortgage-credit-availability-index
73-77	Days To Close, FICO Scores, DTI	https://www.icemortgagetechnology.com/mortgage-data/origination-insight-reports



Home Sales

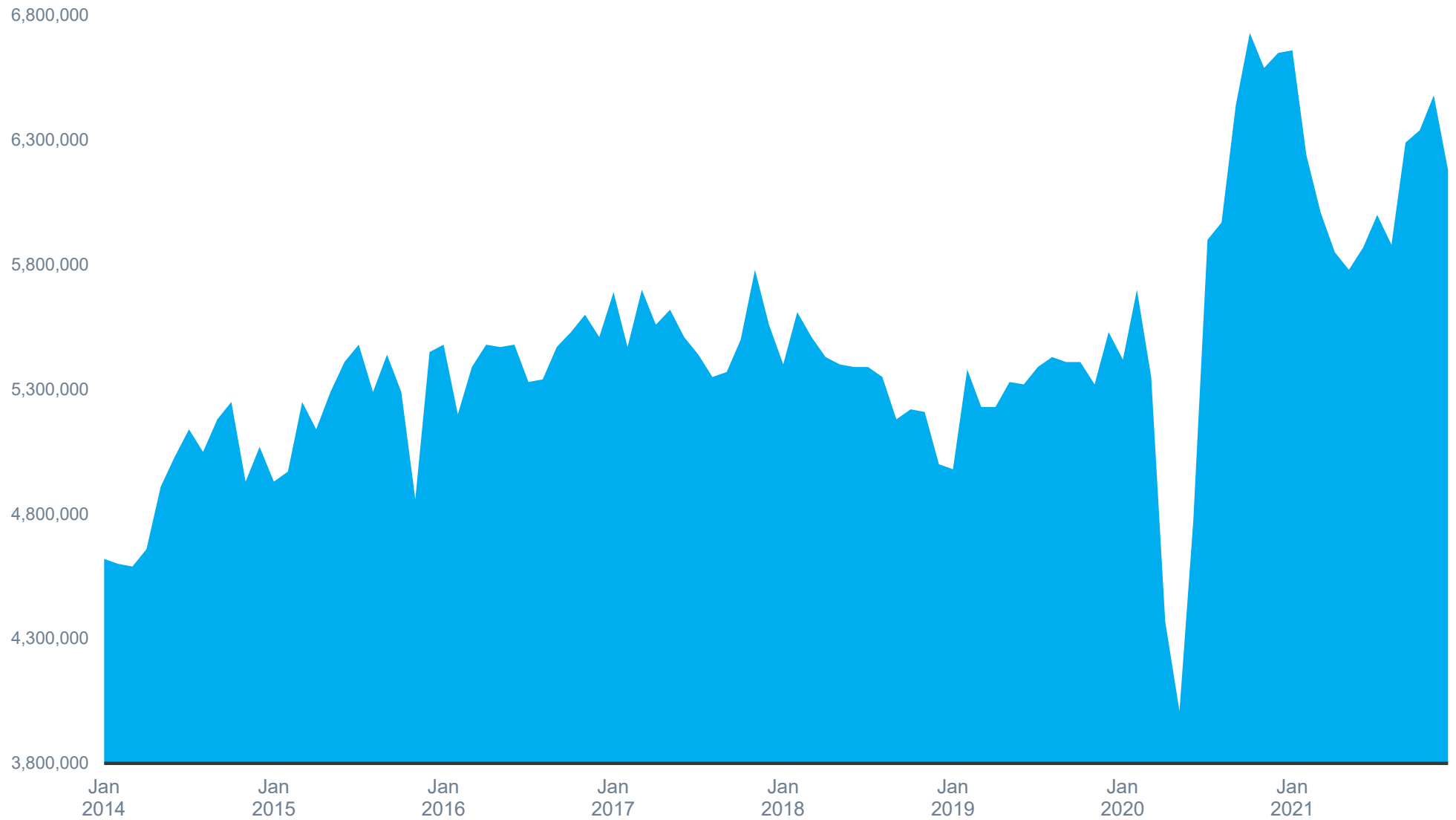
Average Days on the Market

December 2021



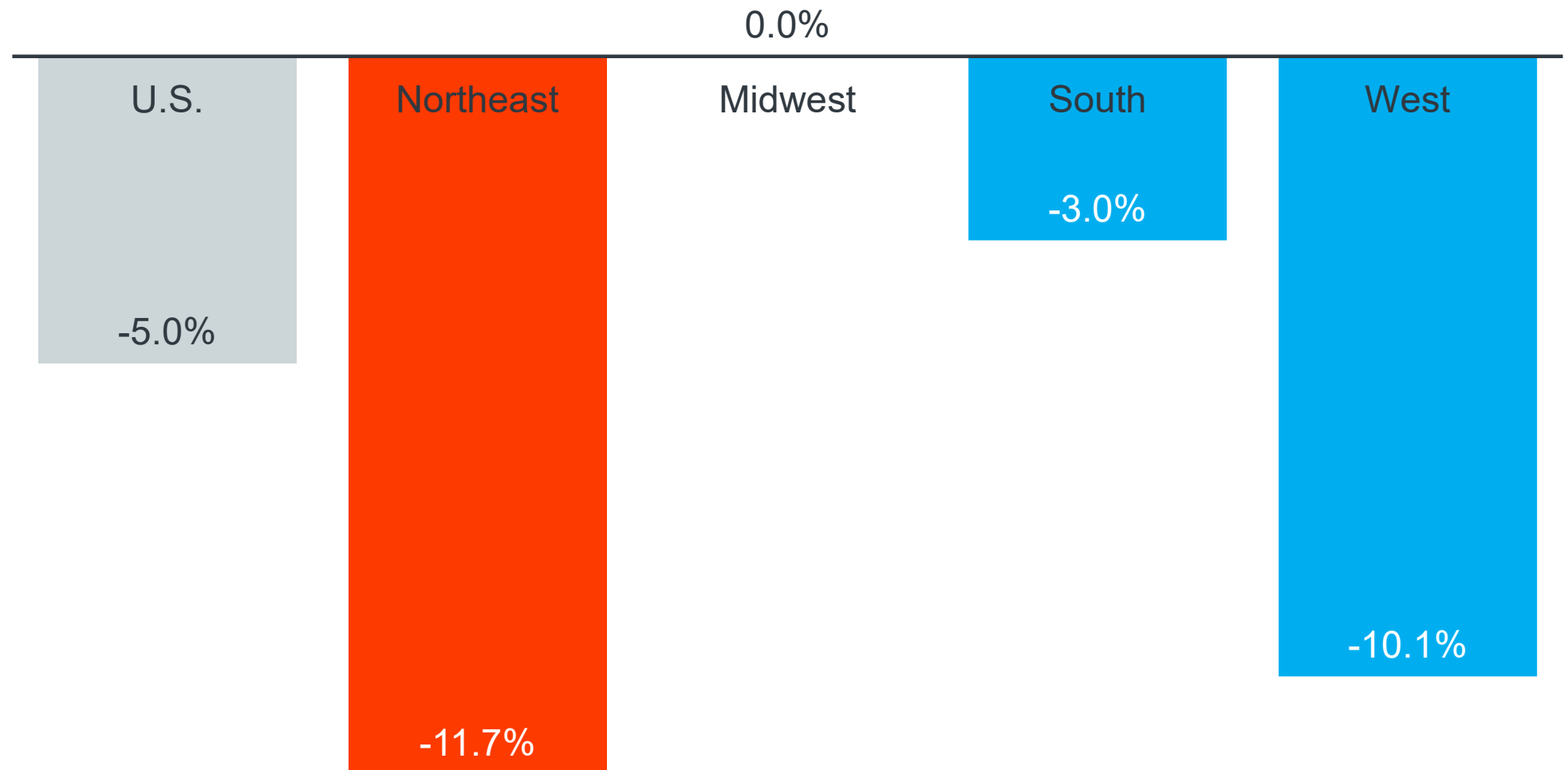
Existing Home Sales

Since January 2014



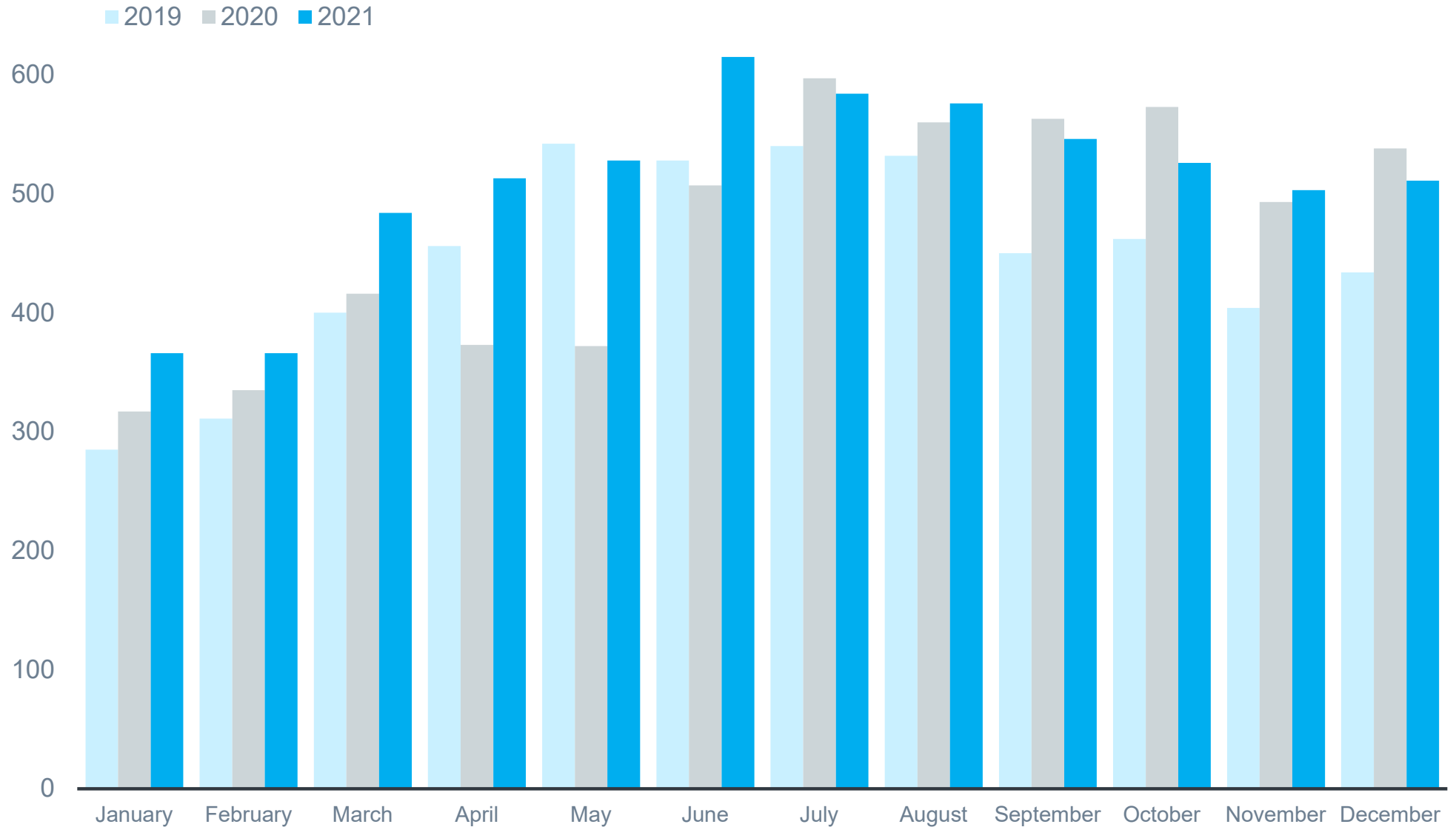
Existing Home Sales

Year-Over-Year, by Region



Existing Home Sales

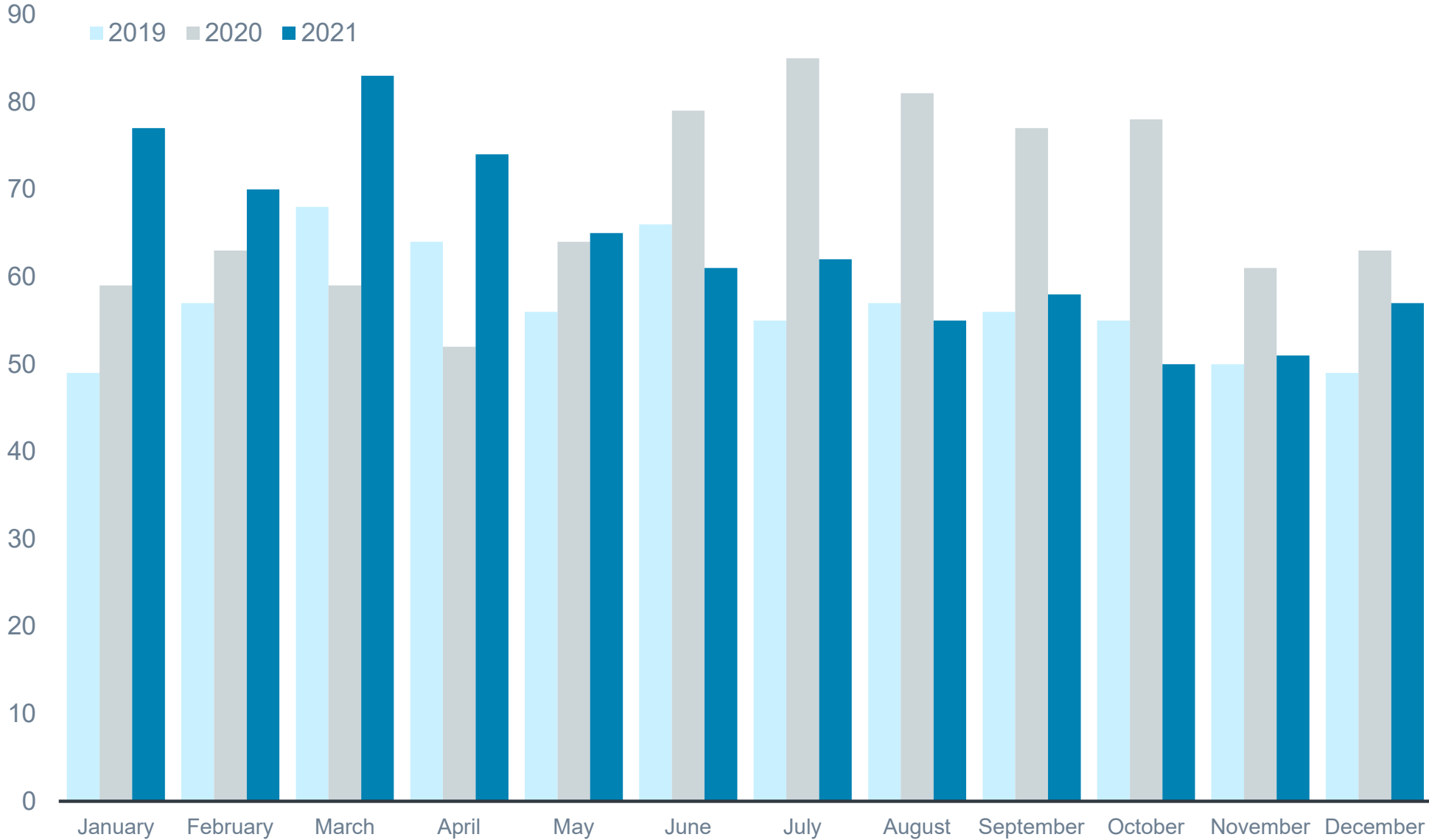
In Thousands



Source: NAR

New Home Sales

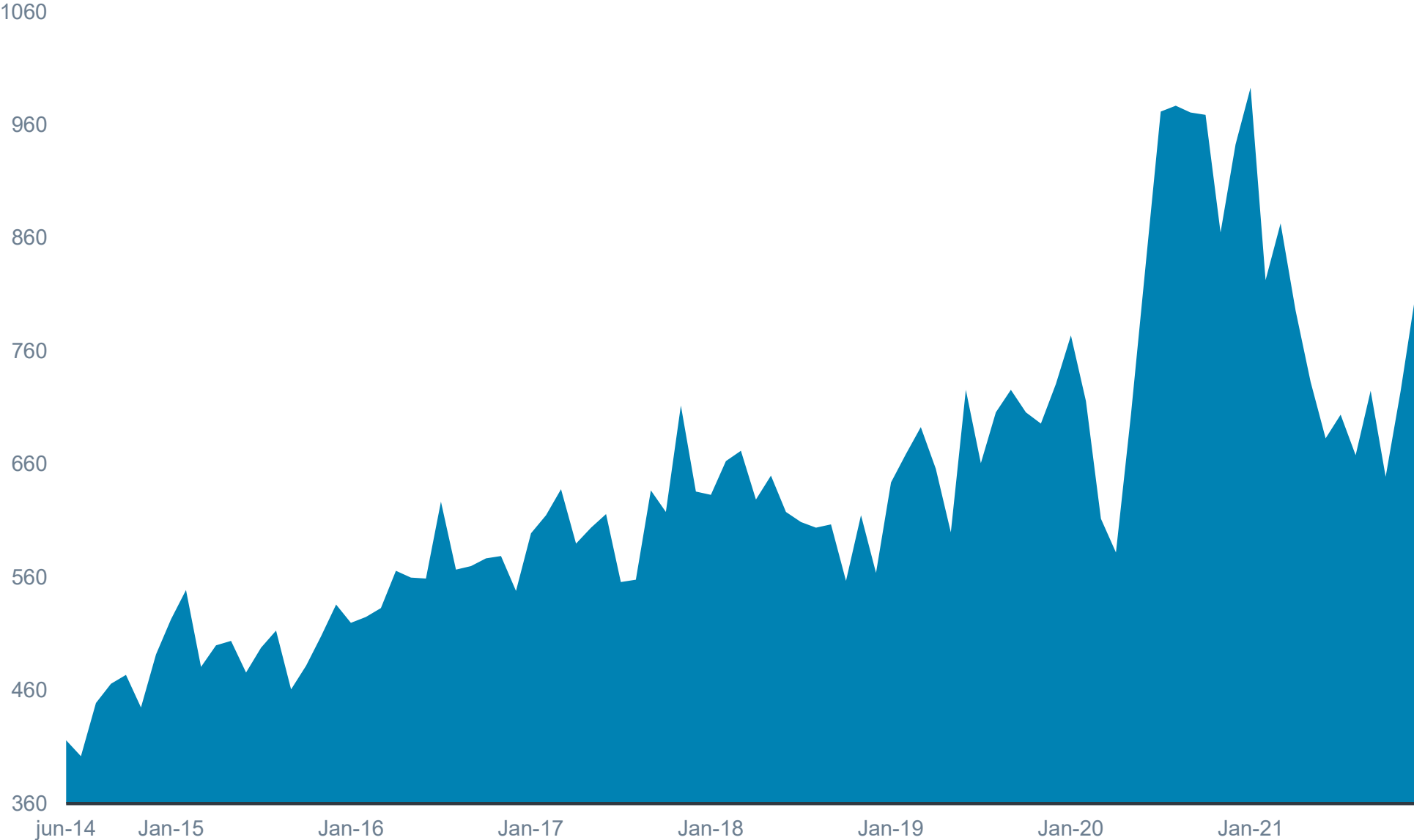
In Thousands



Source: Census

New Home Sales

Annualized in Thousands

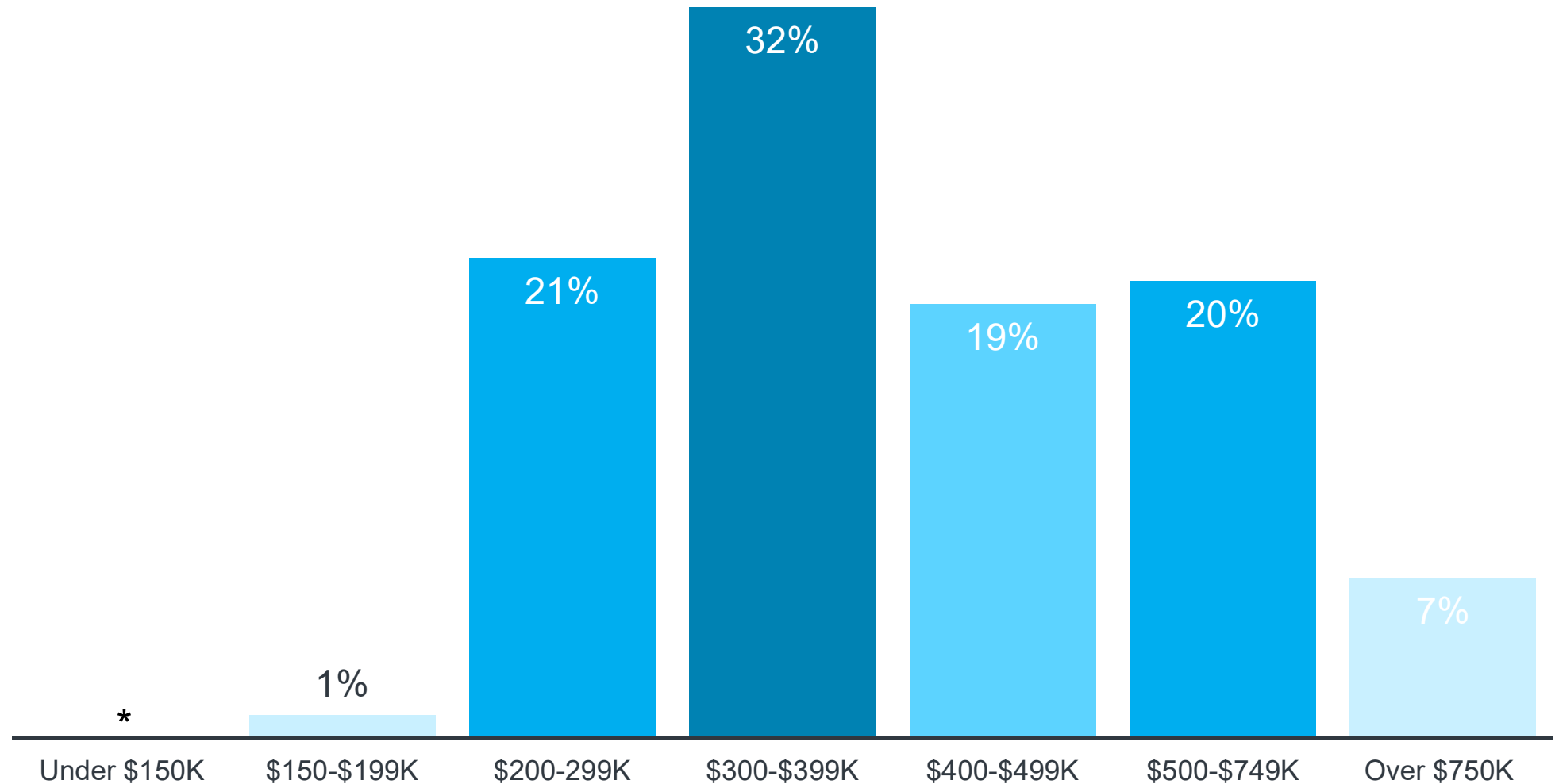


Source: Census

New Home Sales

Percent of Distribution by Price Range

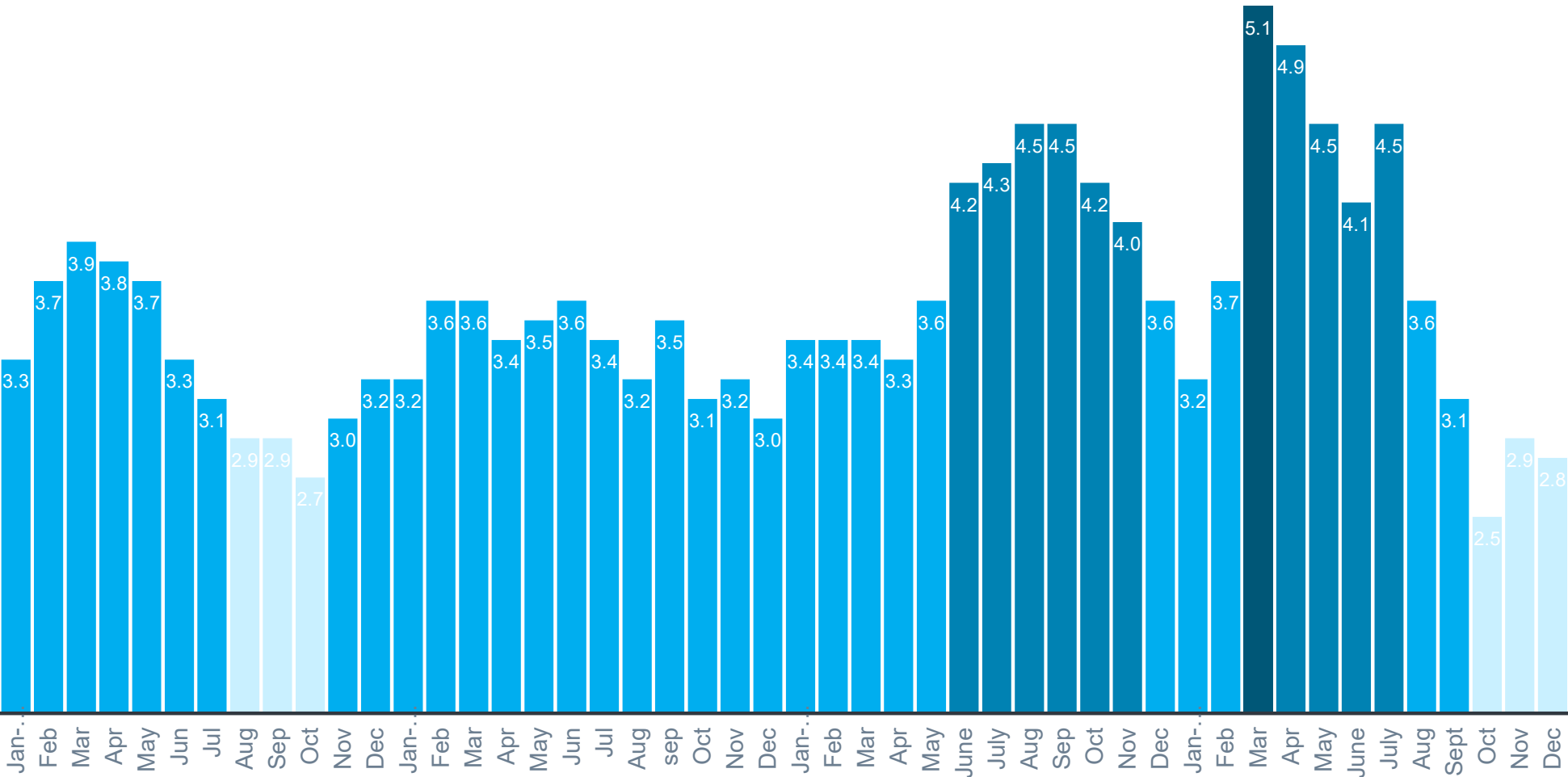
* Less Than 500 Units or Less Than 0.5 Percent



Source: Census

New Homes Selling Fast

Median Months from Completion to Sold

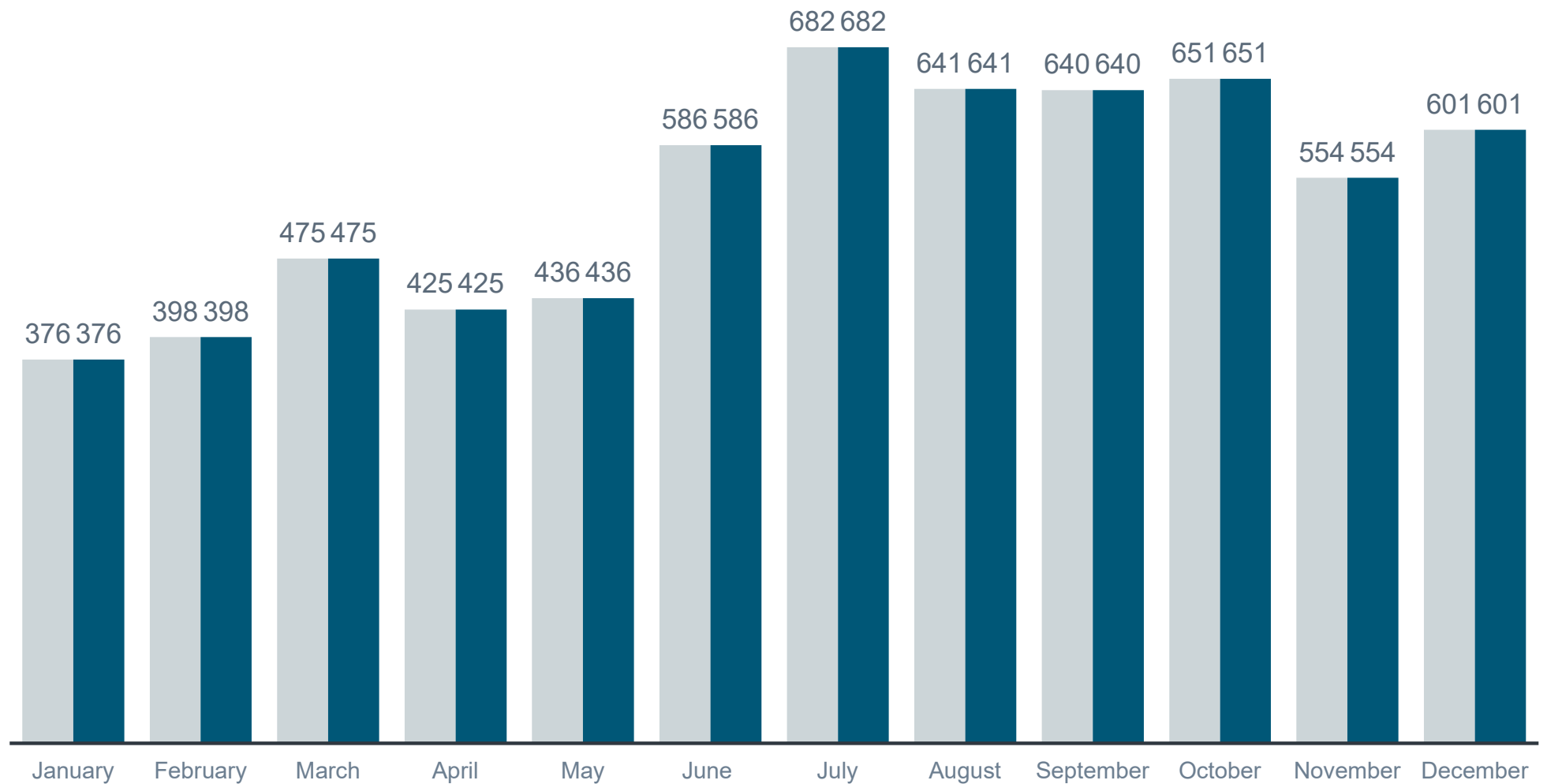


Source: Census

Total Home Sales

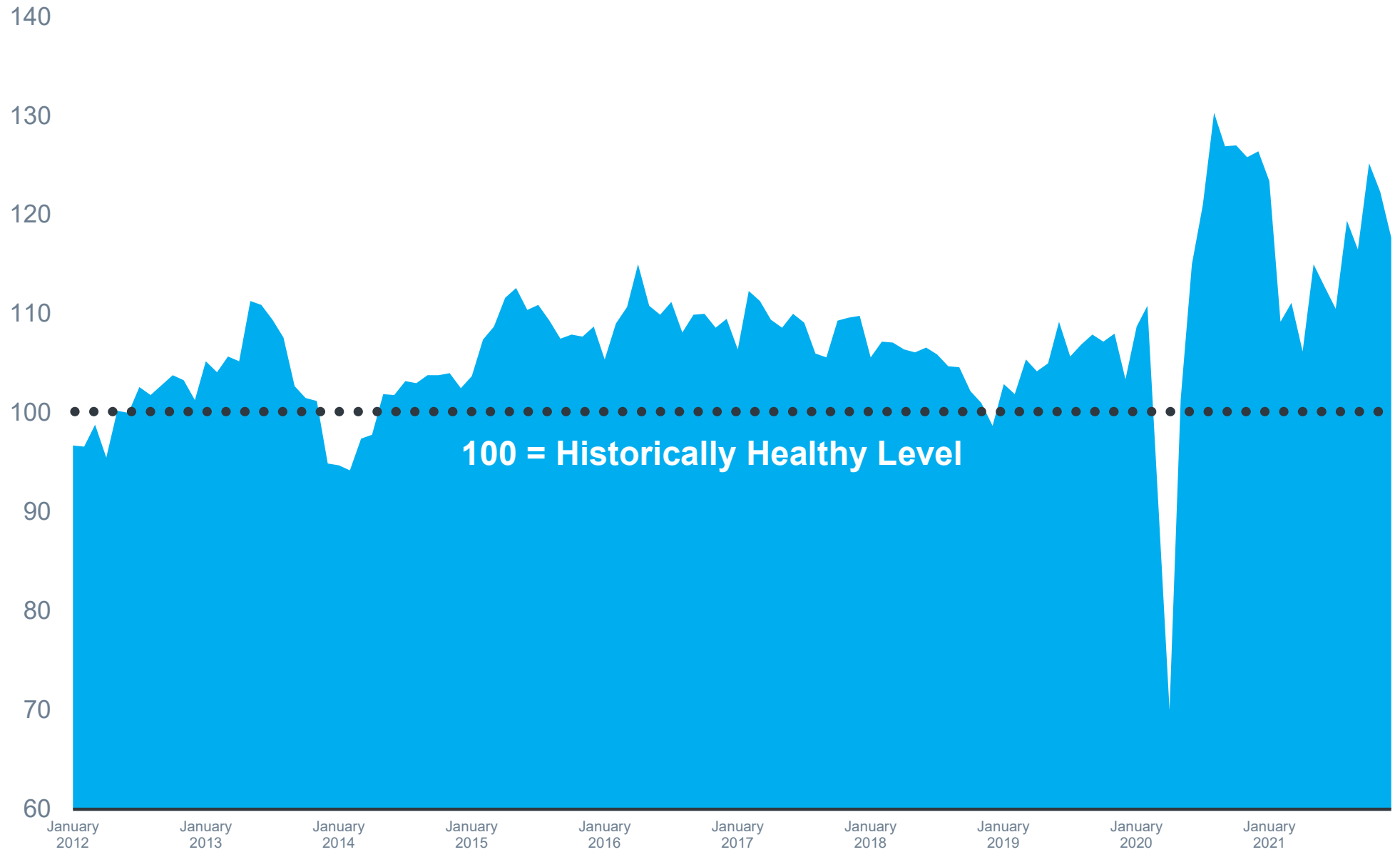
In Thousands

■ 2020 ■ 2021



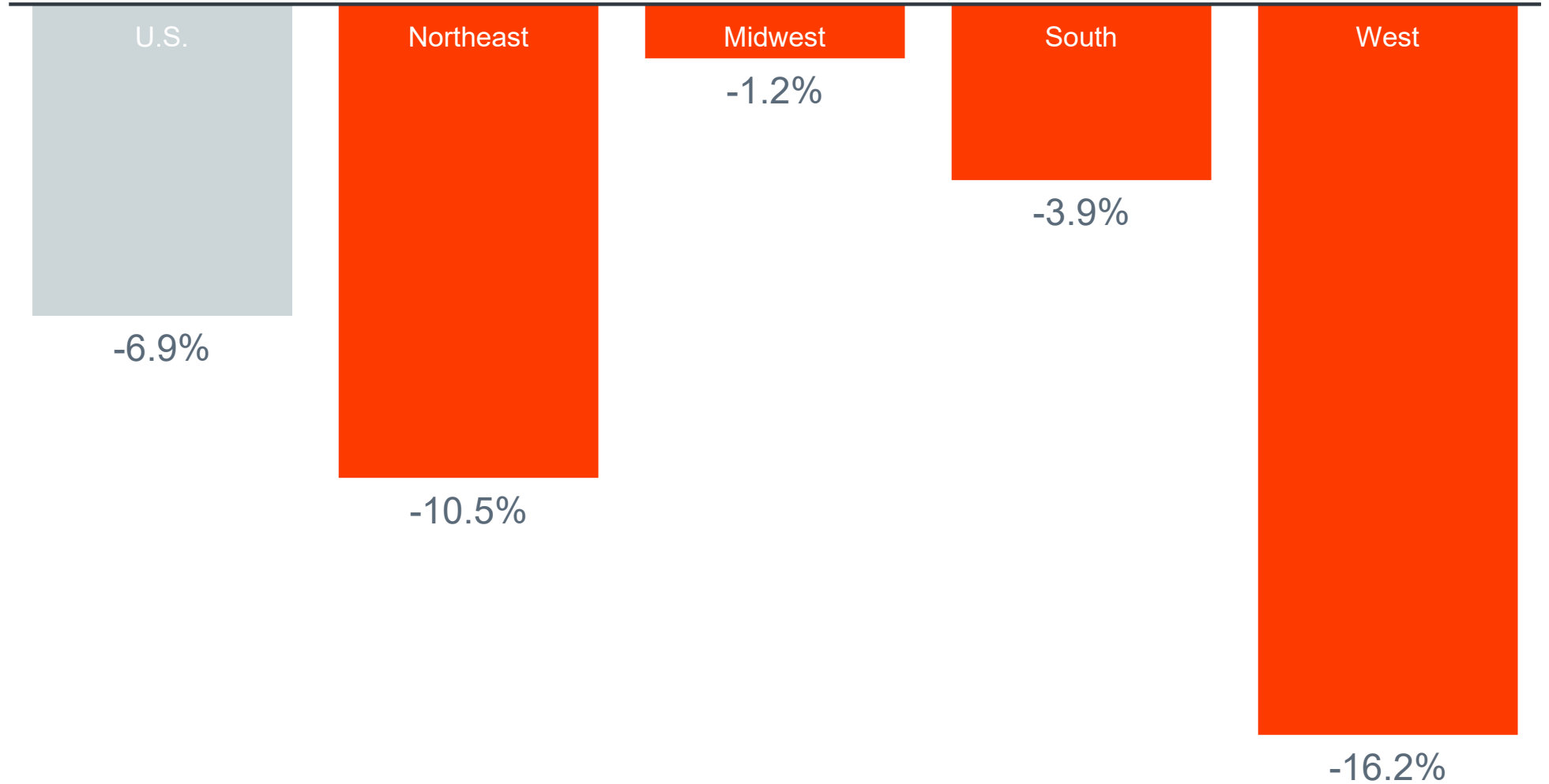
Source: Census

Pending Home Sales



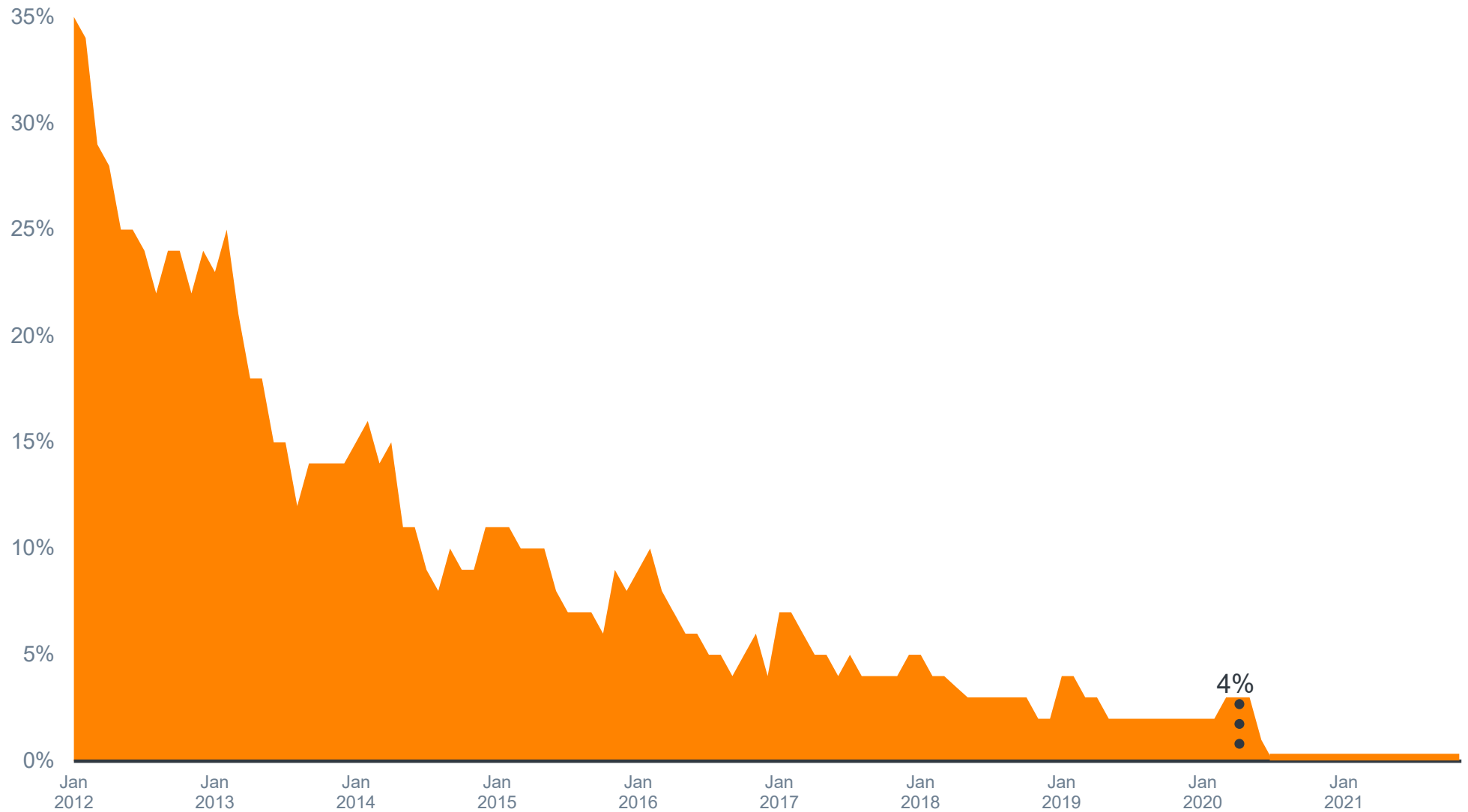
Pending Home Sales

Year-Over-Year by Region



Percentage of Distressed Property Sales

Distressed Sales (Foreclosures and Short Sales) Represented Less Than 1% of Sales in December.

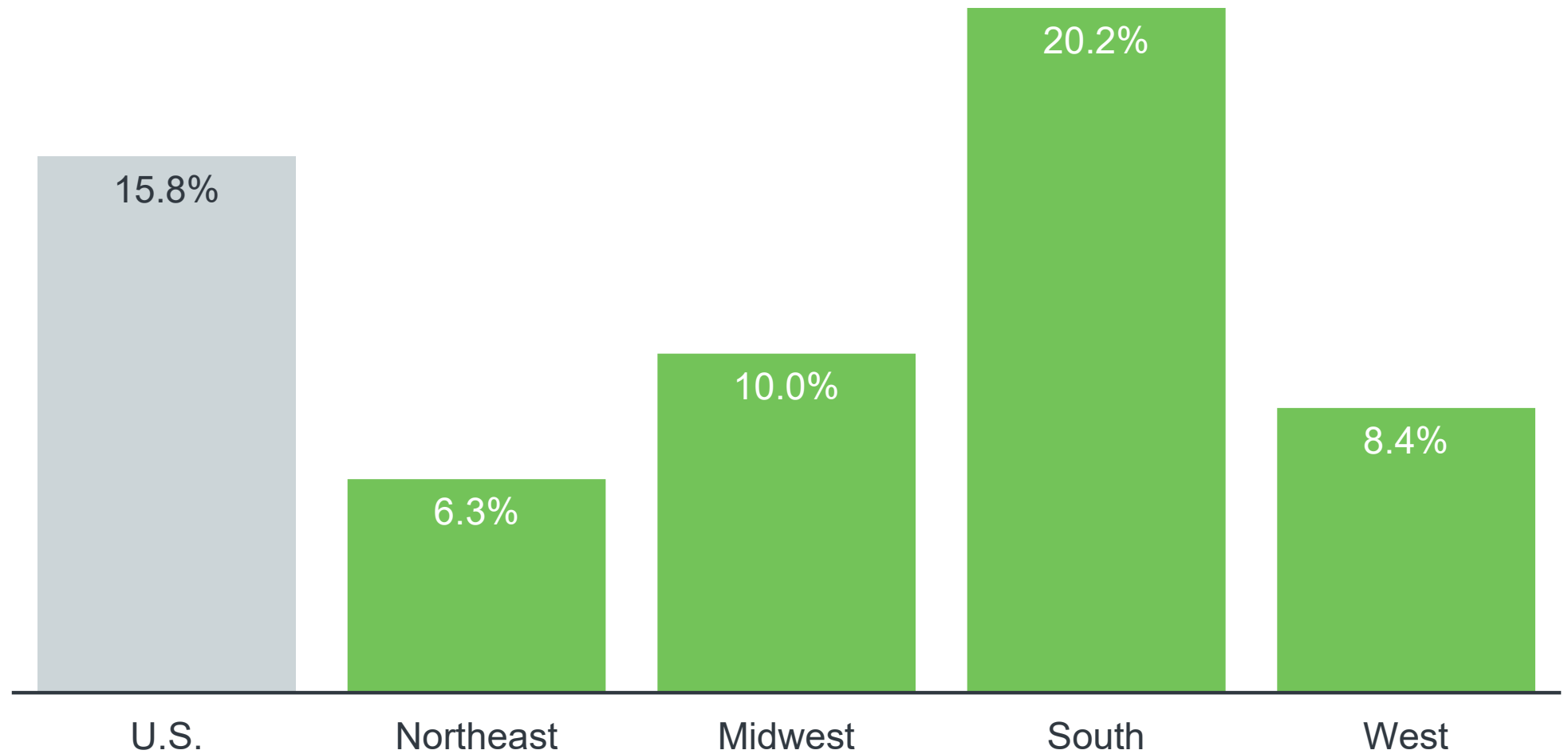




Home Prices

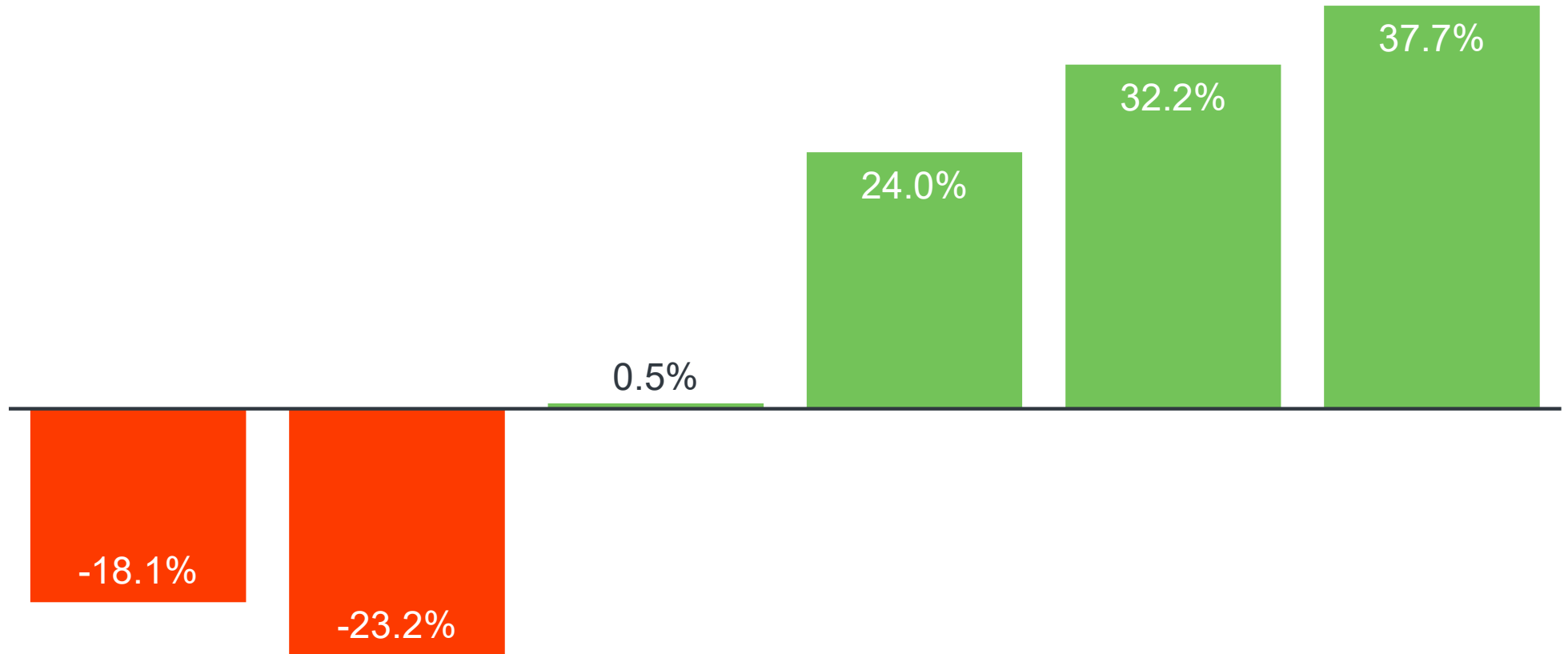
Sales Price of Existing Homes

Year-Over-Year, by Region



% Change in Sales

Year-Over-Year, by Price Range

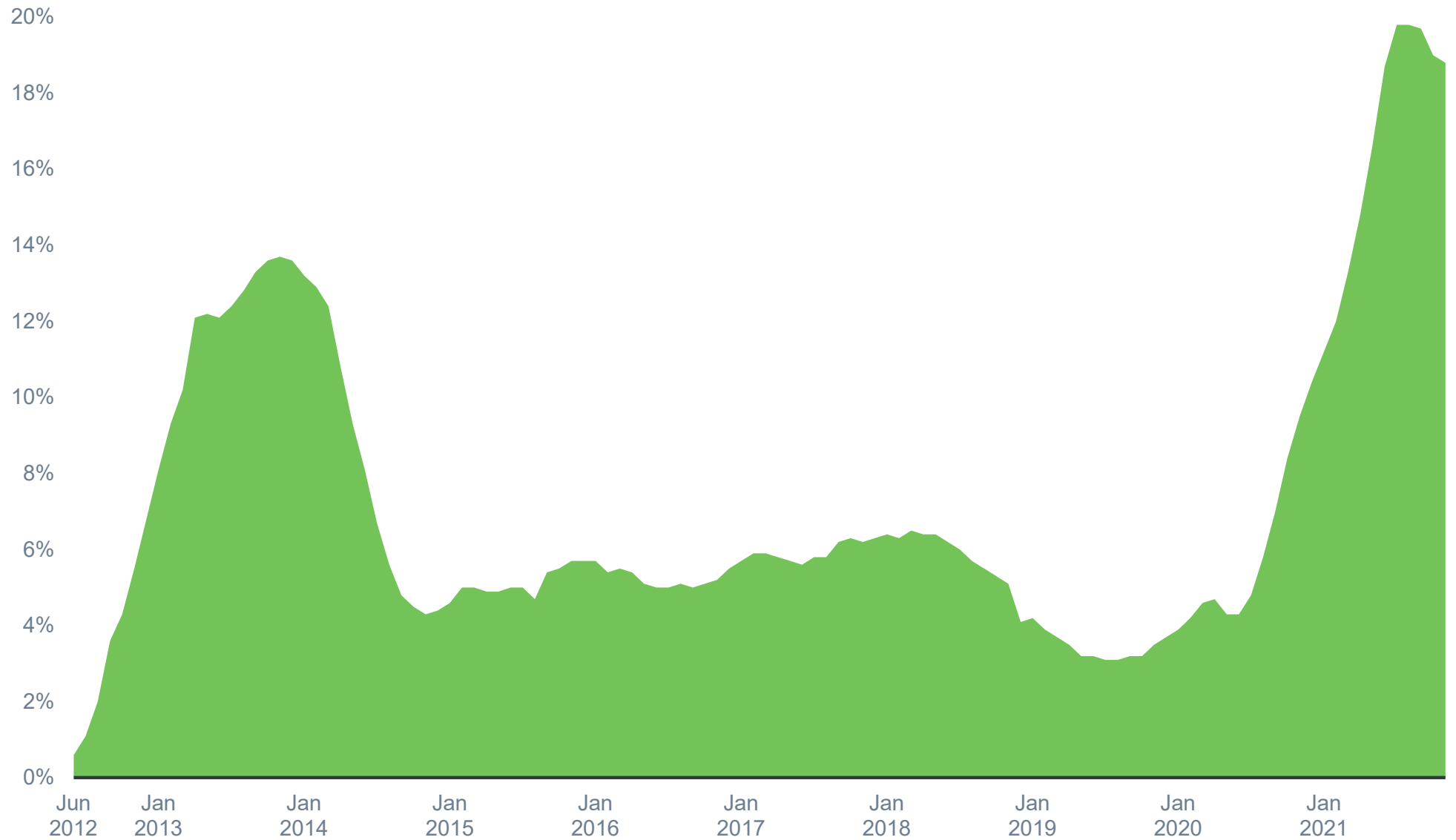


	\$0-100K	\$100-250K	\$250-500K	\$500-750K	\$750K-1M	\$1M+
■ %	-18.1%	-23.2%	0.5%	24.0%	32.2%	37.7%

Source: NAR

Change in Home Prices

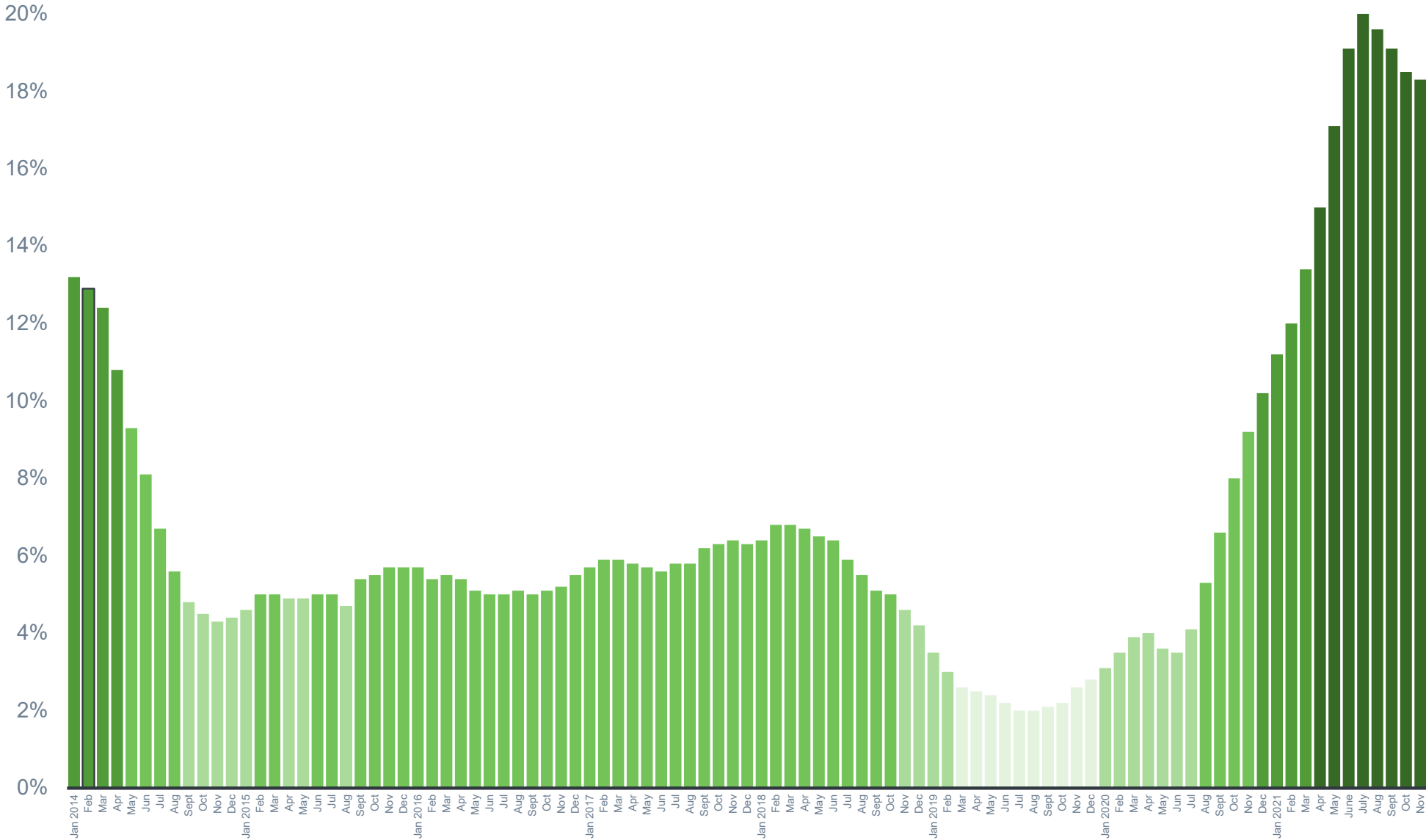
Year-Over-Year



Source: S&P Case-Shiller

Change in Home Prices

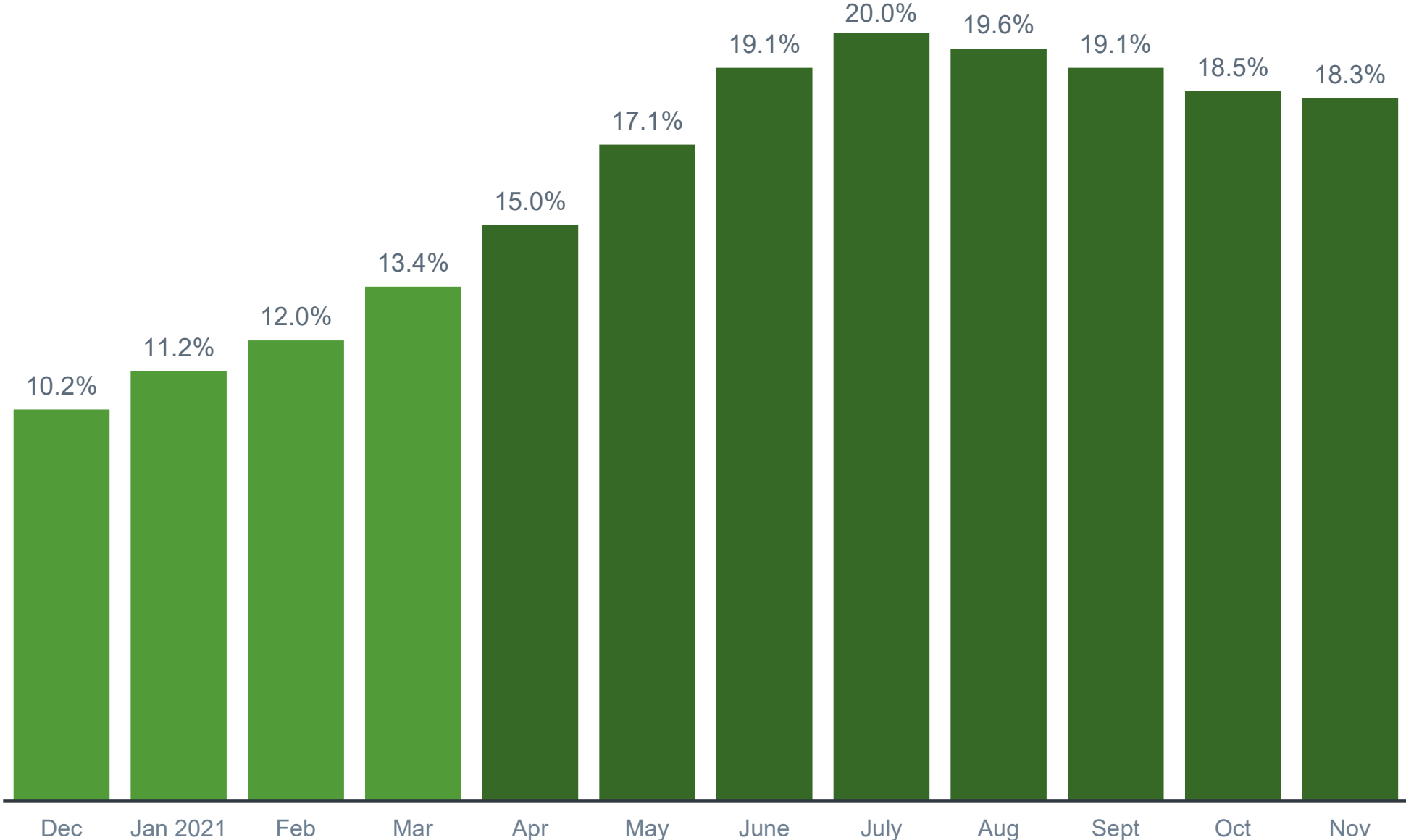
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Change in Home Prices

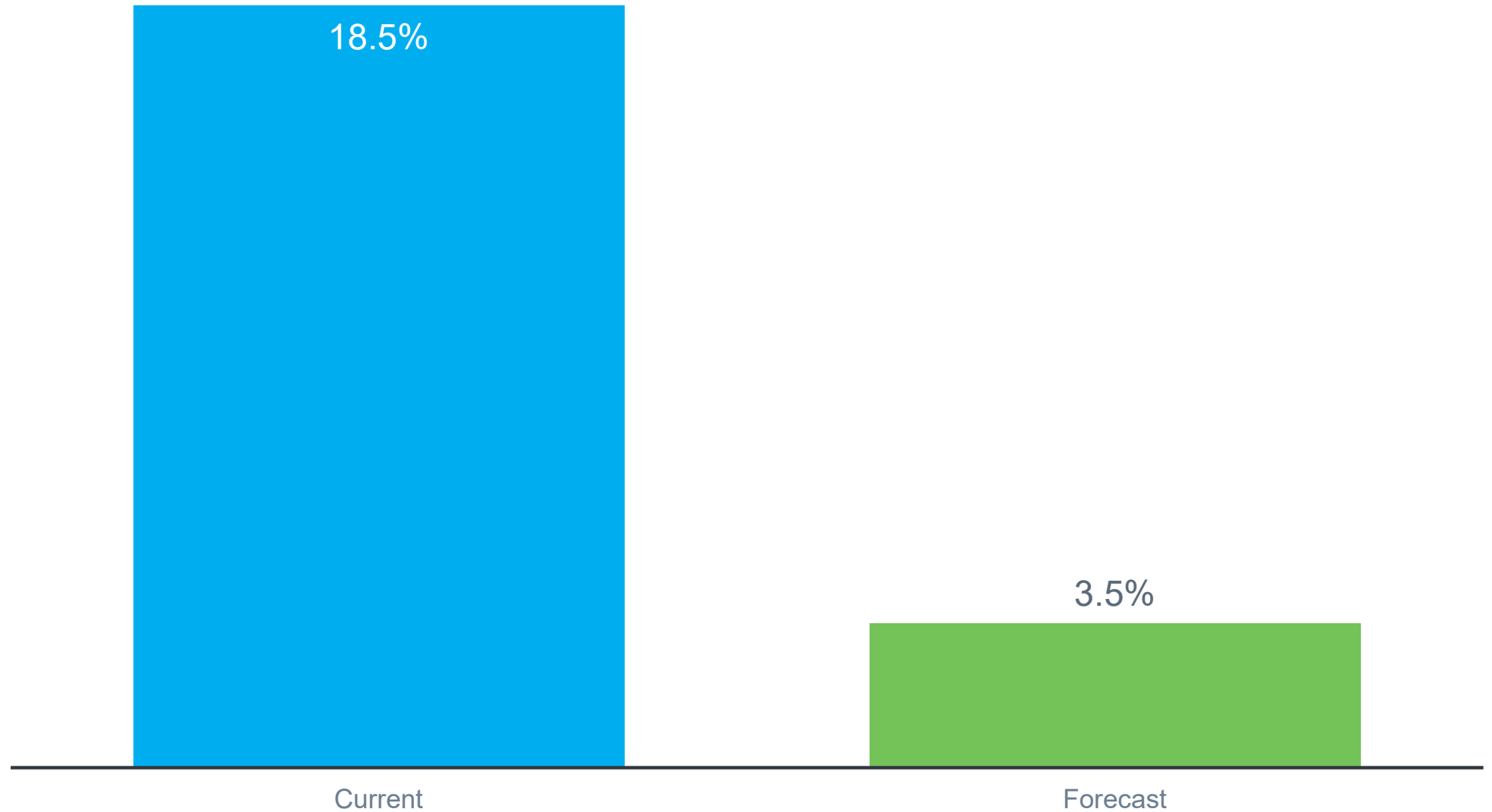
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Year-Over-Year % Change in Price

December 2021

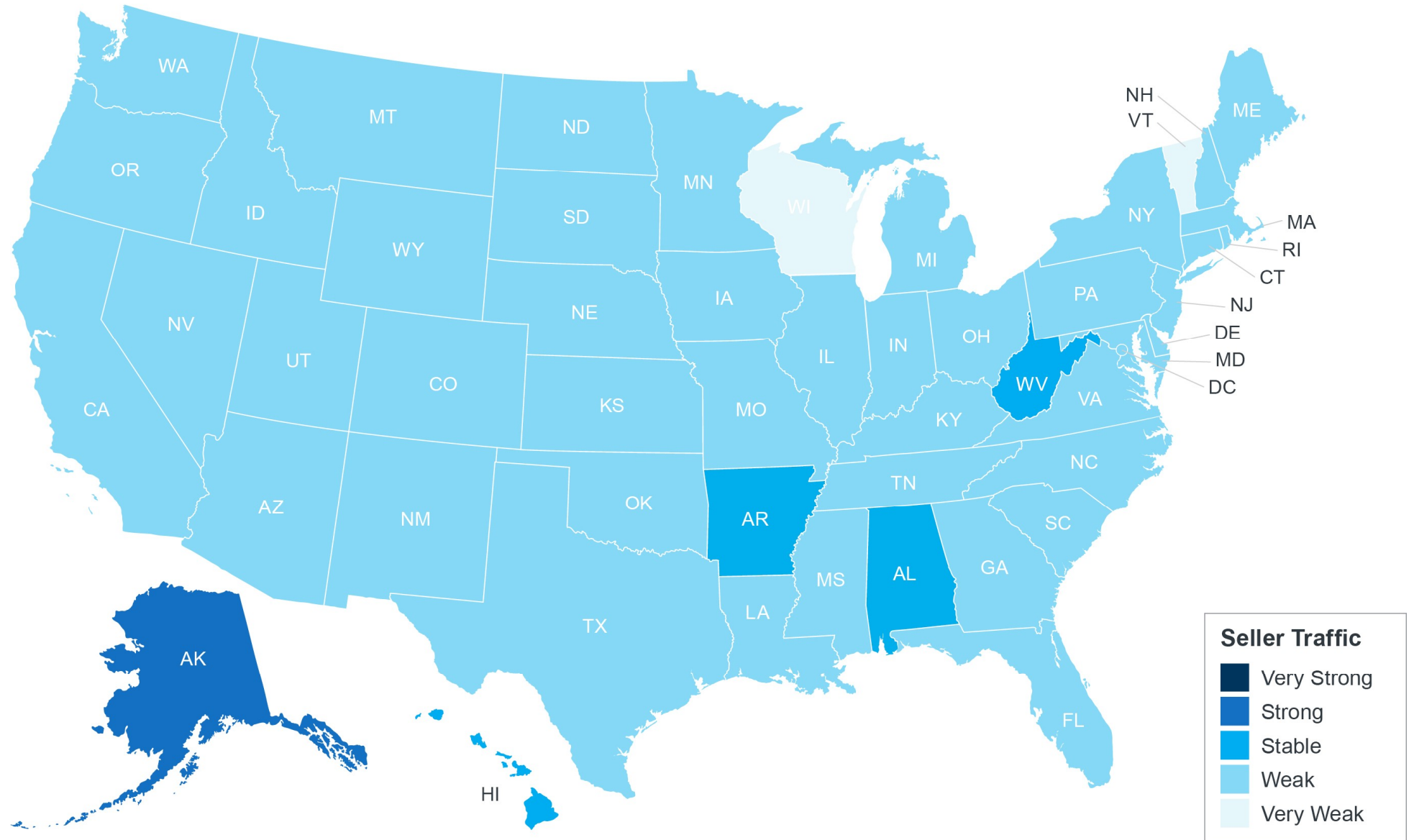




Housing Inventory

Seller Traffic Index

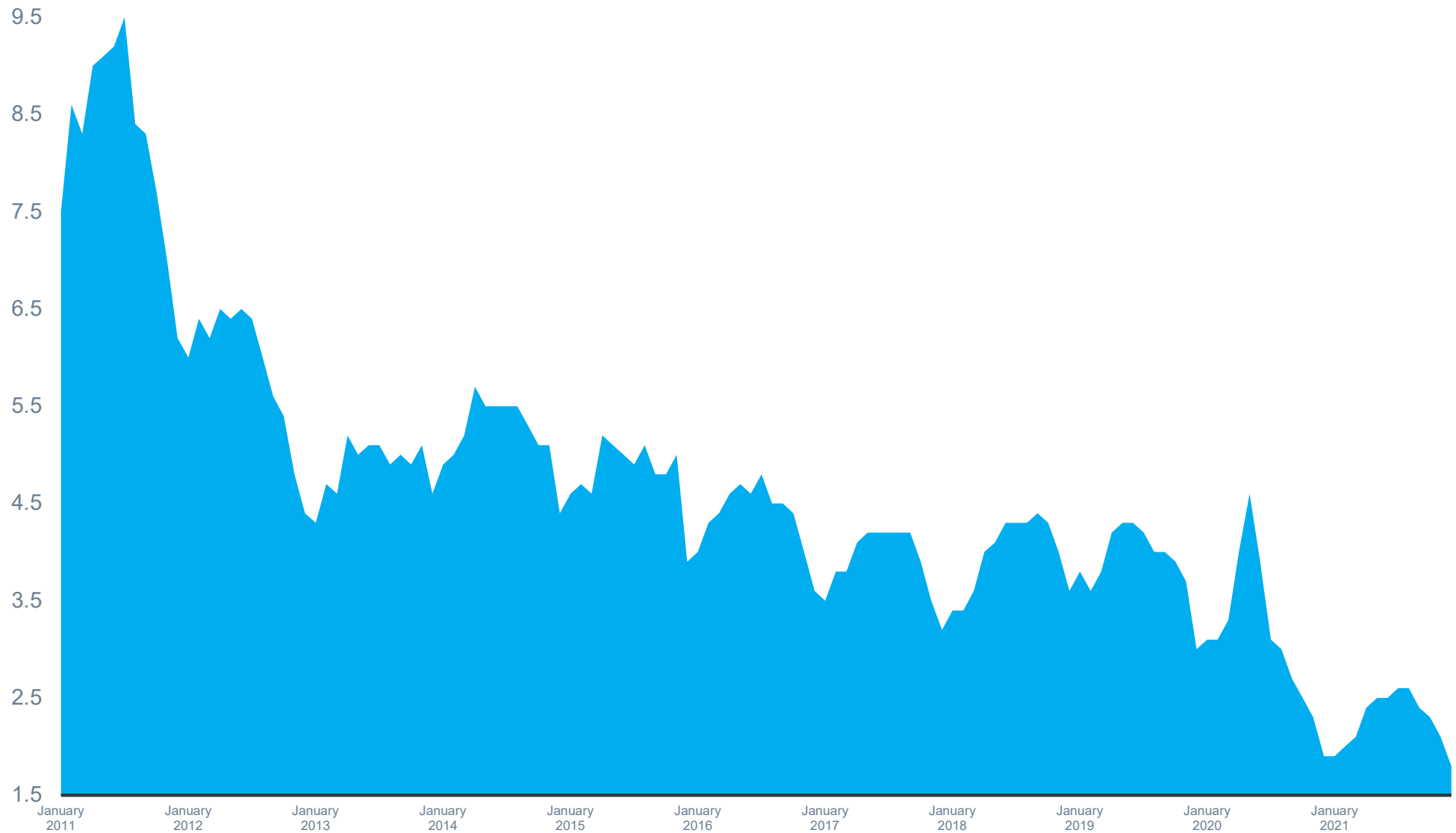
December 2021



Source: NAR

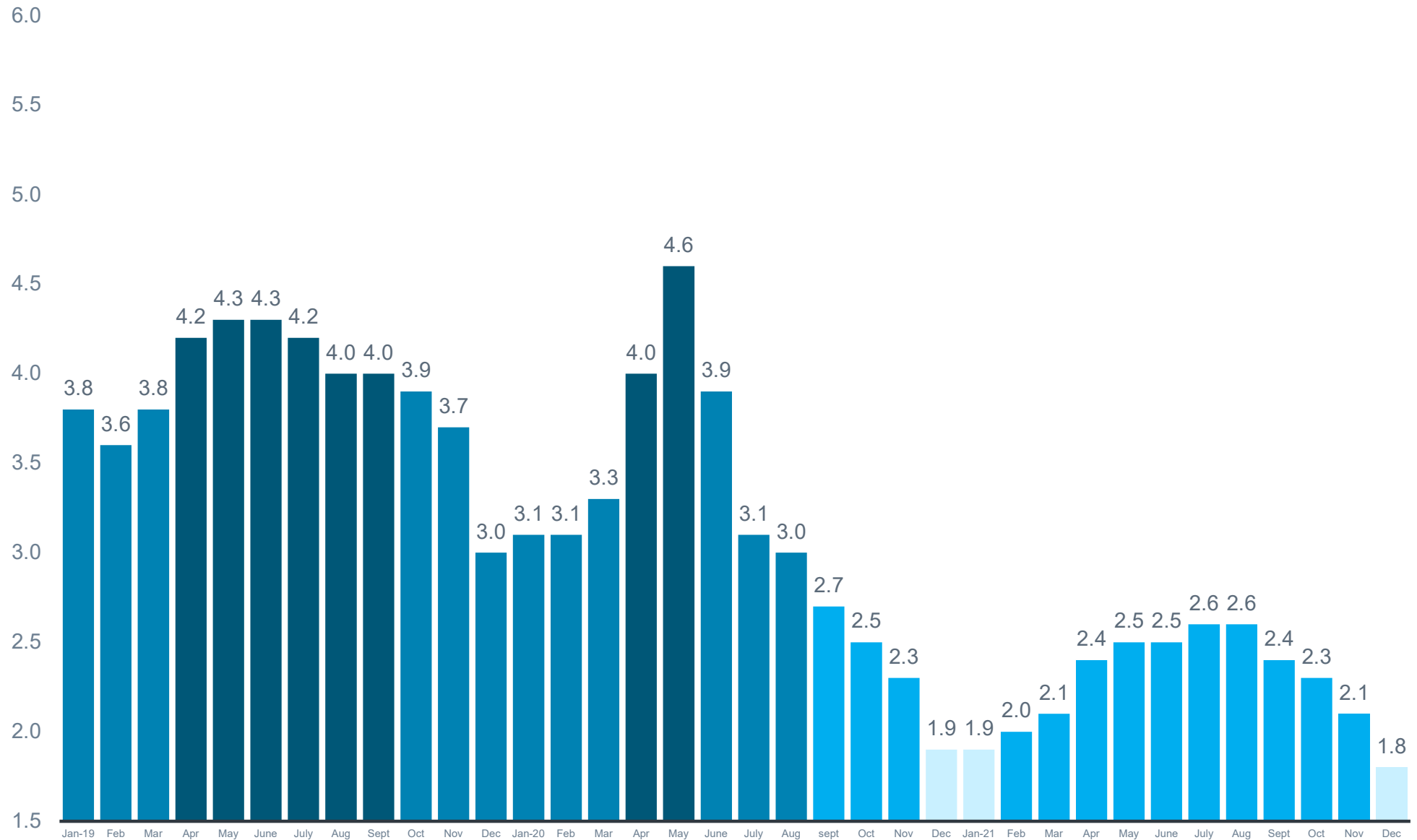
Months Inventory of Homes for Sale

2011 - Today



Months Inventory of Homes for Sale

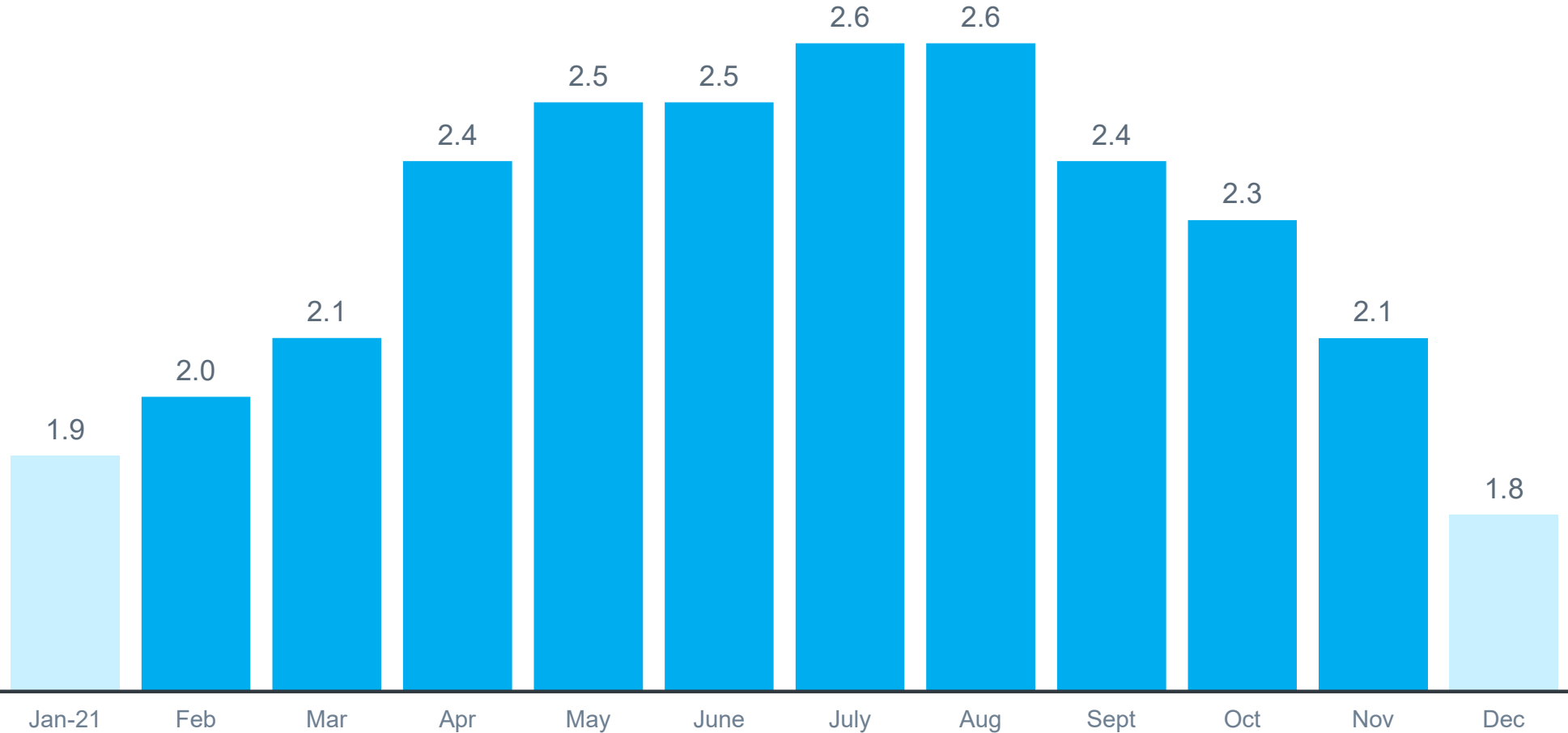
Since 2019



Source: NAR

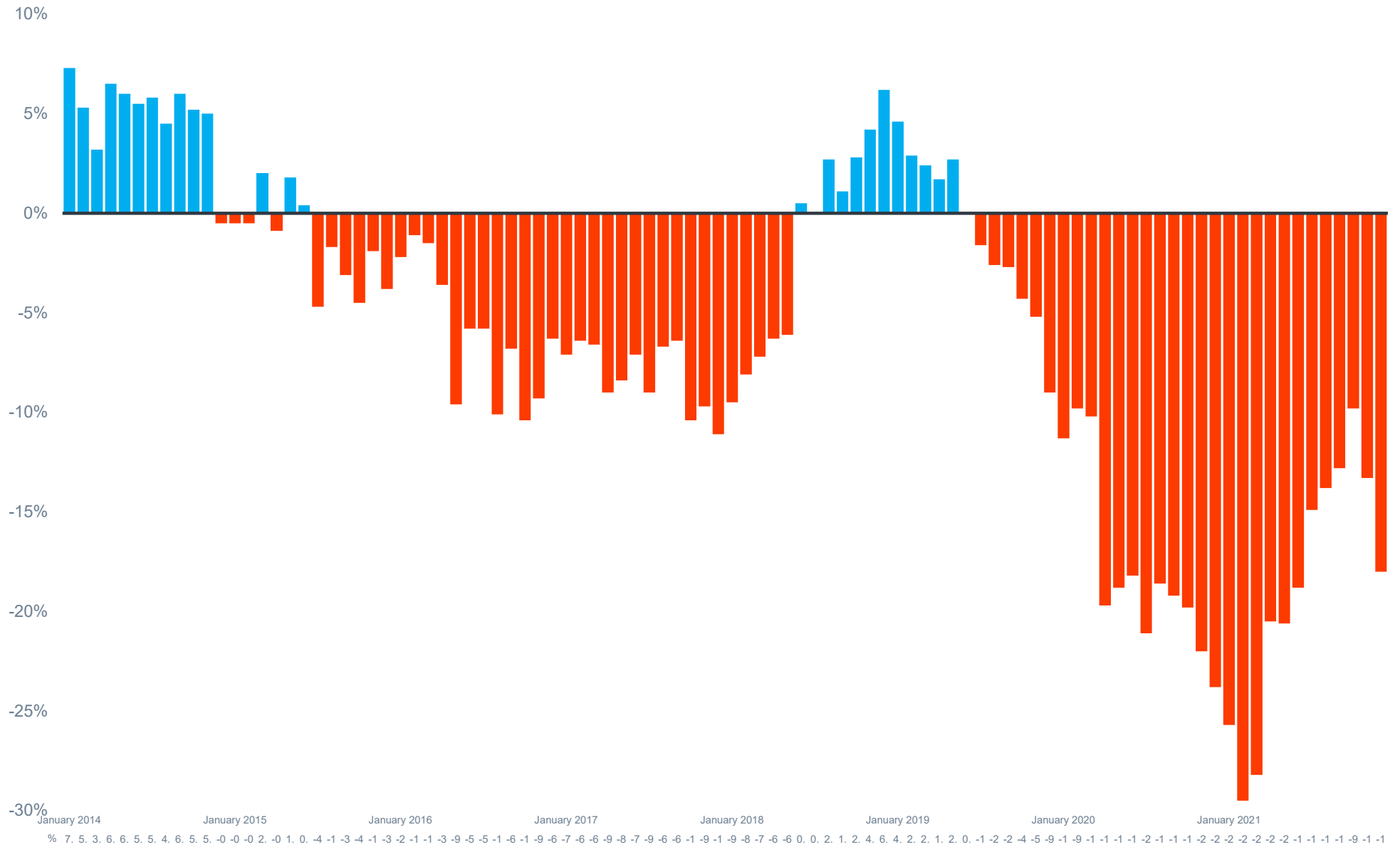
Months Inventory of Homes for Sale

Last 12 Months



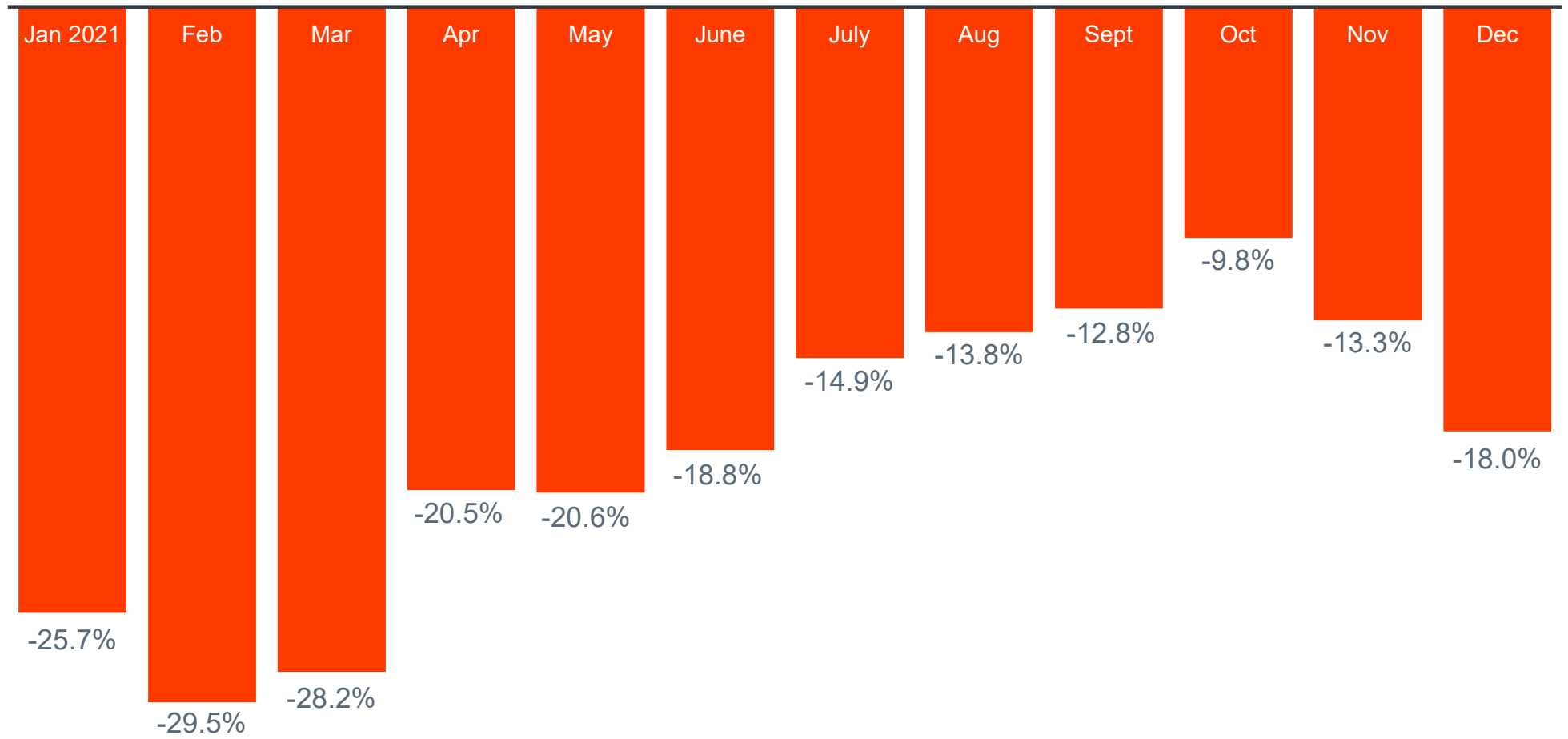
Source: NAR

Year-Over-Year Inventory Levels



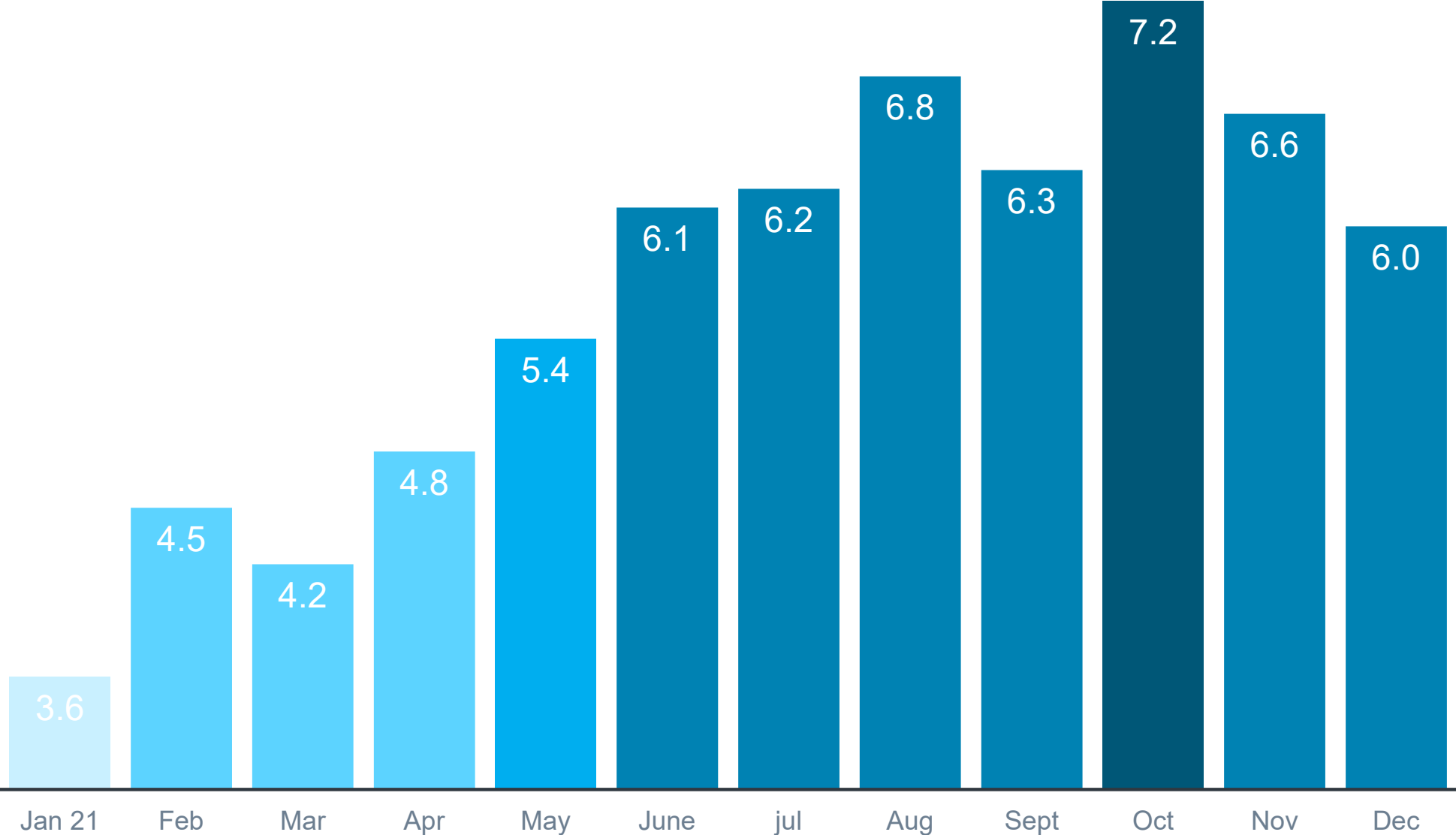
Year-Over-Year Inventory Levels

Last 12 Months



New Home Monthly Inventory

Seasonally Adjusted, Last 12 Months

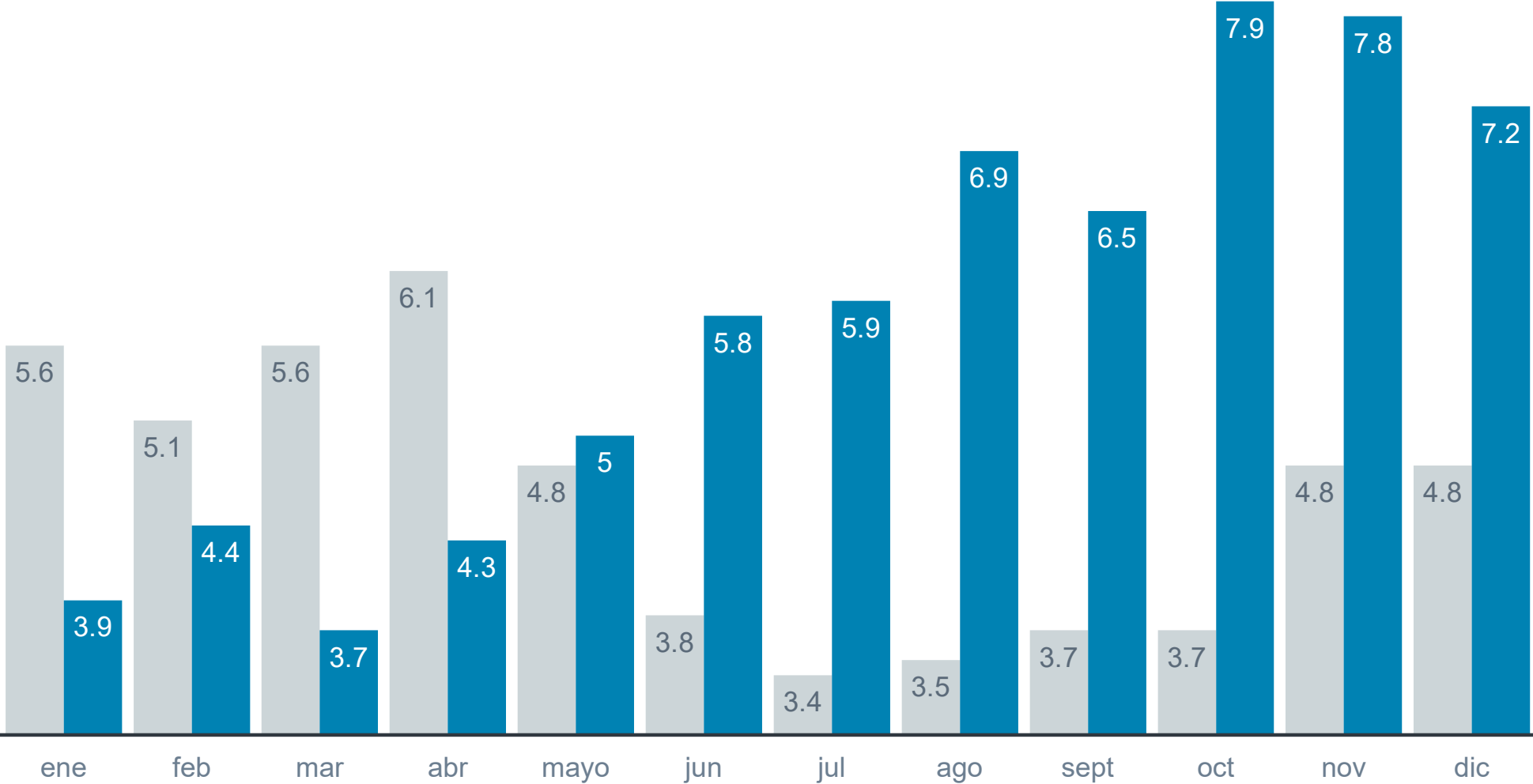


Source: Census

New Home Monthly Inventory

Non-Seasonally Adjusted

■ 2020 ■ 2021



Source: Census



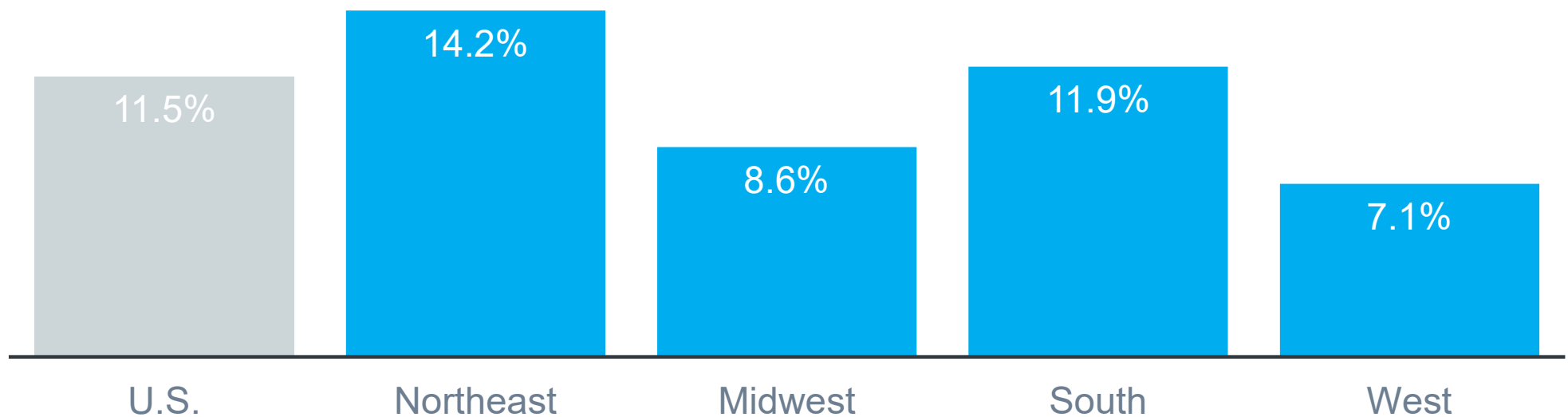
Buyer Demand

Home Buyer Demand Again Jumped Nationwide in December, Rounding Out a Historic Year

Year-Over-Year Increase in Showing Activity, December 2021

Michael Lane, Vice President & General Manager, Showing Time

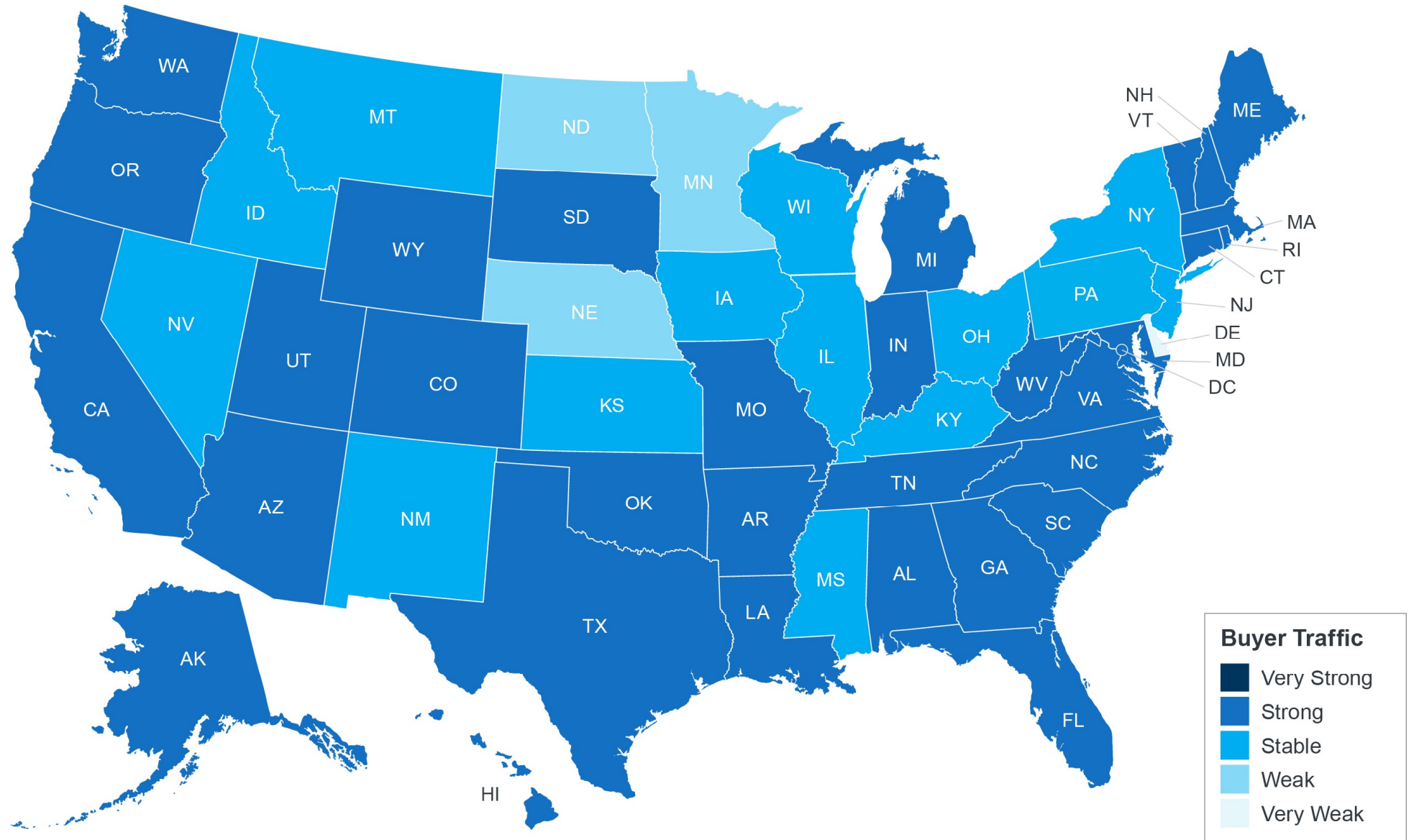
“2021 was a banner year for residential real estate as buyer demand was up nationally for most of the year, pushing the ratio of showings per listing to historic highs.”



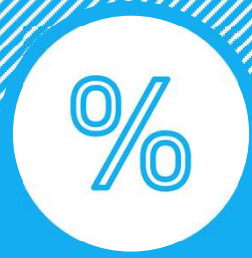
Source: Showing Time

Buyer Traffic Index

December 2021



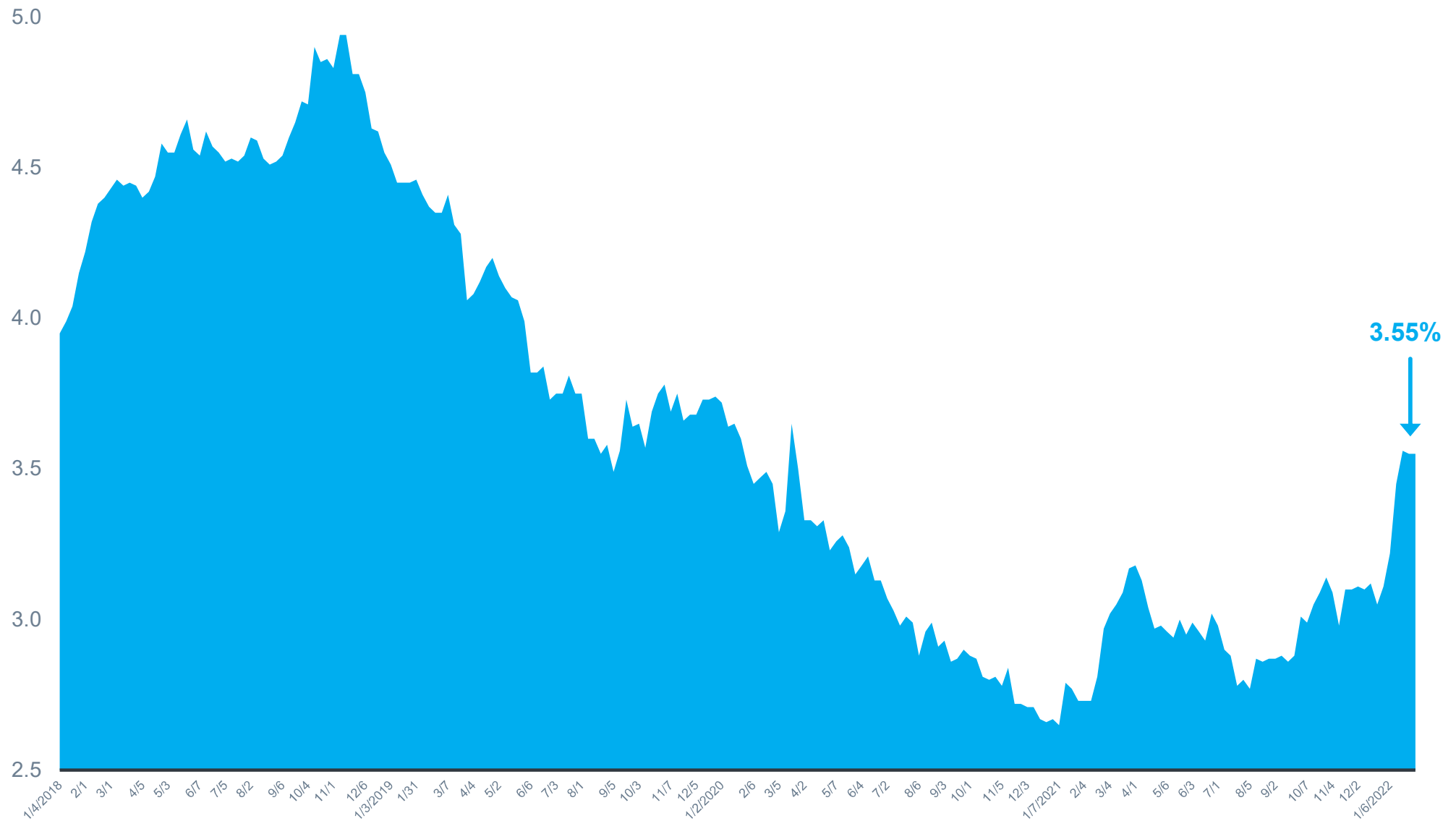
Source: NAR



Mortgage Rates

Mortgage Rates

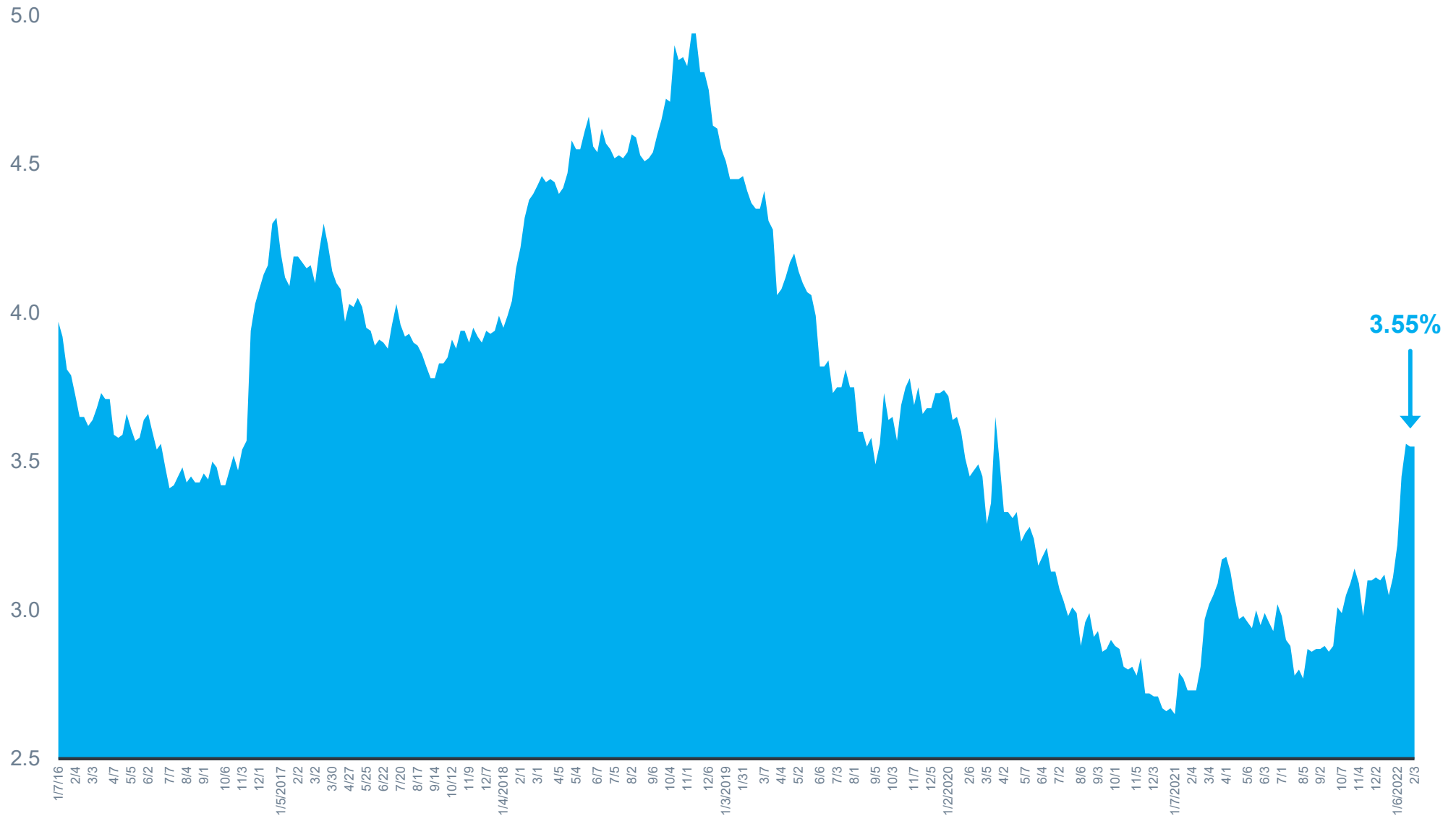
30-Year Fixed Rate, January 2018–Today



Source: Freddie Mac

Mortgage Rates

30-Year Fixed Rate, January 2016–Today



Source: Freddie Mac

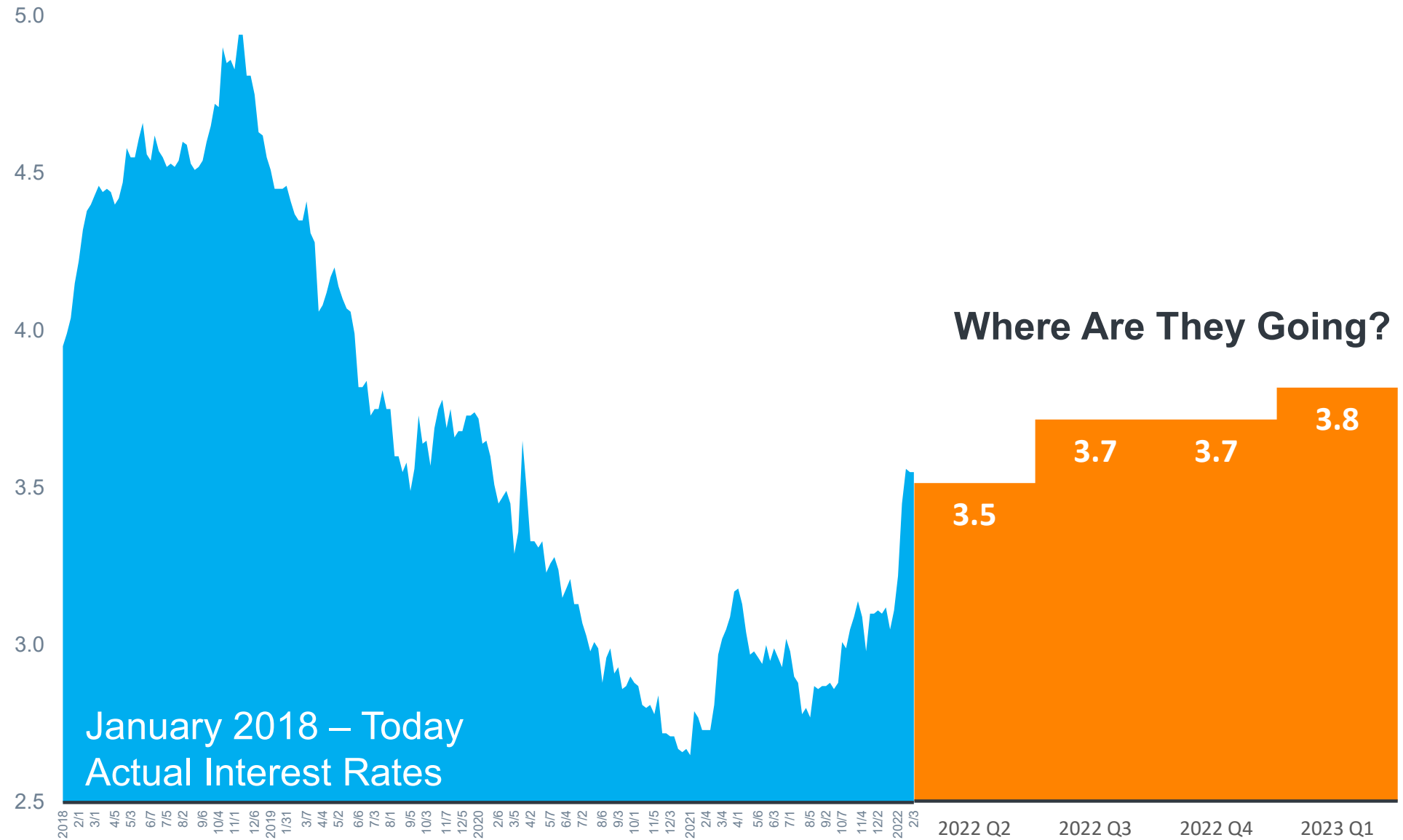
Mortgage Rate Projections

January 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2022 2Q	3.6	3.3	3.5	3.5	3.47%
2022 3Q	3.7	3.3	3.7	3.7	3.60%
2022 4Q	3.7	3.4	4.0	3.9	3.75%
2023 1Q	3.8	3.4	4.1	4.0	3.82%

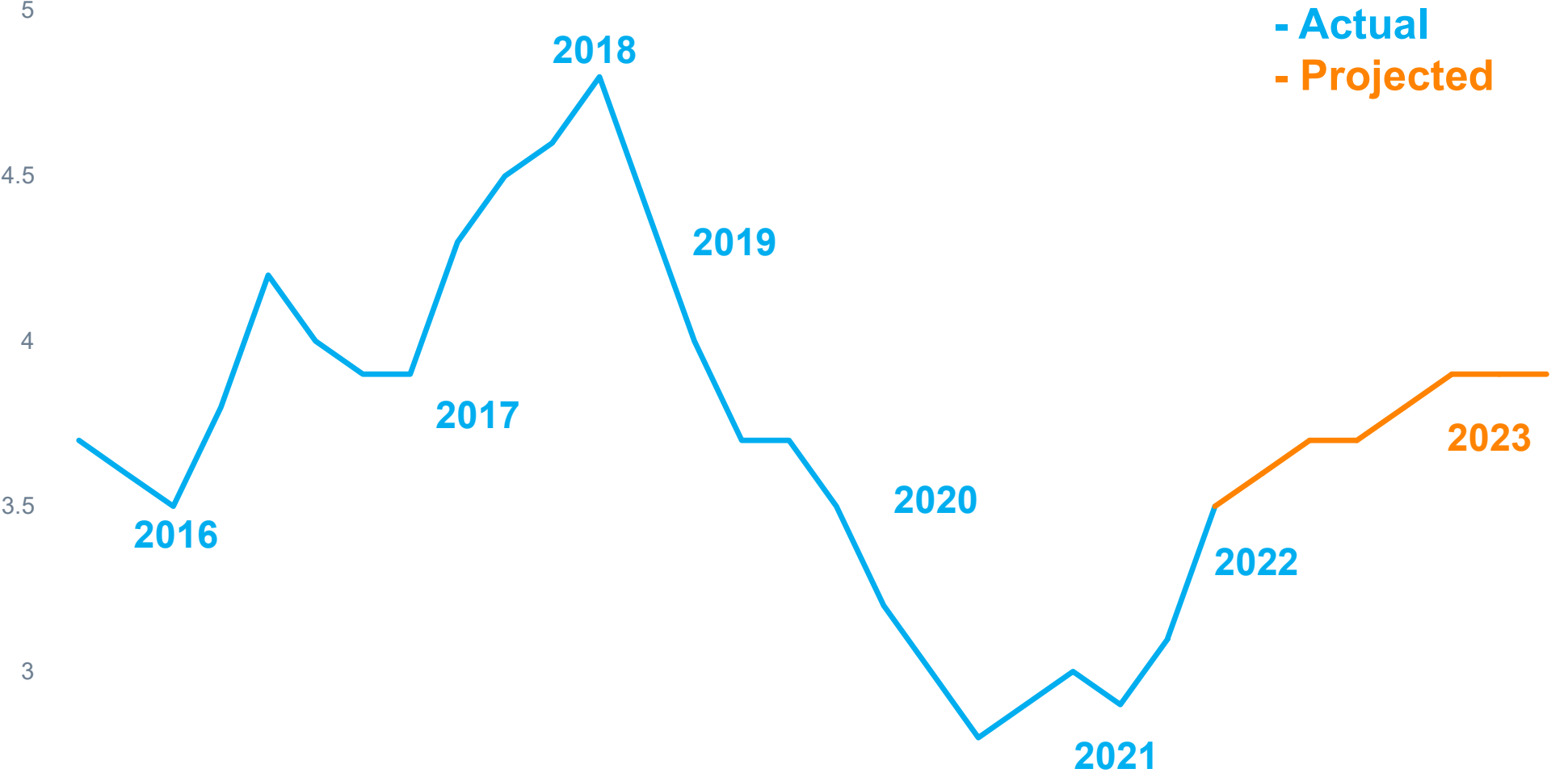
Mortgage Rates

30-Year Fixed Rate



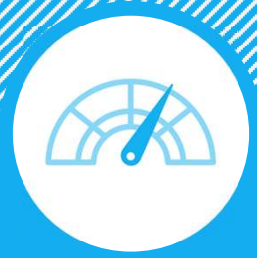
Mortgage Rates

30-Year Fixed Rate



	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Rate	3.7	3.6	3.5	3.8	4.2	4.0	3.9	3.9	4.3	4.5	4.6	4.8	4.4	4	3.7	3.7	3.5	3.2	3.0	2.8	2.9	3.0	2.9	3.1	3.5	3.6	3.7	3.7	3.8	3.9	3.9	3.9

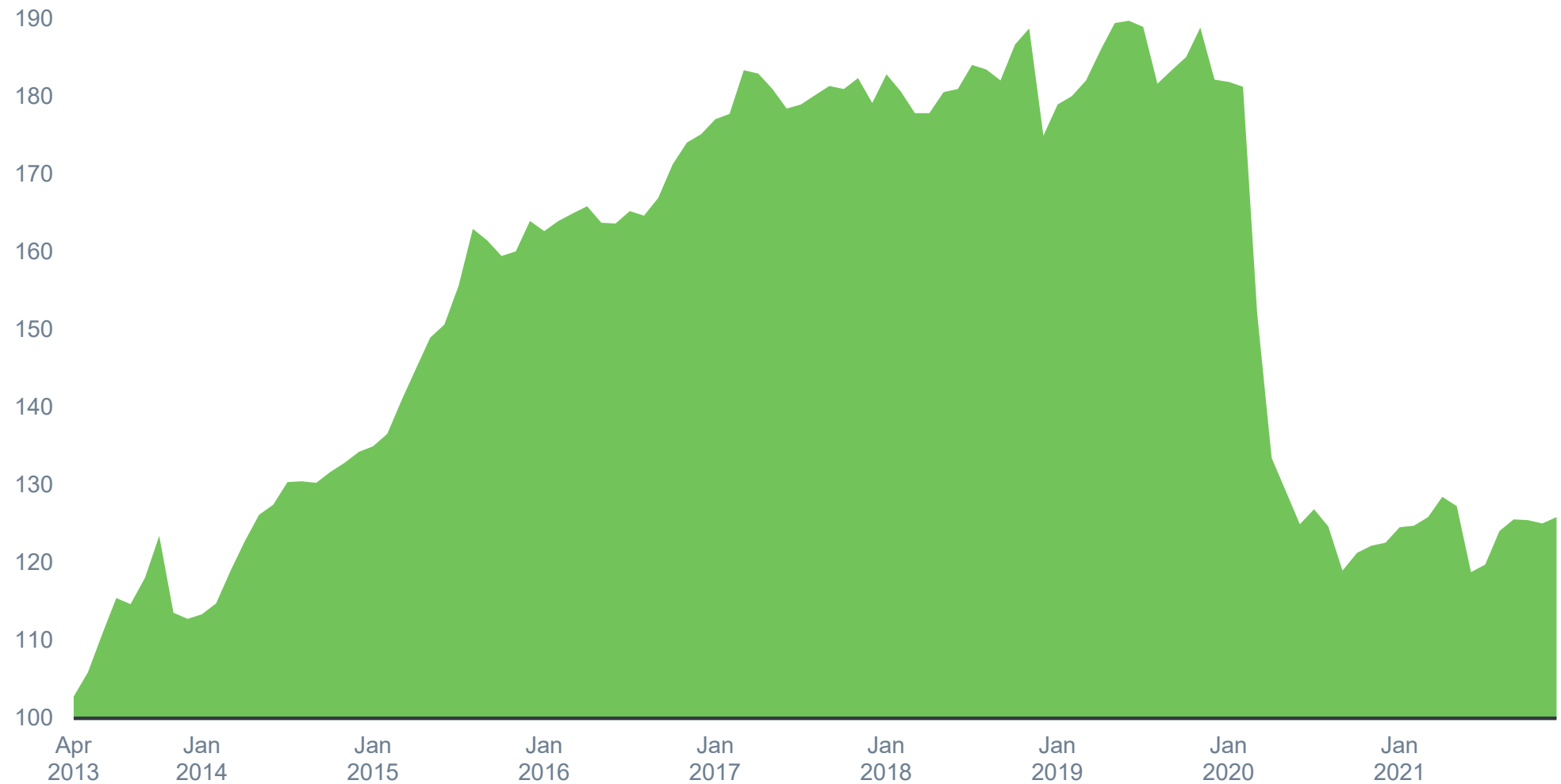
Source: Freddie Mac



Mortgage Credit Availability

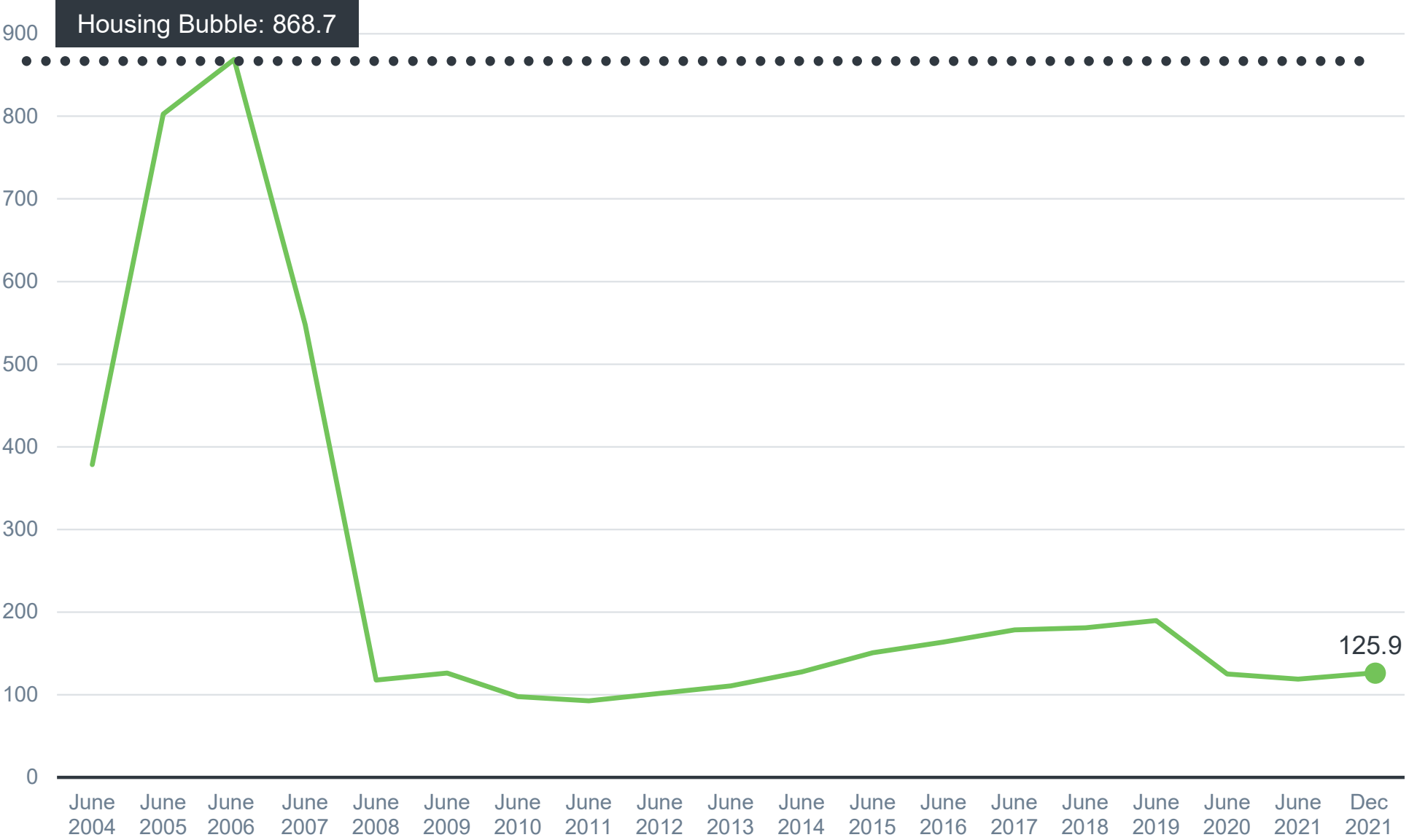
Mortgage Credit Availability Index (MCAI)

December 2021



Lending Standards Still Under Control

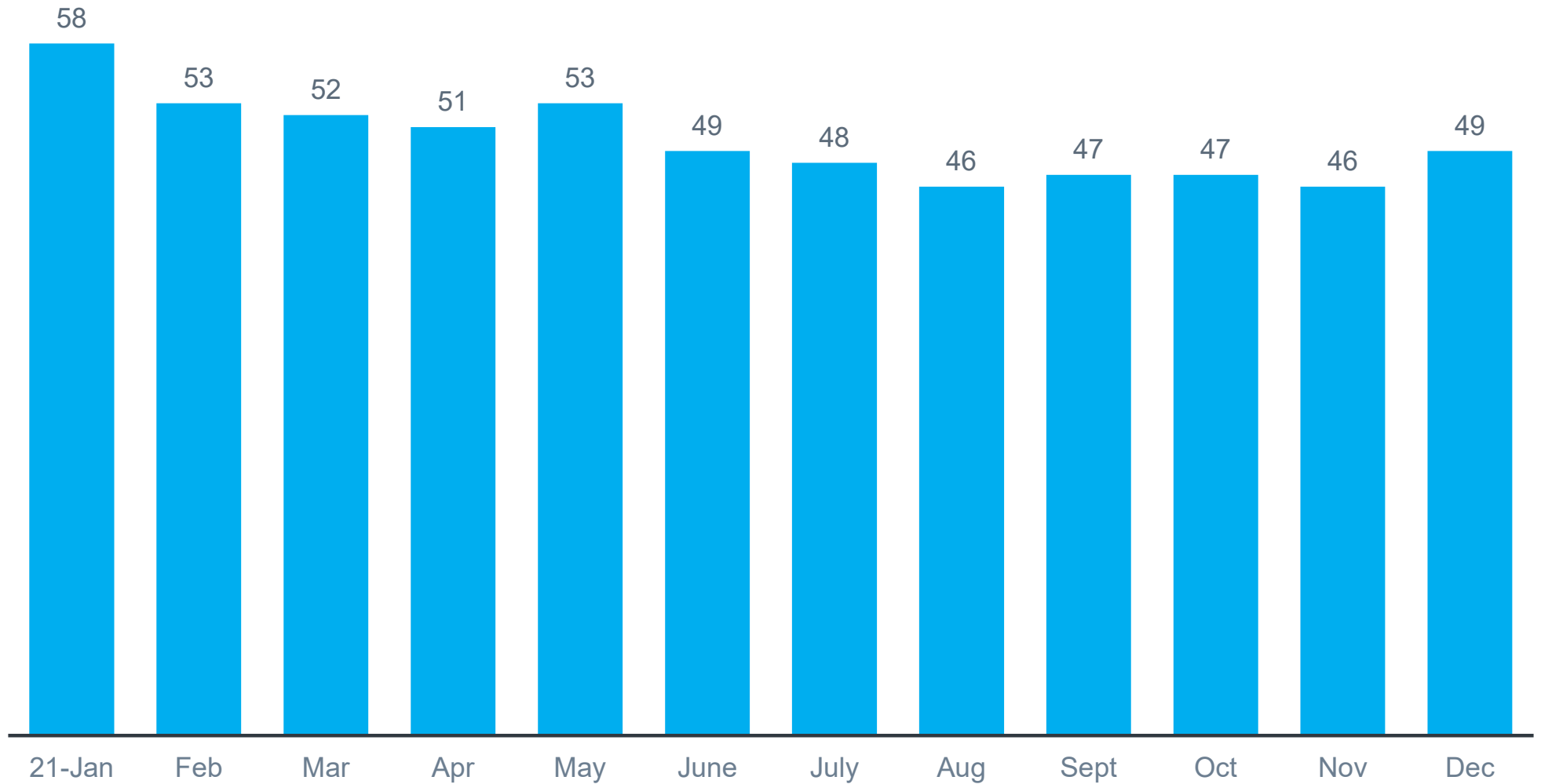
Historic Data for the Mortgage Credit Availability Index (MCAI)



Source: MBA

Average Days To Close a Loan

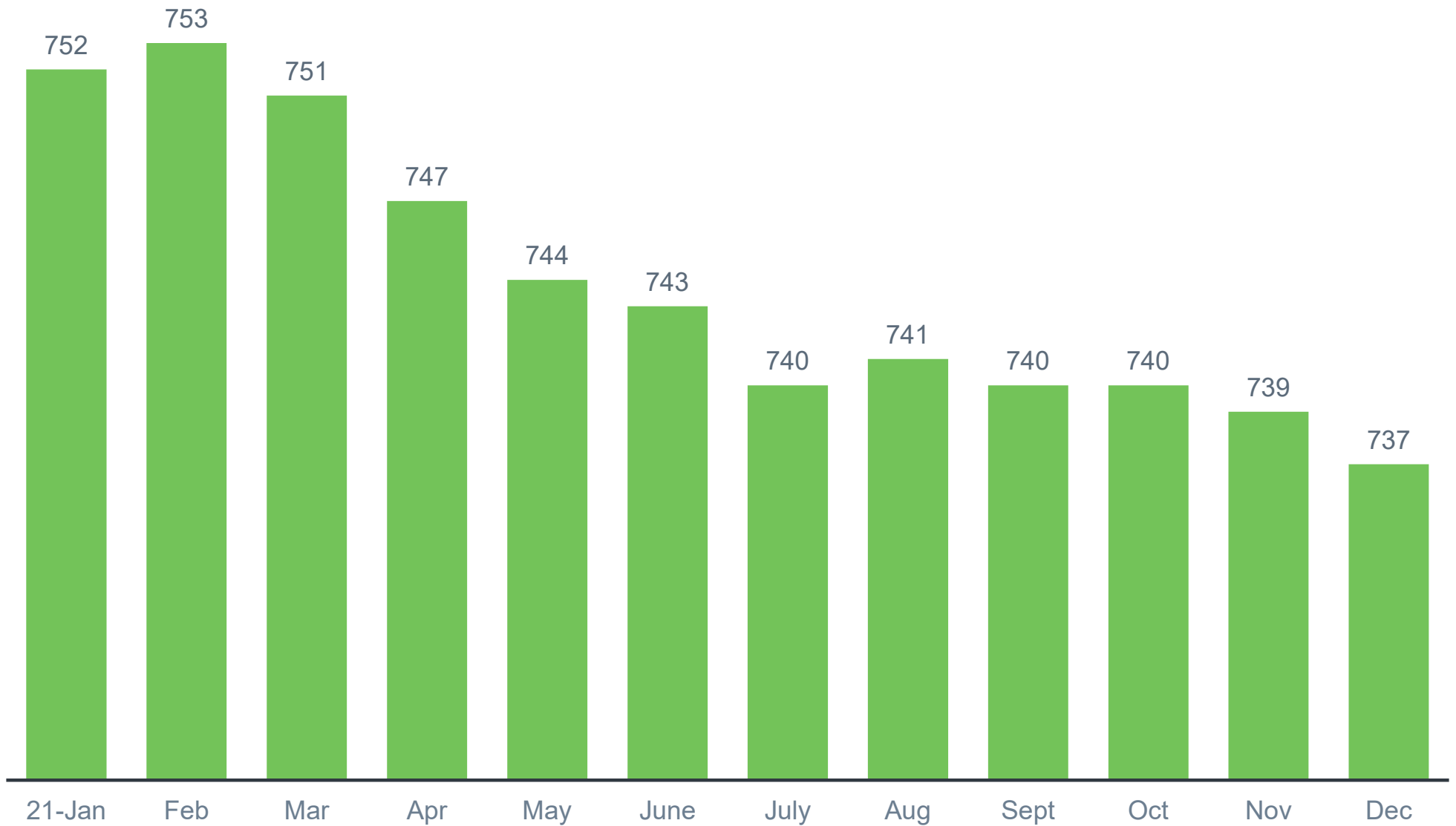
Last 12 Months



Source: ICE

Average FICO® Score

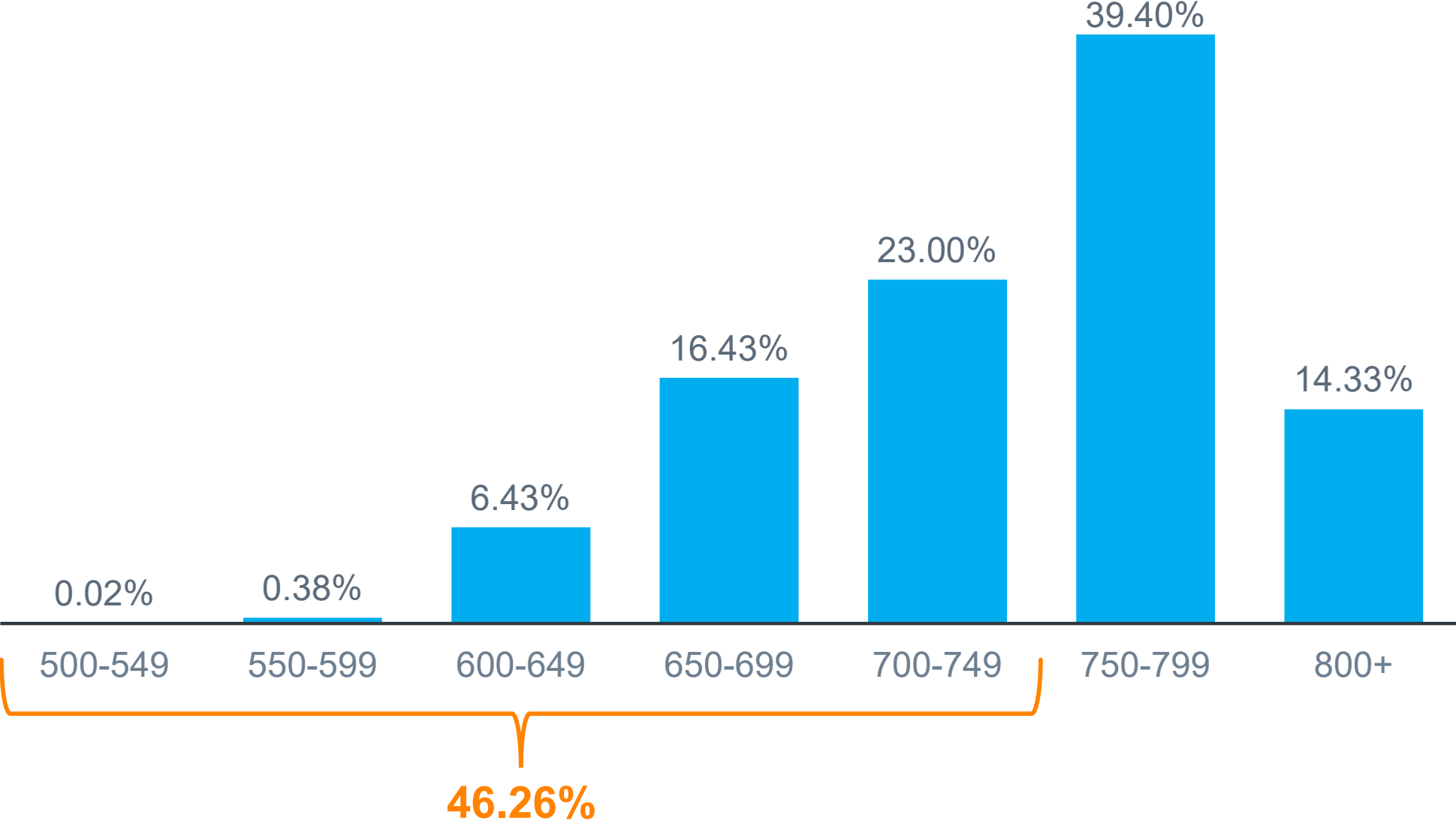
Last 12 Months



Source: ICE

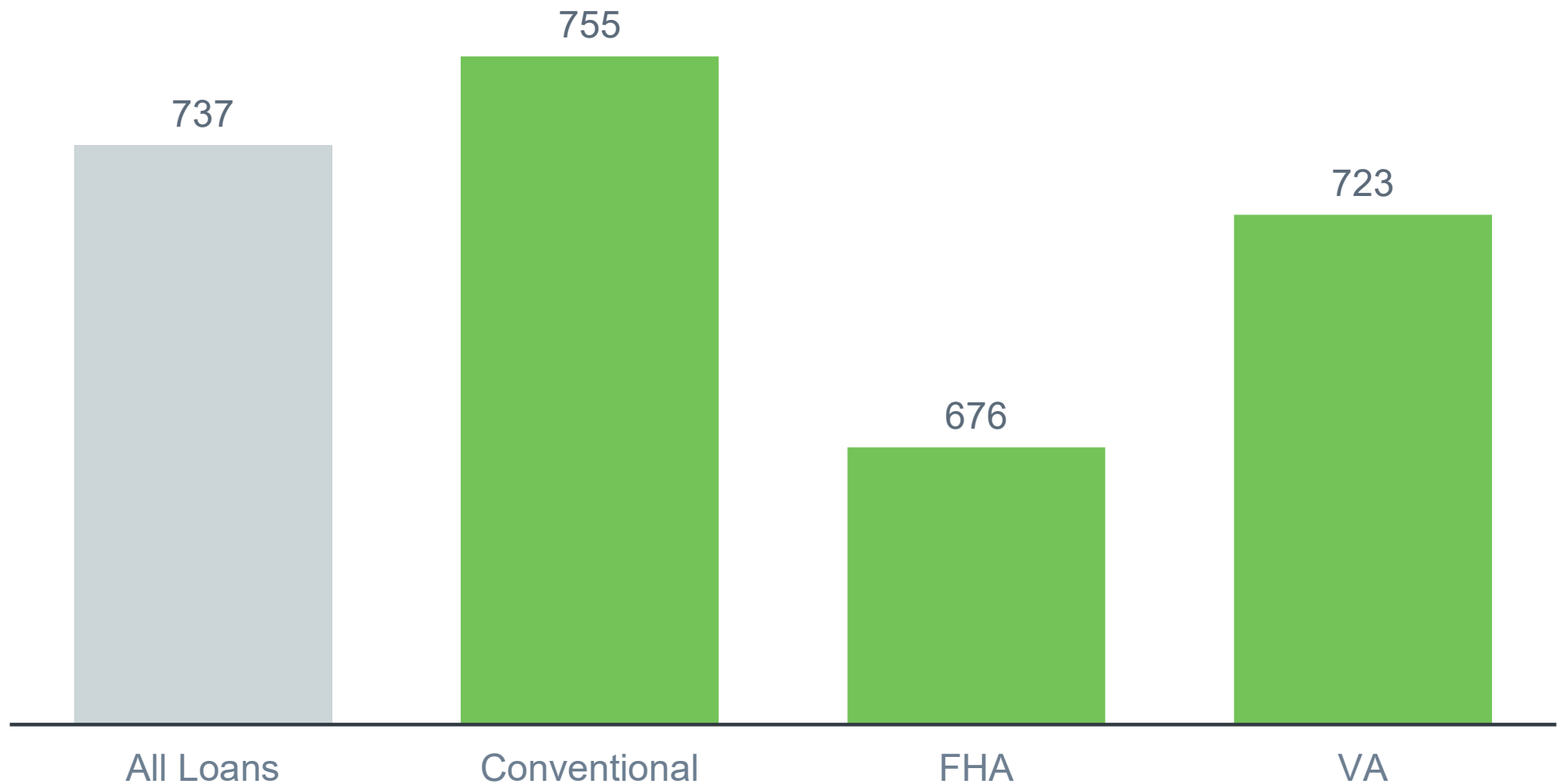
FICO® Score Distribution

December 2021



Average FICO® Score for Closed Purchase Loans

By Loan Type, December 2021



Average Back End DTI for Closed Purchase Loans

By Loan Type, December 2021

