

Economic and Mortgage Market Outlook

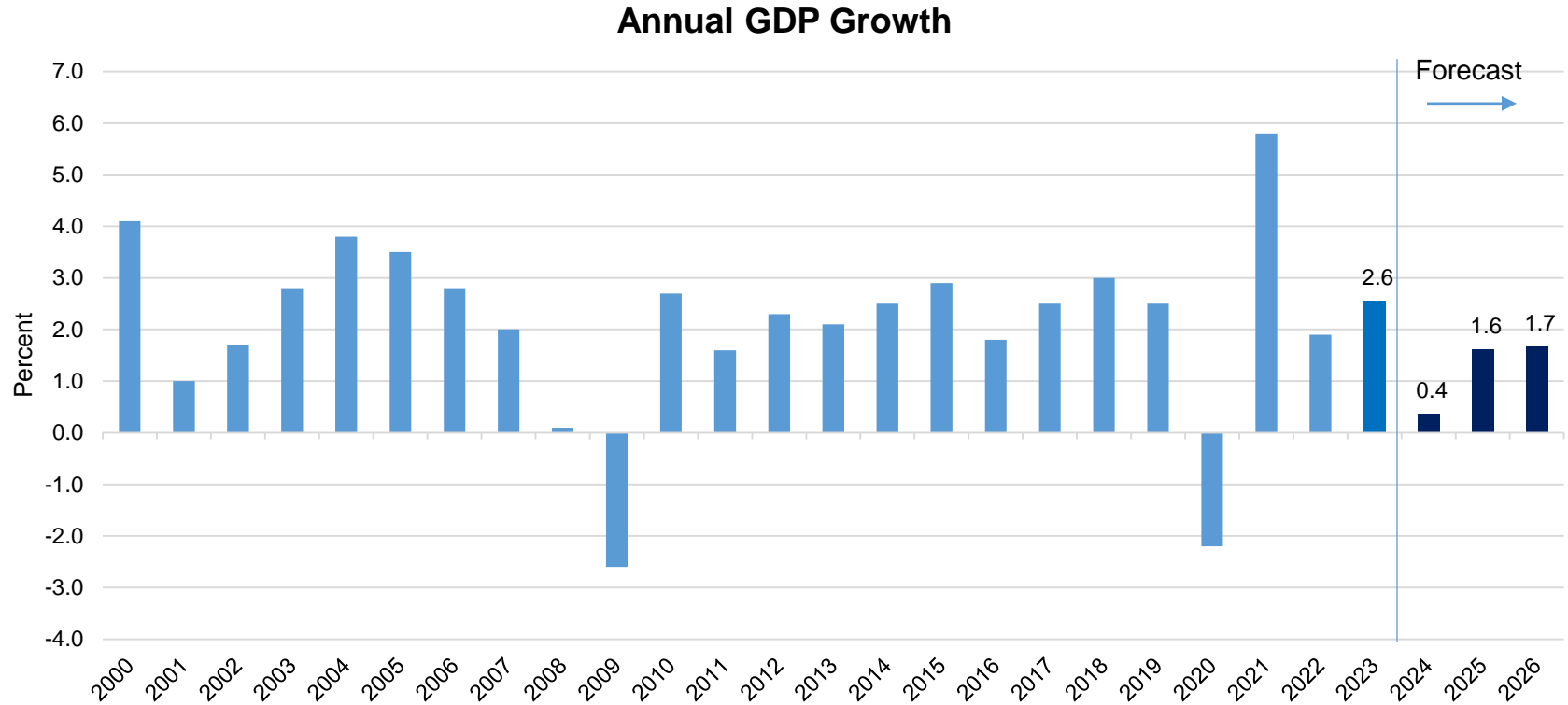
Prepared for MBA of Greater Rochester

January 24, 2024

Presented by:
Joel Kan

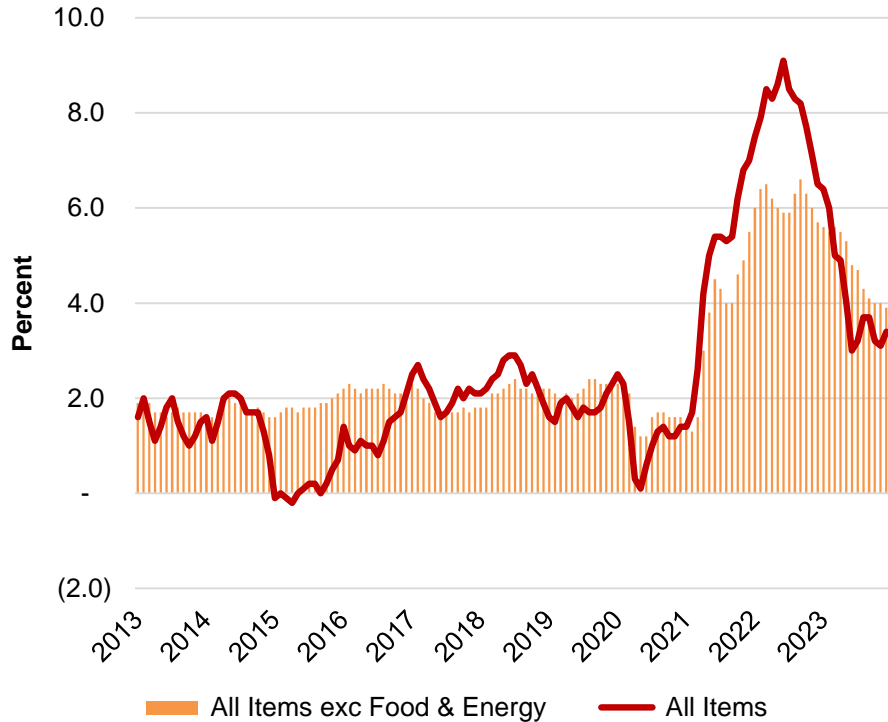


Economic Growth Expected to Slow in 2024

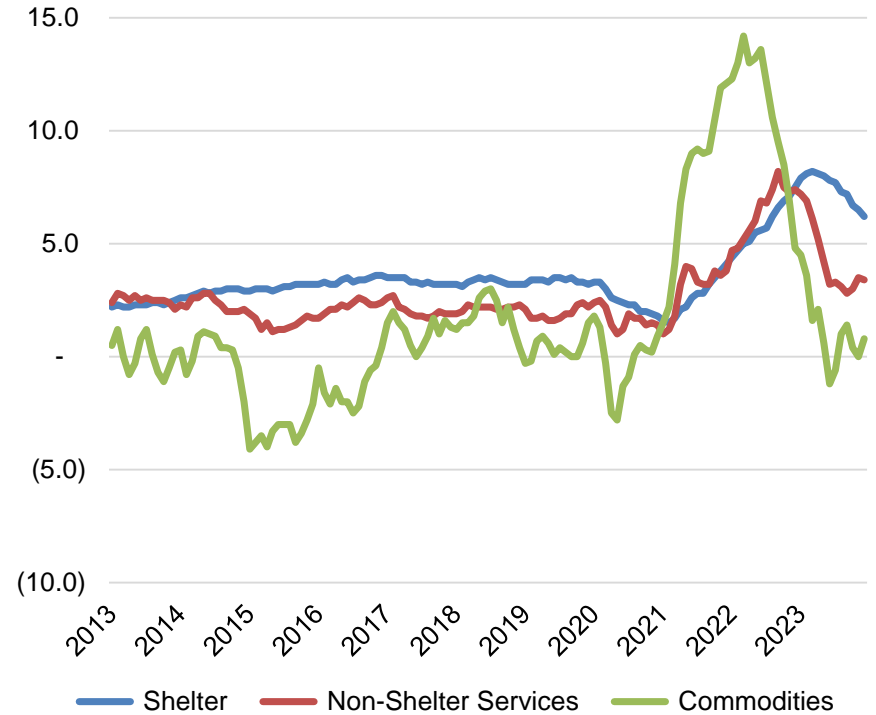


Inflation Has Been Slowing

CPI Inflation

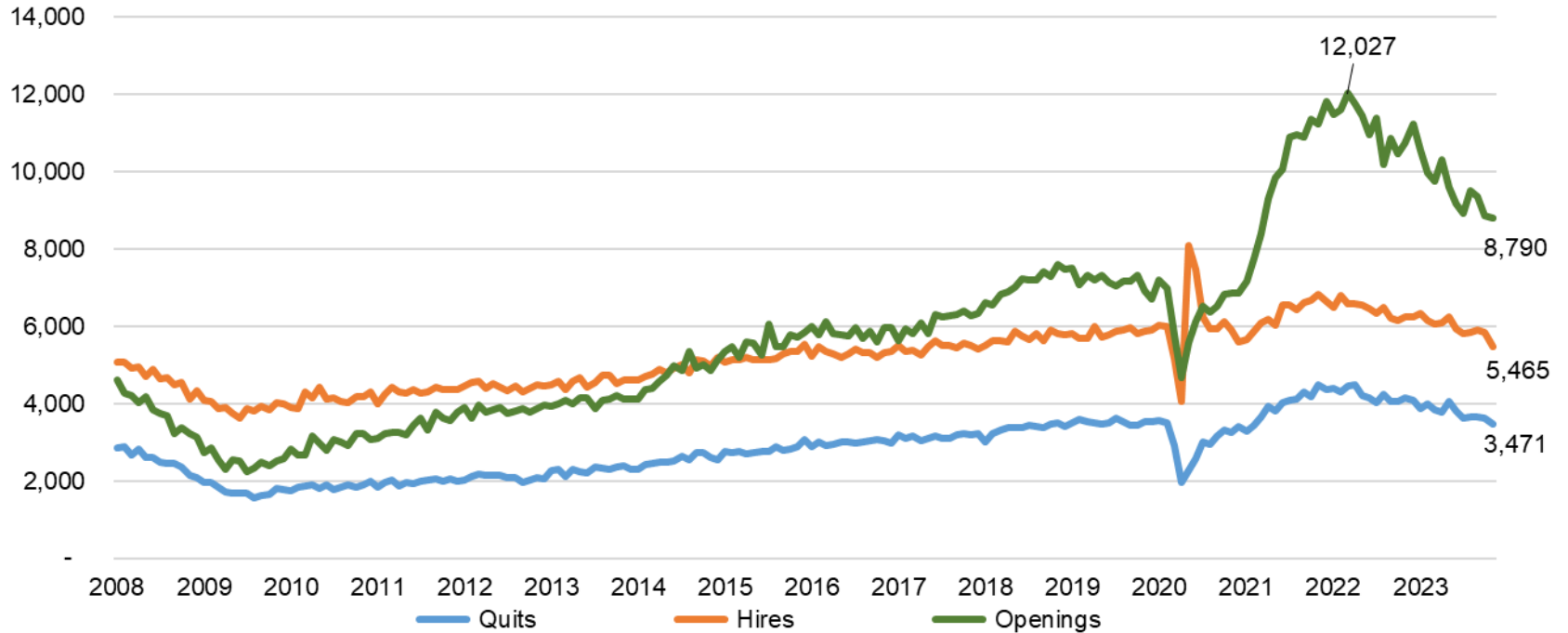


Goods and Services Inflation



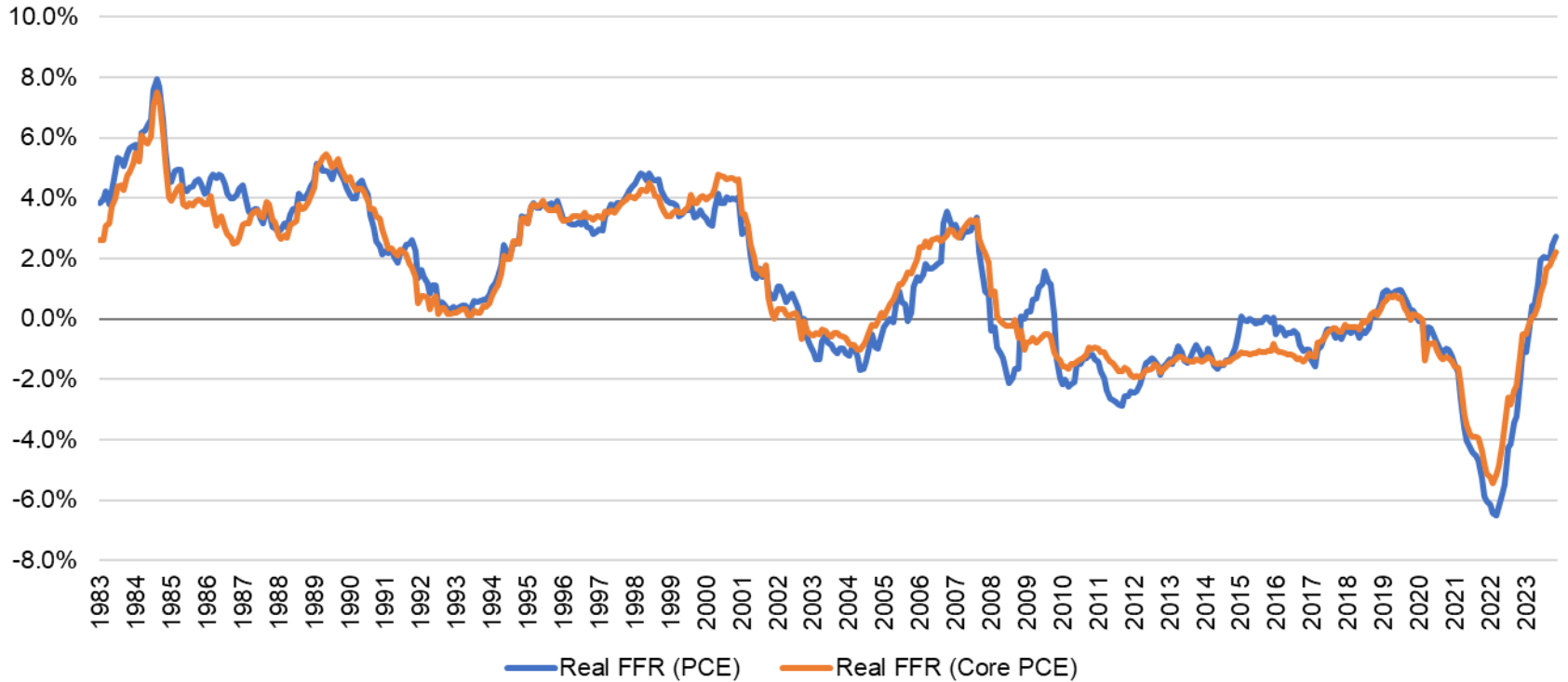
Job Openings, Hiring, and Quits Moving Lower

Private Job Openings, Hires, and Quits
Seasonally adjusted, thousands



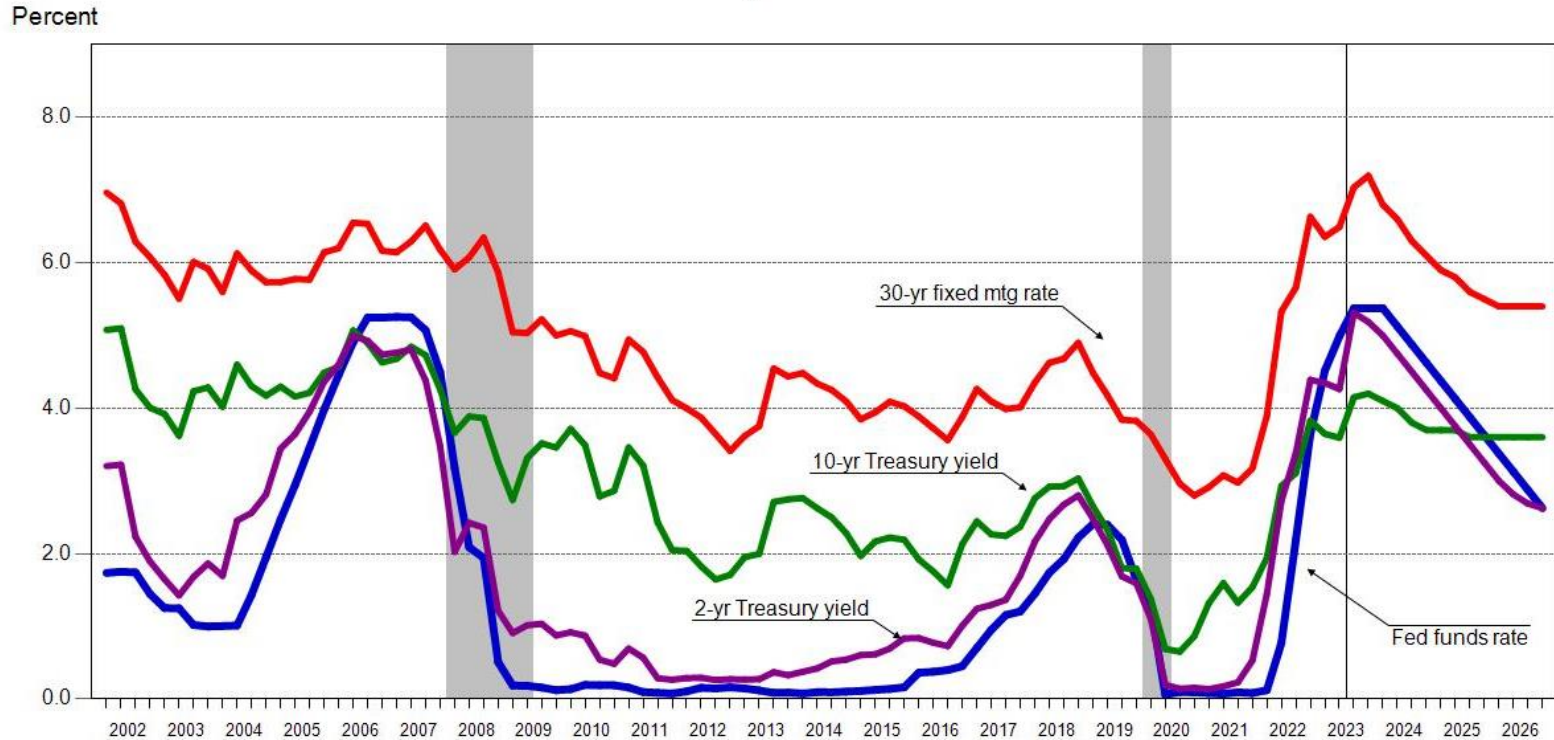
Real Fed Funds Rate in Restrictive Territory

Inflation Adjusted Fed Funds Rate



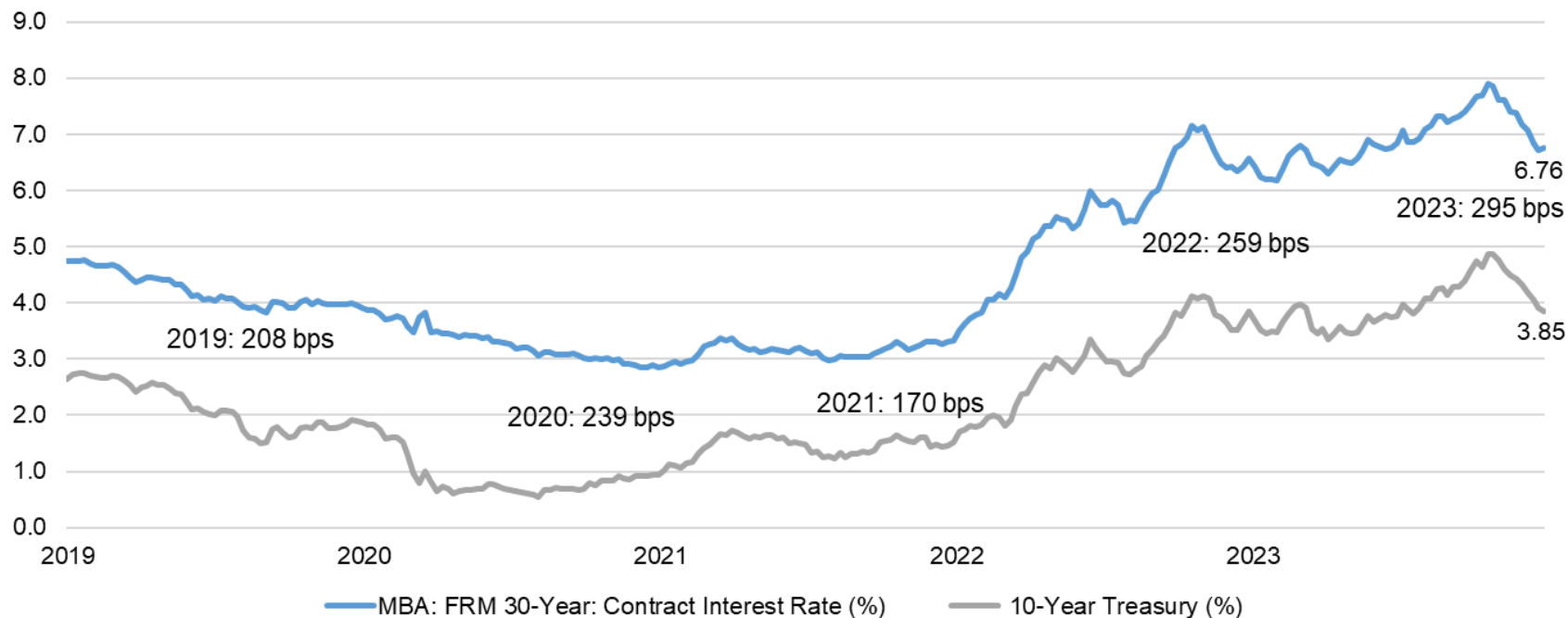
Fed to Hold Funds Rate Until 2024 Q2, Mortgage Rates Expected to Drift Down

Rate History and Forecast

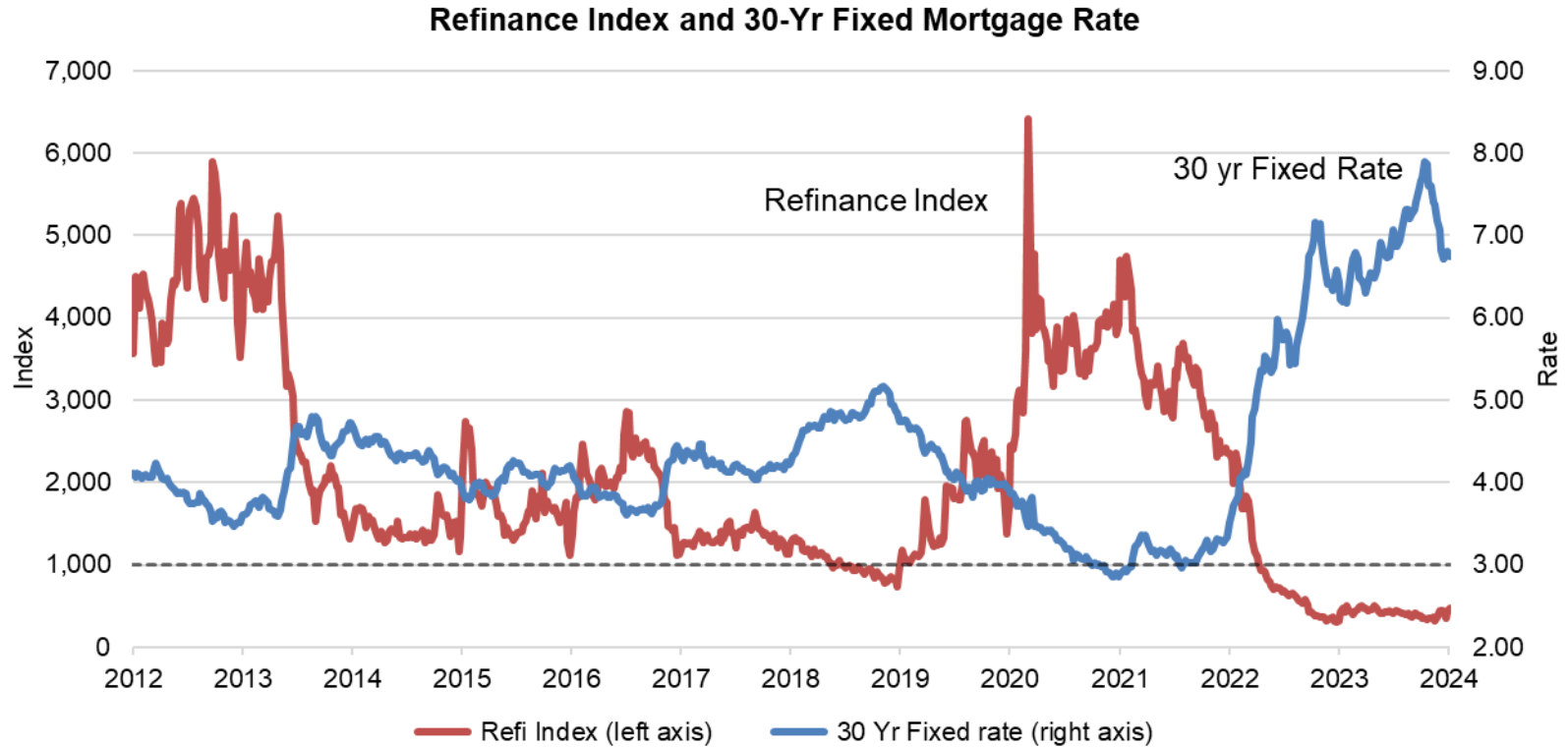


Mortgage-Treasury Spread Still Wide

30-Year Fixed Rates and 10-Year Treasury Yield
Average Conforming-Treasury Spread from 2009 to 2018: 184 bps

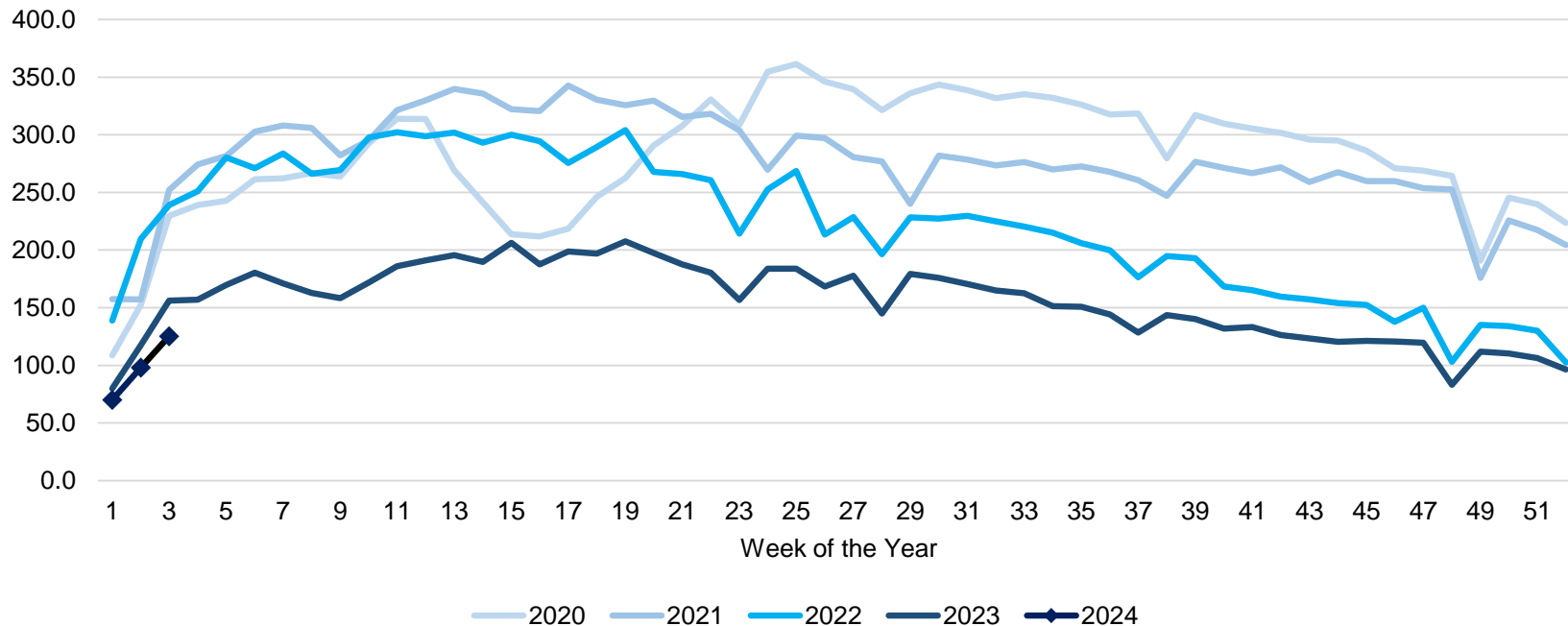


30-Year Fixed Rate Back Below 7% but Refi Activity Tepid



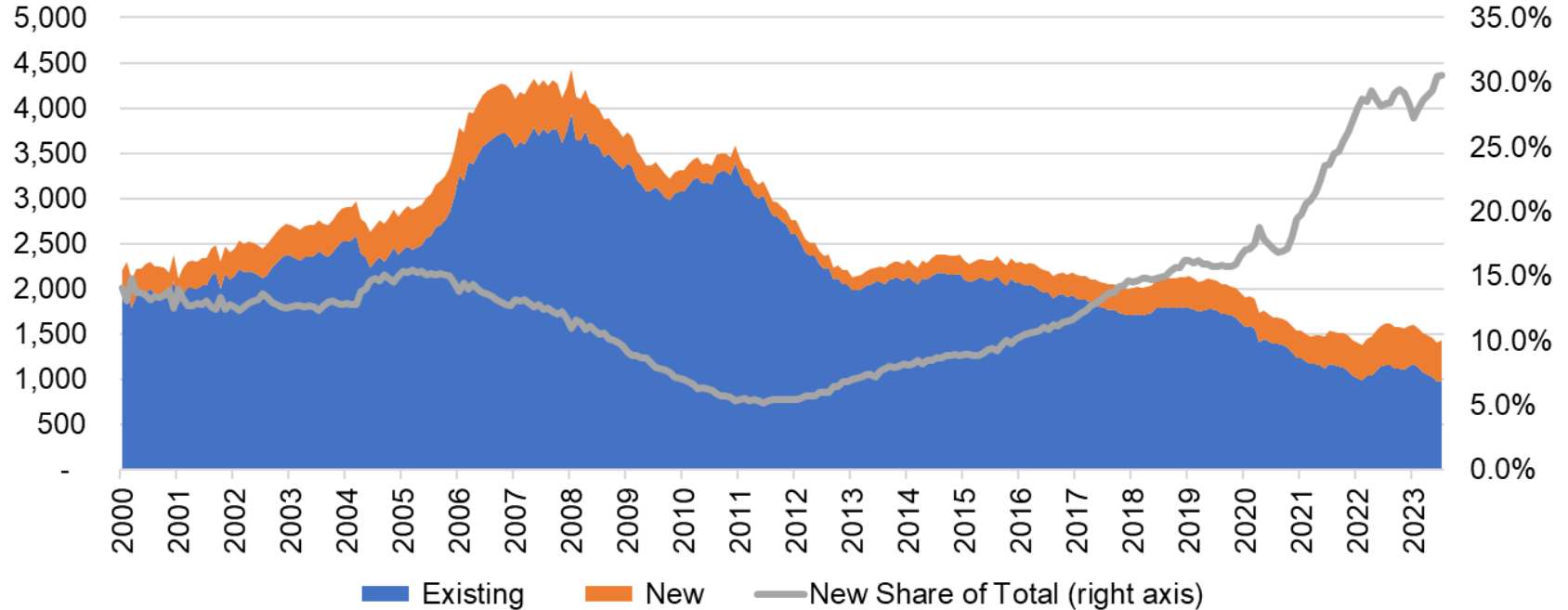
Purchase Applications Continue to Lag Past Years

Purchase Mortgage Applications Index
Non-seasonally adjusted, based on loan count



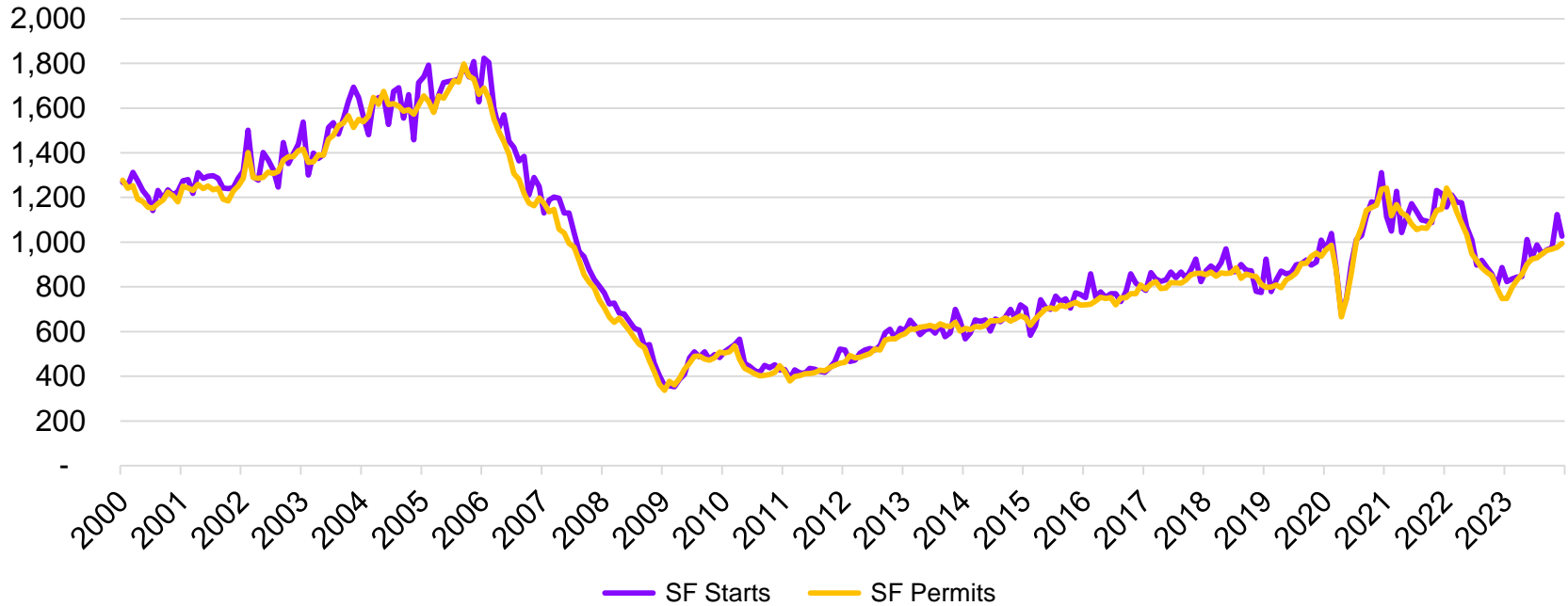
Newly Built Homes Account for a Third of For-Sale Inventory

Housing Units Available for Sale Seasonally adjusted, thousands



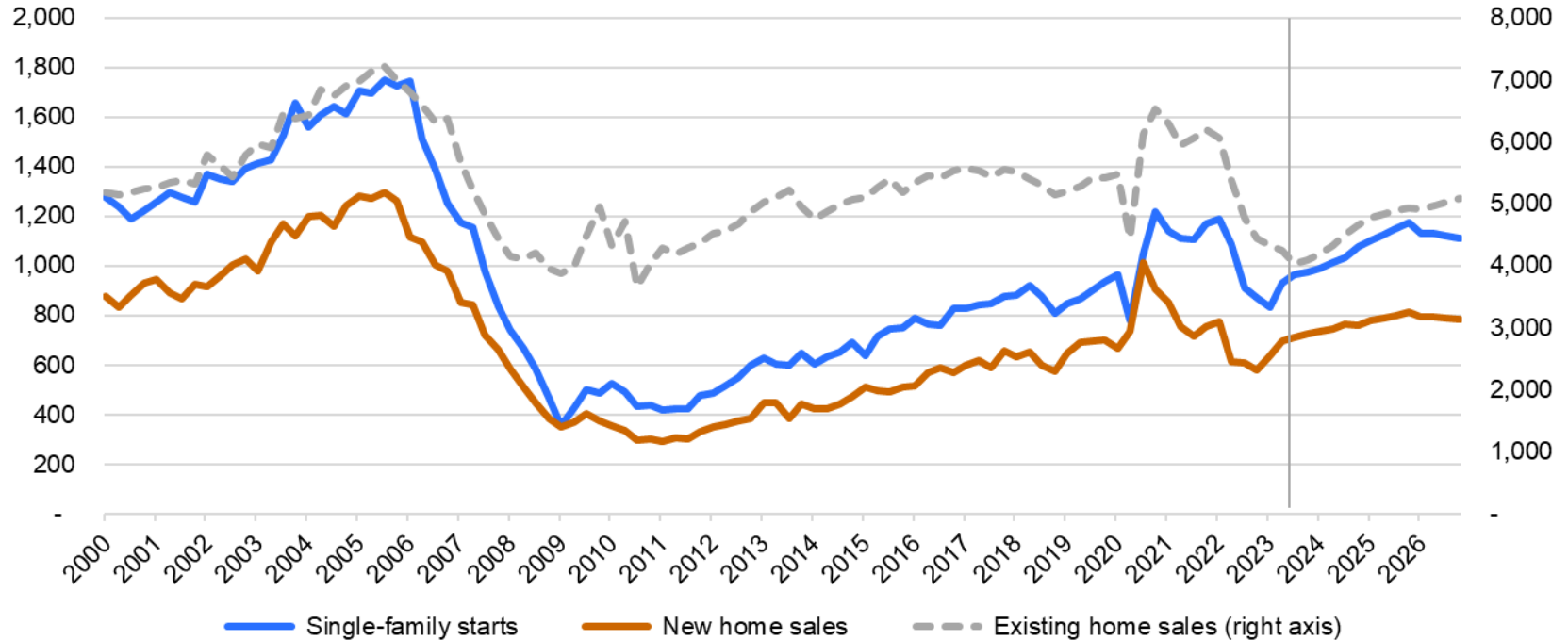
Single-family Construction Has Been Strong

New Residential Construction
SAAR, 000s of units



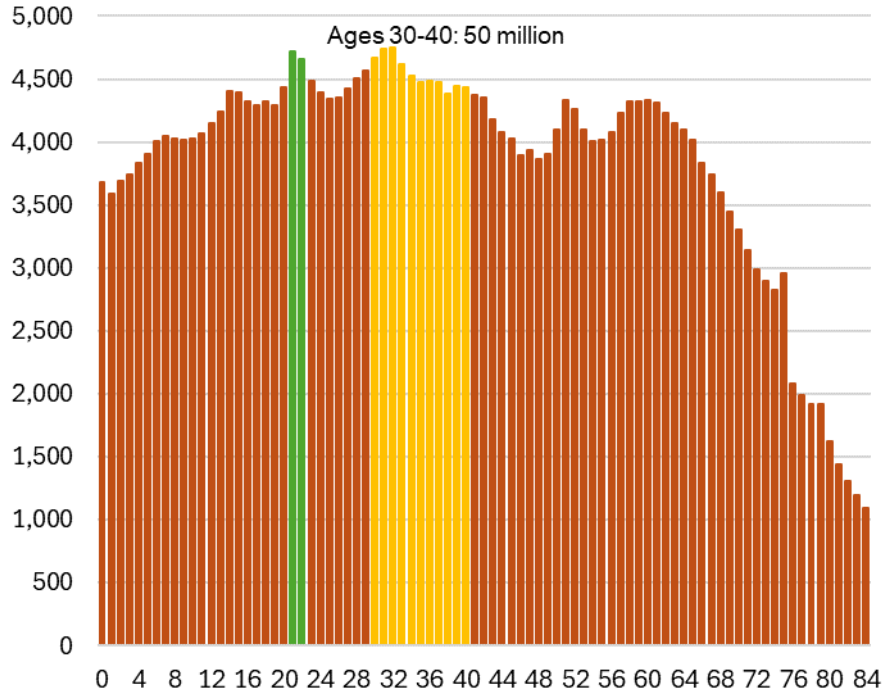
Growth in 1-4 Unit Starts, Home Sales Expected in 2024

Housing Starts and Home Sales
Seasonally adjusted annualized rate, 000s units

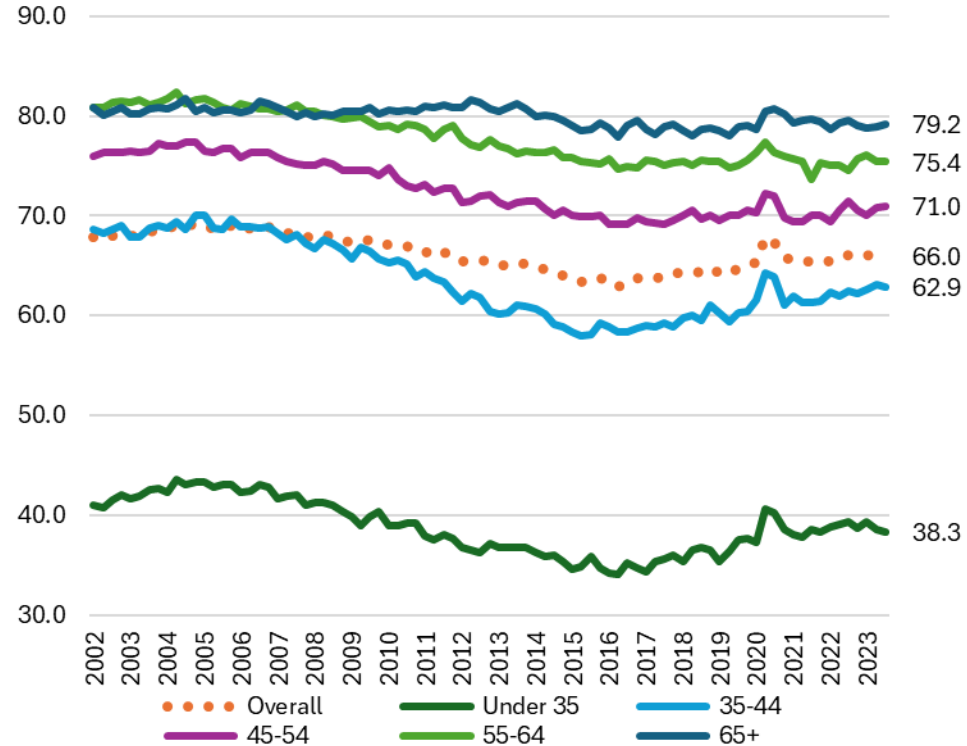


Demographic Support for Home Purchases

Population by Age: Census Bureau 2022 Estimates (Thousands)

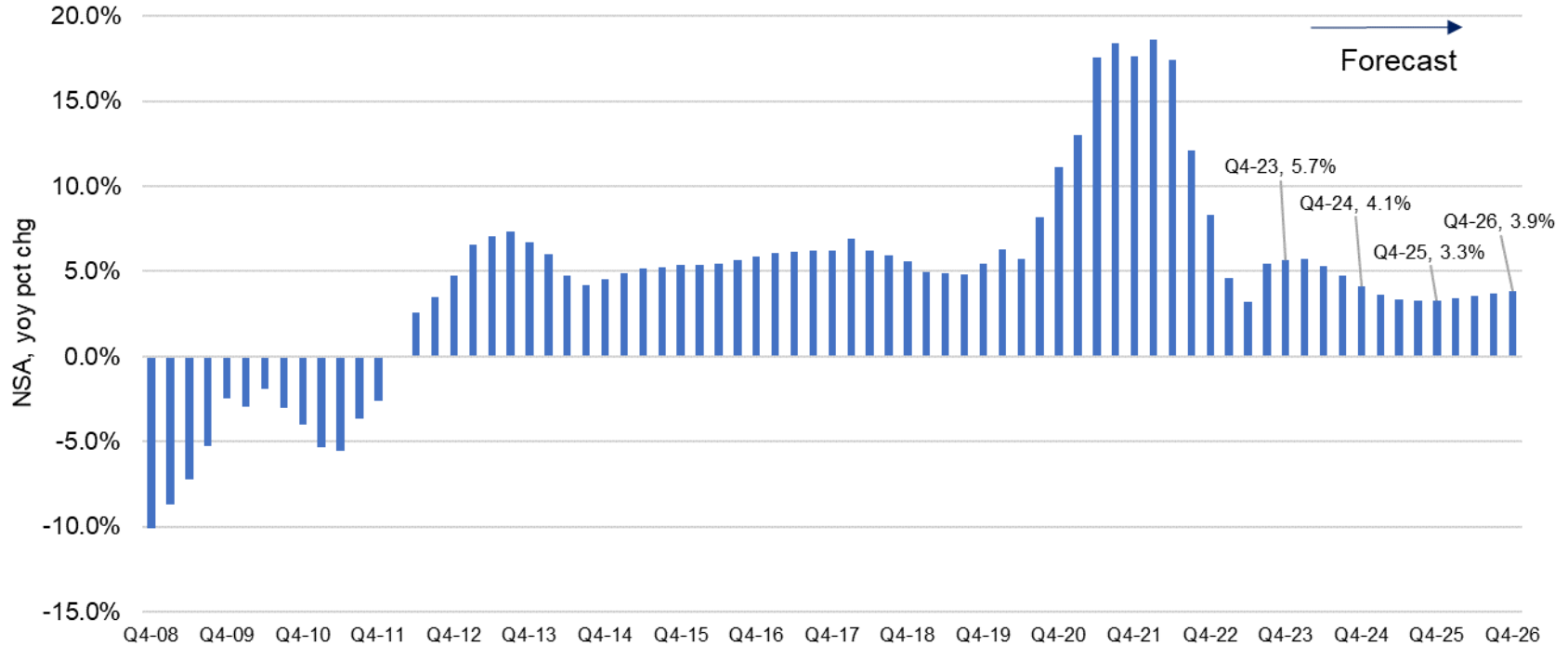


Homeownership Rate by Age (Percent)



National Home Price Growth Expected to Stay Positive

Chart of the Week - December 8, 2023
FHFA Purchase Only House Price Index, MBA Forecast

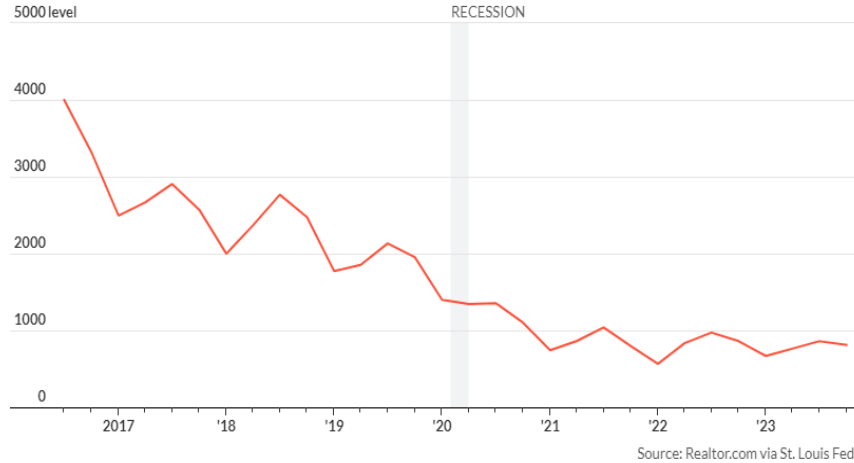


Inventory Scarce, Metro Area Home Prices Strong

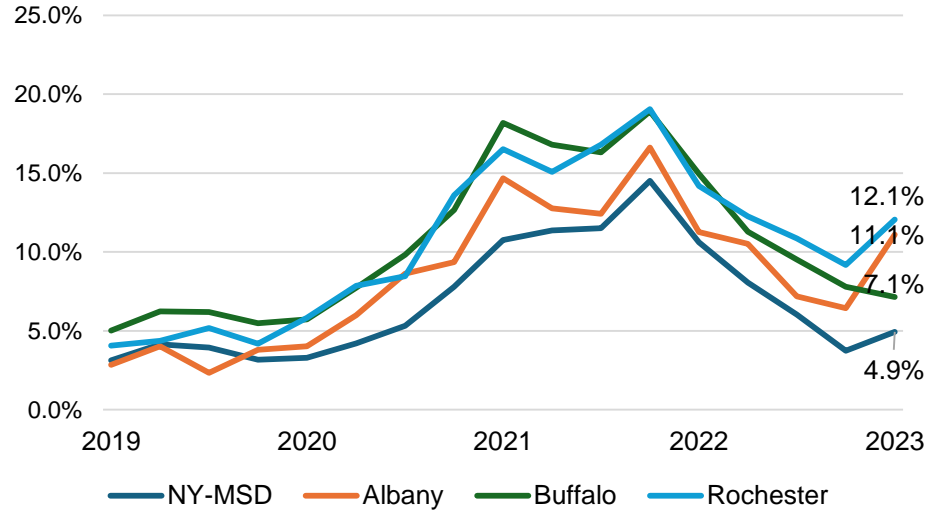
Housing inventory is low in metro Rochester, N.Y.

A 'lock-in' effect created by high mortgage rates is limiting the number of homes for sale in the metro

Active listing count in the Rochester metro area by month



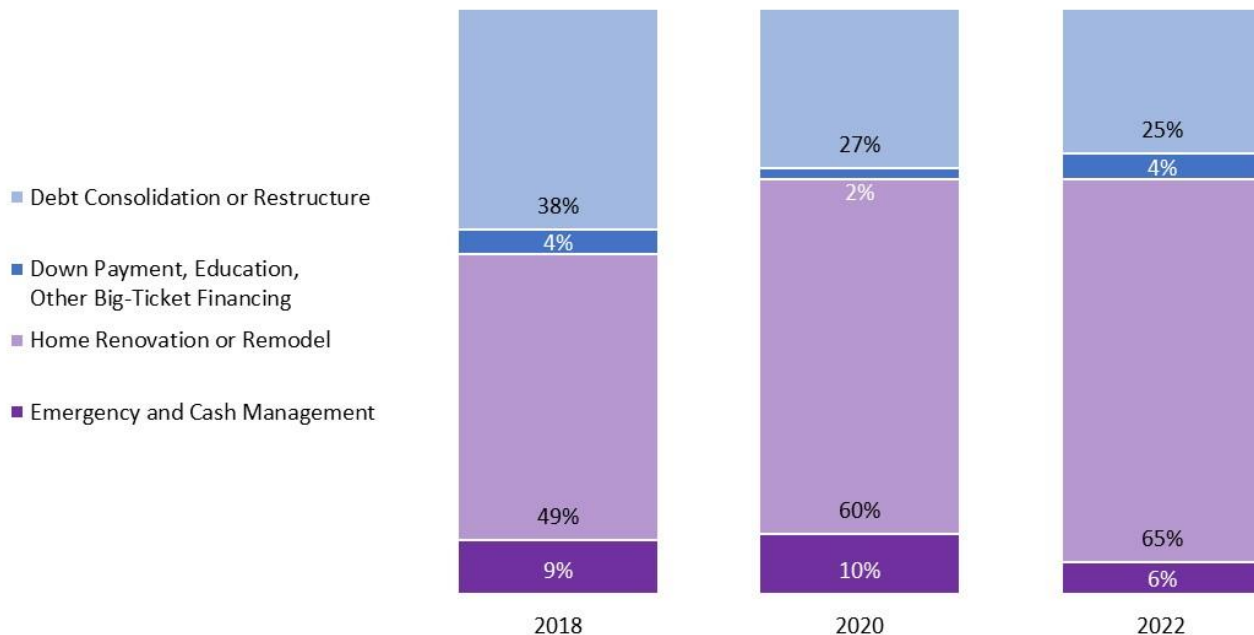
New York Metro Area Home Prices NSA, yoy pct chg



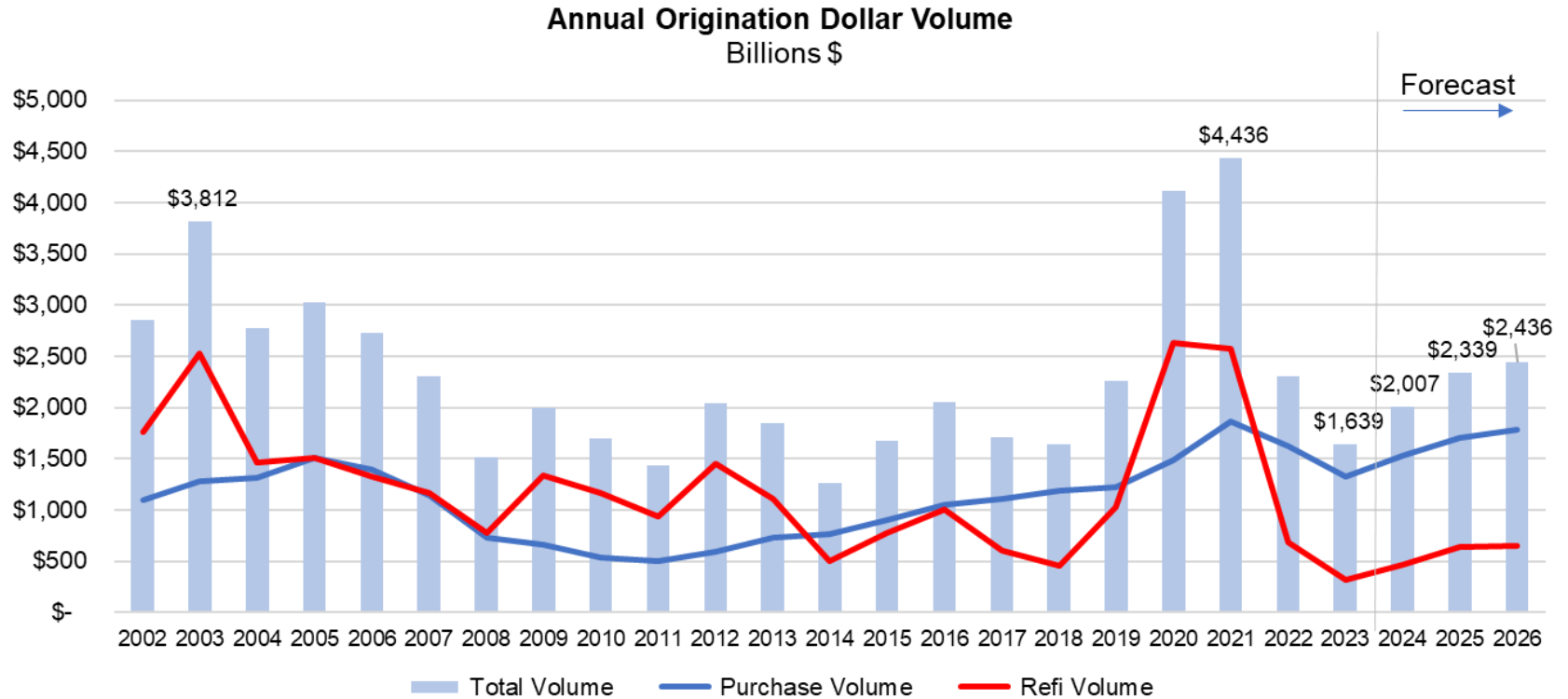
With Home Equity Accumulation Comes Possibility for Equity Extraction for Various Borrower Usages

Chart of the Week - September 8, 2023

HELOC and Home Equity Loan Commitment Volume (#) by Known Borrower Usage

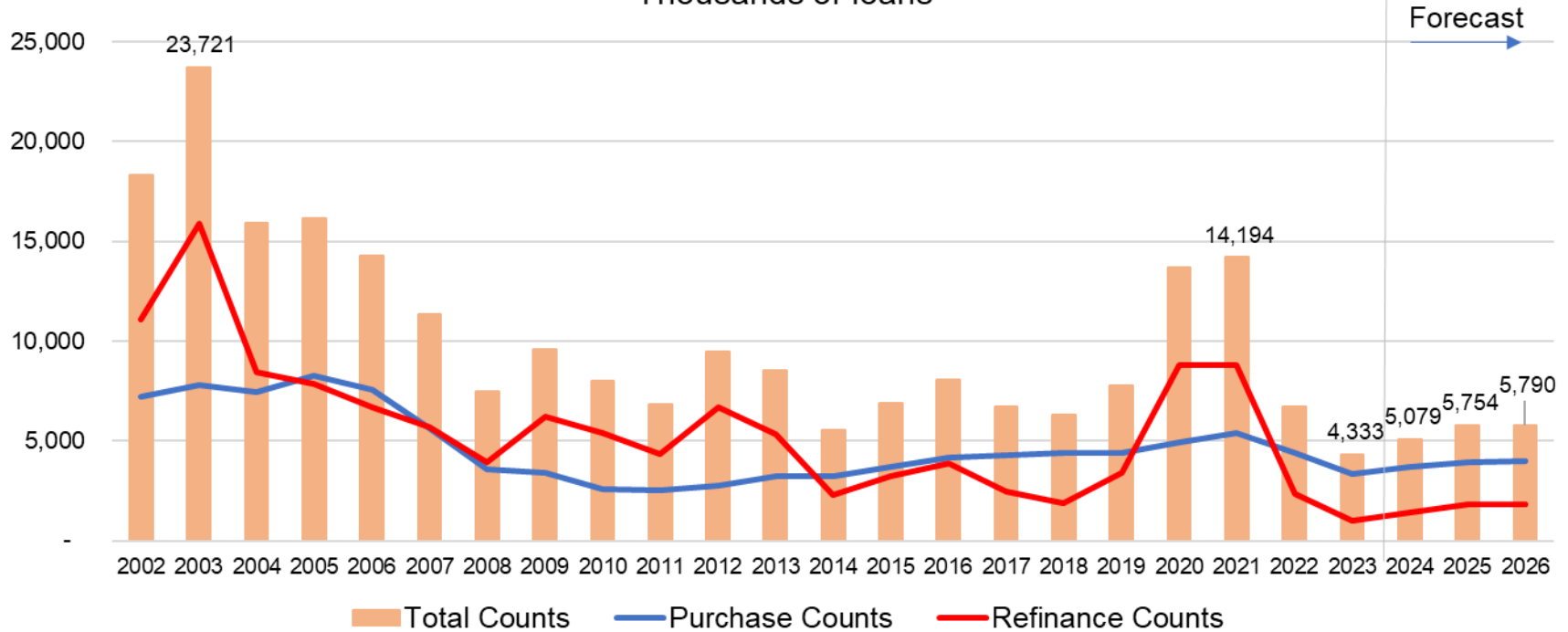


Mortgage Origination Dollar Volume to Increase 23% in 2024



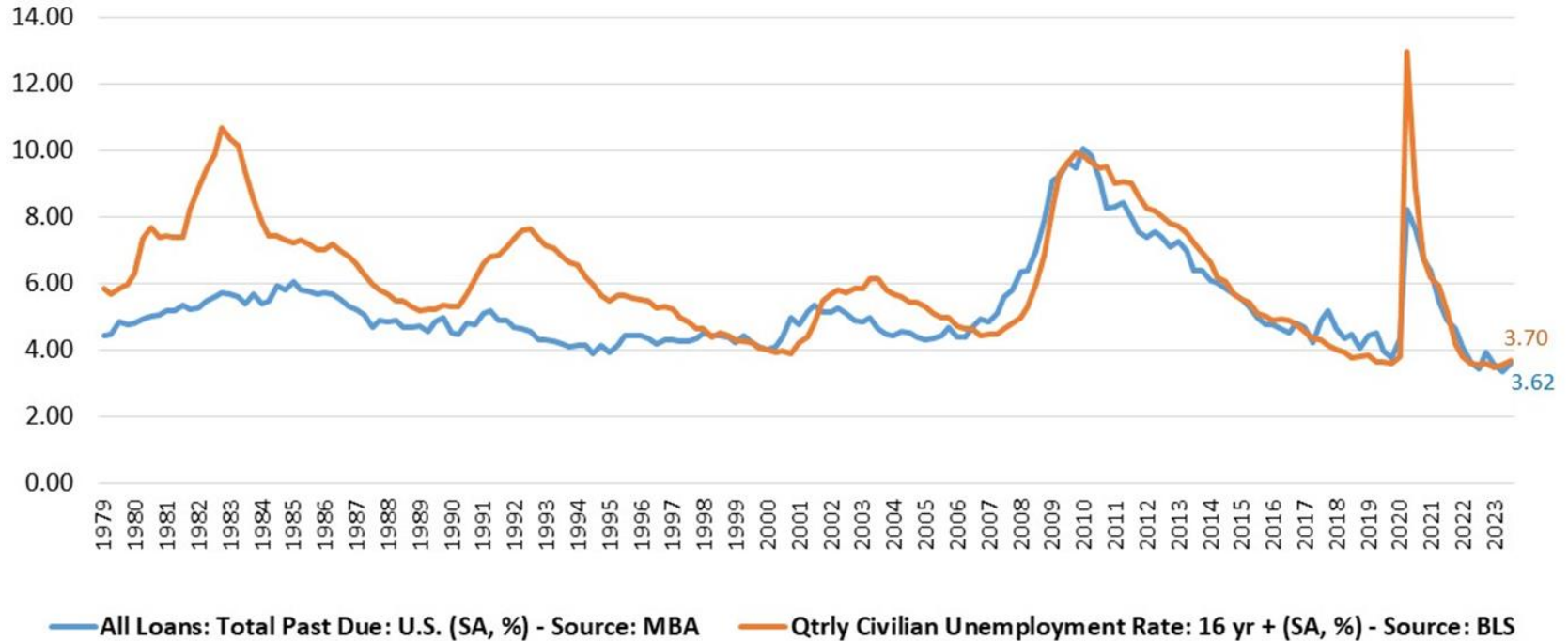
Mortgage Origination Units to Increase 17% in 2024

Annual Origination Loan Counts
Thousands of loans



Delinquencies Helped by Low Unemployment (though Q3 2023)

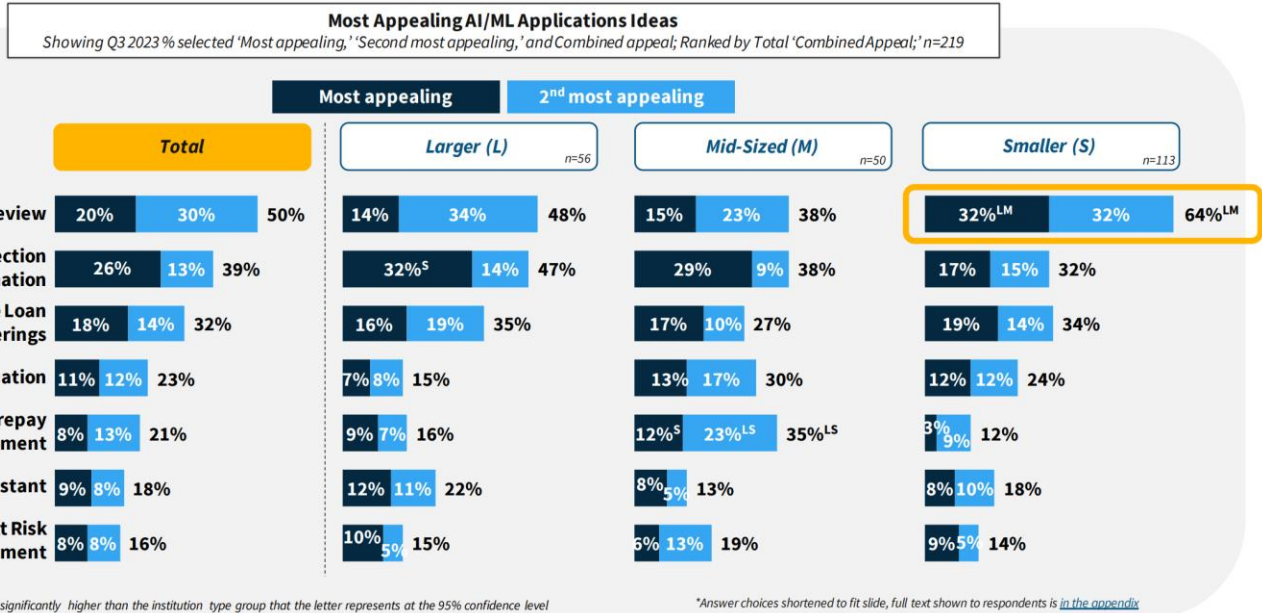
Mortgage Delinquency Rate and Unemployment Rate
Seasonally adjusted, percent



AI and the Mortgage Industry

Most Appealing AI/ML Application Ideas by Lender Size

Significantly more smaller institutions than larger and mid-sized institutions select “AI-based Compliance Review” as an appealing AI application idea.



Q: In this section, you will see some AI application ideas that your firm might leverage in the future to improve (e.g., streamline) its mortgage processes. Some ideas do not exist yet or may require industry-wide adoption. Among the ideas listed below, in your view, which would be the two most appealing ideas for your mortgage business? Please selected up to two and rank them in order of appeal.

Note: Due to rounding, minor differences in calculated data (summarized results, net calculations, etc.) of up to 1 percentage point may occur

31 Artificial Intelligence and Mortgage Lending

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Contact Information and MBA Resources

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Research Institute of Housing America (RIHA): www.housingamerica.org

MBA Forecasts and Commentary: <https://www.mba.org/news-and-research/forecasts-and-commentary>

Chart of the Week: <https://www.mba.org/news-and-research/research-and-economics/chart-of-the-week>

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