HOUSING FINANCE POLICY CENTER

HOUSING FINANCE AT A GLANCE

A MONTHLY CHARTBOOK

March 2018

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ABOUT THE CHARTBOOK

The Housing Finance Policy Center's (HFPC) mission is to produce analyses and ideas that promote sound public policy, efficient markets, and access to economic opportunity in the area of housing finance. *At A Glance*, a monthly chartbook and data source for policymakers, academics, journalists, and others interested in the government's role in mortgage markets, is at the heart of this mission.

We welcome feedback from our readers on how we can make *At A Glance* a more useful publication. Please email any comments or questions to ataglance@urban.org.

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INTRODUCTION

How have rising rates impacted the mortgage market so far?

As mortgage rates have increased, there has been no shortage of articles explaining the effect of rising rates on the mortgage market. Mortgage rates began their present sustained increase immediately after the last presidential election in November 2016, 20 months ago. Enough data points have become available during this period that we can now measure the effects of rising rates. Below we outline a few.

Refinances: The most immediate impact of rising rates is on refinance volumes, which fall as rates rise. For mortgages backed by Fannie Mae and Freddie Mac, the refinance share of total originations declined from 63 percent in Nov 2016 to 46 percent today (page 11). For FHA, VA and USDA-insured mortgages, the refinance share dropped from 44 percent to 35 percent. In terms of volume, Fannie Mae and Freddie Mac backed refinance volume totaled $390 billion in 2017, down from $550 billion in 2016. For Ginnie Mae, refi volume dropped from $197 billion in 2016 to $136 billion in 2017. Looking ahead, most estimates for 2018 point to a continued reduction in the refi share and origination volumes (page 15).

Originator profitability: Of course, less demand for mortgages isn't good for originator profitability because lenders need to compete harder to attract borrowers. They do this often by reducing profit margins as rates rise (conversely, when rates are falling and everyone is rushing to refinance, lenders tend to respond by increasing their profit margins). Indeed, since Nov 2016, originator profitability has declined from $2.6 per $100 of loans originated to $1.93 today (page 16). Post crisis originator profitability reached as high as $5 per $100 loan in late 2012, when rates were at their lowest point.

Cash-out share: Another consequence of falling refinance volumes is the rising share of cash-out refinances. The share of cash-out refinances varies partly because borrowers' motivations change with interest rates. When rates are low, the primary goal of refinancing is to reduce the monthly payment. Cash-out share tends to be low during such periods. But when rates are high, borrowers have no incentive to refinance for rate reasons. Those who still refinance tend to be driven more by their desire to cash-out (although this doesn't mean that the volume is also high). As such, cash-out share of refinances increased to 63 percent in Q4 2017 according to Freddie Mac Quarterly Refinance Statistics. The last time cash-out share was this high was in 2008.

Industry consolidation: A longer-term impact of rising rates is industry consolidation: not every lender can afford to cut profitability. Larger, diversified originators are more able to accept lower margins because they can make up for it through other lines of business or simply accept lower profitability for some time. Smaller lenders may not have such flexibility and may find it necessary to merge with another entity. Industry consolidation due to higher rates is not easy to quantify as firms can merge or get acquired for various reasons. At the same time, one can't ignore New Residential Investment's recent acquisition of Shellpoint Partners and Ocwen's purchase of PHH.

INSIDE THIS ISSUE

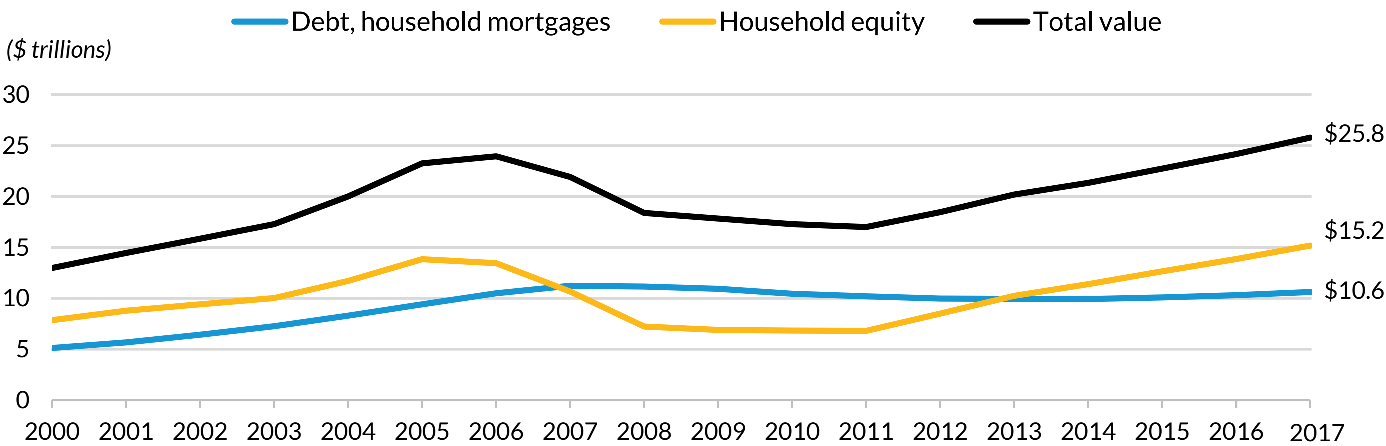
- The total value of the US housing market continued to rise in Q4 2017, driven by a $395 billion increase in household equity (page 6).
- First lien originations in 2017 was down 14 percent year-over-year (page 8).
- New mortgage affordability measures indicate that national home prices remain affordable by historical standards, but the affordability levels vary by metro area (page 19).
- The share of loans in negative equity continued the decline to 4.86 percent in Q4 2017 (Page 22).
- Both modifications and liquidations continued to slow down in 2017 (page 23).
- Serious delinquencies for single-family GSE loans, and multi-family Fannie Mae loans remained elevated in January 2018, after the uptick in previous month, mostly due to the recent hurricanes (pages 28 and 29).

OVERVIEW

MARKET SIZE OVERVIEW

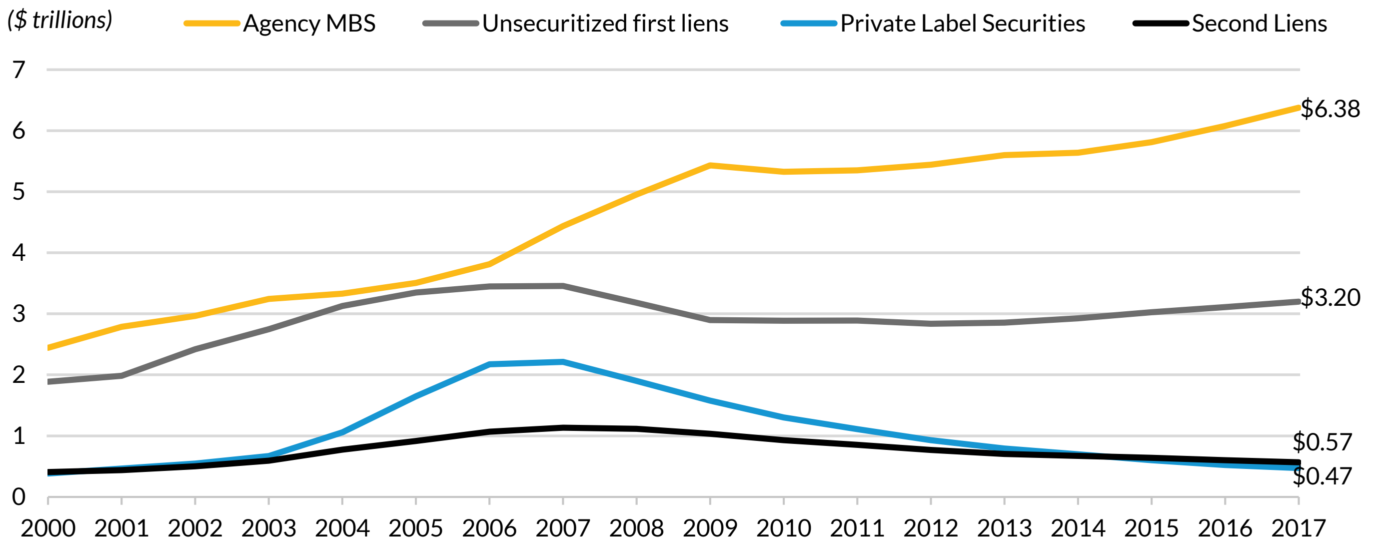
Since 2012, the Federal Reserve's Flow of Funds report has consistently indicated an increasing total value of the housing market, driven by growing household equity and 2017 Q4 was no different. Total debt and mortgages increased slightly to $10.6 trillion, and household equity reached a new high of $15.2 trillion, bringing the total value of the housing market to $25.8 trillion, surpassing the pre-crisis peak of $23.9 trillion in 2006. Agency MBS make up 60.0 percent of the total mortgage market, private-label securities make up 4.5 percent, and unsecuritized first liens at the GSEs, commercial banks, savings institutions, and credit unions make up 30.1 percent. Second liens comprise the remaining 5.4 percent of the total.

Value of the US Housing Market



Sources: Federal Reserve Flow of Funds and Urban Institute. *Last updated March 2018.*

Size of the US Residential Mortgage Market

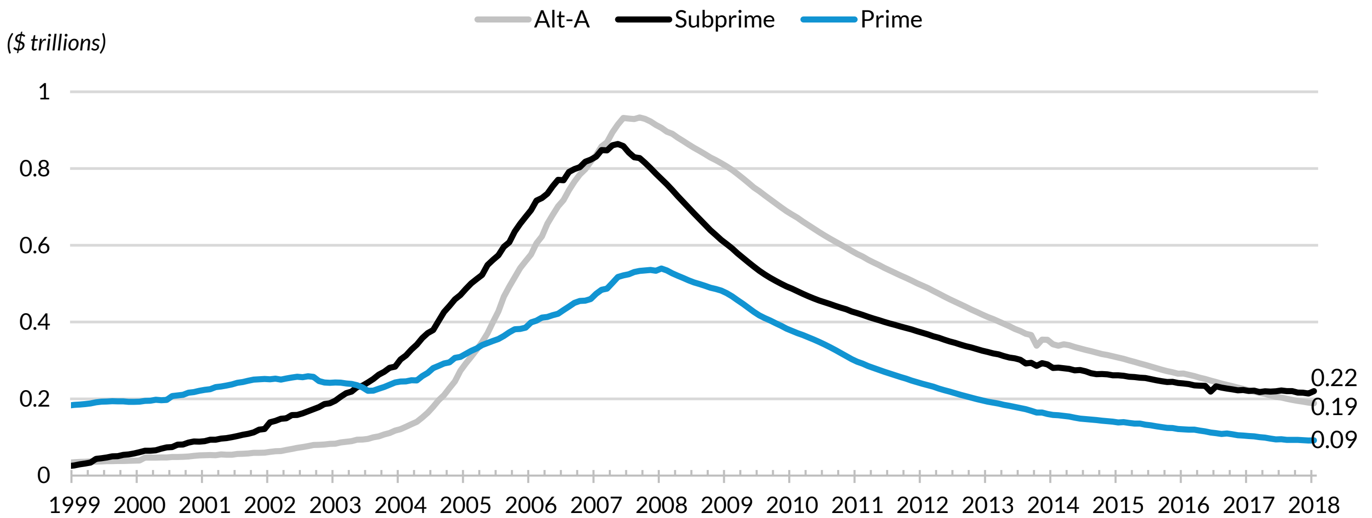


Sources: Federal Reserve Flow of Funds, Inside Mortgage Finance, Fannie Mae, Freddie Mac, eMBS and Urban Institute. *Last updated March 2018.* **Note:** Unsecuritized first liens includes loans held by commercial banks, GSEs, savings institutions, and credit unions.

MARKET SIZE OVERVIEW

As of January 2018, debt in the private-label securitization market totaled $500 billion and was split among prime (18.4 percent), Alt-A (37.7 percent), and subprime (44.0 percent) loans. In February 2018, outstanding securities in the agency market totaled $6.41 trillion and were 43.8 percent Fannie Mae, 27.3 percent Freddie Mac, and 28.9 percent Ginnie Mae. Ginnie Mae has had more outstanding securities than Freddie Mac since May 2016.

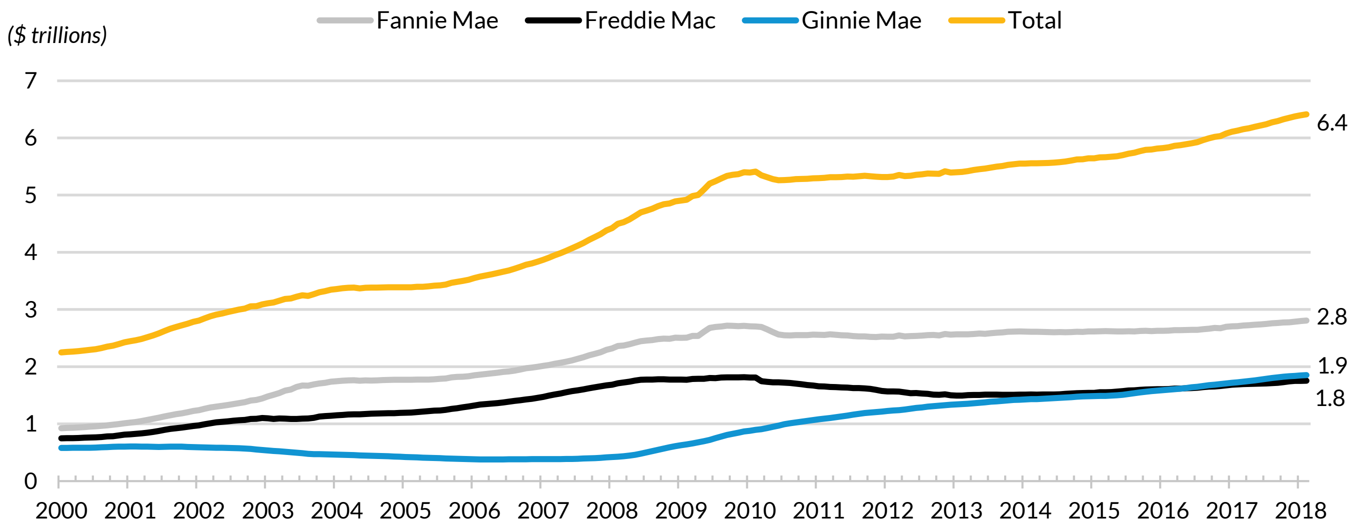
Private-Label Securities by Product Type



Sources: CoreLogic and Urban Institute.

January 2018

Agency Mortgage-Backed Securities



February 2018

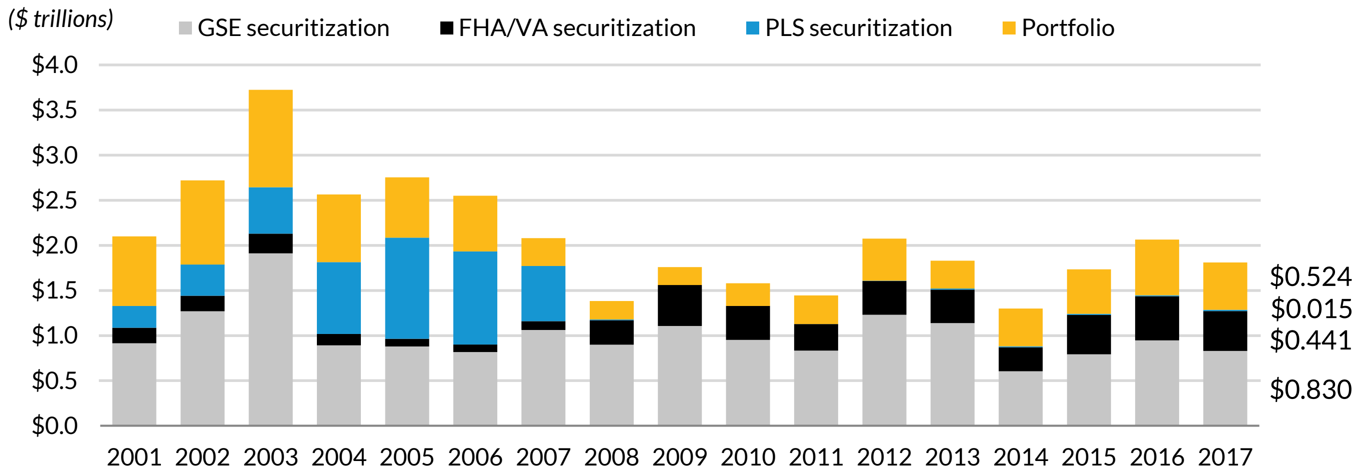
Sources: eMBS and Urban Institute.

OVERVIEW

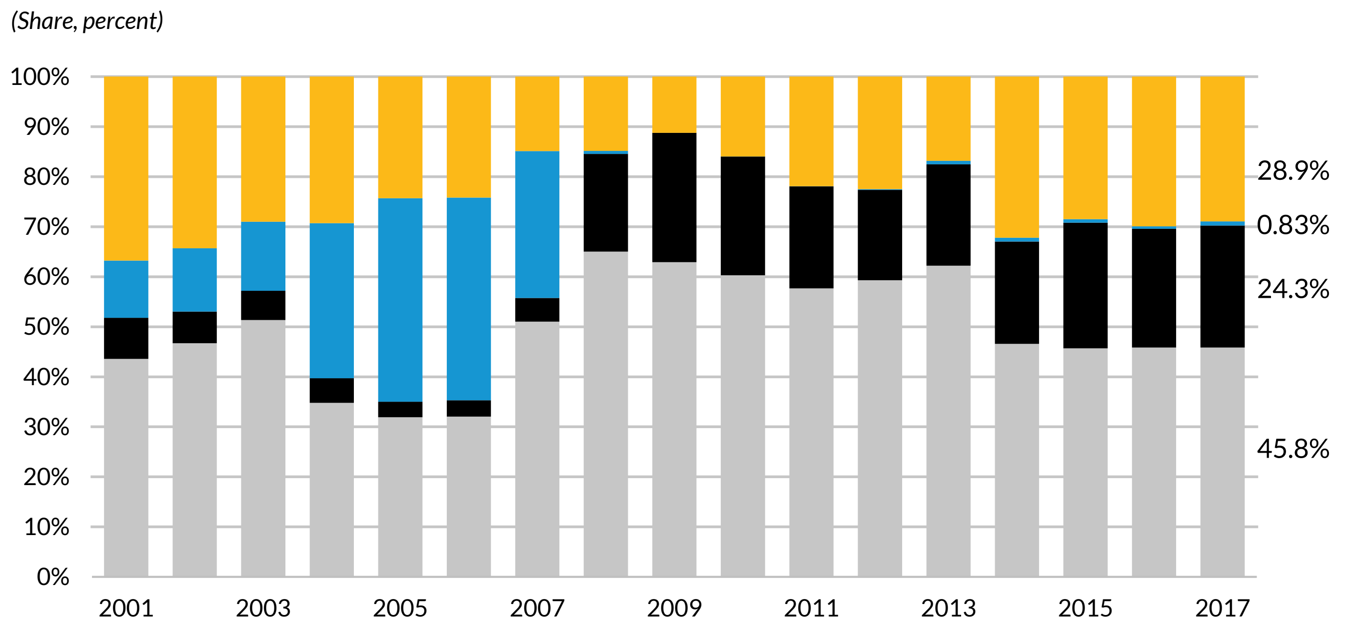
ORIGINATION VOLUME AND COMPOSITION

First Lien Origination Volume

After a record high origination year in 2016 ($2.1 trillion), the first lien originations totaled $1.8 trillion in 2017, down 14 percent from last year, mostly due to elevated interest rates. The portfolio originations share was 29 percent, the GSE share was around 46 percent, and the FHA/VA share was around 24 percent, all consistent with 2016 shares. Origination of private-label securities was under 1 percent in both years.



Sources: Inside Mortgage Finance and Urban Institute. *Last updated March 2018.*

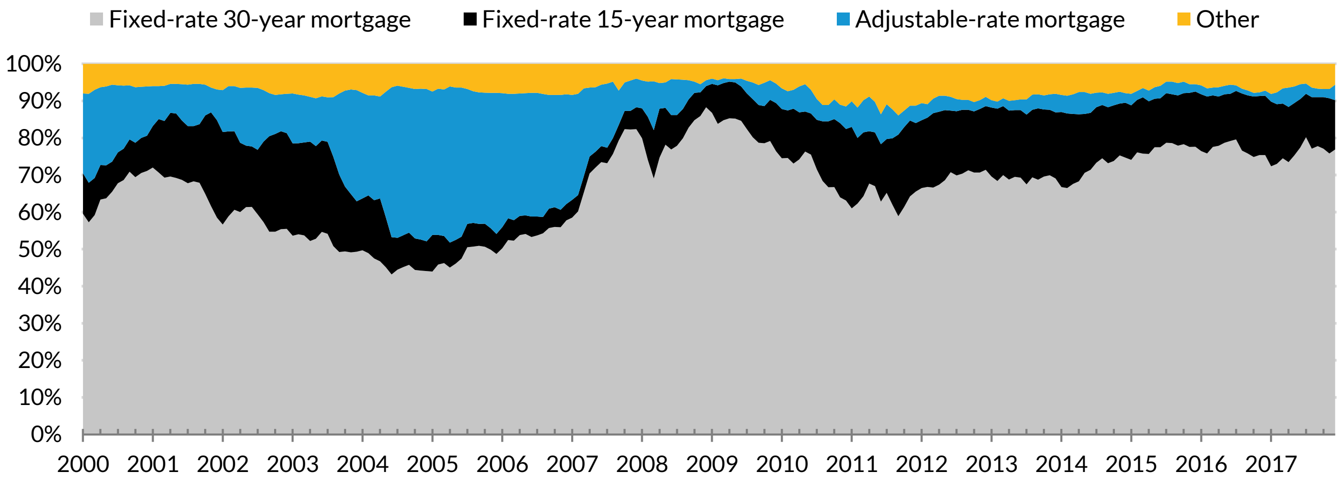


Sources: Inside Mortgage Finance and Urban Institute. *Last updated March 2018.*

OVERVIEW
MORTGAGE ORIGINATION PRODUCT TYPE

Adjustable-rate mortgages (ARMs) accounted for as much as 42 percent of all new originations during the peak of the 2005 housing bubble (top chart). The ARMs fell to an historic low of 1 percent in 2009, and then slowly grew to a high of 6 percent in April 2014. Since then, ARMs have begun to decline again to 4.2 percent in December 2017. The 15-year fixed-rate mortgage (FRM), predominantly a refinance product, accounted for 13.3 percent of new originations in December 2017. If we exclude refinances (bottom chart), the share of 30-year FRMs in November 2017 stood at 89.6 percent, 15-year FRMs at 5.1 percent, and ARMs at 3.9 percent.

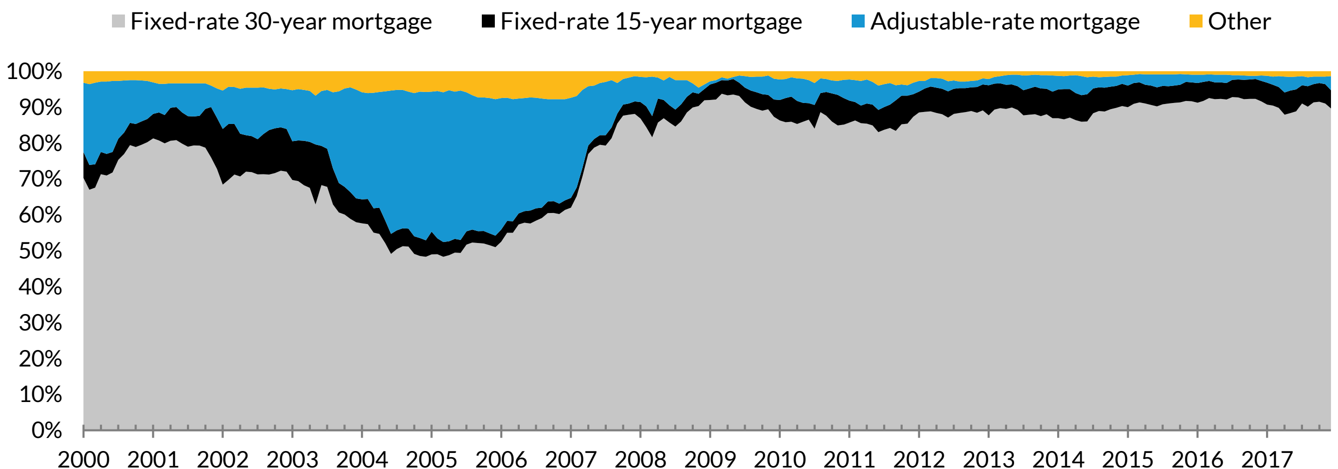
All Originations



Sources: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.

December 2017

Purchase Loans Only



Sources: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.

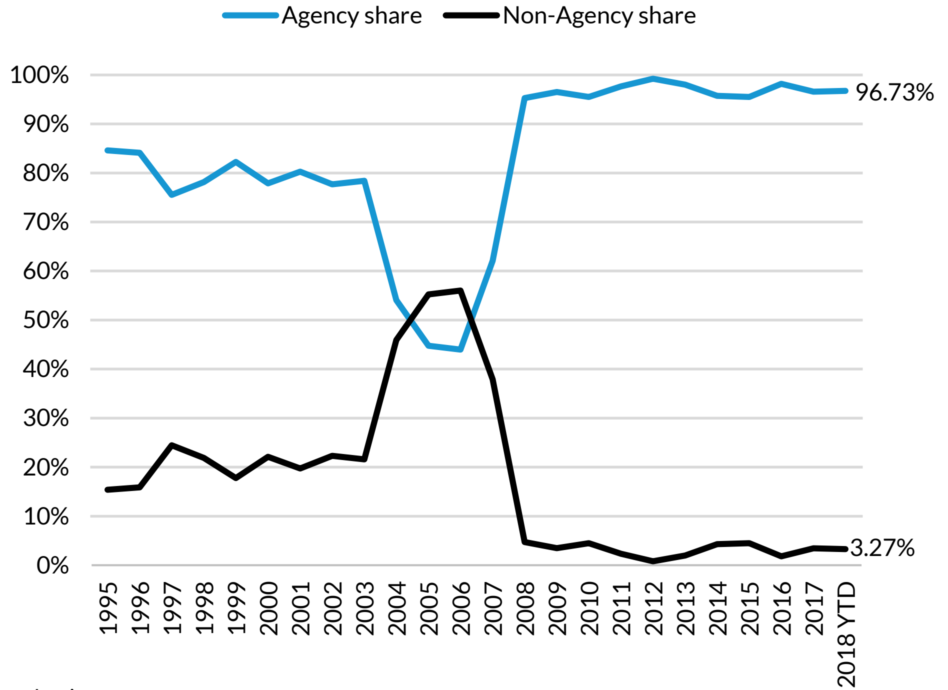
December 2017

OVERVIEW

SECURITIZATION VOLUME AND COMPOSITION

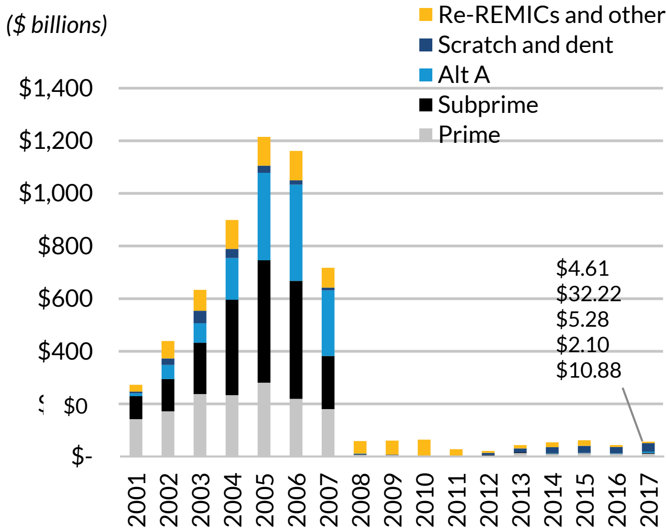
Agency/Non-Agency Share of Residential MBS Issuance

The non-agency share of mortgage securitizations in the first two months of 2018 was 3.3 percent, compared to 3.4 percent in 2017 and 1.8 percent in 2016. The non-agency securitization volume totaled $56.4 billion in 2017, a 30 percent increase over the previous year. Much of the volume was in non-performing and re-performing (scratch and dent) deals. The volume of prime securitizations in 2017 totaled $10.88 billion, compared to $9.32 billion in 2016. Non-agency securitizations continue to be tiny compared to pre-crisis levels.



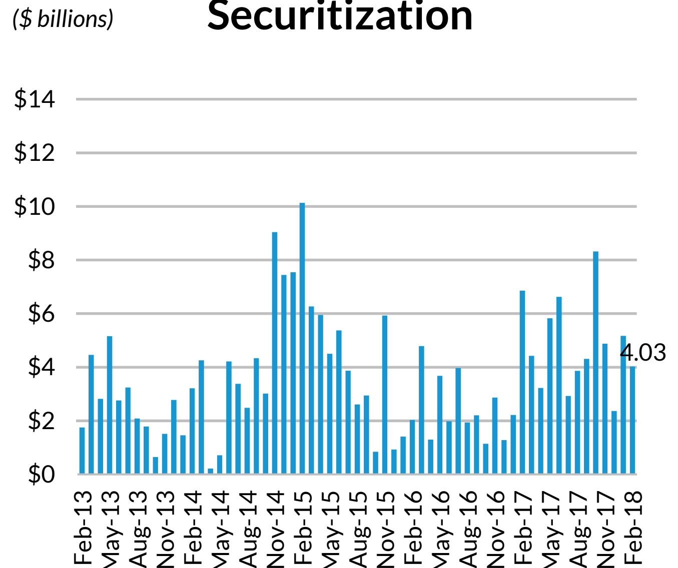
Sources: Inside Mortgage Finance and Urban Institute.
Note: Based on data from February 2018.

Non-Agency MBS Issuance



Sources: Inside Mortgage Finance and Urban Institute.

Monthly Non-Agency Securitization



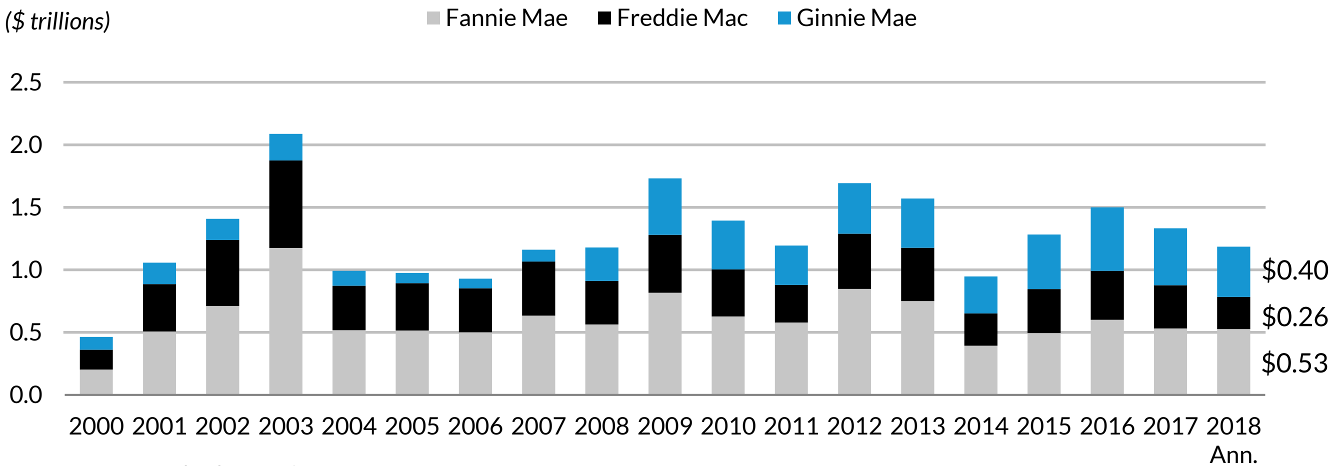
Sources: Inside Mortgage Finance and Urban Institute.

OVERVIEW

AGENCY ACTIVITY: VOLUMES AND PURCHASE/ REFI COMPOSITION

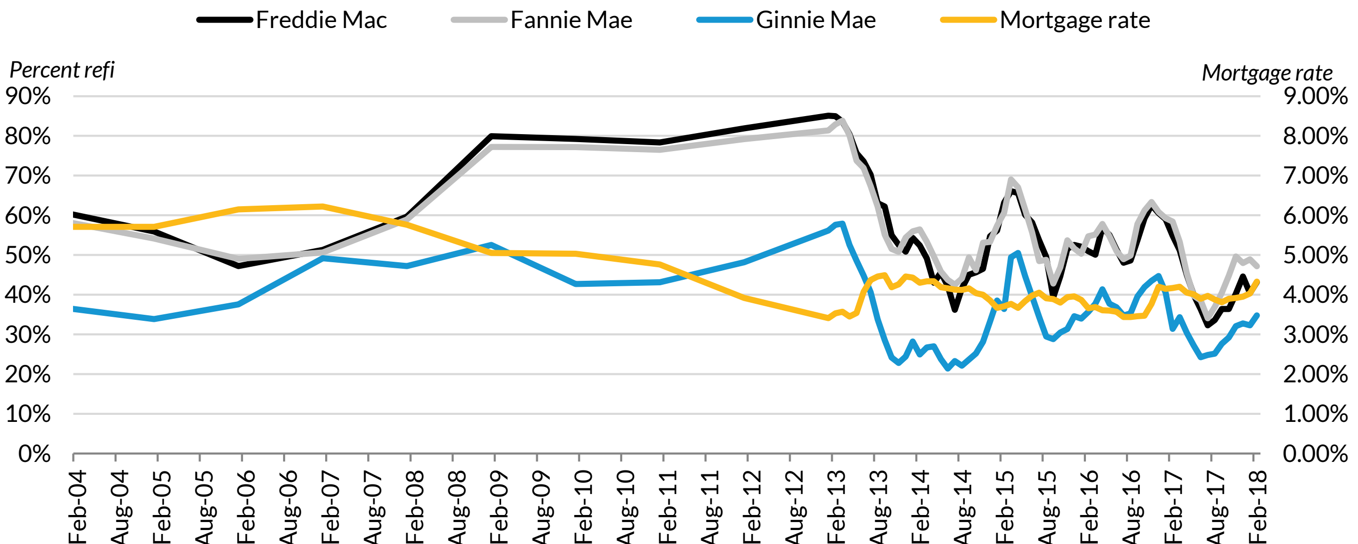
Agency issuance totaled $197.6 billion in the first two months of 2018, $1.186 trillion on an annualized basis. This is down about 15.8 percent from the first two months of 2017. In February 2018, the change in the refinance share was inconsistent between agencies: increasing for Freddie Mac and Ginnie Mae, and declining slightly for Fannie Mae. While it might, at first blush seem surprising to see an increase in the refi share during a period of rising interest rates, seasonal patterns pull in that direction. The winter lull in purchase activity drives the refi share up.

Agency Gross Issuance



Sources: eMBS and Urban Institute.
Note: Annualized figure based on data from February 2018.

Percent Refi at Issuance



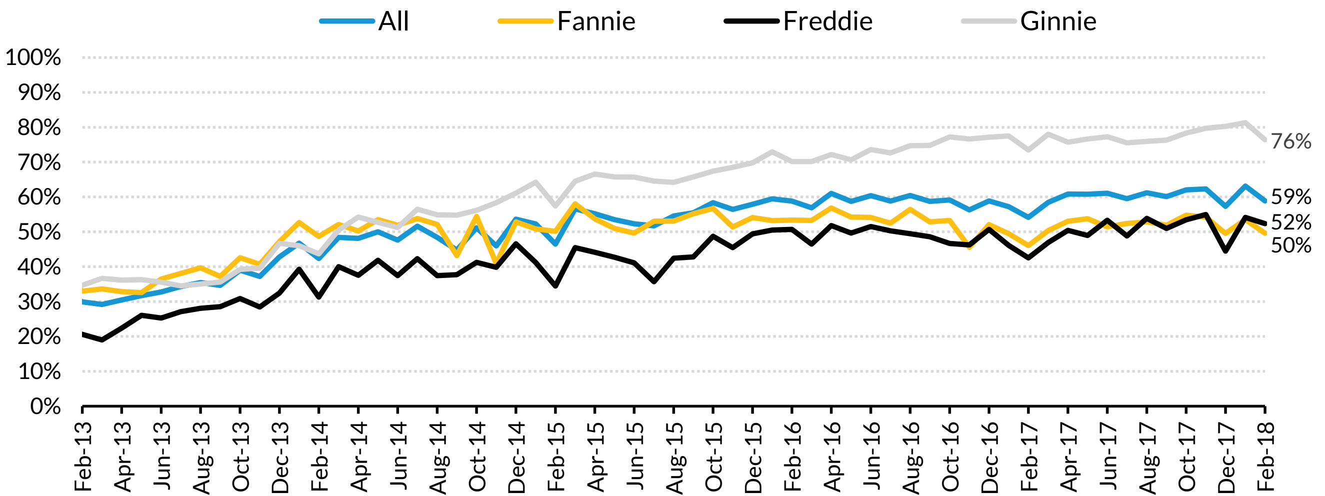
Sources: eMBS and Urban Institute.
Note: Based on at-issuance balance. Figure based on data from February 2018.

OVERVIEW

NONBANK ORIGINATION SHARE

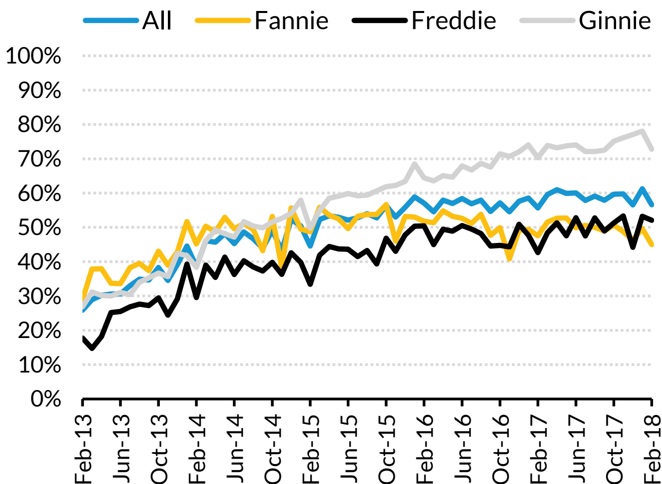
The non-bank origination share, which has been rising steadily since for all three agencies since 2013, dipped in February 2018. The Ginnie Mae nonbank share has been consistently higher than the GSEs, standing at 76 percent in February 2018. The Fannie Mae and Freddie Mac nonbank shares stood at 50 and 52 percent, respectively. The nonbank originator share is higher for refinance loans than for purchase loans across all three agencies.

Nonbank Origination Share: All Loans



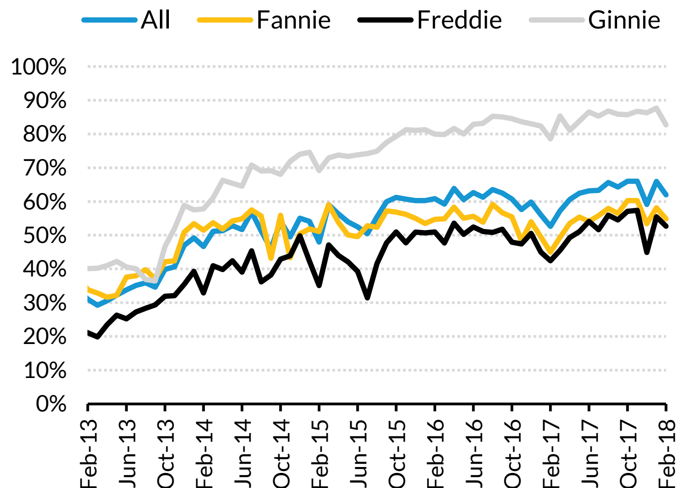
Sources: *eMBS and Urban Institute.*

Nonbank Origination Share: Purchase Loans



Sources: *eMBS and Urban Institute*

Nonbank Origination Share: Refi Loans

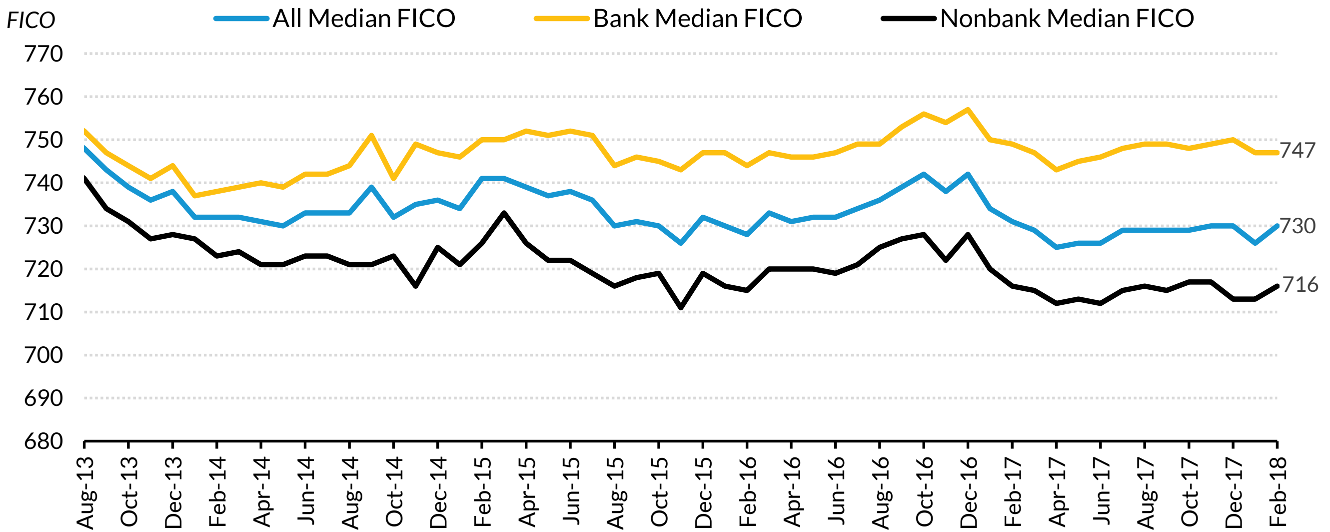


Sources: *eMBS and Urban Institute*

OVERVIEW
NONBANK CREDIT BOX

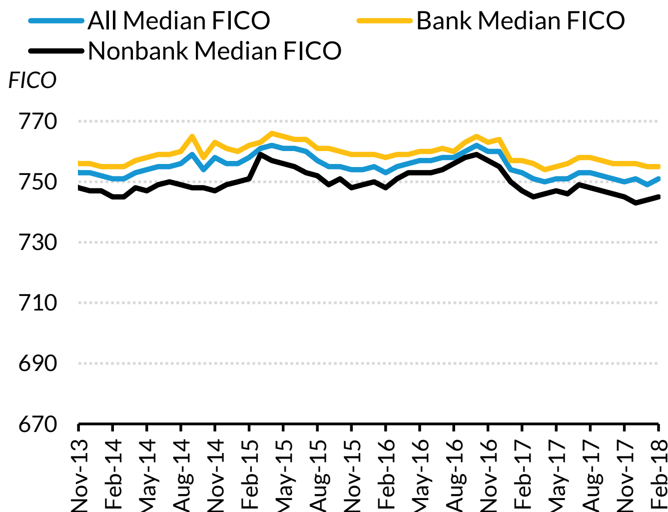
Nonbank originators have played a key role in opening up access to credit. The median GSE and the median Ginnie Mae FICO scores for loans originated by nonbanks are lower than their bank counterparts. Within the GSE space, both bank and nonbank FICOs have declined since 2014, with further relaxation in FICOs in 2017. In contrast, within the Ginnie Mae space, FICO scores for bank originations have increased since 2014 while nonbank FICOs have declined. This largely reflects the sharp cut-back in FHA lending by many banks.

Agency FICO: Bank vs. Nonbank



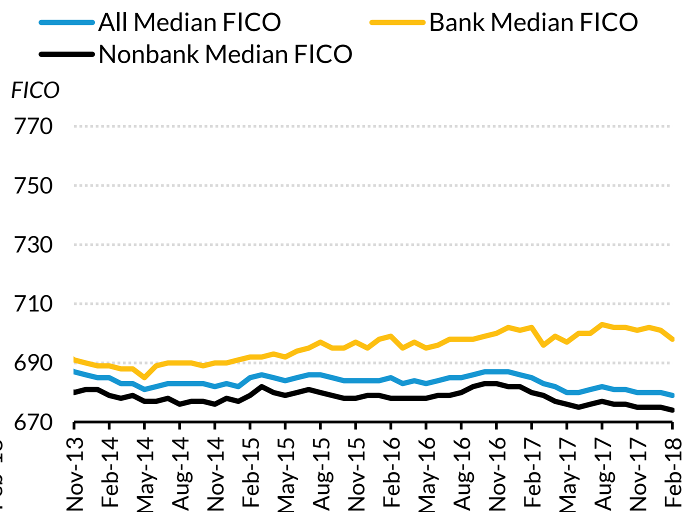
Sources: *eMBS and Urban Institute.*

GSE FICO: Bank vs. Nonbank



Sources: *eMBS and Urban Institute.*

Ginnie Mae FICO: Bank vs. Nonbank

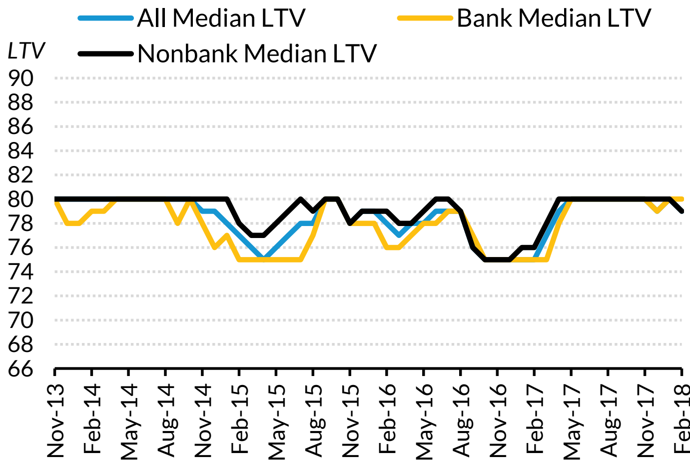


Sources: *eMBS and Urban Institute.*

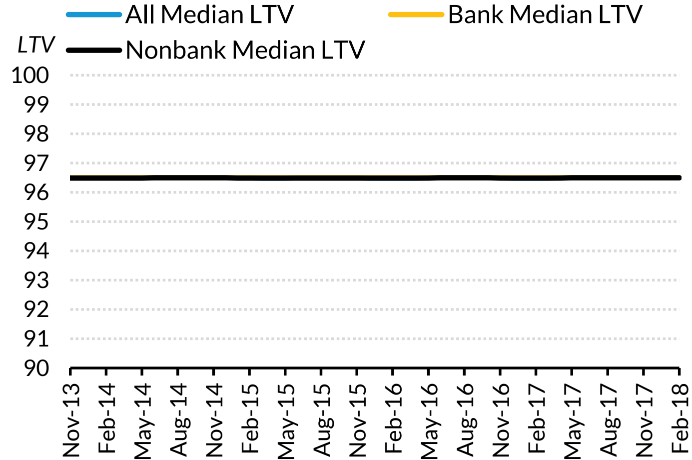
OVERVIEW

NONBANK CREDIT BOX

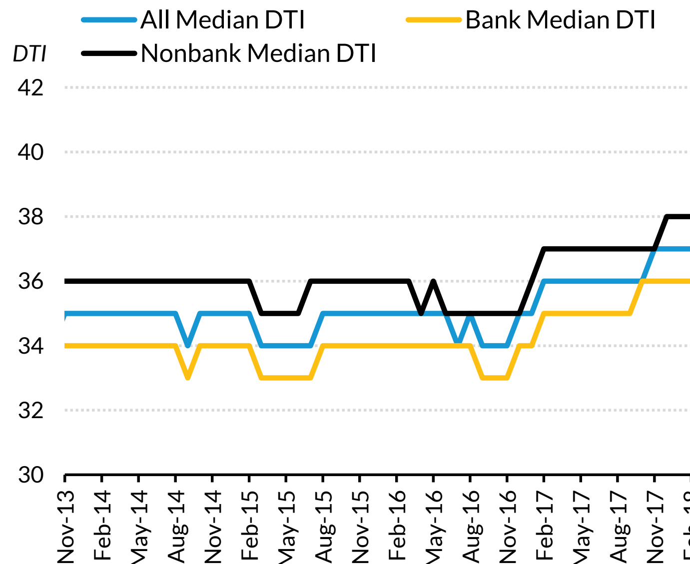
The median LTV ratios for loans originated by nonbanks are similar to their bank counterparts, while the median DTIs for nonbank loans are higher, indicating that nonbanks are more accommodating in this as well as in the FICO dimension. Note that since early 2017 there has been a measurable increase in DTIs. This is true for both Ginnie Mae and GSE loans, banks and nonbank originators.



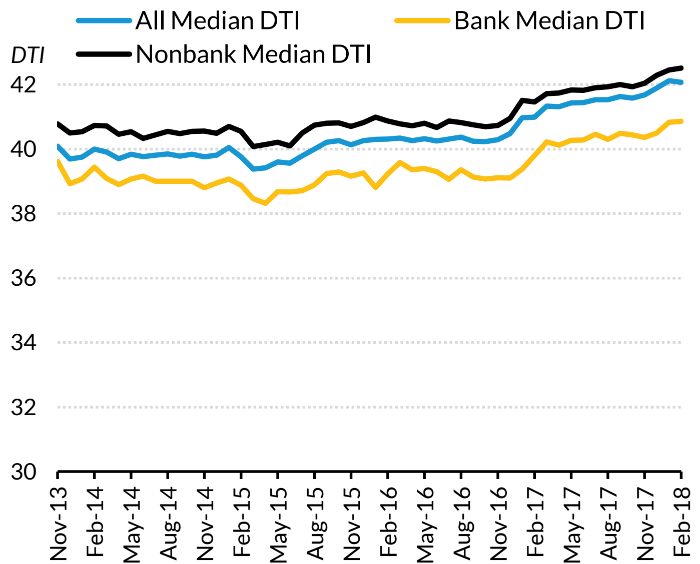
Sources: *eMBS and Urban Institute.*



Sources: *eMBS and Urban Institute.*



Sources: *eMBS and Urban Institute.*



Sources: *eMBS and Urban Institute.*

STATE OF THE MARKET

MORTGAGE ORIGINATION PROJECTIONS

Fannie Mae, Freddie Mac and MBA all forecast origination volume in 2018 to be marginally lower than the 1.6-1.7 billion estimated for 2017. These 2017 and 2018 numbers are considerably lower than the $2.0 trillion of originations in 2016. The differences owe primarily to a decline the refi share: from 48-49 percent in 2016 to 34-37 percent in 2017 to a forecast 25 -31 percent in 2018. Fannie, Freddie and MBA all forecast 2018 housing starts to be 1.25-1.3 million units, up from an estimated 1.2 million units in 2017. Home sales forecasts for 2018 range from 6.2 million to 6.4 million, a 1.7-3 percent rise from 2017 levels.

Total Originations and Refinance Shares

Period	Originations ($ billions)			Refi Share (%)		
	Total, FNMA estimate	Total, FHLMC estimate	Total, MBA estimate	FNMA estimate	FHLMC estimate	MBA estimate
2017 Q1	408	397	361	47	42	41
2017 Q2	490	475	463	33	30	32
2017 Q3	468	500	465	34	32	31
2017 Q4	438	428	370	37	32	35
2018 Q1	358	330	345	41	30	30
2018 Q2	475	490	445	30	25	24
2018 Q3	464	495	443	28	24	23
2018 Q4	412	405	355	29	23	28
FY 2014	1301	1350	1261	40	39	40
FY 2015	1730	1750	1679	47	45	46
FY 2016	2052	2125	1891	49	48	48
FY 2017	1805	1800	1659	37	34	34
FY 2018	1710	1720	1588	31	25	26
FY 2019	1690	1780	1645	31	23	24

Sources: Fannie Mae, Freddie Mac, Mortgage Bankers Association and Urban Institute.
Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family market. Column labels indicate source of estimate. Regarding interest rates, the yearly averages for 2014, 2015, 2016 and 2017 were 3.6%, 3.7%, 3.6%, and 4.0%. For 2018, the respective projections for Fannie, Freddie, and MBA are 4.0%, 4.5%, and 4.8%.

Housing Starts and Homes Sales

Year	Housing Starts, thousands			Home Sales. thousands				
	Total, FNMA estimate	Total, FHLMC estimate	Total, MBA estimate	Total, FNMA estimate	Total, FHLMC estimate	Total, MBA estimate	Existing, MBA estimate	New, MBA Estimate
FY 2014	1003	1000	1001	5377	5380	5360	4920	440
FY 2015	1112	1110	1108	5751	5750	5740	5237	503
FY 2016	1174	1170	1177	6013	6010	6001	5440	561
FY 2017	1190	1200	1195	6097	6300	6070	5486	584
FY 2018	1250	1300	1289	6201	6410	6249	5626	623
FY 2019	1306	1400	1376	6438	6450	6487	5820	667

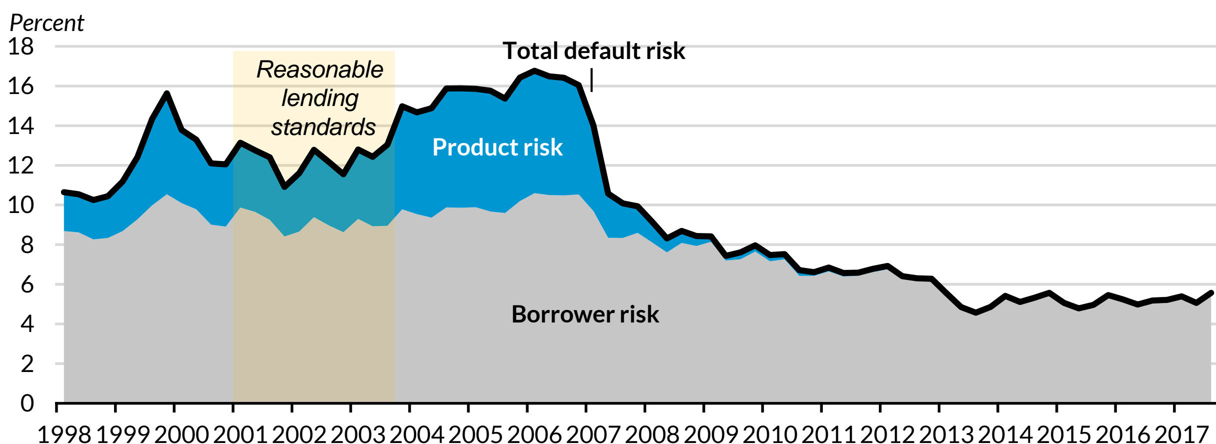
Sources: Mortgage Bankers Association, Fannie Mae, Freddie Mac and Urban Institute.
Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family market; column labels indicate source of estimate.

STATE OF THE MARKET

CREDIT AVAILABILITY AND ORIGINATOR PROFITABILITY

Housing Credit Availability Index (HCAI)

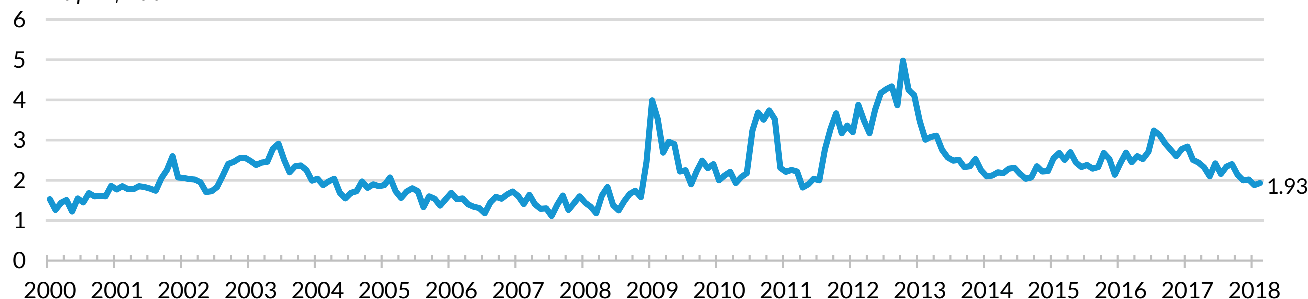
HFPC's Housing Credit Availability Index (HCAI) assesses lenders' tolerance for both borrower risk and product risk, calculating the share of owner-occupied purchase loans that are likely to default. The index shows that credit availability increased to 5.6 percent, the highest level since 2013, in the third quarter of 2017 (Q3 2017). This increase was mainly driven by the credit expansions within both the GSE and government channels, thanks to higher interest rates and lower refinance volumes. More information about the HCAI, including the breakdown by market segment, is available here.



Sources: eMBS, Corelogic, HMDA, IMF, and Urban Institute.
Note: Default is defined as 90 days or more delinquent at any point. *Last updated January 2017.*

Originator Profitability and Unmeasured Costs

When originator profits are higher, mortgage volumes are less responsive to changes in interest rates, because originators are at capacity. Originator Profitability and Unmeasured Costs (OPUC), formulated and calculated by the Federal Reserve Bank of New York, is a good relative measure of originator profitability. OPUC uses the sales price of the mortgage in the secondary market (less par) and adds two additional sources of profitability; retained servicing (both base and excess servicing, net of g-fees), and points paid by the borrower. Over the last four years, OPUC has ranged from a high of $3.24 in July 2016 when interest rates were low, to just under $2.0 on a number of occasions when rates were higher. In February 2018, it stood at $1.93, near the lower end of the range, reflecting relatively higher interest rates.

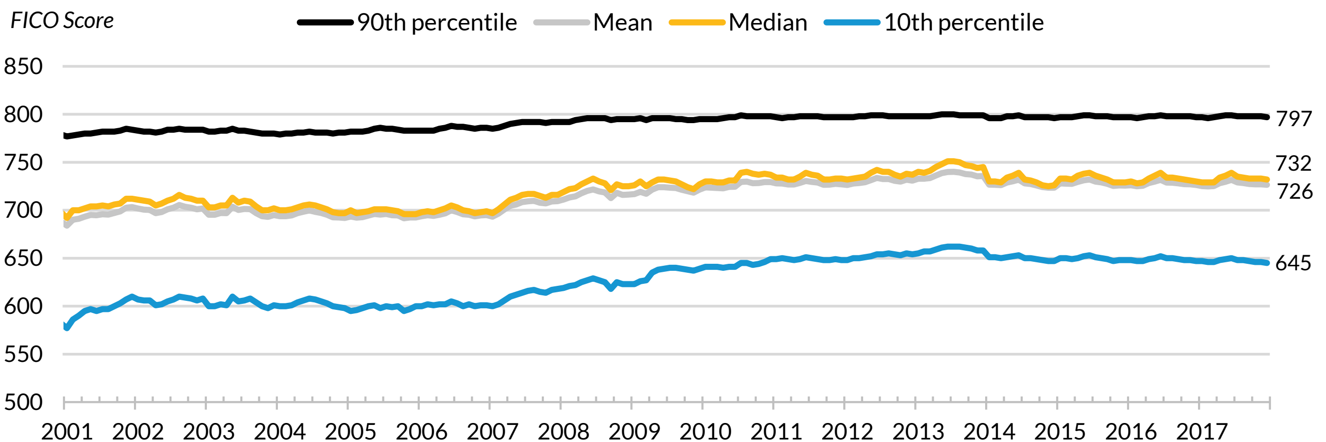


Sources: Federal Reserve Bank of New York, updated monthly and available at this link: http://www.ny.frb.org/research/epr/2013/1113fust.html and Urban Institute.
Note: OPUC is a is a monthly (4-week moving) average as discussed in Fuster et al. (2013).

CREDIT AVAILABILITY FOR PURCHASE LOANS

Access to credit remains extremely tight, especially for borrowers with low FICO scores. The mean and median FICO scores on new purchase originations have both drifted up about 21 and 20 points over the last decade, respectively. The 10th percentile of FICO scores, which represents the lower bound of creditworthiness needed to qualify for a mortgage, stood at 645 as of December 2017. Prior to the housing crisis, this threshold held steady in the low 600s. Mean LTV levels at origination remain relatively high, averaging 87.5, which reflects the large number of FHA purchase originations.

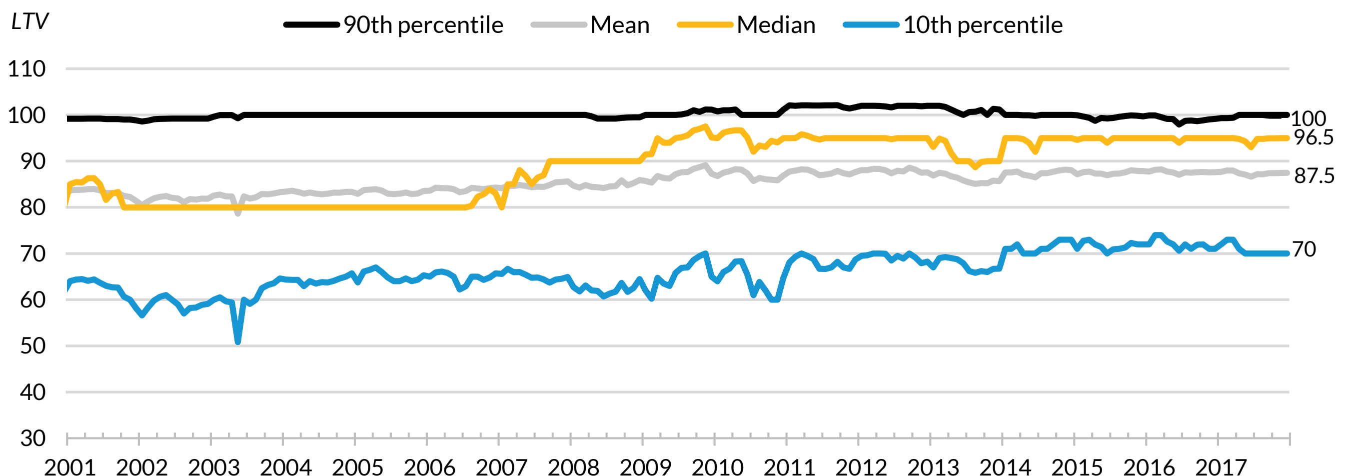
Borrower FICO Score at Origination



Sources: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.
Note: Includes owner-occupied purchase loans only.

December 2017

Combined LTV at Origination

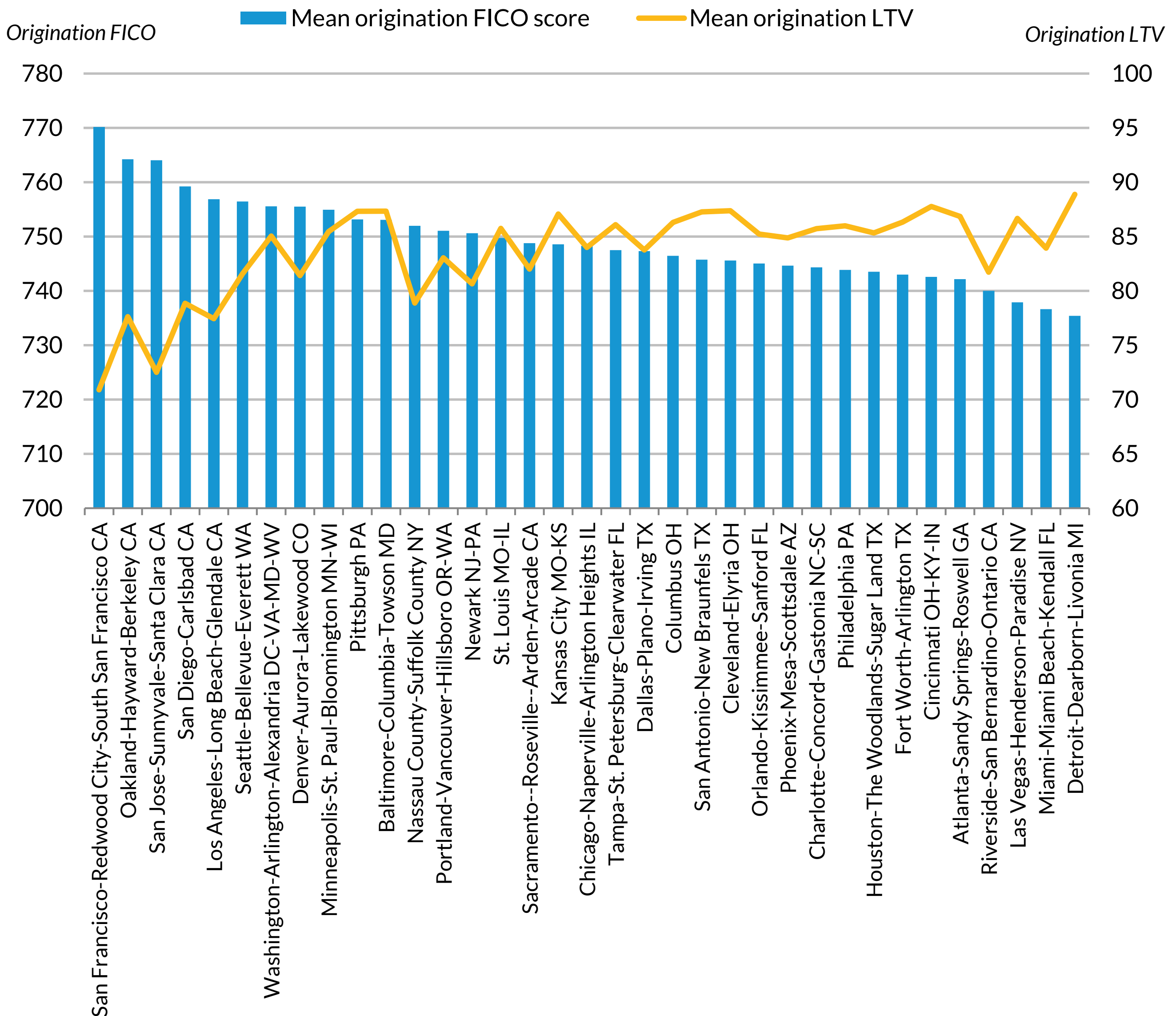


Sources: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.
Note: Includes owner-occupied purchase loans only.

December 2017

CREDIT AVAILABILITY FOR PURCHASE LOANS

Credit has been tight for all borrowers with less-than-stellar credit scores- especially in MSAs with high housing prices. For example, the mean origination FICO for borrowers in San Francisco-Redwood City-South San Francisco, CA is 770, while in Detroit-Dearborn-Livonia MI it is 735. Across all MSAs, lower average FICO scores tend to be correlated with high average LTVs, as these MSAs rely heavily on FHA/VA financing.

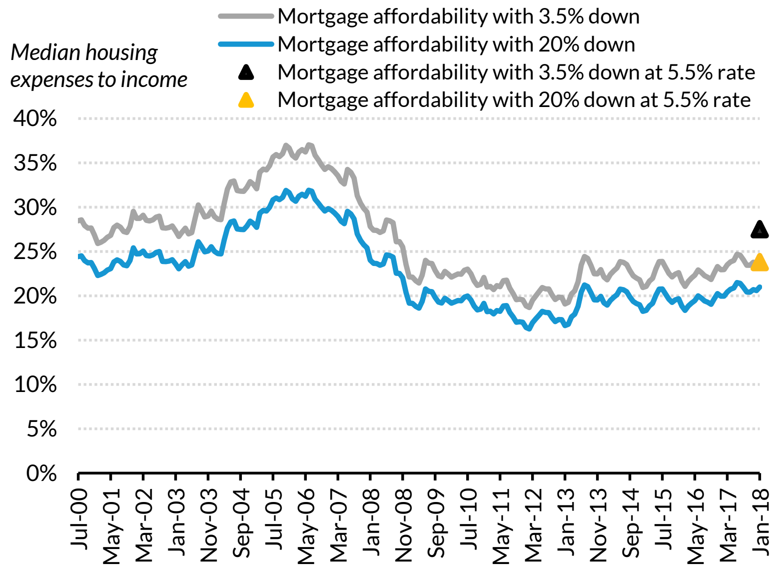


Sources: CoreLogic, eMBS, HMDA, SIFMA and Urban Institute.
Note: Includes owner-occupied purchase loans only. Data as of December 2017.

STATE OF THE MARKET
HOUSING AFFORDABILITY

National Mortgage Affordability Over Time

Home prices remain affordable by historic standards, despite increases over the last five years and the recent interest rate hikes. As of January 2018, the share of median income needed for the monthly mortgage payment with a 20% down payment stood at 21 percent. With a 3.5% down payment, the share of income is higher, at 24 percent in January 2018. If interest rates rise to 5.5%, the housing expenses to income share with both a 20 percent and a 3.5 percent down payment would be equivalent to the 2001-03 averages (24 and 28 percent, respectively). As shown in the bottom picture, mortgage affordability varies widely across MSAs.



Mortgage Affordability by MSA

Median housing expenses to income

Mortgage affordability with 20% down
Mortgage affordability with 3.5% down

100%
80%
60%
40%
20%
0%

San Francisco-Oakland-Hayward, CA
San Jose-Sunnyvale-Santa Clara, CA
Los Angeles-Long Beach-Anaheim, CA
San Diego-Carlsbad, CA
San Francisco-Oakland-Hayward, CA
Riverside-San Bernardino-Ontario, CA
New York-Newark-Jersey City, NY-NJ-PA
Seattle-Tacoma-Bellevue, WA
New York-Newark-Jersey City, NY-NJ-PA
Sacramento--Roseville--Arden-Arcade, CA
Miami-Fort Lauderdale-West Palm Beach, FL
Portland-Vancouver-Hillsboro, OR-WA
Denver-Aurora-Lakewood, CO
Boston-Cambridge-Newton, MA-NH
Las Vegas-Henderson-Paradise, NV
New York-Newark-Jersey City, NY-NJ-PA
Dallas-Fort Worth-Arlington, TX
Phoenix-Mesa-Scottsdale, AZ
Orlando-Kissimmee-Sanford, FL
Washington-Arlington-Alexandria, DC-VA-MD-WV
San Antonio-New Braunfels, TX
Charlotte-Concord-Gastonia, NC-SC
Tampa-St. Petersburg-Clearwater, FL
Dallas-Fort Worth-Arlington, TX
Houston-The Woodlands-Sugar Land, TX
Atlanta-Sandy Springs-Roswell, GA
Baltimore-Columbia-Towson, MD
Chicago-Naperville-Elgin, IL-IN-WI
Minneapolis-St. Paul-Bloomington, MN-WI
Columbus, OH
Kansas City, MO-KS
St. Louis, MO-IL
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
Pittsburgh, PA
Cincinnati, OH-KY-IN
Cleveland-Elyria, OH
Detroit-Warren-Dearborn, MI

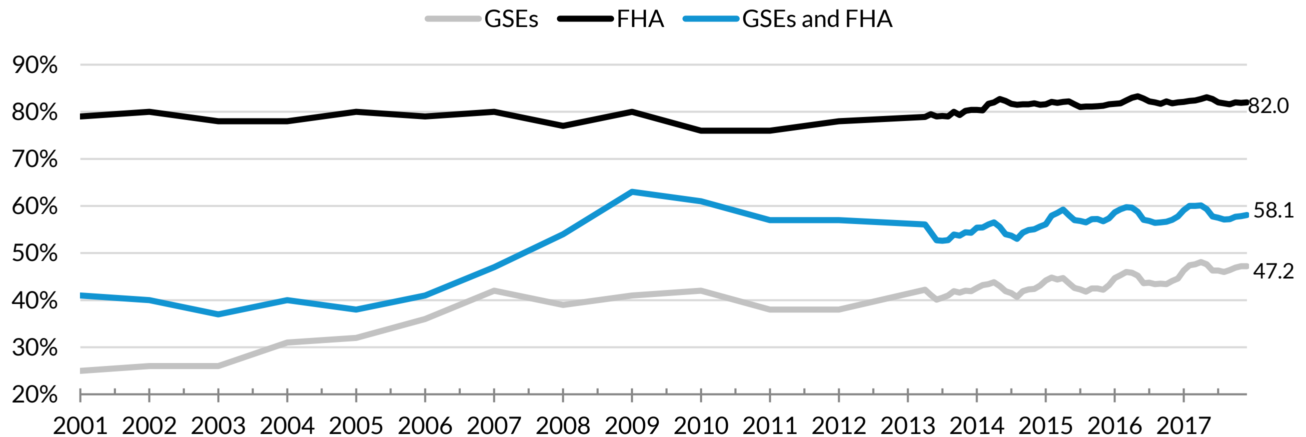
Sources: : CoreLogic, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, and the Urban Institute.

Note: Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value. Data as of December 2017.

FIRST-TIME HOMEBUYERS

First-Time Homebuyer Share

In December 2017, the first-time homebuyer share of GSE purchase loans was 47.2 percent, just off the highest level in recent history of 48.1 percent, achieved in April 2017. The FHA has always been more focused on first-time homebuyers, with its first-time homebuyer share hovering around 80 percent; it stood at 82.0 percent in December 2017. The bottom table shows that based on mortgages originated in December 2017, the average first-time homebuyer was more likely than an average repeat buyer to take out a smaller loan and have a lower credit score and higher LTV and DTI, thus requiring a higher interest rate.



Sources: eMBS, Federal Housing Administration (FHA) and Urban Institute.
Note: All series measure the first-time homebuyer share of purchase loans for principal residences.

December 2017

Comparison of First-Time and Repeat Homebuyers, GSE and FHA Originations

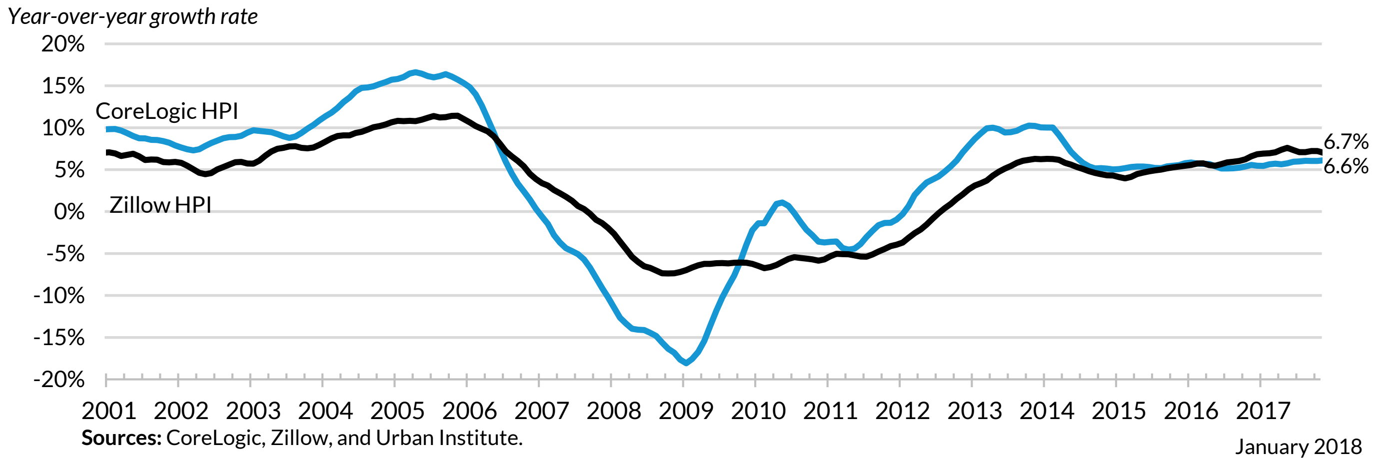
	GSEs		FHA		GSEs and FHA	
Characteristics	First-time	Repeat	First-time	Repeat	First-time	Repeat
Loan Amount ($)	232,277	256,354	205,147	224,242	220,812	250,899
Credit Score	738.3	753.8	673.0	679.6	710.7	741.2
LTV (%)	87.1	79.0	95.5	94.2	90.6	81.6
DTI (%)	35.9	36.3	42.8	43.8	38.8	37.6
Loan Rate (%)	4.21	4.07	4.27	4.18	4.23	4.09

Sources: eMBS and Urban Institute.
Note: Based on owner-occupied purchase mortgages originated in December 2017.

STATE OF THE MARKET
HOME PRICE INDICES

National Year-Over-Year HPI Growth

While the strong year-over-year home price growth from 2012 to 2013 has slowed somewhat, home price appreciation remains robust as measured by the repeat sales index from CoreLogic and hedonic index from Zillow. We will continue to closely monitor how rising mortgage rates impact this strong growth.



Sources: CoreLogic, Zillow, and Urban Institute.

January 2018

Changes in CoreLogic HPI for Top MSAs

After rising 51.3 percent from the trough, national house prices have now surpassed pre-crisis peak levels. At the MSA level, ten of the top 15 MSAs have reached their peak HPI: New York, NY; Los Angeles, CA; Atlanta, GA; Houston, TX; Dallas, TX; Minneapolis, MN; Seattle, WA; Denver, CO, San Diego, CA, and Anaheim, CA. Two MSAs particularly hard hit by the boom and bust– Phoenix, AZ and Riverside, CA– would each need to rise 18.7 and 19.6 percent, respectively, to return to peak levels.

MSA	HPI changes (%)			% Rise needed to achieve peak
	2000 to peak	Peak to trough	Trough to current	
United States	93.7%	-33.2%	51.3%	-1.1%
New York-Jersey City-White Plains NY-NJ	111.6%	-16.7%	31.7%	-8.8%
Los Angeles-Long Beach-Glendale CA	177.0%	-38.4%	73.9%	-6.6%
Chicago-Naperville-Arlington Heights IL	65.9%	-35.7%	36.0%	14.3%
Atlanta-Sandy Springs-Roswell GA	38.0%	-32.9%	64.1%	-9.0%
Washington-Arlington-Alexandria DC-VA-MD-WV	155.2%	-34.1%	37.0%	10.8%
Houston-The Woodlands-Sugar Land TX	39.6%	-14.1%	47.2%	-21.0%
Phoenix-Mesa-Scottsdale AZ	123.7%	-52.6%	77.9%	18.7%
Riverside-San Bernardino-Ontario CA	186.1%	-52.6%	76.5%	19.6%
Dallas-Plano-Irving TX	34.3%	-13.8%	60.5%	-27.8%
Minneapolis-St. Paul-Bloomington MN-WI	72.9%	-30.3%	45.1%	-1.1%
Seattle-Bellevue-Everett WA	90.9%	-29.1%	85.4%	-24.0%
Denver-Aurora-Lakewood CO	35.6%	-13.1%	78.2%	-35.4%
Baltimore-Columbia-Towson MD	122.8%	-24.6%	16.0%	14.3%
San Diego-Carlsbad CA	144.9%	-37.5%	65.4%	-3.3%
Anaheim-Santa Ana-Irvine CA	160.6%	-35.7%	57.7%	-1.5%

Sources: CoreLogic HPIs and Urban Institute. Data as of January 2018.
Note: This table includes the largest 15 Metropolitan areas by mortgage count.

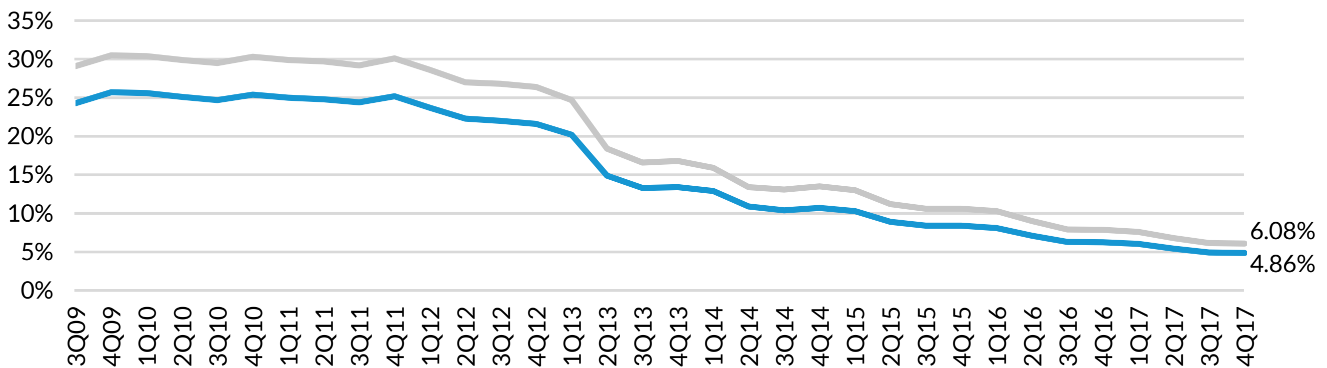
STATE OF THE MARKET

NEGATIVE EQUITY & SERIOUS DELINQUENCY

Negative Equity Share

Negative equity
Near or in negative equity

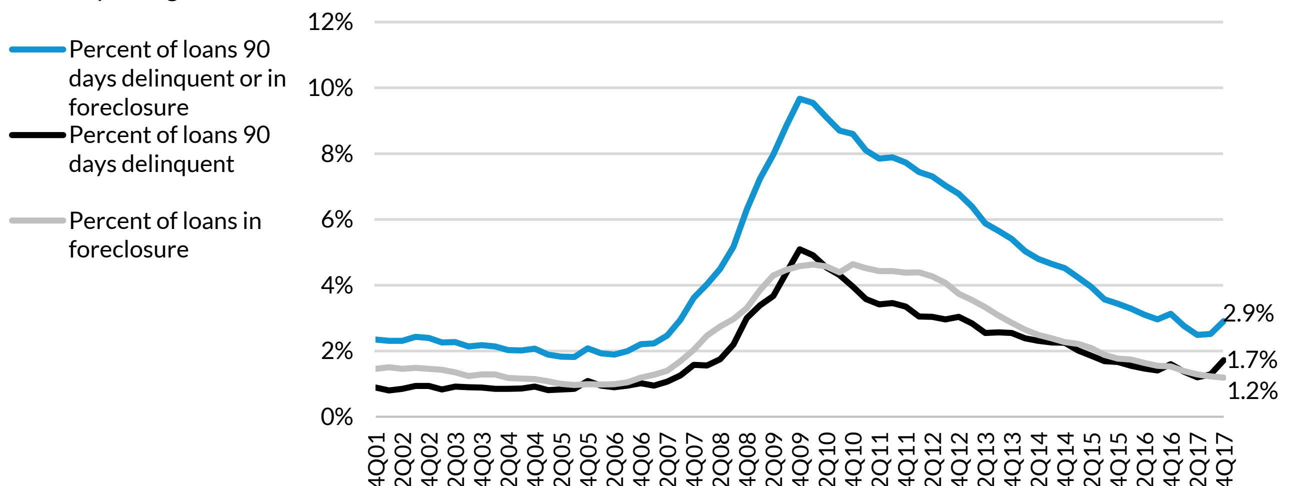
With housing prices continuing to appreciate, residential properties in negative equity (LTV greater than 100) as a share of all residential properties with a mortgage continued to edge down to 4.86 percent as of Q4 2017. Residential properties in near negative equity (LTV between 95 and 100) comprise another 1.22 percent.



Sources: CoreLogic and Urban Institute.
Note: CoreLogic negative equity rate is the percent of all residential properties with a mortgage in negative equity. Loans with negative equity refer to loans above 100 percent LTV. Loans near negative equity refer to loans above 95 percent LTV. *Last updated March 2018.*

Loans in Serious Delinquency/Foreclosure

Due to the hurricanes in the fall of 2017, 90 day delinquencies increased from 1.29 to 1.72 percent in Q4 2017. The percent of loans in foreclosure continued to edge down to 1.19 percent. The combined delinquencies totaled 2.91 percent in Q4 2017, up from 2.52 percent in Q3 2017 but down from 3.13 percent in the same quarter a year ago.

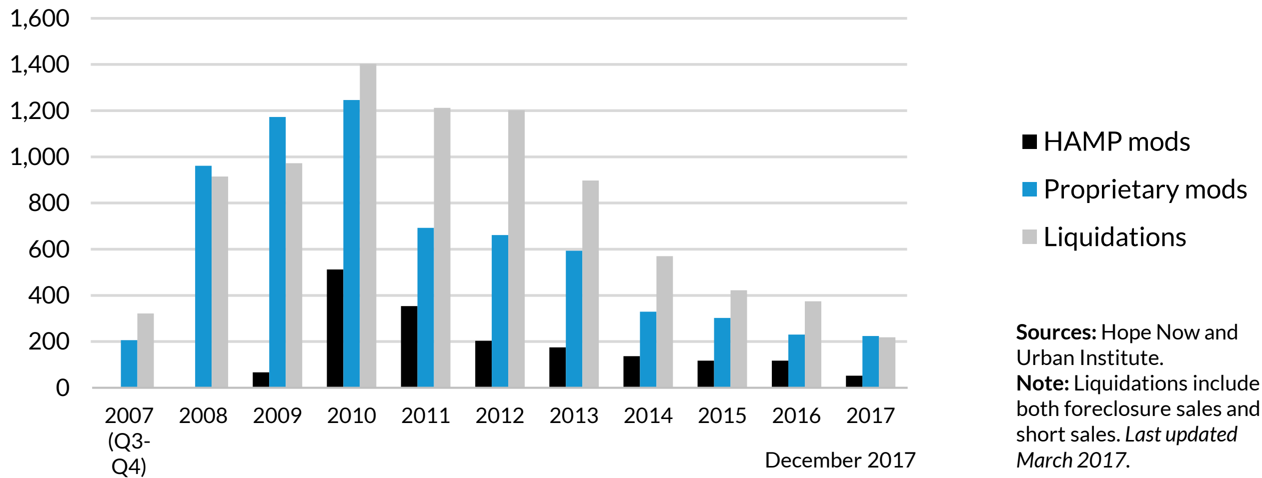


Sources: Mortgage Bankers Association and Urban Institute. *Last updated February 2018.*

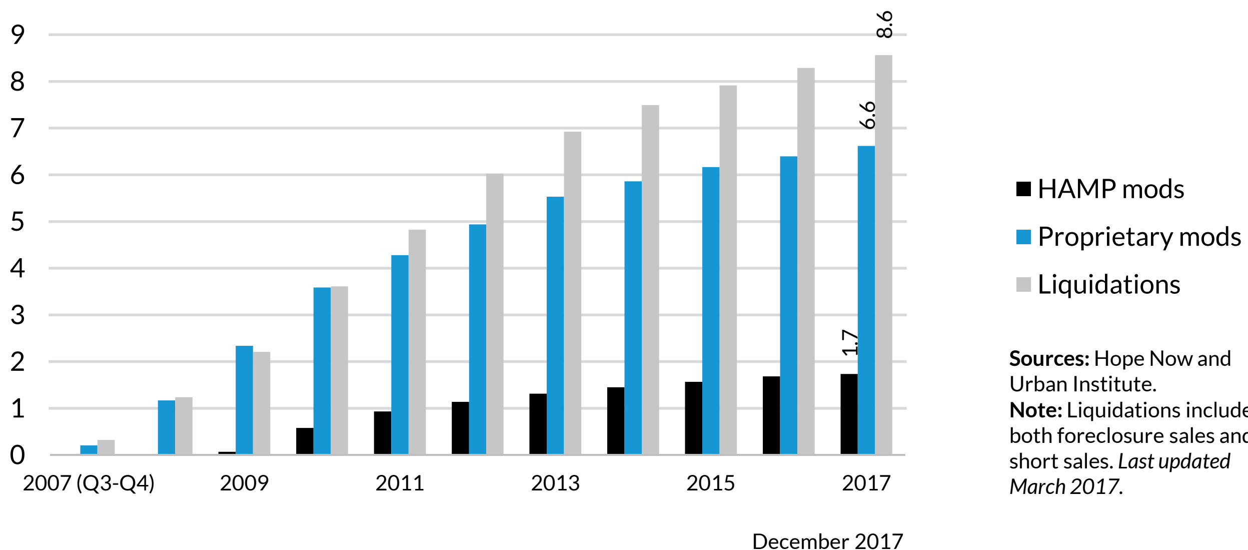
MODIFICATIONS AND LIQUIDATIONS

Total modifications (HAMP and proprietary) are roughly equal to total liquidations. Hope Now reports show 8,309,842 borrowers have received a modification since Q3 2007, compared with 8,562,508 liquidations in the same period. Modifications and liquidations have slowed significantly over the past few years. In 2017, there were just 275,872 modifications and 272,207 liquidations.

Loan Modifications and Liquidations



Cumulative Modifications and Liquidations

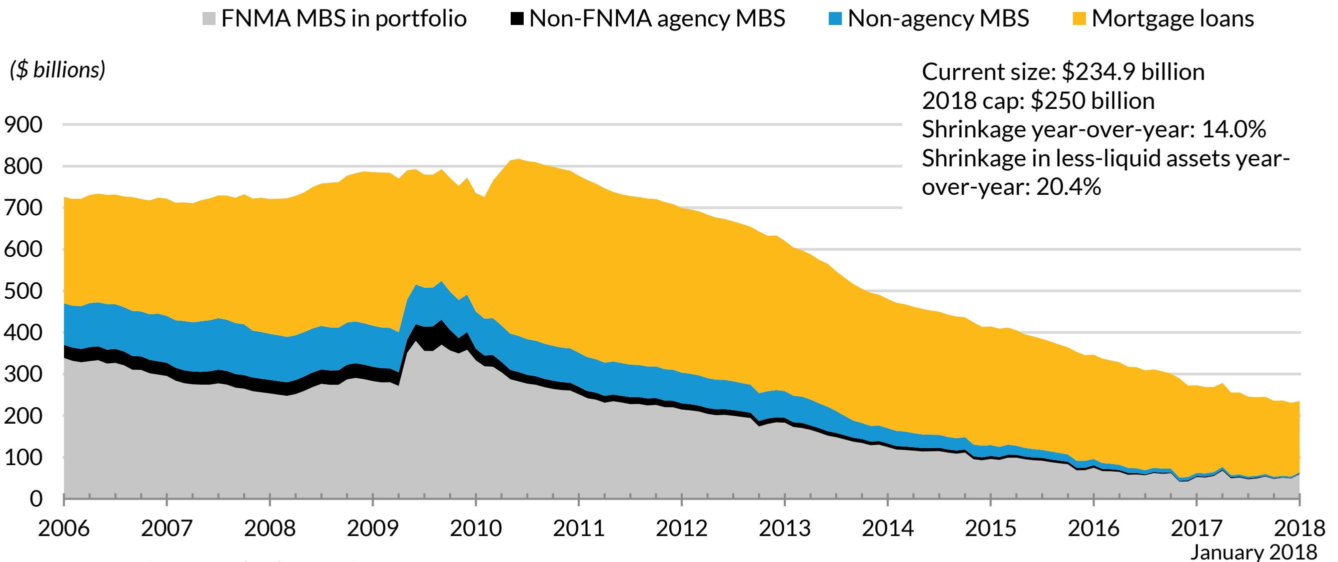


GSES UNDER CONSERVATORSHIP

GSE PORTFOLIO WIND-DOWN

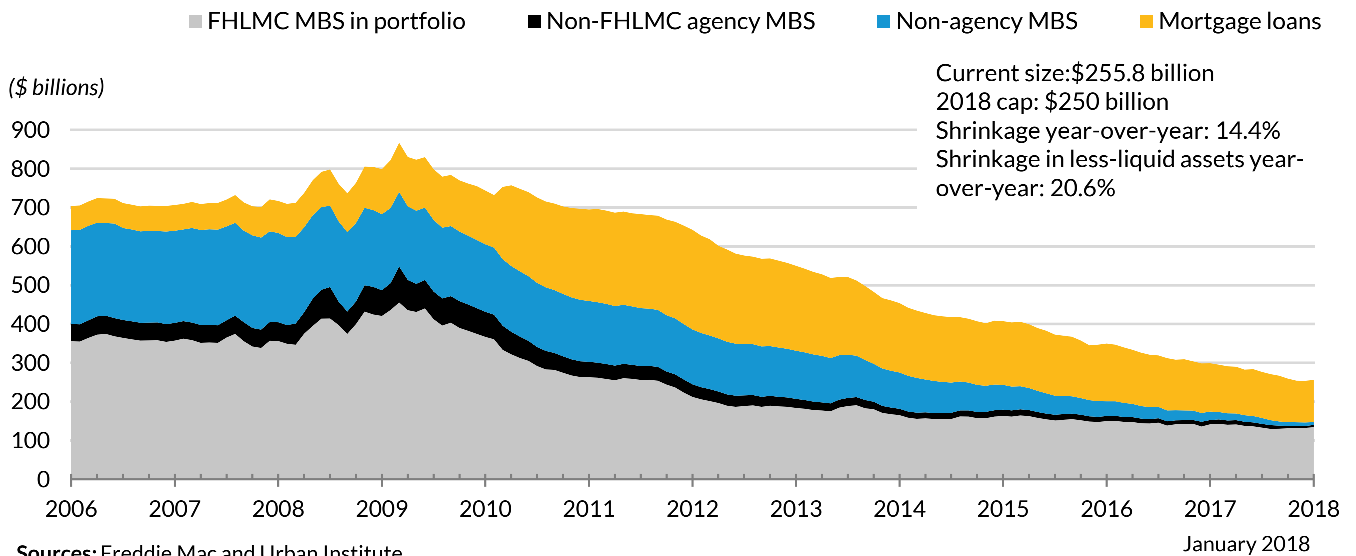
Both GSEs continue to contract their portfolios. Since January 2017, Fannie Mae has contracted by 14.0 percent and Freddie Mac by 14.4 percent. They are shrinking their less-liquid assets (mortgage loans and non-agency MBS) faster than they are shrinking their entire portfolio. As of January 2018, Fannie Mae is below their year-end 2018 portfolio cap of $250 billion, and Freddie Mac is just above the cap.

Fannie Mae Mortgage-Related Investment Portfolio Composition



Sources: Fannie Mae and Urban Institute.

Freddie Mac Mortgage-Related Investment Portfolio Composition



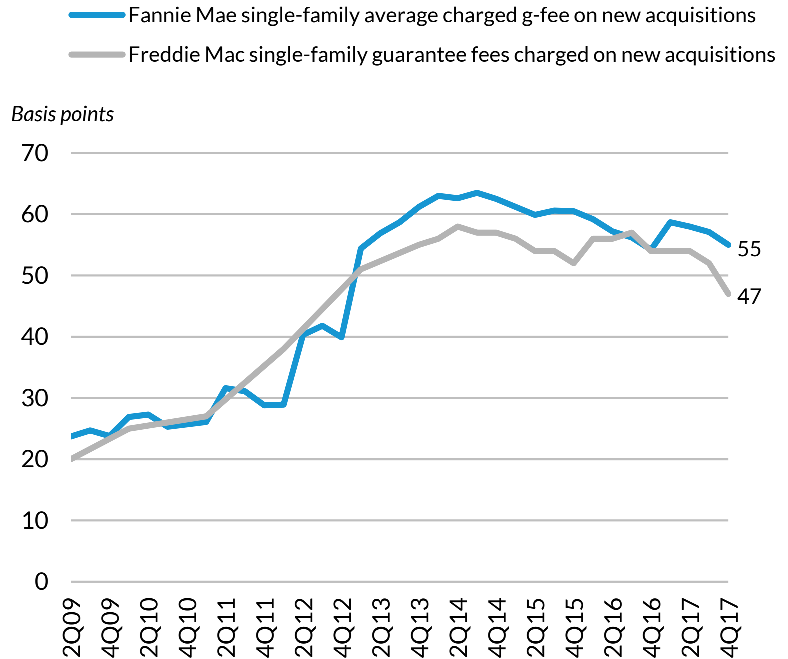
Sources: Freddie Mac and Urban Institute.

EFFECTIVE GUARANTEE FEES

Guarantee Fees Charged on New Acquisitions

The latest 10-K indicates that Fannie's average g-fees on new acquisitions decreased from 57.1 to 55 bps in Q4 2017 and Freddie's decreased from 52 to 47 bps. This is still a marked increase over 2012 and 2011, and has contributed to the GSEs' profits. The GSE's latest Loan-Level Pricing Adjustments (LLPAs) took effect in September 2015; the bottom table shows the Fannie Mae LLPAs, which are expressed as upfront charges.

Sources: Fannie Mae, Freddie Mae and Urban Institute.
Last updated February 2018.



Fannie Mae Upfront Loan-Level Price Adjustments (LLPAs)

	LTV							
Credit Score	≤60	60.01 – 70	70.01 – 75	75.01 – 80	80.01 – 85	85.01 – 90	90.01 – 95	95.01 – 97
> 740	0.00%	0.25%	0.25%	0.50%	0.25%	0.25%	0.25%	0.75%
720 – 739	0.00%	0.25%	0.50%	0.75%	0.50%	0.50%	0.50%	1.00%
700 – 719	0.00%	0.50%	1.00%	1.25%	1.00%	1.00%	1.00%	1.50%
680 – 699	0.00%	0.50%	1.25%	1.75%	1.50%	1.25%	1.25%	1.50%
660 – 679	0.00%	1.00%	2.25%	2.75%	2.75%	2.25%	2.25%	2.25%
640 – 659	0.50%	1.25%	2.75%	3.00%	3.25%	3.75%	2.75%	2.75%
620 – 639	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.50%
< 620	0.50%	1.50%	3.00%	3.00%	3.25%	3.25%	3.25%	3.75%
Product Feature (Cumulative)								
High LTV	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Property	2.125%	2.125%	2.125%	3.375%	4.125%	N/A	N/A	N/A

Sources: Fannie Mae and Urban Institute.
Note: For whole loans purchased on or after September 1, 2015, or loans delivered into MBS pools with issue dates on or after September 1, 2015.

GSE RISK-SHARING TRANSACTIONS

Fannie Mae and Freddie Mac have been laying off back-end credit risk through CAS and STACR deals as well as through reinsurance transactions. They have also done a few front-end transactions with originators and experimented with deep mortgage insurance coverage with private mortgage insurers. FHFA's 2018 scorecard requires the GSEs to lay off credit risk on 90 percent of newly acquired loans in categories targeted for transfer. Fannie Mae's CAS issuances to date cover 35.6 percent of its guarantees, while Freddie's STACR covers 51 percent. In 2018, Freddie issued a security in January, and Fannie issued one in February and one in March.

Fannie Mae – Connecticut Avenue Securities (CAS)

Date	Transaction	Reference Pool Size ($ m)	Amount Issued ($m)	% of Reference Pool Covered
2013	CAS 2013 deals	$26,756	$675	2.5%
2014	CAS 2014 deals	$227, 234	$5,849	2.6%
2015	CAS 2015 deals	$187,126	$5,463	2.9%
February 2016	CAS 2016 – C01	$28,882	$945	3.3%
March 2016	CAS 2016 – C02	$35,004	$1,032	2.9%
April 2016	CAS 2016 – C03	$36,087	$1,166	3.2%
July 2016	CAS 2016 – C04	$42,179	$1,322	3.1%
August 2016	CAS 2016 - C05	$38,668	$1,202	3.1%
November 2016	CAS 2016 - C06	$33,124	$1,024	3.1%
December 2016	CAS 2016 – C07	$22,515	$702	3.1%
January 2017	CAS 2017 – C01	$43,758	$1,351	3.1%
March 2017	CAS 2017 – C02	$39,988	$1,330	3.3%
May 2017	CAS 2017 – C03	$41,246	$1,371	3.3%
May 2017	CAS 2017 – C04	$30,154	$1,003	3.3%
July 2017	CAS 2017 – C05	$43,751	$1,351	3.1%
August 2017	CAS 2017 – C06	$31,900	$1,101	3.5%
November 2017	CAS 2017– C07	$33,900	$1,200	3.5%
February 2018	CAS 2018 – C01	$44,900	$1,494	3.3%
March 2018	CAS 2018 - C02	$26,500	$1,007	3.8%
Total		**$987,172**	**$29,580**	**3.0%**
Percent of Fannie Mae's Total Book of Business		**35.64%**		

Freddie Mac – Structured Agency Credit Risk (STACR)

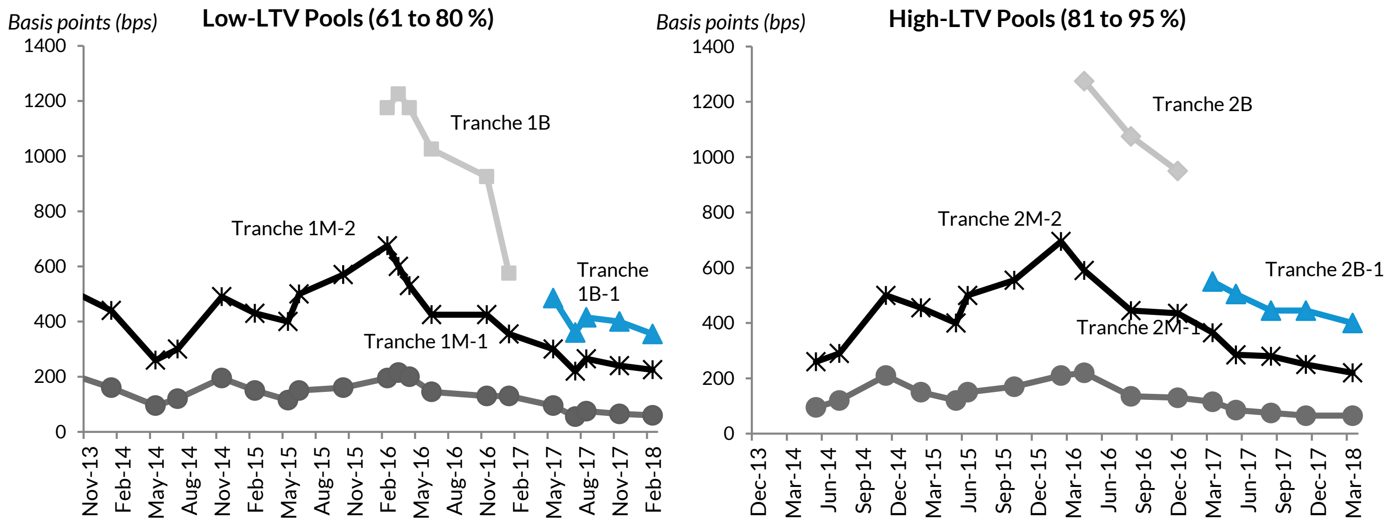
Date	Transaction	Reference Pool Size ($ m)	Amount Issued ($m)	% of Reference Pool Covered
2013	STACR 2013 deals	$57,912	$1,130	2.0%
2014	STACR 2014 deals	$147,120	$4,916	3.3%
2015	STACR 2015 deals	$209,521	$6,658	3.2%
January 2016	STACR Series 2016 – DNA1	$35,700	$996	2.8%
March 2016	STACR Series 2016 – HQA1	$17,931	$475	2.6%
May 2016	STACR Series 2016 – DNA2	$30,589	$916	3.0%
May 2016	STACR Series 2016 – HQA2	$18,400	$627	3.4%
June 2016	STACR Series 2016 – DNA3	$26,400	$795	3.0%
September 2016	STACR Series 2016 – HQA3	$15,709	$515	3.3%
September 2016	STACR Series 2016 – DNA4	$24,845	$739	3.0%
October 2016	STACR Series 2016 - HQA4	$13,847	$478	3.5%
January 2017	STACR Series 2017 – DNA1	$33, 965	$802	2.4%
February 2017	STACR Series 2017 – HQA1	$29,700	$753	2.5%
April 2017	STACR Series 2017 – DNA2	$60,716	$1,320	2.2%
June 2017	STACR Series 2017 – HQA2	$31,604	$788	2.5%
September 2017	STACR Series 2017 – DNA3	$56,151	$1,200	2.1%
October 2017	STACR Series 2017 – HQA3	$21,641	$600	2.8%
December 2017	STACR Series 2017 – HRP1	$15,044	$200	1.3%
January 2018	STACR Series 2017 – DNA1	$34,733	$900	2.6%
Total		**$897,237**	**$24,808**	**2.8%**
Percent of Freddie Mac's Total Book of Business		**50.98%**		

Sources: Fannie Mae, Freddie Mac and Urban Institute.
Note: Classes A-H, M-1H, M-2H, and B-H are reference tranches only. These classes are not issued or sold. The risk is retained by Fannie Mae and Freddie Mac. "CE" = credit enhancement.

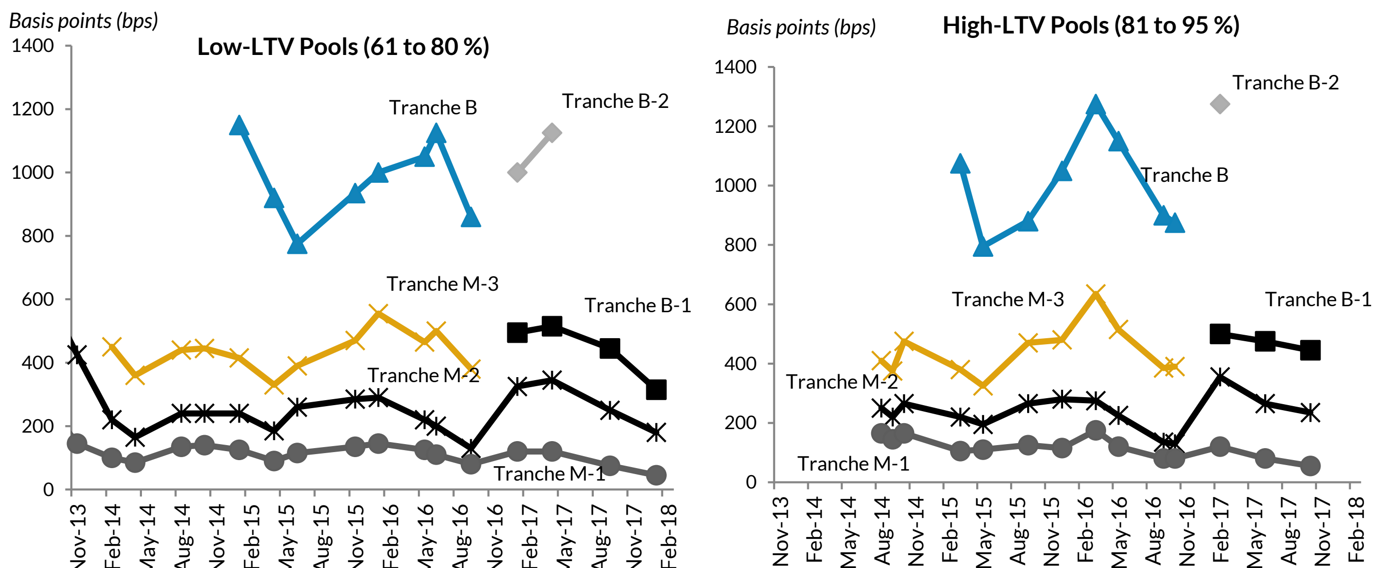
GSE RISK-SHARING SPREADS

CAS and STACR spreads have moved around considerably since 2013, with the bottom mezzanine tranche and the first loss bonds experiencing considerably more volatility than the top mezzanine bonds. Tranche B in particular has been highly volatile because of its first loss position. Spreads widened especially during Q1 2016 due to falling oil prices, concerns about global economic growth and the slowdown in China. Since then spreads have resumed their downward trend but remain volatile. The STACR deal issued in December, not shown below, is part of a new HRP series with marked-to-market LTVs between 60 and 150 percent.

Fannie Mae CAS Spreads at-issuance (basis points over 1-month LIBOR)



Freddie Mac STACR Spreads at-issuance (basis points over 1-month LIBOR)

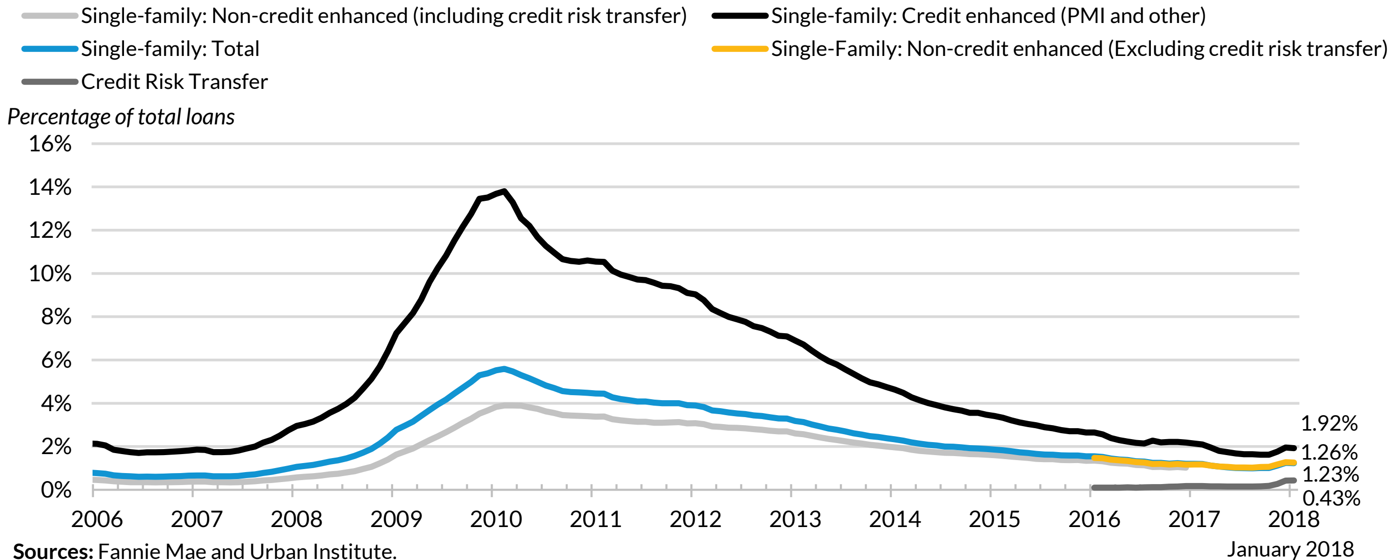


Sources: Fannie Mae, Freddie Mac Press Releases and Urban Institute.

GSES UNDER CONSERVATORSHIP
SERIOUS DELINQUENCY RATES

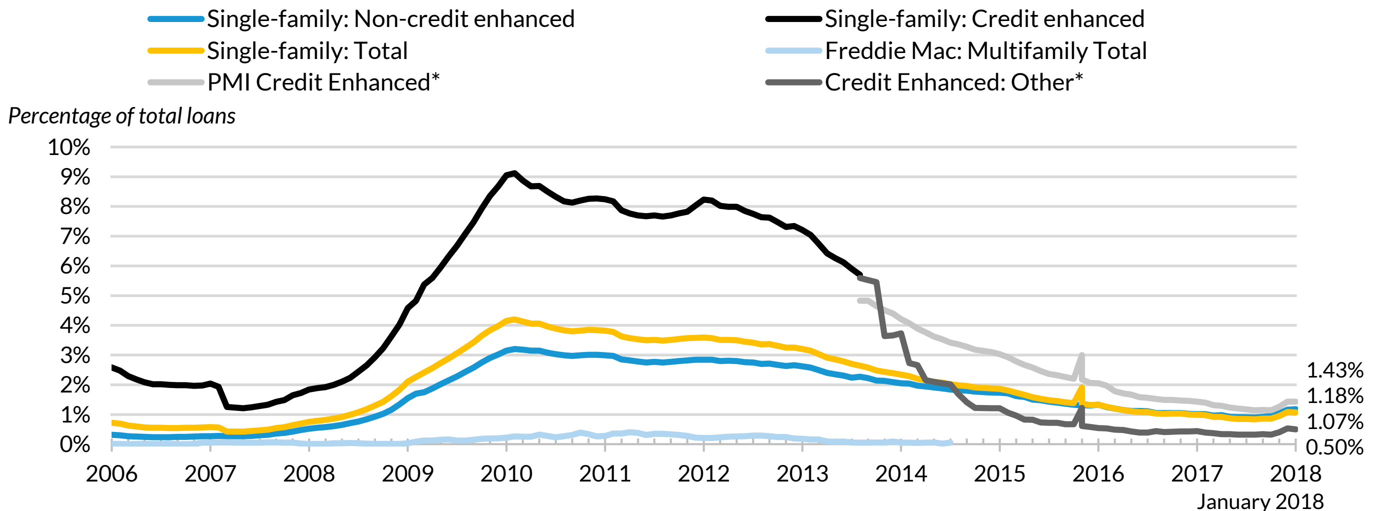
Serious delinquency rates of GSE loans remained elevated in January 2018 compared to recent trends, mostly due to recent hurricanes. Despite this recent increase, there has been a marked long term decline in serious delinquency rates as the legacy portfolio is resolved and the pristine, post-2009 book of business exhibits very low default rates. As of January 2018, 1.23 percent of the Fannie portfolio and 1.07 percent of the Freddie portfolio were seriously delinquent, up from 1.20 percent for Fannie and 0.99 percent for Freddie in January 2017.

Serious Delinquency Rates–Fannie Mae



Sources: Fannie Mae and Urban Institute.
Note*: Following a change in Fannie reporting in March 2017, we started to report the credit risk transfer category and a new non-credit enhanced category that excludes loans covered by either primary MI or credit risk transfer transactions. Fannie reported these two new categories going back to January 2016.

Serious Delinquency Rates–Freddie Mac



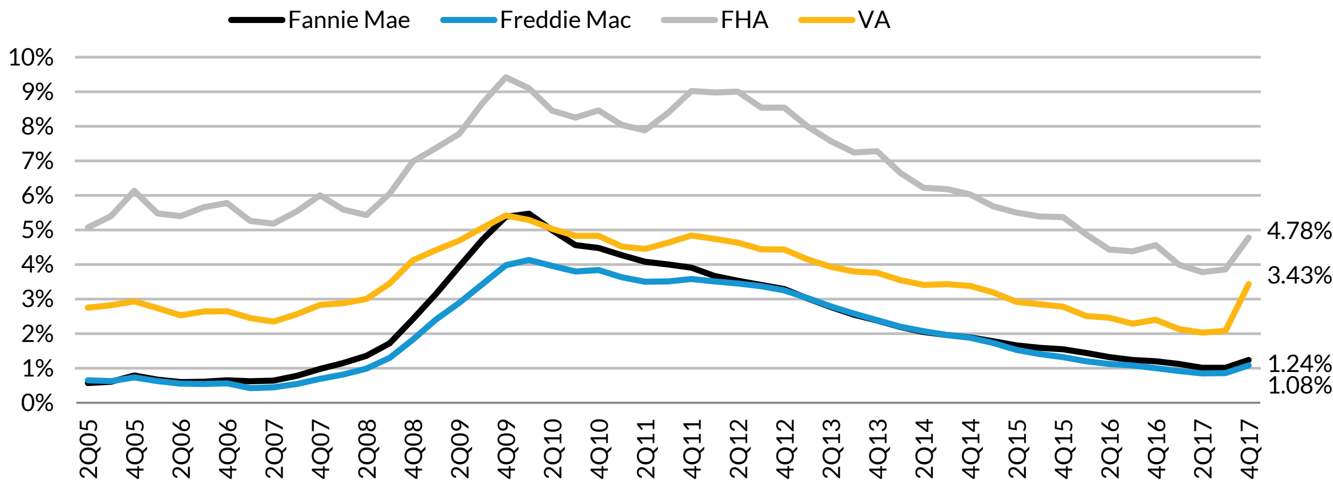
Sources: Freddie Mac and Urban Institute.
Note*: Following a change in Freddie reporting in September 2014, we switched from reporting credit enhanced delinquency rates to PMI and other credit enhanced delinquency rates. Freddie reported these two categories for credit-enhanced loans going back to August 2013. The other category includes single-family loans covered by financial arrangements (other than primary mortgage insurance) including loans in reference pools covered by STACR debt note transactions as well as other forms of credit protection.

GSES UNDER CONSERVATORSHIP

SERIOUS DELINQUENCY RATES

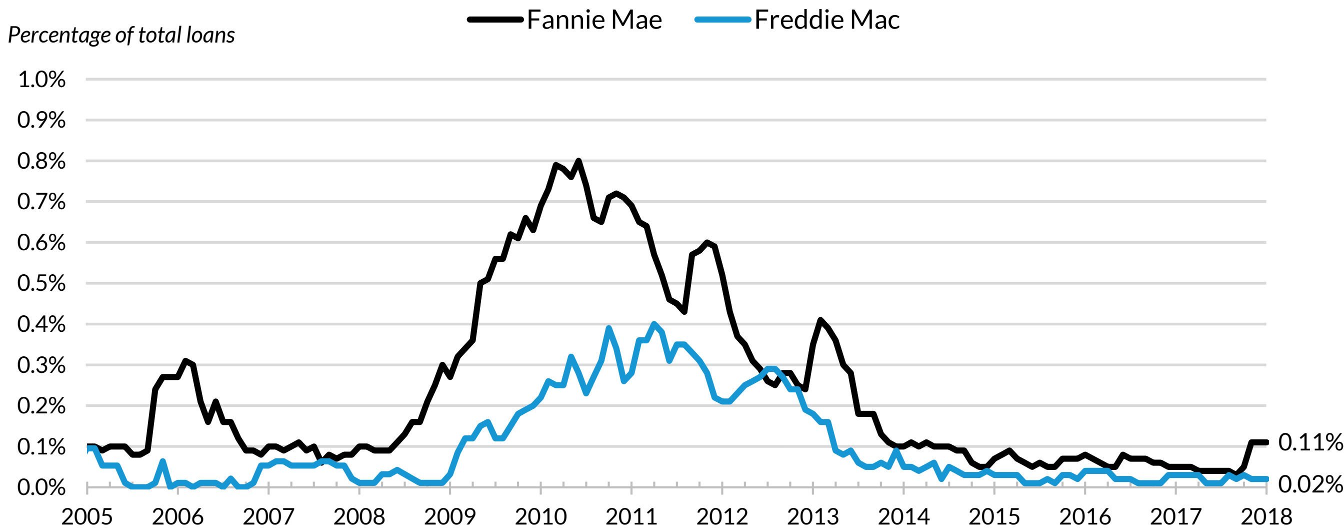
Serious delinquencies for single-family GSE loans, FHA loans, and VA loans moved up in the fourth quarter of 2017, partly due to seasonal factors, but mostly due to the impact of hurricanes Harvey, Irma and Maria. GSE delinquencies remain high relative to 2005-2007, while FHA and VA delinquencies (which are higher than their GSE counterparts) are at levels lower than 2005-2007. GSE multifamily delinquencies have declined to pre-crisis levels, although they did not reach problematic levels even in the worst years of the crisis. In November 2017, Fannie multifamily serious delinquency rate rose to 0.11 percent, its highest level since early 2014, mostly due to the recent hurricanes; it has remained at this level through January 2018. Freddie remained flat at 0.02 percent.

Serious Delinquency Rates–Single-Family Loans



Sources: Fannie Mae, Freddie Mac, MBA Delinquency Survey and Urban Institute. **Note:** Serious delinquency is defined as 90 days or more past due or in the foreclosure process. Not seasonally adjusted. *Last updated February 2018.*

Serious Delinquency Rates–Multifamily GSE Loans



Sources: Fannie Mae, Freddie Mac and Urban Institute.
Note: Multifamily serious delinquency rate is the unpaid balance of loans 60 days or more past due, divided by the total unpaid balance.

AGENCY GROSS AND NET ISSUANCE

Agency gross issuance was $197.6 billion in the first two months of 2018, $1.186 trillion on an annualized basis. This is down 15.8 percent year-over-year. When measured on a monthly basis, the agency gross issuance was lower year-over-year for twelve consecutive months since March 2017. Net issuance (which excludes repayments, prepayments, and refinances on outstanding mortgages) totaled $37.9 billion in the first two months of 2018, down 25.4 percent from the two months of 2017.

Agency Gross Issuance

Issuance Year	GSEs	Ginnie Mae	Total
2000	$360.6	$102.2	$462.8
2001	$885.1	$171.5	$1,056.6
2002	$1,238.9	$169.0	$1,407.9
2003	$1,874.9	$213.1	$2,088.0
2004	$872.6	$119.2	$991.9
2005	$894.0	$81.4	$975.3
2006	$853.0	$76.7	$929.7
2007	$1,066.2	$94.9	$1,161.1
2008	$911.4	$267.6	$1,179.0
2009	$1,280.0	$451.3	$1,731.3
2010	$1,003.5	$390.7	$1,394.3
2011	$879.3	$315.3	$1,194.7
2012	$1,288.8	$405.0	$1,693.8
2013	$1,176.6	$393.6	$1,570.1
2014	$650.9	$296.3	$947.2
2015	$845.7	$436.3	$1,282.0
2016	$991.6	$508.2	$1,499.8
2017	$877.3	$455.6	$1,332.9
2018 YTD	$130.6	$67.1	$197.6
2018 YTD % Change YOY	-17.9%	-11.4%	-15.8%
2018 Ann.	$783.4	$402.3	$1,185.7

Agency Net Issuance

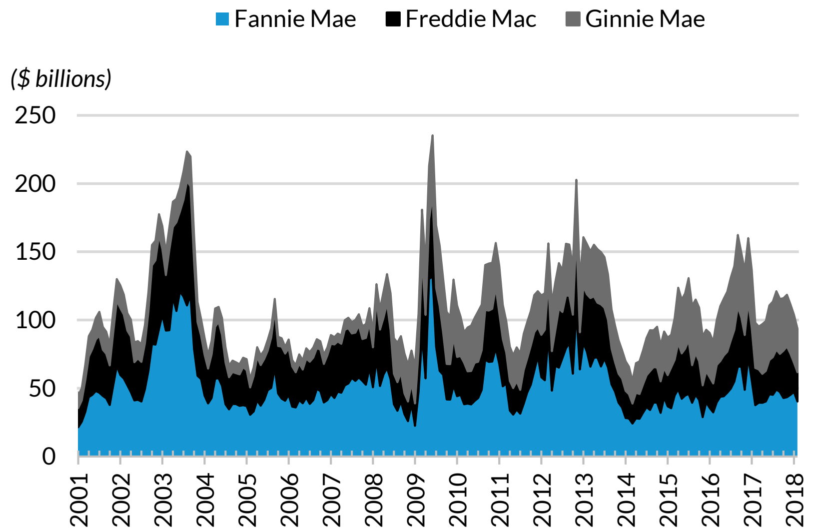
Issuance Year	GSEs	Ginnie Mae	Total
2000	$159.8	$29.3	$189.1
2001	$368.4	-$9.9	$358.5
2002	$357.2	-$51.2	$306.1
2003	$334.9	-$77.6	$257.3
2004	$82.5	-$40.1	$42.4
2005	$174.2	-$42.2	$132.0
2006	$313.6	$0.2	$313.8
2007	$514.9	$30.9	$545.7
2008	$314.8	$196.4	$511.3
2009	$250.6	$257.4	$508.0
2010	-$303.2	$198.3	-$105.0
2011	-$128.4	$149.6	$21.2
2012	-$42.4	$119.1	$76.8
2013	$69.1	$87.9	$157.0
2014	$30.5	$61.6	$92.1
2015	$75.1	$97.3	$172.5
2016	$135.5	$125.3	$260.8
2017	$168.5	$131.3	$299.7
2018 YTD	$23.0	$14.9	$37.9
2018 YTD % Change YOY	-26.1%	-24.2%	-25.4%
2018 (Ann.)	$138.1	$89.6	$227.7

Sources: eMBS and Urban Institute.
Note: Dollar amounts are in billions. Data as of February 2018.

AGENCY GROSS ISSUANCE & FED PURCHASES

Monthly Gross Issuance

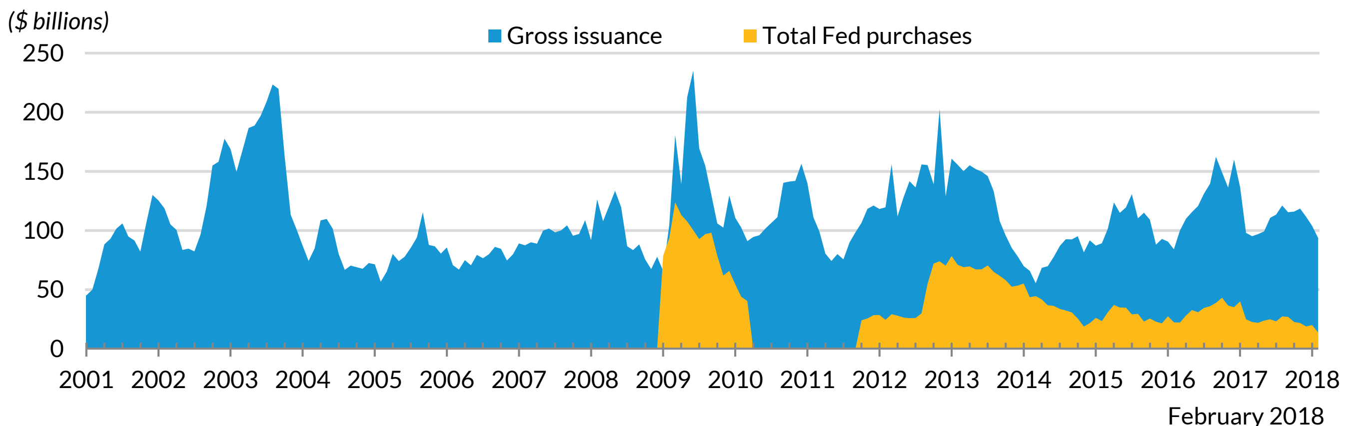
While government and GSE lending have dominated the mortgage market since the crisis, there has been a change in the mix. The Ginnie Mae share rose from its low levels in the pre-crisis period to 28 percent in 2010, then declined to 25 percent in 2013. Since then, the share has bounced back sharply, and now stands at 34.0 percent in January 2018. The increase in this share over the past year is due to the fact that rates have risen, and Ginnie Mae is less dependent on refi activity than its conventional counterparts.



Sources: eMBS, Federal Reserve Bank of New York, and Urban Institute.

Fed Absorption of Agency Gross Issuance

The Fed has begun to wind down their portfolio, and we are beginning to see the effects in slower absorption rates. During the period October 2014-September 2017, the Fed had ended its purchase program, but was reinvesting funds from mortgages and agency debt into the mortgage market, absorbing 20-30 percent of agency gross issuance. With the wind down, which started in October 2017, the Fed will continue to reinvest, but by less than their run off. In February 2018, total Fed purchases declined to $13.7 billion, yielding Fed absorption of gross issuance of 14.6, a new historical low.

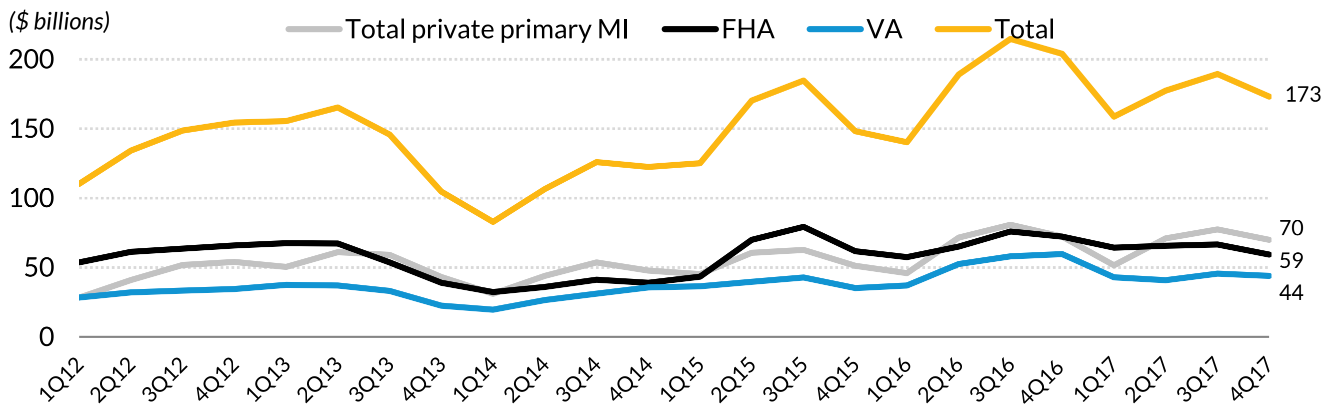


Sources: eMBS, Federal Reserve Bank of New York and Urban Institute.

MORTGAGE INSURANCE ACTIVITY

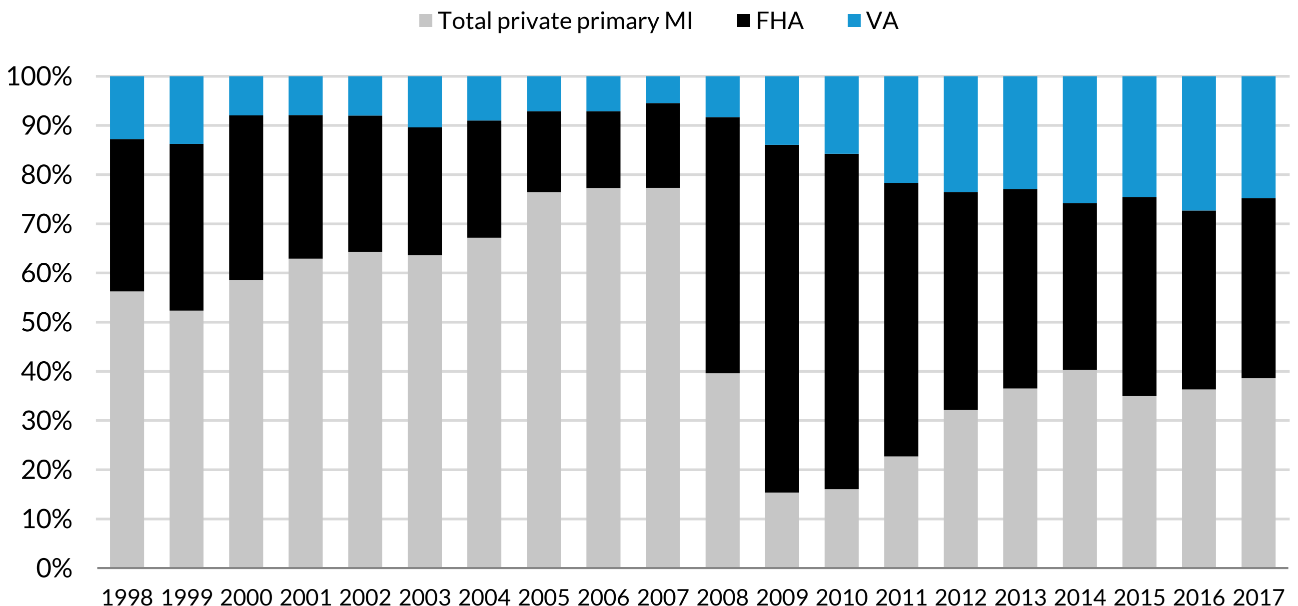
MI Activity

In 2017 Q4, mortgage insurance activity via the FHA, VA and private insurers declined from the previous quarter's $189 billion to $173 billion, down 15 percent year-over-year from the same quarter in 2016. This quarter's decrease is driven by all three channels. Private mortgage insurers and FHA both decreased by $7 billion each, while VA decreased by $2 billion. VA accounted for 24.8 percent of the market in 2017, down from 27.3 percent in 2016, losing 2.5 percent market share to FHA (38.6 percent) and 0.2 percent to private insurers (36.6 percent).



Sources: Inside Mortgage Finance and Urban Institute. *Last updated February 2018.*

MI Market Share



Sources: Inside Mortgage Finance and Urban Institute. *Last updated February 2018.*

AGENCY ISSUANCE

MORTGAGE INSURANCE ACTIVITY

FHA premiums rose significantly in the years following the housing crash, with annual premiums rising 170 percent from 2008 to 2013 as FHA worked to shore up its finances. In January 2015, President Obama announced a 50 bps cut in annual insurance premiums, making FHA mortgages more attractive than GSE mortgages for all borrowers. The April 2016 reduction in PMI rates for borrowers with higher FICO scores has partially offset that. As shown in the bottom table, a borrower putting 3.5 percent down will now find FHA more economical except for those with FICO scores of 740 or higher.

FHA MI Premiums for Typical Purchase Loan

Case number date	Upfront mortgage insurance premium (UFMIP) paid	Annual mortgage insurance premium (MIP)
1/1/2001 - 7/13/2008	150	50
7/14/2008 - 4/5/2010*	175	55
4/5/2010 - 10/3/2010	225	55
10/4/2010 - 4/17/2011	100	90
4/18/2011 - 4/8/2012	100	115
4/9/2012 - 6/10/2012	175	125
6/11/2012 - 3/31/2013[a]	175	125
4/1/2013 – 1/25/2015[b]	175	135
Beginning 1/26/2015[c]	175	85

Sources: Ginnie Mae and Urban Institute.
Note: A typical purchase loan has an LTV over 95 and a loan term longer than 15 years. Mortgage insurance premiums are listed in basis points.
* For a short period in 2008 the FHA used a risk based FICO/LTV matrix for MI.
[a] Applies to purchase loans less than or equal to $625,500. Those over that amount have an annual premium of 150 bps.
[b] Applies to purchase loans less than or equal to $625,500. Those over that amount have an annual premium of 155 bps.
[c] Applies to purchase loans less than or equal to $625,500. Those over that amount have an annual premium of 105 bps.

Initial Monthly Payment Comparison: FHA vs. PMI

Assumptions	
Property Value	$250,000
Loan Amount	$241,250
LTV	96.5
Base Rate	
Conforming	4.64%
FHA	4.58%

FICO	620 - 639	640 - 659	660 - 679	680 - 699	700 - 719	720 - 739	740 - 759	760 +
FHA MI Premiums								
FHA UFMIP	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
FHA MIP	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
PMI								
GSE LLPA*	3.50%	2.75%	2.25%	1.50%	1.50%	1.00%	0.75%	0.75%
PMI Annual MIP	2.25%	2.05%	1.90%	1.40%	1.15%	0.95%	0.75%	0.55%
Monthly Payment								
FHA	$1,426	$1,426	$1,426	$1,426	$1,426	$1,426	$1,426	$1,426
PMI	$1,798	$1,735	$1,690	$1,568	$1,517	$1,463	$1,415	$1,375
PMI Advantage	($372)	($309)	($264)	($142)	($91)	($37)	$11	$51

Sources: Genworth Mortgage Insurance, Ginnie Mae and Urban Institute.
Note: Mortgage insurance premiums listed in percentage points. Grey shade indicates FHA monthly payment is more favorable, while light blue indicates PMI is more favorable. The PMI monthly payment calculation does not include special programs like Fannie Mae's HomeReady and Freddie Mac's Home Possible (HP), both offer more favorable rates for low- to moderate-income borrowers.
LLPA= Loan Level Price Adjustment, described in detail on page 25.

RELATED HFPC WORK
PUBLICATIONS AND EVENTS

Upcoming events:
April 11: When Disaster Strikes: Risk, Mitigation Strategies, and Recovery

Projects

The Mortgage Servicing Collaborative

Housing Credit Availability Index (HCAI)

Access and Affordability

Home Mortgage Disclosure Act Projects

Publications

Housing Affordability: Local and National Perspectives
Authors: Laurie Goodman, Jun Zhu
Date: March 28, 2018

Is Limited English Proficiency a Barrier to Homeownership?
Authors: Edward Golding, Laurie Goodman, Sarah Strochak
Date: March 26, 2018

FHFA's Evaluation of Credit Scores Misses the Mark
Authors: Karan Kaul, Laurie Goodman
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A Conversation about Housing Finance Reform
Authors: Laurie Goodman, Jim Parrott, Eric Kaplan, Michael Stegman, Ted Tozer
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Making Sure that the Senate's Access and Affordability Proposal Works
Authors: Jim Parrott, Laurie Goodman
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Access and Affordability in the New Housing Finance System
Authors: Jim Parrott, Michael Stegman, Phillip L. Swagel, Mark M. Zandi
Date: February 13, 2018

Homeownership and the American Dream
Authors: Laurie Goodman, Christopher Mayer
Date: January 31, 2018

Blog Posts

New evidence shows that limited English proficiency is a barrier to homeownership
Authors: Edward Golding, Sarah Strochak, Laurie Goodman
Date: March 26, 2018

The US homeownership rate has lost ground compared with other developed counties
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An innovative model for reducing gaps in homeownership
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Date: January 25, 2018

Experts agree: Modernizing the FHA is critical to effective housing finance reform
Authors: Bhargavi Ganesh
Date: January 23, 2018

For many, tax reform will make renting more attractive than owning a home
Authors: Laurie Goodman, Edward Golding
Date: January 9, 2018

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