

Economic and Mortgage Market Outlook Prepared for MGIC

January 23rd, 2025

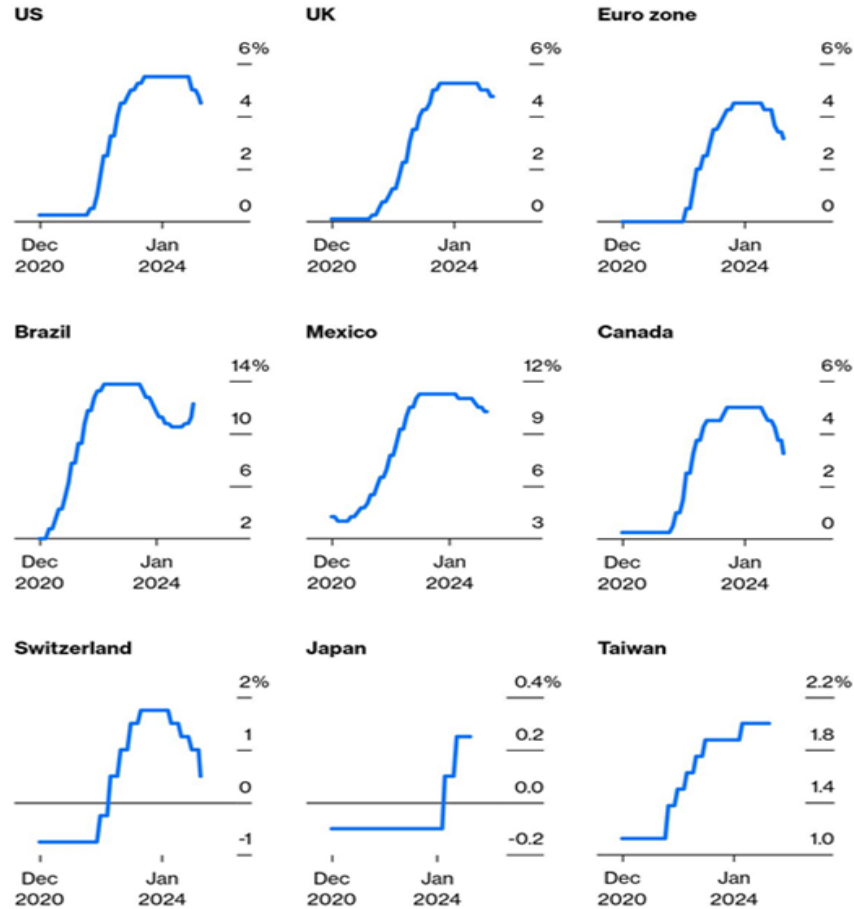
Presented by:

Joel Kan, Vice President and Deputy Chief Economist



Central Banks Cutting Rates, Global Yields Have Turned Higher

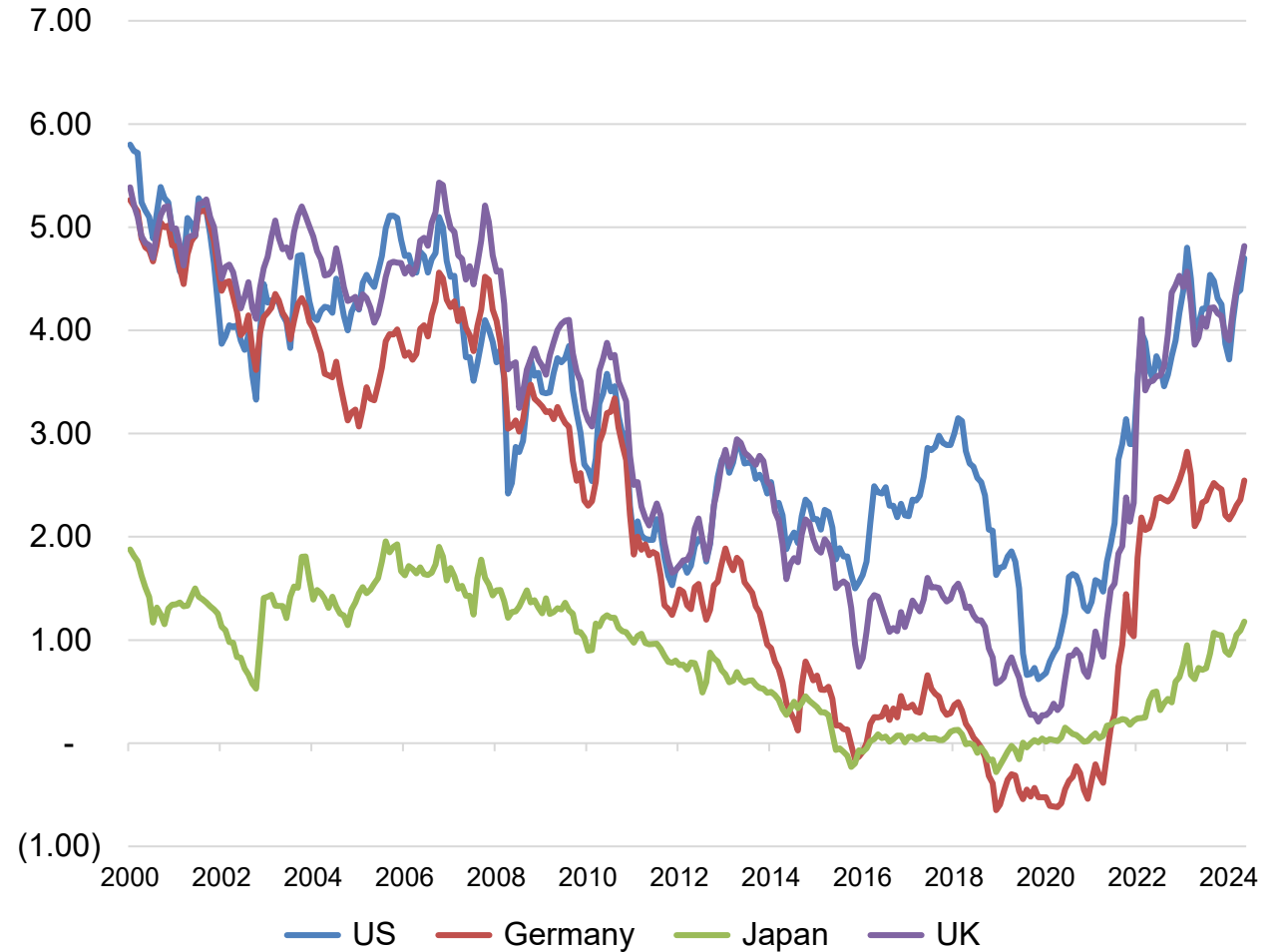
Central Banks Avoided Table Mountain
But there are no interest rate Matterhorns



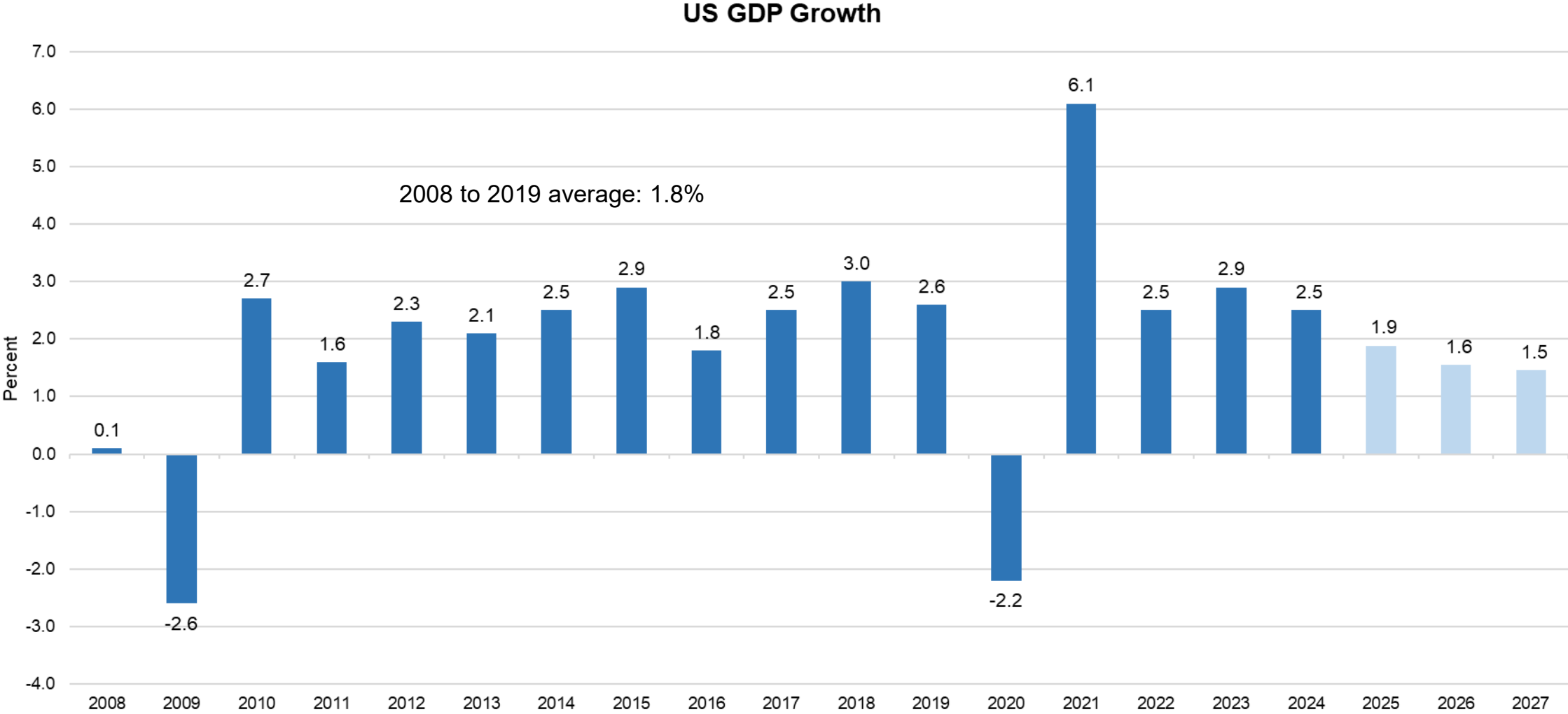
Source: Bloomberg
Note: Data as of Dec. 18, 2024.

Bloomberg Opinion

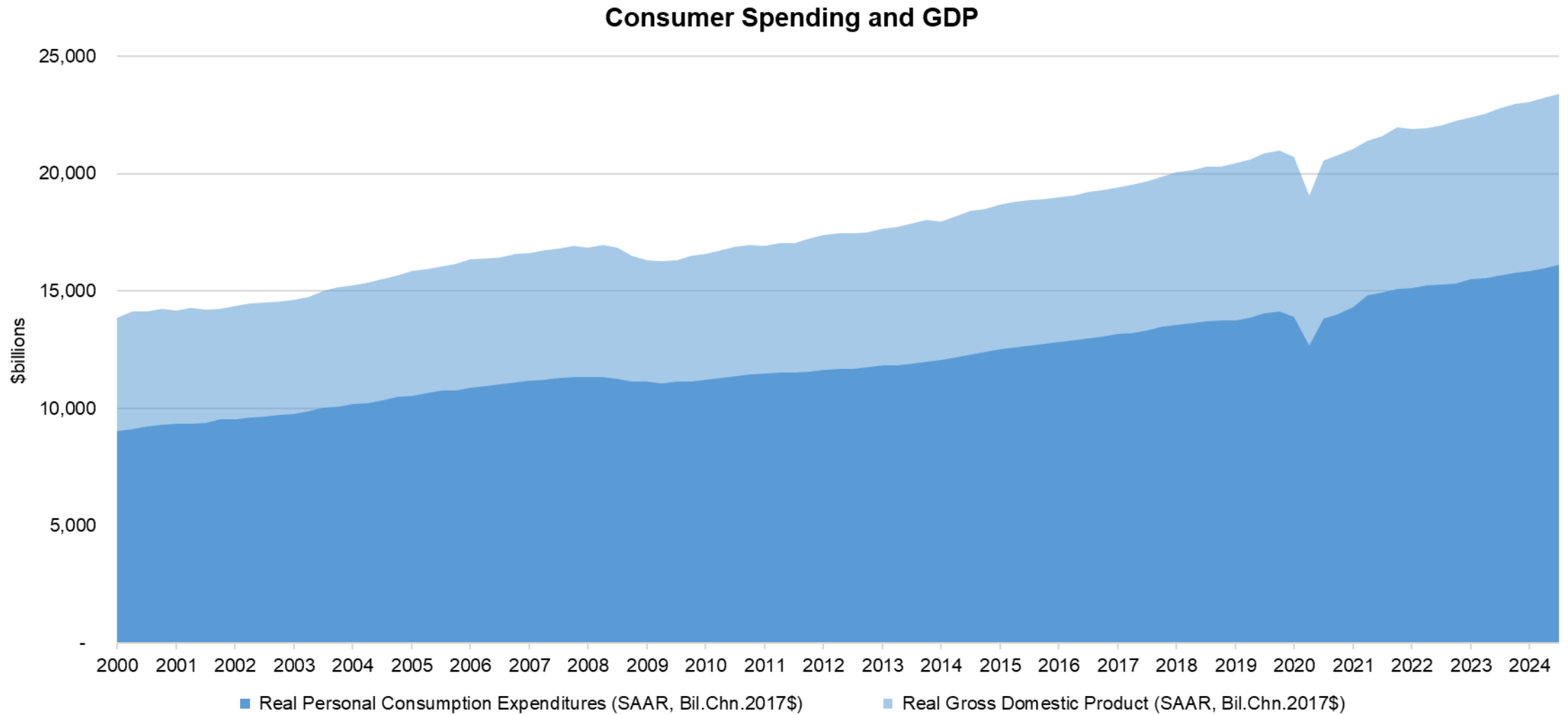
Comparison of 10-Year Bond Yields



US GDP Historical and Forecast

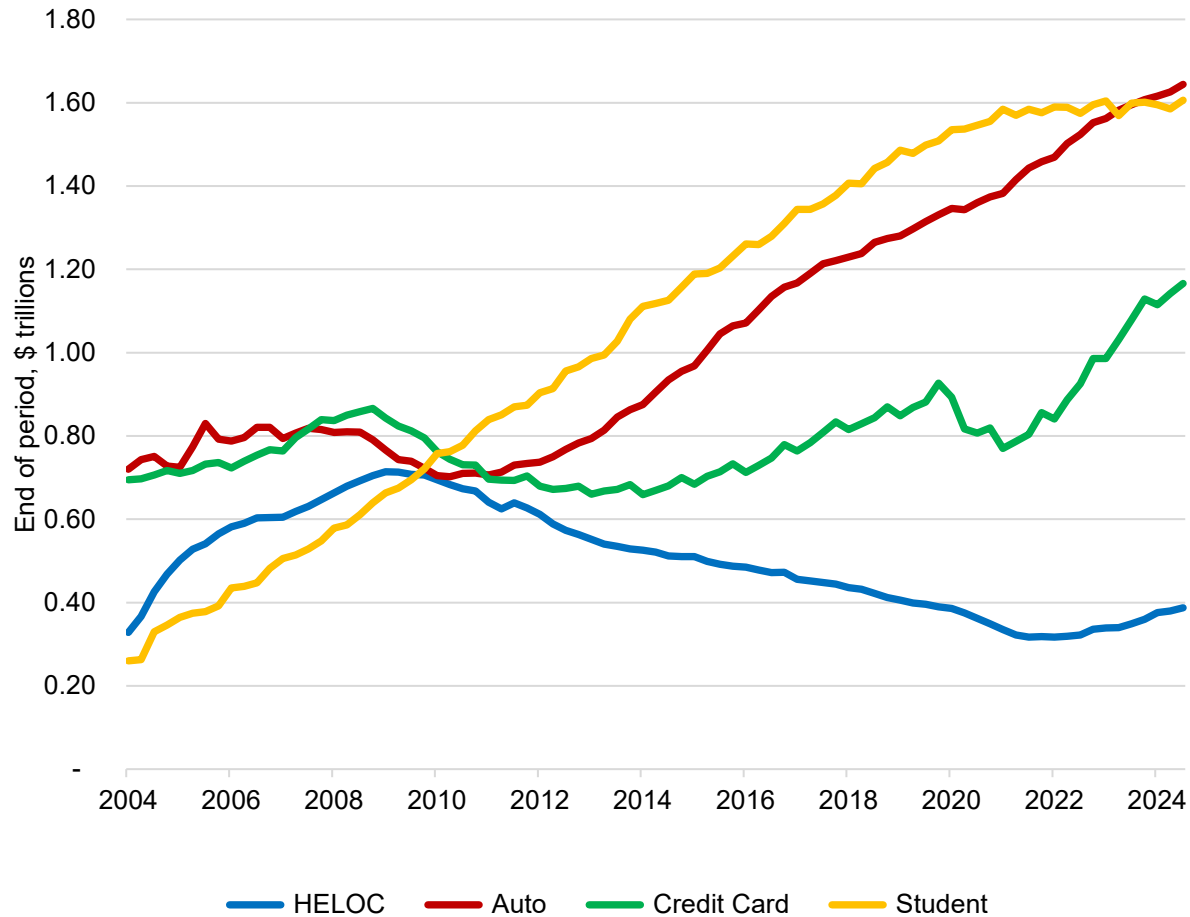


Consumer Spending Accounts for Almost 70% of GDP

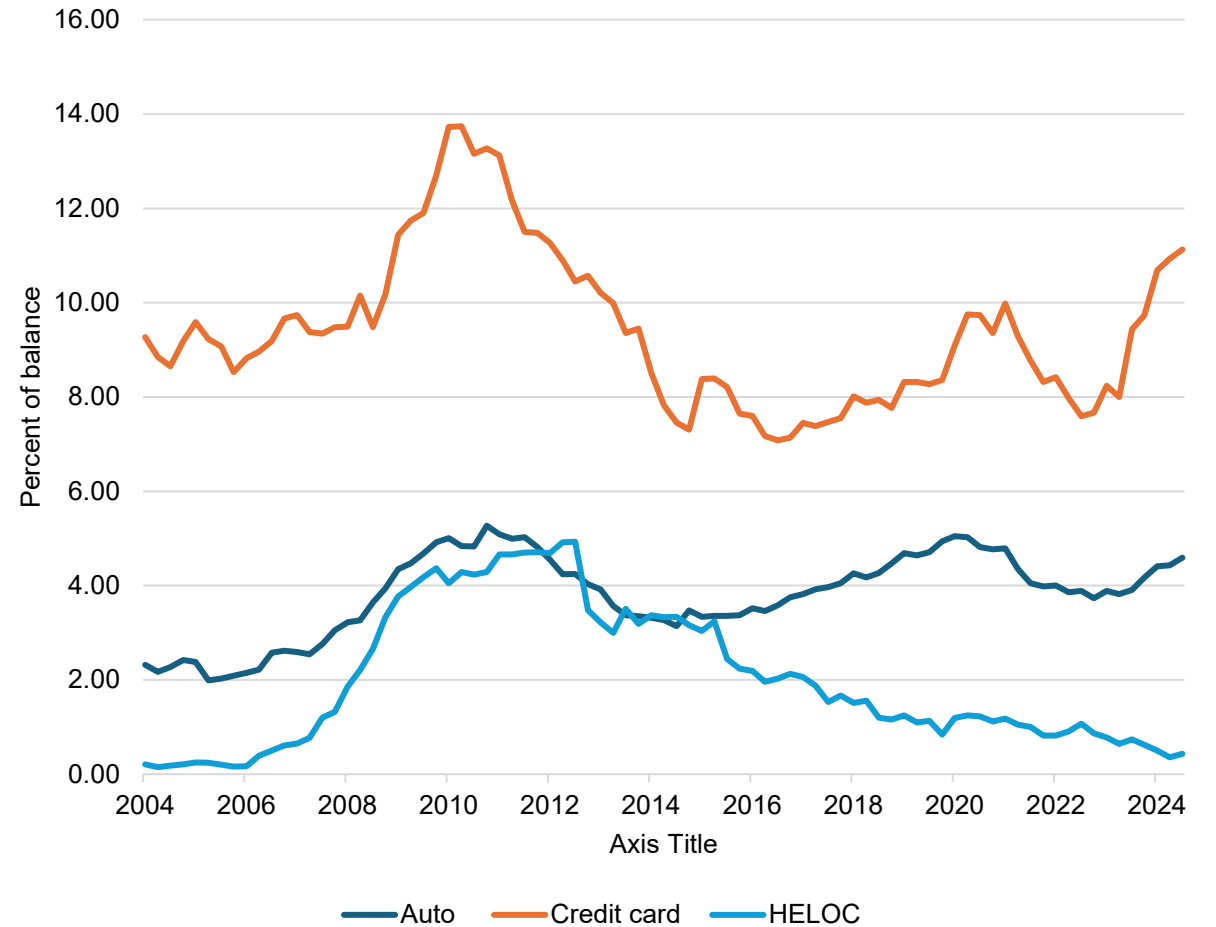


Households Facing Financial Strains...

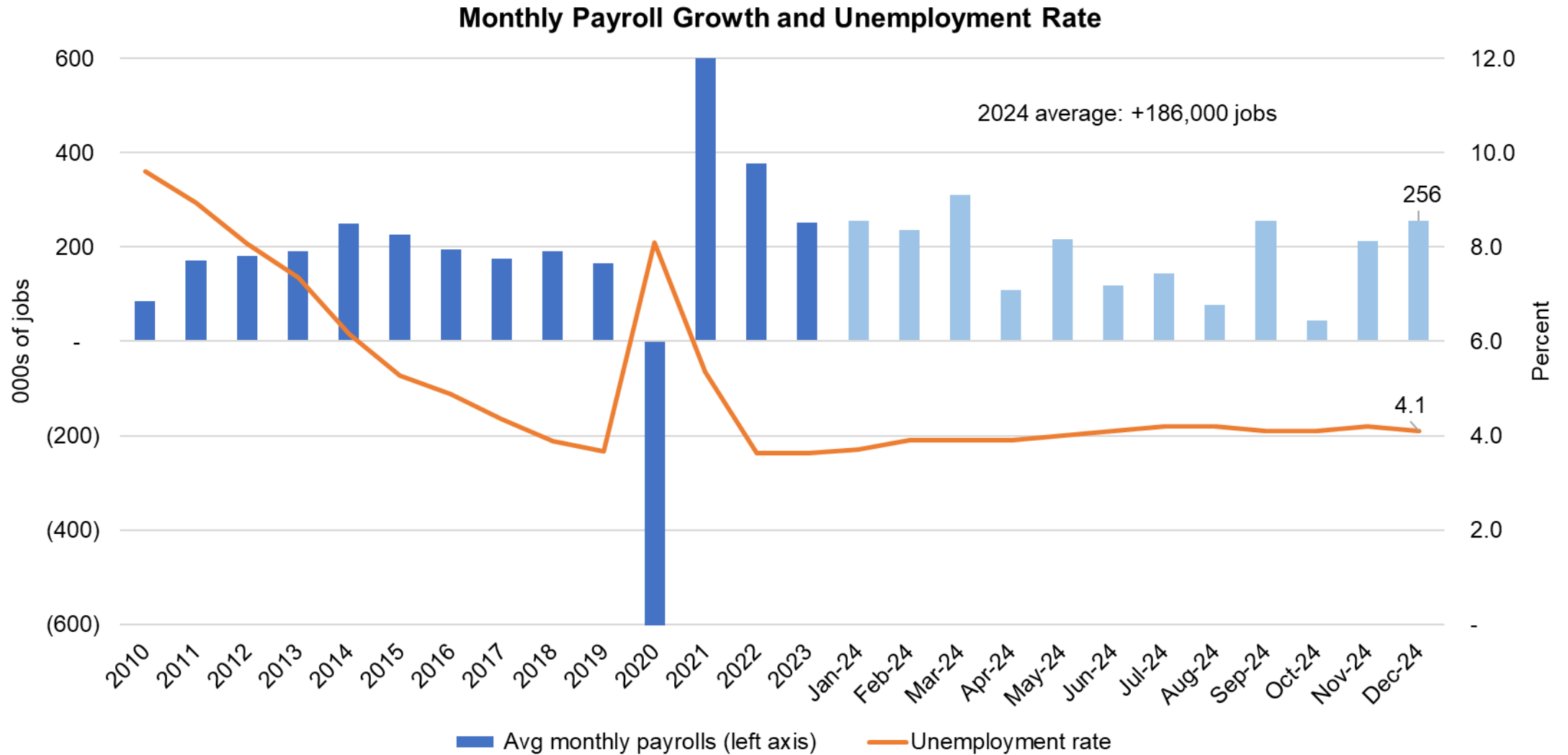
Consumer Credit Outstanding Balances



Consumer Credit Delinquencies (90+ Day)

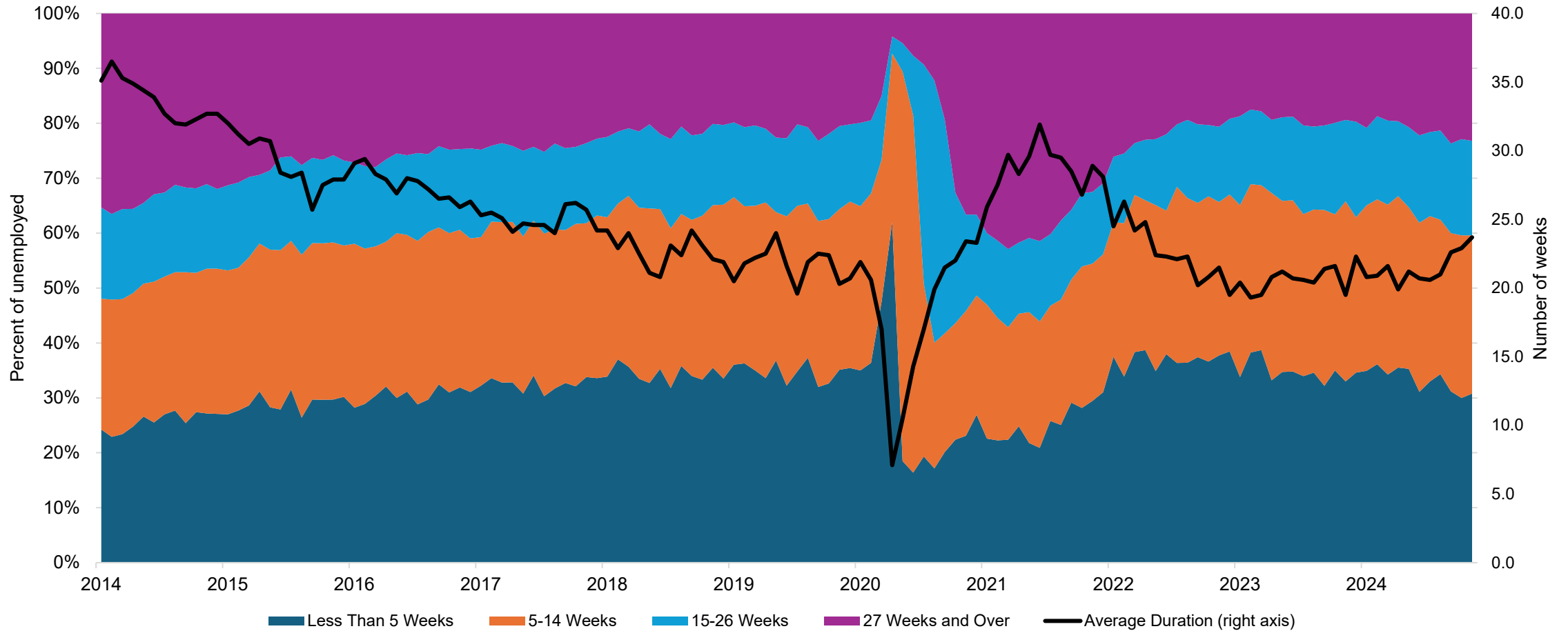


U.S. Job Market Is Still Cooling

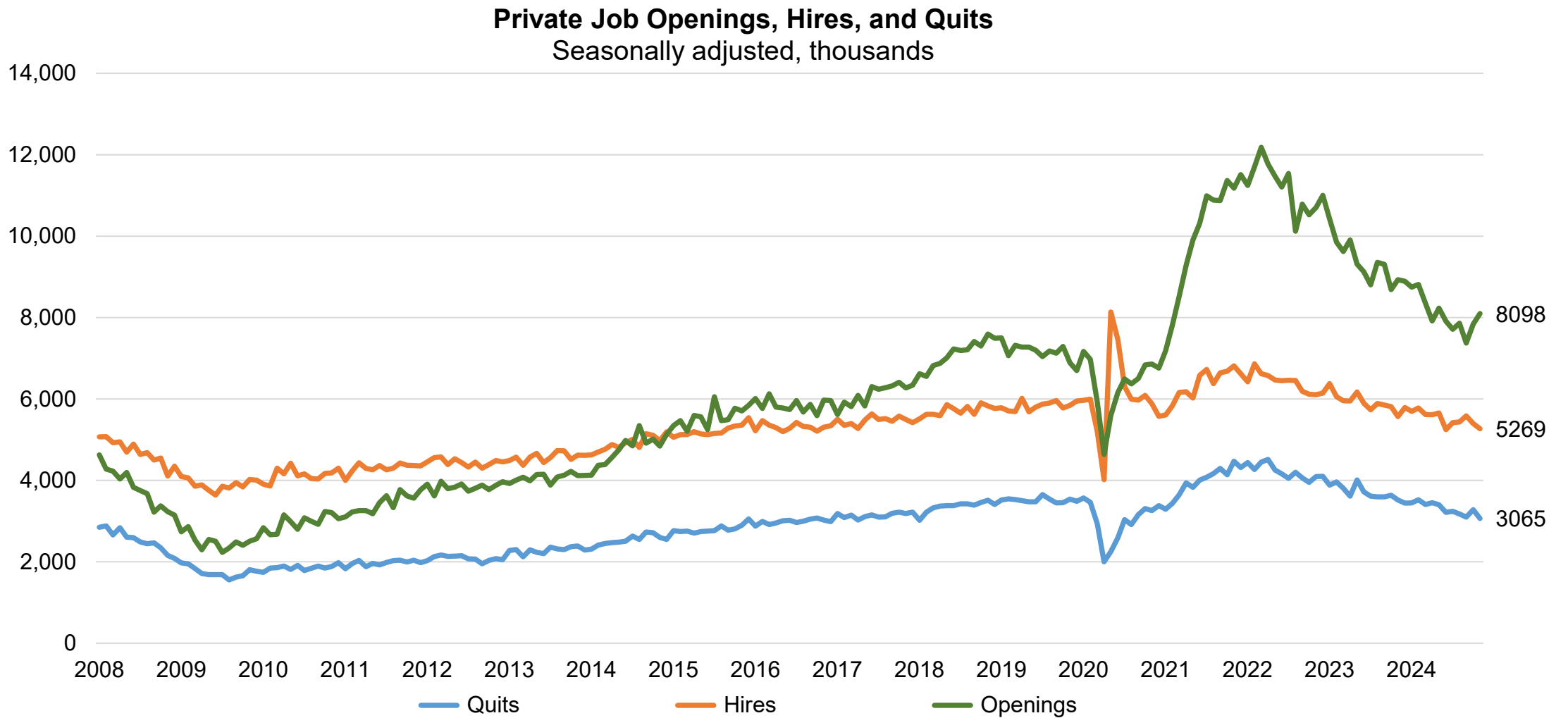


More Workers Unemployed for Longer

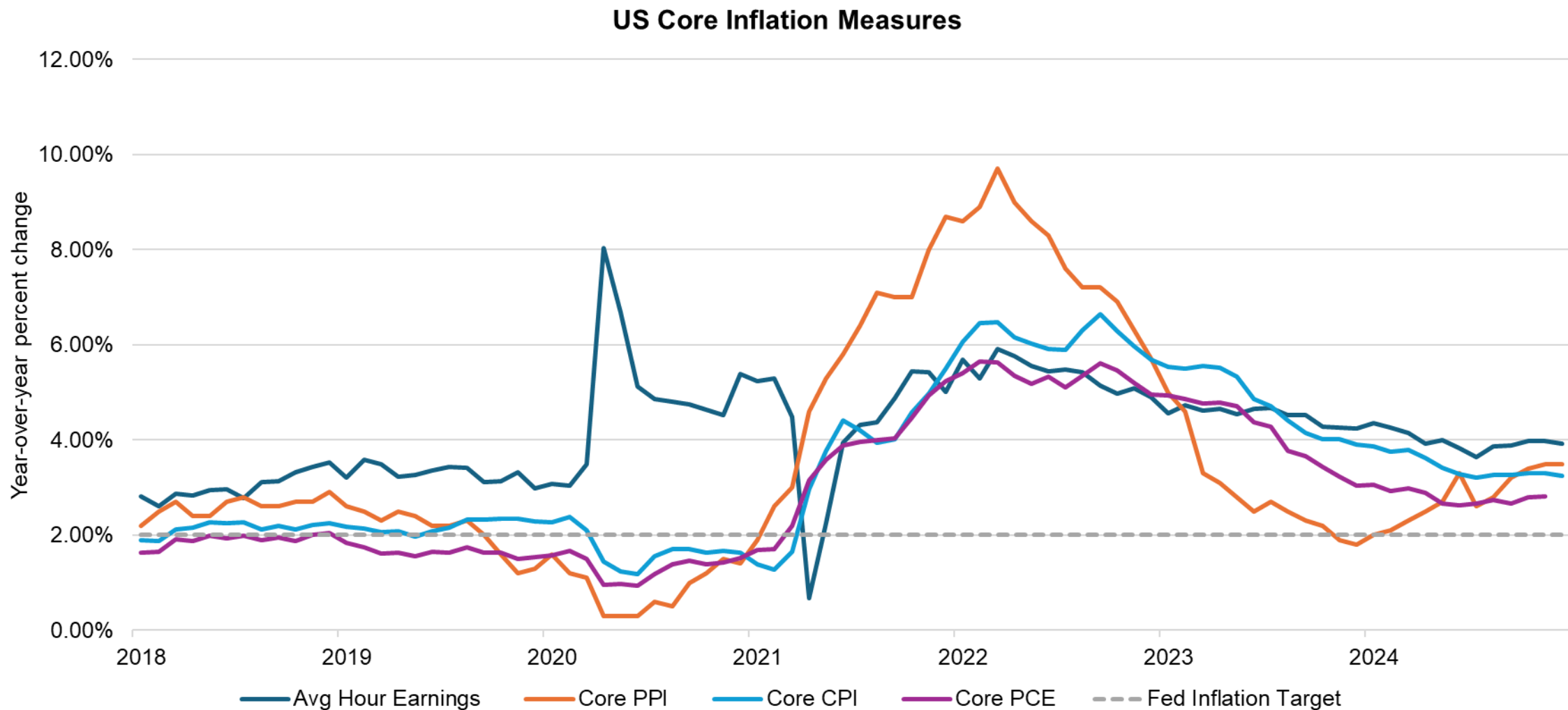
Chart of the Week - December 13, 2024
Unemployment by Duration



Hiring and Voluntary Quits Declining



Latest Inflation News...



Fiscal Picture is Grim

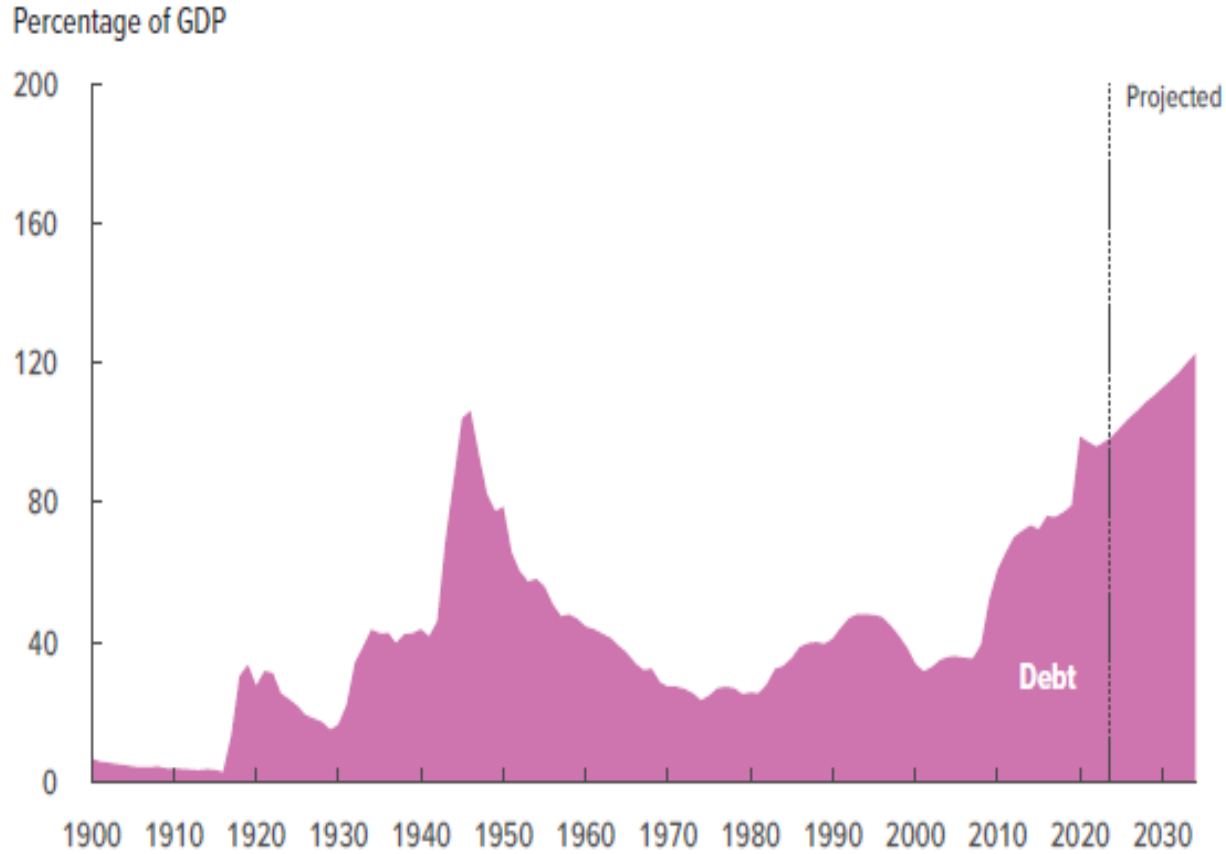
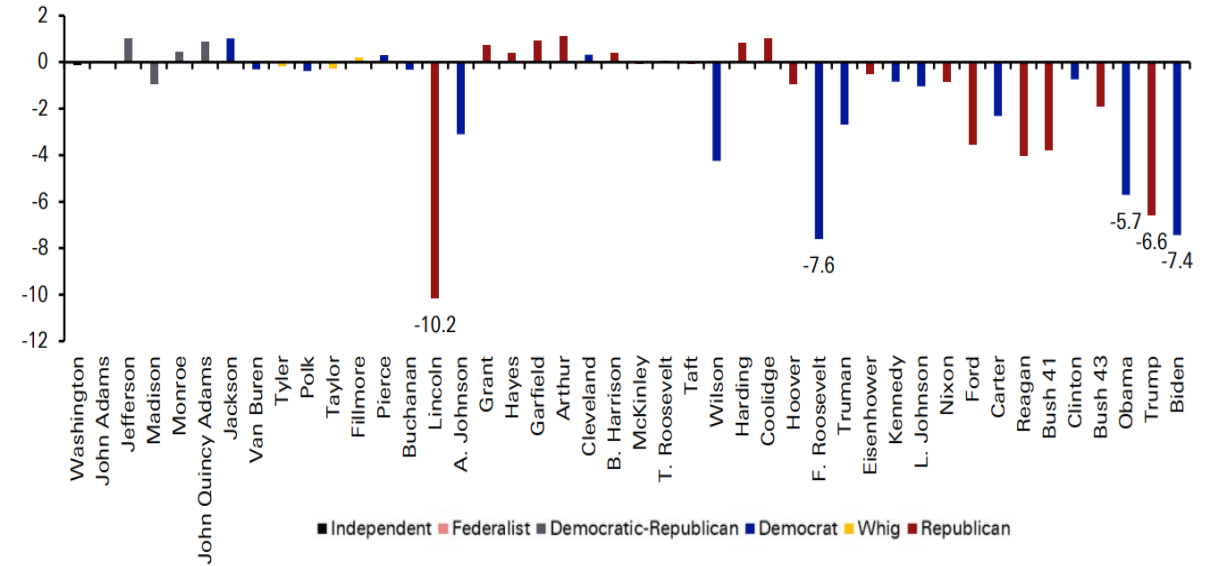


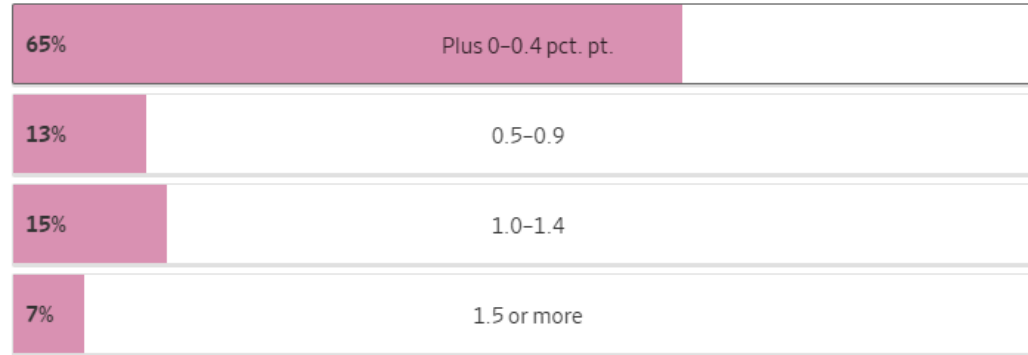
Figure 1: Average annual US budget deficit (% of GDP) under each President since George Washington. Colour coded by party and with top 5 annotated



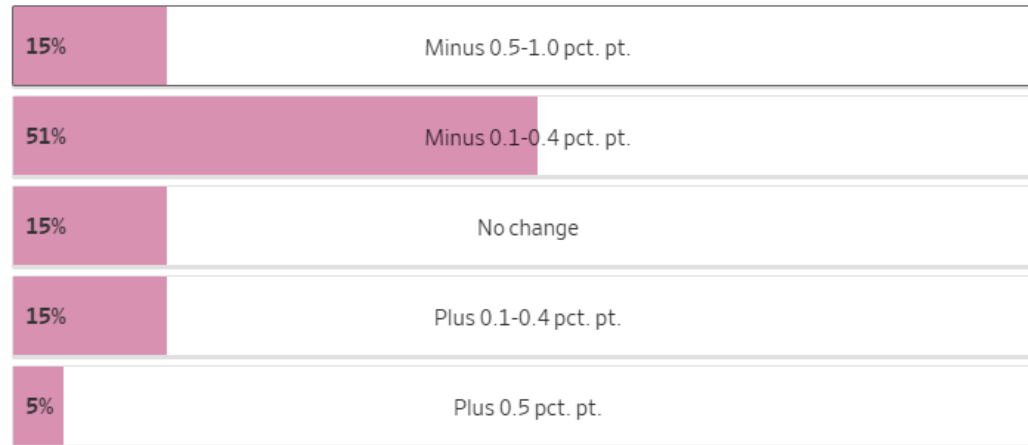
Source : GFD, FRED, Deutsche Bank

Note: Each year's annual deficit assigned to the President who was in office for the largest part of that year. William Henry Harrison excluded as President for only 31 days. Grover Cleveland's non-consecutive terms both included as one. Data for George Washington only available from 1791.

Assuming Trump implements tariffs on most countries, how much do you expect tariffs to add to or subtract from—in percentage points—year-over-year (4Q/4Q) headline CPI?



How much do you expect those tariffs to add to or subtract from year-over-year (4Q/4Q) GDP growth in percentage points in 2025?

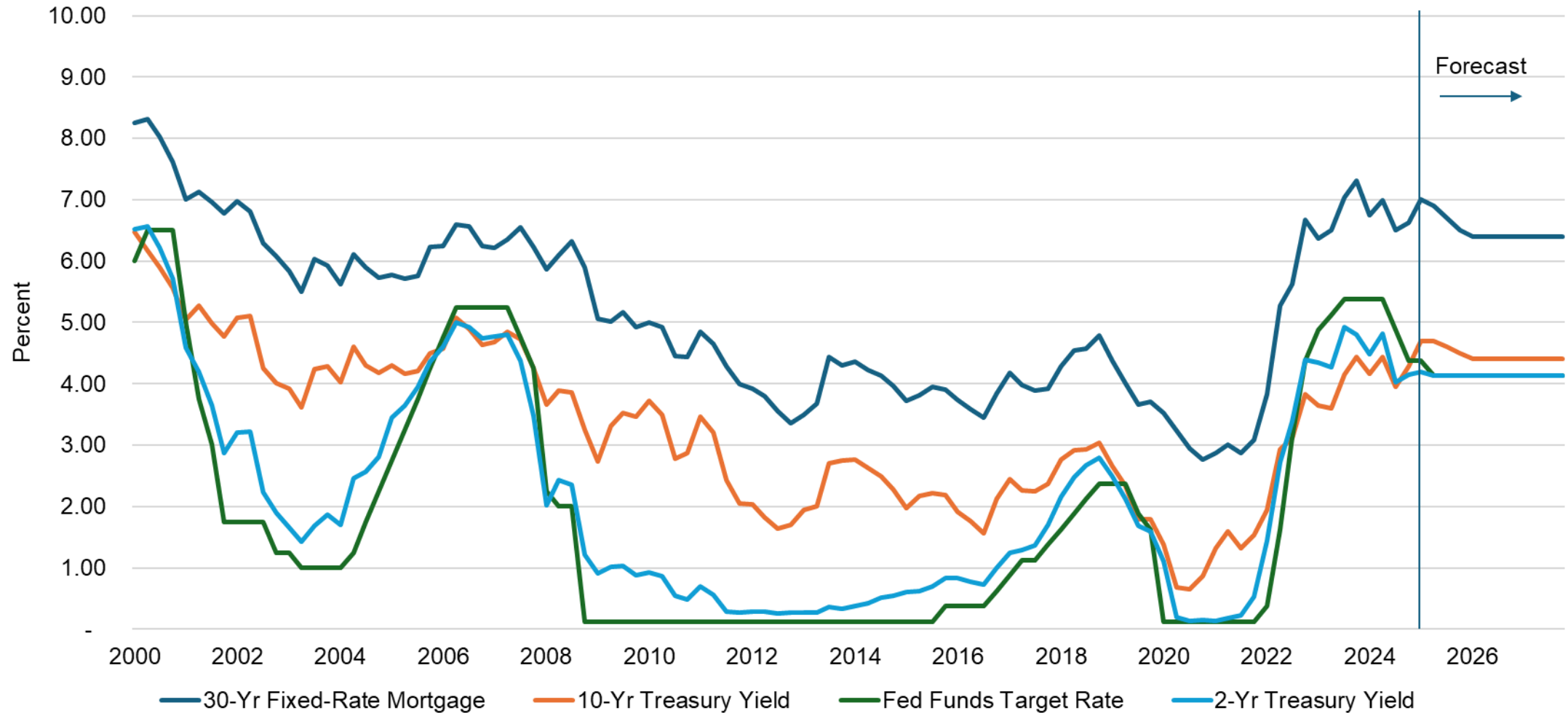


The survey was conducted Jan. 10-14. For both questions, each respondent was asked to supply a single value, not a range. The average value for inflation was an increase of 0.47 percentage point and for GDP, a decline of 0.16 percentage point. The responses to the GDP question add to 101% due to rounding. For complete results, visit the [survey archive](#).

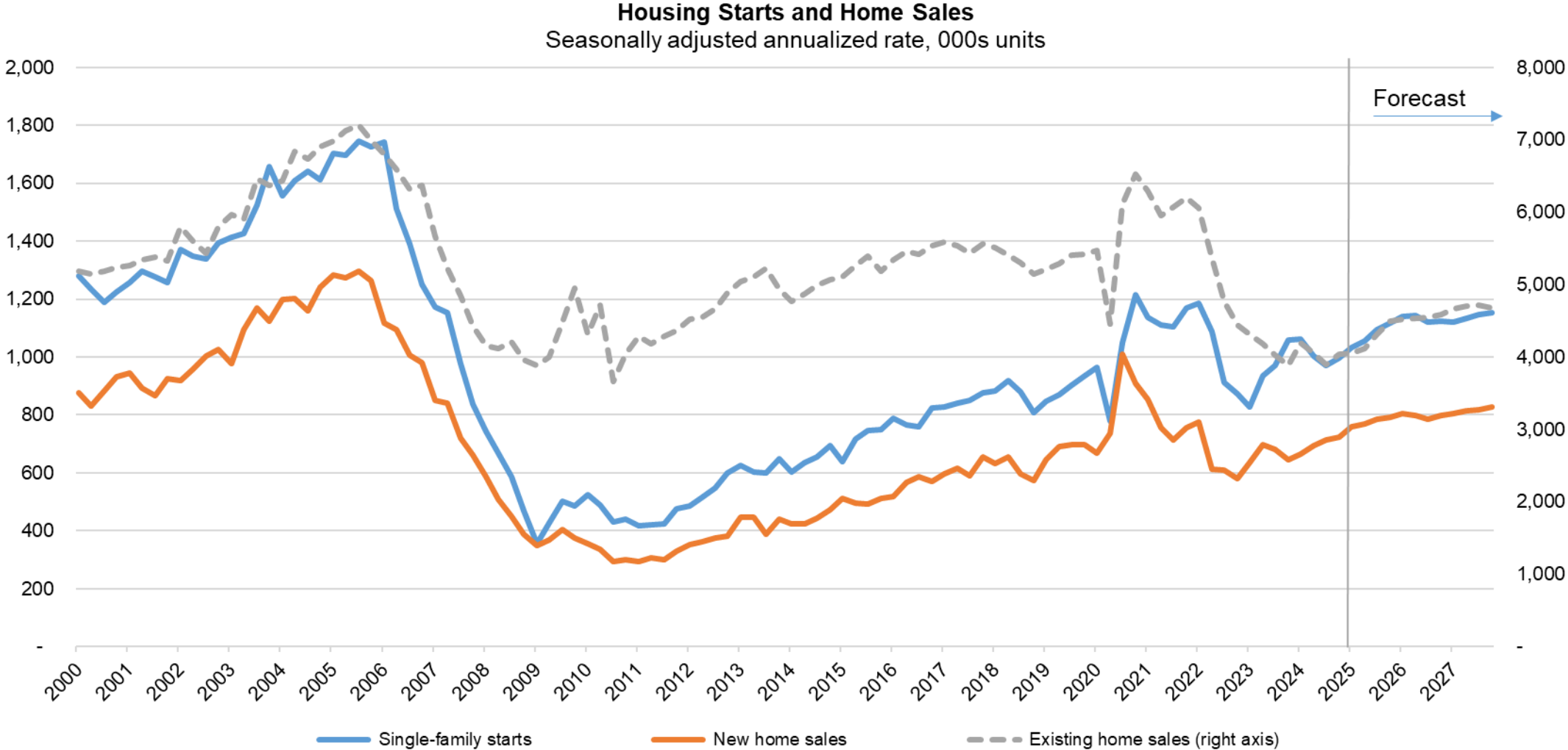
Source: Wall Street Journal survey of economists

Rate Outlook: How Much More Will the Fed Cut?

History and Forecast of Key Interest Rates



Gradual Growth in Home Sales, Single-family Starts Expected

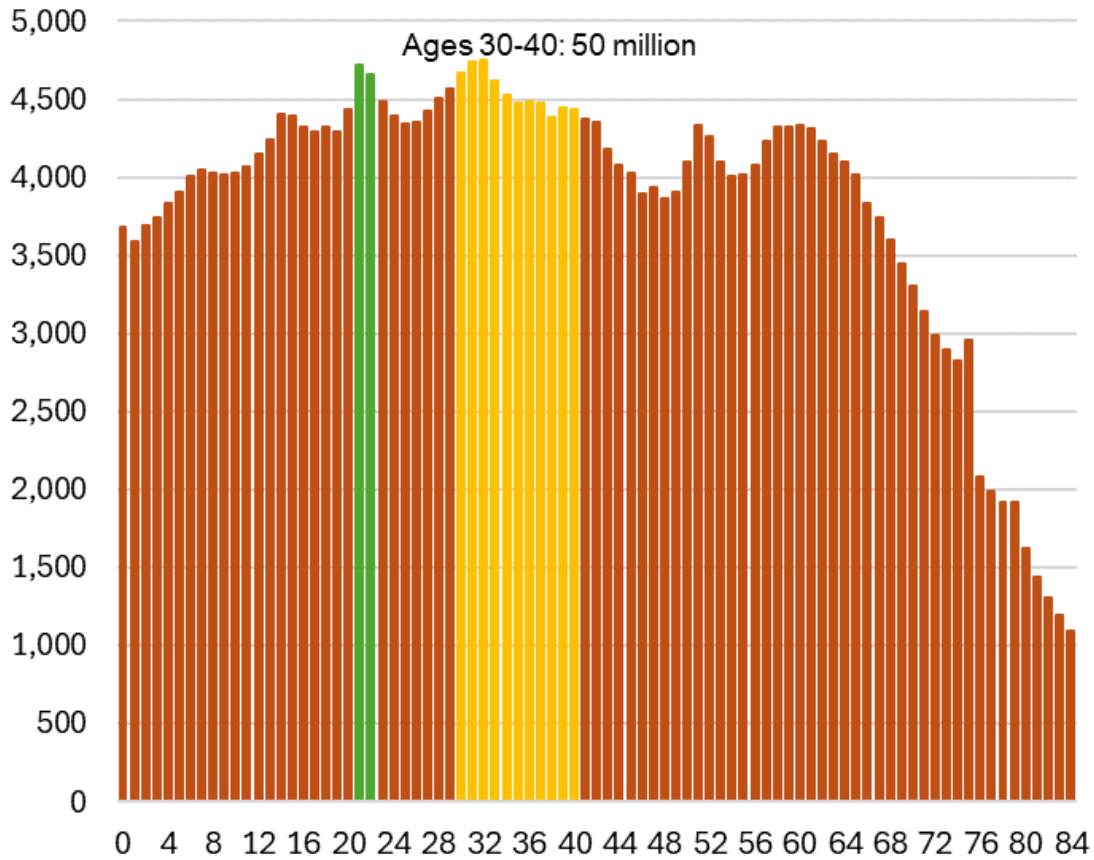


Source: MBA Forecast, National Association of Realtors, US Census Bureau

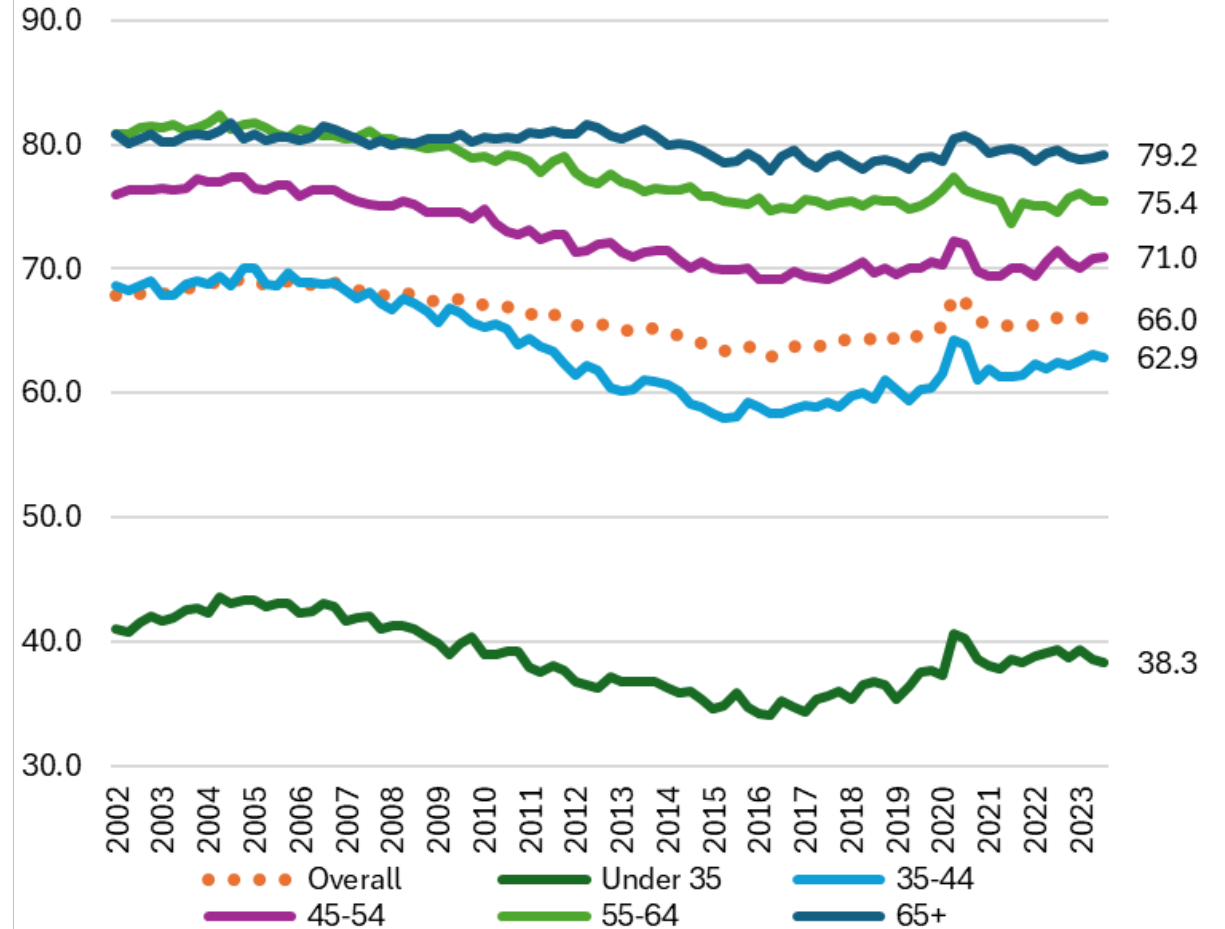


Demographic Support for Large Demand for Home Purchases

Population by Age: Census Bureau 2022 Estimates (Thousands)



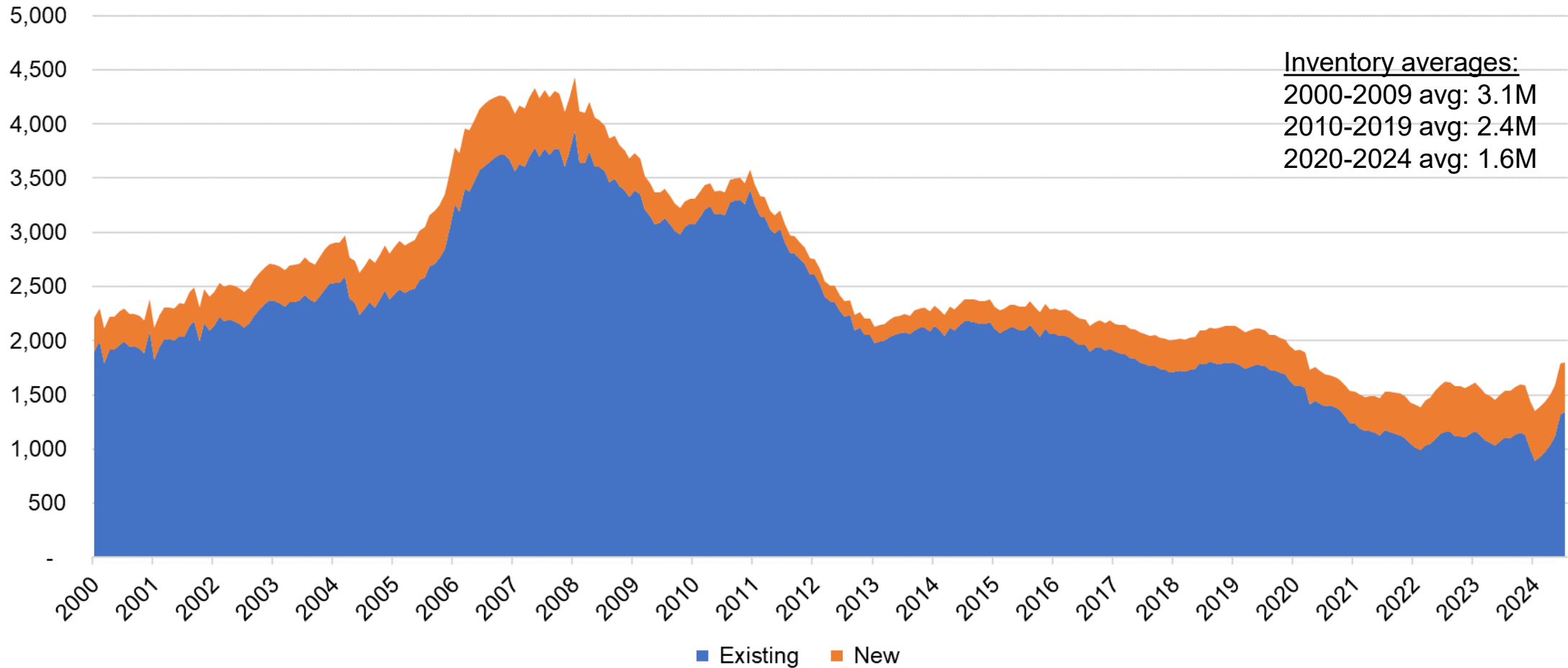
Homeownership Rate by Age (Percent)



- There are large cohorts of younger Americans who are in or approaching prime first-time homebuyer ages.
- If millennials behave like previous cohorts their homeownership rate will increase by 25 points (from 38% to 63%).

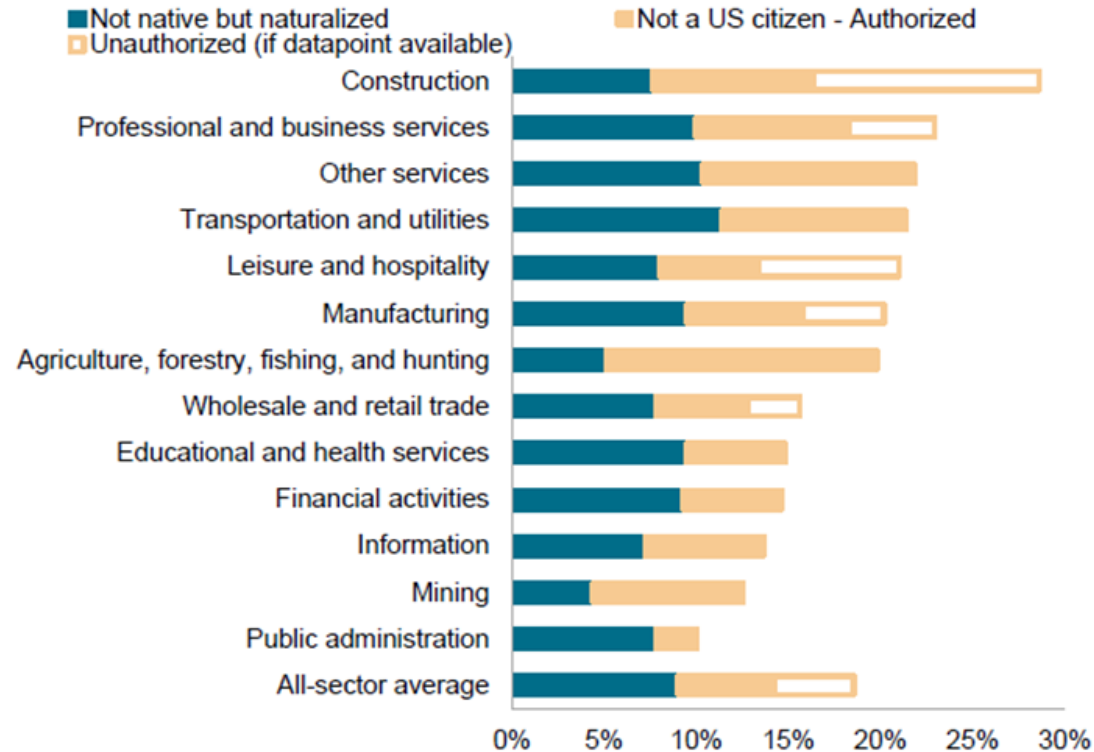
Housing Inventory Still Tight, But Growing

Housing Units Available for Sale
Seasonally adjusted, thousands



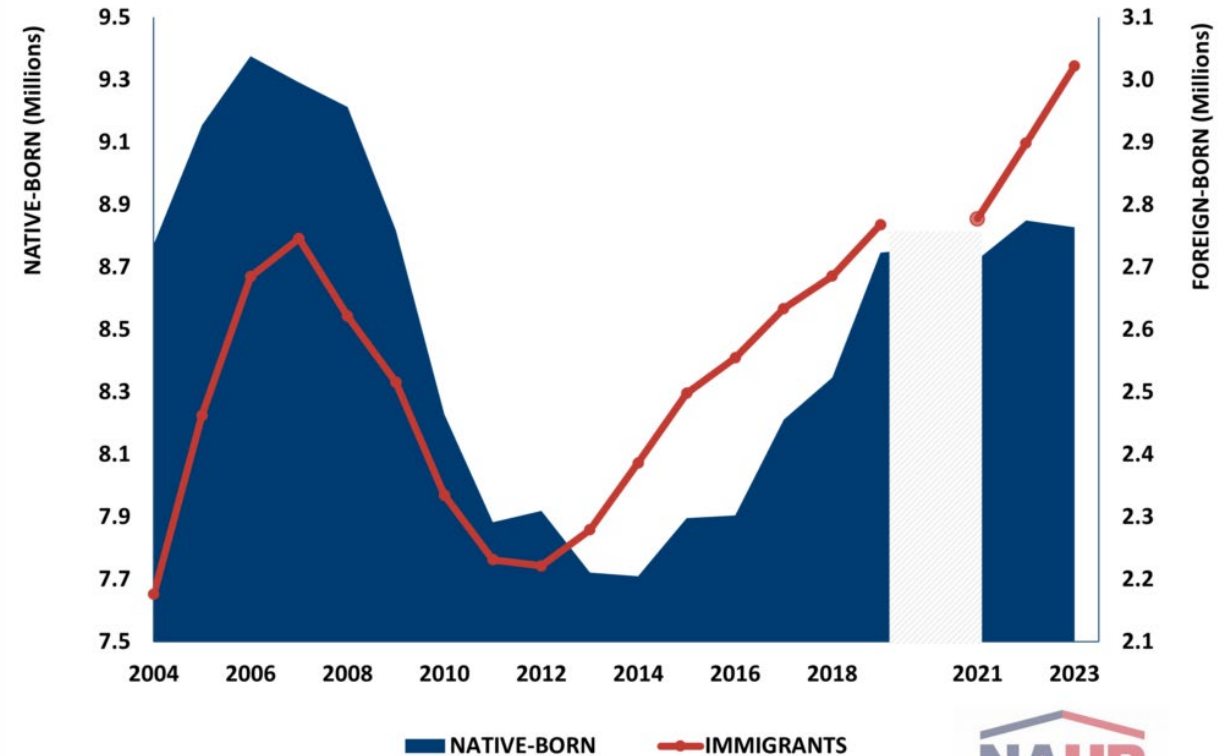
Industries Dependent on Foreign-Born Employment

United States - Share of foreign-born employment by industry 2023



As of Jan. 2024.
Source: US Census Bureau.
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U.S. CONSTRUCTION LABOR FORCE

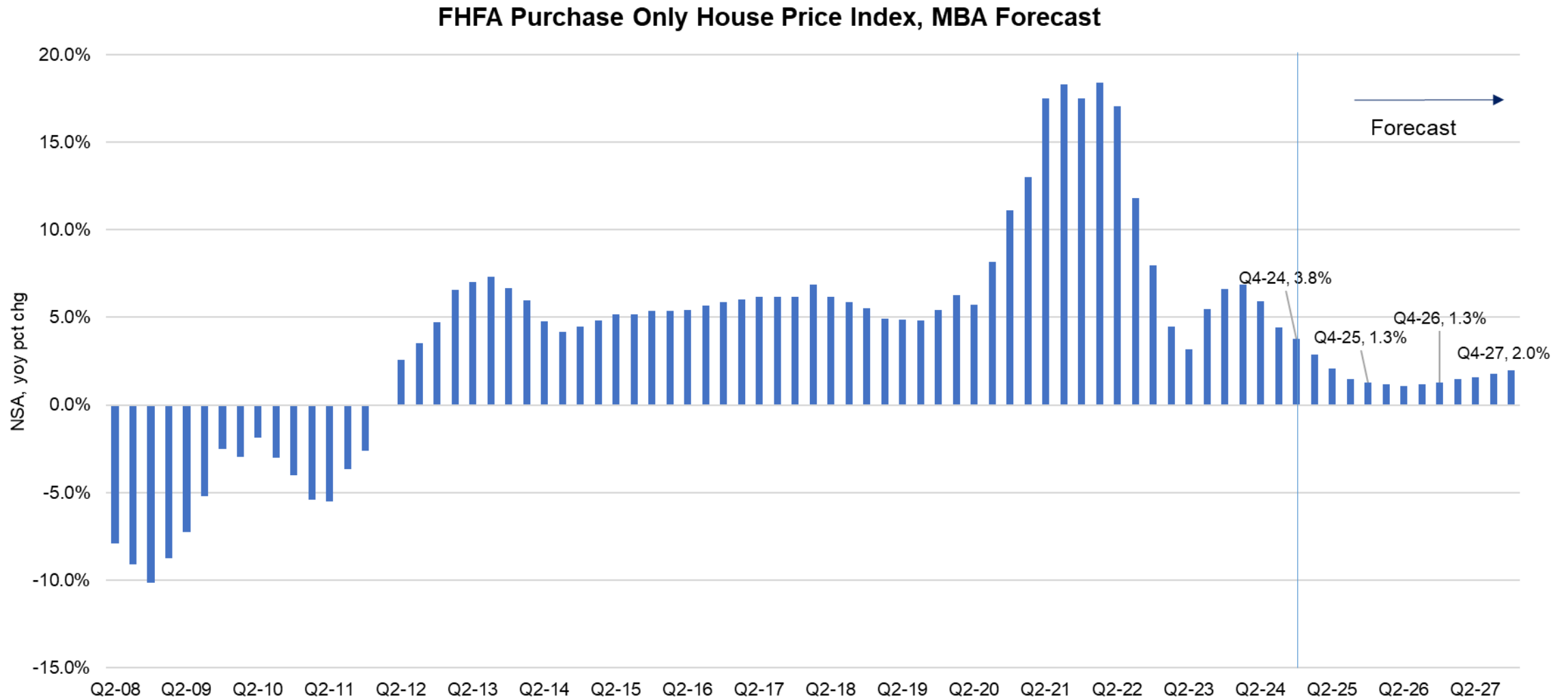


Source: 2004-2023 ACS PUMS; NAHB analysis



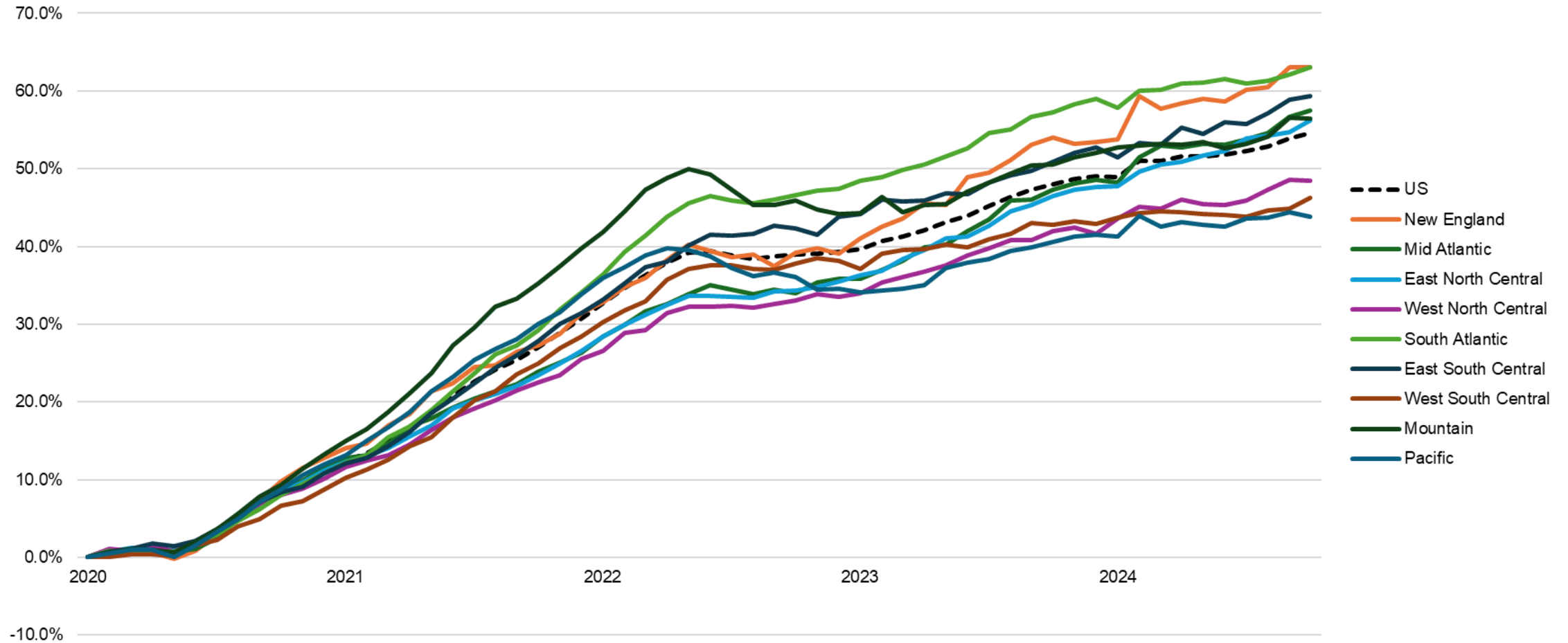
<https://eyeonhousing.org/2024/11/immigrant-share-in-construction-sets-new-record/>

House Price Appreciation Moderating But Expected to Remain Positive



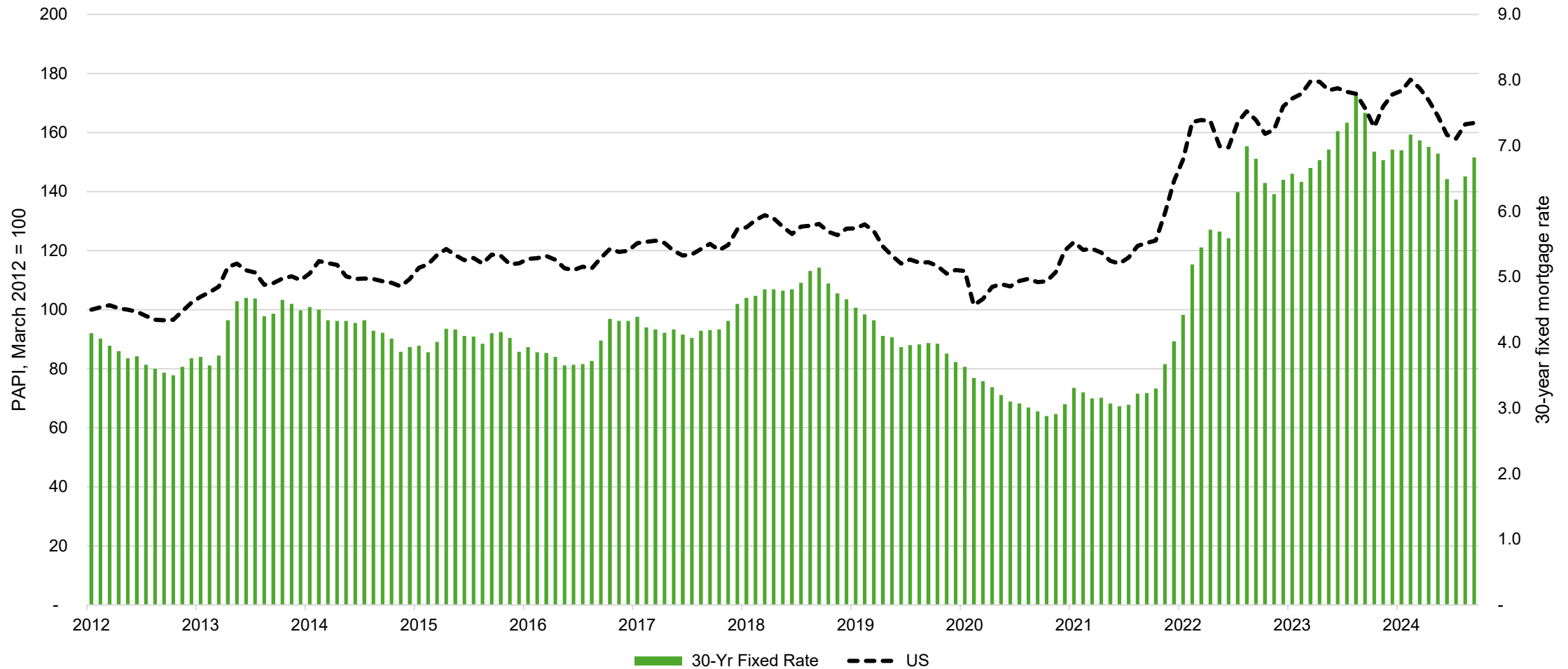
Varying Regional Price Appreciation Trends

Chart of the Week - January 3, 2025
FHFA Purchase Only House Price Index - Change Relative to January 2020



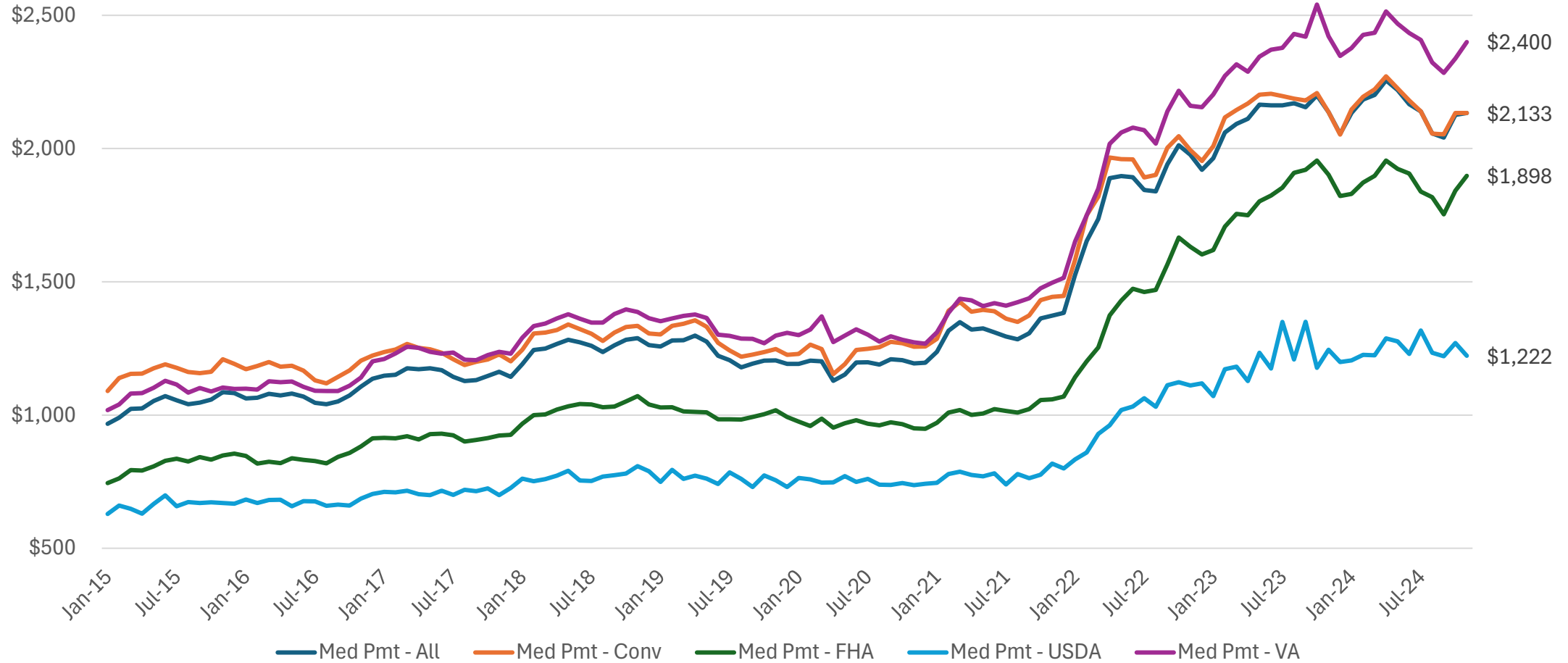
Affordability Still A Challenge

Purchase Application Payment Index



Median P&I Amounts Still High

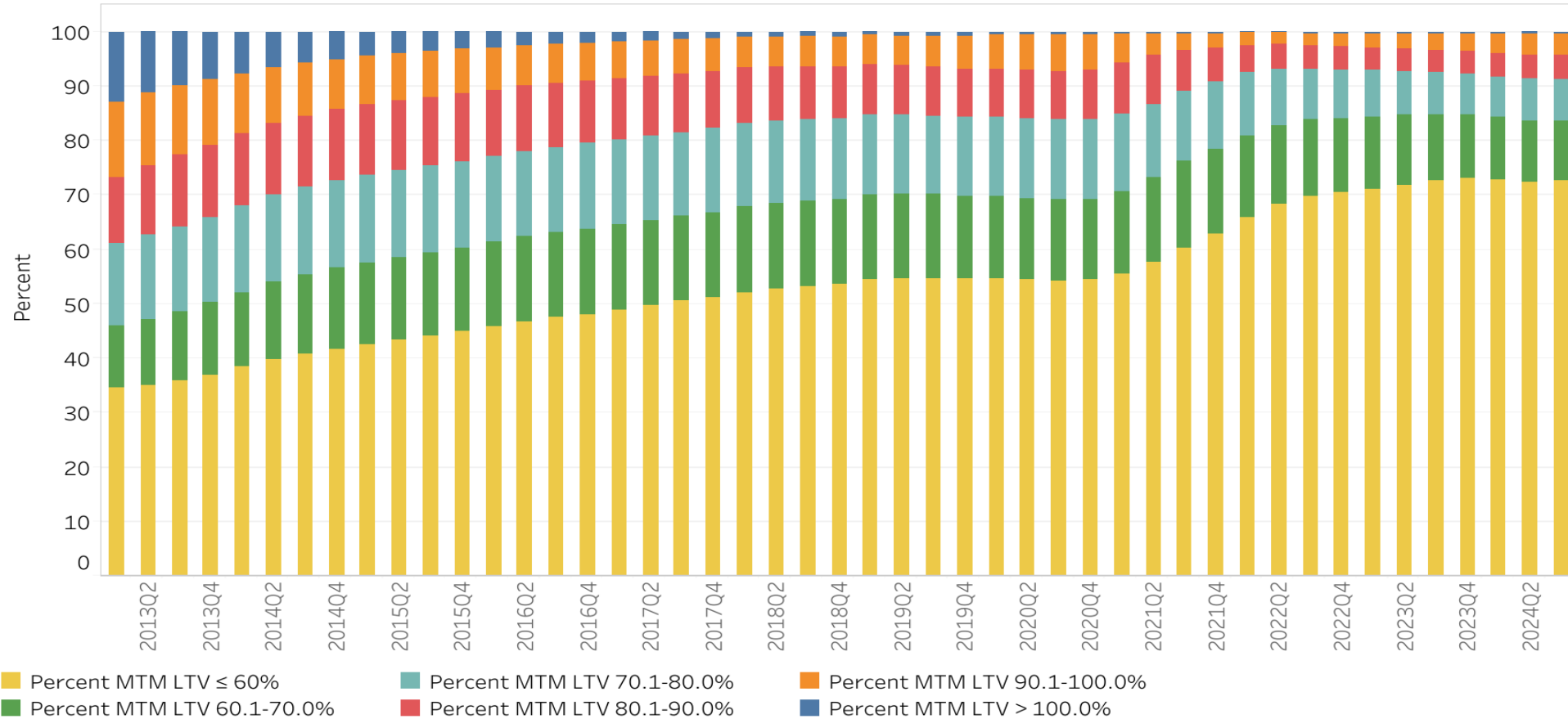
Median Payment by Conventional/Government Loan (\$)



About 8.5 Percent of Outstanding Mortgages with LTVs Over 80% in 2024

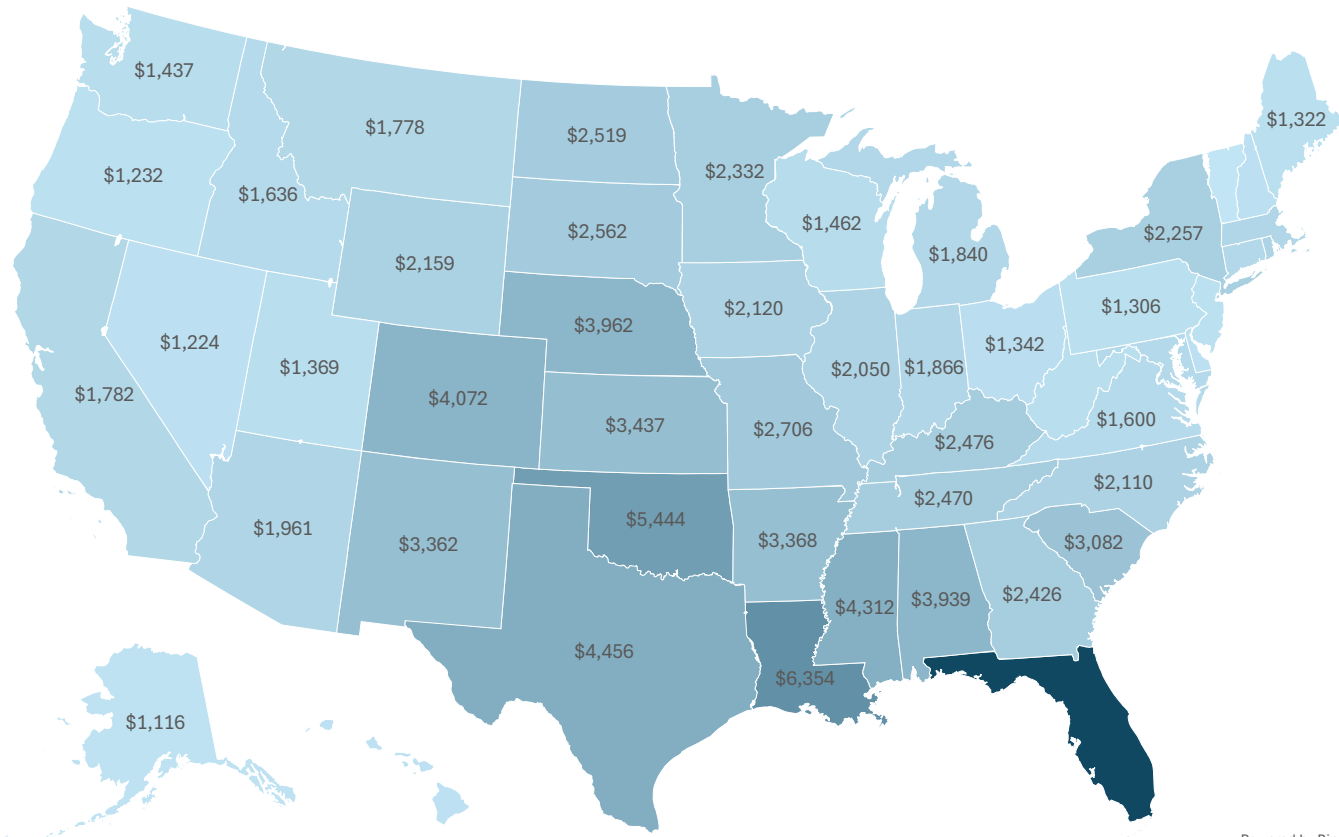
NMDB Outstanding Residential Mortgage Statistics
 Mark to Market Loan to Value Ratio (Values Weighted by Number of Loans)

All Mortgages, United States



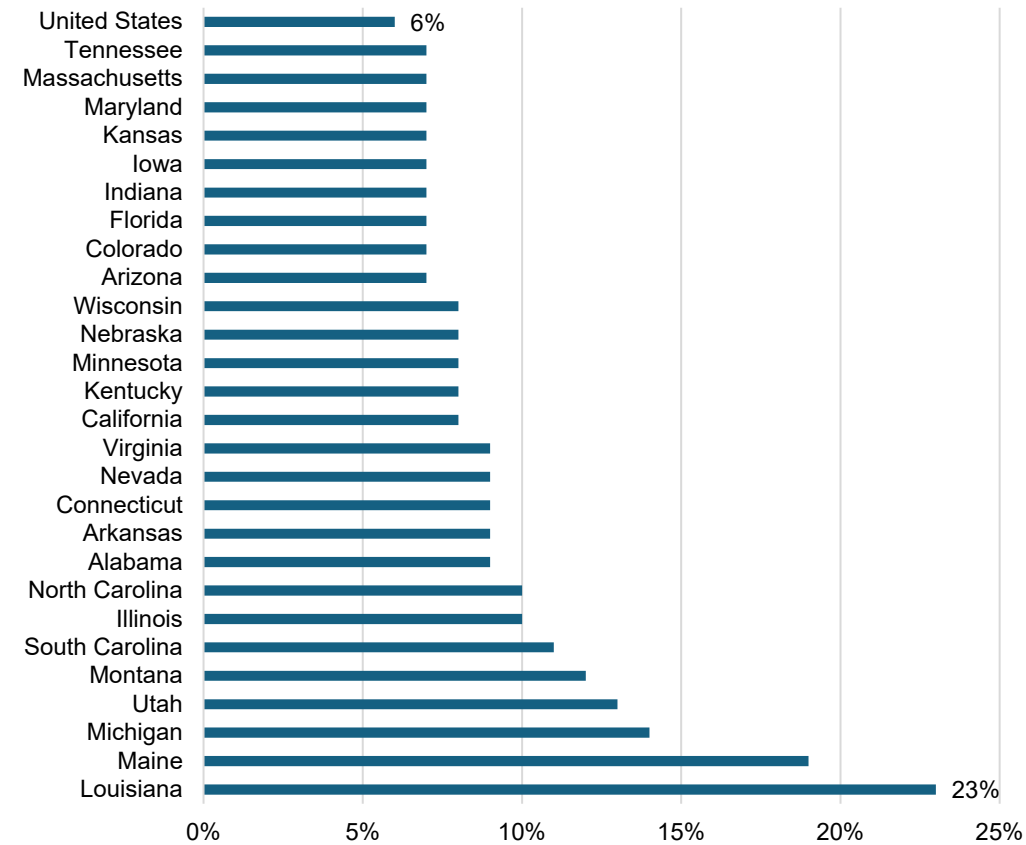
Projected Homeowners Insurance Rate Changes

Average Annual Homeowners Insurance Premiums (2023)



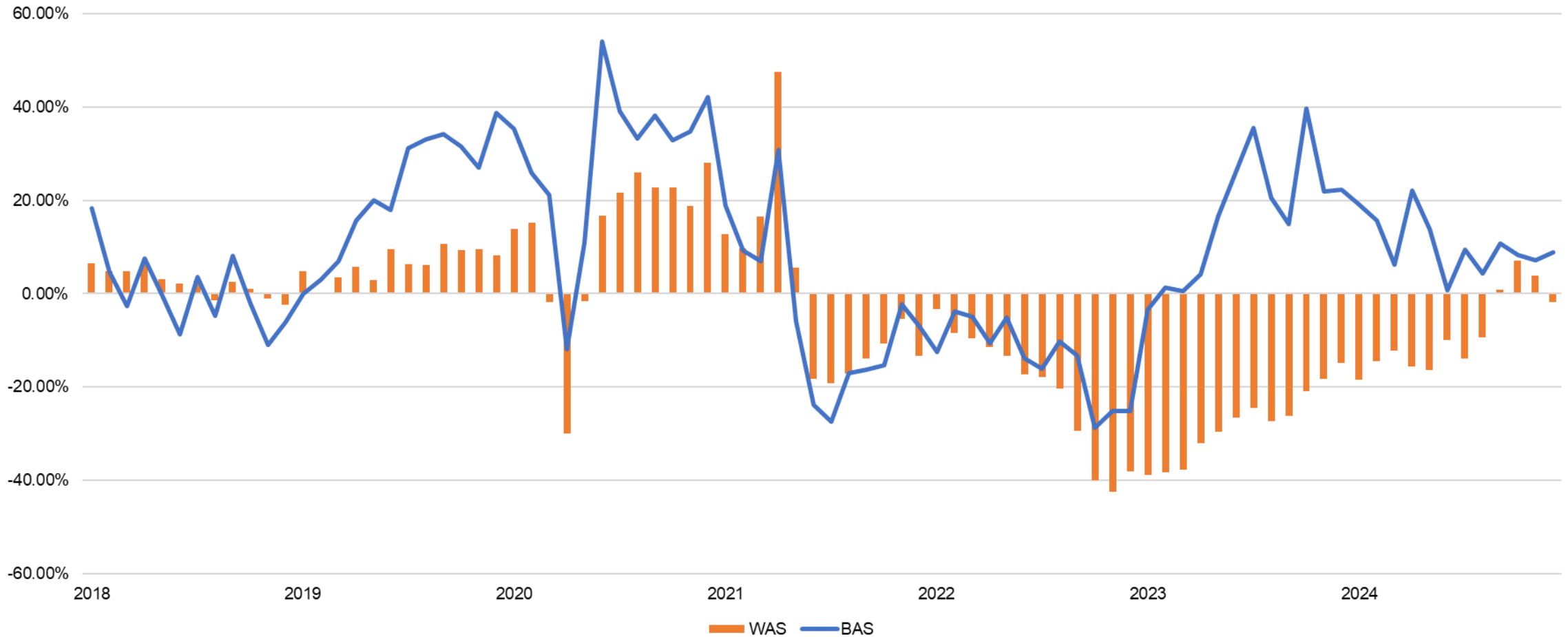
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Projected Insurance Cost Change in 2024



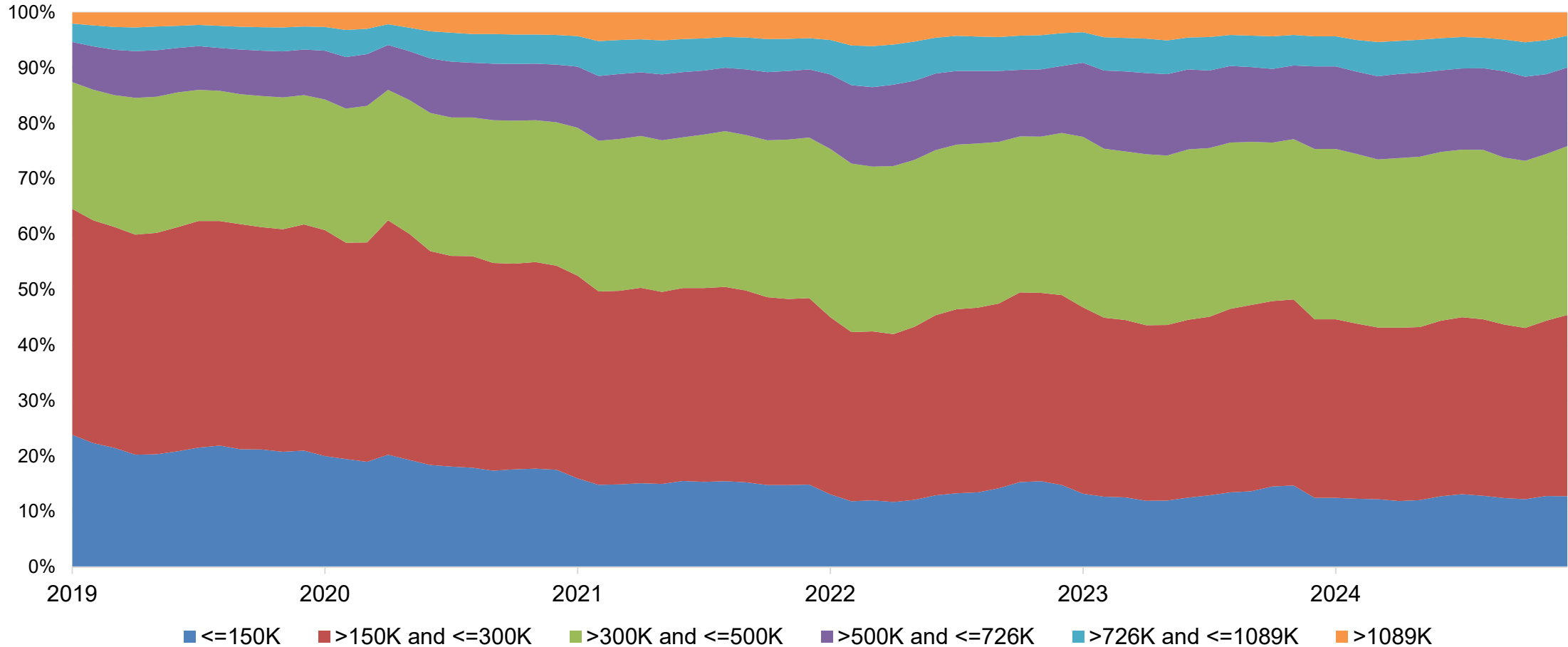
Purchase Applications: Green Shoots?

Builder Applications Index vs Weekly Purchase Applications Index
Non-seasonally adjusted, year over year percent change



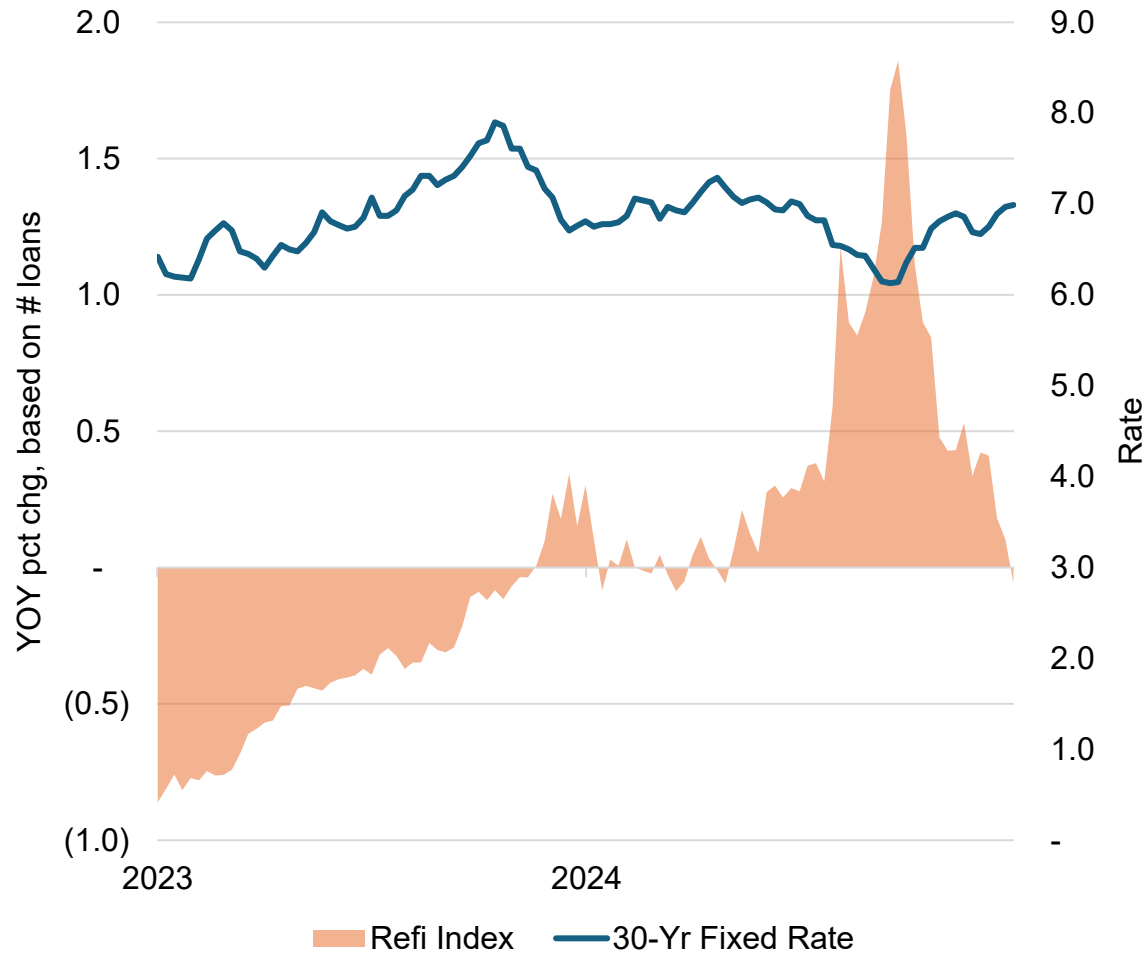
Purchase Mix Has Shifted Toward Larger Loan Balances

Share of Purchase Applications
Non-seasonally adjusted, based on number of loans



Refinance Applications: Moments of Opportunity

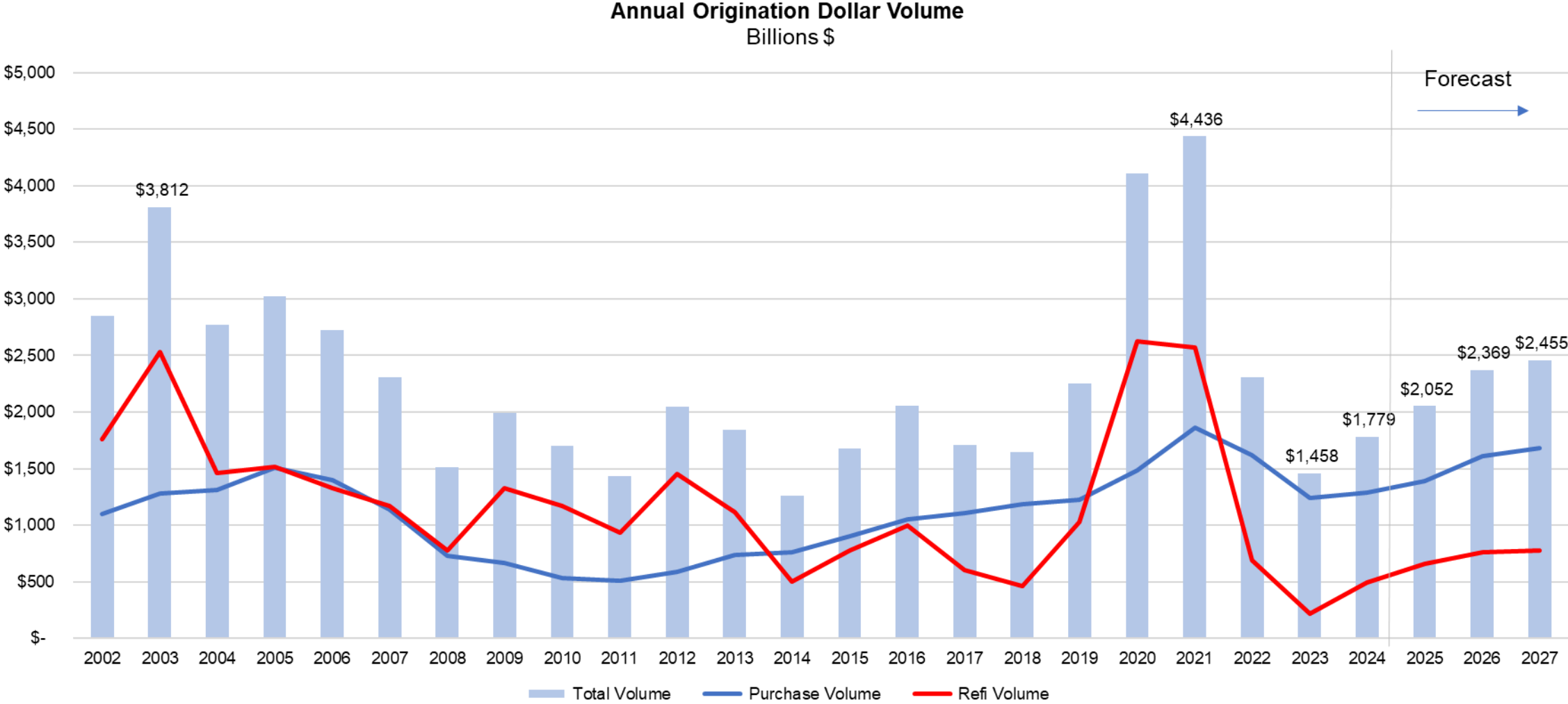
Refinance Applications



Refinance Applications - Average Loan Size



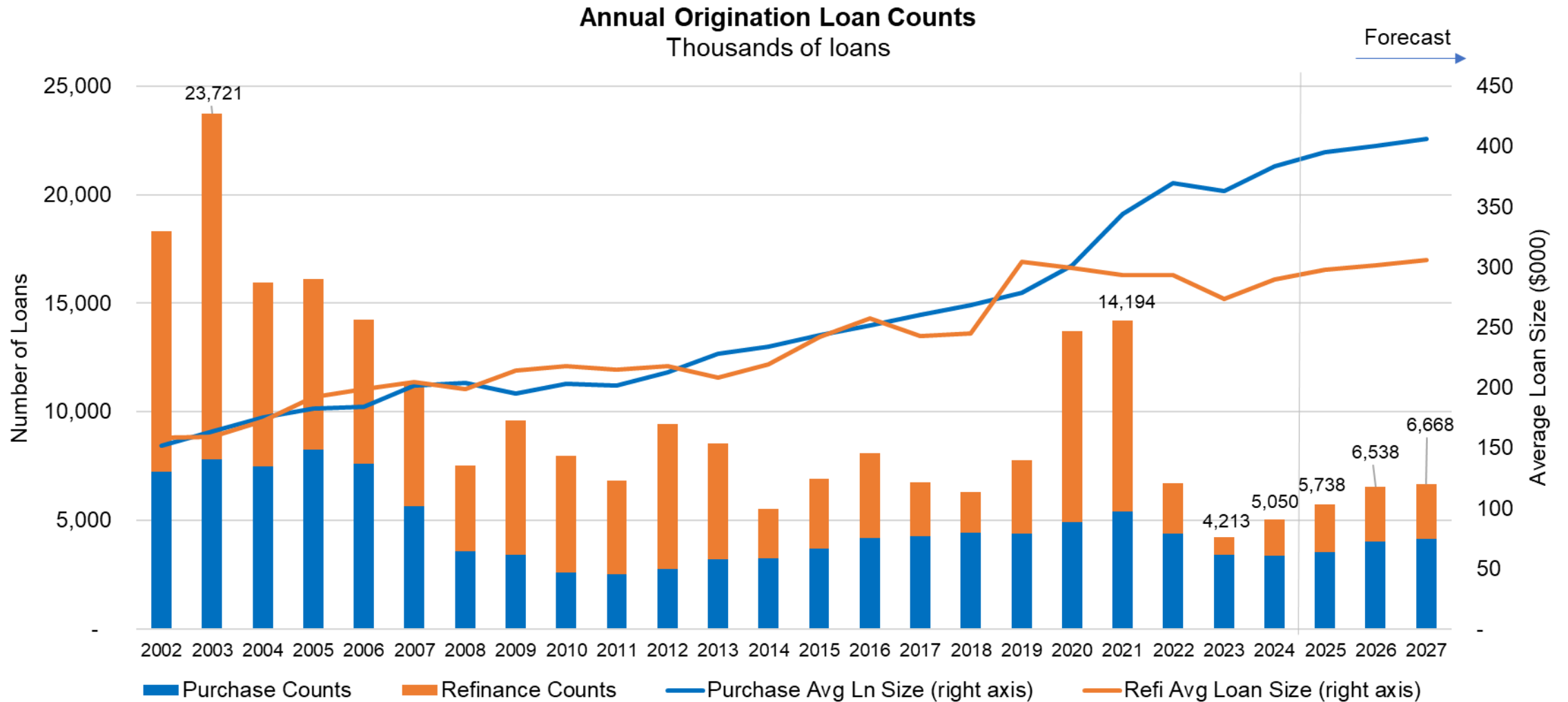
Originations Dollar Volume Expected To Increase 16% in 2025



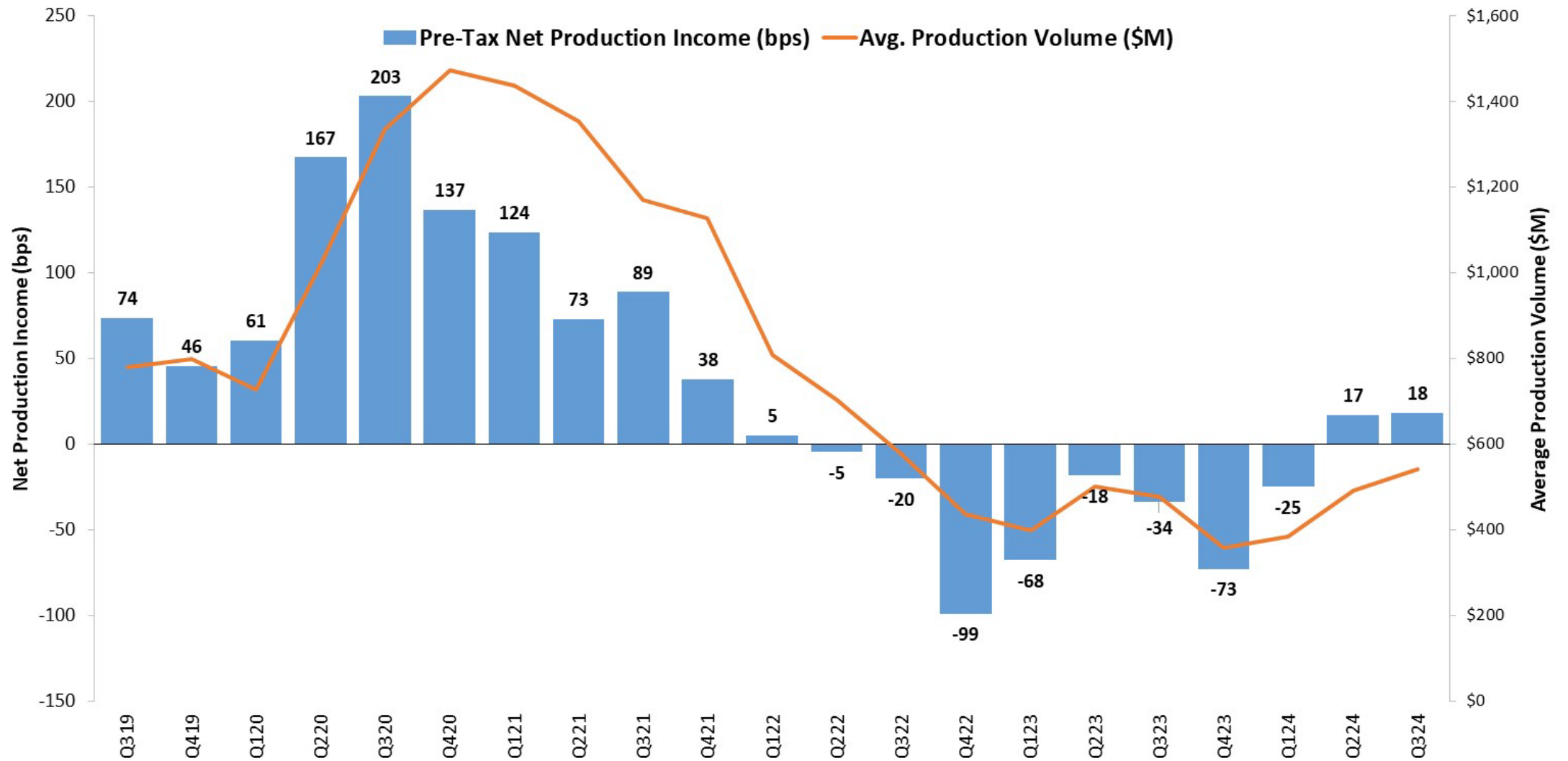
Source: MBA Forecast



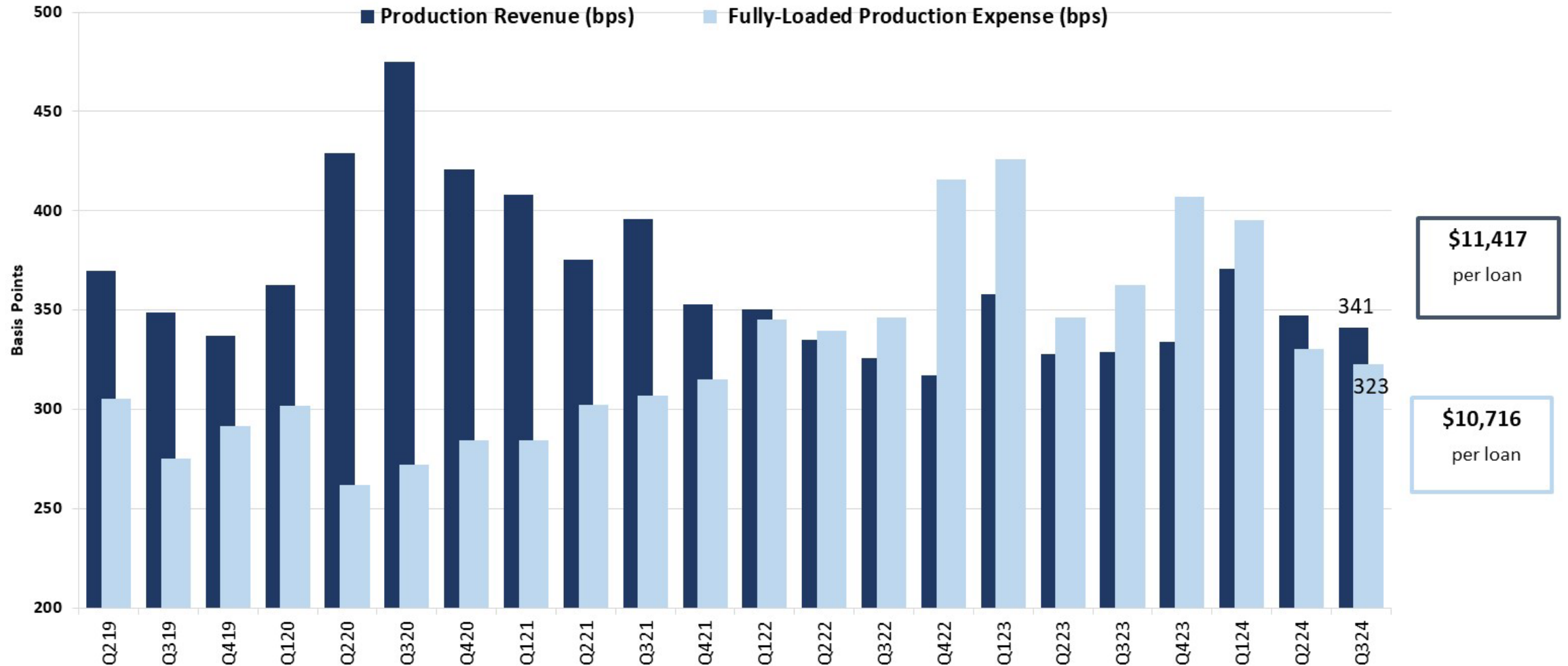
Origination Units Forecast To Increase 14% in 2025



Tough Conditions for Pre-Tax Net Production Profits Over Past Three Years

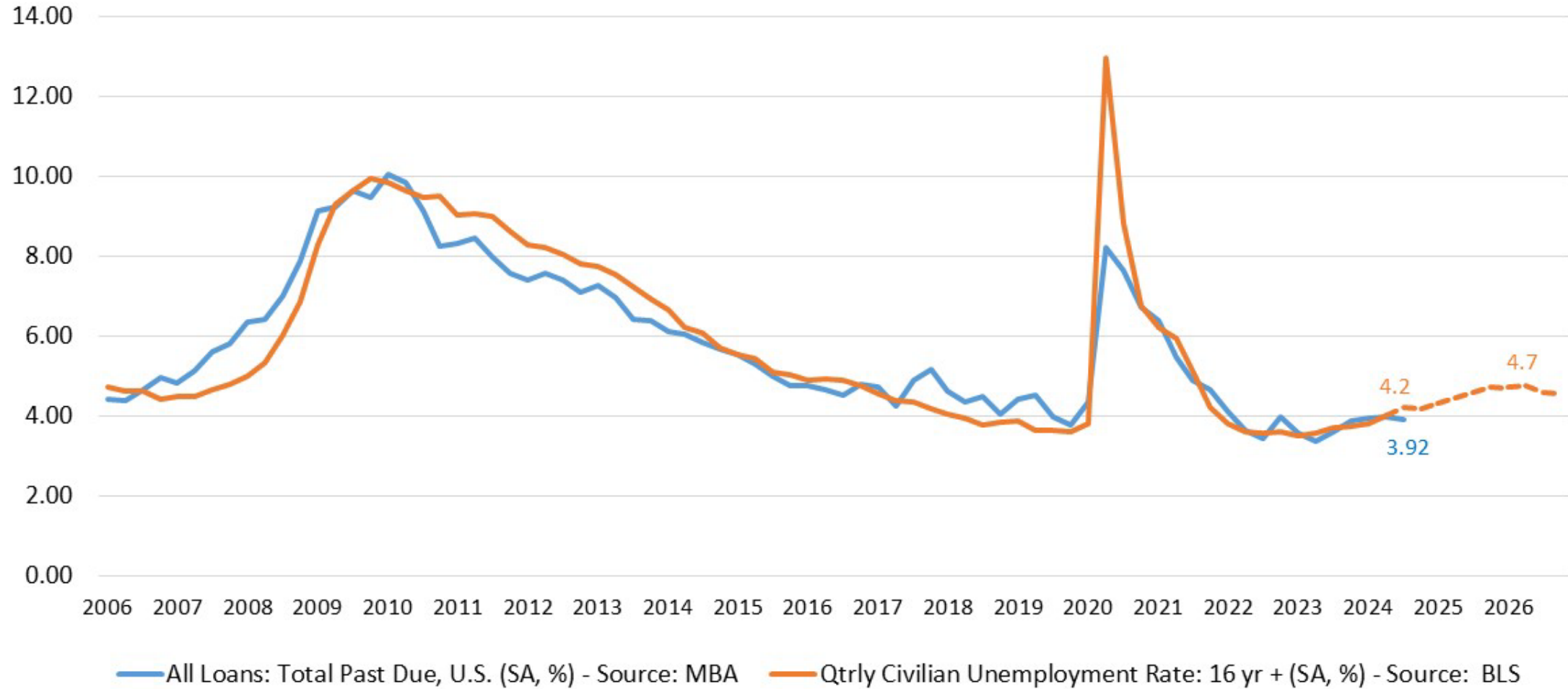


IMB Production Revenues and Expenses (basis points)

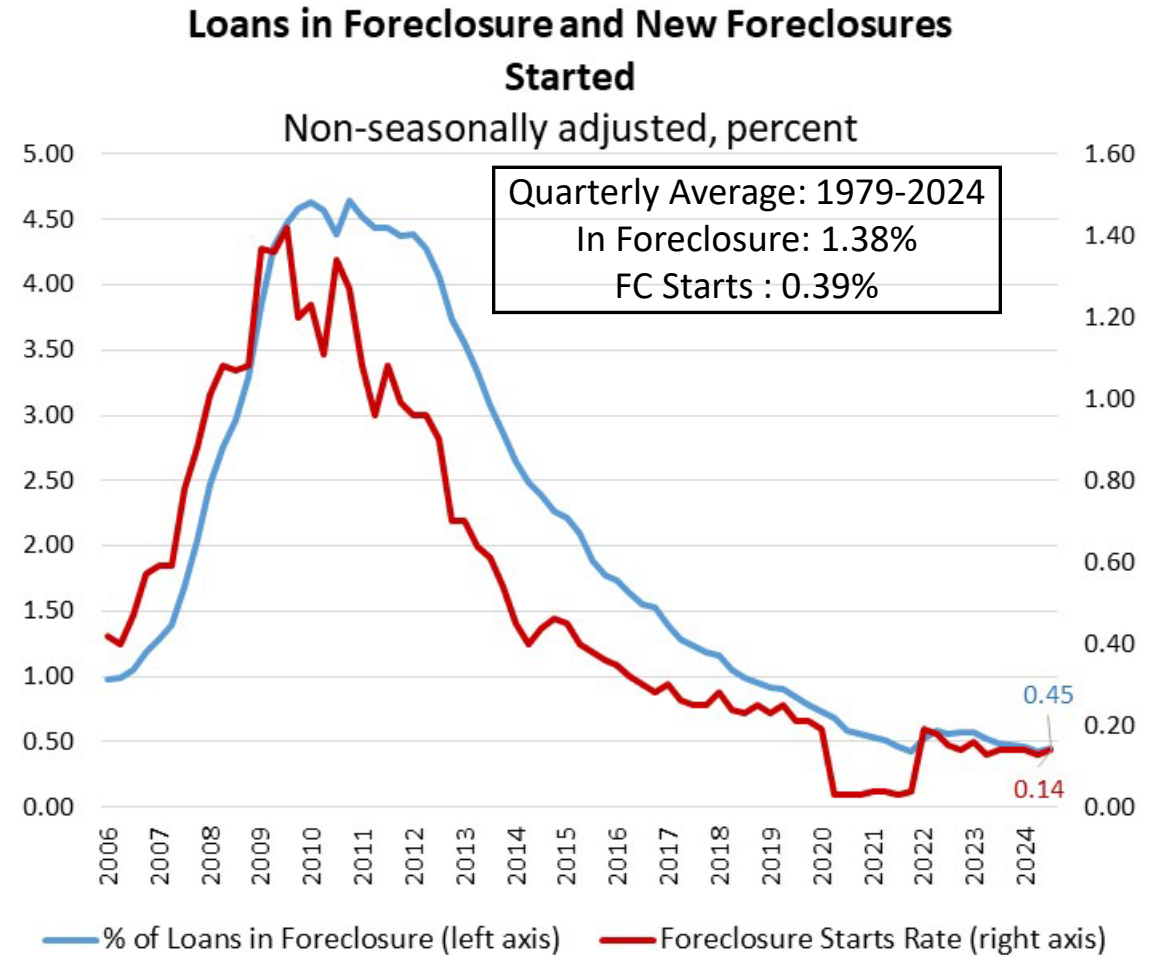
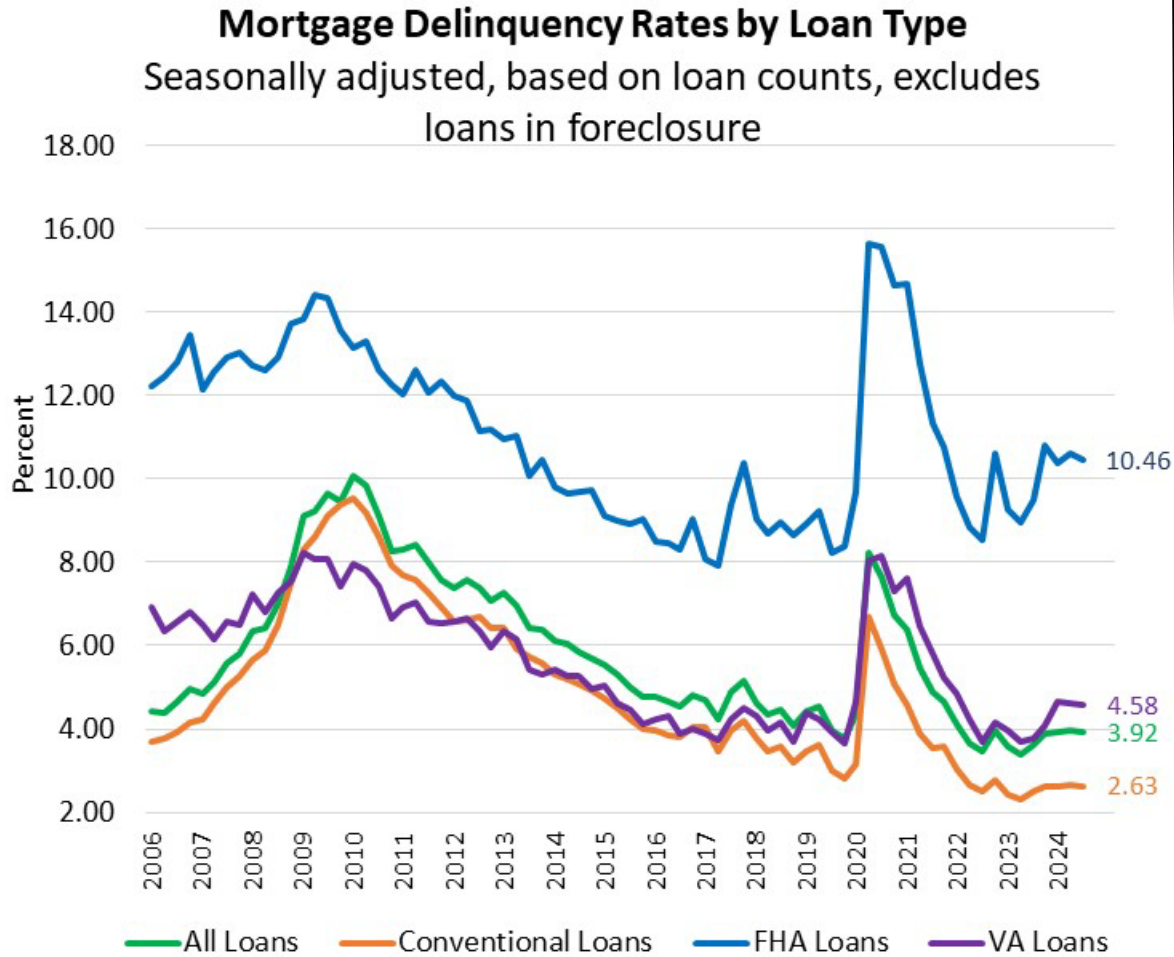


Mortgage Delq. Rate Tracking with Unemployment Rate

Mortgage Delinquency Rate and Unemployment Rate
Seasonally adjusted, percent

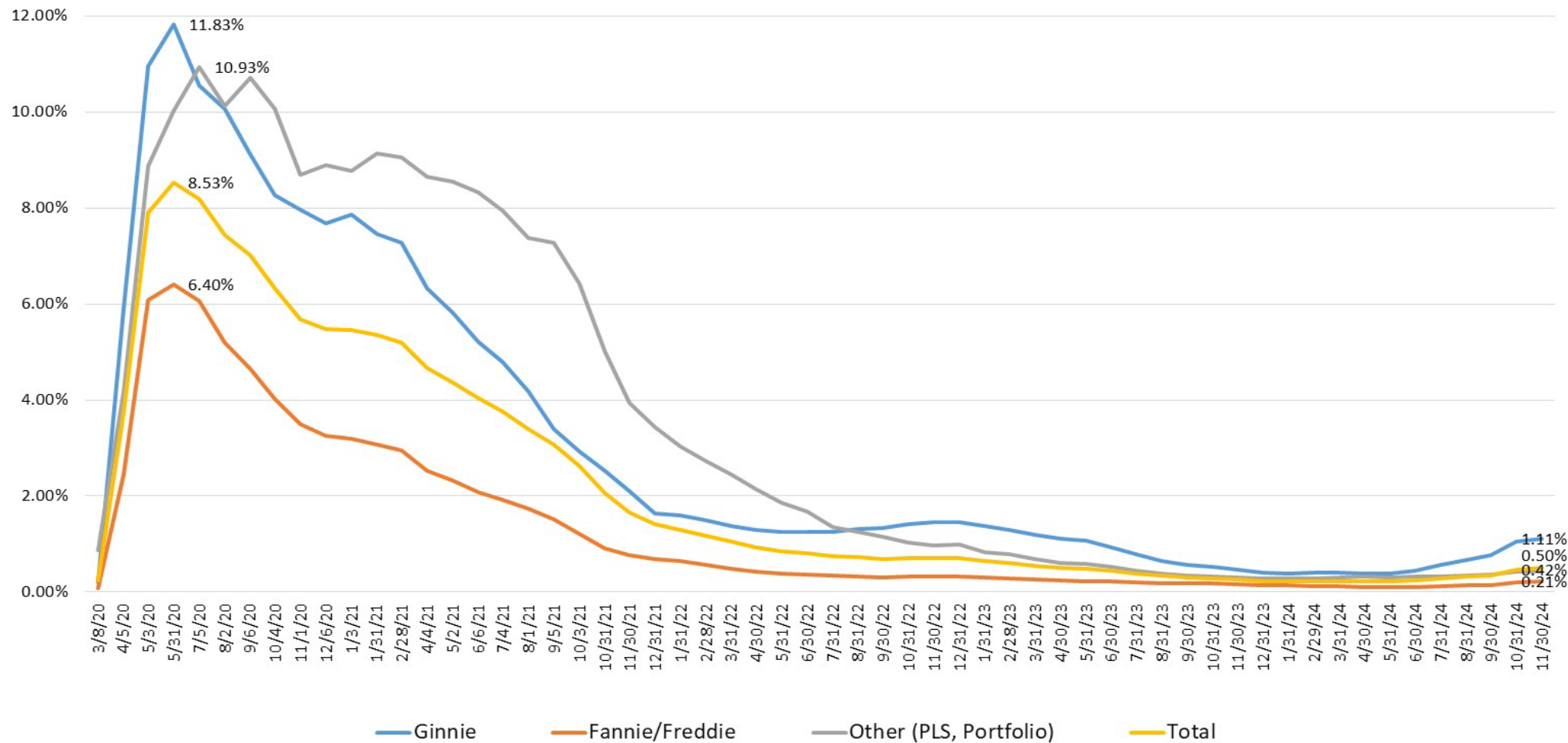


Year-over-Year Delinquency Increases Across All Product Types; Spread between FHA and Conventional Dfq Rate Grows

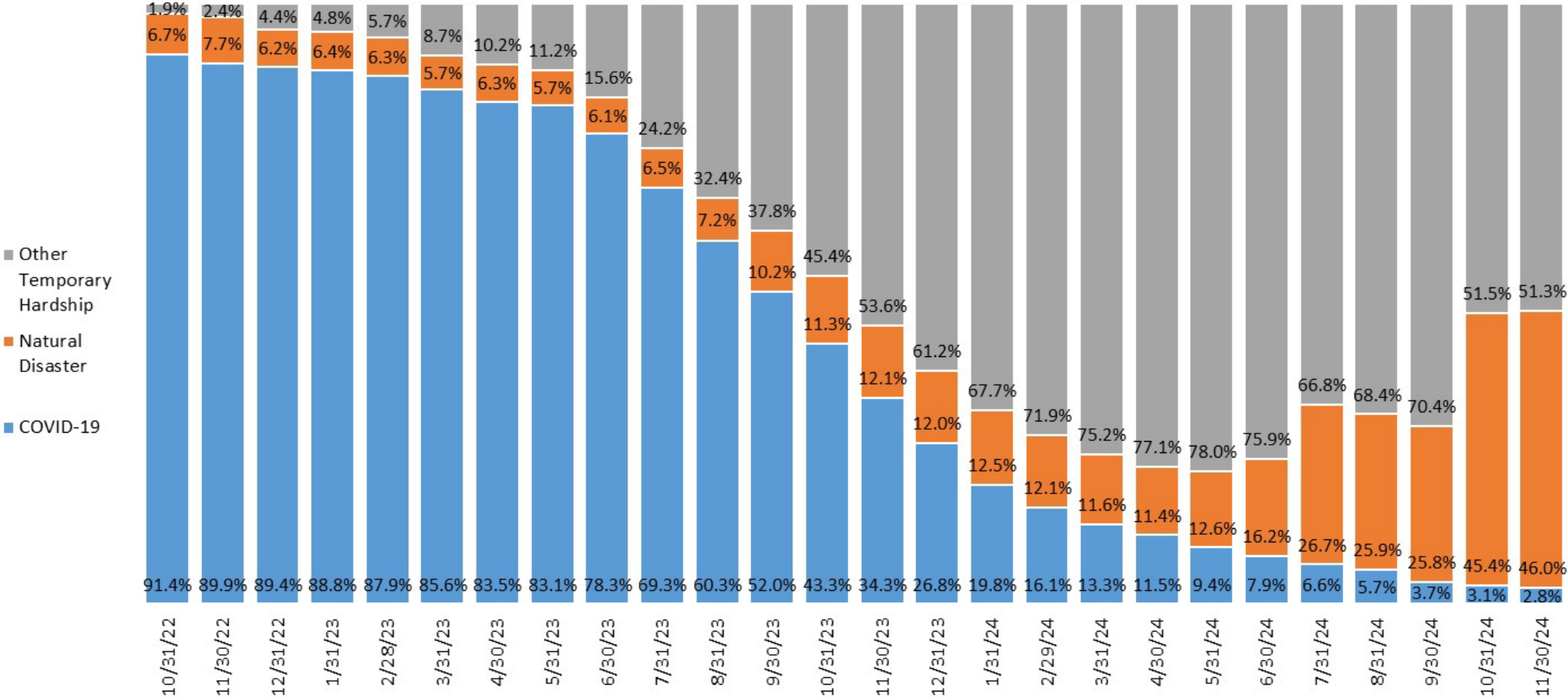


Forbearances Are Still Low Compared to the COVID-19 Era

Percent of Servicing Portfolio (#) in Forbearance by Investor Type

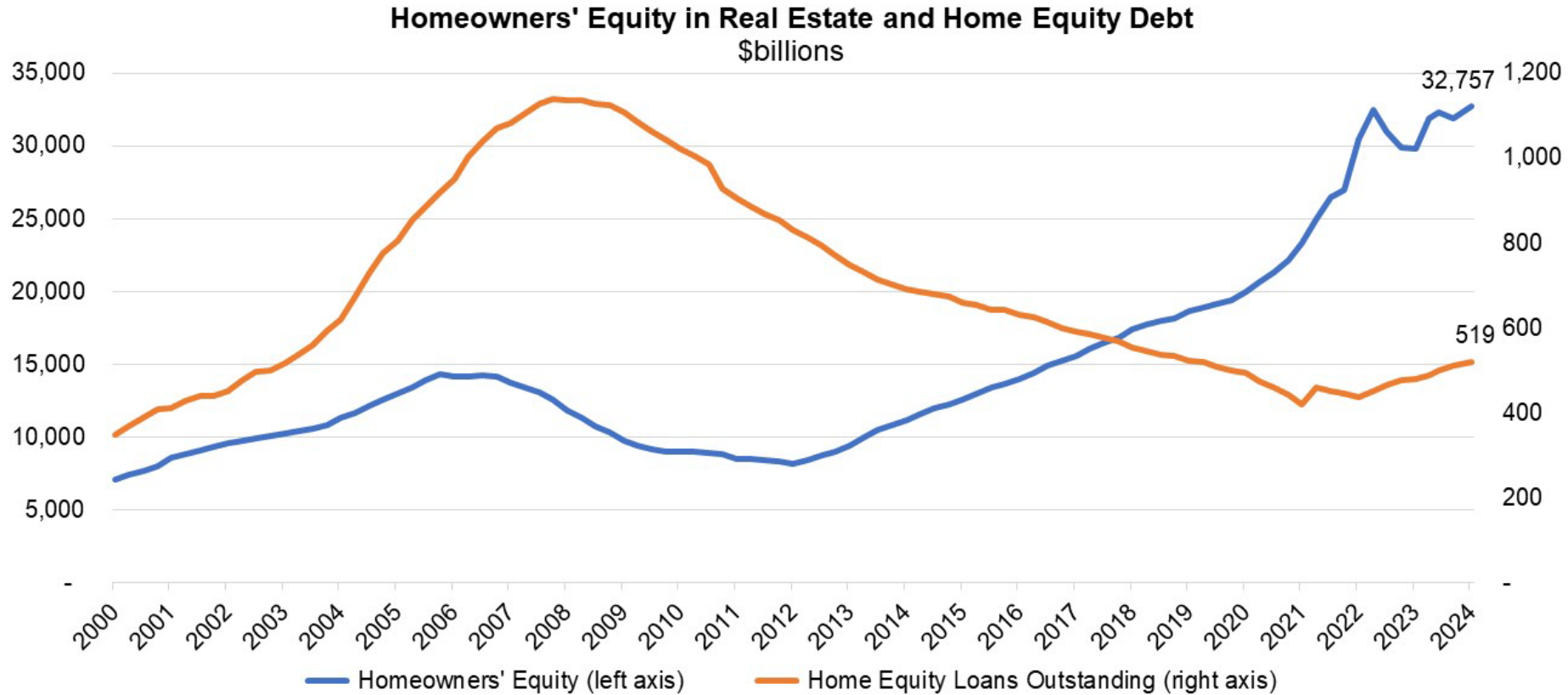


Mortgage Forbearance by Reason: Movement to Natural Disasters



*Includes servicers reporting at least 1 forbearance due to natural disasters or other temporary hardships

Home Equity Reaching New Records; Home Equity Lending Inching Up



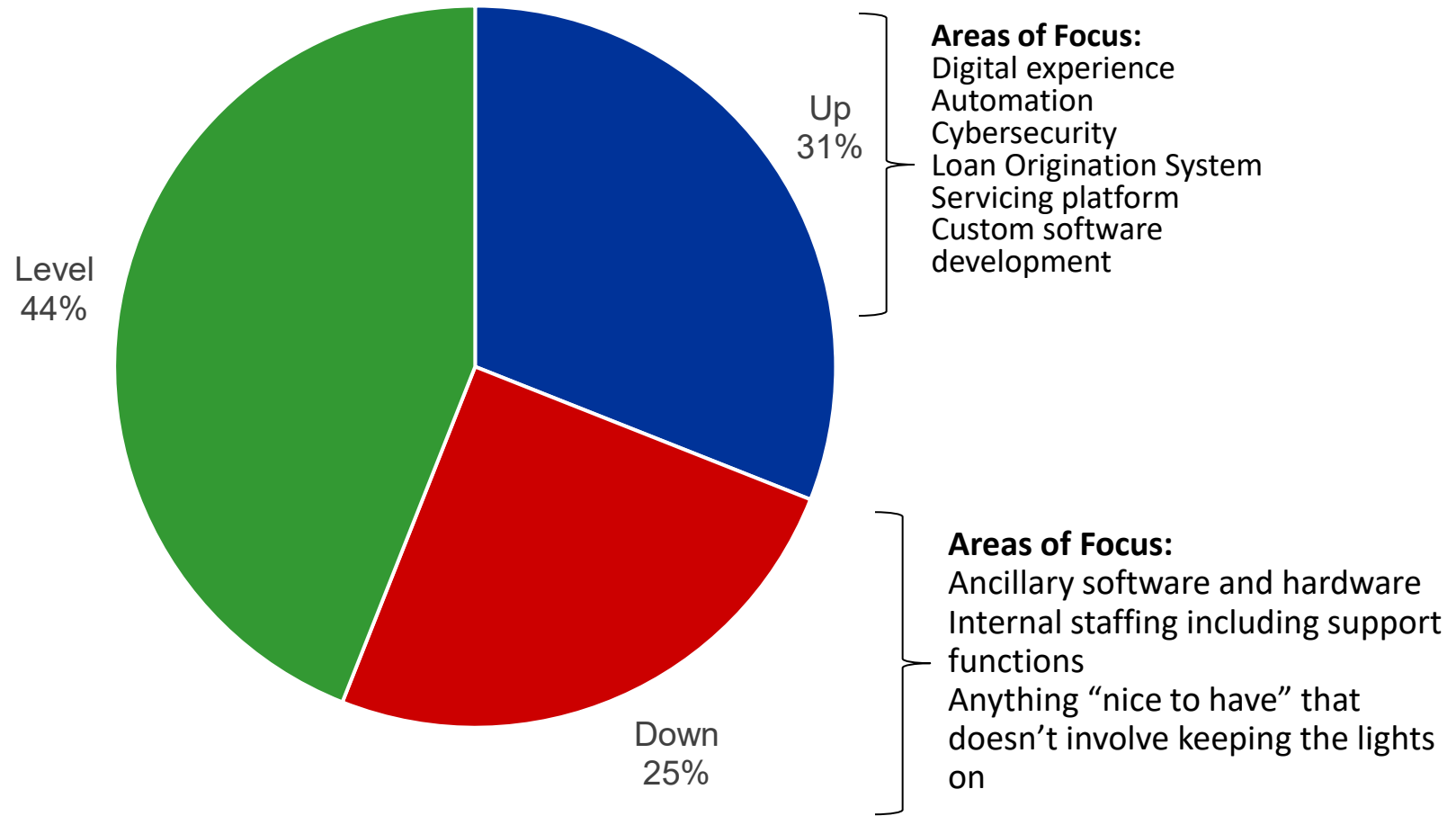
- While accessibility is tough for new homebuyers, many existing homeowners benefitted from the low interest rates in 2020-2021 and refinanced into lower monthly mortgage payments.
- They have also benefited from over a decade of house price growth—aggregate home equity is at a record \$32.8 trillion.
- Given the lock-in effect, home equity lending has been inching up, although homeowners have borrowed less than 2% of their accumulated equity.

Product Differentiation: How is the Menu Changing?

Purchase	First-Time Homebuyer	Government	ARM	Jumbo
Construction and Construction Perm	State Bond	2 nd Homes and Investment Properties / DSCR	Non-QM	Home Equity Loans and HELOCs
Reverse	Rehab and Renovation	Third Lien Products	Forward Commitments	SPCPs, CRA and Other Affordability Products
Lot Loans, Chattel Loans, Manufactured Housing	Bridge Loans	Cash-Out Refi	Shared Appreciation Mortgage Product	Assumptions

Technology Spending: Only 25% of Respondents Indicate a Drop in Spend

Technology Investment Budget for 2024 vs. 2023



Lender Artificial Intelligence

Has your company provided Education on AI to executive Management

Yes	50%
No	50%

Does your company have policies in place governing the use of AI?

Yes	43%
No	57%

Is your corporate expertise in AI?

Yes	29%
No	71%

Do you have a dedicated AI budget for 2024?

Yes	36%
No	64%

Does your company have generative AI in production?

Yes	29%
No	71%

If yes what functions?

Marketing Verbiage

Customer Representative Workflow/help

Loan Guidelines, Support

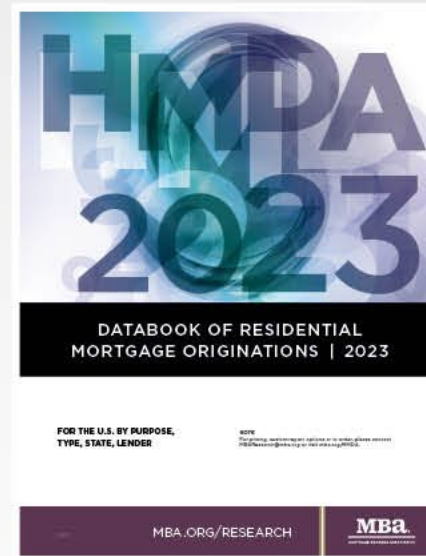
Marketing Text to Image

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STATE MORTGAGE MARKET PROFILE

Alabama

Data as of First Quarter 2024, unless otherwise noted.

	Alabama	United States
Homeownership Rate		
Q1 2023	74.9%	68.0%
Q1 2022	73.6%	67.7%
Q1 2024	73.9%	67.6%
Total Purchases & Refinance Originations in 2023		
Number of Loans	104,156	8,563,802
Dollar Volume (\$ Billions)	\$ 25,198,800	\$ 2,313,645,214
Average Loan Amount	\$ 242,300	\$ 268,000
Total Purchases & Refinance Originations in 2024		
Number of Loans	16,828	812,176
Dollar Volume (\$ Billions)	\$ 3,428,750	\$ 219,807,665
Average Loan Amount	\$ 203,500	\$ 268,000
Mortgage Work: Refinance and New, 2023-2024		
Total Housing Units	3,248,820	142,268,142
Owner Units	365,775	15,650,251
Occupied Units	1,825,192	126,658,011
Owner-Occupied	59%	59%
Renter-Occupied	41%	41%
Median Family Income		
Series Outgoing Rate (MSA)		
Q1 2023	2.23%	1.73%
Q1 2022	1.90%	1.25%
Q1 2024	1.90%	1.44%
Forward Rate Rate (MSA)		
Q1 2023	0.19%	0.18%
Q1 2022	0.19%	0.14%
Q1 2024	0.19%	0.14%
Employment (BLS, quarterly data)		
Non-Farm Employment	3,187,200	187,822,235
Private non-Farm	1,741,170	104,826,676
Government	436,070	25,198,670
YOY Change in Total Non-Farm Emp.	48,200	7,277,000
Unemployment Rate (SA)	2.87%	3.60%
Mortgage Market Activity (MBA)		
Refinance Share of Total Applications	36.7%	32.5%
QoQ (YTD-01/01/2024) Share of Purchase Apps	30.9%	24.5%
Home Prices (B)		
Population*	5,126,470	324,914,000
YOY Change in Population	34,900	1,643,484

FOR THE U.S. BY PURPOSE, TYPE, STATE, LENDER

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Contact Information and MBA Resources

Joel Kan

Vice President, Deputy Chief Economist
(202) 557-2951; jkan@mba.org

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

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