Economic and Mortgage Market Outlook

March 2021

Presented by:

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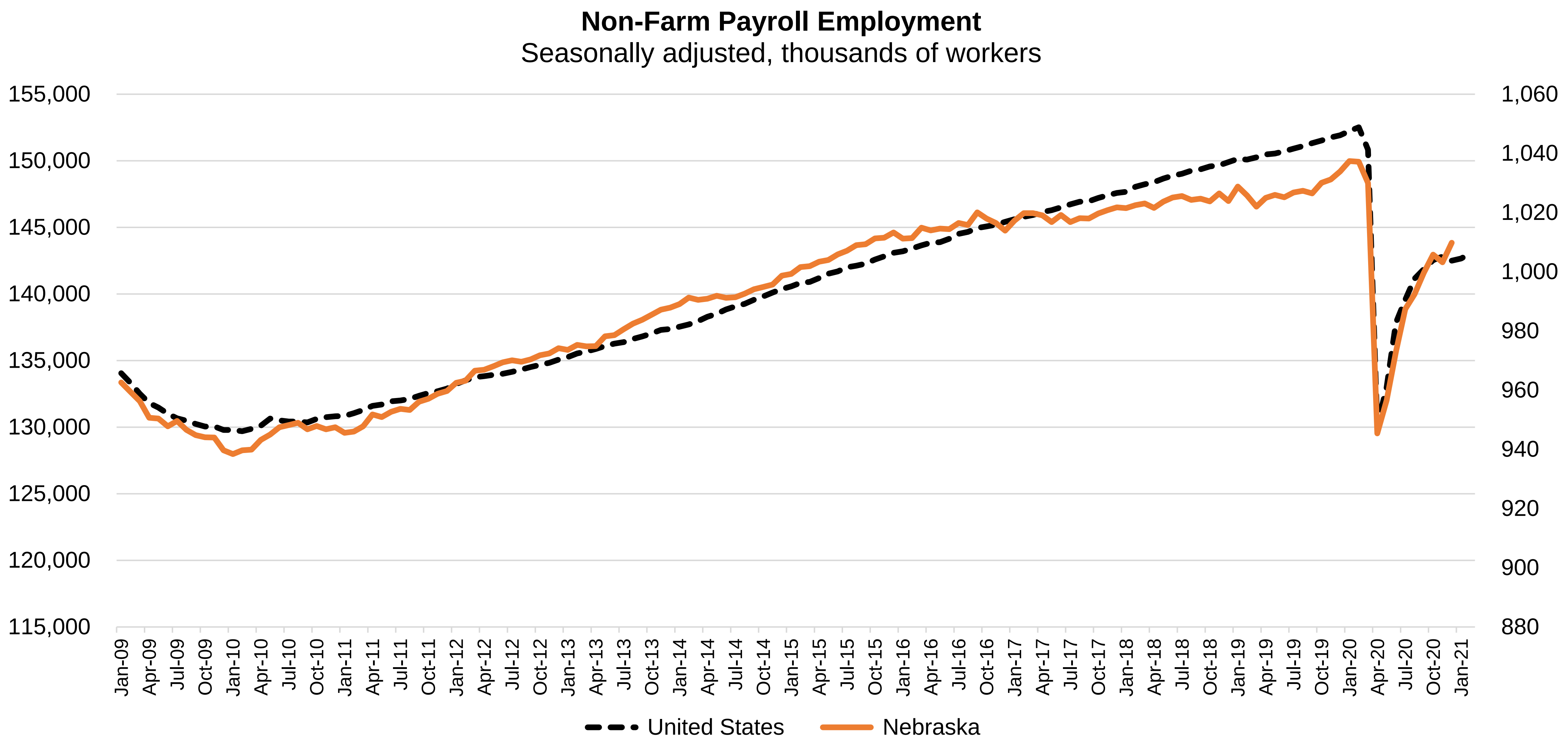
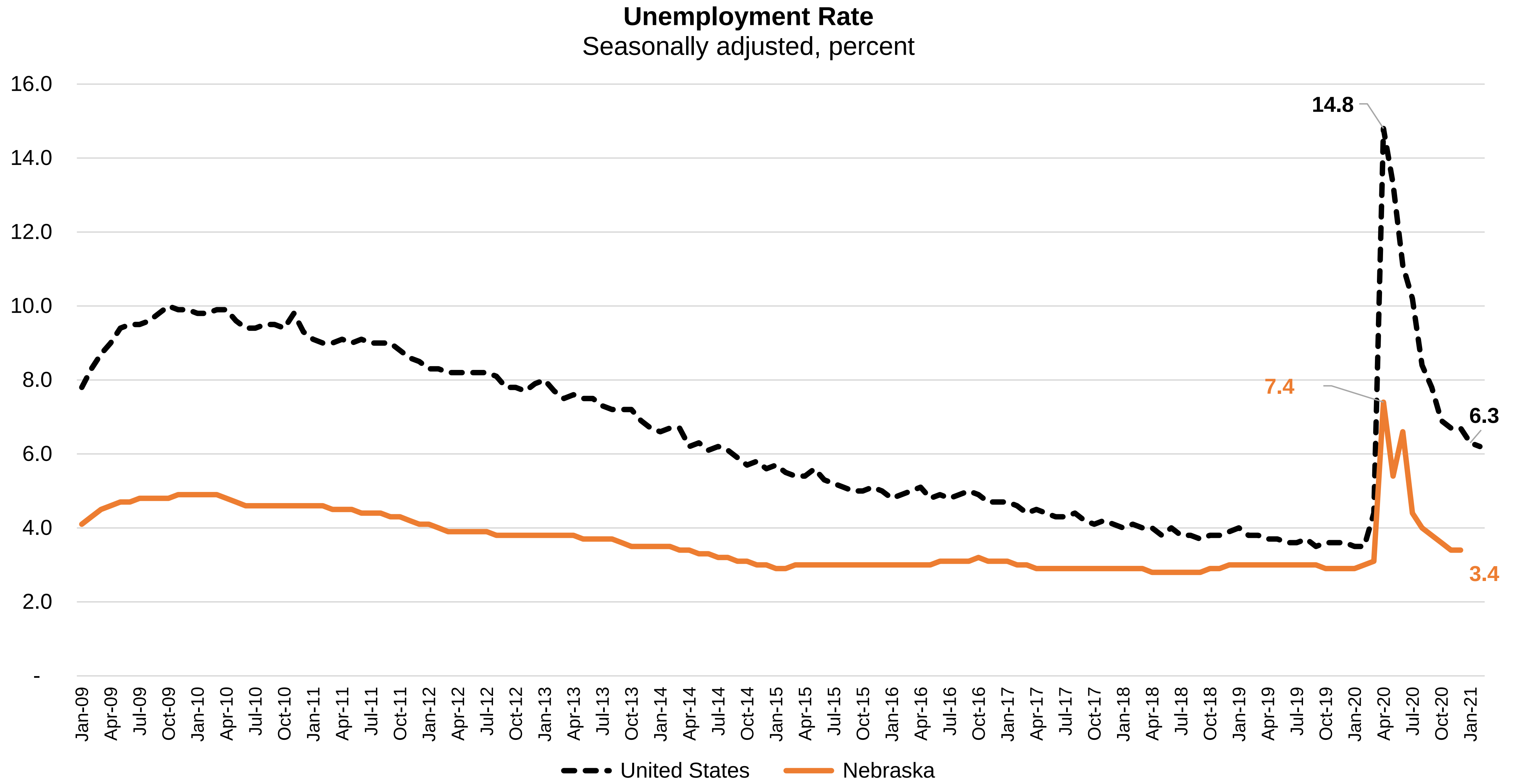
Mortgage Bankers Association

Job Market Recovery Still Short of Pre-Pandemic Levels, But is Ongoing

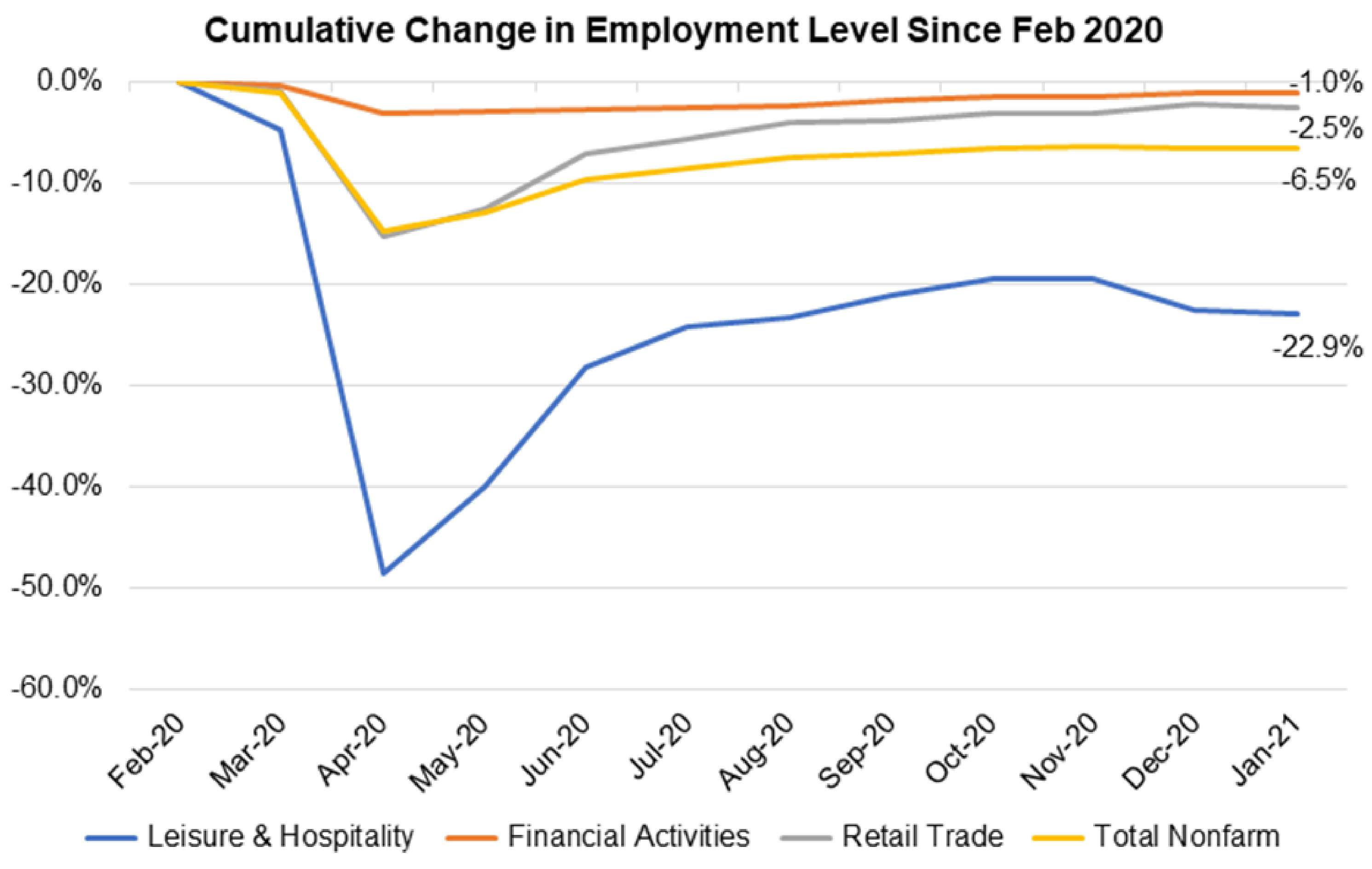


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics

Different Rates of Recovery Across Sectors



Source: BLS

Even Within Retail, Very Different Experiences (Rent Paid by Retail Category)

Categories	October	Q3	Q2
Pet Stores/ Veterinary	100%	99%	99%
Grocery/ Warehouse Clubs/ Pharmacy	98%	99%	99%
Other Essential	98%	94%	85%
Banking/ Finance	98%	100%	100%
Auto Repair & Supply/ Gas Stations	96%	98%	95%
Home Improvement	96%	100%	98%
Sporting Goods/ Hobby Retail Stores	93%	93%	69%
Home Office/ Appliance	93%	99%	96%
Other Non-Essential	91%	92%	66%
Medical/ Medical Supply	91%	95%	75%
Soft Goods (including Off-Price)	89%	84%	56%
Restaurants	80%	82%	65%
Professional Service	79%	82%	71%
Health Club/ Fitness	76%	57%	26%
Personal Service	75%	78%	51%
Entertainment/ Gathering Place	74%	67%	34%
Total	**90%**	**89%**	**74%**

Collections	Oct.	Q3	Q2
Essential Retail	97%	98%	95%
Other Retail Services	86%	82%	55%
Restaurants	80%	82%	65%
Open Store Rate	98%	97%	80%

Source: Kimco Earnings Release

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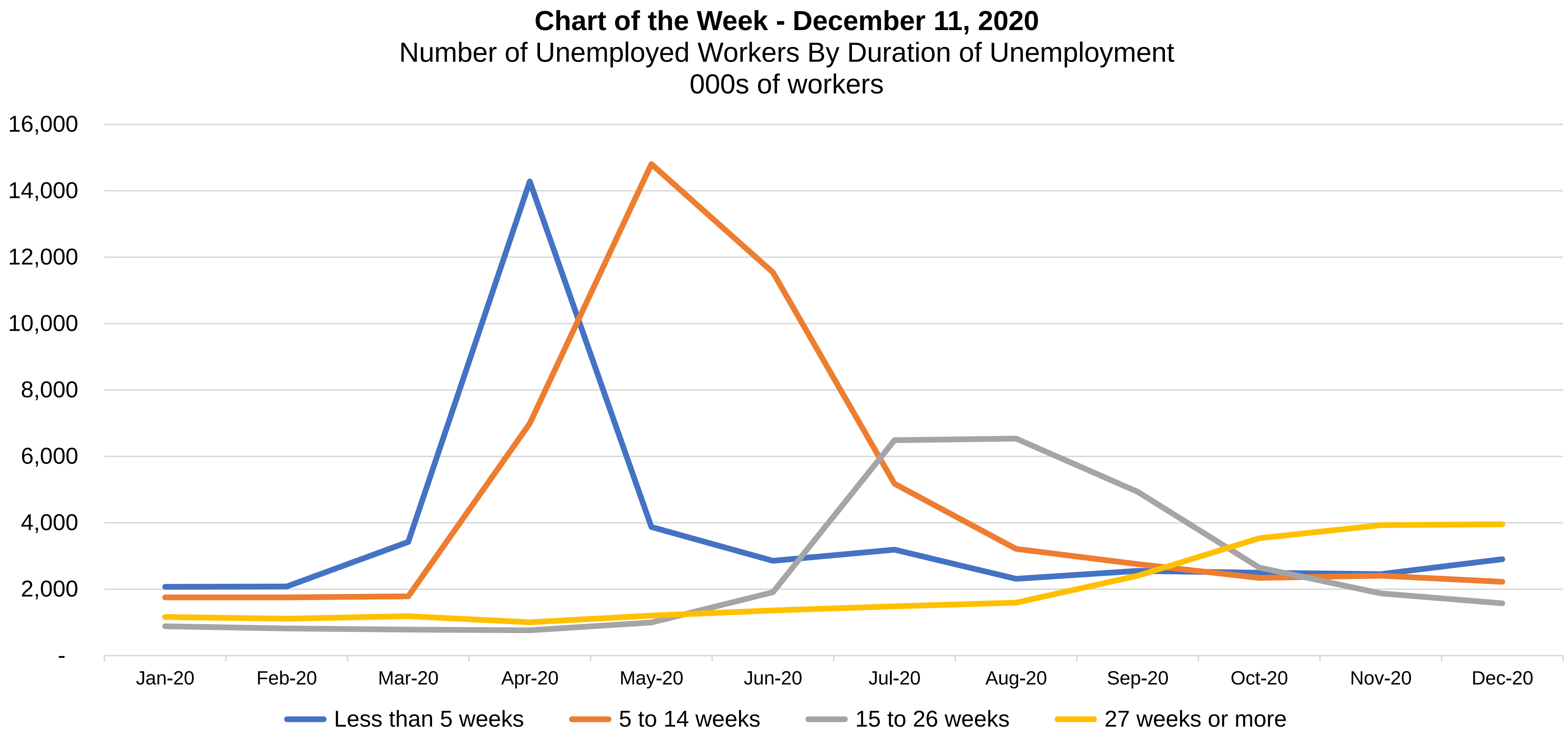
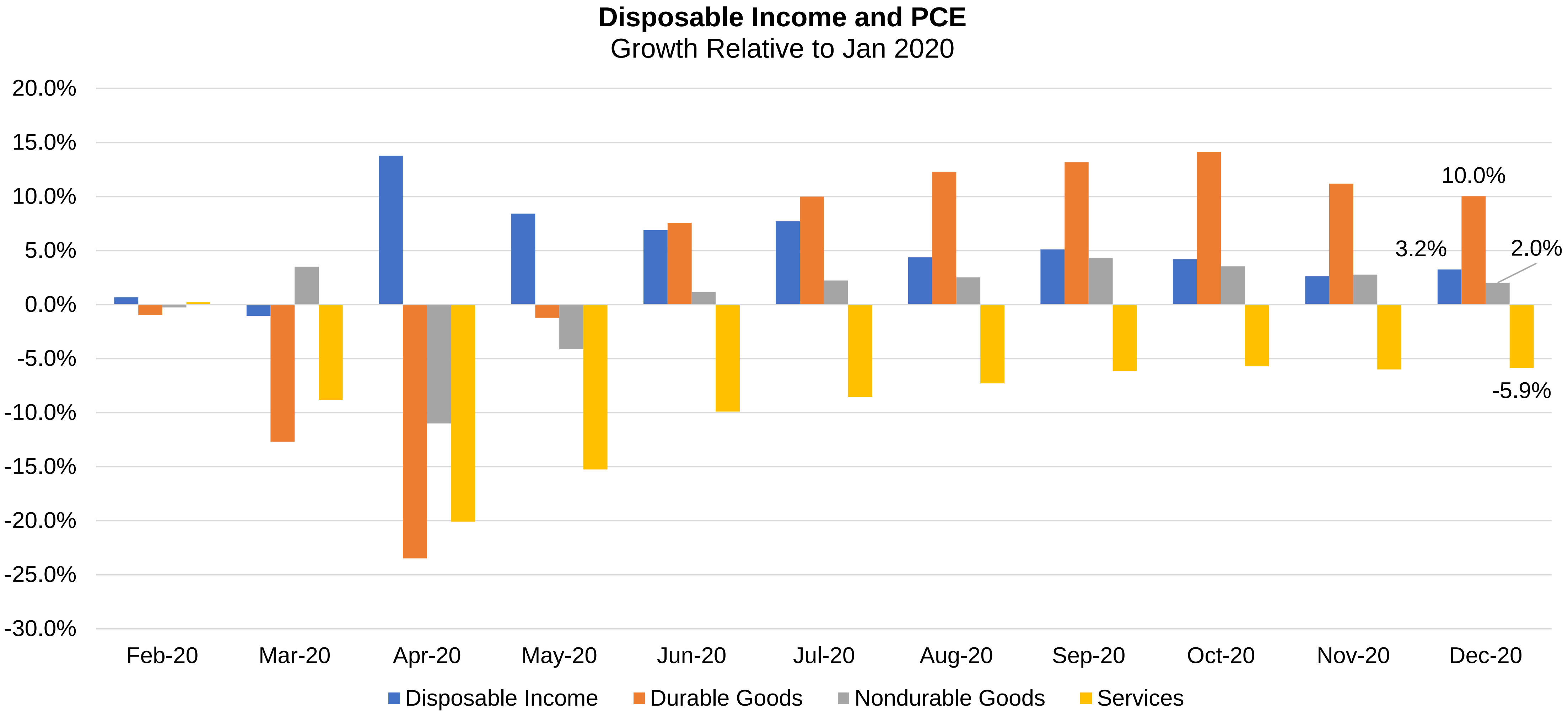
Long-term Unemployment is Concerning



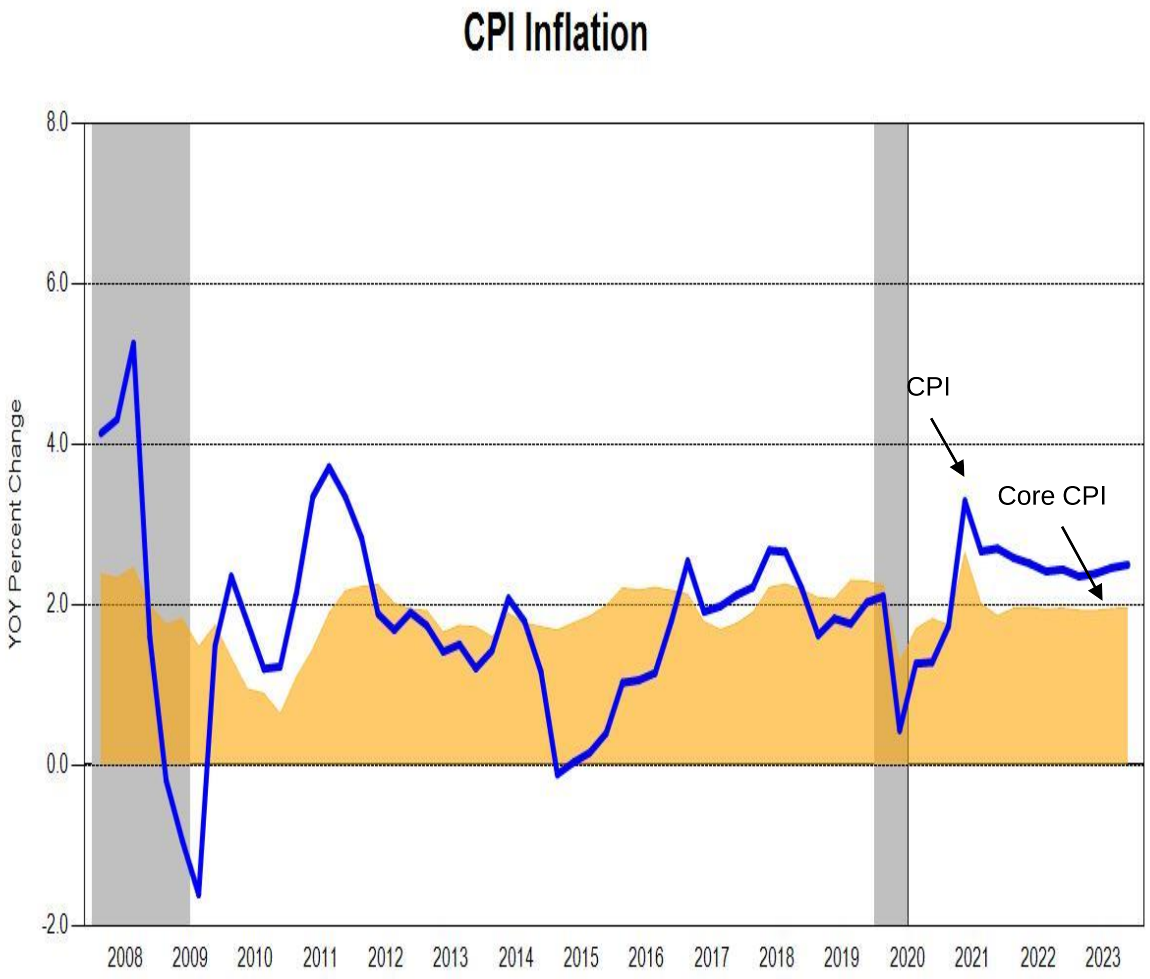
Policy Has Supported Household Incomes

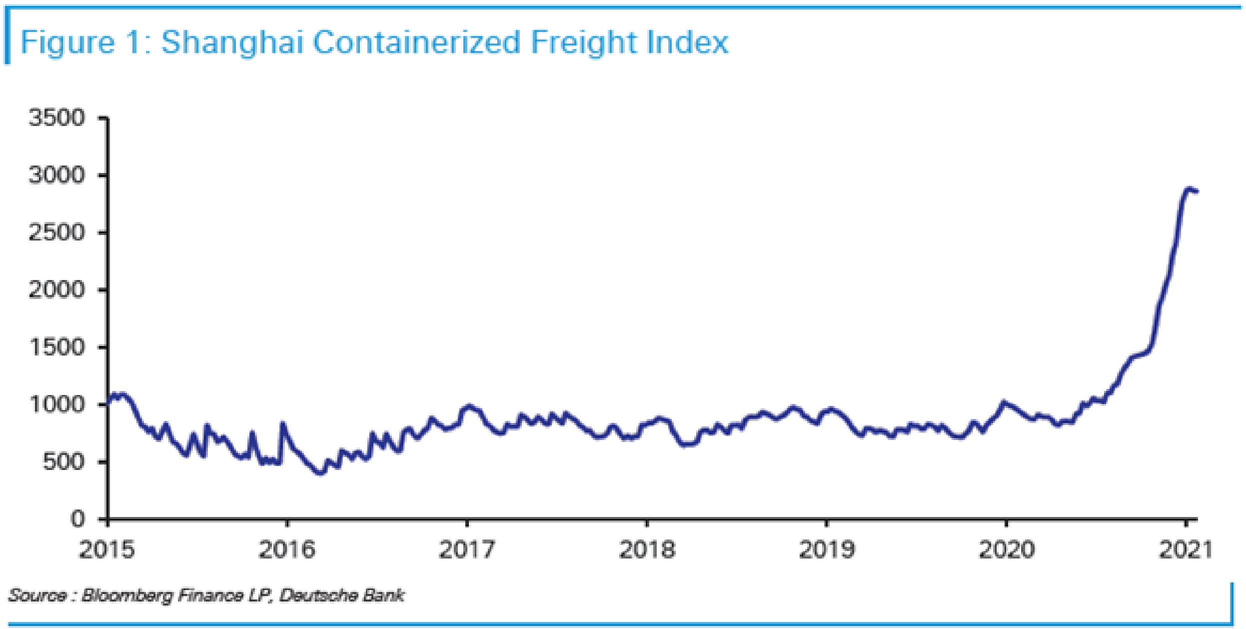


Much of the Stimulus Has Been Saved

Source: BEA

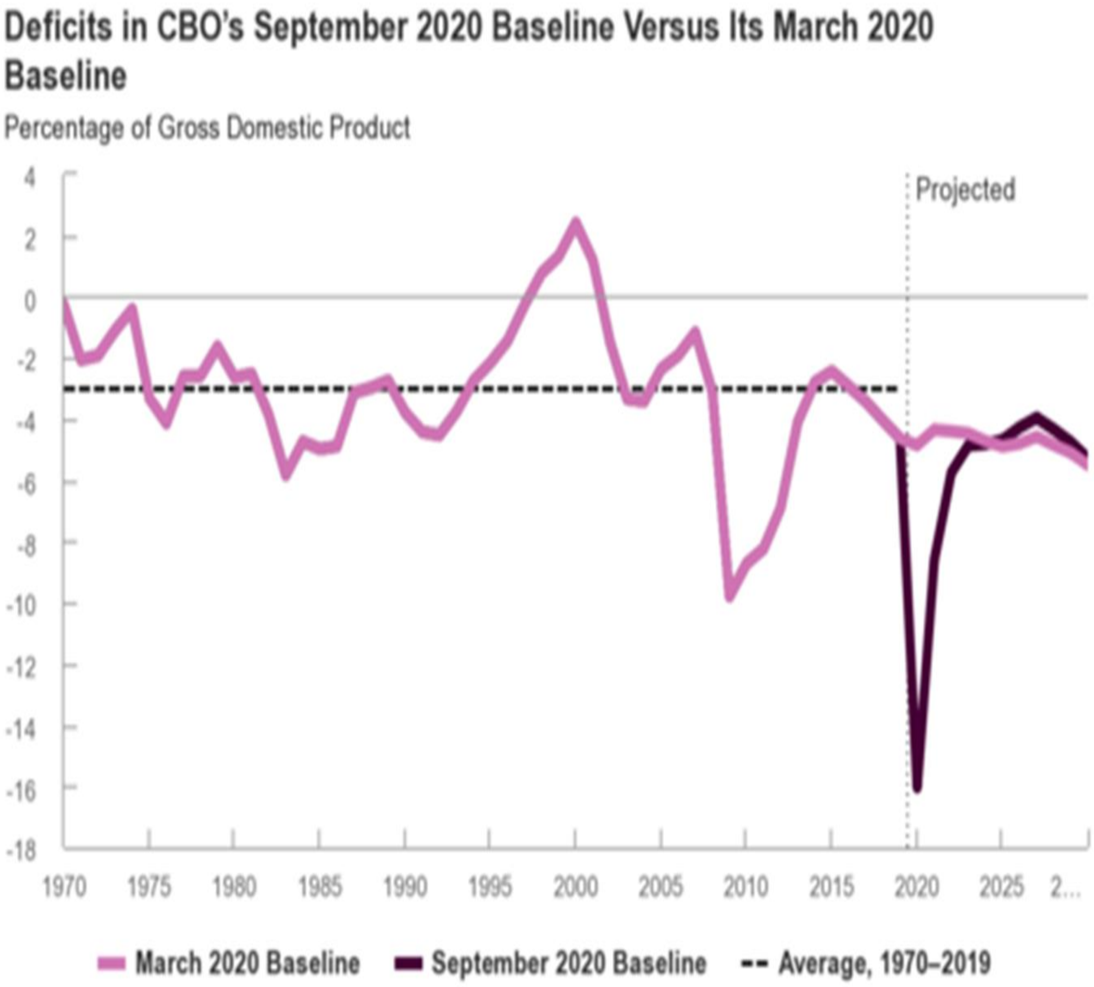
Inflation Likely to Increase, Supply Constraints Likely to Bind

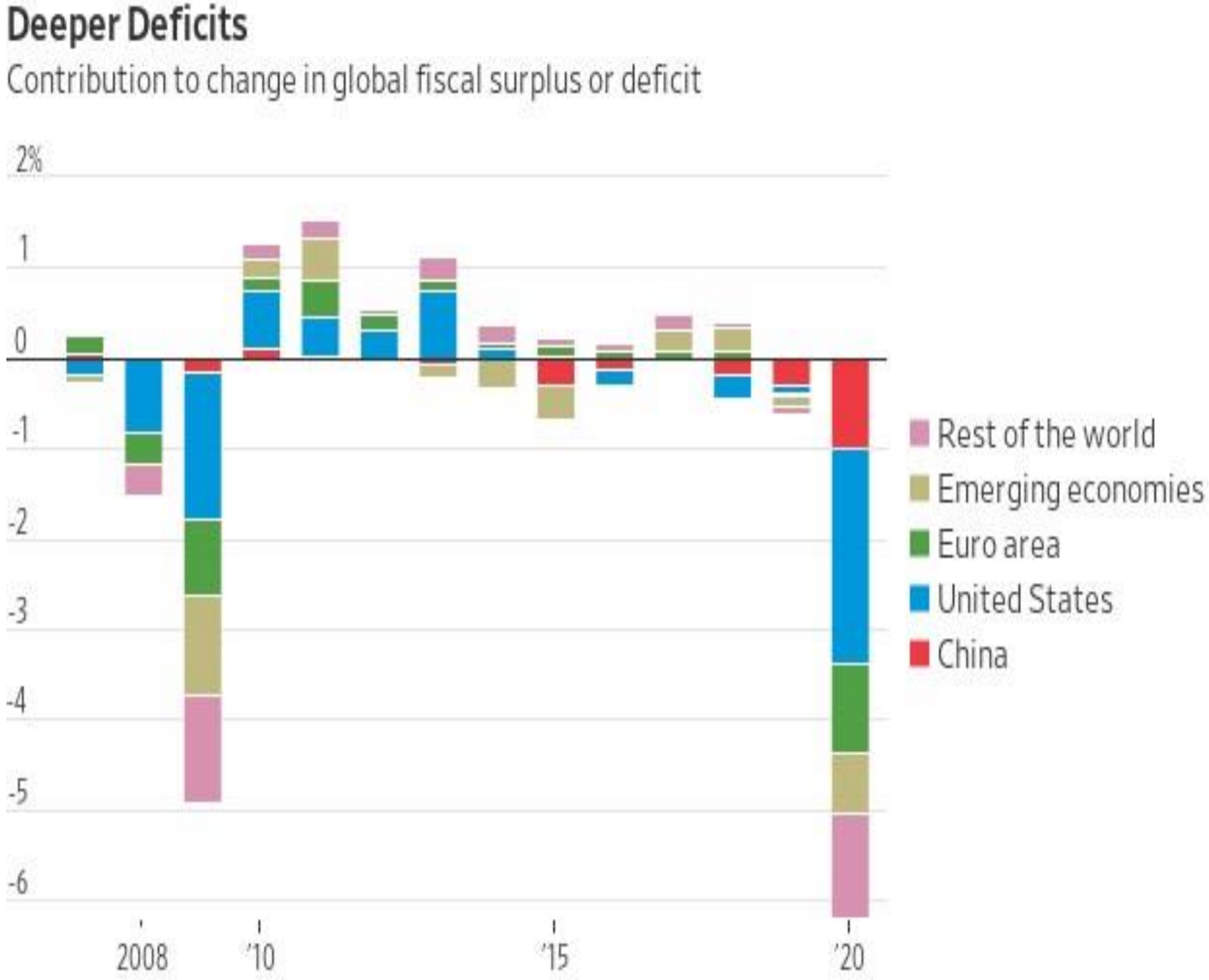




Source: Bureau of Labor Statistics, Deutsche Bank

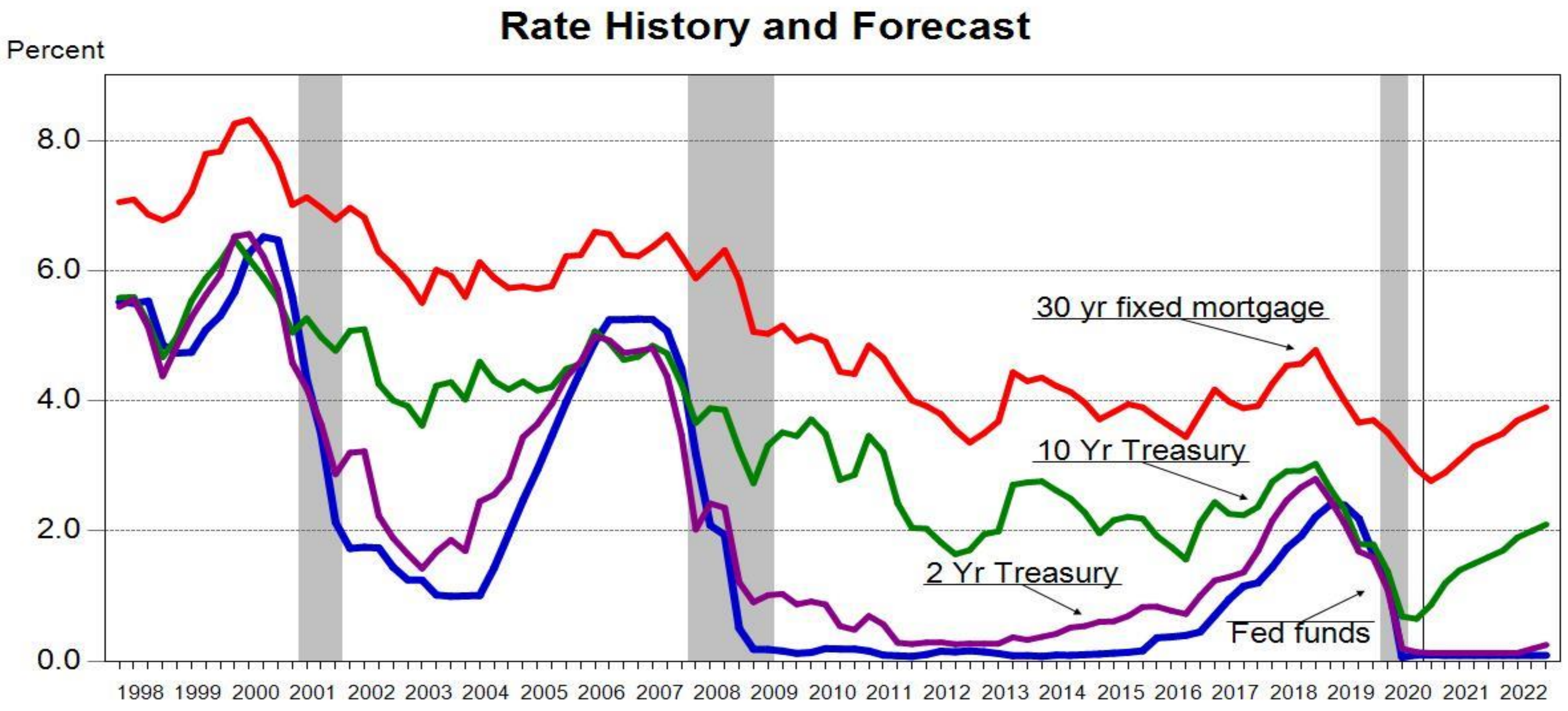
Massive Deficits: US and Globally





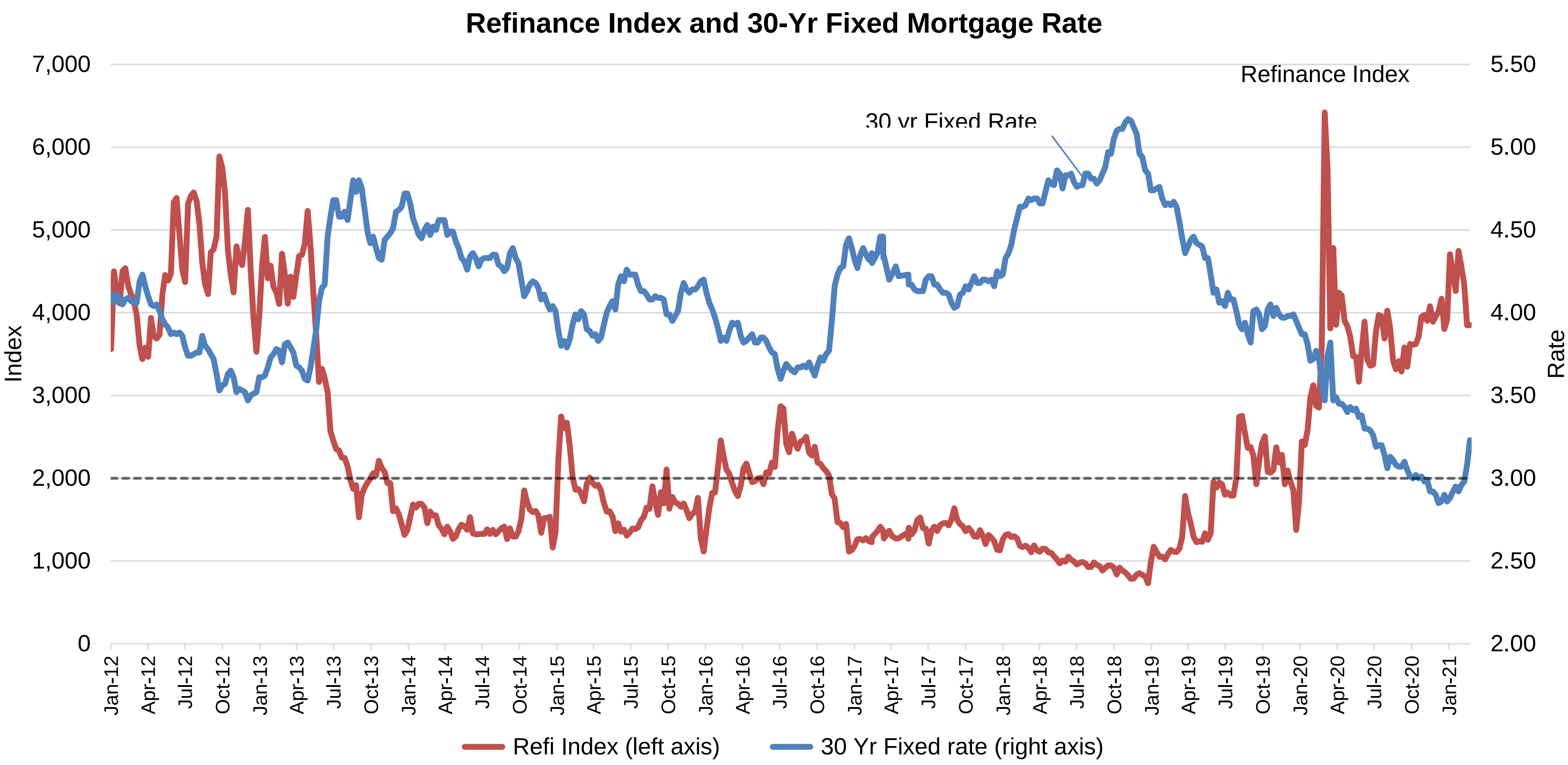
Source: Congressional Budget Office, International Monetary Fund

Short-term Rates At Zero Through 2022



Source: Federal Reserve Board, Freddie Mac, MBA Forecast

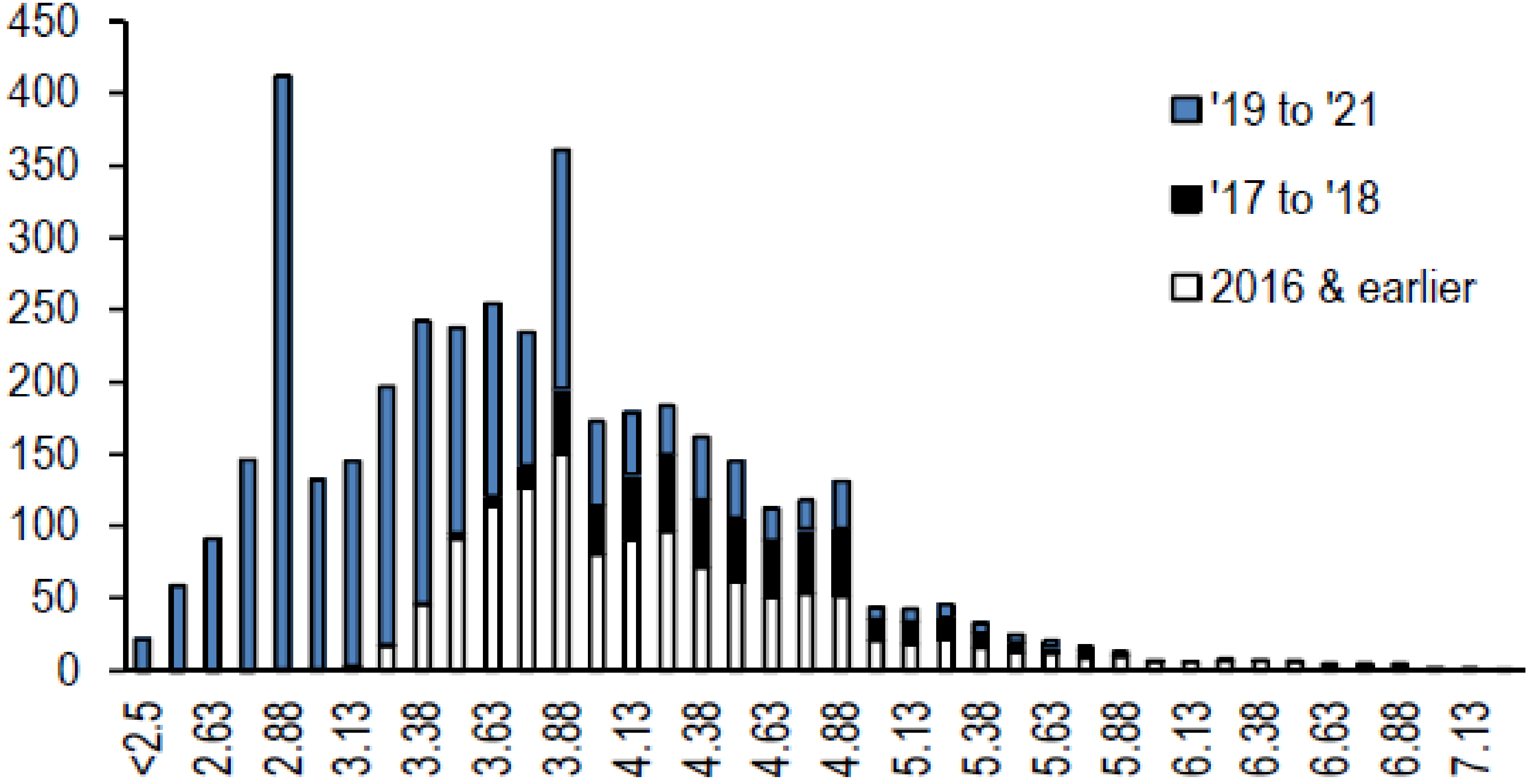
Refi Volume Robust, But Rates Have Turned?



Source: MBA Weekly Application Survey

Refi Opportunity…and Impact of Burnout

Outstanding conventional 30-year loans by WAC and vintage; borrowers with 50bp or greater rate incentive have refi risk, $bn



Source: J.P. Morgan, Fannie Mae, Freddie Mac

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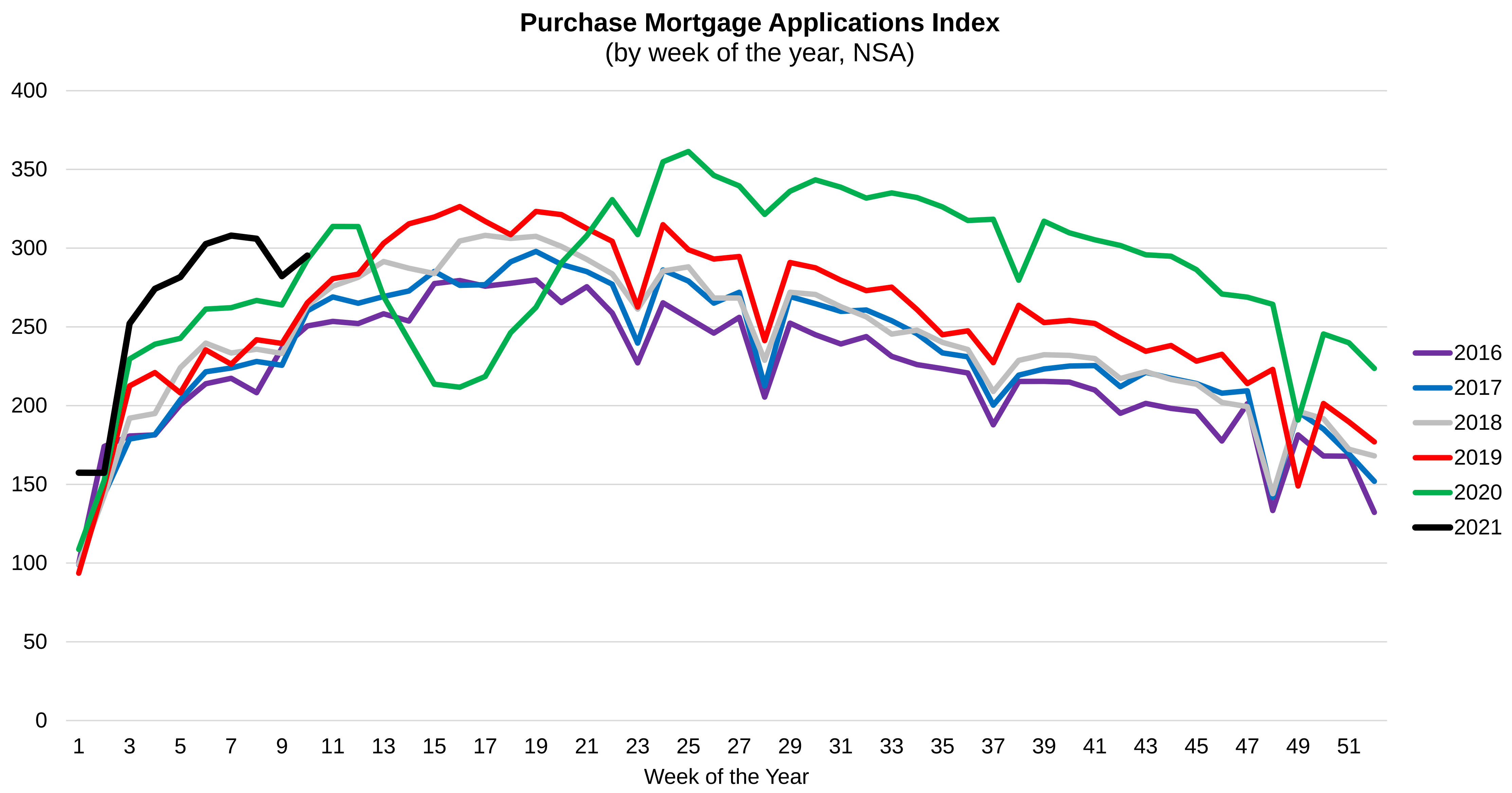
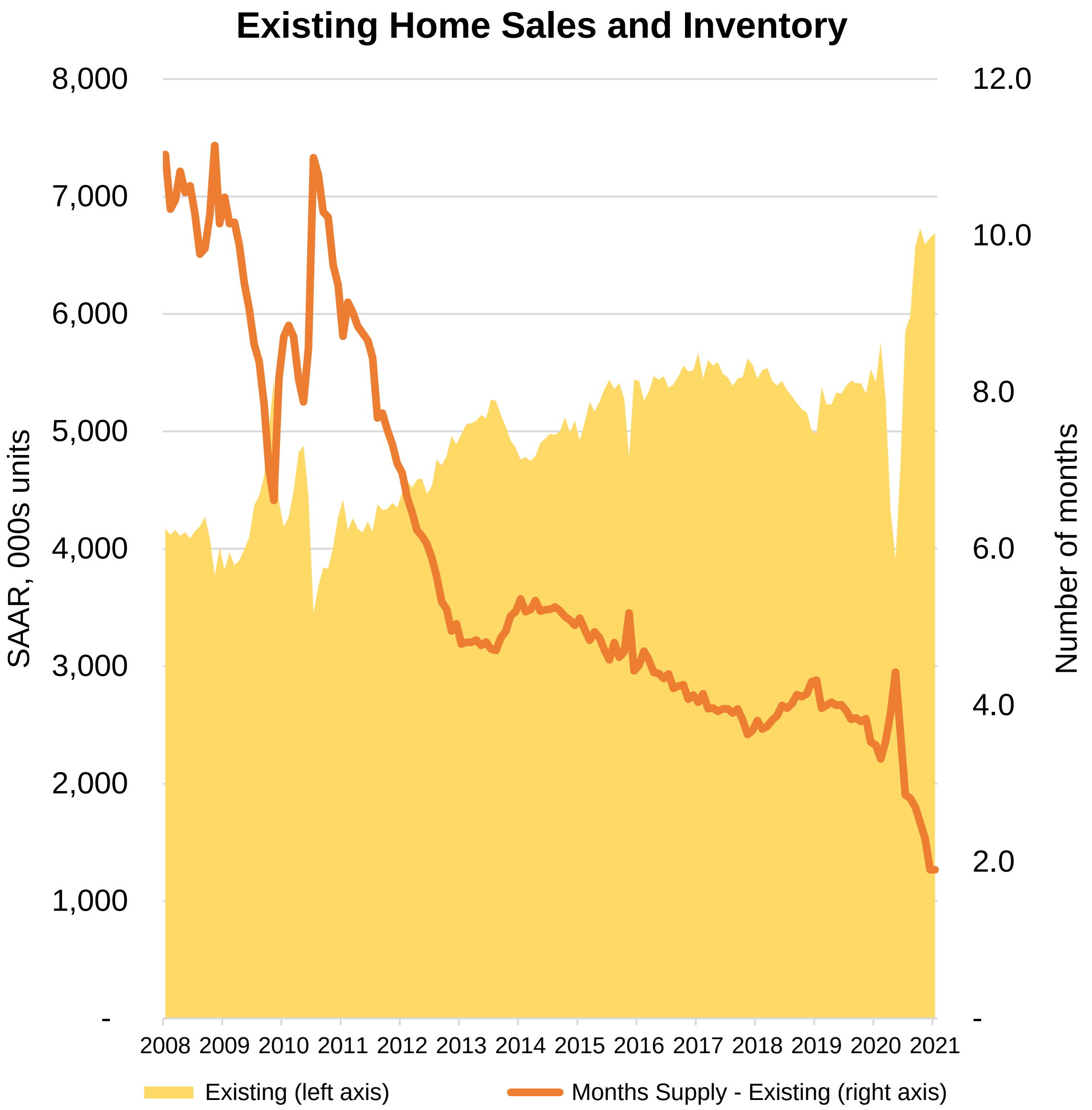
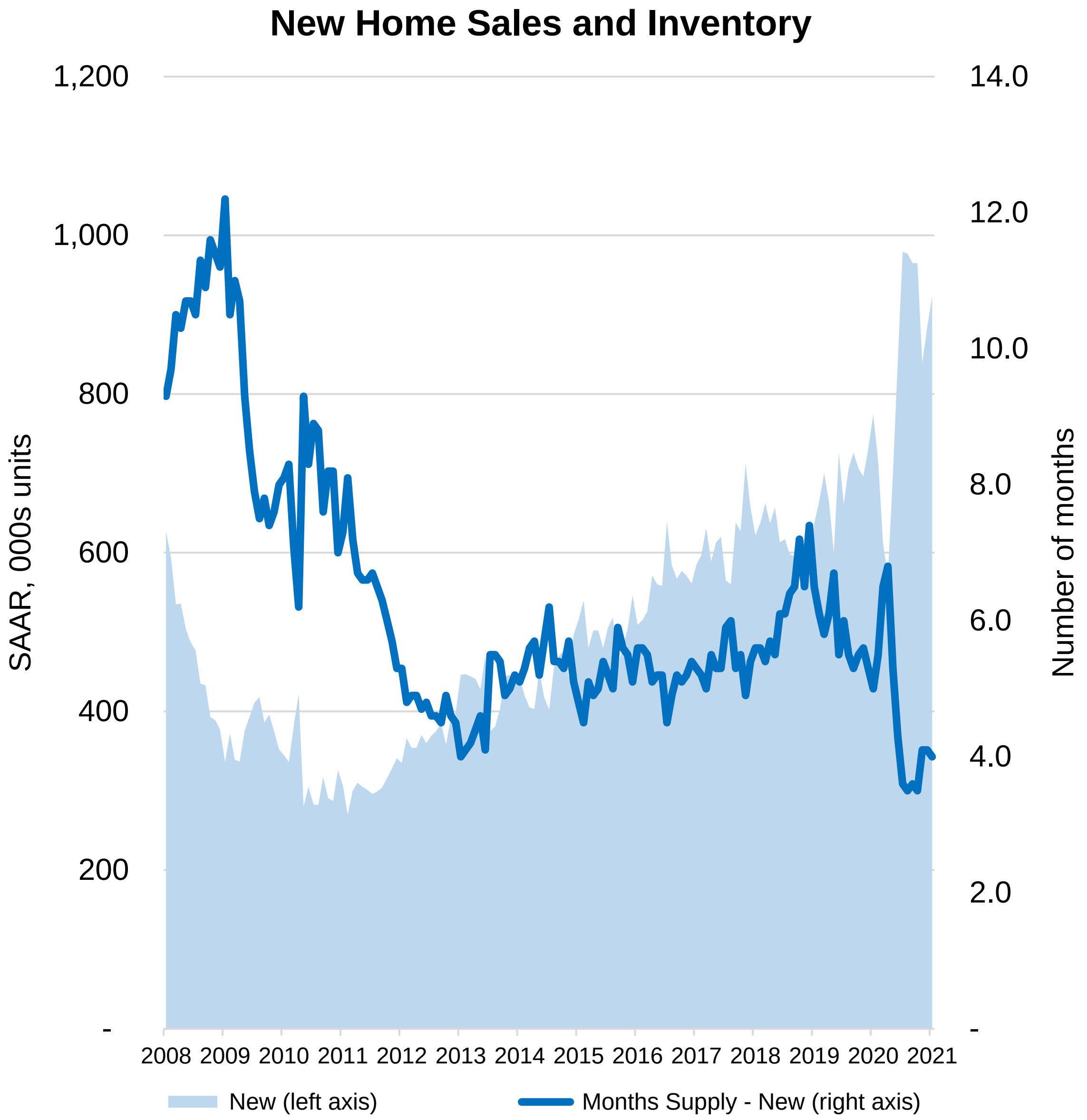

Purchase Mortgage Applications Index
(by week of the year, NSA)
400
350
300
250
200
150
100
50
0
1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
31
33
35
37
39
41
43
45
47
49
51
Week of the Year
2016
2017
2018
2019
2020
2021

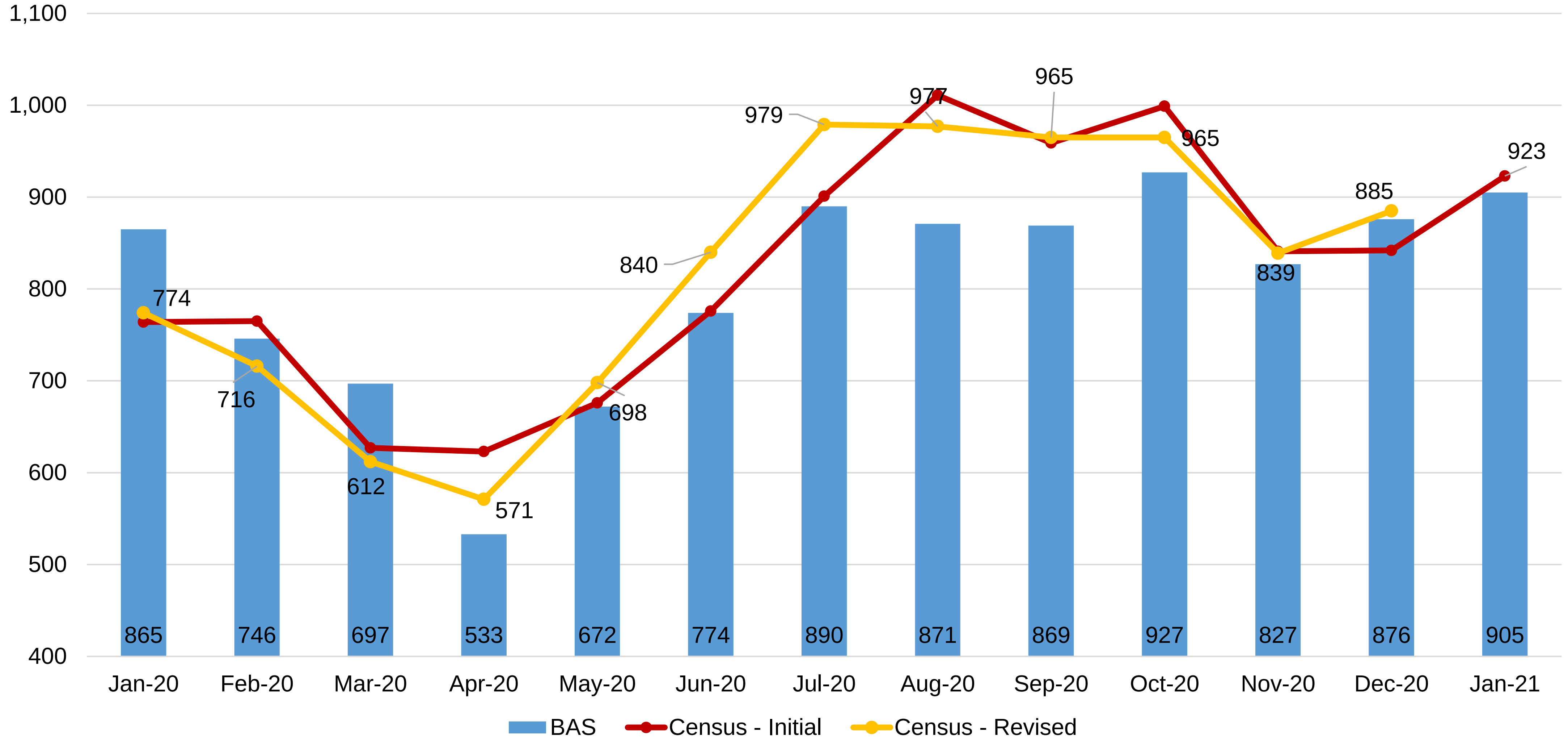




Source: Census Bureau, National Association of Realtors

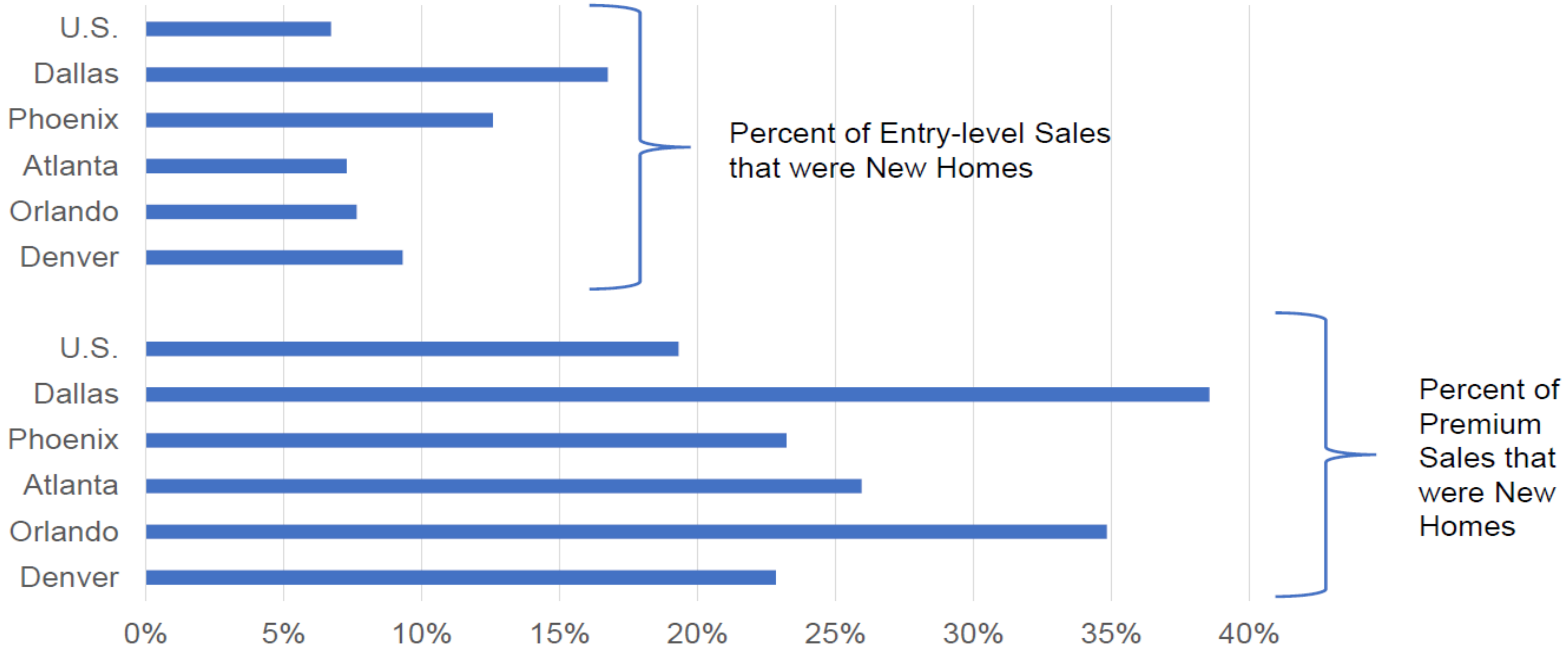
MBA and Census Estimates of New Home Sales

Seasonally adjusted, thousands



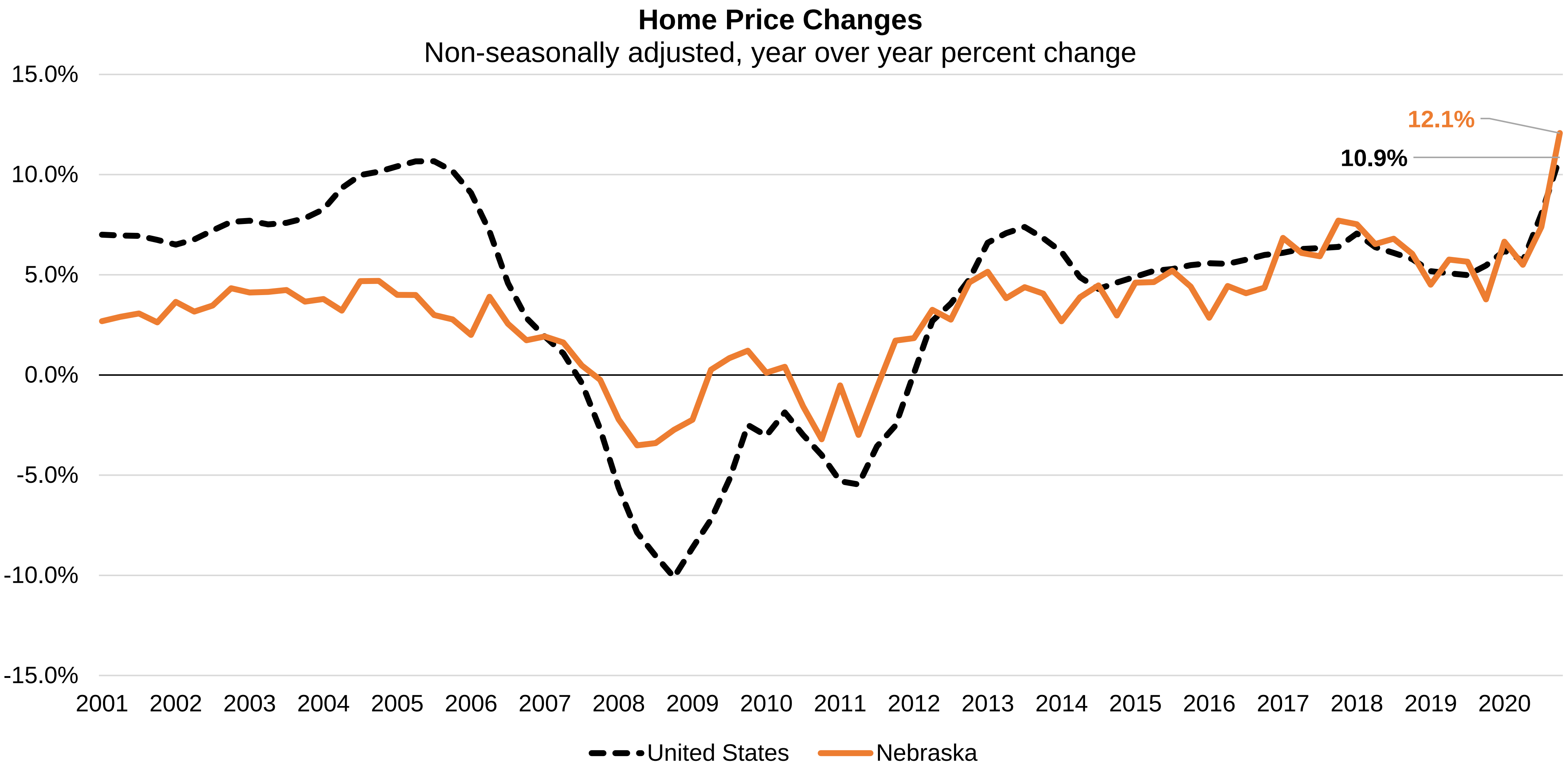
Source: MBA Builder Applications Survey

New Buildings Add Less to Supply of Entry-level Homes



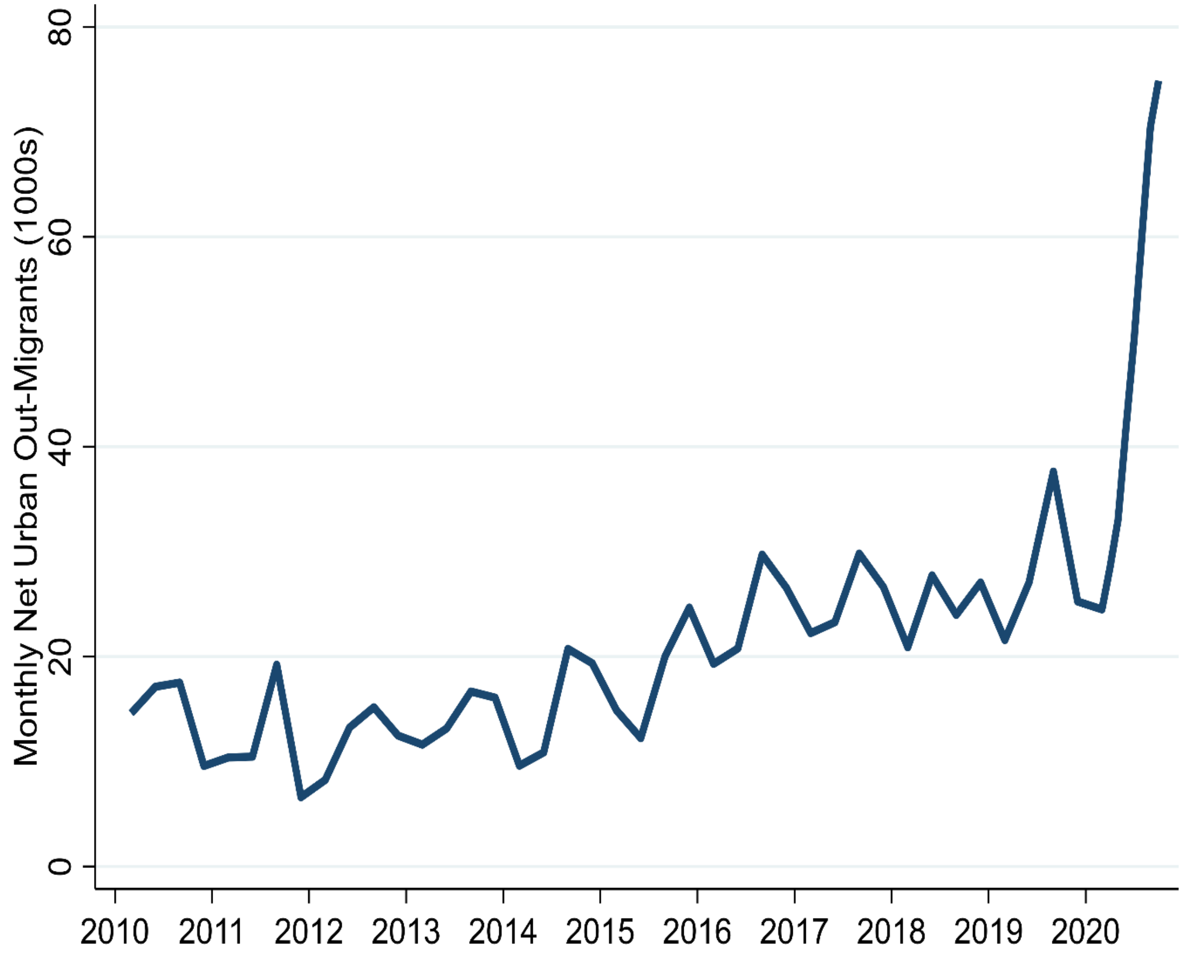
Source: CoreLogic public records, October 2019-September 2020 home sales; Entry (Premium) sales are the lower (upper) one-third of sales by price in each MSA; excludes condominiums

Home Price Growth Continues to Accelerate



Source: Federal Housing Finance Agency

What is Driving Urban to Suburban Migration?



Change in Net and Gross Flows into and out of Urban Neighborhoods

Metro Area	Chg in Net Flow	Chg in Outflow	Chg in Inflow
National	28.0	9.9	(18.1)
Below Median Income	10.7	3.7	(7.0)
Above Median Income	17.3	6.2	(11.1)
Homebuyers	8.5	8.3	(0.1)
Renters	19.5	1.5	(18.0)
18–34 years old	16.2	4.7	(11.4)
35–64 years old	9.9	5.0	(4.9)
65+ years old	2.0	0.2	(1.8)
500K to <2M metro pop	3.6	(0.6)	(4.1)
2M to <5M metro pop	7.2	2.3	(4.8)
≥5M metro pop	13.9	8.1	(5.8)

Note: The units are thousands of migrants per month. The change is calculated as the difference between the average monthly flow in April to September 2020 and the average monthly flow from the same months in 2017, 2018, and 2019.

Source: Federal Reserve Bank of Cleveland

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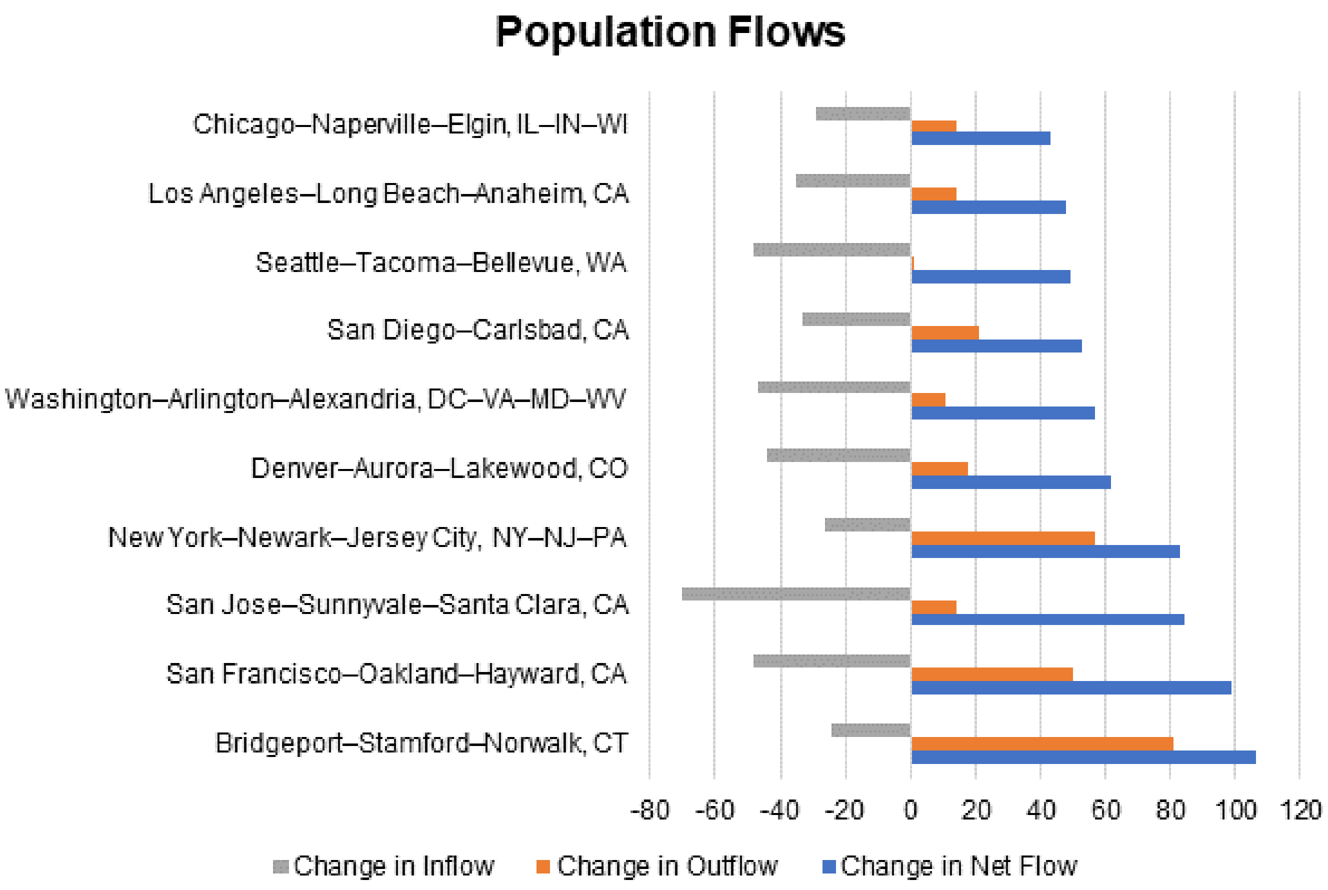
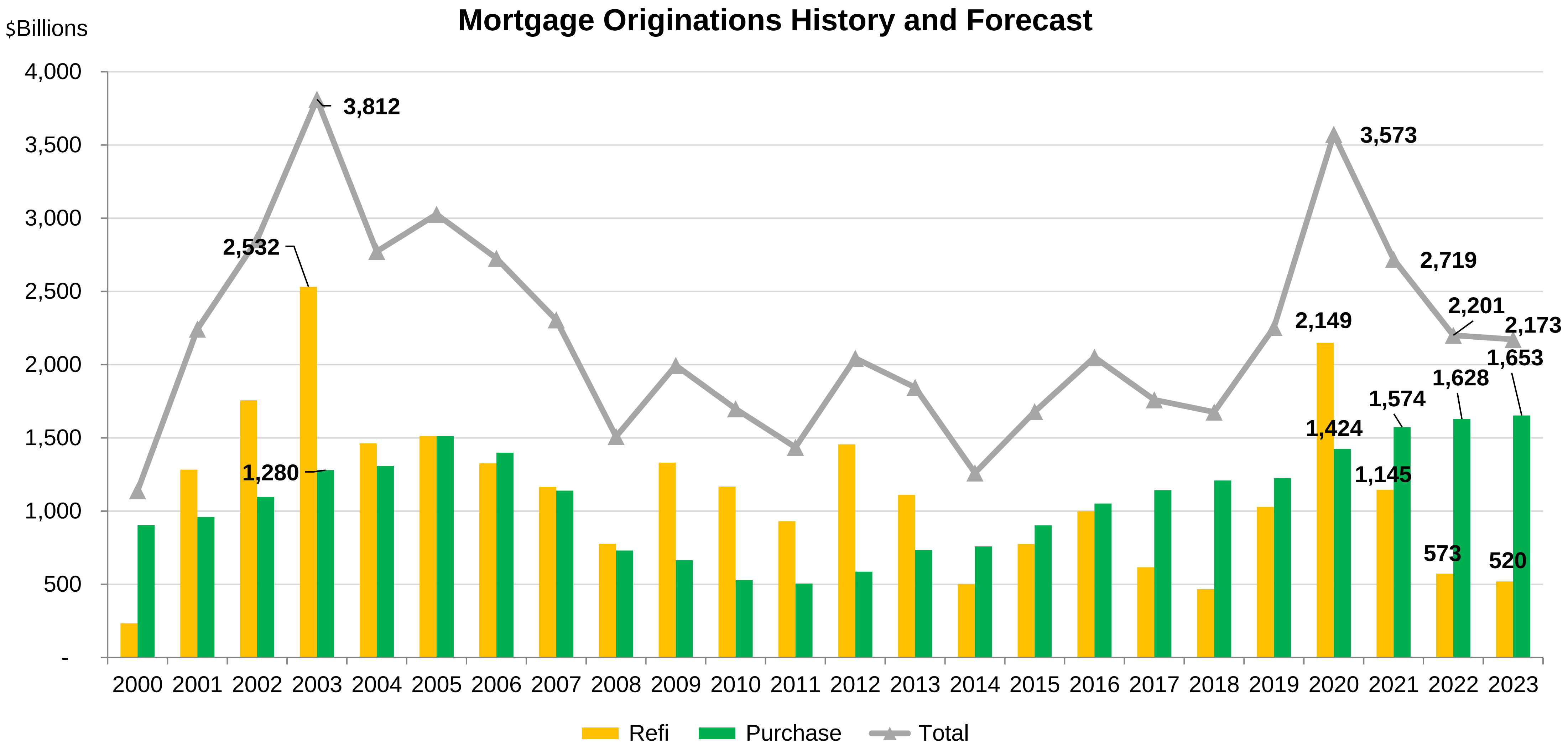
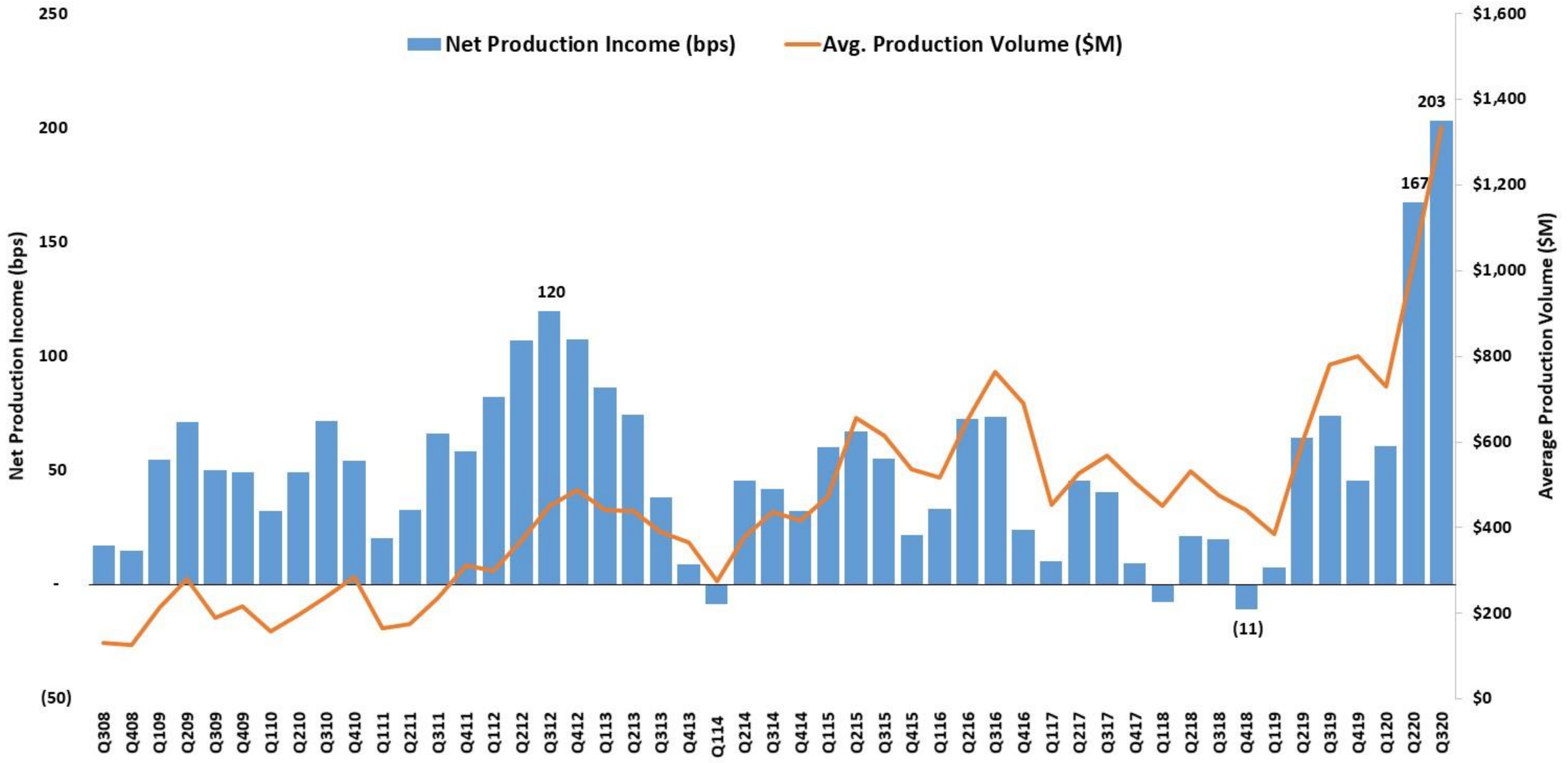


Source: Federal Reserve Bank of Cleveland

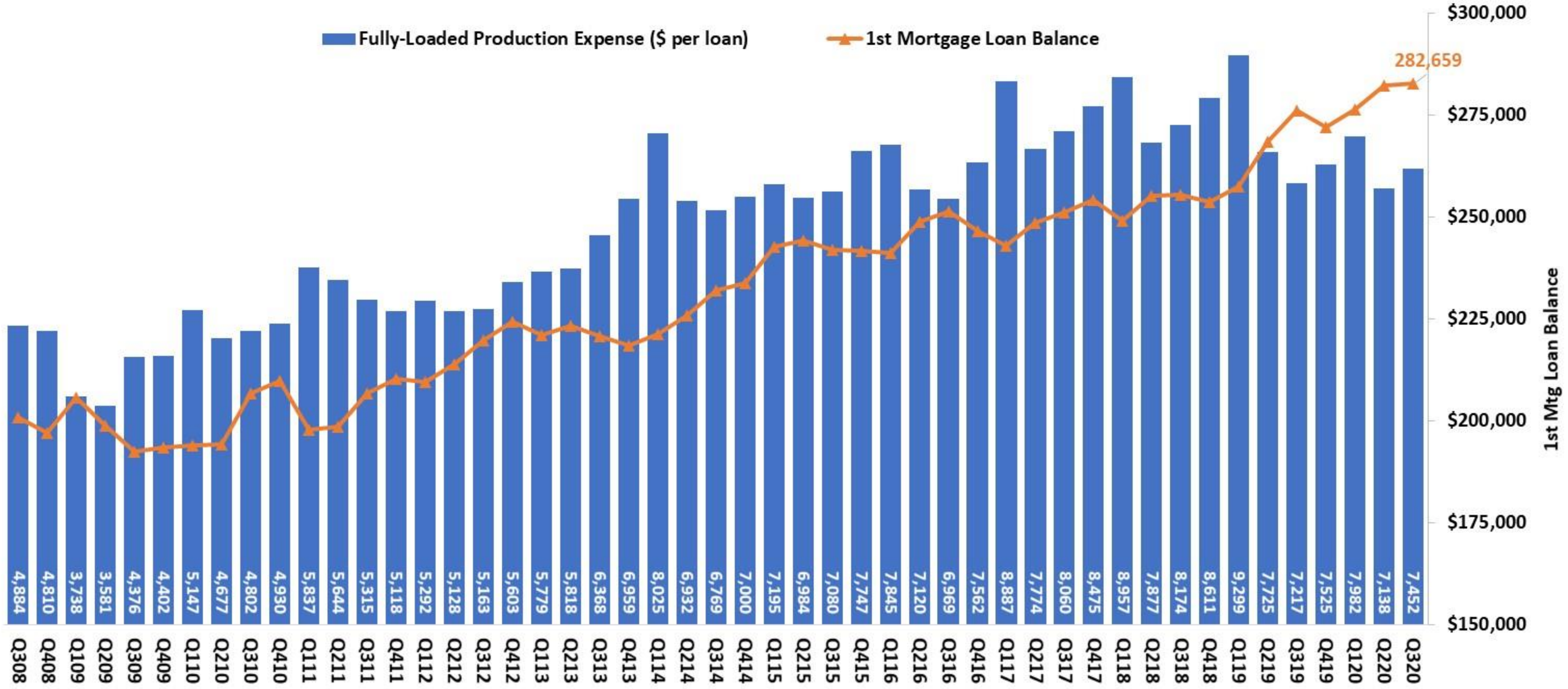
Forecast Purchase Growth, Refinancing to Slow



IMB Net Production Profits in Q3 2020 Surpasses 200 Basis Points

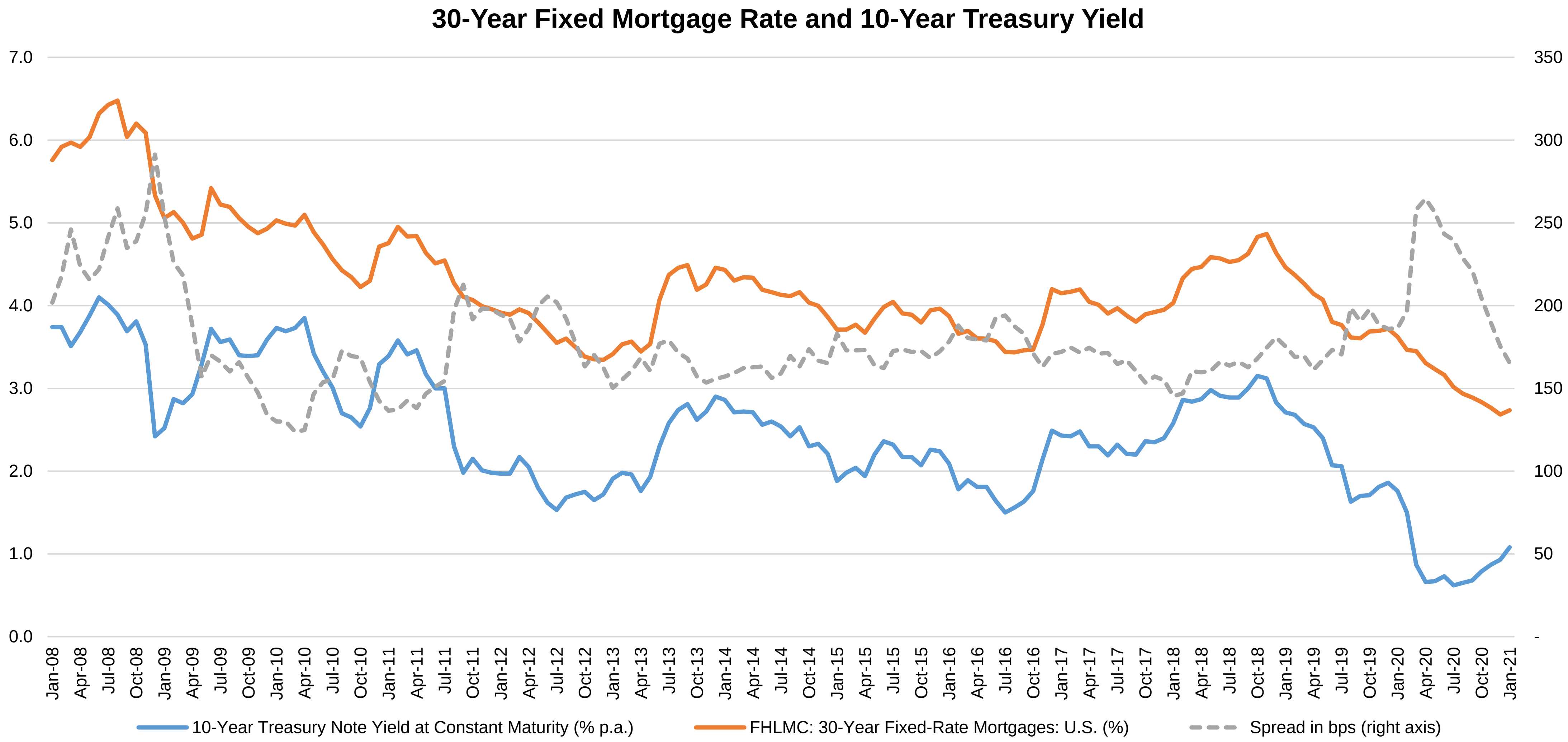


IMB Production Expenses ($ per loan) Increasing with Higher Loan Balances

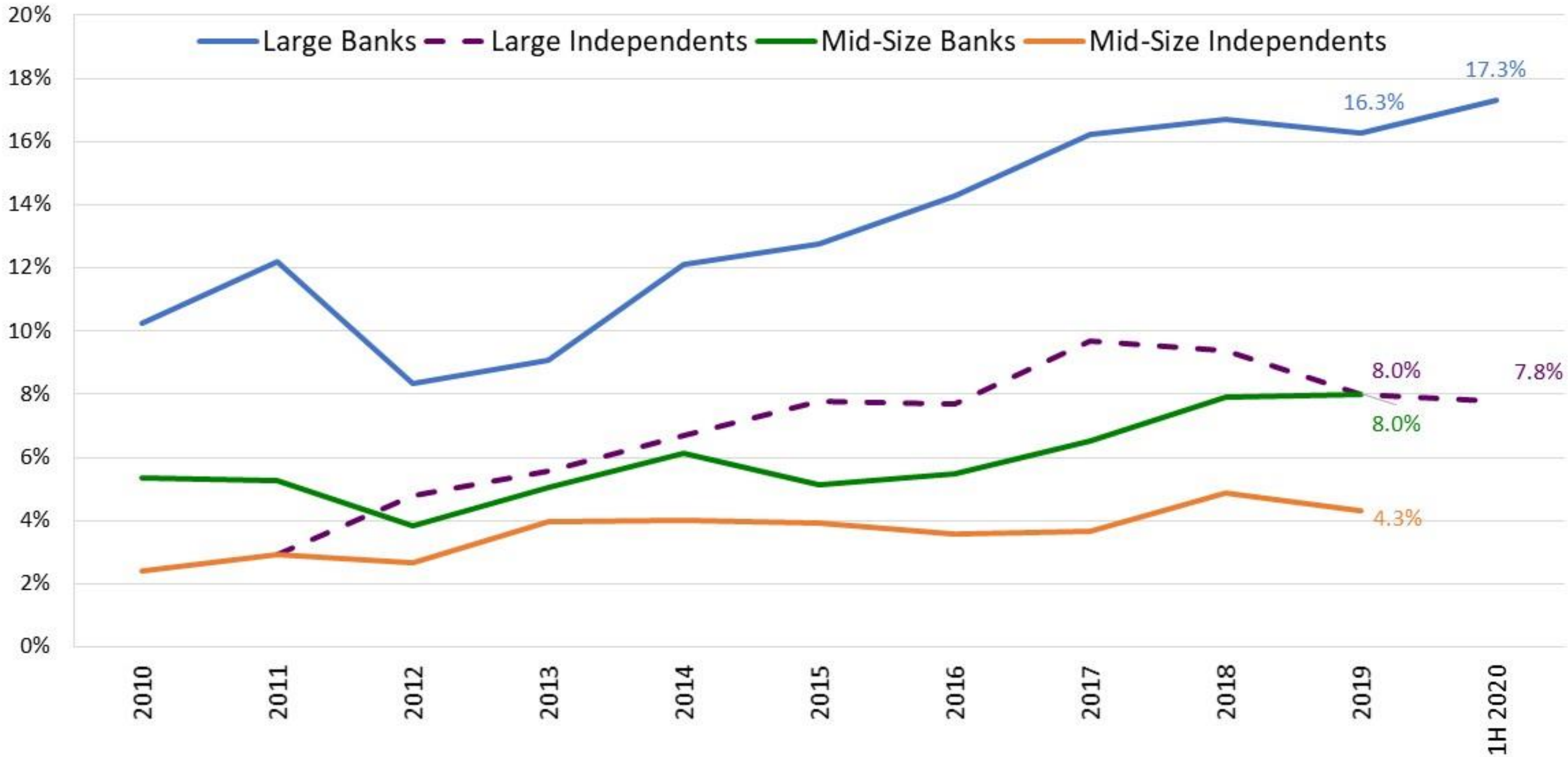


Source: MBA Quarterly Mortgage Bankers Performance Report

Will Production Revenues Hold? Mortgage-Treasury Spreads Have Narrowed

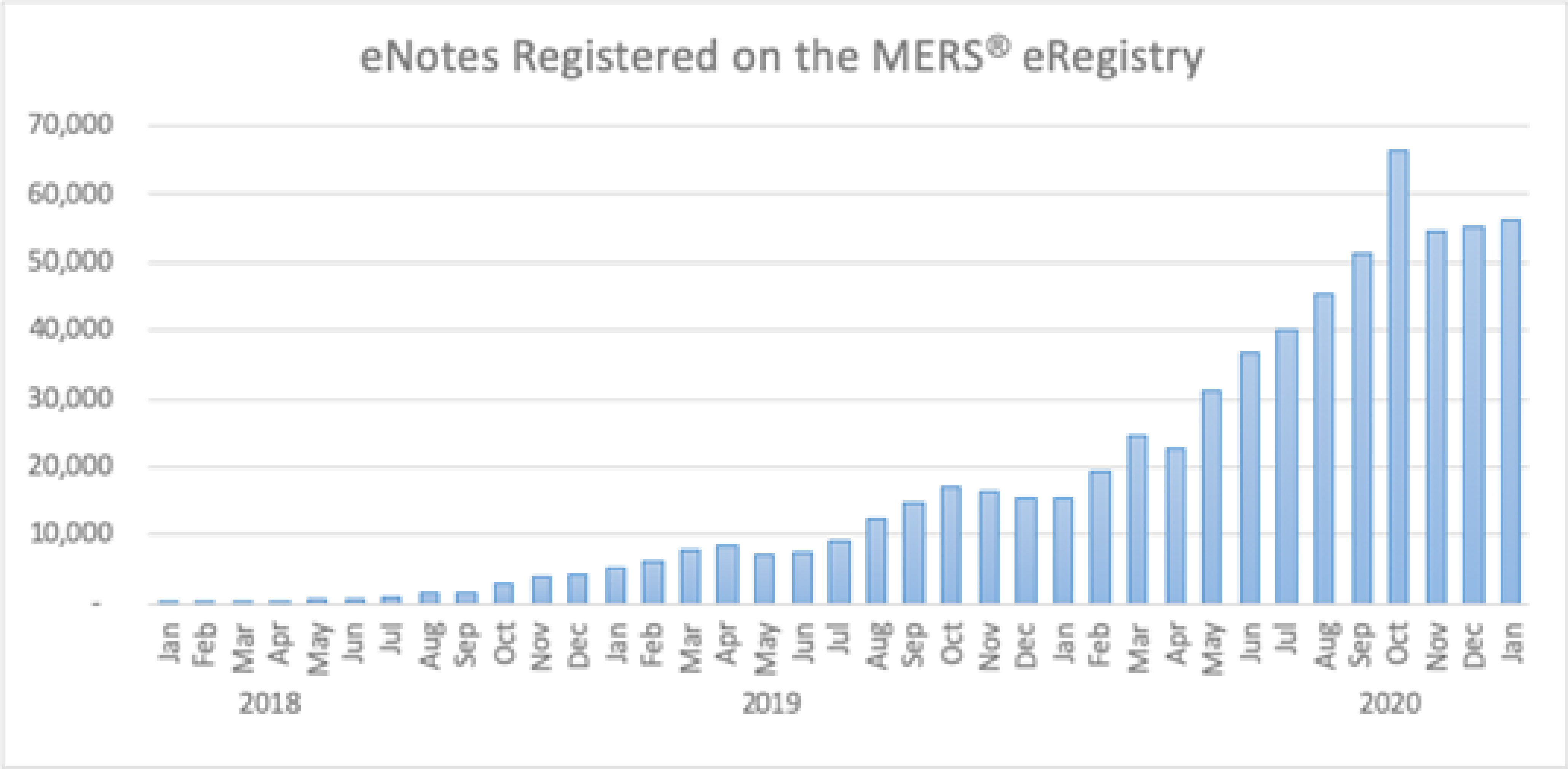


Technology Expense as % of Total Mortgage Company Costs



Source: PGR: MBA and STRATMOR Peer Group Roundtable Program

eNote Adoption Growing Rapidly



Source: MERS

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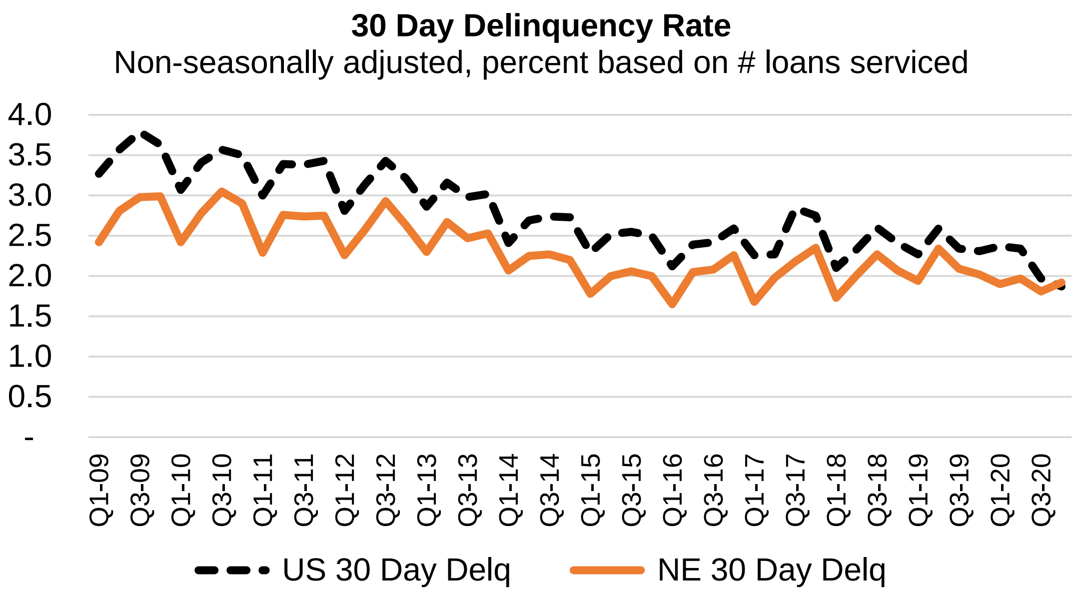
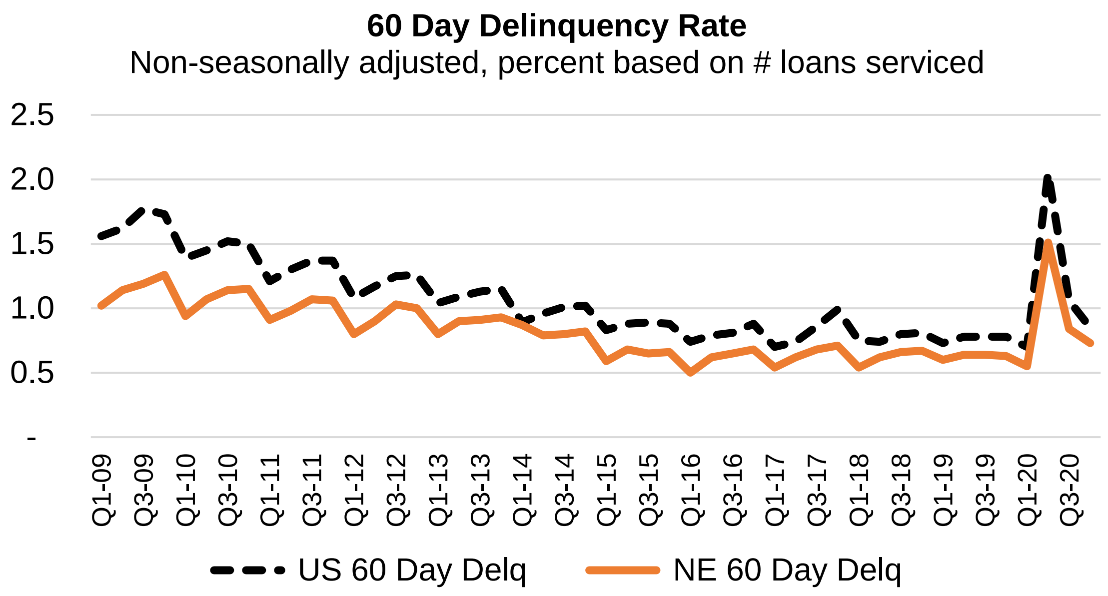
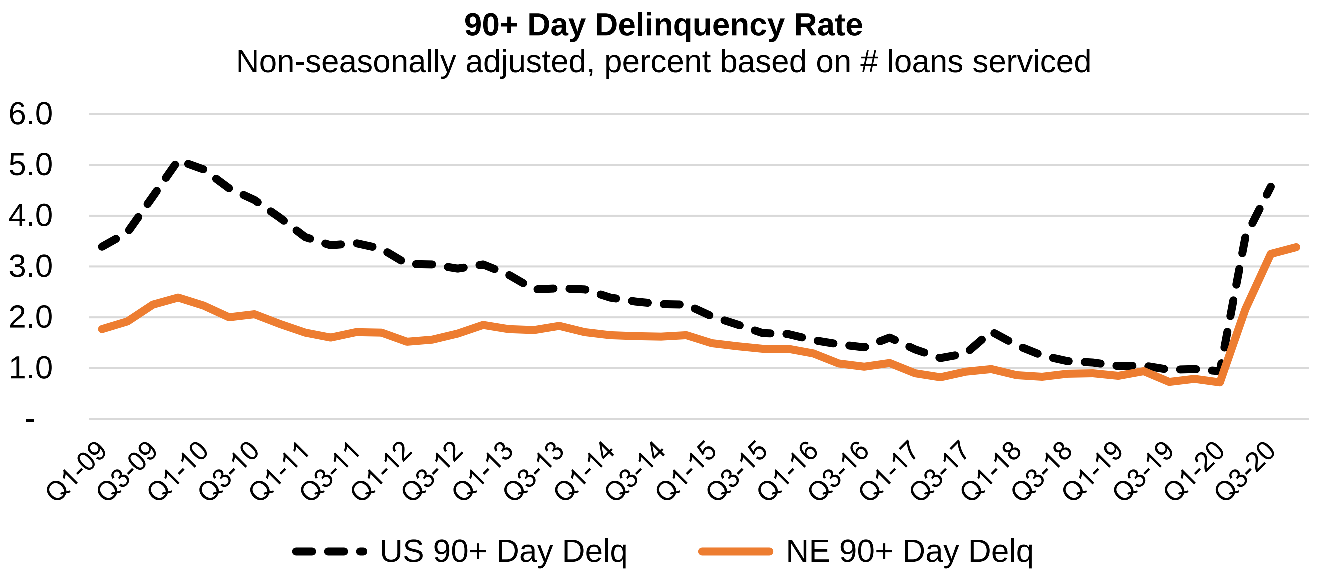
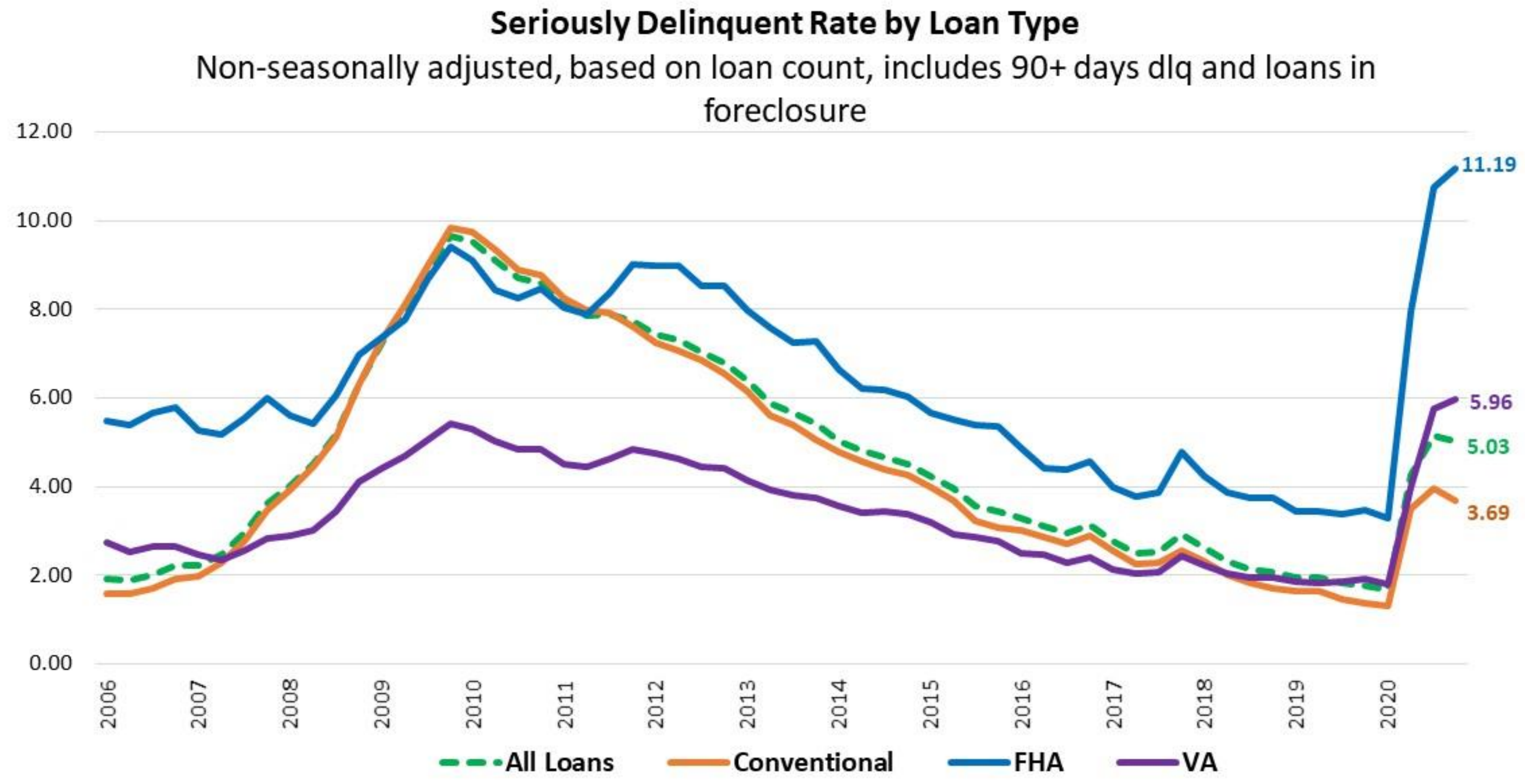






Source: MBA National Delinquency Survey



Source: MBA's National Delinquency Survey

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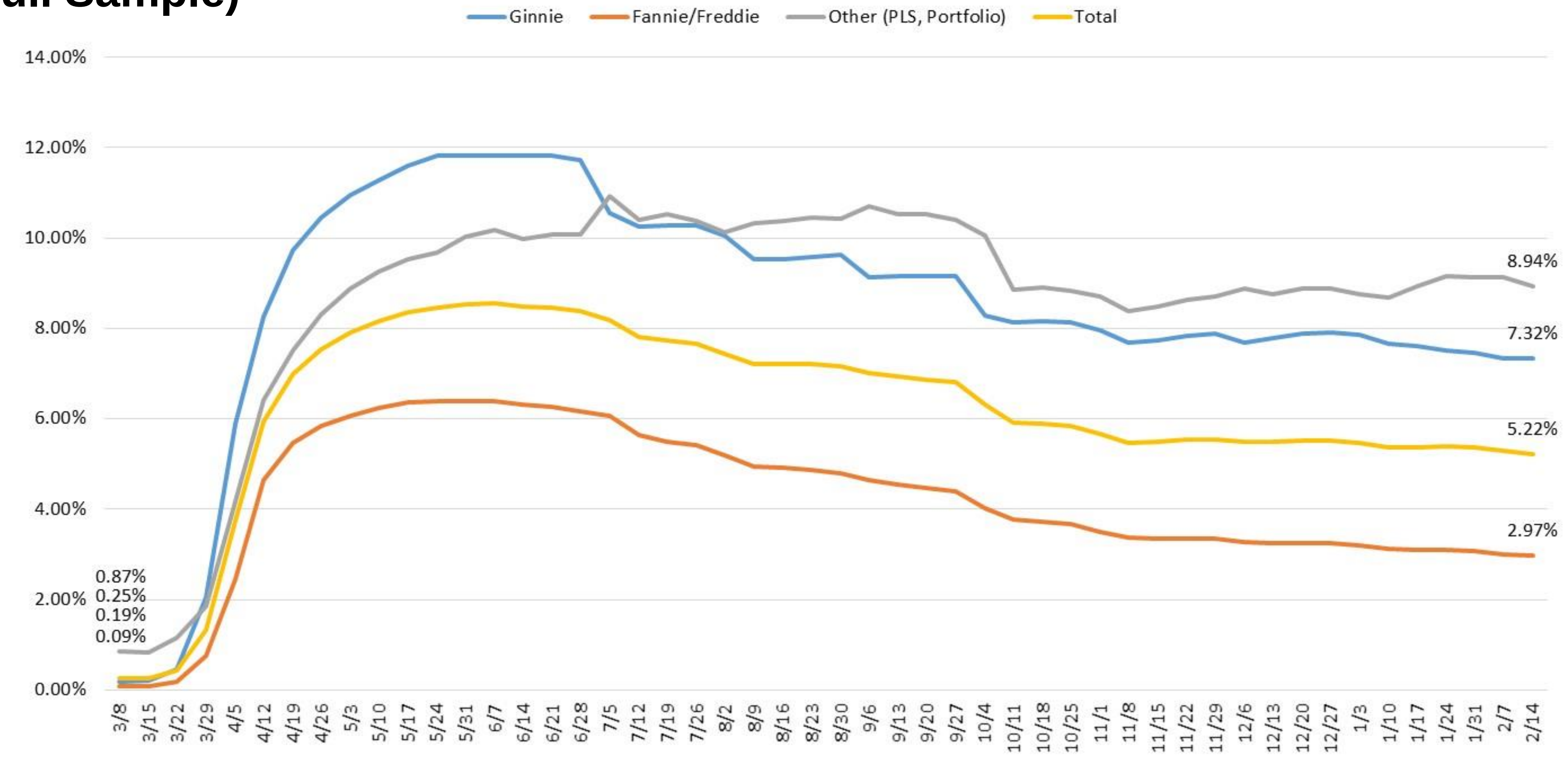
% of Servicing Portfolio Volume in Forbearance by Investor Type over Time (Full Sample)



Source: MBA's Weekly Forbearance and Call Volume Survey, as of 2/14/21

Policy Priorities

- Biden Admin
  - Stimulus
  - 4 pillars
- HUD/FHA
- FHFA
- CFPB

Contact Information and MBA Resources

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