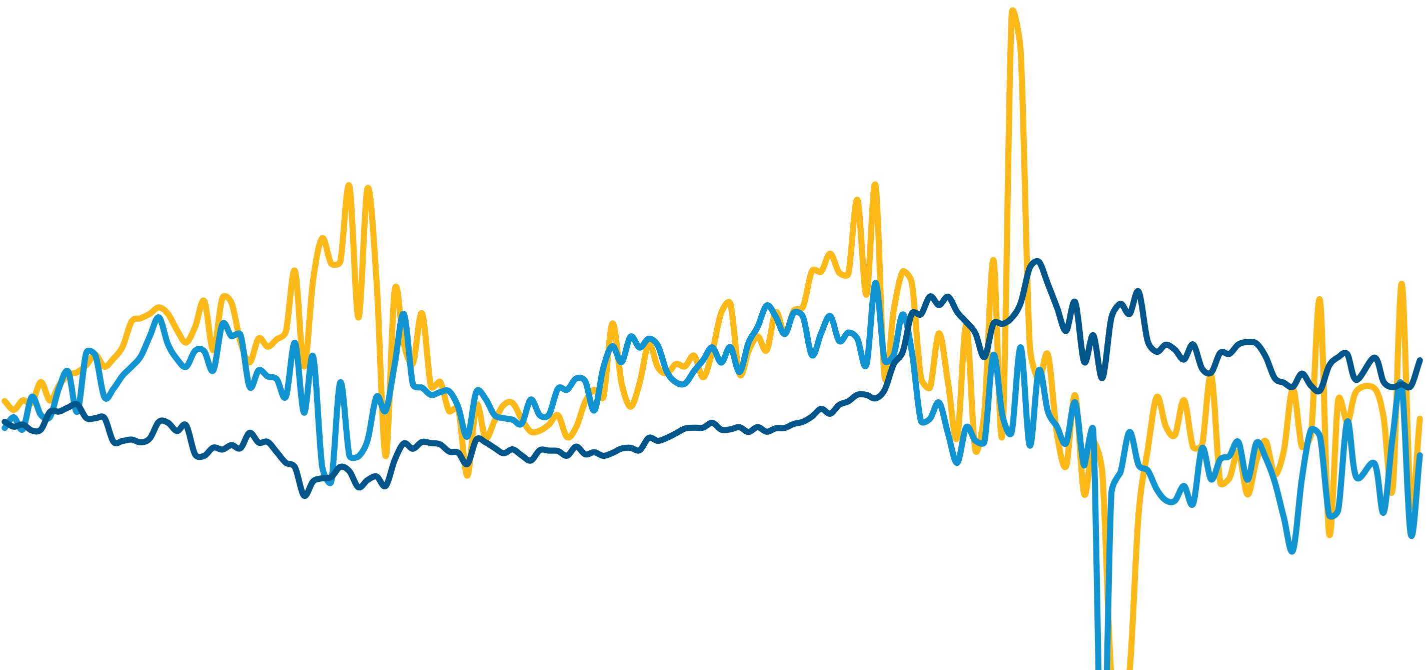
HOUSING FINANCE POLICY CENTER



HOUSING FINANCE AT A GLANCE

A MONTHLY CHARTBOOK

October 2023

URBAN INSTITUTE · ELEVATE · THE · DEBATE

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.

To receive regular updates from the Housing Finance Policy Center, please visit here to sign up for our bi-weekly newsletter.

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State of the Market

Down Payment Resource data to Understand the Impact of Down Payment Programs

How DPA can boost home sales in a high-rate environment

Purchasing a home has become more difficult in recent years. Higher mortgage rates and still elevated house prices have combined to significantly reduce homebuying affordability. And amid higher rates, purchase mortgage denial rates spiked.

Down payment assistance (DPA) is one tool that could help potential homebuyers achieve homeownership. Specifically, DPA could help potential first homebuyers whose share of agency purchase loans has been largely flat since 2020. The most common barrier for accessing homeownership is saving for a down payment. DTI contributes to over a third of purchase mortgage denials (p. 43), and high interest rates have been pushing DTI ratios up in 2022 and 2023. Down payment assistance can increase borrowers' cash-to-close (CTC) and reduce their debt-to-income ratio (DTI), helping buyers get approved for a purchase loan. Homeownership, in turn, can help families build generational wealth.

Amid the buyer challenges posed by higher interest rates, the Housing Finance Policy Center partnered with Down Payment Resource for our October 2023 special feature to analyze DPA programs over 2022. Down Payment Resource connects homebuyers with the down payment help they need and provides tools for housing professionals to help them along the way. The analysis in this special feature includes key characteristics of DPA programs, shows the share of originations across the 10 largest MSAs that would qualify for DPA, and the share of denied loans that could potentially have been salvaged with DPA. One consistent theme is that DPA targets potential buyers with fewer financial means.

Many DPA programs are designed to help financially constrained households

As of Q2 2023, there are 1,676 active (funded) DPA programs in the US. In 2022, 60.7 percent of programs contribute a set dollar amount to a borrower's down payment, with a median contribution of $15,000. 22.1 percent of programs contribute a percent of the sales price, on median 10 percent. Another 9.5 percent of the programs contribute a percent of the loan amount, the median contribution in these cases is 5 percent (p. 39).

To better target homebuyers more likely to require greater finance assistance, 72.7 percent of DPA programs impose income limits. 45.3 percent of all programs have an income cap of 80 percent of area median income. In addition, 62.1 percent of programs have a first-time homebuyer requirement. A third of programs have a minimum FICO requirement, the median of which will only give down payment assistance to borrowers whose credit score is above 640 (p. 40).

Almost half of originated purchase mortgages are eligible for DPA

43.6 percent, of purchase loans for 1–4-unit properties in the top 10 MSAs in the US would be potentially eligible for down payment assistance (p. 42). Across channels, FHA and USDA loans are most likely to be eligible at 79.8 and 81.9 percent, respectively. In addition, FHA and USDA loans are generally eligible for a greater number of programs than Conventional or VA loans.

DPA could have potentially helped salvage thousands denied a purchase mortgage

Across the top 10 MSAs, 30.7 percent of denied loans could potentially have been salvaged with DPA. For a loan to be potentially salvageable, a purchase loan applicant must be eligible for a DPA program but primarily denied the mortgage due to DTI or CTC.

Over the 10 largest MSAs, approximately 46,000 denied applicants were potentially salvageable (p. 44 and 45). In seven of the 10 MSAs, denied FHA loans had a greater likelihood of being potentially salvageable with DPA. In the other three MSAs, denied USDA loans had the greatest likelihood of being potentially salvageable, although the absolute numbers of USDA loans were small.

Inside this Issue

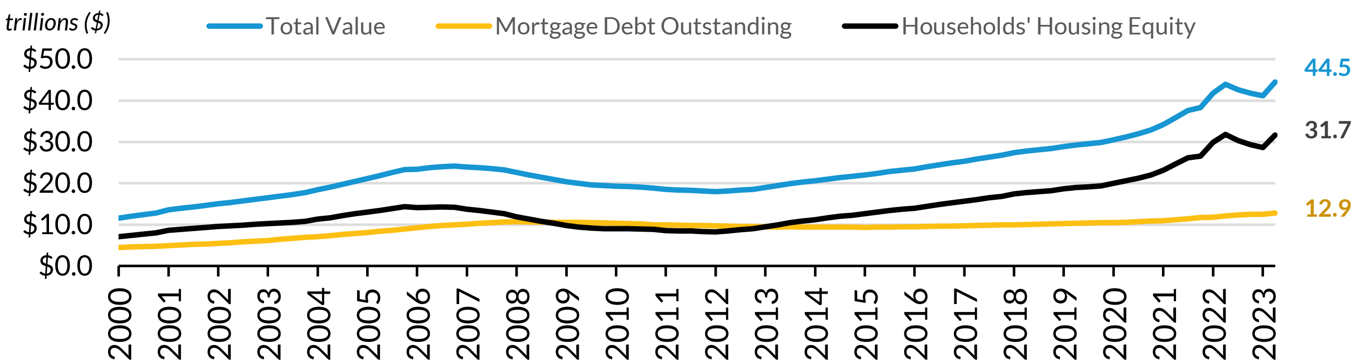
- The share of agency mortgages considered refinancable has plummeted to 0.1 percent. (page 9)
- Serious delinquency rates for single family loans have continued their decline; but multifamily delinquencies, while still low, have shown a noticeable increase since earlier this year. (page 33)
- Across the broad four US regions of the country, house prices were higher than their level 12 months ago (page 25)
- Following two consecutive quarterly declines, households' housing equity rose in the second quarter of 2023 (page 6)

OVERVIEW

MARKET SIZE OVERVIEW

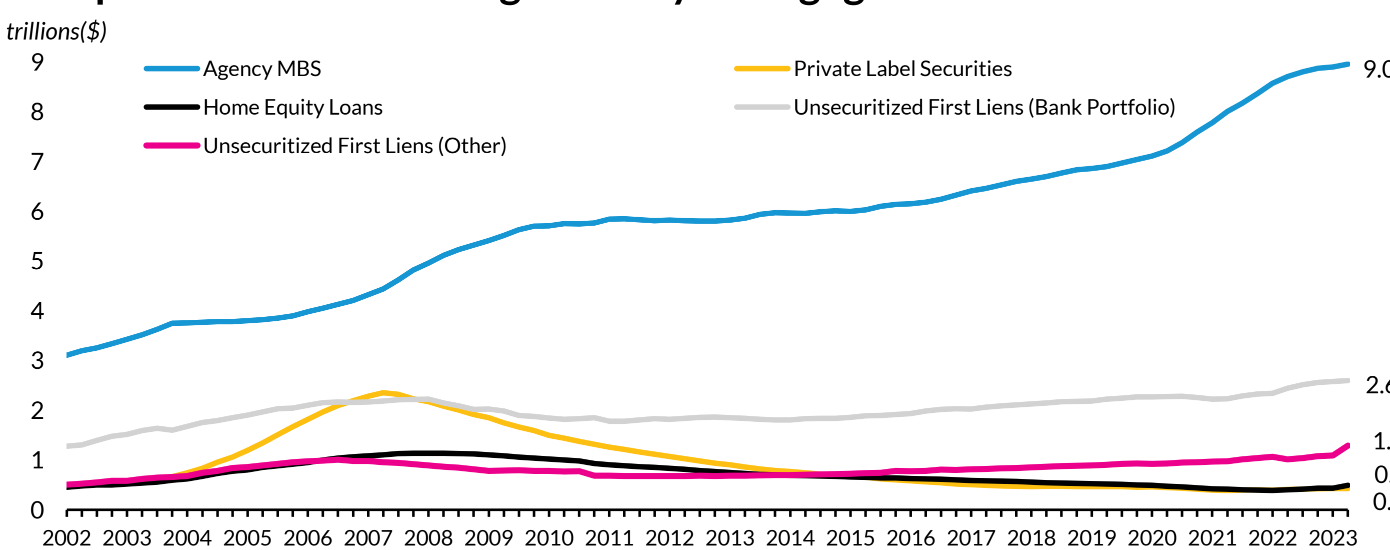
In the second quarter of 2023, the total value of the housing market owned by households increased by 8.1 percent to $44.5 trillion, a series high and driven by a 10.4 percent increase in households' housing equity to $31.7 trillion. Outstanding mortgage debt owed by households rose by 2.6 percent over the quarter to $12.9 trillion. Despite a small decline over the fourth quarter of 2022 and first quarter of 2023, the total housing market value owned by households is 84.4 percent above its fourth quarter of 2006 peak. The strong growth in market value of homes owned by households largely reflects households' housing equity, which more than doubled over this time period, rising by 123.0 percent. Outstanding mortgage debt owed by households expanded by 29.3 percent during the same time. In the third quarter of 2023, agency MBS accounted for 65.1 percent ($9.0 trillion) of the total mortgage debt outstanding while private-label securities made up 3.1 percent (0.43 trillion) and home equity loans made up 3.6 percent (0.49 trillion). Unsecuritized first liens, both Bank Portfolio and Other, comprise the remaining 28.2 percent ($3.9 trillion) with banks making up 18.9 percent ($2.6 trillion), and Other accounting for 9.4 percent ($1.29 trillion). Of Other, credit unions account for 4.2 percent ($0.57 trillion), and other non-depositories accounted for 5.2 percent ($0.72 trillion) of the total (not shown).

Value of the US Single Family Housing Market



Sources: Financial Accounts of the United States, Table B.101 and Urban Institute. Last updated September 2023.
Note: Single family includes 1-4 family mortgages. The home equity number is grossed up from Fed totals to include the value of households.

Composition of the US Single Family Mortgage Market

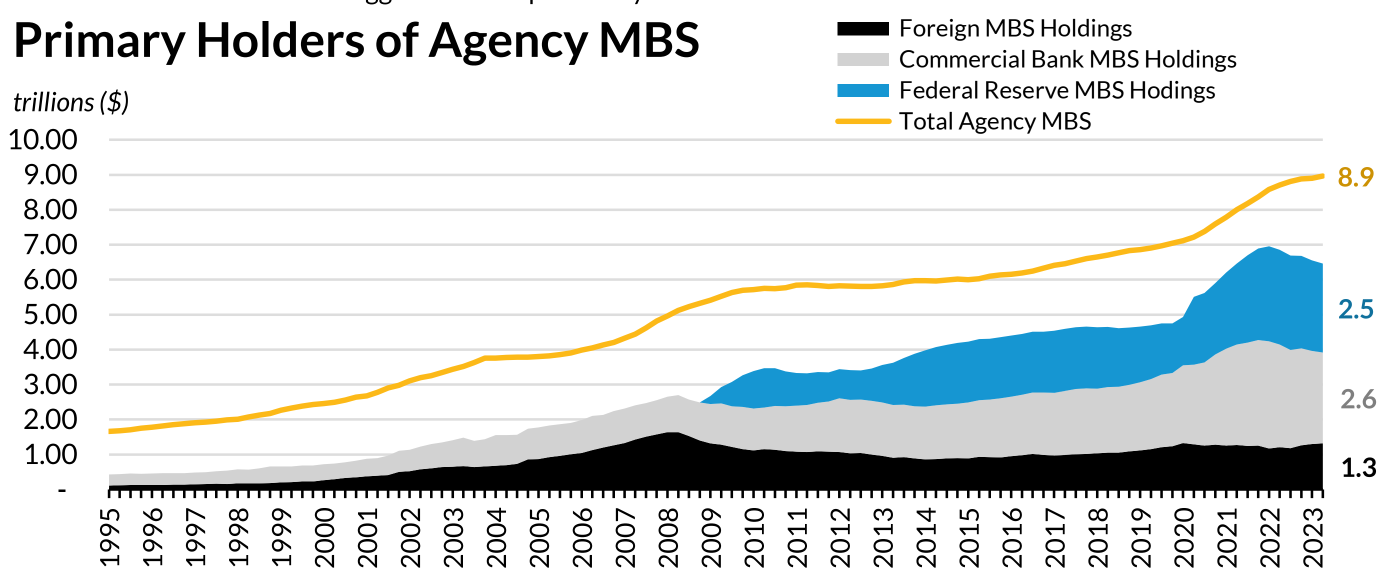


Sources: Financial Accounts of the United States and Urban Institute. Last updated September 2023.
Notes: Unsecuritized First Liens (Other) includes mortgages not held on bank balance sheets.

MARKET SIZE OVERVIEW

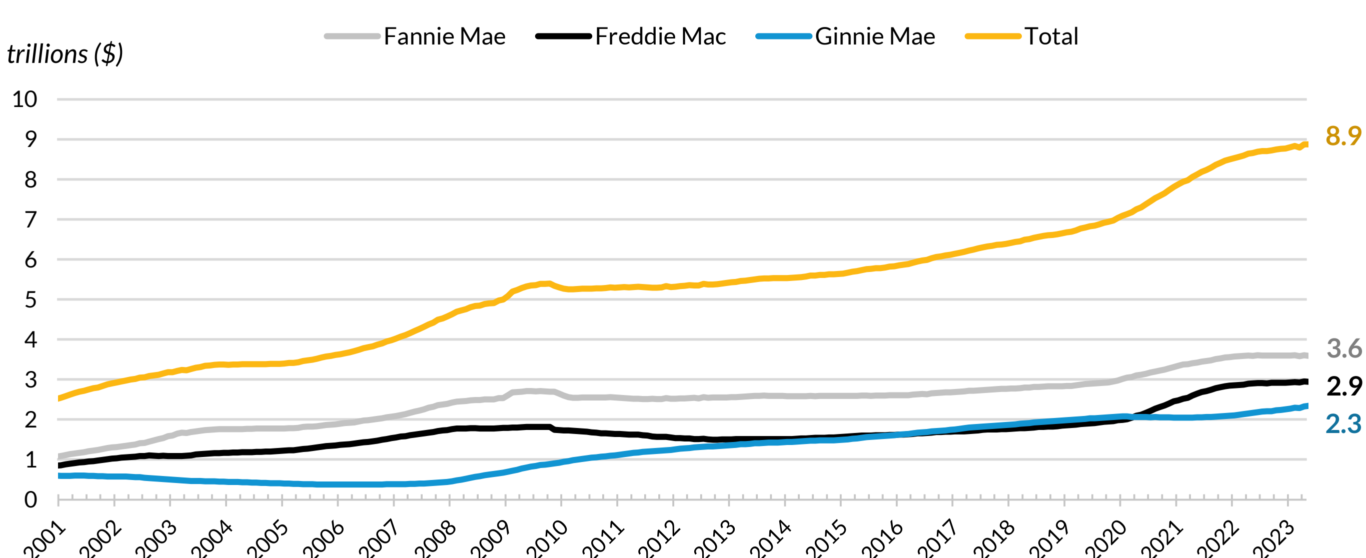
The three largest holders of the $8.9 trillion in outstanding agency MBS are commercial banks ($2.6 trillion), the Federal Reserve ($2.5 trillion) and foreign investors ($1.3 trillion).The foreign investor holdings includes both sovereign as well as private holdings. Note that commercial banks and the Federal Reserve have both had noticeable reductions in their holdings over the past year. From Q2 2022 to Q2 2023 commercial banks holdings are down by 15.1 percent while Federal Reserve holdings are down by 6.5 percent. By the end of Q3 2023, outstanding securities in the agency market totaled $8.9 trillion according to loan-level data, 40.6 percent ($3.6 trillion) of which was Fannie Mae, 33.2 percent ($2.9 trillion) Freddie Mac, and 26.2 percent ($2.3 trillion) Ginnie Mae. After closing the gap in securitized volume with Freddie Mac in the aftermath of the Great Recession, Ginnie securitized volumes have lagged over the past few years.

Primary Holders of Agency MBS



Sources: Financial Accounts of the United States (table L.211), Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Moody's Analytics and Urban Institute Calculations. Last updated for August 2023.
Note: A small amount (roughly 5%) of foreign MBS holdings is agency debentures. Holders not shown: Households, nonfinancial business, federal, state and local governments, insurance companies, pension and retirement funds, money market and mutual funds, REITs, ABS issuers, brokers, and holding companies.

Agency Mortgage-Backed Securities

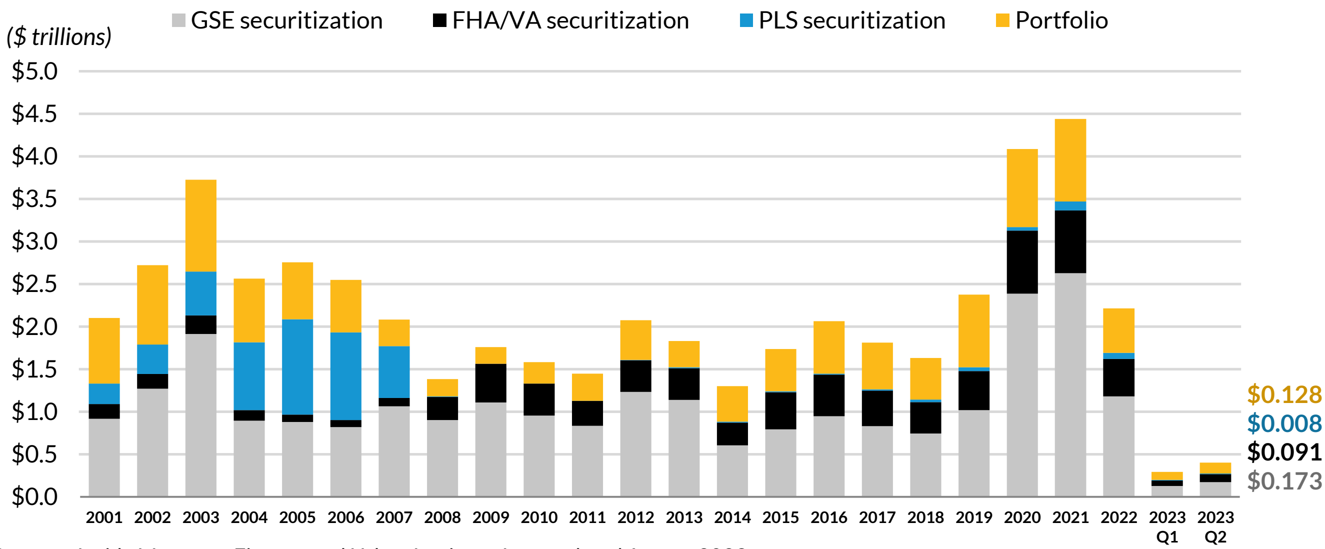


Sources: eMBS and Urban Institute.

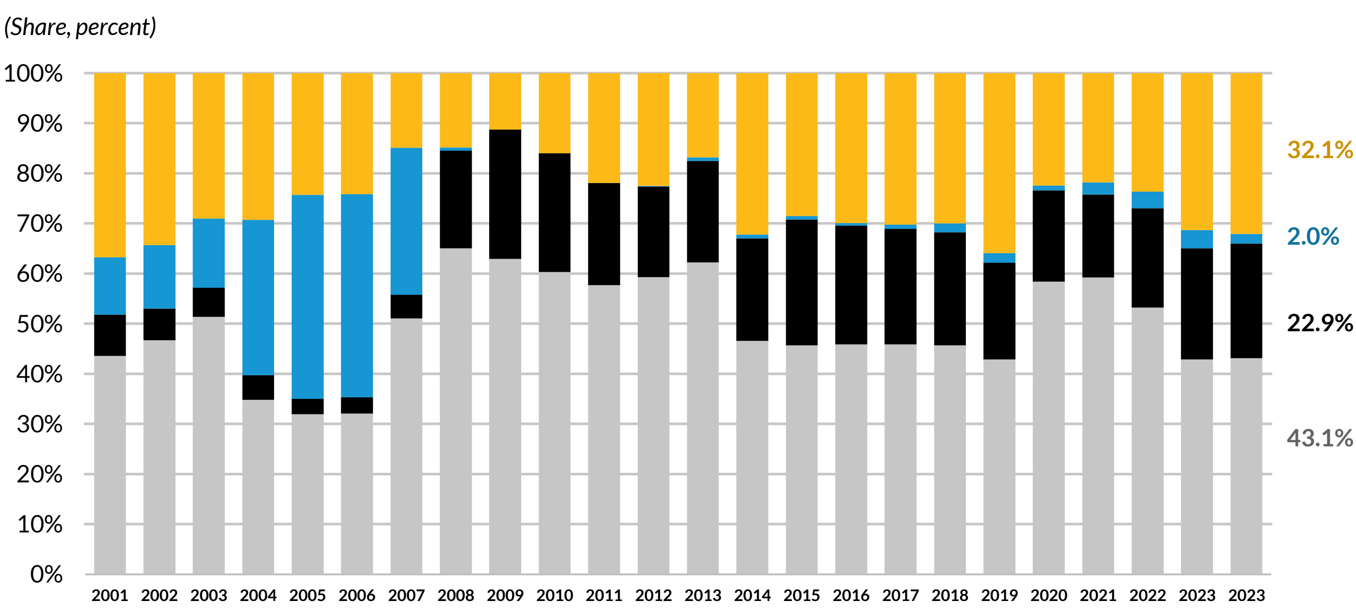
ORIGINATION VOLUME AND COMPOSITION

First Lien Origination Volume

Amid rising interest rates, mortgage origination volume totaled $400 billion in the second quarter of 2023, versus $650 billion for Q2 2022. The decline in originations largely reflects fewer refinance loans. The GSE share was lower in Q2 2023 at 43.1 percent, compared to 48.2 percent in Q2 2022. The PLS share was 2.0 percent in Q2 2023, down from 3.2 percent in Q2 2022.The decline in the share of GSE and PLS originations was offset by portfolio loan share which reached 32.1 percent in Q2 2023, an increase compared to the 30.6 percent share in Q2 2022. The FHA/VA share in Q2 2023 stood at 22.9 percent, up from 18.0 percent in Q2 2022. However, while the shares of portfolio and FHA/VA originations rose year-over-year, origination volume in each of these segments fell over the same period.



Sources: Inside Mortgage Finance and Urban Institute. Last updated August 2023.

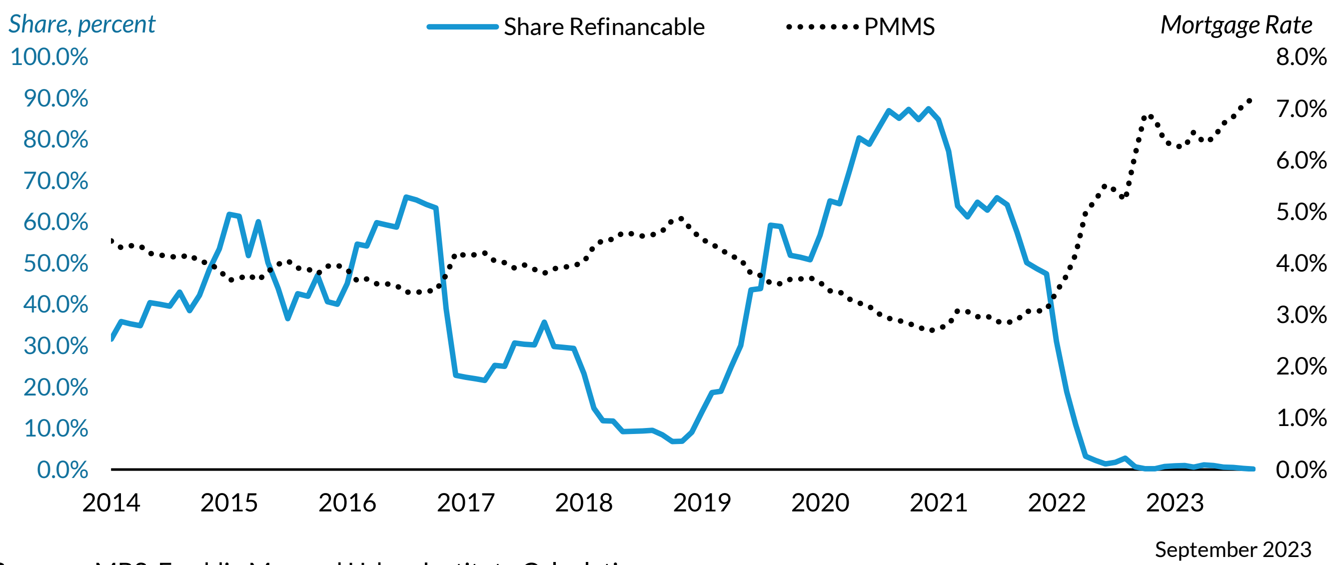


Sources: Inside Mortgage Finance and Urban Institute. Last updated August 2023.

REFINANCABLE MORTGAGES

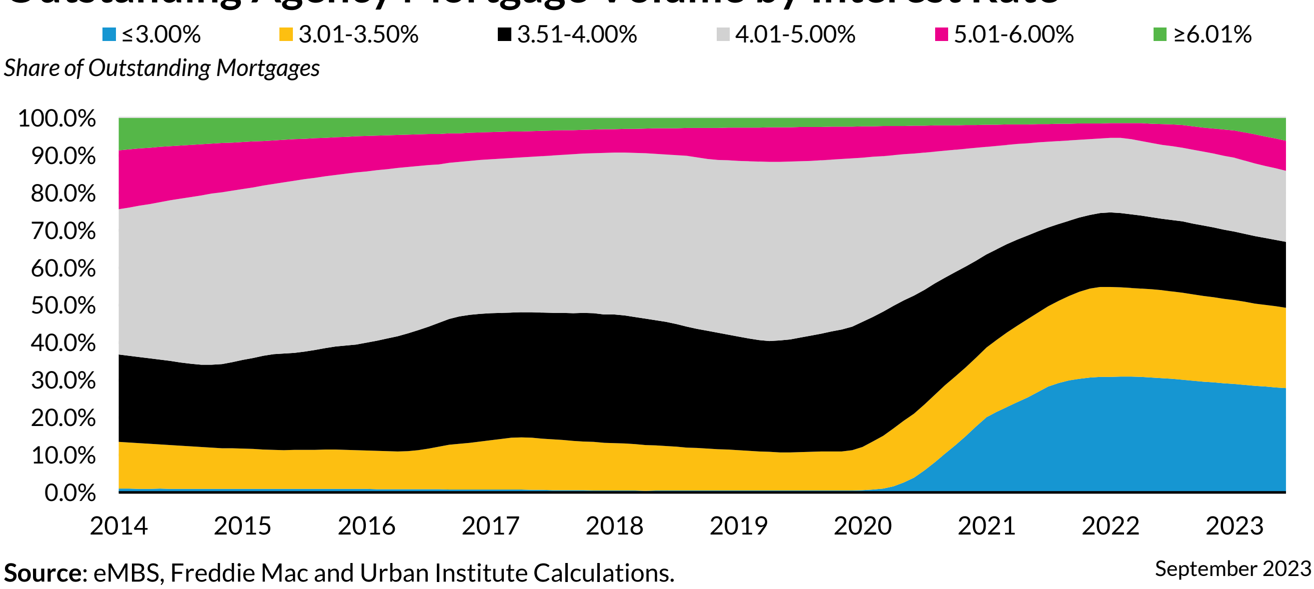
After peaking at 4.87 percent in November 2018, mortgage rates began to decline, falling to 2.68 percent in December 2020. Amid falling mortgage rates, the share of agency loans considered refinancable rose from 6.8 percent in October 2018 to 87.4 percent in December 2020. Lower mortgage rates contributed to a burst in refinancings over 2020, 2021 and the first four months of 2022. The share of agency mortgages with a rate less than 3.5 percent expanded significantly, from 11.0 percent in December 2019 to 54.9 percent in April 2022. As mortgage rates rose over 2022,and, in September 2023, reached their highest level in over 20 years, the share of agency mortgages considered refinancable has plummeted to 0.1 percent in September 2023. Higher mortgage rates helped reduce both refinancability, with many current borrowers having already refinanced into lower rates, and homebuyer affordability, both because mortgage payments are higher, and prices have increased due to low inventory, as current homeowners are disincentivized to sell and give up their low-rate mortgages. Amid higher rates, the share of outstanding mortgage volume with a rate of 3.5 percent or less has declined by only 5.5 percentage points from a high of 54.9 percent in April 2022 to 49.4 percent in September 2023.

Refinancable Share of Agency Loans



Source: eMBS, Freddie Mac and Urban Institute Calculations
Note: Loans are counted as refinancable if the note rate is at least 50 basis points over the mortgage rate reported by Freddie Mac's Primary Mortgage Market Survey.

Outstanding Agency Mortgage Volume by Interest Rate



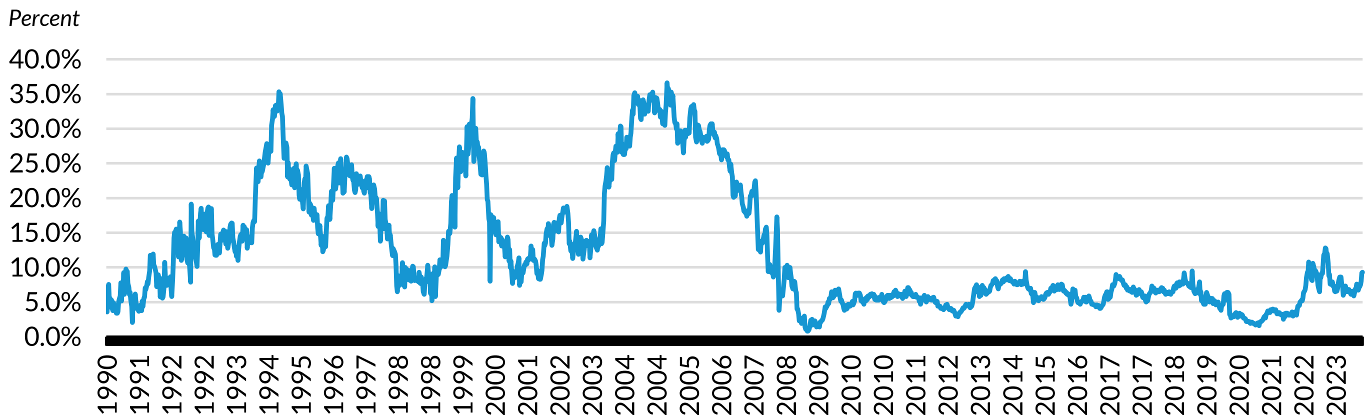
Source: eMBS, Freddie Mac and Urban Institute Calculations.

OVERVIEW

PRODUCT COMPOSITION AND REFINANCE SHARE

The adjustable-rate share of weekly mortgage applications varied widely in the 1990s and the early to mid-2000s, ranging from a low of 5 percent to a high of over 35 percent. From 2009 to early 2022, the ARM share remained very low, generally between 5 to 8 percent, as ultra-low rates persisted, and product risk was wrung out of the market following the housing bust. However, with rates rising substantially in 2022 and affordability worsening, the ARM share increased from 3.1 percent in the week ending January 7, 2022 to 12.8 percent as of the week ending October 14, 2022. As mortgage rates continue to rise, the refi share remains low and demand for adjustable-rate mortgages has not returned to late 2022 levels.

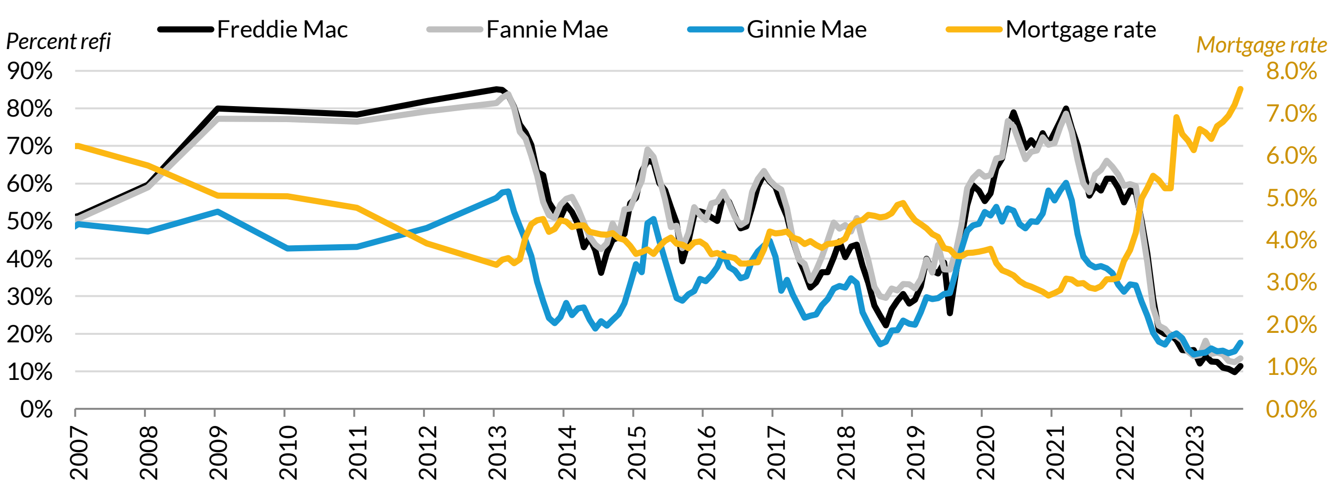
Adjustable-Rate Mortgage Share of Applications



Source: Mortgage Bankers Association (MBA) Weekly Mortgage Applications Survey.
Note: Includes purchase and refinance applications. Data updated through October 13, 2023.

Percent Refi at Issuance

Despite some monthly variation, from late 2018-though March 2021 the percent refi at issuance (refi share) generally increased for both the GSEs and for Ginnie Mae as interest rates dropped. Refinance originations reflect mortgage rates from 6-8 weeks earlier. Since April 2021, and in reaction to higher interest rates, the refi share has declined significantly. In September 2023, the Fannie Mae and Freddie Mac refi shares increased from their record low values to 13.5 percent and 11.4 percent. The Ginnie Mae refi share was 17.6 percent. The refi share across the GSEs has declined much more than Ginnie Mae's as rates increased in 2022 and 2023. This has led to a rare reversal, where the Ginnie Mae refi share now exceeding that of the GSEs.

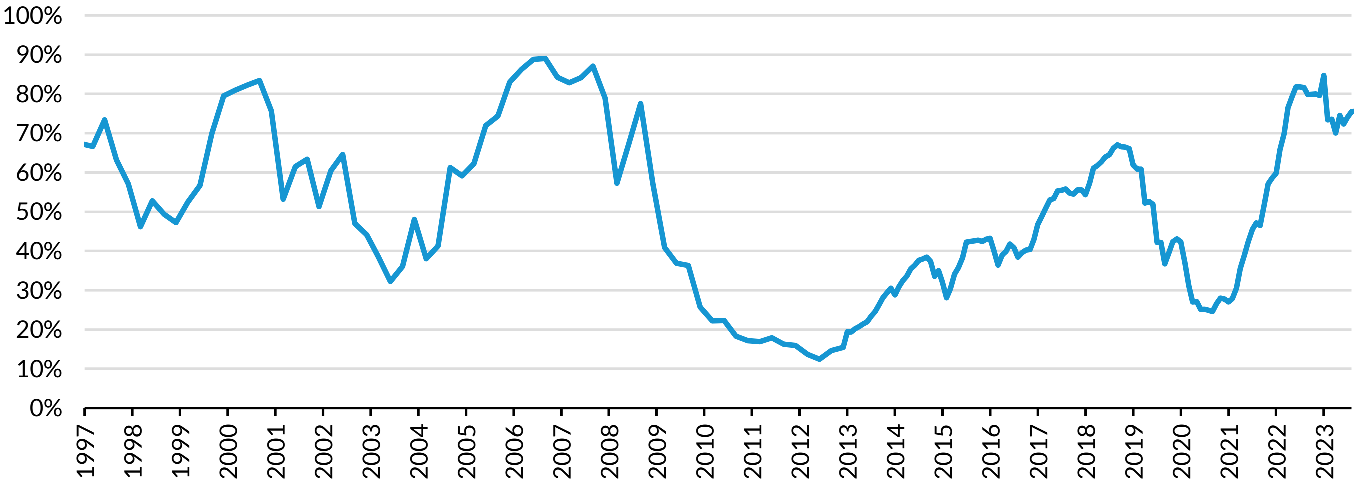


Sources: eMBS and Urban Institute.
Note: Based on at-issuance balance. Figure based on data from September 2023.

CASH-OUT REFINANCES

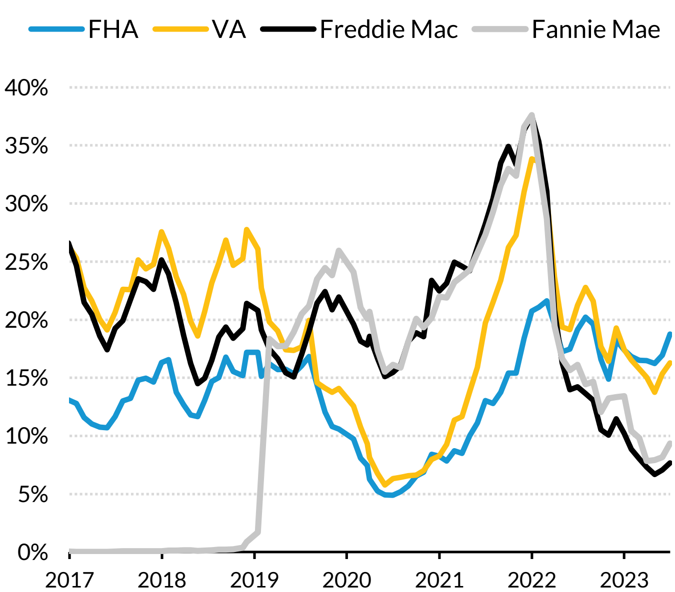
When mortgage rates are low, the share of cash-out refinances tends to be relatively smaller, as rate/term refinancing allows borrowers to save money by taking advantage of lower rates. But when rates are high, the cash-out refinance share is higher since the rate reduction incentive is gone and the only reason to refinance is to take out equity. The cash-out share of refinances generally declined in 2020, reaching 25 percent in September 2020 due to increased rate refinances amidst historically low rates. With rates rising dramatically and the bulk of rate-refinance activity behind us, the cash-out share increased to 84.8 percent as of January 2023 but has modestly declined to 75.6 percent in September. The cash-out share of total refis remains elevated, but the absolute volume of cash-out refinances is low. Moreover, the cash-out refi share of total originations remains low. The cash-out refi share of total originations for Fannie Mae, Freddie Mac, and VA lags that of FHA. While FHA may not be the optimal vehicle for home equity extraction, it may be the only way for lower credit borrowers to extract cash from their homes.

Cash-out Share of Conventional Refinances



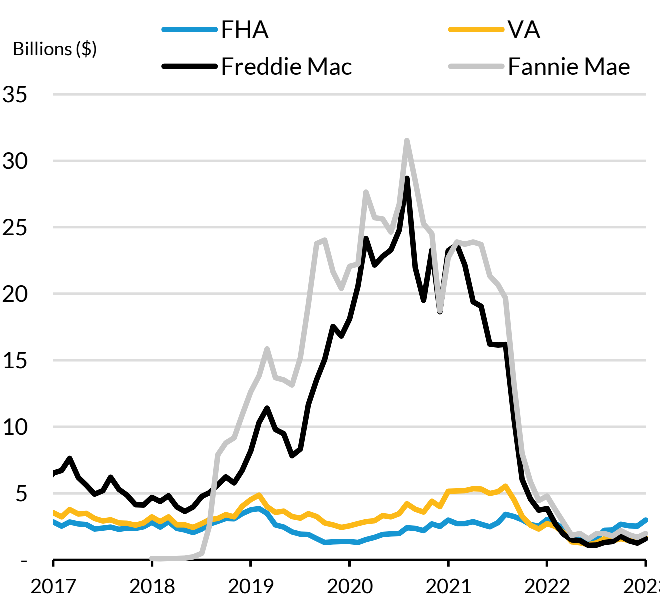
Sources: Freddie Mac, eMBS and Urban Institute.
Note: The cash-out share for conventional market is calculated using Freddie Mac's quarterly refinance statistics from 1995 to 2013. Post 2013 it is calculated monthly using eMBS. Data as of September 2023.

Cash-out Refi Share of All Originations



Sources: eMBS and Urban Institute.
Note: Data as of August 2023.

Cash-out Refinance Volume by Agency



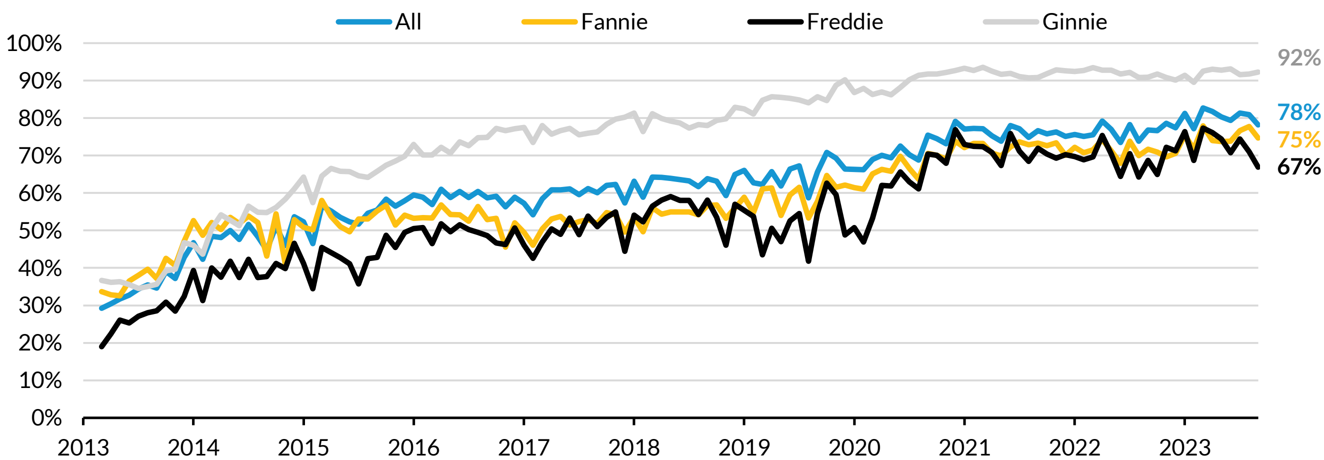
Sources: eMBS and Urban Institute
Note: Data as of August 2023.

OVERVIEW

AGENCY NONBANK ORIGINATION SHARE

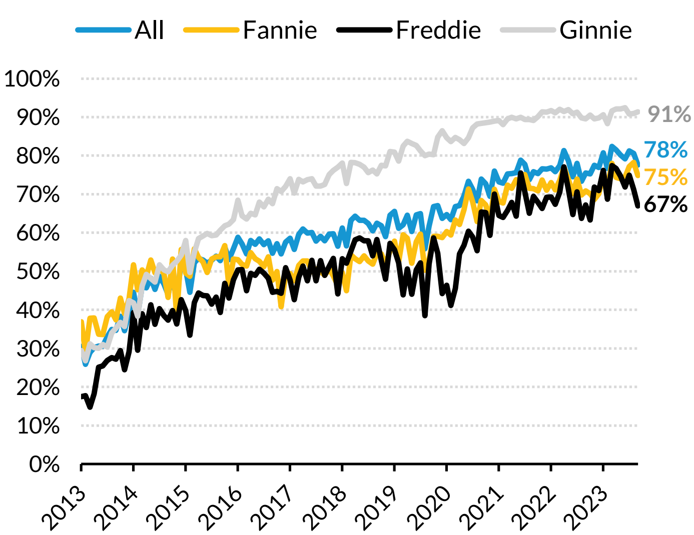
The nonbank share for agency originations has been rising steadily since 2013, standing at 78 percent in September 2023. The Ginnie Mae nonbank share has been consistently higher than the GSEs, standing at 92 percent in September 2023. Fannie and Freddie had nonbank shares of 75 and 67 percent, respectively, in September 2023. Overall, nonbanks accounted for a larger share of refis than purchase loans. However, this reflected the greater nonbank share across Ginnie Mae refi loans. The nonbank purchase share was higher among both Fannie and Freddie purchase loans relative to refi loans in September 2023.

Nonbank Origination Share: All Loans



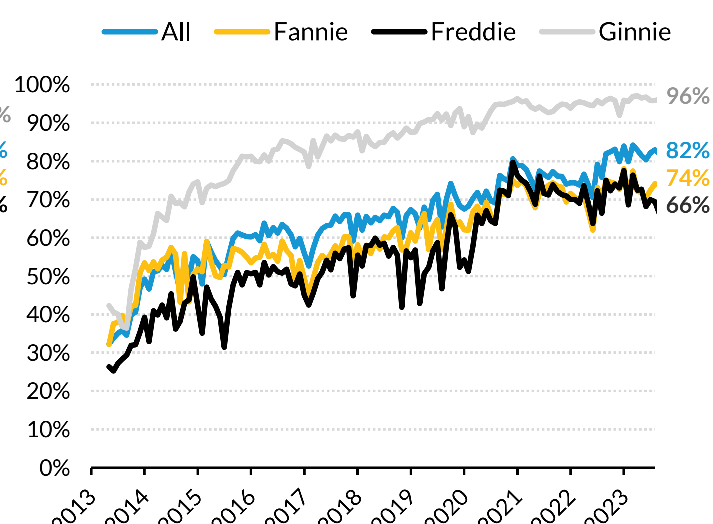
Sources: eMBS and Urban Institute.

Nonbank Origination Share: Purchase Loans



Sources: eMBS and Urban Institute.

Nonbank Origination Share: Refi Loans

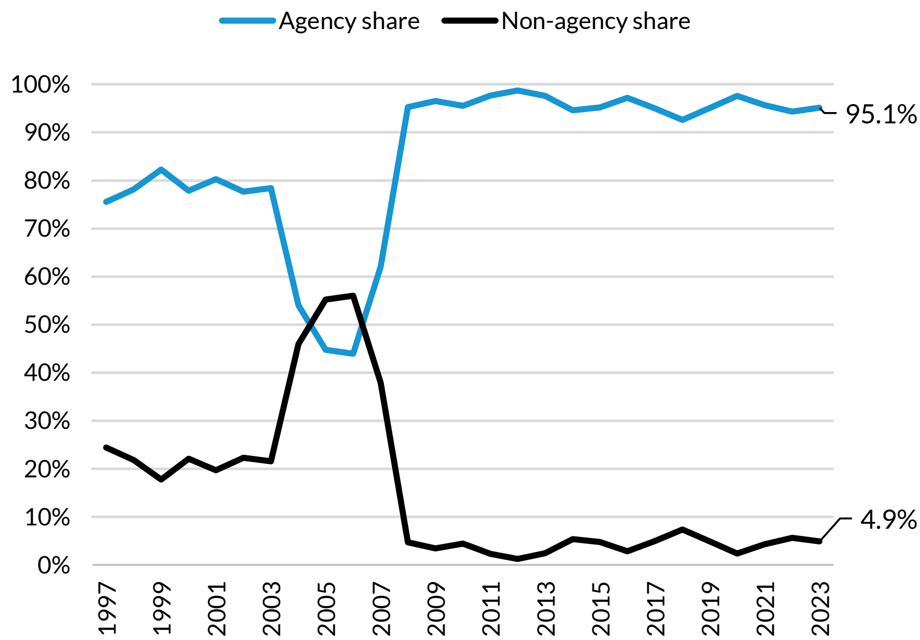


Sources: eMBS and Urban Institute.

SECURITIZATION VOLUME AND COMPOSITION

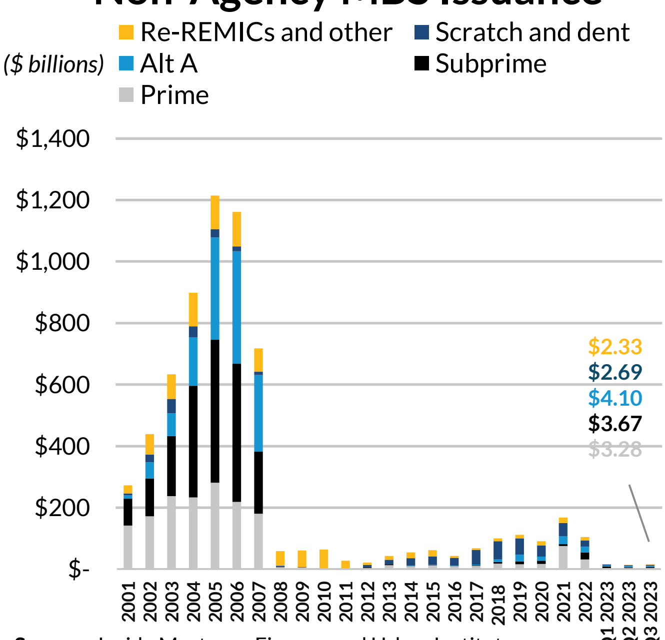
Agency/Non-Agency Share of Residential MBS Issuance

Since 2008, the agency and non-agency shares of residential MBS issuance have been oscillating within range. The non-agency share of mortgage securitizations increased gradually from 1.2 percent in 2012 to 7.4 percent in 2018. In 2020, the non-agency share dropped to 2.41 percent, reflecting increased agency refinances and less non-agency production due to COVID-19. The non-agency share more than doubled to 5.2 percent by July 2023, but declined in August to 4.5 percent. In September, it rose again slightly to 4.9 percent. In dollar terms, non-agency issuance reached $16.1 billion in Q3 2023, a decrease relative to the $20.8 billion in Q2 2022 and $45.8 billion in Q2 2021. Non-agency securitization totaled $7.0 billion in September 2023, a significant increase from August 2023, when it stood at $0.7 billion.



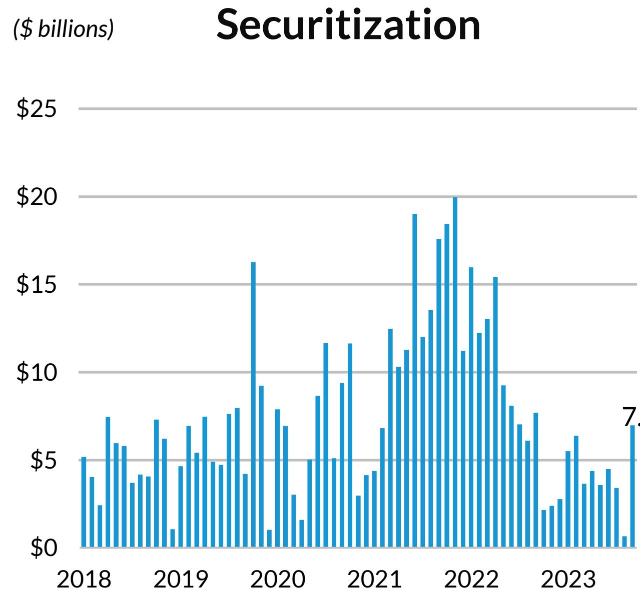
Sources: Inside Mortgage Finance and Urban Institute.
Note: Based on data from September 2023. Monthly non-agency volume is subject to revision.

Non-Agency MBS Issuance



Sources: Inside Mortgage Finance and Urban Institute.
Note: Data through September 2023.

Monthly Non-Agency Securitization



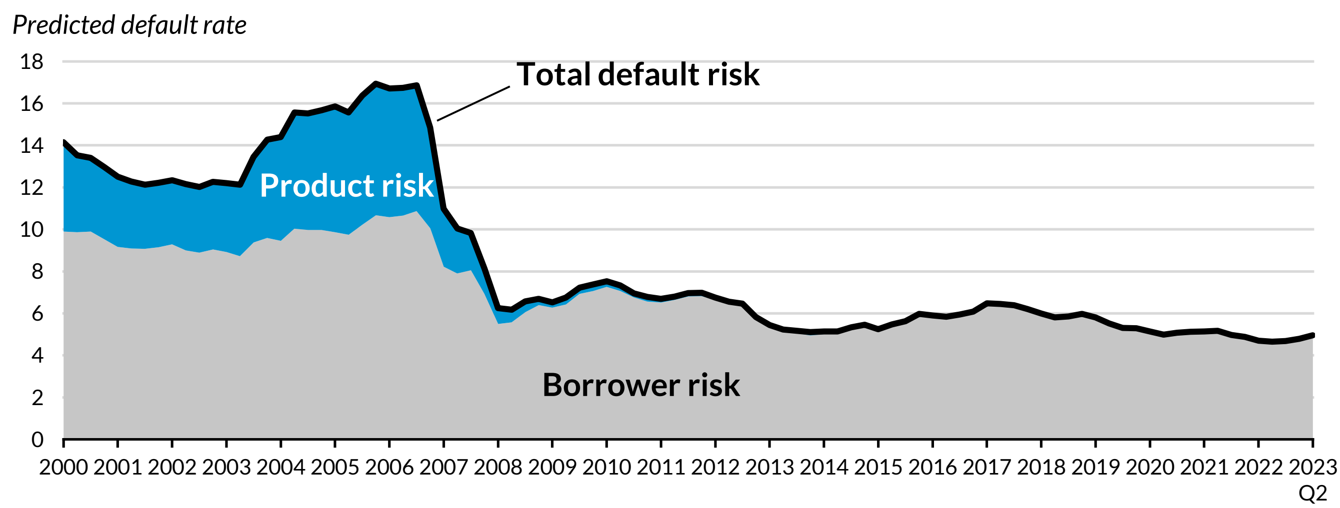
Sources: Inside Mortgage Finance and Urban Institute.

CREDIT BOX

HOUSING CREDIT AVAILABILITY INDEX

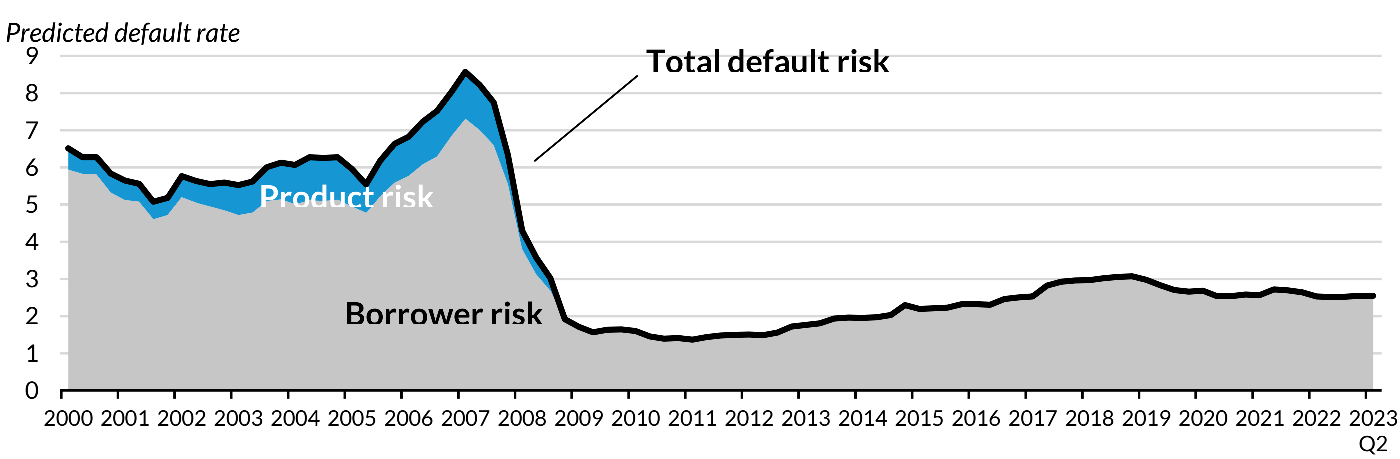
The Urban Institute's Housing Credit Availability Index (HCAI) assesses lenders' tolerance for both borrower risk and product risk, calculating the share of owner-occupied purchase loans that are likely to go 90+ days delinquent over the life of the loan. The HCAI stood at 5.0 percent in Q2 2023, up from 4.8 percent in Q4 2022 and from 4.7 percent in Q2 2022. The loosening from Q1 2022 to Q1 2023 reflects an overall increase in default risk taken, led by a 15 percent increase among portfolio and private label securities, and a 4 percent increase among the GSEs. There was tightening in the government channel, with a nearly six percent decline in default risk taken year-over-year. Note that we updated the methodology as of Q2 2020, see new methodology here. More information about the HCAI is available here.

All Channels



GSE Channel

The trend toward greater credit availability in the GSE channel began in Q2 2011. From Q2 2011 to Q1 2019, the total risk taken by the GSE channel more than doubled, from 1.4 percent to 3.1 percent. This is still very modest by pre-crisis standards. However, accelerated tightening throughout 2020 induced by market conditions due to COVID-19 drove down credit risk to 2.5 percent in Q4 2020. The increase in Q1 2021, to 2.58 percent, marked the first expansion of credit availability in the GSE channel since Q1 2019. In Q2 2023, credit availability stood at 2.54 percent, slightly down from 2.55 percent in Q1 2023 but up slightly from 2.53 percent in Q2 2022.

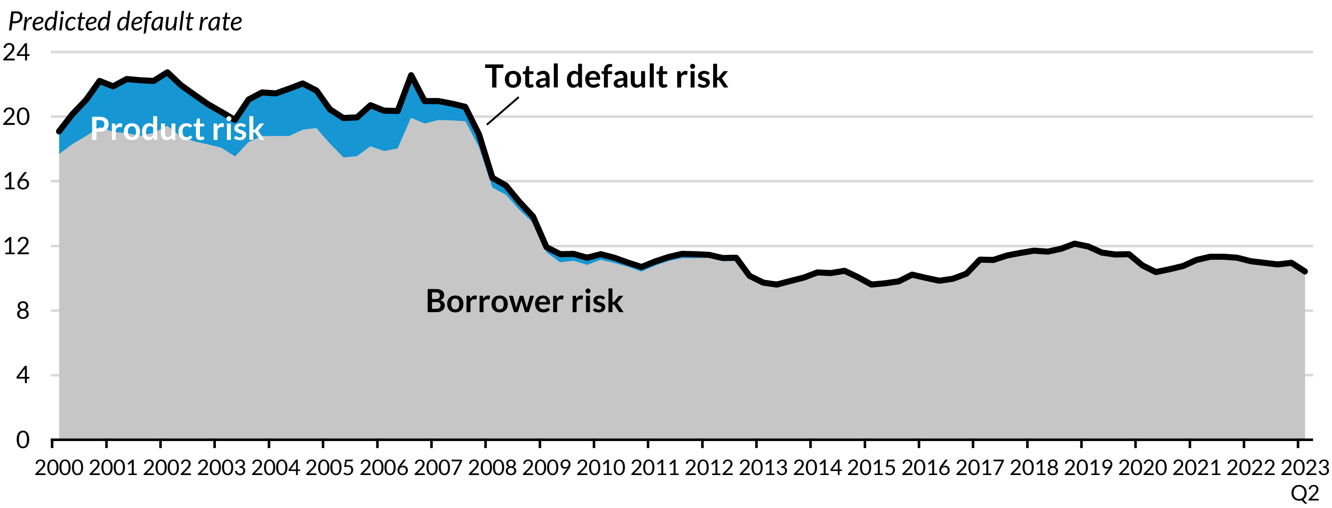


Sources: eMBS, CoreLogic, HMDA, IMF, and Urban Institute.
Note: Default is defined as 90 days or more delinquent at any point. Last updated October 2023.

CREDIT BOX
HOUSING CREDIT AVAILABILITY INDEX

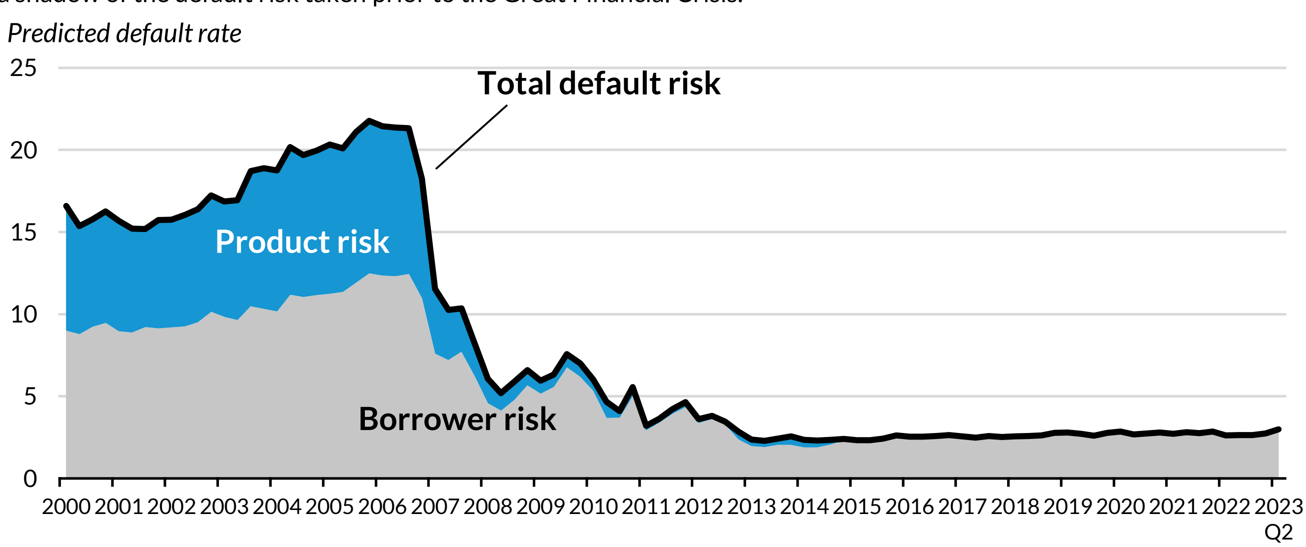
Government Channel

The total default risk the government loan channel is willing to take bottomed out at 9.6 percent in Q3 2013. It fluctuated in a narrow range at or above that number for three years. In the eleven quarters from Q4 2016 to Q1 2019, the risk in the government channel increased from 9.9 to 12.1 percent but has since receded. After declining to 10.4 percent in Q3 of 2020, the government channel had begun to expand risk as the government channel HCAI rose to 11.3 by Q1 2022, before dropping to 11.0 percent in Q1 2023, and further to 10.4 percent in Q2 2023; far below the pre-bubble level of 19 to 23 percent.



Portfolio and Private Label Securities Channels

The portfolio and private-label securities (PP) channel took on more product risk than the government and GSE channels during the bubble. After the crisis, the channel's product and borrower risks dropped sharply. The numbers have stabilized since 2013, with product risk well below 5.0 percent and total risk largely in the range of 2.3-3.0 percent. In the second quarter of 2023, PP risk was measured at 3.0 percent, up substantially from 2.6 percent a year ago. Overall, risk in the PP channel is a shadow of the default risk taken prior to the Great Financial Crisis. Overall, risk in the PP channel is a shadow of the default risk taken prior to the Great Financial Crisis.



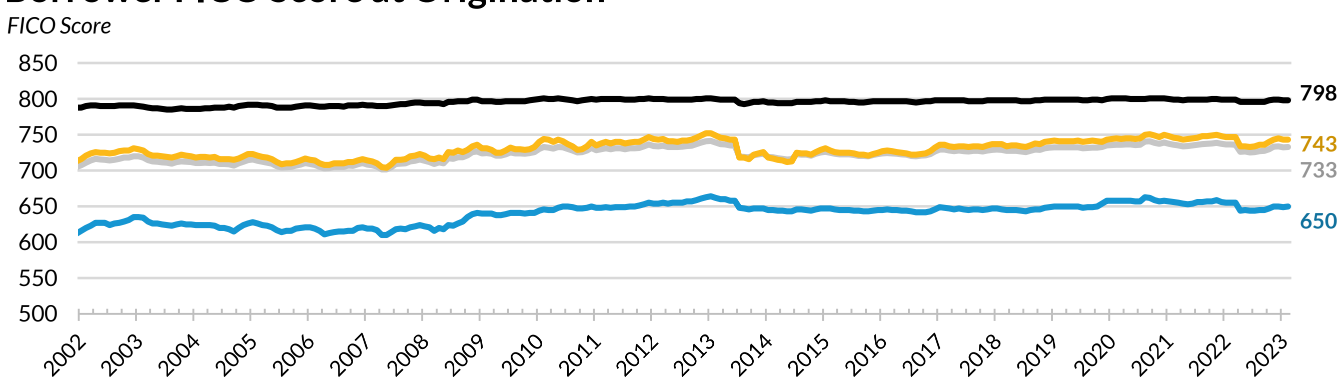
Sources: eMBS, CoreLogic, HMDA, IMF, and Urban Institute.
Note: Default is defined as 90 days or more delinquent at any point. Last updated October 2023.

CREDIT AVAILABILITY FOR PURCHASE LOANS

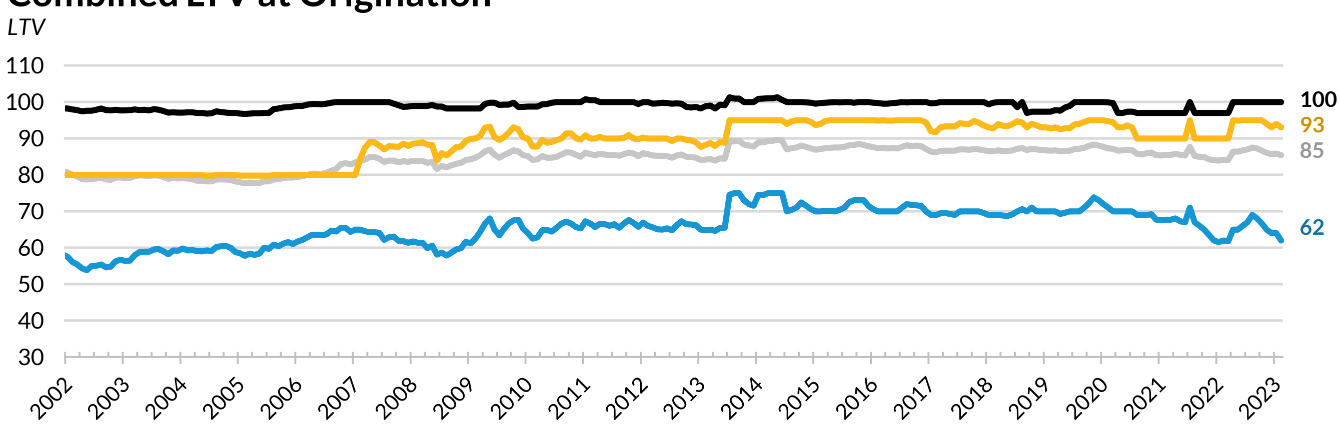
Over 2023, credit standards have tightened, mostly across the FICO dimension, but remain broadly easier relative to the levels that prevailed in December 2021, just prior to the significant rise in interest rates. Median FICO score at origination in August 2023 was 743, just under its 745 level in December 2021. Median DTI was 42 percent, which remains above its December 2021 rate of 39 percent. Median LTV sits at 93 percent in August, above its December 2021 level of 90 percent.

Mean | 90th percentile | 10th percentile | Median

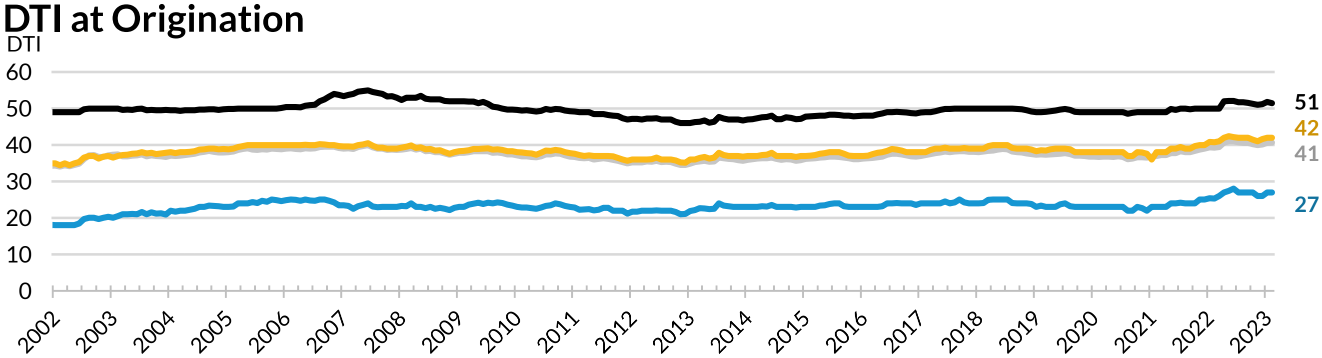
Borrower FICO Score at Origination



Combined LTV at Origination



DTI at Origination



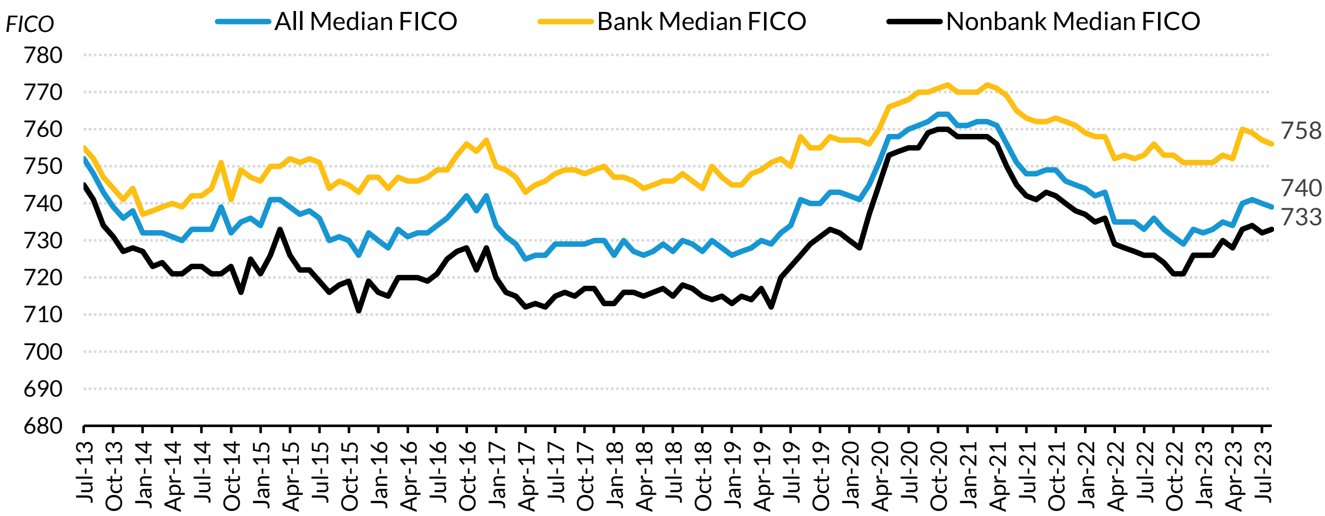
Sources: Black Knight, eMBS, HMDA, SIFMA, CoreLogic and Urban Institute.
Note: Includes owner-occupied purchase loans only. DTI data prior to April 2018 is from CoreLogic; after that date, it is from Black Knight. A back-update to the Black Knight historical series was made in September 2021 for data starting from 2001 onward. Data as of August 2023.

CREDIT BOX

AGENCY NONBANK CREDIT BOX

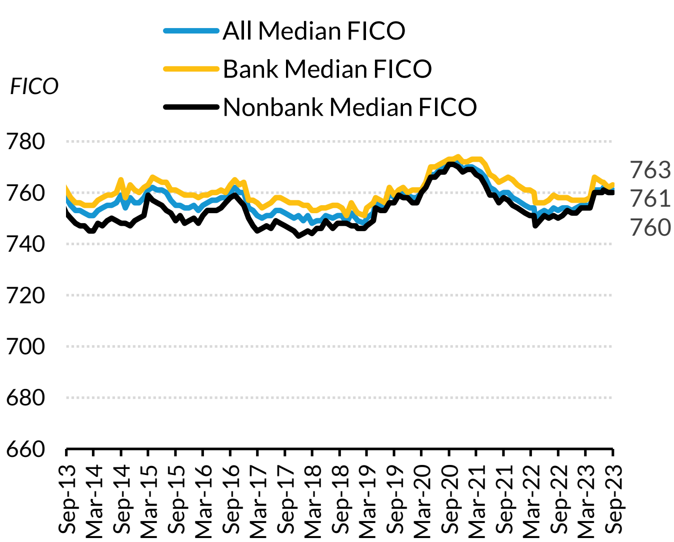
FICO scores for banks and nonbanks in both GSE and Ginnie Mae segments increased during the Q1 2019 to Q1 2021 period due to increased refi activity in response to lower rates; as refi activity tapered, FICO scores fell. Borrowers of refi loans typically have higher FICO scores than borrowers of purchase loans which boosted median scores amid the most recent refi wave and reduced scores as rates rose. There has also been a sharp cut-back in FHA lending by banks post-2008. As pointed out on page 12, banks now comprise only about 8 percent of Ginnie Mae originations. But after falling in 2021 and most of 2022, median FICO scores are higher over 2023, rising from 726 to 740, despite a sharp contraction in refinance activity. This likely reflects the fact that with affordability stretched due to the increases in interest rates and home prices, qualification often requires higher FICO scores to compensate. The gap between agency bank and nonbank FICOs reached 25 points in September 2023. The difference between the median FICO on bank and non-bank GSE loans stood at 3 points in September 2023. But across Ginnie Mae loans, the gap currently sits at 16 points.

Agency FICO: Bank vs. Nonbank



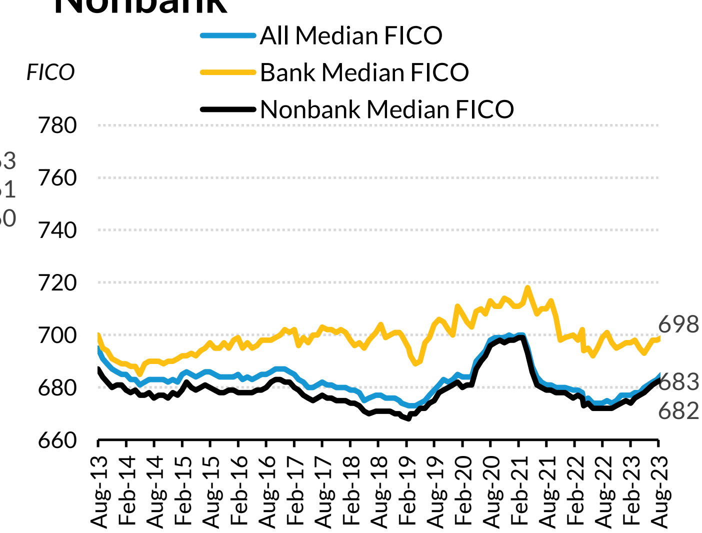
Sources: eMBS and Urban Institute.

GSE FICO: Bank vs. Nonbank



Sources: eMBS and Urban Institute.

Ginnie Mae FICO: Bank vs. Nonbank



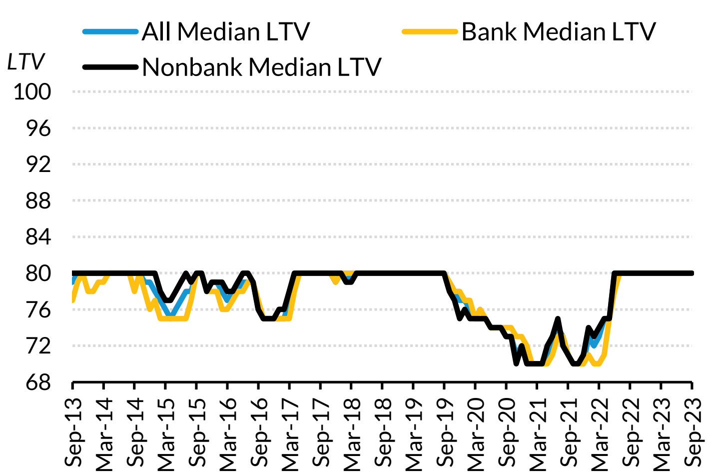
Sources: eMBS and Urban Institute.

CREDIT BOX

AGENCY NONBANK CREDIT BOX

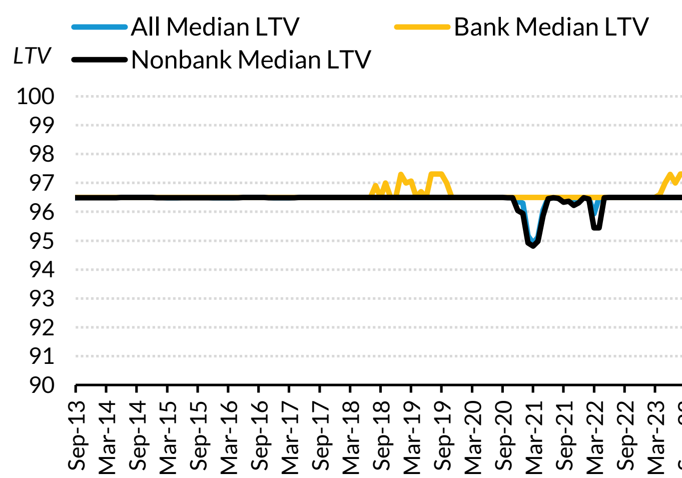
Nonbanks are more expansive in their lending than their bank counterparts, as indicated by higher back-end DTIs in both GSE and Ginnie Mae markets. From early 2017 to early 2019, there was a sustained increase in DTIs, which has reversed beginning in the spring of 2019. This is true for both Ginnie Mae and the GSEs, for banks and nonbanks. As interest rates in 2018 increased, DTIs rose, because borrower payments were driven up relative to incomes. As rates fell during most of 2019 and 2020, DTIs fell as borrower payments declined relative to incomes. Since March 2021, DTIs have increased, reflecting the rise in rates and elevated house price increases, both of which force households to borrow more in relation to income.

GSE LTV: Bank vs. Nonbank



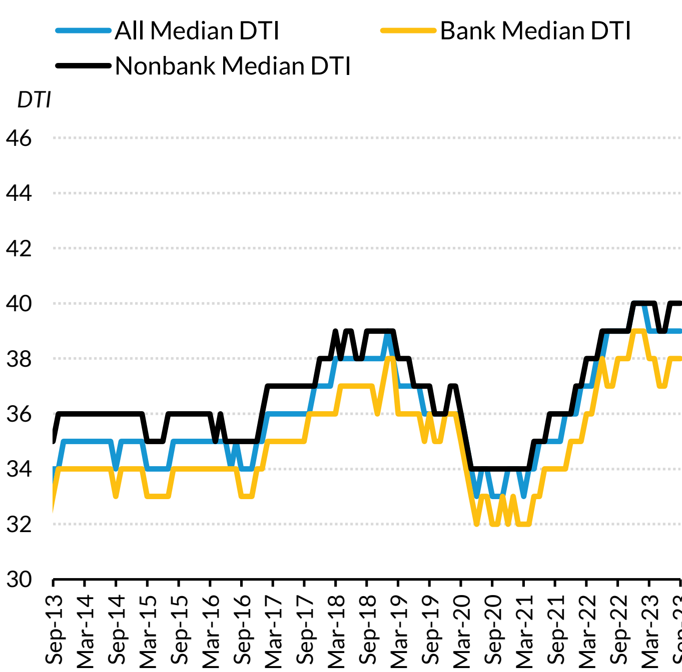
Sources: eMBS and Urban Institute.

Ginnie Mae LTV: Bank vs. Nonbank



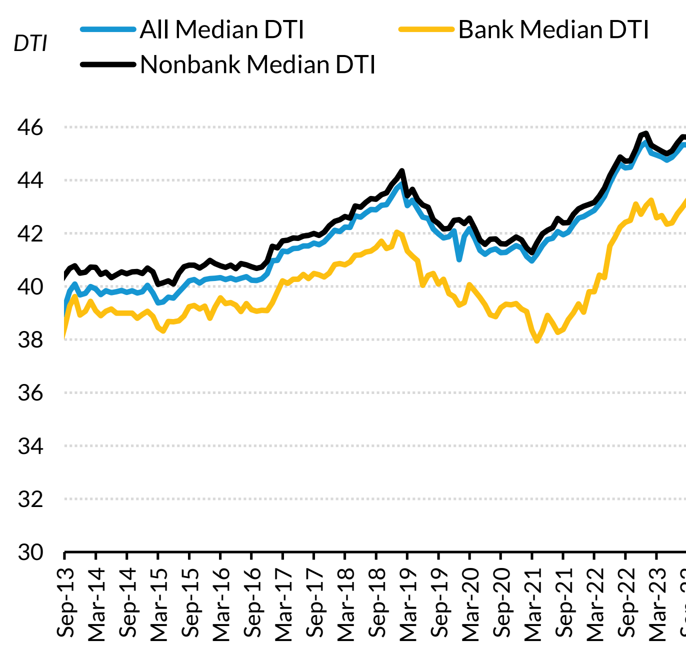
Sources: eMBS and Urban Institute.

GSE DTI: Bank vs. Nonbank



Sources: eMBS and Urban Institute.

Ginnie Mae DTI: Bank vs. Nonbank



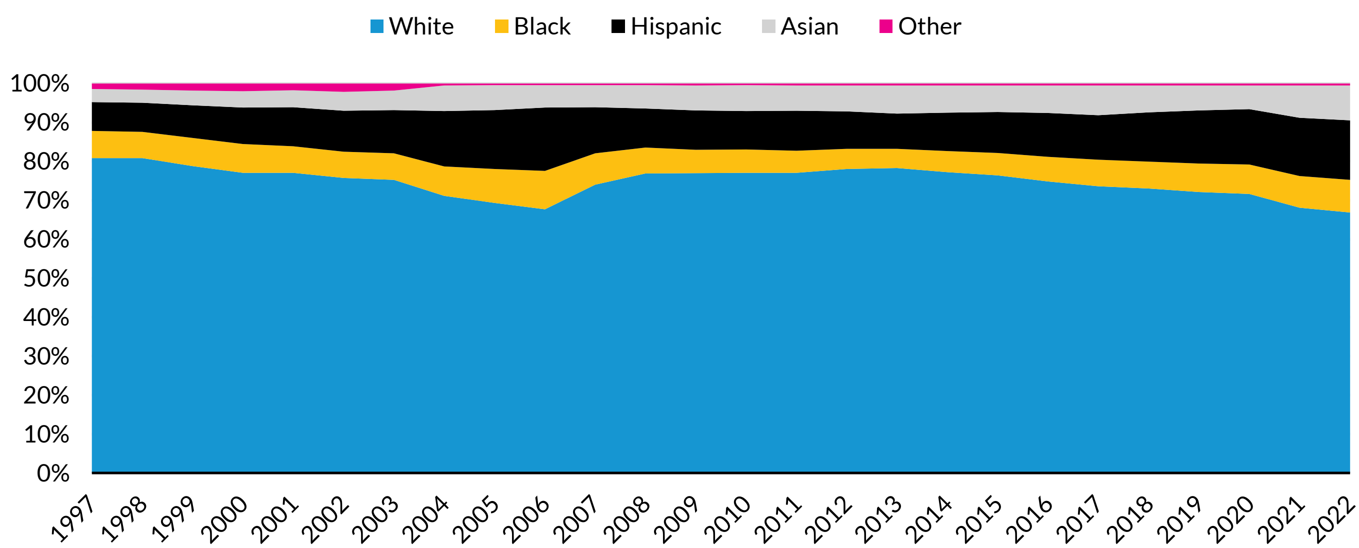
Sources: eMBS and Urban Institute.

STATE OF THE MARKET

RACIAL & ETHNIC COMPOSITION

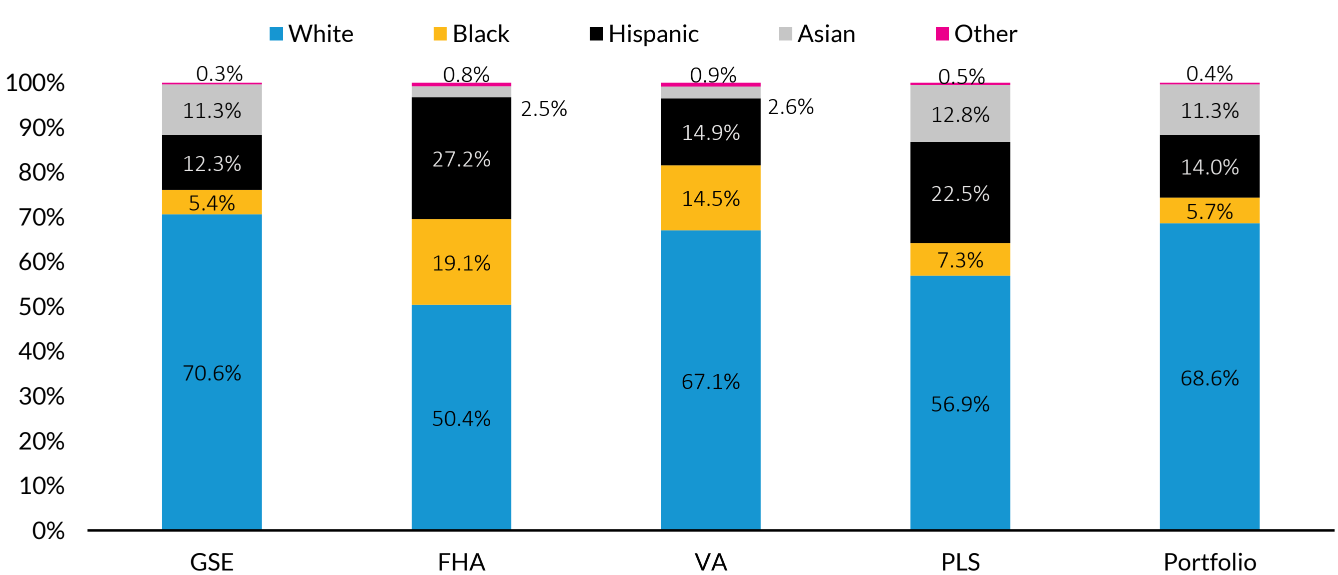
Across all channels, the share of purchase lending to applicants of color reached a peak of 32.3% in 2006. Following the Great Recession and amidst a period of very tight credit, the share of purchase loans extended to borrowers of color declined to a low of 21.7% in 2013. Since then, it has slowly recovered. In 2022, the borrower of color share stood at 33.1% in 2022, up from 31.8% in 2021. But the share of purchase lending to borrowers of color varied widely by channel in 2022. At 49.6 percent and 43.1 percent, respectively, borrowers of color accounted for a larger share of FHA and PLS purchase lending. Borrowers of color represented a smaller loans share in the GSE, Portfolio and VA channels, 29.4 percent, 31.4 percent and 32.9 percent, respectively.

2022 Purchase Loan Shares by Race



Source: 1997 to 2022 Home Mortgage Disclosure Act (HMDA).
Note: Includes purchase loans only. Shares based on loan counts

2022 Purchase Loan Channel Shares by Race



Source: 2022 Home Mortgage Disclosure Act (HMDA).
Note: Includes purchase loans only. Shares based on loan counts

STATE OF THE MARKET

MORTGAGE ORIGINATION PROJECTIONS

For the full year of 2023, both Fannie Mae and Mortgage Bankers' Association expect total origination volume to be below its level in 2022 continuing the decrease from the recent peak established in 2021. The lower full year projections of mortgage originations in 2023 is primarily due to the expectation that the refi share will also be lower. Another contributing factor, as illustrated on page 21, is an expectation of fewer home sales in 2023 relative to 2022. However, expectations for originations over full year 2024 are expected to exceed their 2023 level amid a higher refi share and more home sales but will not return to 2022 levels.

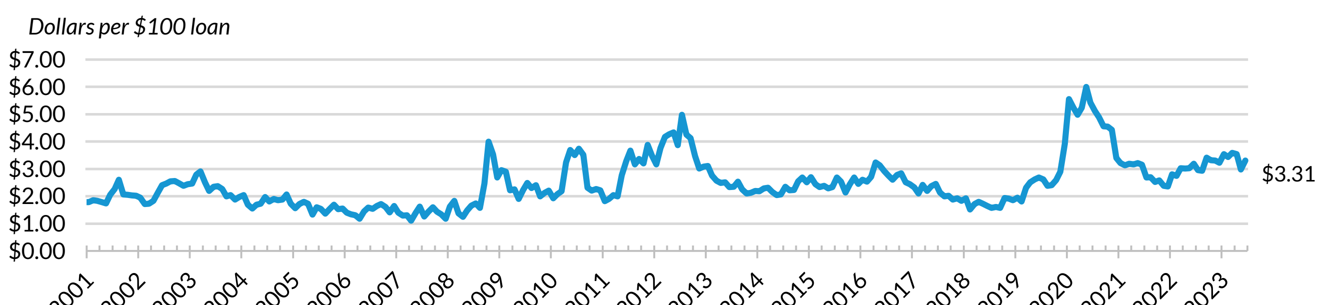
Total Originations and Refinance Shares

	Originations ($ billions)		Refi Share (percent)	
Period	Total, FNMA estimate	Total, MBA estimate	FNMA estimate	MBA estimate
2022 Q1	774	689	50	48
2022 Q2	683	678	27	33
2022 Q3	534	480	20	22
2022 Q4	396	398	17	19
2023 Q1	320	333	19	20
2023 Q2	442	463	17	20
2023 Q3	429	444	14	18
2023 Q4	410	465	16	20
2018	1766	1677	30	28
2019	2462	2253	46	44
2020	4374	4108	64	64
2021	4570	4436	58	62
2022	2386	2245	32	33
2023	1559	1639	16	19
2024	1896	1949	24	25

Sources: Fannie Mae, Mortgage Bankers Association and Urban Institute. Fannie Mae, as of September 2023.
Note: Shaded boxes indicate forecasted figures. All figures are estimates for total single-family (1-4 unit) market. Regarding interest rates, the yearly averages for 2017, 2018, 2019, 2020, 2021, and 2022 were 4.0, 4.6, 3.9, 3.0, 3.0, and 5.3 percent.

Originator Profitability and Unmeasured Costs

In August 2023, Originator Profitability and Unmeasured Costs (OPUC) stood at $2.98 per $100 loan, down from $3.54 per $100 loan in July 2023. Higher profitability seen in 2020 and early 2021 reflected lender capacity constraints amidst strong refi demand. Reduced profitability in 2022 reflected slower refinance activity, forcing originators to compete more aggressively on price. 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 a mortgage in the secondary market (less par) and adds two sources of profitability; retained servicing (both base and excess servicing, net of g-fees), and points paid by the borrower. As volumes decline, fixed costs are spread out over fewer loans, overstating the relative profitability. OPUC is generally high when interest rates are low, as originators are capacity constrained due to refinance demand and have no incentive to reduce rates. Conversely, when interest rates are higher and refi activity low, competition forces originators to lower rates, driving profitability down. While higher rates are limiting volume, originators are adapting to the new environment by slashing head counts and fixed costs.

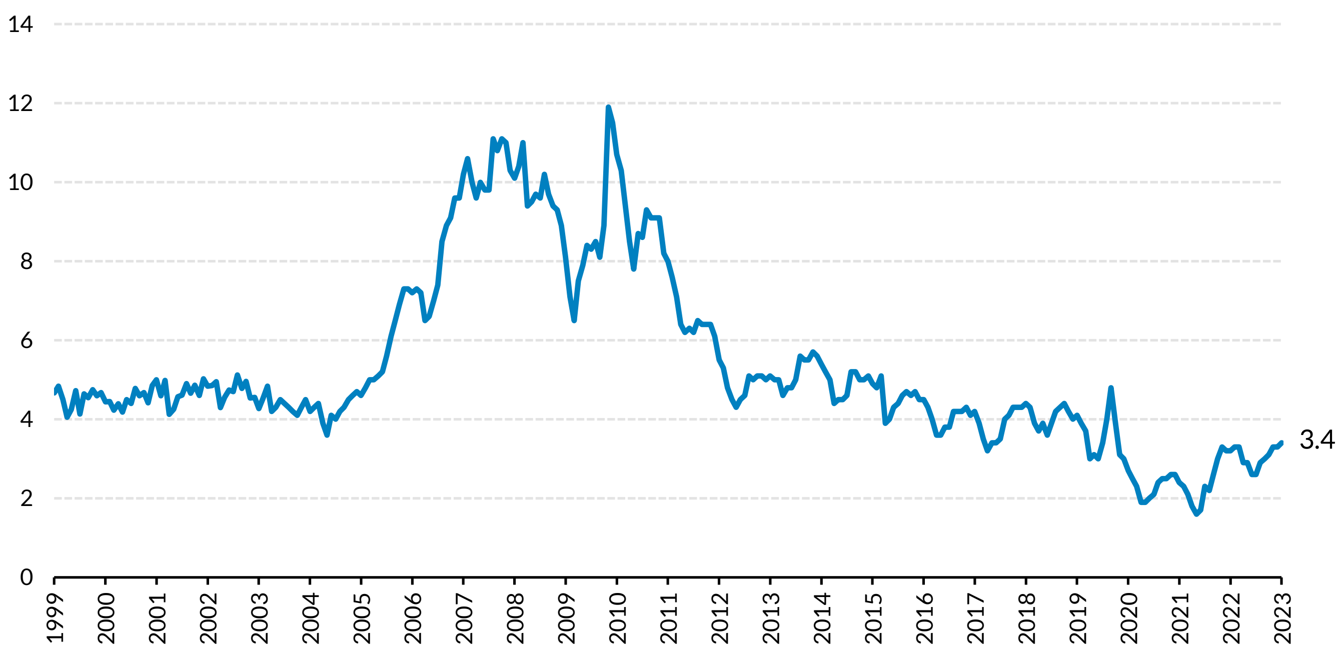


Sources: Federal Reserve Bank of New York, updated monthly and available at this link: http://www.ny.frb.org/research/epr/2013/1113fust.html and Urban Institute. Last updated September 2023.
Note: OPUC is a is a monthly (4-week moving) average as discussed in Fuster et al. (2013).

STATE OF THE MARKET
HOUSING SUPPLY

Months' supply of existing homes, single-family and condos/co-ops, remains low, although higher than the record low levels seen in 2021. Months' supply increased over much of 2022, reflecting some seasonality and coinciding with rising interest rates over most of the year, but it declined from the end of 2022 through the first quarter of 2023. Over much of the the spring and summer buying season, months' supply of existing homes, single-family and condos/co-ops rose and stood at 3.4 in September 2023, up slightly from August, and up more significantly from 2.6 in March. Fannie Mae, the MBA, and the NAHB expect that housing starts over full year 2023 will lag its level in 2022. Amid the lack of inventory, and reduced affordability, industry forecasters project fewer home sales over 2023 as well. Home sales are expected to rise over 2024 but will remain below their 2022 level.

Months' Supply



Source: National Association of Realtors and Urban Institute. Data as of September 2023.

September 2023

Housing Starts and Home Sales

Year	Housing Starts, thousands			Home Sales. thousands		
	Total, FNMA estimate	Total, MBA estimate	Total, NAHB estimate	Total, FNMA estimate	Total, MBA estimate	Total, NAHB estimate*
2017	1203	1208	1205	6123	6158	5520
2018	1250	1250	1247	5957	5956	5350
2019	1290	1295	1292	6023	6016	5431
2020	1380	1397	1397	6462	6506	5889
2021	1601	1605	1606	6891	6896	6189
2022	1553	1551	1551	5671	5740	5167
2023	1371	1399	1375	4805	4866	4368
2024	1241	1356	1359	4796	5172	4661

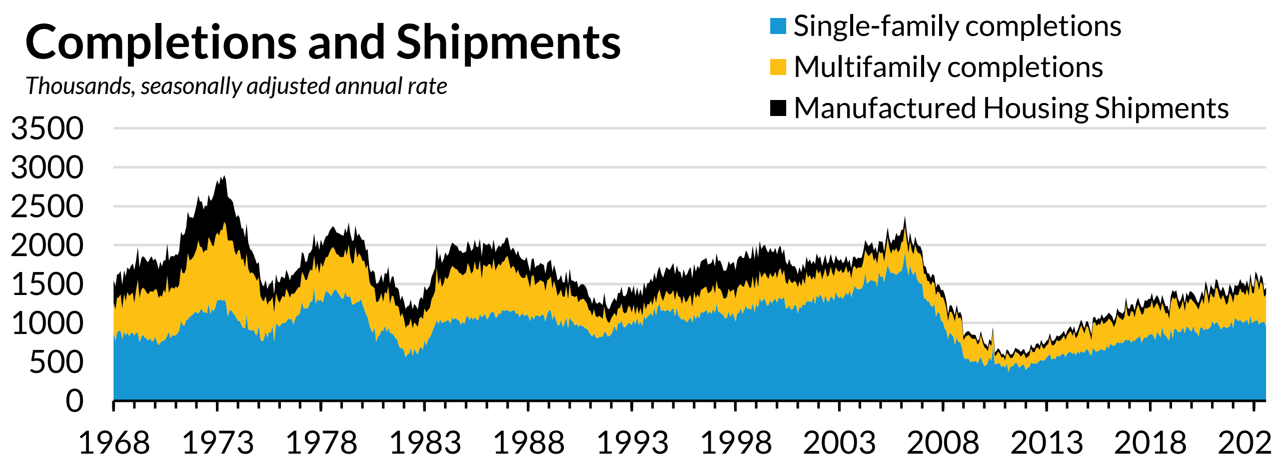
Sources: Mortgage Bankers Association, Fannie Mae, National Association of Home Builders and Urban Institute.
Note: Shaded boxes indicate forecasted figures; column labels indicate source of estimate. The NAHB home sales also excludes existing condos and co-ops reported by NAR.

New Residential Production

New residential production, including single-family and multifamily completions as well as manufactured housing shipments, reached a seasonally adjusted annual rate of 1,452 thousand units in August 2023, 1.3 percent lower than its level in August 2022, 1,471 thousand units. Since reaching a low of 565 thousand units in January 2011, new production has risen by 157 percent. However, current production is 50.0 percent lower than the peak March 2006 level of 2,380 thousand units. In August 2023, single-family and multifamily completions are 50.4 and 45.4 percent lower than their respective 2006 peaks. Manufactured housing shipments are 9.5 percent grater than their 2006 peak of 379 thousand units. Only 4.8 percent of multifamily units completed in 2023 Q2 were for-sale, down significantly from its 2007 Q2 peak of 43.9 percent. Among single-family completions, 70.6 percent were built for-sale in 2023 Q2, 6.0 percentage points lower than the share built for sale in 2022 Q2. The owner-occupied share of mobile homes fell from 2006 to 2014, but partially recovered in the ensuing years.

Completions and Shipments

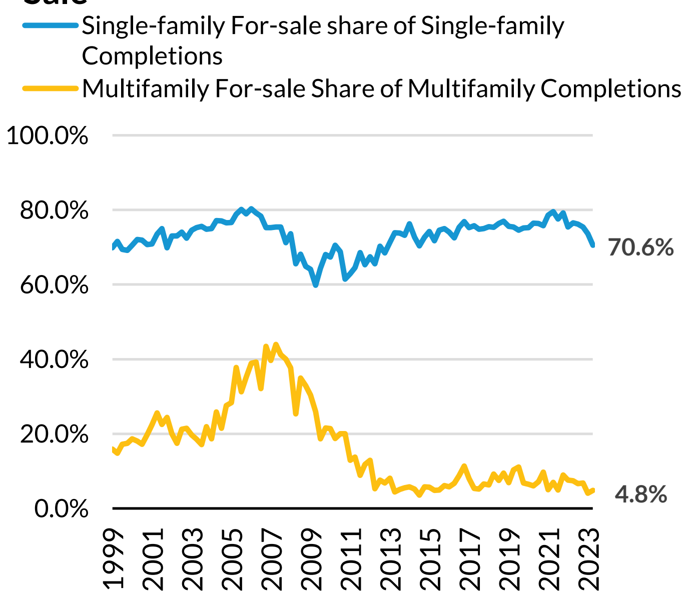
Thousands, seasonally adjusted annual rate



Source: Moody's Analytics, U.S. Census Bureau (BOC) and Urban Institute Calculations

August 2023

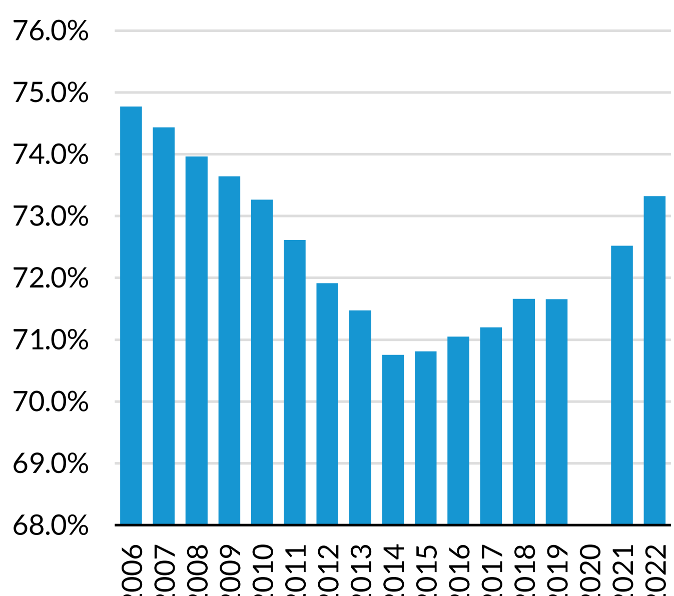
Share of Residential Completions Built For Sale



Source: U.S. Census Bureau (BOC) and Urban Institute Calculations.

September 2023

Owner-Occupied Share of Occupied Mobile Homes

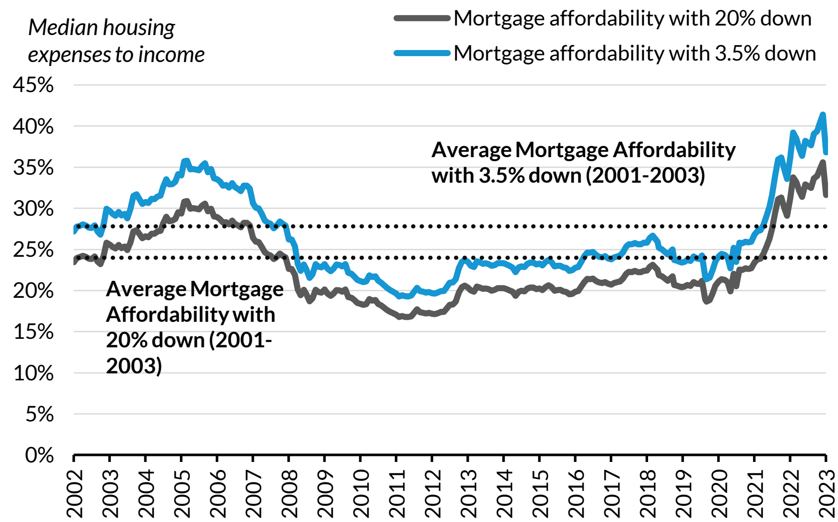


Source: 1-year American Community Survey.
Note: This data for 2020 is not available due to the pandemic.

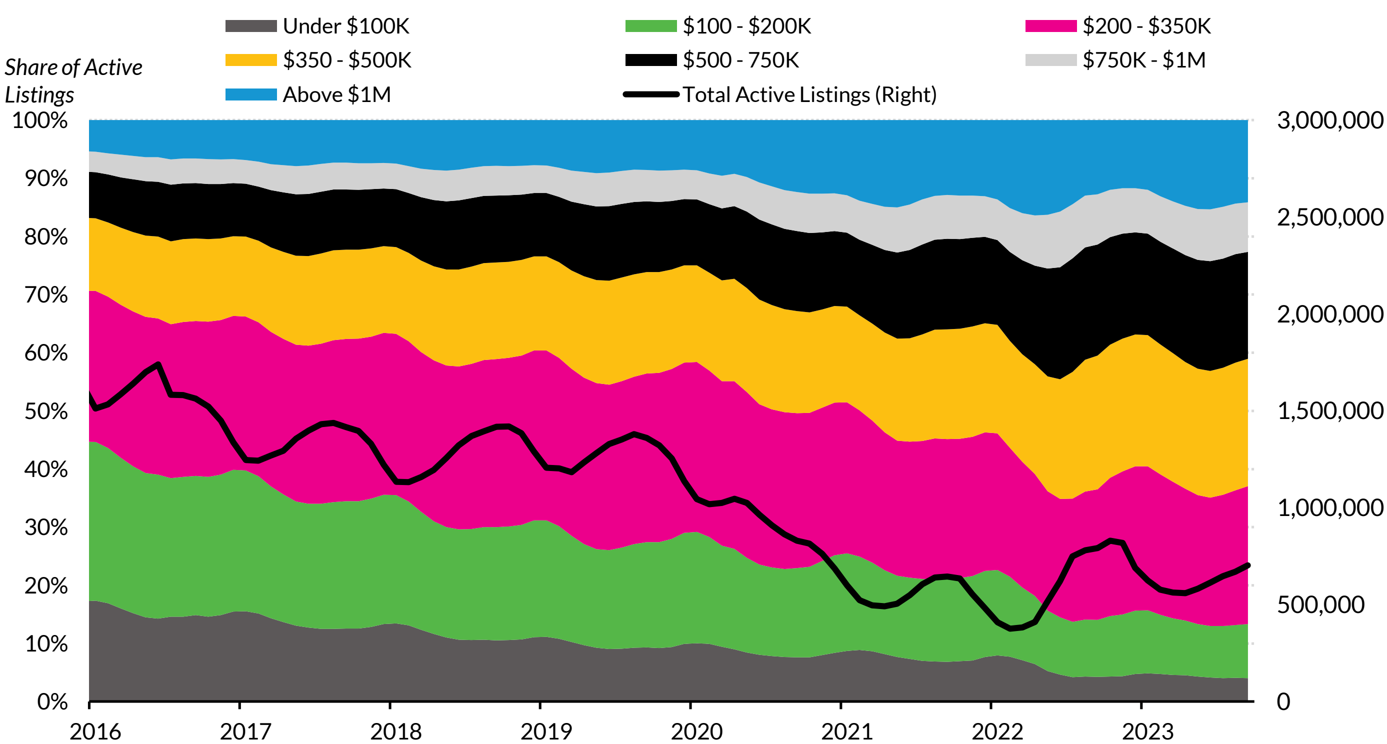
HOUSING AFFORDABILITY

National Mortgage Affordability Over Time

Mortgage affordability improved from August to September. August had been the worst month since the series' inception in 2002. As of September 2023, with a 20 percent down payment, the share of median income needed for the monthly mortgage payment stood at 31.6 percent, higher than the 30.9 percent at the peak of the housing bubble in November 2005; and with 3.5 percent down the housing cost burden is 36.8 percent, also above the 35.8 percent prior peak in November 2005. Given that October rates have shot up, this is a temporary improvement. As shown in the bottom picture, even amid seasonality, active listings have largely declined over time and the distribution has shifted markedly towards higher priced homes.



Active Listings by Price Tier Over Time

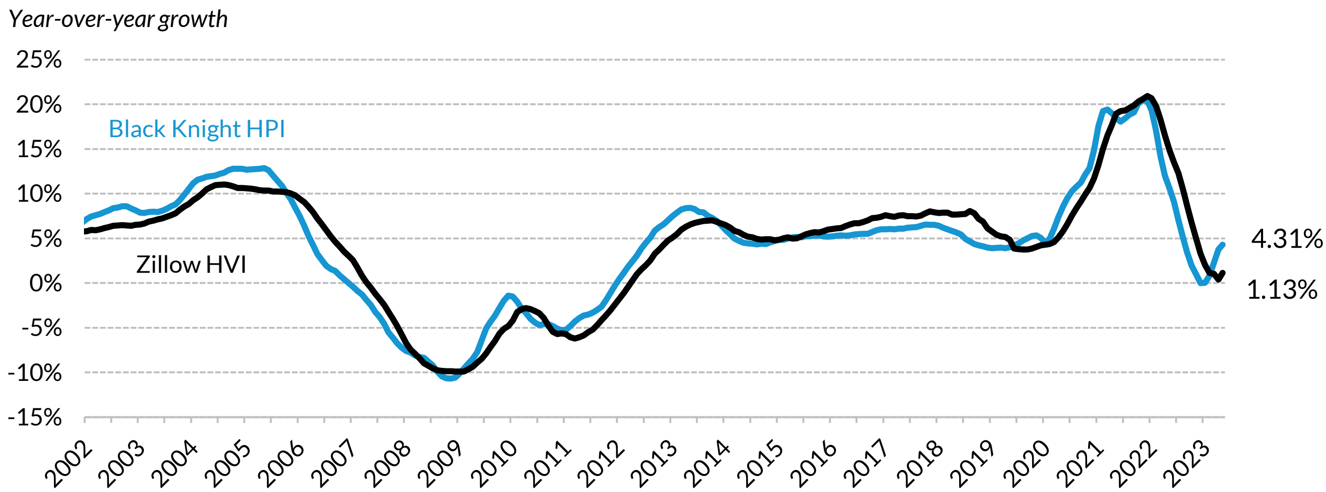


Sources: National Association of Realtors, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, Realtor.com, and the Urban Institute.
Note: Mortgage affordability is the share of median family income devoted to the monthly 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 for the bottom chart provided by Realtor.com as of September 2023.

HOME PRICE INDICES

National Year-Over-Year HPI Growth

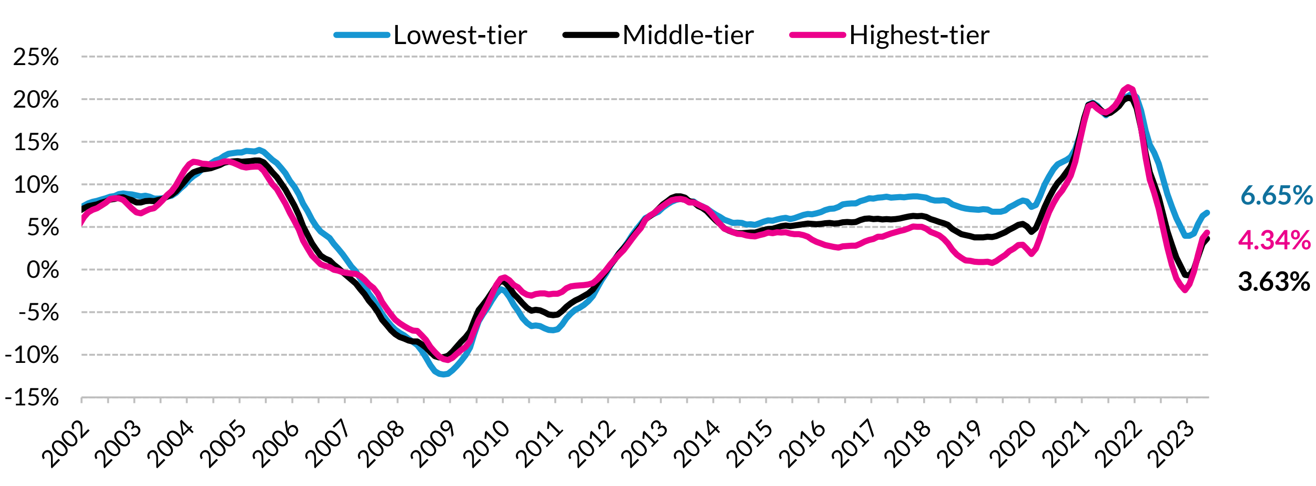
According to Black Knight's repeat sales index, year-over-year home price appreciation was 4.31 percent in September 2023, up from the previous month's 3.76 percent, indicating that home prices have bottomed and are now rising. Year-over-year home price appreciation as measured by Zillow's hedonic home value index is similarly increasing and stands at 1.13 percent in September 2023, up from 0.04 present in August. Home price appreciation is slower relative to March 2022; that may have modestly improved affordability. However, affordability remains low amid the broader increase in home prices combined with a sharp rise in interest rates since 2022.



Sources: Black Knight, Zillow, and Urban Institute.
Note: Black Knight modified the methodology behind their HPI in February 2021, resulting in changes to historic price estimates. Data as of September 2023.

National Year-Over-Year HPI Growth by Price Tier

House price growth accelerated in the second half of 2020 into 2022 across all price tiers. With higher-priced homes experiencing steeper appreciation in 2020 and 2021, year-over-year growth in the highest-tier had surpassed the middle and lowest tiers by Feb 2022. With rates rising sharply in 2022, the rate of appreciation slowed, then dropped for all price tiers. After bottoming at the end of Q1 2023, home prices began to rise. As of September 2023, year-over-year house price appreciation is now positive and increasing at each tier. The greatest appreciation is at the lowest end of the market at 6.65 percent. Appreciation at the highest tier, which had been lowest since July 2022 has now surpassed appreciation of middle tier homes which now stand at 4.34 and 3.63 percent, respectively.

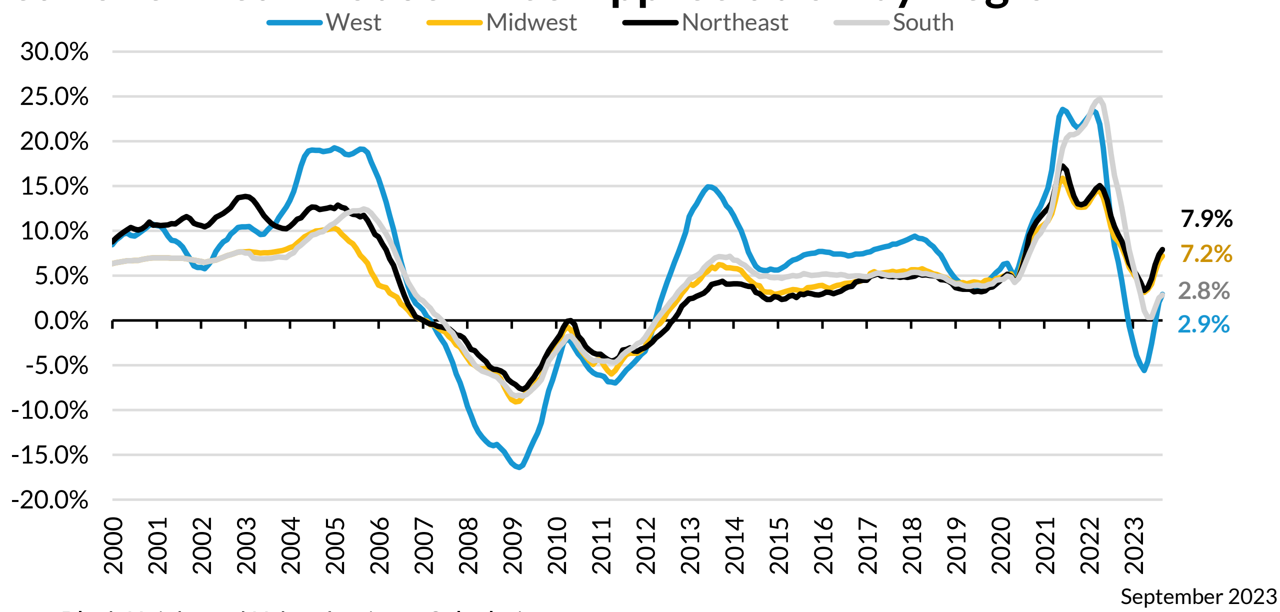


Sources: Black Knight and Urban Institute.
Note: Black Knight modified the methodology behind their HPI in February 2021, resulting in changes to historic price estimates. Data as of September 2023.

REGIONAL HOME PRICE INDICES

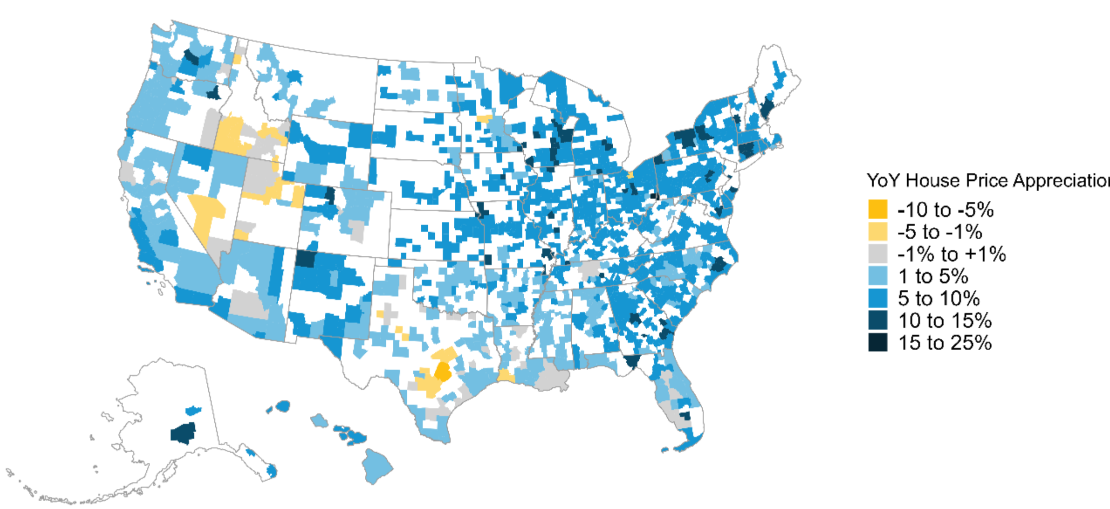
In September 2023, house prices in all regions of the country were higher than their level 12 months ago. The Northeast has the highest appreciation at 7.9 percent , followed closely by the Midwest at 7.2 percent. After lagging the rest of the US since July 2022, the West now has similar appreciation to the South at 2.9 and 2.8 percent, respectively. From 2020 to the first quarter of 2021, home prices rose sharply, led by the South and West. From Q2, 2022 to Q1, 2023, home prices fell for most of the country, with the most dramatic drops in the South and West. While house price performance across the South is traditionally not an outlier region compared to the other three regions of the country, house prices across the West are historically more volatile.

Year over Year House Price Appreciation by Region



Source: Black Knight and Urban Institute Calculations.

Year over Year House Price Appreciation by Metro and Micropolitan Areas

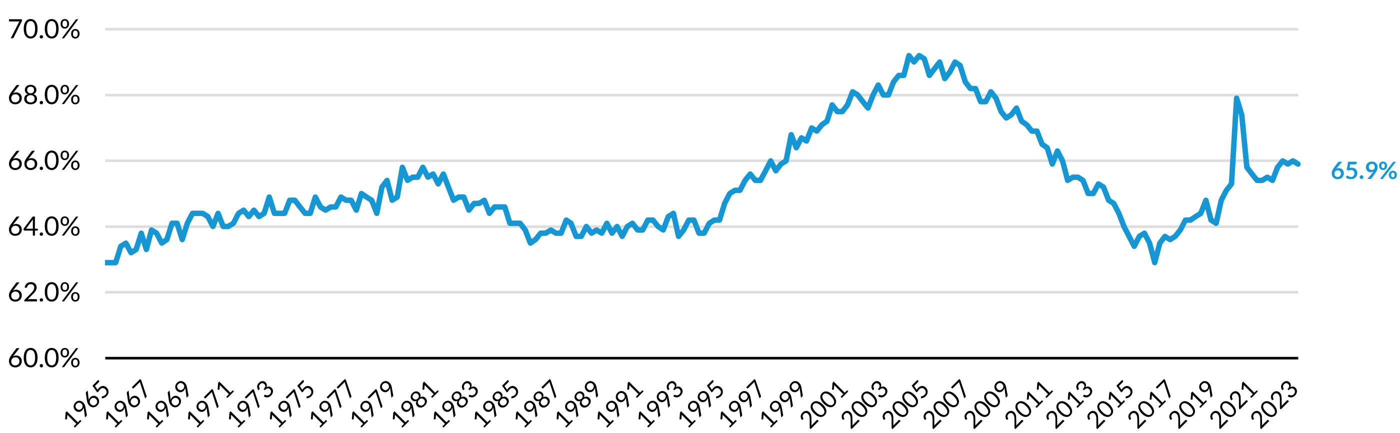


Source: Black Knight and Urban Institute Calculations.
Note: Data as of September 2023

HOMEOWNERSHIP RATES

In the second quarter of 2023, the homeownership rate was at 65.9 percent, 0.1 percentage point lower than its first quarter of 2023 rate, 66.0 percent, and 0.1 percentage point higher than its rate in the second quarter of 2022, 65.8 percent. However, after falling to 62.9 percent in the second quarter of 2016, the homeownership rate has begun to recover. But the homeownership rate remains 3.1 percentage points below its first quarter of 2005 peak of 69.0 percent. By age groups, senior households are more likely to be homeowners relative to younger households. In addition, the homeownership rate for households 65 years old and above is closest to its 2000s peak levels. By race and ethnicity, white households are more likely to be homeowners relative to households of color. However, the homeownership rate among Hispanic households is closest to returning to its 2000s peak.

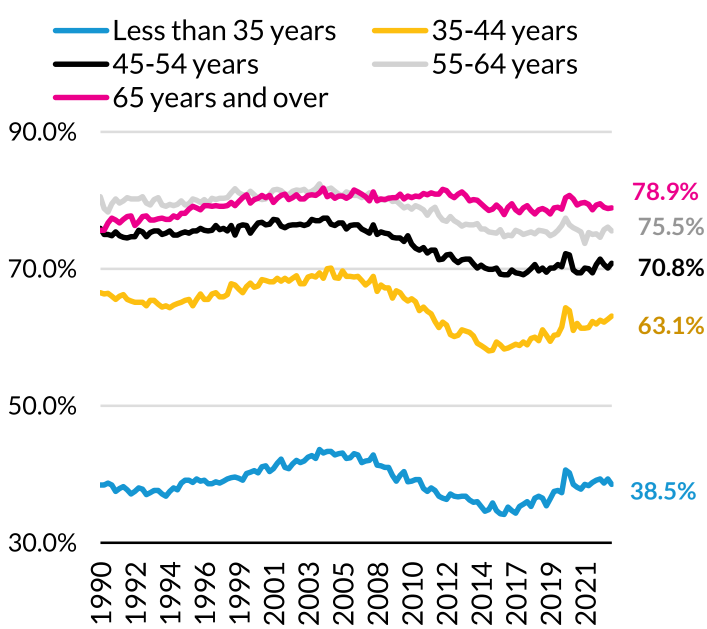
Overall Homeownership Rate



Source: Moody's Analytics, U.S. Census Bureau (BOC) and Urban Institute Calculations.
Note: Data from 2020 and 2021 is poor due to low response rates during the pandemic.

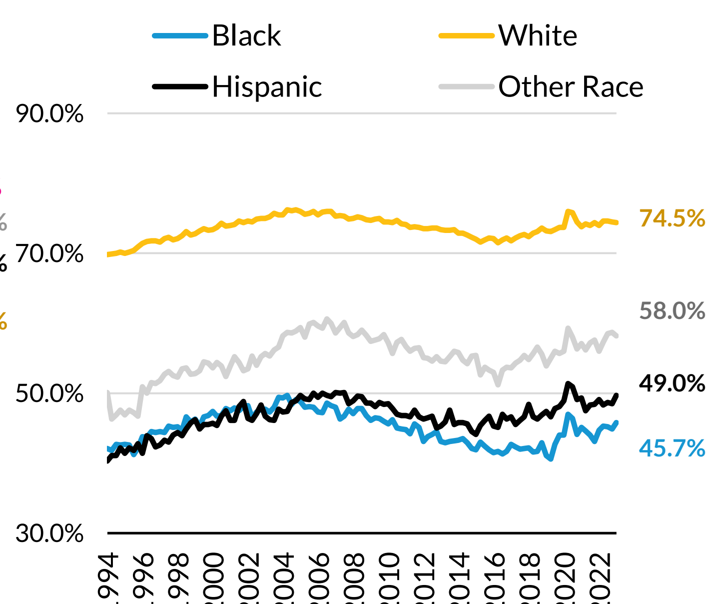
June 2023

Homeownership by Owner Age



June 2023

Homeownership Rate by Race/Ethnicity



June 2023

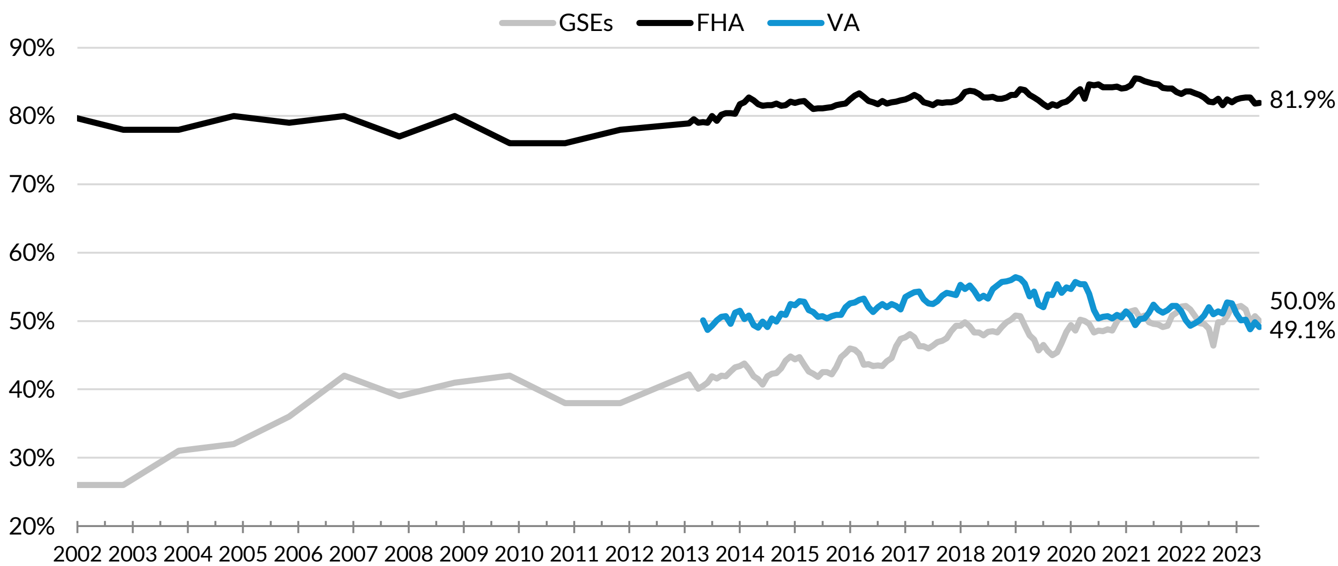
Source: U.S. Census Bureau (BOC) and Urban Institute Calculations.

STATE OF THE MARKET

FIRST-TIME HOMEBUYERS

First-Time Homebuyer Share

In August 2023, the FTHB share for FHA, which has always been more focused on first time homebuyers, was 81.9 percent. The FTHB share of GSE lending in April was 50.0 percent; the VA share was 49.1 percent. The bottom table shows that based on mortgages originated in July 2023, the average FTHB was more likely than an average repeat buyer to take out a smaller loan, have a lower credit score, and have a higher LTV.



Sources: eMBS, Federal Housing Administration (FHA), and Urban Institute.

August 2023

Note: All series measure the first-time homebuyer share of purchase loans for principal residences.

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

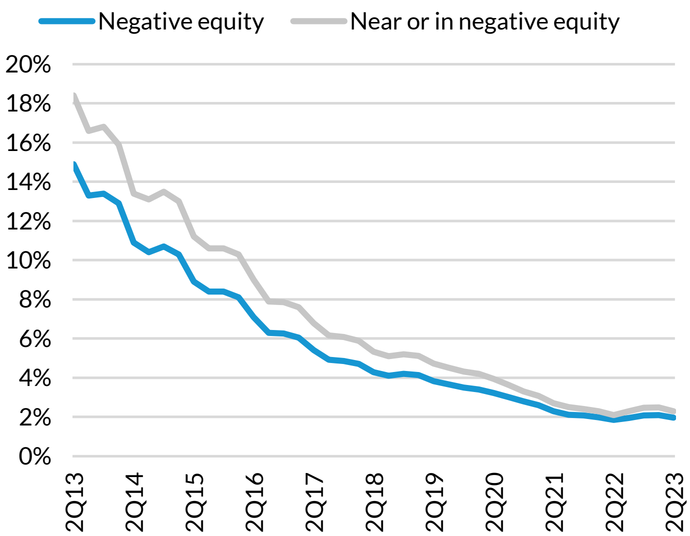
	GSEs		FHA		GSEs and FHA	
Characteristics	First-time	Repeat	First-time	Repeat	First-time	Repeat
Loan Amount ($)	334,303	358,000	316,456	326,632	330,195	362,279
Credit Score	750	760	683	681	724	745
LTV (%)	84	75	95	92	89	80
DTI (%)	37	38	45	47	41	41
Loan Rate (%)	6.77	6.77	6.58	6.6	6.68	6.70

Sources: eMBS and Urban Institute.
Note: Based on owner-occupied purchase mortgages originated in August 2023.

DELINQUENCIES AND LOSS MITIGATION ACTIVITY

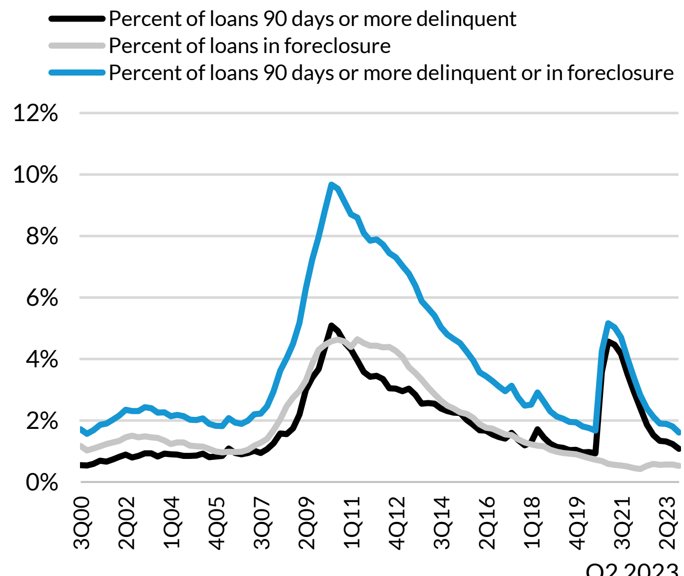
The share of loans in and near negative equity decreased slightly from 2.5 percent in Q1 2023 to 2.3 percent in Q2. In Q2 2023, the composition of loans in or near negative equity consists of approximately 2.0 percent with negative equity, and 0.3 percent between zero and 5 percent equity. The share of loans that are 90 days or more delinquent or in foreclosure decreased by 20 basis points, from 1.81 percent in Q1 2023 to 1.61 percent in Q2 2023 reflecting a decrease in the share of mortgages 90 or more days delinquent as the foreclosure rate has stabilized. This number includes loans where borrowers have missed their payments, including loans in COVID-19 forbearance. The bottom chart shows the share of loans in forbearance according to the MBA Weekly Forbearance and Call Volume Survey, launched in March 2020. After peaking at 8.55 percent in early June 2020, the total forbearance rate declined to 2.06 percent as of October 31st, 2021, the final week of the call survey. The MBA has since moved to conducting a monthly survey with the most recent forbearance rate decreasing 2 basis points to 0.31 percent as of September 30, 2023. GSE loans have consistently had the lowest forbearance rates, standing at 0.18 percent at the end of September. The most recent forbearance rate for Other (e.g., portfolio and PLS) loans was 0.35 percent; Ginnie Mae loans had the highest forbearance rate at 0.57 percent.

Negative Equity Share



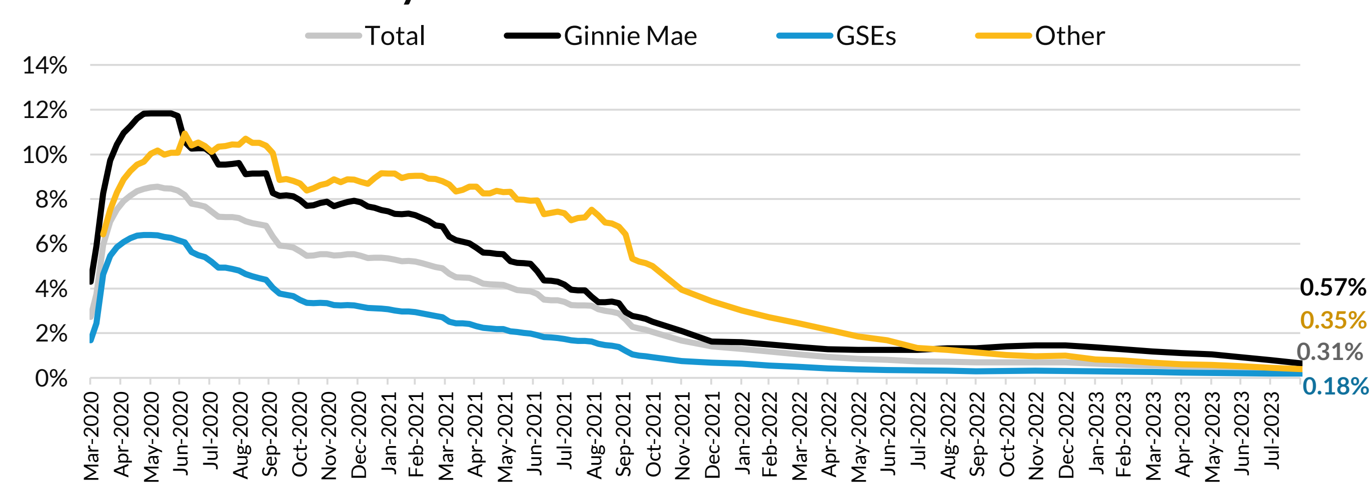
Sources: CoreLogic and Urban Institute.
Note: Loans with negative equity refer to loans above 100 percent LTV. Loans near negative equity refer to loans above 95 percent LTV.

Loans in Serious Delinquency/Foreclosure



Sources: Mortgage Bankers Association and Urban Institute. *Last updated August 2023.*

Forbearance Rates by Channel

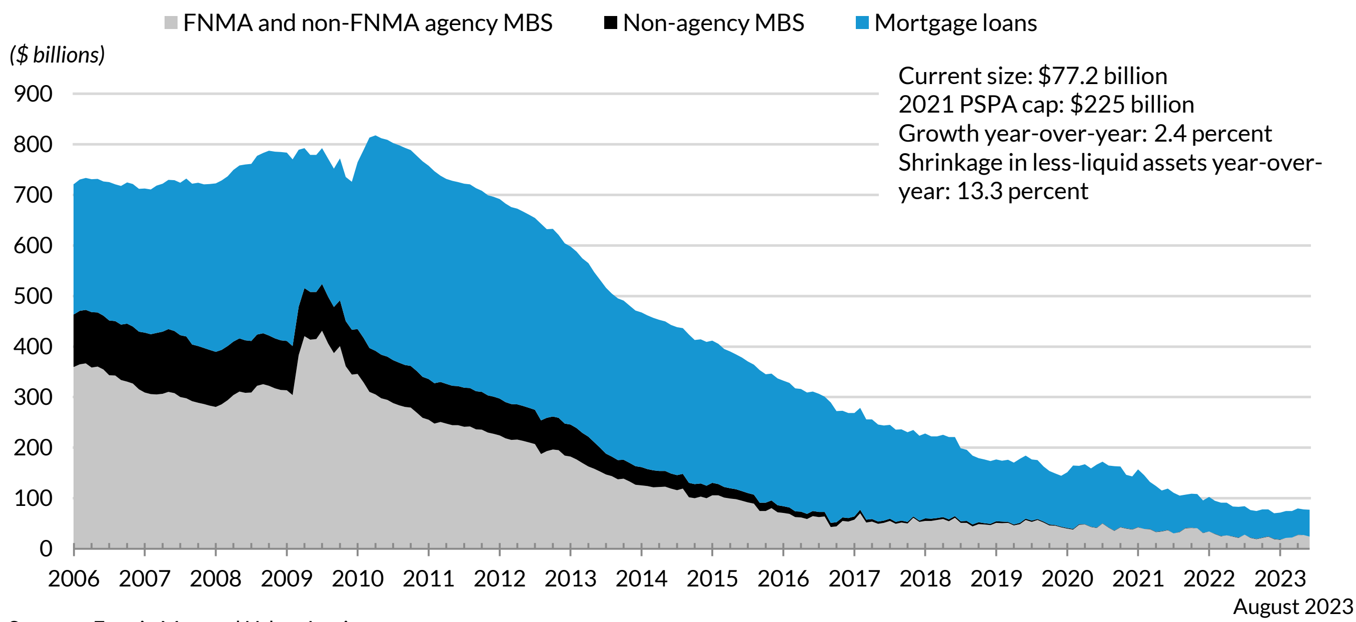


Source: MBA Weekly Forbearance and Call Volume Survey. *Forbearance rates as of September 30th, 2023*

GSE PORTFOLIO WIND-DOWN

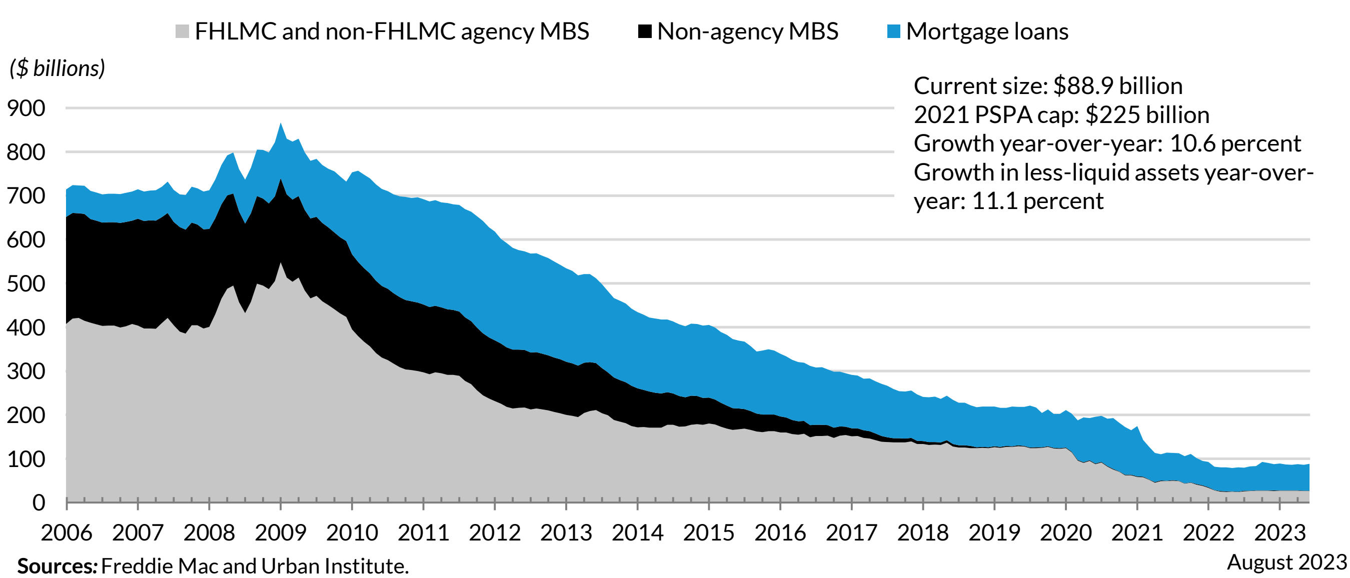
The Fannie Mae and Freddie Mac portfolios remain well below the $225 billion cap mandated in January 2021 by the new Preferred Stock Purchase Agreements (PSPAs). From August 2022 to August 2023, the Fannie and Freddie portfolios expanded by 2.4 and 10.6 percent, respectively. Within the portfolio, Fannie Mae contracted their less-liquid assets (mortgage loans, non-agency MBS), by 13.3 percent and Freddie Mac increased their less-liquid assets by 11.1 percent, over the same 12-month period.

Fannie Mae Mortgage-Related Investment Portfolio Composition



Sources: Fannie Mae and Urban Institute.

Freddie Mac Mortgage-Related Investment Portfolio Composition



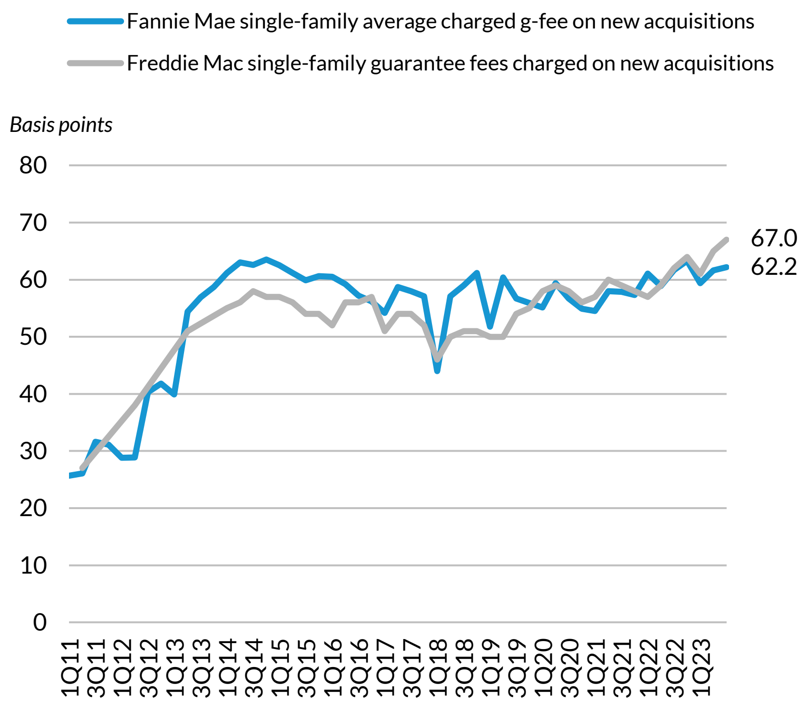
Sources: Freddie Mac and Urban Institute.

Note: Effective March 2021, Freddie Mac doesn't provide FHLMC/non-FHLMC breakout of agency MBS. The above charts were updated in May 2021 to reflect this.

EFFECTIVE GUARANTEE FEES

Guarantee Fees Charged on New Acquisitions

Fannie Mae's average g-fees charged on new acquisitions increased from 61.6 basis points in Q1 2023 to 62.2 basis points in Q2 2023 . Freddie's increased from 65.0 basis points in Q1 2023 to 67.0 basis points in Q2 2023. Fannie Mae and Freddie Mac's average g-fees charged have largely converged since the first quarter of 2020, but the current gap of 4.8 is the widest it has been since Q1 2022. And, today's g-fees are markedly higher than g-fee levels in 2011 and 2012, contributing to the GSEs' earnings amid sharp drops in acquisition volume. The bottom table shows Fannie Mae LLPAs, which are expressed as upfront charges. In October 2022, the GSEs announced the elimination of LLPAs for loans to FTHB's earning up to the AMI, affordable mortgage products such as Home Possible and Home Ready, and for loans supporting the Duty to Serve program. In January 2023, the GSEs released an updated LLPA Adjustment Matrix, effective May 1, 2023.



Sources: Fannie Mae, Freddie Mae and Urban Institute.
Last updated August 2023.

Fannie Mae Upfront Loan-Level Price Adjustments (LLPAs)

	LTV (%)								
Credit Score	≤60	30.01 – 60	60.01 – 70	70.01 – 75	75.01 – 80	80.01 – 85	85.01 – 90	90.01 – 95	>95
> 779	0.000	0.000	0.000	0.500	0.375	0.375	0.250	0.250	0.125
760 – 779	0.000	0.000	0.000	0.250	0.625	0.625	0.500	0.500	0.250
740 – 759	0.000	0.000	0.125	0.375	0.875	1.000	0.750	0.625	0.500
720 – 739	0.000	0.000	0.250	0.750	1.250	1.250	1.000	0.875	0.750
700 – 719	0.000	0.000	0.375	0.875	1.375	1.500	1.250	1.125	0.875
680 – 699	0.000	0.000	0.625	1.125	1.750	1.875	1.500	1.375	1.125
660 – 679	0.000	0.000	0.750	1.375	1.875	2.125	1.750	1.625	1.250
640 – 679	0.000	0.000	1.125	1.500	2.250	2.500	2.000	1.875	1.500
< 640	0.000	0.125	1.500	2.125	2.750	2.875	2.625	2.250	1.750

Sources: Fannie Mae and Urban Institute.
Last updated January of 2023.

GSE RISK-SHARING TRANSACTIONS

Fannie Mae and Freddie Mac have been laying off back-end credit risk through CAS/STACR and reinsurance transactions and front-end risk via originators, reinsurers and mortgage insurers. Since 2014, the GSEs have transferred majority of their credit risk to private markets. Fannie Mae's CAS issuances since inception total $2.20 trillion; Freddie's STACR totals $2.71 trillion. After the COVID-19 spread widening in March 2020, and the re-proposed capital rules released by FHFA shortly thereafter, Fannie Mae did not issue any deals from Mar 2020 to Sep 2021, while Freddie Mac continued to issue. With the changes in the final Capital Rule more CRT friendly, and more positive attitude toward CRT at FHFA, Fannie resumed CAS issuance in October 2021. As originations are more limited in 2023, CRT volume is substantially lower than in prior years.

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
2016	CAS 2016 deals	$236,459	$7,392	3.1
2017	CAS 2017 deals	$264,697	$8,707	3.3
2018	CAS 2018 deals	$205,900	$7,314	3.6
2019	CAS 2019 deals	$291,400	$8,071	2.8
2020	CAS 2020 deals	$210,000	$3,130	1.5
2021	CAS 2021 deals	$142,202	$3,095	2.2
2022	CAS 2022 deals	$227,576	$6,173	2.7
January 2023	CAS 2023 – R01	$23,101	$731	3.2
February 2023	CAS 2023 – R02	$20,647	$709	3.4
April 2023	CAS 2023 – R03	$38,969	$622	1.6
May 2023	CAS 2023 – R04	$21,404	$765	3.6
June 2023	CAS 2023 – R05	$20,734	$738	3.6
July 2023	CAS 2023 – R06	$20,781	$766	3.7
October 2023	CAS 2023 – R07	$26,505	$536	2.0
Total		**$2,227,143**	**$59,389**	**2.7**

Freddie Mac – Structured Agency Credit Risk (STACR)

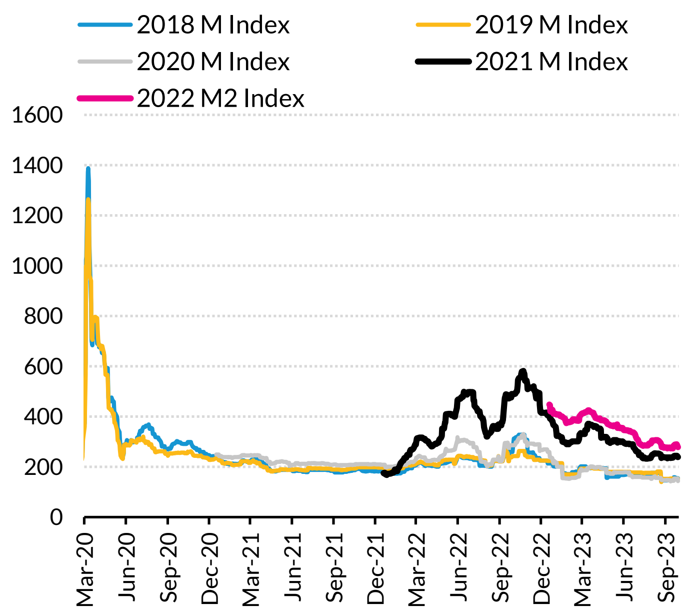
Date	*Transaction*	*Reference Pool Size ($ m)*	*Amount Issued ($m)*	*% of Reference Pool Covered*
2013	STACR 2013 deals	$57,912	$1,130	2.0
2014	STACR 2014 deals	$147,120	$4,916	3.3
2015	STACR 2015 deals	$209,521	$6,658	3.2
2016	STACR 2016 deals	$183,421	$5,541	2.8
2017	STACR 2017 deals	$248, 821	$5,663	2.3
2018	STACR 2018 deals	$216,581	$6,055	2.8
2019	STACR 2019 deals	$271,105	$5,947	2.2
2020	STACR 2020 deals	$403,591	$10,372	2.6
2021	STACR 2021 deals	$574,706	$11,024	1.9
2022	STACR 2022 deals	$327,773	$11,203	3.4
March 2023	STACR Series 2023 – DNA1	$15,167	$611	4.0
April 2023	STACR Series 2023– DNA2	$18,242	$762	4.2
May 2023	STACR Series 2023 – HQA1	$13,876	$317	2.3
June 2023	STACR Series 2023 – HQA2	$17,440	$512	2.9
Total		**$2,711,688**	**$71,911**	**2.7**

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.

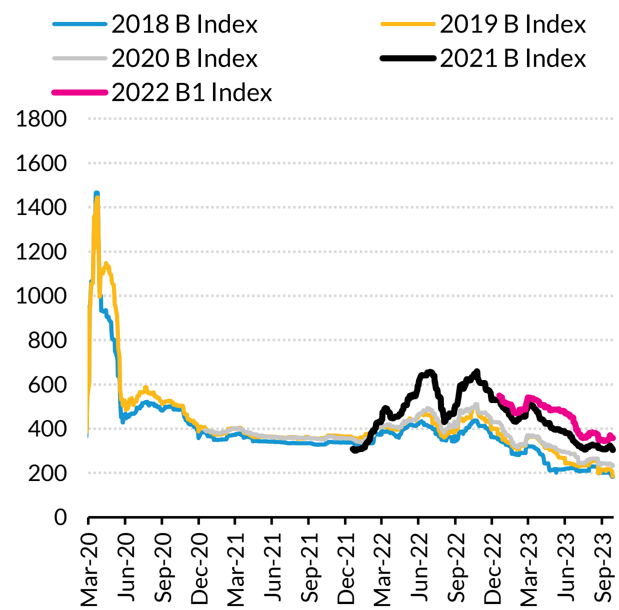
GSE RISK-SHARING INDICES

The figures below show the spreads on 2018, 2019, 2020, 2021 and 2022 indices, as priced by dealers. Note the substantial spread widening in March 2020. This reflected expectations of higher defaults and potential credit losses owing to COVID-19, as well as forced selling. Since then, spreads have narrowed significantly. Spreads, while volatile, were generally widening from February through November of 2022. This reflects slower prepayment expectations and longer exposure to default risk in the face of higher rates. The widening is more pronounced for 2021 and 2022 indices due to less embedded home price appreciation including recent price declines in some markets and a growing risk of a recession. Spreads have largely declined since late 2022 as mortgage non-performance and the unemployment rate remain low, and home price growth has resumed. Note that the 2020 and 2021 indices are heavily Freddie Mac as Fannie did not issue any new deals from Q2 2020 to Q4 2021.

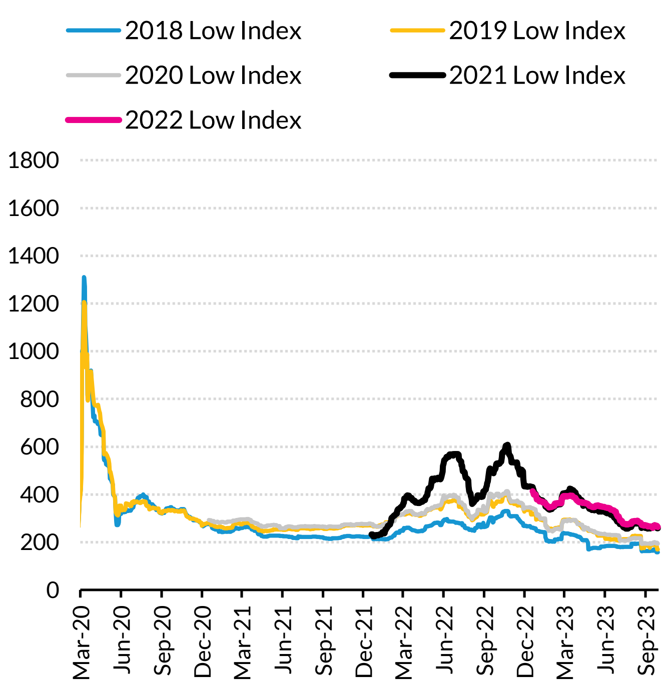
M Indices



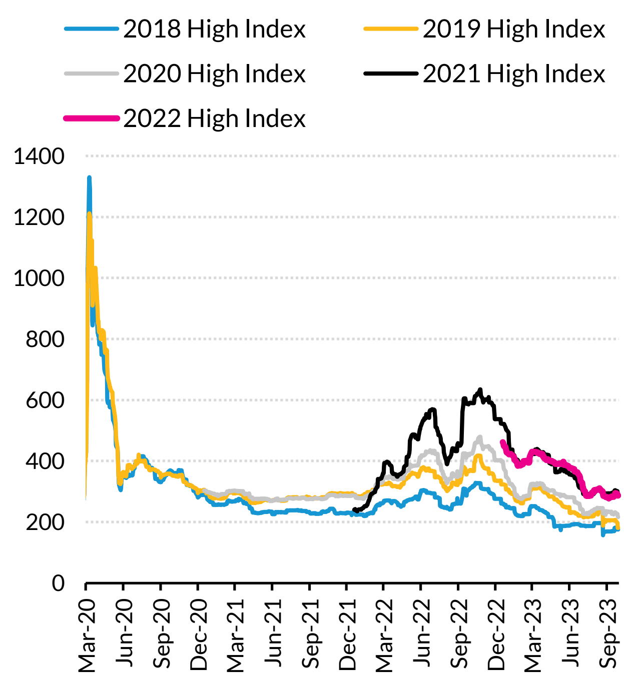
B Indices



Low Indices



High Indices

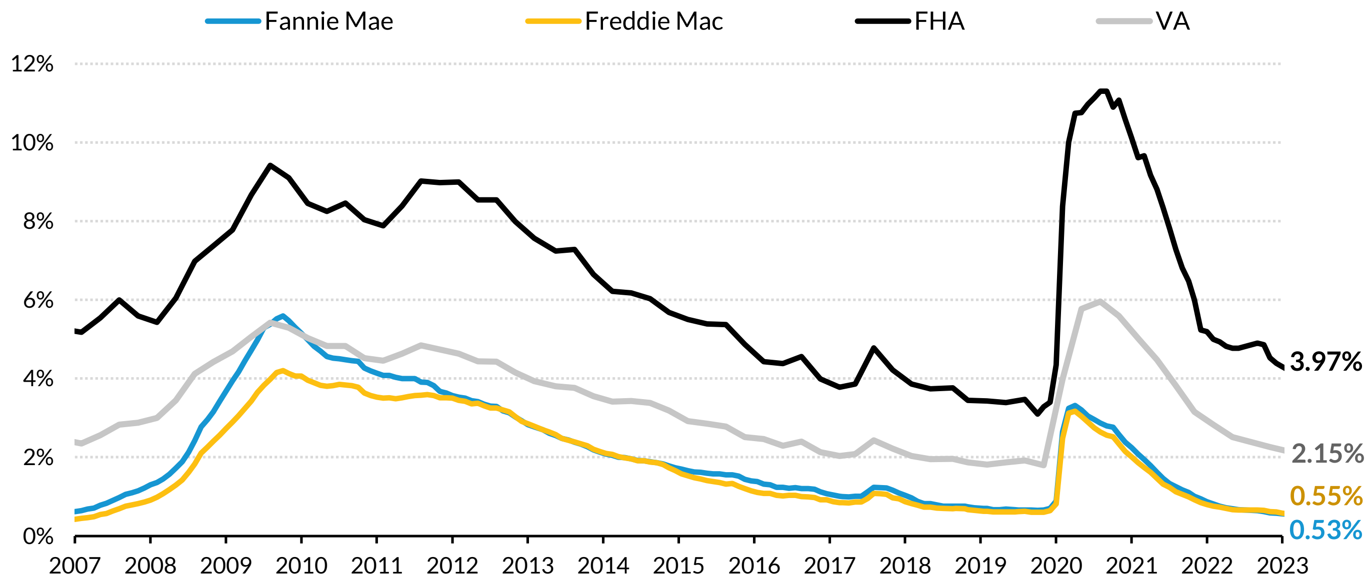


Sources: Vista Data Services and Urban Institute.
Note: Data as of September 15, 2023.

SERIOUS DELINQUENCY RATES

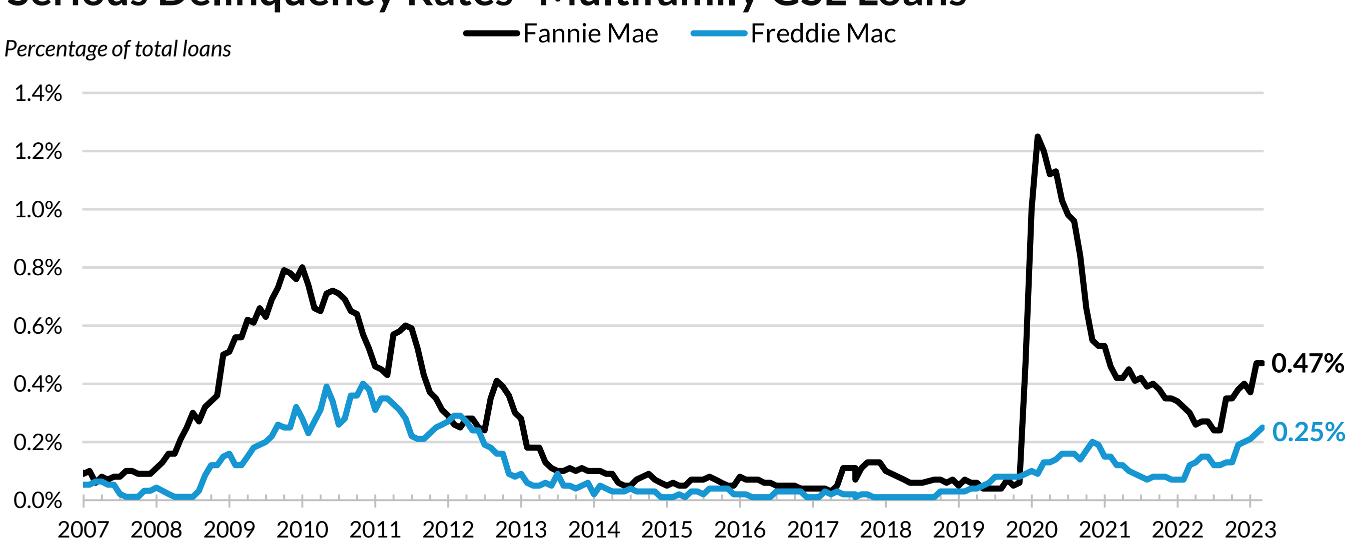
Serious delinquency rates for single family loans have continued their decline. In August 2023 Fannie Mae and Freddie Mac single-family loans decreased slightly to 0.53 percent and 0.55 percent, respectively. Serious delinquency rates for FHA loans, which are higher than those on GSE or VA loans, continued its recent decline from 4.12 percent in July to 3.97 percent in August. In Q2 2023, VA serious delinquency rates declined to 2.15 percent from 2.26 percent in Q1 2023. Note that loans that are in forbearance are counted as delinquent for the purpose of measuring delinquency rates. Fannie and Freddie multifamily delinquencies started leveling off in June 2023. From July to August 2023, Fannie's serious multifamily delinquencies, while still low, are both up significantly. Since the pandemic, Fannie Mae's serious multifamily delinquency rate bottomed in January 2023 at 0.24 percent and is up to 0.47 percent in August. Freddie Mac's serious delinquency rate bottomed in July 2022 at 0.07 percent and has increased to 0.25 percent in August.

Serious Delinquency Rates–Single-Family Loans



Sources: Fannie Mae, Freddie Mac, Federal Housing Administration, 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. VA delinquencies are reported on a quarterly basis, last updated for Q4 2022. GSE and FHA delinquencies are reported monthly, last updated for August 2023.

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 totaled $778.6 billion over the first nine months of 2023, $487.4 billion by the GSEs and $291.2 billion by Ginnie Mae. These levels are considerably lower than early 2022 issuance activity. Total 2023 net issuance (new securities issued less the decline in outstanding securities due to principal pay-downs or prepayments) also lags 2022 levels. However, Ginnie Mae has been stronger to-date as the $133.0 billion issued through September exceeds the $95.5 billion issued over the same period in 2022.

Agency Gross Issuance

Issuance Year	GSEs	Ginnie Mae	Total
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	$795.0	$400.6	$1,195.3
2019	$1,042.6	$508.6	$1,551.2
2020	$2,407.5	$775.4	$3,182.9
2021	$2,650.8	$855.3	$3,506.1
2022	$1,200	$527.4	$1.727.4
2023 YTD	$487.4	$291.2	$778.6
YTD 2023 % Change Over 2022	-53.0%	-31.8%	-46.8%
2023 Annualized	$649.9	$388.3	$1,038.2

Agency Net Issuance

Issuance Year	GSEs	Ginnie Mae	Total
2002	$357.20	-$51.20	$306.10
2003	$334.90	-$77.60	$257.30
2004	$82.50	-$40.10	$42.40
2005	$174.20	-$42.20	$132.00
2006	$313.60	$0.20	$313.80
2007	$514.90	$30.90	$545.70
2008	$314.80	$196.40	$511.30
2009	$250.60	$257.40	$508.00
2010	-$303.20	$198.30	-$105.00
2011	-$128.40	$149.60	$21.20
2012	-$42.40	$119.10	$76.80
2013	$69.10	$87.90	$157.00
2014	$30.5	$61.6	$92.1
2015	$75.1	$97.3	$172.5
2016	$127.4	$125.8	$253.1
2017	$168.5	$131.3	$299.7
2018	$149.4	$112.0	$261.5
2019	$197.8	$95.7	$293.5
2020	$632.8	$19.9	$652.7
2021	$753.5	$5.6	$759.1
2022	$276.6	$133.3	$409.3
2023 YTD	$30.0	$133.0	$163.0
YTD 2023 % Change Over 2022	-88.8%	39.3%	-55.2%
2023 Annualized	$40.0	$177.3	$217.3

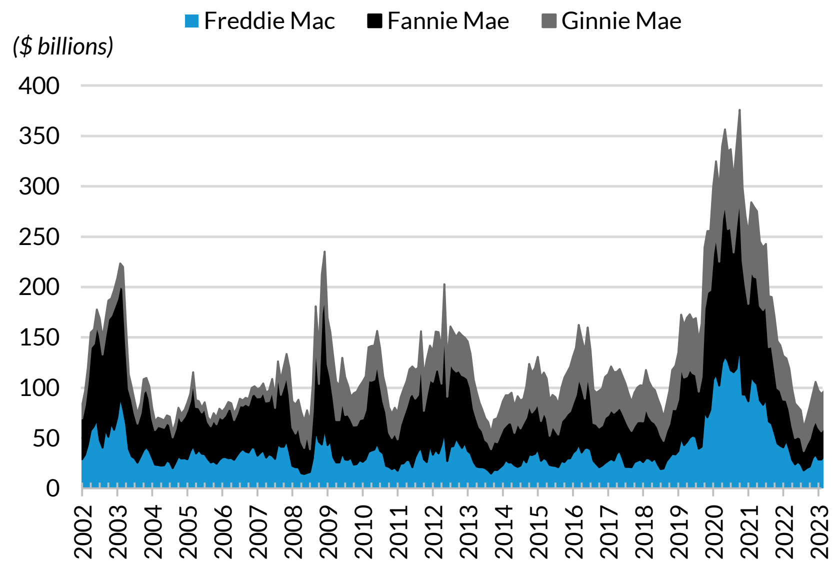
Sources: eMBS and Urban Institute.
Note: Dollar amounts are in billions. Data as of September 2023.

AGENCY GROSS ISSUANCE & FED PURCHASES

Monthly Gross Issuance

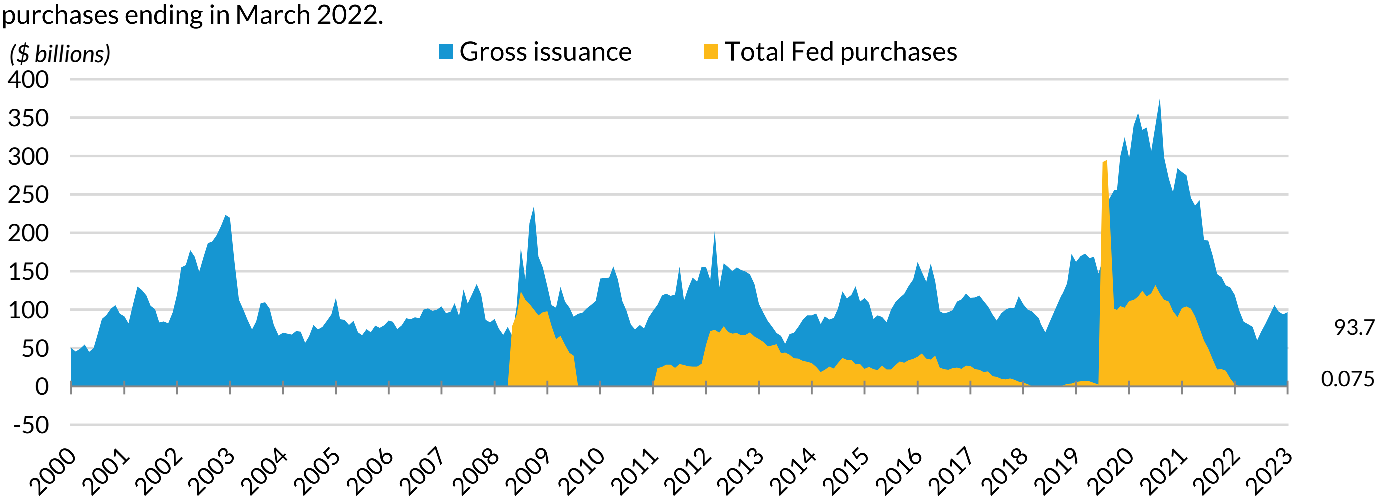
While FHA, VA and GSE lending have dominated the mortgage market since the 2008 housing crisis, there has been a change in the mix. The Ginnie Mae share of new issuances has risen from a pre-crisis level of 10-12 percent to 34.8 percent in February 2020, reflecting gains in both purchase and refinance shares. The Ginnie share then declined to a low of 20.4 percent in November 2020, reflecting the more robust ramp up in GSE refinances relative to Ginnie Mae refinances. The Ginnie share increased in recent months while refinances were low reaching a high of 40.8 percent in November 2022. While broadly lower over 2023, the Ginnie share decreased from 39.6 percent in August 2023 to 37.0 percent in September and remains high by historical standards.

Source: eMBS and Urban Institute Calculations



Fed Absorption of Agency Gross Issuance

As of September 2023, agency MBS on the Federal Reserve's balance sheet totals $2.48 trillion, down from $2.70 trillion in September 2022. The Fed's purchases of agency MBS dropped to $0 in November 2022 and has remained negligible since, reflecting their policy of allowing paydowns up to $35 billion to run off. Beginning in June 2022, the Fed allowed up to $17.5 billion to run off each month; the cap on runoffs increased to $35 billion per month in September 2022. The Federal Reserve's portfolio was a critical policy tool during the pandemic. In March of 2020, the Fed announced they would buy mortgages in an amount necessary to support smooth functioning markets; March and April of 2020 were the largest two months of mortgage purchases ever and exceeded total issuance. Once the market stabilized, the Fed began to purchase $40 billion net of MBS each month; this buying plus runoff replacements equated to purchases of $100 to $125 billion per month. In November 2021, the Fed began to reduce purchases, with these purchases ending in March 2022.



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

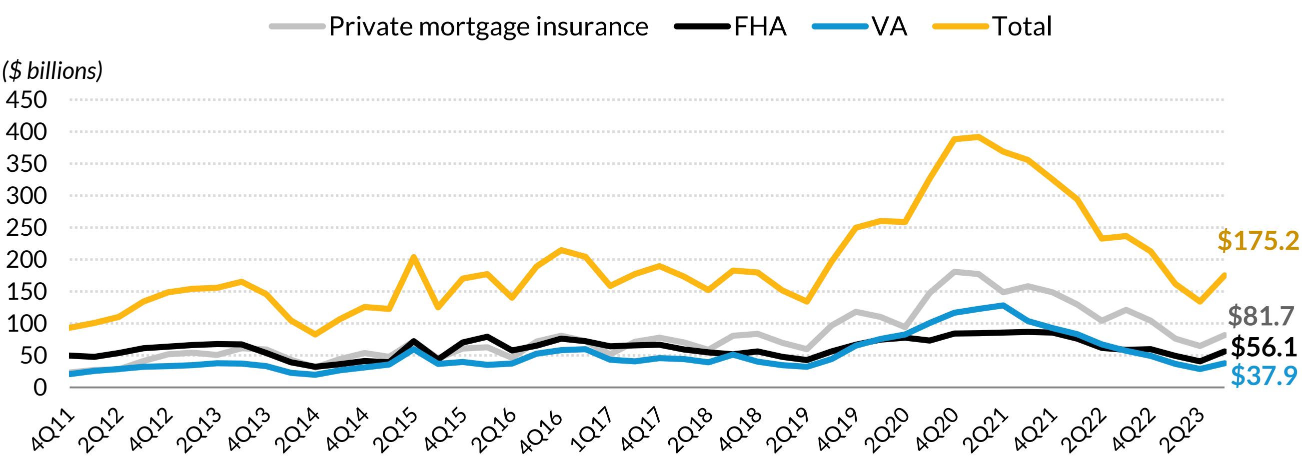
September 2023

AGENCY ISSUANCE

MORTGAGE INSURANCE ACTIVITY

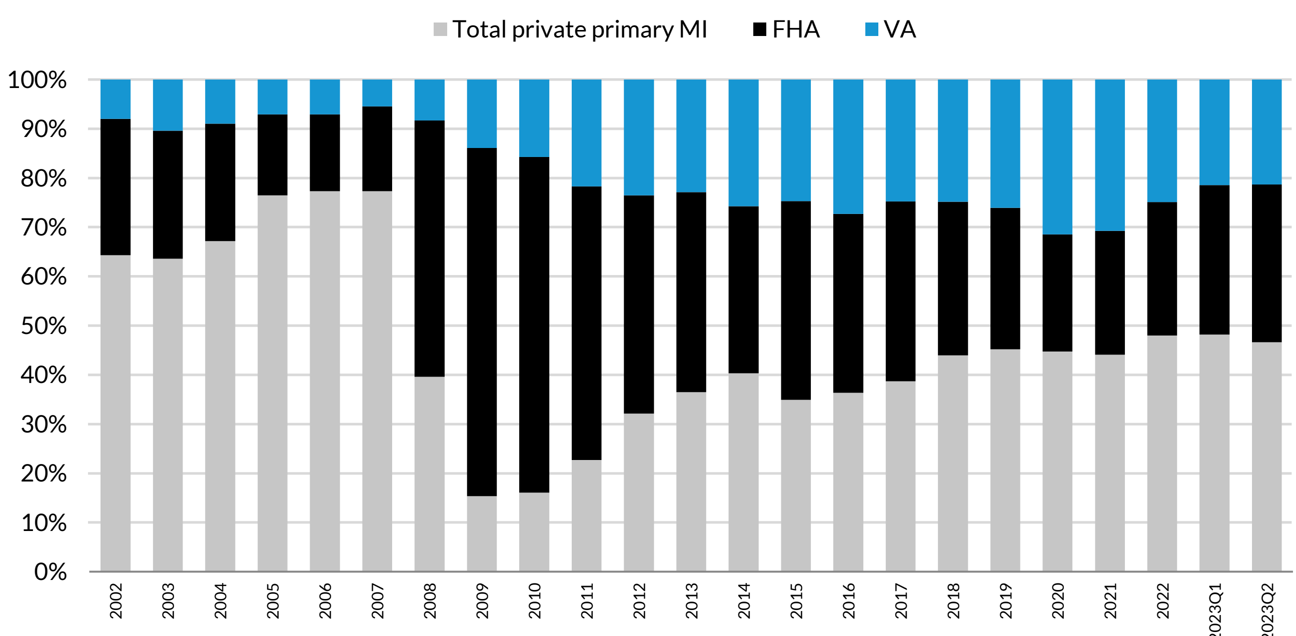
MI Activity

Despite a quarterly uptick in the second quarter of 2023, private mortgage insurance written decreased by $39.5 billion, FHA decreased by $20.9 billion, and VA decreased by $38.2 billion relative to Q2 2022. Over the same period (i.e. from Q2 2022 to Q2 2023), the private mortgage insurers share decreased from 48.2 to 46.6 percent and VA's share ticked down from 21.4 to 21.3 percent. In contrast, FHA's share increased from 30.4 to 32.0 percent over the period.



Sources: Inside Mortgage Finance and Urban Institute. *Last updated August 2023.*

MI Market Share



Sources: Inside Mortgage Finance and Urban Institute. *Last updated August 2023.*

MORTGAGE INSURANCE ACTIVITY

FHA premiums rose significantly in the years following the housing crash, with annual premiums rising from 50 to 135 basis points between 2008 to 2013 as FHA worked to shore up its finances. In January 2015, President Obama announced a 50 basis points cut in annual insurance premiums. In February 2023, Vice president Harris announced another 30 basis points cut to FHA insurance premiums, making FHA mortgages more attractive than GSE mortgages for the overwhelming majority of borrowers putting down less than 5%. As shown in the bottom table, a borrower putting 3.5 percent down with a FICO score less than 760 will currently find FHA financing to be more financially attractive, borrowers with FICOs of 760 and above will find GSE execution with PMI to be more attractive. This calculation reflects both the FHA MIP cut and the more favorable GSE LLPAs for LMI borrowers.

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
1/26/2015 – 3/19/2023[c]	175	85
Beginning 3/20/2023	175	55

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. GSE with PMI

Assumptions	
Property Value	$300,000
Loan Amount	$289,500
LTV	96.5
Base Rate	
Conforming Base Rate	7.16
FHA Base Rate	7.11

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	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
PMI								
PMI Annual MIP	1.50%	1.31%	1.23%	0.98%	0.79%	0.70%	0.58%	0.46%
Monthly Payment								
FHA	$2,205	$2,205	$2,205	$2,205	$2,205	$2,205	$2,205	$2,205
GSE plus PMI	$2,454	$2,408	$2,389	$2,329	$2,283	$2,261	$2,232	$2,203
GSE plus PMI Advantage	-$249	-$203	-$184	-$124	-$78	-$56	-$27	$2

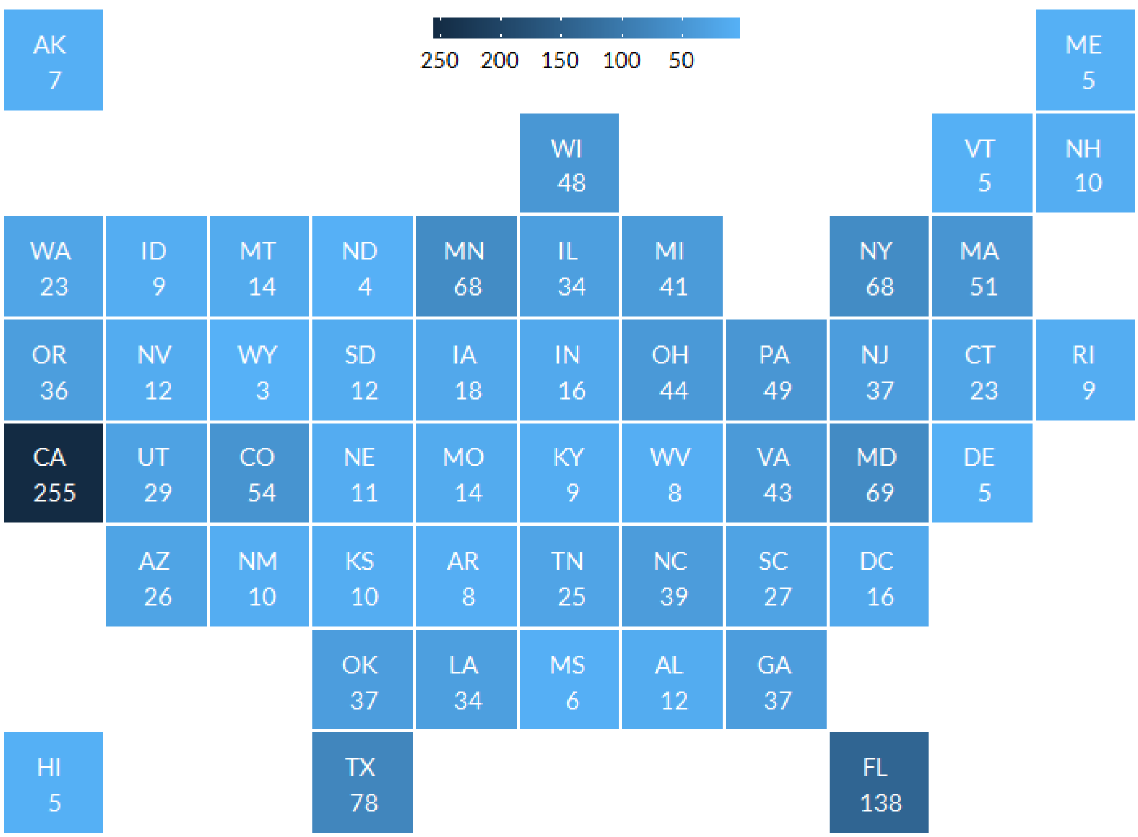
Sources: Enact Mortgage Insurance, Ginnie Mae, and Urban Institute. FHA and 30-year conforming rates from MBA Weekly Applications Survey.
Note: Rates as of September 20, 2023.
Mortgage insurance premiums listed in percentage points. Grey shade indicates FHA monthly payment is more favorable, while blue indicates PMI is more favorable.
The PMI monthly payment calculation is based on the 25 percent coverage that applies to Fannie Mae's HomeReady and Freddie Mac's Home Possible (HP) programs.

Special Data Feature: Down Payment Resource

Down Payment Assistance Programs by State

The map below shows the number of funded down payment assistance (DPA) programs in each state. Nationally, there are 1,676 funded DPA programs as of 2023 Q2. Most programs of these are based in one state but 25 operate across states or nationally. California has by far the most DPA programs. This is likely due to high housing costs and low homeownership rates in California. According to the 2022 American Community survey, the homeownership rate in California if 55.8 percent. This is significantly lower than the national homeownership rate of 65.2 percent. 29.7 percent of homeowners with a mortgage in California spend 35 percent or more of their household income on housing, compared to only 21.3 percent nationally.

Down Payment Assistance Programs

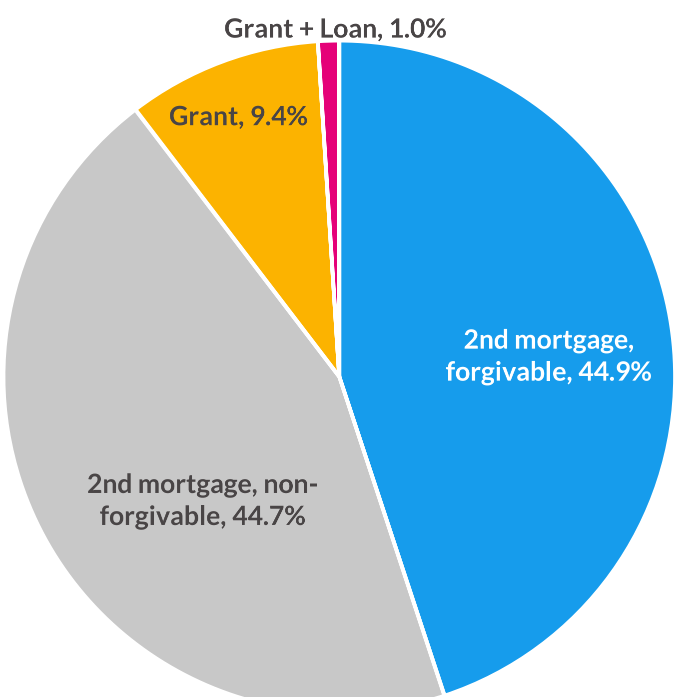


Sources: Down Payment Resource, 2022 American Community Survey and Urban Institute Calculations.

Characteristics of Down Payment Assistance Programs

- Down payment assistance programs tend to take two forms: second mortgages or grants. 89.6 percent of down payment assistance programs active as of August 2023 are second mortgages, 9.4 percent are grants and 1.0 percent include both a second mortgage and grant.
- 81.9 percent of second mortgages are deferrable, the borrower starts paying back the down payment assistance several months or years into the mortgage. The median waiting period for payment assistance programs is 10 years.
- About half, 53.9 percent, of down payment assistance programs are forgivable and 94.2 percent of forgivable DPA programs are fully forgivable. When there is a waiting period for DPA forgiveness, borrowers wait a median 60 months or 5 years.
- 60.7 percent of programs contribute a set dollar amount to a borrower's down payment, with a median contribution of $15,000. 22.1 percent of programs contribute a percent of the property value, on median 10 percent. Another 9.5 percent of the programs contribute a percent of the loan amount, the median contribution in these cases is 5 percent.
- 82.2 percent of DPA programs are provided by municipal governments, nonprofits or state HFAs. Other types of program providers include state housing corporations, employers and tribal organizations.
- 8.7 percent of 2nd mortgage programs and 20.4 percent of grants are part of combined homebuyer assistance programs. These programs are usually offered by Housing Finance Agencies (HFAs) where the down payment assistance is packaged with one of the HFA's affordable first mortgage products as opposed to being a standalone DPA program that a lender can use with their in-house mortgage products.

Down payment assistance programs by type and forgiveness

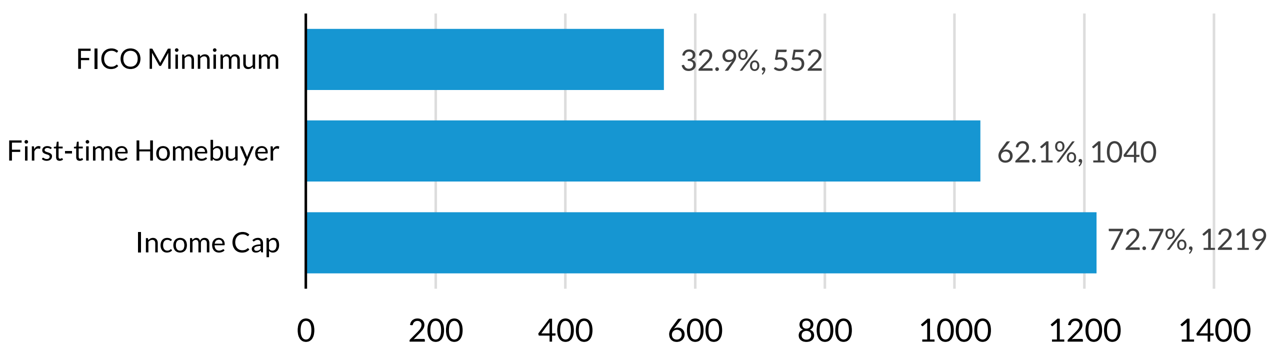


Source: Down Payment Resource and Urban Institute.

Borrower Requirements for Down Payment Assistance

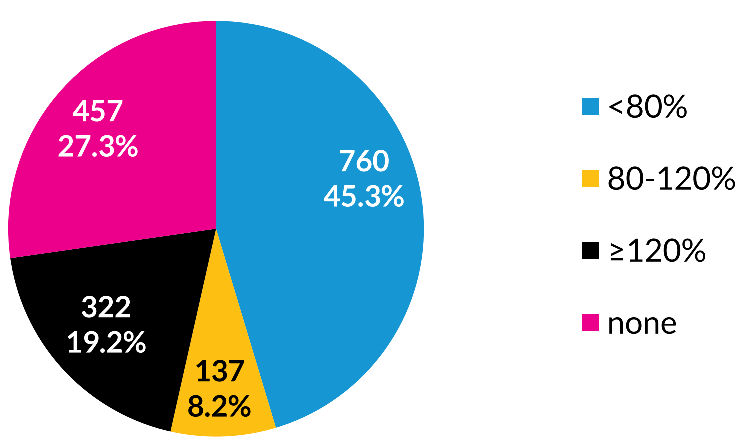
- Half, 51 percent, of DPA programs require a set borrower contribution. Among programs with a set borrower contribution, half require a dollar amount, on median $1,000, and half require a percent of the sales price, on median 2 percent.
- 62.1 percent of DPA programs have a first-time homebuyer requirement.
- 72.7 percent of programs have an income maximum. 45.3 percent of programs have an income cap of 80% area median income or less, 19.2 percent of programs have an income maximum of 120% area median income or more.
- 5.8 percent of programs include an equity sharing requirement. In this case the investor who funded the down payment assistance gets a share of the property appreciation from the time of purchase to when the owner eventually sells or pays off their mortgage.
- 32.9 percent of programs enforce a credit score minimum, the median credit score minimum for programs with a requirement is 640.

Borrower Requirements for Down Payment Assistance



Source: Down Payment Resource and Urban Institute Calculations.

Down Payment Assistance Programs by Income Limit



Source: Down Payment Resource and Urban Institute Calculations.

Down Payment Assistance by Loan Type

The table below shows the number and percent of 2022 purchase mortgages potentially eligible for down payment assistance in the 10 largest metropolitan statistical areas (MSAs). This includes eligibility for all DPA programs, about 82.5 percent of which currently have funding. In Atlanta, 51.6 percent of homebuyers were eligible for assistance, the average loan amount of these mortgages was $405,000, eligible borrowers had a median household income of $104,000, the average borrower is eligible for 1.6 DPA programs (one or two programs) and the median amount of assistance a borrower could receive was $5,000. Across these MSAs, FHA and USDA loans are most likely to be eligible for assistance. Average DPA assistance is generally highest for conventional and VA loans because loan amounts are generally higher for these borrowers and down payment assistance is often a share of the property or loan amount.

MSA	Loan Type	Loans Eligible for Assistance	% Eligible for Assistance	Median Loan Amount ($)	Median Income ($)	Average Programs Eligible for Assistance	Median DPA $
Atlanta-Sandy Springs-Roswell, GA	All	88,171	51.6%	$405,000	$104,000	1.6	$5,000
	Conventional	63,929	43.7%	$435,000	$116,000	1.5	$5,000
	FHA	16,743	82.9%	$315,000	$81,000	1.8	$6,537
	VA	6,997	48.9%	$385,000	$98,000	1.5	$5,000
	USDA	502	82.0%	$245,000	$74,000	1.8	$7,500
Chicago-Naperville-Elgin, IL-IN-WI	All	112,910	42.2%	$325,000	$98,000	10.9	$8,750
	Conventional	88,274	33.6%	$345,000	$108,000	10.6	$8,750
	FHA	20,152	77.9%	$255,000	$76,000	12.2	$8,787
	VA	4,388	42.2%	$315,000	$91,000	10	$8,750
	USDA	96	82.0%	$185,000	$63,500	7.7	$9,050
Dallas-Fort Worth-Arlington, TX	All	109,161	49.5%	$415,000	$118,000	10.1	$16,862
	Conventional	81,994	42.7%	$455,000	$128,000	9.2	$17,812
	FHA	17,442	82.9%	$325,000	$92,000	13.3	$14,962
	VA	9,547	47.3%	$415,000	$111,000	10.1	$17,812
	USDA	178	82.0%	$285,000	$85,000	14.8	$13,537
Houston-The Woodlands-Sugar Land, TX	All	92,747	53.3%	$345,000	$108,000	9.7	$14,012
	Conventional	64,792	45.2%	$385,000	$121,000	8.6	$14,962
	FHA	19,922	82.9%	$285,000	$86,000	12.5	$13,062
	VA	7,869	48.9%	$355,000	$102,000	9.9	$14,962
	USDA	164	82.0%	$235,000	$76,000	14.6	$11,162

Sources: Down Payment Resource, Home Mortgage Disclosure Act (HMDA) 2022, Federal Housing Administration (FHA), eMBS and Urban Institute.

Notes: MSA = Metropolitan Statistical Area; DPA = Down Payment Assistance; VA = US Department of Veteran Affairs; USDA = US Department of Agriculture. Based on 2022 HMDA purchase originations. For DPA eligibility estimates we assume household size of 3 and first-time homebuyer shares to be 50.2 percent for conventional, 82.9 percent for FHA, 50.9 percent for VA and 82.0 percent for USDA loans.

Down Payment Assistance by Loan Type

MSA	Loan Type	Loans Eligible for Assistance	% Eligible for Assistance	Median Loan Amount ($)	Median Income ($)	Average Programs Eligible for Assistance	Average DPA $
Los Angeles-Long Beach-Anaheim, CA	All	69,513	37.3%	$855,000	$175,000	12.5	$34,437
	Conventional	60,731	32.1%	$905,000	$185,000	12.2	$34,912
	FHA	6,684	82.1%	$625,000	$135,000	13.6	$29,687
	VA	2,088	42.8%	$755,000	$141,000	13.5	$33,487
	USDA	10	82.0%	$375,000	$116,000	15.5	$17,812
Miami-Fort Lauderdale-West Palm Beach, FL	All	57,403	37.3%	$445,000	$116,000	8.3	$15,000
	Conventional	46,369	30.1%	$485,000	$128,000	8.2	$15,000
	FHA	8,720	77.9%	$385,000	$90,000	8.7	$15,000
	VA	2,313	36.6%	$475,000	$109,000	7.9	$16,387
	USDA	1	82.0%	$155,000	$92,000	12	$10,000
New York-Newark-Jersey City, NY-NJ-PA	All	141,037	37.8%	$595,000	$143,000	6.9	$15,000
	Conventional	121,341	32.1%	$625,000	$150,000	7.1	$15,000
	FHA	17,139	75.4%	$495,000	$116,000	6.2	$15,000
	VA	2,496	41.7%	$515,000	$122,000	5.9	$15,000
	USDA	61	82.0%	$235,000	$78,500	5	$15,000
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	All	67,546	49.3%	$355,000	$102,000	5.4	$8,000
	Conventional	51,677	41.7%	$395,000	$114,000	5.4	$8,000
	FHA	12,439	81.2%	$255,000	$74,000	5.8	$11,000
	VA	3,170	45.3%	$345,000	$95,000	5.1	$11,035
	USDA	260	82.0%	$255,000	$83,000	7.9	$8,201
Phoenix-Mesa-Scottsdale, AZ	All	70,472	38.8%	$455,000	$103,000	4.3	$22,515
	Conventional	52,991	31.1%	$495,000	$111,000	4.4	$23,655
	FHA	10,654	76.3%	$375,000	$84,000	4	$20,116
	VA	6,693	38.7%	$455,000	$97,000	4	$22,728
	USDA	134	81.2%	$295,000	$73,000	1.8	$14,012
Washington-Arlington-Alexandria, DC-VA-MD-WV	All	81,968	37.6%	$555,000	$136,000	12.5	$10,625
	Conventional	59,394	31.6%	$585,000	$144,000	12.4	$11,375
	FHA	10,218	76.3%	$415,000	$104,000	14.5	$9,625
	VA	11,830	33.6%	$565,000	$142,000	10.4	$10,625
	USDA	526	82.0%	$315,000	$86,000	9	$8,122
Top 10 MSAs	All	683,951	43.6%				
	Conventional	499,238	36.2%				
	FHA	134,873	79.8%				
	VA	47,911	42.5%				
	USDA	1,929	81.9%				

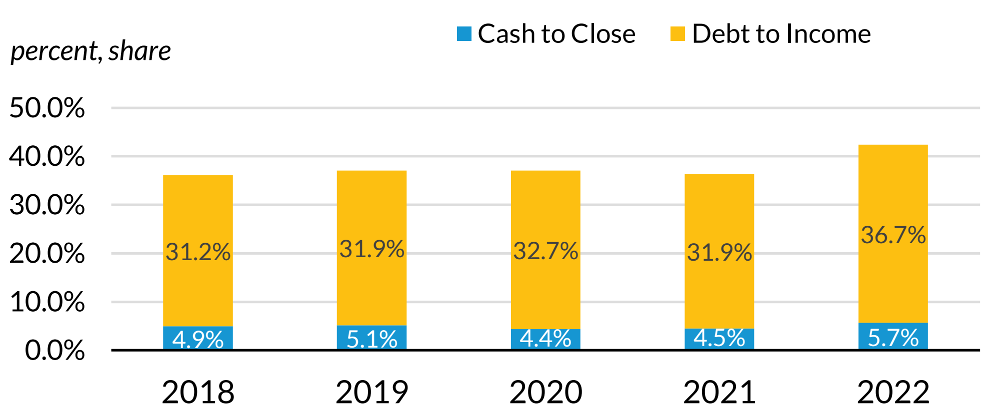
Sources: Down Payment Resource, Home Mortgage Disclosure Act (HMDA) 2022, Federal Housing Administration (FHA), eMBS and Urban Institute.

Notes: MSA = Metropolitan Statistical Area; DPA = Down Payment Assistance; VA = US Department of Veteran Affairs; USDA = US Department of Agriculture. Based on 2022 HMDA purchase originations. For DPA eligibility estimates we assume household size of 3 and first-time homebuyer shares to be 50.2 percent for conventional, 82.9 percent for FHA, 50.9 percent for VA and 82.0 percentfor FSA/RHS loans.

Reasons for Mortgage Denial in 2022

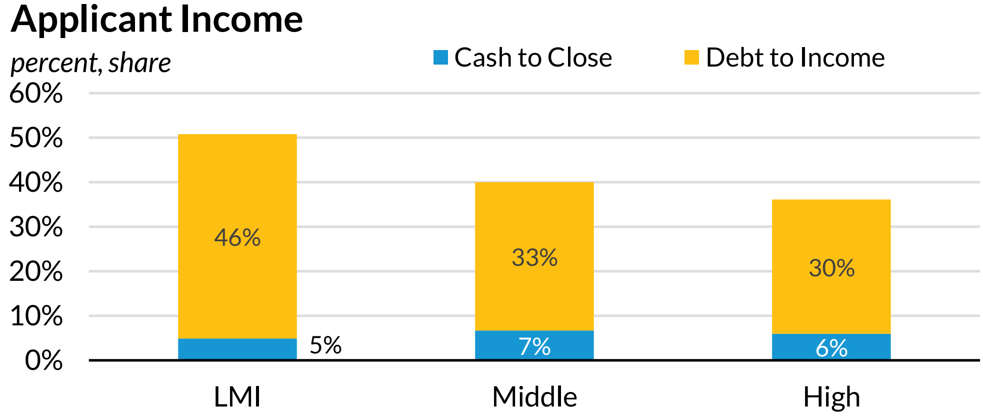
Down Payment Assistance (DPA) helps borrowers overcome the high upfront cost of homeownership. We quantify the volume and share of denied homebuyer applicants who might have been able to secure a mortgage if they had DPA. Applicants denied for a high debt-to-income ratio (DTI) could utilize assistance to pay a higher down payment than otherwise possible, decreasing their loan amount and DTI. Borrowers denied for insufficient cash to close (CTC) could likewise put more into their down payment and closing costs with down payment assistance. In 2022, 36.7 percent of denied applicants looking to secure a first lien purchase mortgage for a 1–4-unit owner occupied home were denied for a high DTI and 5.7 percent for insufficient CTC. Half of low to moderate (LMI) applicants were especially likely to be denied for DTI or CTC. The share of applicants denied purchase mortgages for these reasons increased in 2022 from 36.4 to 42.4 percent. We use the phrase "potentially salvageable" as we recognize that down payment assistance would not have been sufficient to qualify all borrowers denied due to CTC or DTI.

Potentially Salvageable share of Denied Loans by Year



Source: HMDA and Urban Institute.

Potentially Salvageable Share of Denied Loans in 2022 by Applicant Income



Source: HMDA and Urban Institute.
Note: Income categories determined by area median income (AMI) LMI <= 80% of AMI; middle 80-120% AMI; High >= 120% AMI.

Potentially Salvageable 2022 Denied Loans (by MSA)

The table below shows the share of declined purchase loans for 1–4-unit owner-occupied properties that may have otherwise been approved with the help of a down payment assistance program. DPA can lower the loan amount for a more favorable debt-to-income ratio (DTI) or provide cash to meet the necessary cash-to-close (CTC). The table covers the 10 largest metropolitan statistical areas by population. The analysis suggests that a not insignificant proportion of loans would be salvageable with down payment assistance. Across many MSAs, declined FHA borrowers had a high likelihood of benefiting from down payment assistance.

	Denied Loans	Count of DPA Eligible	DPA Eligible and Denied for DTI or CTC	% of Declined Loan Apps Potentially Salvageable
Atlanta-Sandy Springs-Alpharetta, GA				
Total	9807	6433	2422	24.7%
Conventional	5824	3564	1320	22.7%
FHA	2992	2175	845	28.2%
USDA	84	72	17	20.2%
VA	907	622	240	26.5%
Chicago-Naperville-Elgin, IL-IN-WI				
Total	10439	5562	2151	20.6%
Conventional	6161	3019	1074	17.4%
FHA	3835	2311	993	25.9%
USDA	19	13	4	21.1%
VA	424	219	80	18.9%
Dallas-Fort Worth-Arlington, TX				
Total	10646	9300	4319	40.6%
Conventional	6791	5546	2428	35.8%
FHA	2837	2820	1502	52.9%
FHS/RHS	38	37	16	42.1%
VA	980	897	373	38.1%
Houston-The Woodlands-Sugar Land, TX				
Total	10494	8455	3969	37.8%
Conventional	5983	4608	2054	34.3%
FHA	3567	3061	1566	43.9%
USDA	47	39	18	38.3%
VA	897	747	331	36.9%
Los Angeles-Long Beach-Anaheim, CA				
Total	7219	4681	1979	27.4%
Conventional	5803	3349	1384	23.8%
FHA	1165	1125	499	42.8%
USDA	10	7	5	50.0%
VA	241	200	91	37.8%

Source: Down Payment Resource, Home Mortgage Disclosure Act (HMDA) 2022, Federal Housing Administration (FHA), eMBS and Urban Institute.

Note: DPA = Down Payment Assistance, DTI = Debt to Income Ratio, CTC = Cash to Close , MSA = Metropolitan Statistical Area, VA = US Department of Veteran Affairs, USDA = US Department of Agriculture. Based on denied 2022 HMDA purchase originations, excluding 6.7 percent of denied loans missing critical data.

Potentially Salvageable 2022 Denied Loans (by MSA)

	Denied Loans	Count of DPA Eligible	DPA Eligible and Denied for DTI or CTC	% of Declined Loan Apps Potentially Salvageable
Miami-Fort Lauderdale-Pompano Beach, FL				
Total	10292	7719	2796	27.2%
Conventional	8108	5775	1914	23.6%
FHA	1852	1679	784	42.3%
USDA	1			0.0%
VA	331	265	98	29.6%
New York-Newark-Jersey City, NY-NJ-PA				
Total	15759	8886	3827	24.3%
Conventional	12052	6416	2563	21.3%
FHA	3341	2236	1163	34.8%
USDA	14	12	4	28.6%
VA	352	222	97	27.6%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD				
Total	5329	2930	1252	23.5%
Conventional	3256	1708	691	21.2%
FHA	1714	1043	499	29.1%
FHS/RHS	45	33	11	24.4%
VA	314	146	51	16.2%
Phoenix-Mesa-Chandler, AZ				
Total	6673	5714	2697	40.4%
Conventional	4402	3496	1638	37.2%
FHA	1582	1571	793	50.1%
USDA	34	34	18	52.9%
VA	655	613	248	37.9%
Washington-Arlington-Alexandria, DC-VA-MD-WV				
Total	6479	3996	1789	27.6%
Conventional	4062	2526	1145	28.2%
FHA	1662	988	468	28.2%
USDA	41	32	12	29.3%
VA	714	450	164	23.0%
Grand Total	150924	106458	46370	30.7%

Source: Down Payment Resource, Home Mortgage Disclosure Act (HMDA) 2022, Federal Housing Administration (FHA), eMBS and Urban Institute.
Note: DPA = Down Payment Assistance, DTI = Debt to Income Ratio, CTC = Cash to Close , MSA = Metropolitan Statistical Area, VA = US Department of Veteran Affairs, USDA = US Department of Agriculture. Based on denied 2022 HMDA purchase originations. , excluding 6.7 percent of denied loans missing critical data.

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