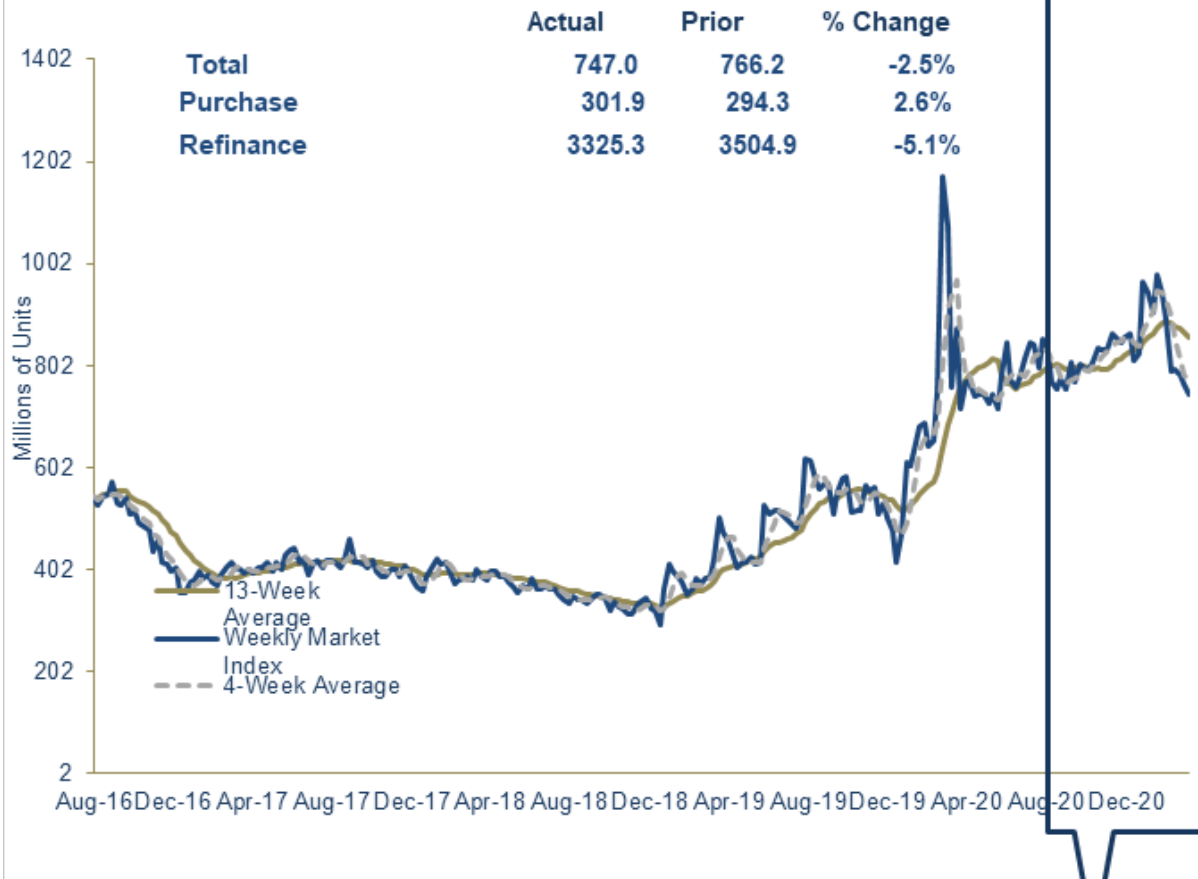


24.Mar.2021

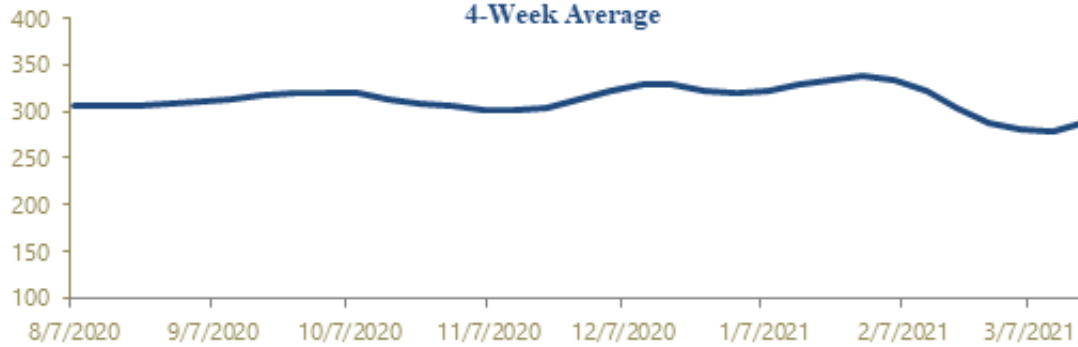
Mortgage Apps: Purchases Hold Up Amid Higher Rates

Bottom Line: Mortgage applications fell slightly overall as refis tumbled but purchase volumes rose for the third week in a row. The average 30-year fixed-rate mortgage rose sharply, up another 8bps to 3.36%, a recent high, 50bps above the lows seen in December. Refinancing volumes fell sharply again and were down nearly 30% from the highs set at the end of January. Purchase volumes inched higher. It is typical to see would-be homebuyers rush to close deals when rates start to rise after a long period of declining, low rates. There appears to be evidence of that in this cycle -- but there are also now signs that homebuyer interest is proving resilient to the increase in rates. This still bears close watching in the coming weeks. Overall, housing activity remains strong even with less refinancing activity, but purchase activity will be increasingly fragile. There remains a risk that higher mortgage rates slow housing activity, one of the most important economic recovery drivers. With yesterday's bond market rally, secondary mortgage market rates are about 8bps off the highs set last week.

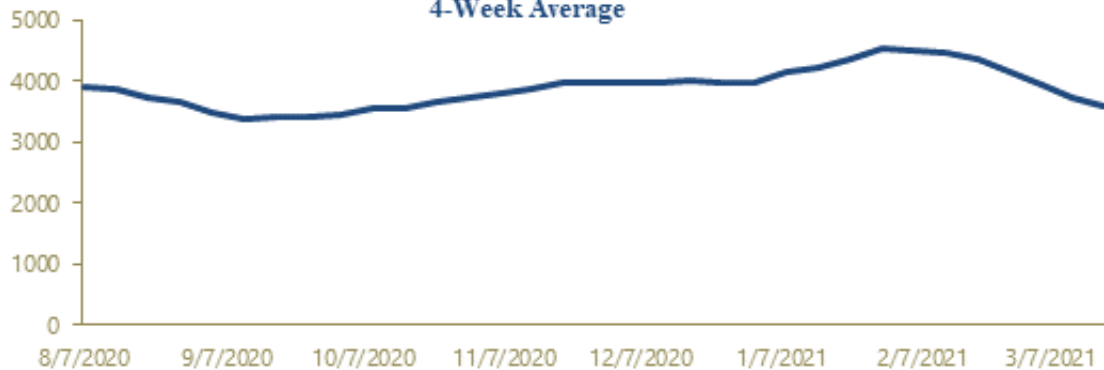
Mortgage Applications



Purchase Index 4-Week Average



Refi Index 4-Week Average



New Home Sales FELL by 18.2% to 775k, after the prior month was revised higher to 965k. This compared with market expectations for a decline to 870k, from the unrevised January level of 923k.

Sales are now 8.2% ABOVE their year-ago level, -- but they are still 44.2% BELOW their July 2005 peak.

The Inventory of Homes Available for Sale ROSE by 2.6% to 312k. Inventories are now 4.6% BELOW their year-ago level but still 45.5% BELOW their July 2006 peak level.

Combined with the decline in sales, the **Months' Supply** increased to 4.8 months from 3.8 months. This is modestly BELOW a normal level of 6.0 months and well BELOW its peak of 12.2 in January 2009.

Home Prices ROSE with median prices 5.3% ABOVE their year-ago level and with average prices 7.7% ABOVE their year-ago level.

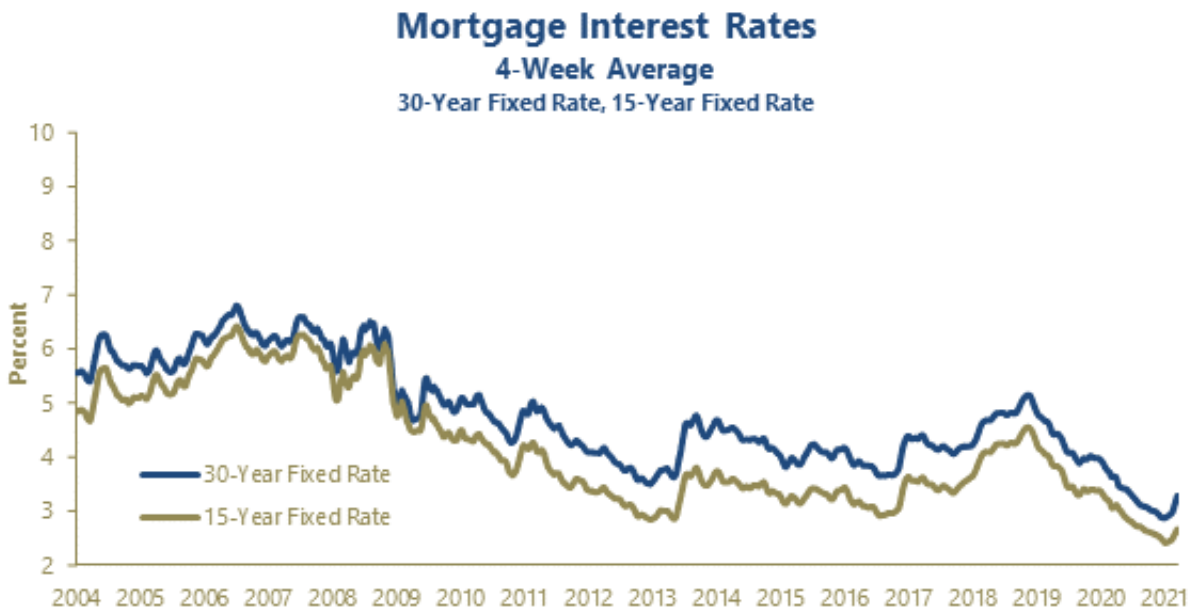
Key findings of MBA's Forbearance and Call Volume Survey - March 8 to March 14, 2021

- Total loans in forbearance decreased by 9 basis points relative to the prior week: from 5.14% to 5.05%.
 - By investor type, the share of Ginnie Mae loans in forbearance decreased relative to the prior week: from 7.16% to 7.03%.
 - The share of Fannie Mae and Freddie Mac loans in forbearance decreased relative to the prior week: from 2.88% to 2.83%.
 - The share of other loans (e.g., portfolio and PLS loans) in forbearance decreased relative to the prior week: 9.05% to 8.91%.
- By stage, 13.9% of total loans in forbearance are in the initial forbearance plan stage, while 83.5% are in a forbearance extension. The remaining 2.6% are forbearance re-entries.
- Total weekly forbearance requests as a percent of servicing portfolio volume (#) decreased relative to the prior week: from 0.07% to 0.05%, the lowest level since the week ending March 15, 2020.
- Of the cumulative forbearance exits for the period from June 1, 2020, through March 14, 2021:
 - 27.1% represented borrowers who continued to make their monthly payments during their forbearance period.
 - 26.2% resulted in a loan deferral/partial claim.
 - 14.9% resulted in reinstatements, in which past-due amounts are paid

back when exiting forbearance.

- 14.2% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
- 8.2% resulted in a loan modification or trial loan modification.
- 7.6% resulted in loans paid off through either a refinance or by selling the home.
- The remaining 1.8% resulted in repayment plans, short sales, deed-in-lieu or other reasons.
- Weekly servicer call center volume:
 - As a percent of servicing portfolio volume (#), calls decreased from the previous week from 10.0% to 9.2%.
 - Average speed to answer decreased from 4.1 minutes to 2.5 minutes.
 - Abandonment rates decreased from 10.1% to 6.1%.
 - Average call length decreased from 8.5 minutes to 8.1 minutes.
- Loans in forbearance as a share of servicing portfolio volume (#) as of March 14, 2021:
 - Total: 5.05% (previous week: 5.14%)
 - IMBs: 5.37% (previous week: 5.45%)
 - Depositories: 5.15% (previous week: 5.19%)

MBA's latest Forbearance and Call Volume Survey covers the period from March 8 through March 14, 2021, and represents 74% of the first-mortgage servicing market (37.0 million loans).



Refinancing Index vs Mortgage Rate 4-Week Average



Purchase Index vs. Existing Home Sales



	19-Mar	12-Mar	5-Mar	26-Feb	19-Feb	12-Feb	5-Feb	29-Jan	22-Jan	13 Wk Avg	Year Ago
Market Index	747.0	766.2	783.8	794.5	790.6	892.6	940.4	981.1	907.6	858.2	758.4
Percent Change	-2.5	-2.2	-1.3	0.5	-11.4	-5.1	-4.1	8.1	-4.1	-13.0	-1.5
Non-seasonally Adj. % Chg	-2.1	-1.8	-0.5	1.5						-3.2	-0.8
Purchase Index	301.9	294.3	289.0	269.7	264.9	299.5	318.8	334.6	334.2	309.7	237.4
Percent Change	2.6	1.8	7.2	1.8	-11.6	-6.1	-4.7	0.1	-4.0	-2.5	27.2
Refinancing Index	3,325	3,505	3,659	3,850	3,848	4,337	4,549	4,746	4,262	4,076	3,809
Percent Change	-5.1	-4.2	-5.0	0.1	-11.3	-4.7	-4.2	11.4	-5.0	-18.4	-12.7
Refinance % of Total	60.9	62.9	64.5	67.5	68.5	69.3	70.2	71.4	70.7	69.2	69.3
	-3.2	-2.5	-4.4	-1.5	-1.2	-1.3	-1.7	1.0	-2.2	-12.0	-12.1
% of ARMs	3.2	2.7	3.0	2.9	2.7	2.4	2.3	2.2	2.2	2.4	6.1
30-Year Fixed Rate	3.36	3.28	3.26	3.23	3.08	2.98	2.96	2.92	2.95	3.04	3.82
15-Year Fixed Rate	2.72	2.67	2.63	2.64	2.56	2.47	2.50	2.44	2.43	2.52	3.28
5-Year ARM on 30-Year	2.79	2.82	2.69	2.84	2.83	2.83	2.92	2.88	2.60	2.76	3.38

Source: Mortgage Bankers Association via Bloomberg. Our calculations.

Copyright © 2018 Contingent Macro Advisors, LLC. All rights reserved. Reproduction and/or redistribution are expressly prohibited. "Economic Advisory Service" is a registered trademark of Contingent Macro Advisors, LLC. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed.

T.J. Connelly, Head of Research

March 24, 2021

Steven A. Wood, Senior Economic Adviser