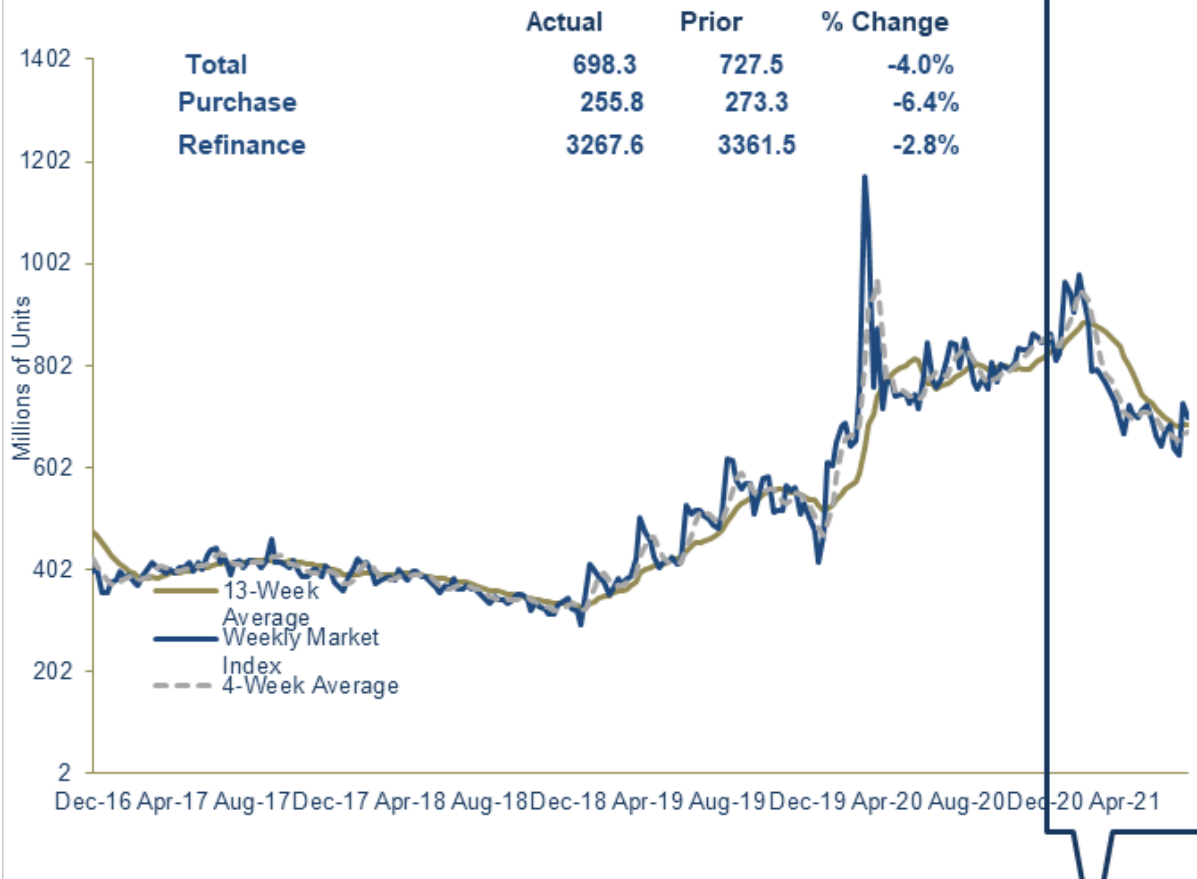


21.Jul.2021

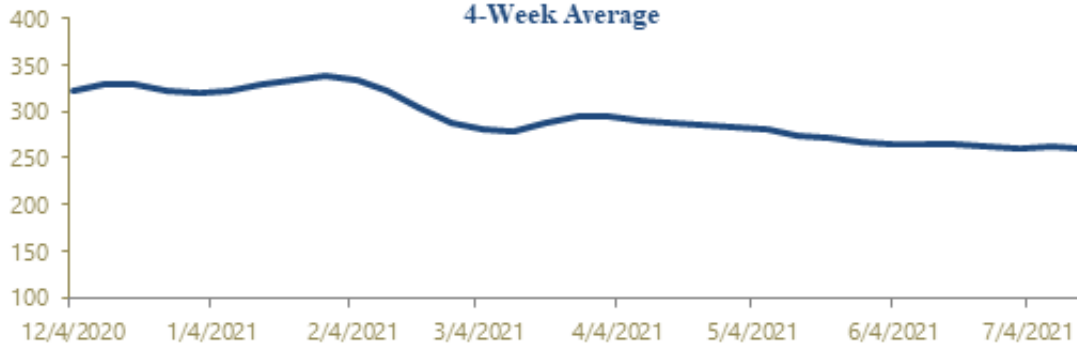
Mortgage Apps: Refis Ready To Move Higher?

Bottom Line: Mortgage applications for both purchases and refinancings were lower on a seasonally adjusted basis last week. But seasonal adjustments from the Independence Day holiday remained a major factor, with the unadjusted total index up 20% on the week. After falling to 60% of total applications, refinancing apps accounted for nearly 65% of all applications last week. And rates are sharply lower this week. With the current coupon yield in the secondary market down to 1.68% as MBS found buyers after widening to Treasury yields, activity is likely running hotter this week. 30-year fixed-rates below 3% are available to many borrowers. Expect refis to react most quickly, followed by increased purchase activity as some buyers sidelined by higher rates jump back into the market. However, the medium- and longer-term questions will be if mortgage rates can stay below 3% and if that will be enough to propel existing home sales higher again after the modest slowdown in recent months.

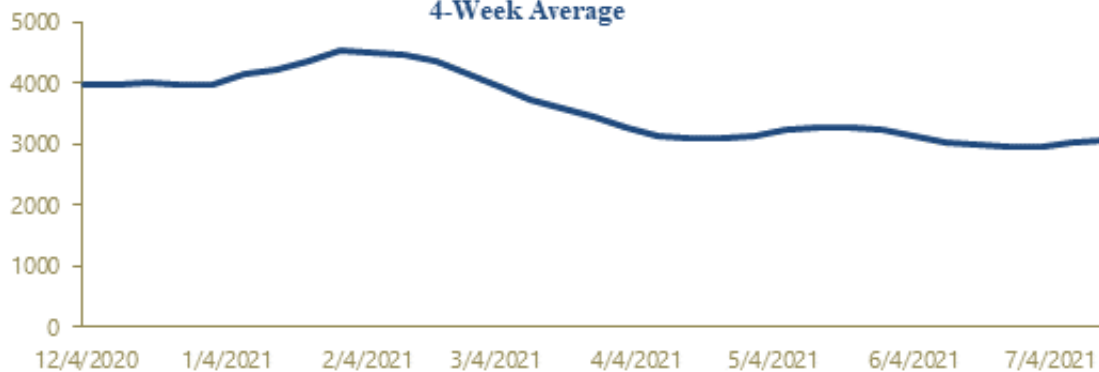
Mortgage Applications



Purchase Index 4-Week Average



Refi Index 4-Week Average



The MBA Mortgage Applications Index FELL by 4.0% during the week ended July 16 to 698.3, slightly above its 13 week average of 684.8 but 17.7% BELOW its year-ago level.

The Purchase Index FELL by 6.4% to 255.8, modestly below its 13 week average of 266.3 and 17.7% BELOW its year-ago level.

The Refinance Index FELL by 2.8% to 3,268. With this decline, refinancing activity is modestly above its 13 week average of 3,119 but 17.8% BELOW its year-ago level.

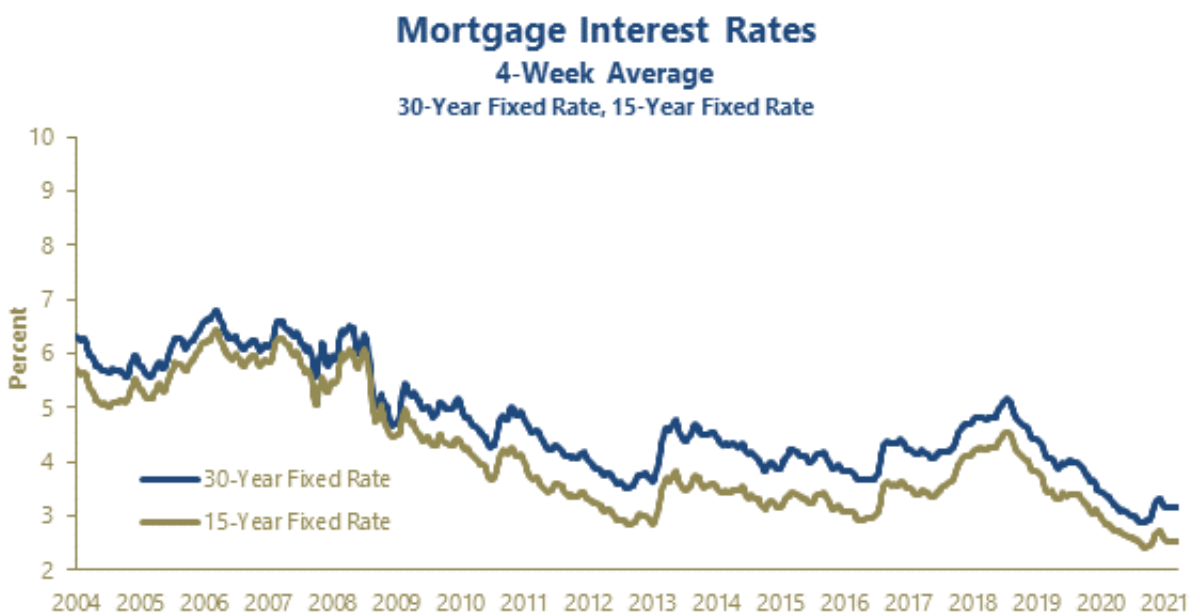
Contract Mortgage Rates were MIXED with the 30-year fixed rate increasing by 2 bps to 3.11% and the 15-year fixed rate declining by 2 bps to 2.46%.

Key findings of MBA's Forbearance and Call Volume Survey - July 5 to July 11, 2021

- Total loans in forbearance decreased by 26 basis points relative to the prior week: from 3.76% to 3.50%.
 - By investor type, the share of Ginnie Mae loans in forbearance decreased relative to the prior week: from 4.78% to 4.36%.
 - The share of Fannie Mae and Freddie Mac loans in forbearance decreased relative to the prior week: from 1.91% to 1.83%.
 - The share of other loans (e.g., portfolio and PLS loans) in forbearance decreased relative to the prior week: from 7.94% to 7.33%.
- By stage, 9.8% of total loans in forbearance are in the initial forbearance plan stage, while 83.4% are in a forbearance extension. The remaining 6.8% are forbearance re-entries.
- Total weekly forbearance requests as a percent of servicing portfolio volume (#) decreased relative to the prior week: from 0.04% to 0.03% - the lowest level reported since the week ending March 15, 2020.
- Of the cumulative forbearance exits for the period from June 1, 2020, through July 11, 2021:
 - 28.0% resulted in a loan deferral/partial claim.
 - 23.2% represented borrowers who continued to make their monthly payments during their forbearance period.
 - 15.7% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
 - 13.5% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
 - 10.7% resulted in a loan modification or trial loan modification.

- 7.4% resulted in loans paid off through either a refinance or by selling the home.
- The remaining 1.5% 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 relative to the prior week: from 7.3% to 6.4%.
 - Average speed to answer increased from 1.5 minutes to 2.0 minutes.
 - Abandonment rates increased from 4.5% to 4.7%.
 - Average call length increased from 8.0 minutes to 8.1 minutes.
- Loans in forbearance as a share of servicing portfolio volume (#) as of July 11, 2021:
 - Total: 3.50% (previous week: 3.76%)
 - IMBs: 3.68% (previous week: 3.87%)
 - Depositories: 3.62% (previous week: 3.98%)

MBA's latest Forbearance and Call Volume Survey covers the period from July 5 through July 11, 2021, and represents 74% of the first-mortgage servicing market (36.9 million loans).



Purchase Index vs. Existing Home Sales



Refinancing Index vs Mortgage Rate 4-Week Average



	16-Jul	9-Jul	2-Jul	25-Jun	18-Jun	11-Jun	4-Jun	28-May	21-May	13 Wk Avg	Year Ago
Market Index	698.3	727.5	627.0	638.8	686.4	672.4	645.4	665.9	693.7	684.8	848.8
Percent Change	-4.0	16.0	-1.8	-6.9	2.1	4.2	-3.1	-4.0	-4.2	2.0	-17.7
<i>Non-seasonally Adj. % Chg</i>	20.0	-7.3	-1.9	-7.2						2.5	-17.8
Purchase Index	255.8	273.3	252.4	255.2	268.0	266.3	262.1	261.4	269.8	266.3	310.9
Percent Change	-6.4	8.3	-1.1	-4.8	0.6	1.6	0.3	-3.1	1.7	-4.0	-17.7
Refinancing Index	3,268	3,362	2,791	2,857	3,110	3,027	2,869	3,022	3,169	3,119	3,973
Percent Change	-2.8	20.4	-2.3	-8.2	2.8	5.5	-5.1	-4.6	-7.2	4.8	-17.8
Refinance % of Total	64.9	64.1	61.6	61.9	62.5	61.7	60.4	61.3	61.4	62.0	64.8
	1.2	4.1	-0.5	-1.0	1.3	2.2	-1.5	-0.2	-3.0	4.7	0.2
% of ARMs	3.3	3.5	3.3	3.6	3.9	3.8	3.9	3.7	4.0	3.7	3.0
30-Year Fixed Rate	3.11	3.09	3.15	3.20	3.18	3.11	3.15	3.17	3.18	3.15	3.20
15-Year Fixed Rate	2.46	2.48	2.52	2.56	2.58	2.49	2.52	2.56	2.53	2.52	2.71
5-Year ARM on 30-Year	2.74	3.02	2.94	2.98	2.69	2.69	2.54	2.54	2.81	2.73	2.89

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

July 21, 2021

Steven A. Wood, Senior Economic Adviser