

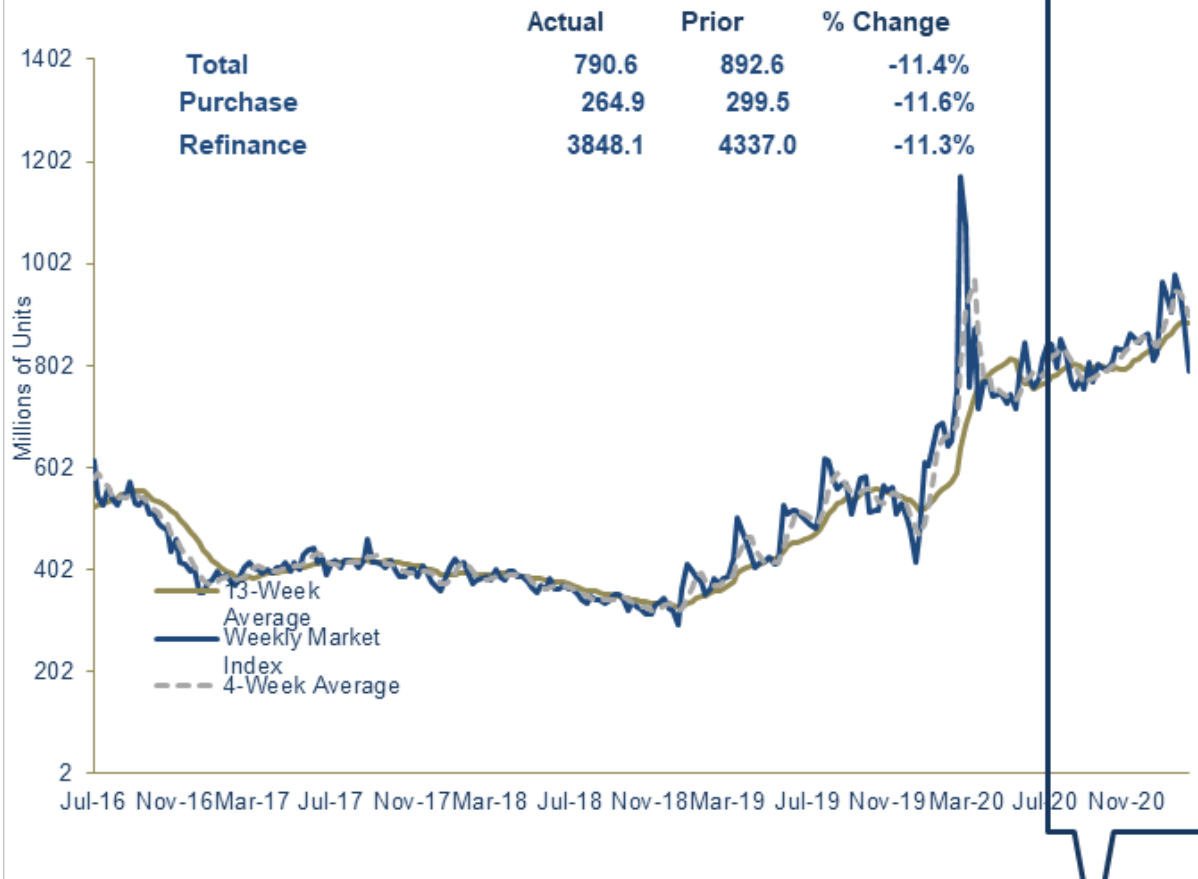
24.Feb.2021

## **Mortgage Apps: Inflection Point Flashing Yellow**

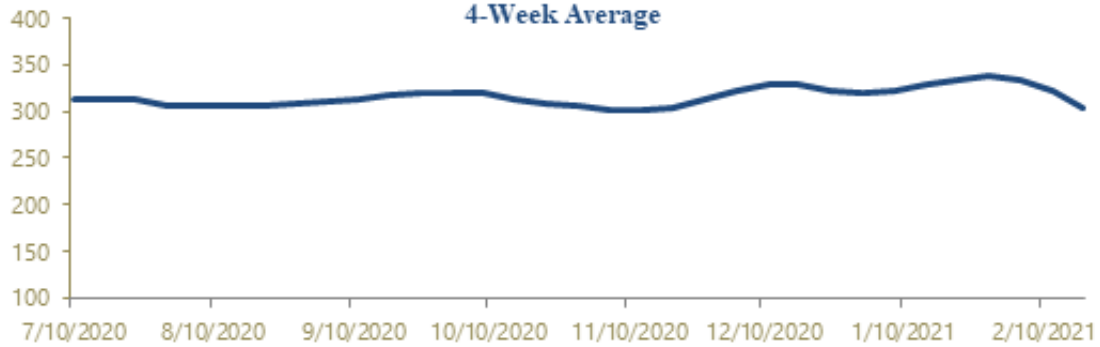
**Bottom Line:** Mortgage applications fell sharply last week as the average on 30-year fixed-rate mortgages rose above 3%. As we've noted for weeks now, we remain hyper-focused on both refi and purchase activity in the 2.75% - 3% area on 30-year fixed-rate mortgages. With secondary market rates creeping higher all year and accelerating higher in the last two weeks, borrowers appear to be taking a wait-and-see approach. Mortgage bankers, meanwhile, were sitting on large pipelines, including rate-locks at 2.75% for the most qualified borrowers. Those bankers appeared to have accelerated sales into the secondary market last week with potentially more to come, exacerbating the move higher in primary mortgage rates.

**Any further move higher in mortgage rates, especially above 3.25% on the 30-year fixed-rate mortgage, risks slowing housing activity, one of the most important economic recovery drivers.**

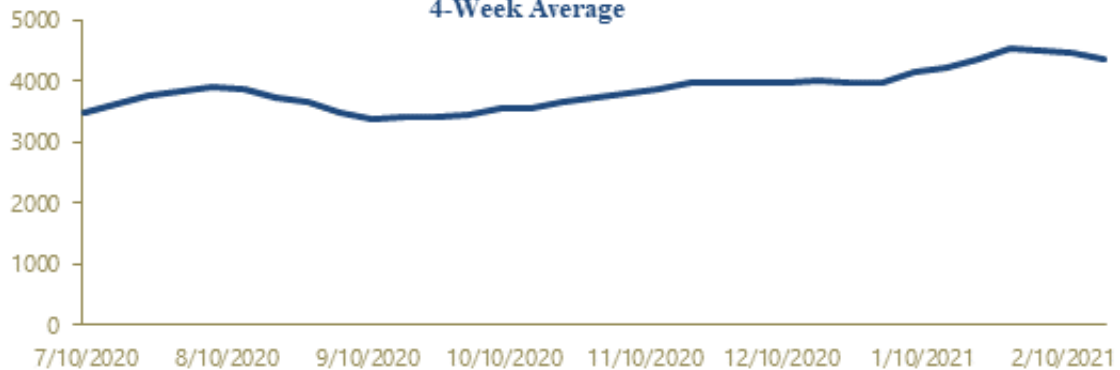
## Mortgage Applications



## Purchase Index 4-Week Average



## Refi Index 4-Week Average



**The MBA Mortgage Applications Index** FELL by 11.4% during the week ended February 19 to 790.6, sharply below its 13 week average of 884.1 but 20.7% ABOVE its year-ago level.

**The Purchase Index** FELL by 11.6% to 264.9, sharply below its 13 week average of 322.2 and 3.0% BELOW its year-ago level.

**The Refinance Index** FELL by 11.3% to 3,848. With this decline, refinancing activity is moderately below its 13 week average of 4,207 but 34.9% ABOVE its year-ago level.

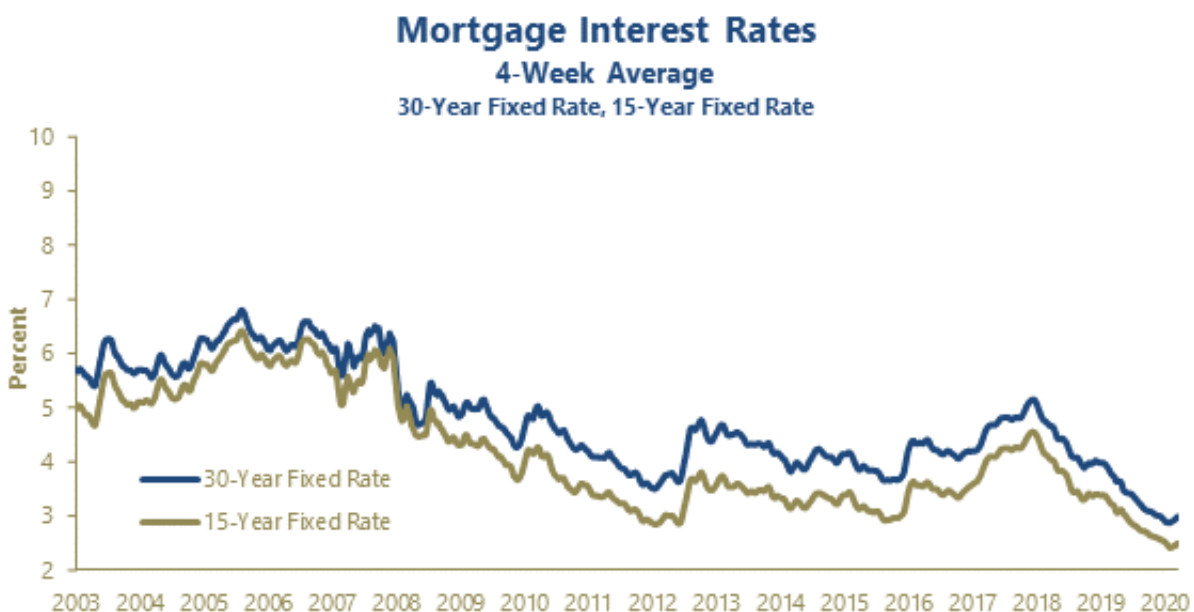
**Contract Mortgage Rates** ROSE with the 30-year fixed rate increasing by 10 bps to 3.08% and the 15-year fixed rate increasing by 9 bps to 2.56%.

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

- Total loans in forbearance decreased by 7 basis points relative to the prior week: from 5.29% to 5.22%.
  - By investor type, the share of Ginnie Mae loans in forbearance decreased relative to the prior week: from 7.34% to 7.32%.
  - The share of Fannie Mae and Freddie Mac loans in forbearance decreased relative to the prior week: from 3.01% to 2.97%.
  - The share of other loans (e.g., portfolio and PLS loans) in forbearance decreased relative to the prior week: from 9.14% to 8.94%.
- By stage, 15.9% of total loans in forbearance are in the initial forbearance plan stage, while 81.6% are in a forbearance extension. The remaining 2.5% 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 0.06%.
- Of the cumulative forbearance exits for the period from June 1, 2020, through February 14, 2021:
  - 27.9% represented borrowers who continued to make their monthly payments during their forbearance period.
  - 25.8% resulted in a loan deferral/partial claim.
  - 15.4% resulted in reinstatements, in which past-due amounts are paid back when exiting forbearance.
  - 13.8% represented borrowers who did not make all of their monthly payments and exited forbearance without a loss mitigation plan in place yet.
  - 7.8% resulted in a loan modification or trial loan modification.

- 7.5% 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 increased from the previous week from 9.2% to 9.3%.
  - Average speed to answer decreased from 3.2 minutes to 2.3 minutes.
  - Abandonment rates decreased from 8.1% to 6.0%.
  - Average call length decreased from 8.2 minutes to 8.0 minutes.
- Loans in forbearance as a share of servicing portfolio volume (#) as of February 14, 2021:
  - Total: 5.22% (previous week: 5.29%)
  - IMBs: 5.54% (previous week: 5.69%)
  - Depositories: 5.28% (previous week: 5.26%)

MBA's latest Forbearance and Call Volume Survey covers the period from February 8 through February 14, 2021, and represents 74% of the first-mortgage servicing market (37.1 million loans).



## Refinancing Index vs Mortgage Rate 4-Week Average



## Purchase Index vs. Existing Home Sales



	19-Feb	12-Feb	5-Feb	29-Jan	22-Jan	15-Jan	8-Jan	1-Jan	25-Dec	13 Wk Avg	Year Ago
<b>Market Index</b>	790.6	892.6	940.4	981.1	907.6	946.8	965.2	827.2	813.7	884.1	655.0
<b>Percent Change</b>	-11.4	-5.1	-4.1	8.1	-4.1	-1.9	16.7	1.7	-5.8	-10.6	20.7
<i>Non-seasonally Adj. % Chg</i>	-10.2	-3.5	-2.5	10.2						2.3	33.0
<b>Purchase Index</b>	264.9	299.5	318.8	334.6	334.2	348.2	338.9	313.8	318.8	322.2	273.1
<b>Percent Change</b>	-11.6	-6.1	-4.7	0.1	-4.0	2.7	8.0	-1.6	0.8	-17.8	-3.0
<b>Refinancing Index</b>	3,848	4,337	4,549	4,746	4,262	4,484	4,706	3,918	3,803	4,207	2,853
<b>Percent Change</b>	-11.3	-4.7	-4.2	11.4	-5.0	-4.7	20.1	3.0	-8.8	-8.5	34.9
<b>Refinance % of Total</b>	68.5	69.3	70.2	71.4	70.7	72.3	74.8	73.5	72.9	71.7	60.8
	-1.2	-1.3	-1.7	1.0	-2.2	-3.3	1.8	0.8	-2.5	-4.5	12.7
<b>% of ARMs</b>	2.7	2.4	2.3	2.2	2.2	2.1	1.6	1.7	2.0	2.0	5.3
<b>30-Year Fixed Rate</b>	3.08	2.98	2.96	2.92	2.95	2.92	2.88	2.86	2.90	2.92	3.73
<b>15-Year Fixed Rate</b>	2.56	2.47	2.50	2.44	2.43	2.48	2.39	2.40	2.42	2.47	3.18
<b>5-Year ARM on 30-Year</b>	2.83	2.83	2.92	2.88	2.60	2.76	2.66	2.63	2.57	2.71	3.21

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

February 24, 2021

Steven A. Wood, Senior Economic Adviser