Mortgage Monitor report

July 2024

Contents

Overview – July 2024

Each month, the ICE Mortgage Monitor looks at a variety of issues related to the mortgage finance and housing industries.

To begin, we recap high-level mortgage performance statistics reported in our most recent First Look, tracking changes in both delinquencies and foreclosures through the end of May.

This month, we highlight findings from the 2024 ICE Borrower Insights Survey. We also provide an update on interest rate trends and take a closer look at the transitioning make-up of the active mortgage market, specifically how that has affected refinance activity and servicer retention. Finally, we look at the latest data on inventories of homes for sale and how they are affecting affordability and home prices across the country.

In producing the Mortgage Monitor, the ICE Research and Analysis team aggregates, analyzes and reports on the most-recently available data from the company's vast mortgage and housing-related data assets. Information is gathered from the McDash and McDash Flash loan-level mortgage-performance data sets, ICE Valuation Analytics home price and sales trends data, eMBS agency securities data, Market Trends origination insights, the ICE Home Price Index, and the company's robust public records database covering 99.99% of the U.S. population. For more information on gaining access to ICE data assets, please call 844-474-2537 or email Mortgage.Monitor@bkfs.com.

First Look at mortgage performance

The ICE First Look at mortgage performance provides a high-level overview compiled from the ICE McDash loan-level database.

Overview of mortgage performance

Delinquencies and foreclosures continued to improve in May, while a seasonal rise in home sales and slightly improved refinance volumes pushed prepayments higher

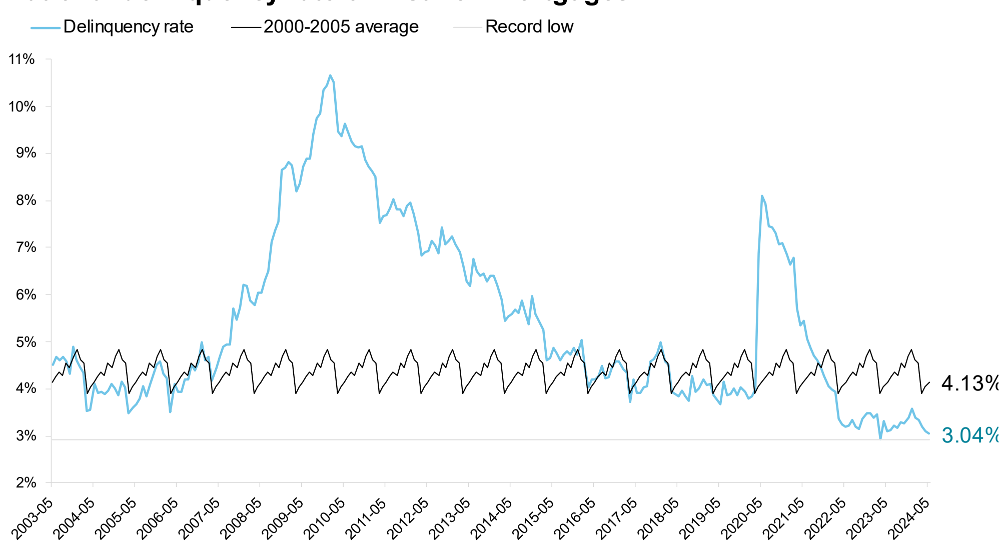
-6 bps	-6.5%	+10.4%
Delinquency rate	**Foreclosure starts**	**Prepayment activity**
Delinquencies fell to the second-lowest level since the record low of March 2023	May starts declined from April, and were down almost 5% from the year before	Single-month mortality rose 6 bps to 0.58%, the highest level since September 2022
Loans 90+ days past due continued to improve, hitting their lowest level since August 2005	The number of loans in active foreclosure remained at its lowest level since January 2022	Prepays continued their seasonal upswing, despite continued affordability and refi headwinds

Mortgage performance and foreclosure metrics

The ICE McDash loan-level database provides key performance metrics for a clearer picture of the mortgage landscape. In this section, we take an in-depth look at mortgage performance for May, including a breakdown of recent delinquency numbers, foreclosure statistics and prepayment trends.

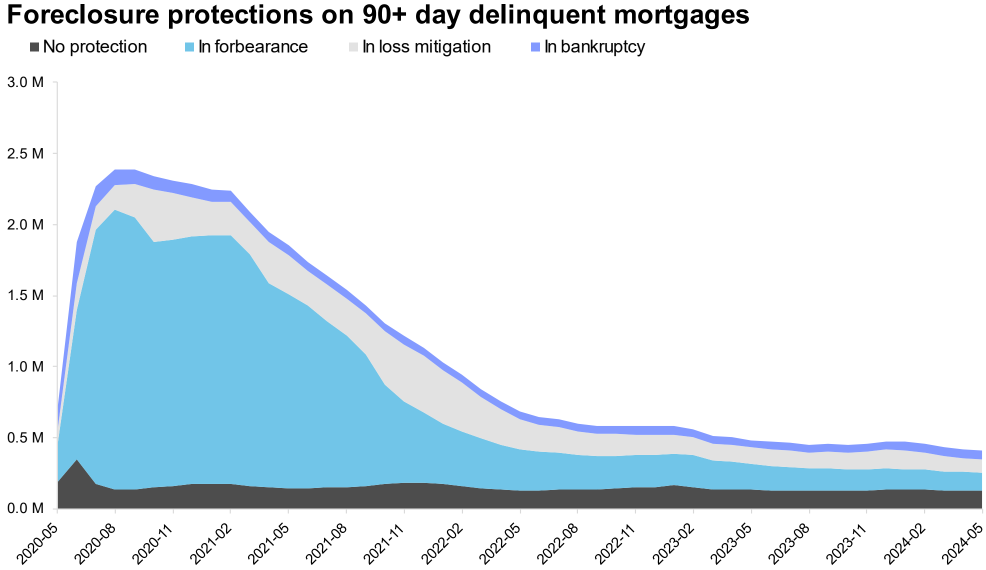
- The national delinquency rate fell 6 basis points (bps) year over year to 3.04% in May; the second lowest point on record, behind 2.92% in March 2023
- A fifth consecutive monthly improvement in serious delinquencies (loans 90+ days past due, but not yet in active foreclosure) reset what had already been a more than 18-year low
- While inflow of borrowers newly 30 days late dropped to a one-year low, those rolling to later stages of delinquency edged higher from April and fewer delinquent loans cured to current status
- While 31% of serious delinquencies are no longer protected from foreclosure – the highest share since forbearance plans were broadly introduced in early 2020 – that only equates to 126K at-risk mortgages, still near the bottom of the 124K-to-176K range we've seen in recent years
- Of the 410K loans in serious delinquency, 69% remain protected from foreclosure by: forbearance (31%), loss mitigation (24%) or bankruptcy (15%)

National delinquency rate of first lien mortgages



Source: ICE, McDash

Foreclosure protections on 90+ day delinquent mortgages

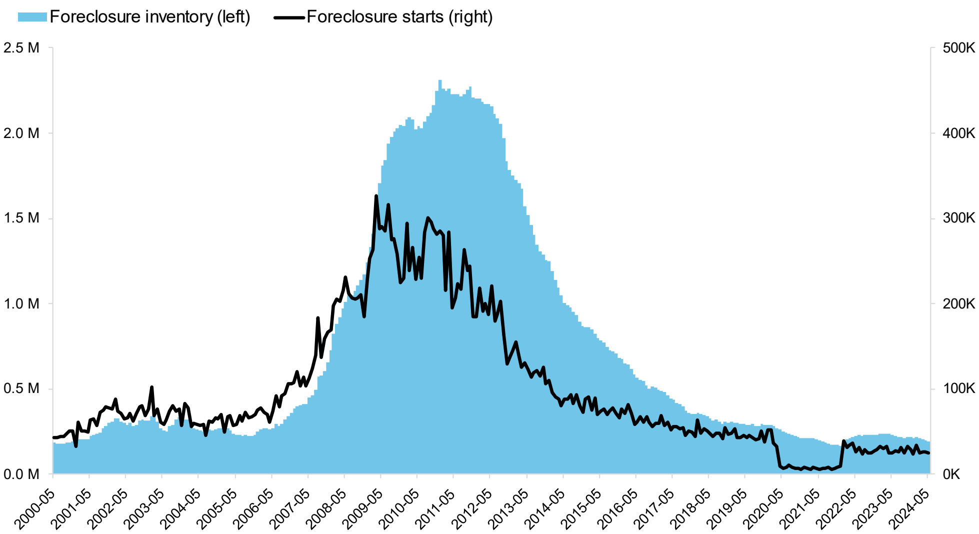


Source: ICE, McDash

Mortgage performance and foreclosure metrics

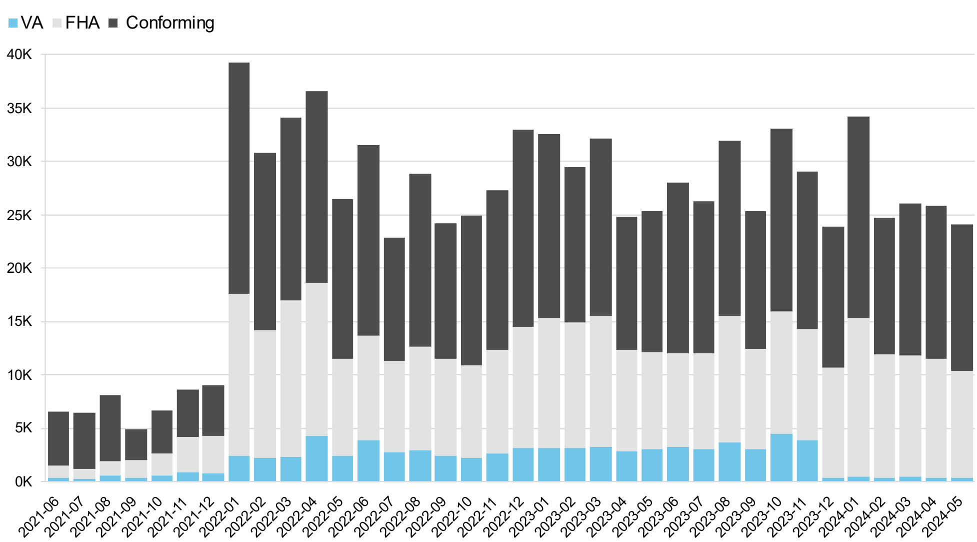
- Foreclosure starts were down -6.5% from April, keeping active foreclosure inventory at the lowest level since pandemic-era moratoria were lifted in January 2022
- The total number of mortgage holders currently in active foreclosure remains 32% (-92K) below pre-pandemic levels
- Though up slightly for the month, foreclosure sales (completions) in May were down -7.2% year over year and remain well below pre-pandemic norms
- VA mortgages remained under a foreclosure moratorium through May, while FHA foreclosure starts were at an eight-month low and conforming loan foreclosures reached a three-month low

Foreclosure inventory and starts



Source: ICE, McDash

Foreclosure starts - by mortgage product type

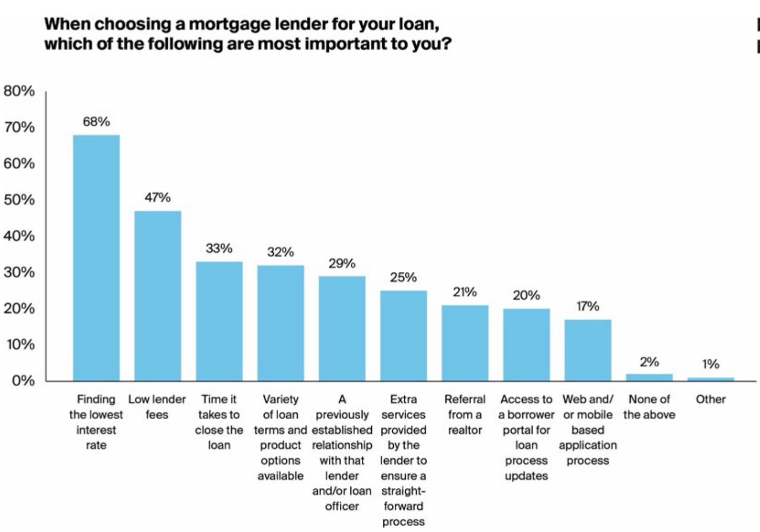


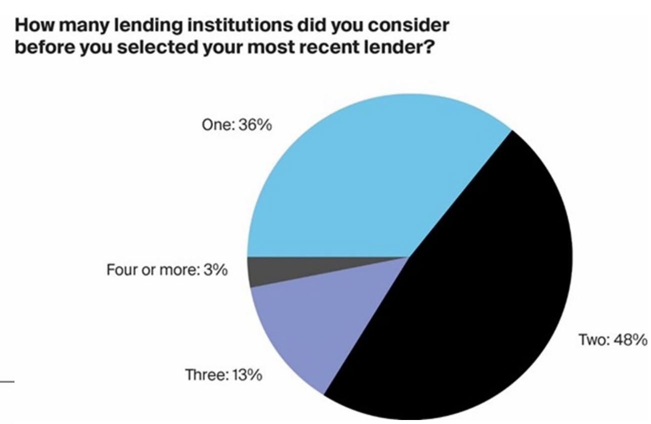
Source: ICE, McDash

Survey results; rate, refinance and retention trends

This month, we look at recent origination trends with particular emphasis on refinances and servicer retention. This information comes from ICE, the McDash loan-level mortgage performance database and other public and proprietary data sets.

- ICE Mortgage Technology recently released the 2024 Borrower Insights Survey, which polled over 2,000 individuals aged 18 and older in the U.S. including 1,003 of whom own their current residence and have taken out a mortgage in the past five years, along with 1,000 currently renting
- Borrowers were asked about the factors of the experience that were most important to them during the loan process
- Renters were asked about their perceptions of the home buying experience and their expectations about the requirements of home buying
- The results provide an interesting glimpse into the mindset of both renters and current homeowners, especially when gauged alongside current behaviors observed across ICE’s expansive universe of mortgage and housing-related data
- Among borrowers, the most important factor when choosing a lender boiled down to costs, with “Finding the lowest interest rate” topping the list at 68%, followed by “Low lender fees” (48%)
- “Time it takes to close the loan” and the “Variety of loan terms and product options available” came in a more distant third and fourth with 33% and 32% of respondents finding those important
- Despite lending costs being extremely important, however, borrowers didn’t appear to do a lot of comparison shopping
- 84% of borrowers only considered one (36%) or two (48%) options before selecting their lender, with 13% comparing three lenders and only 3% comparing four or more
- That highlights the need for lenders and servicers to use all the tools at their disposal to anticipate the future needs of current customers and avoid losing business to more aggressive tech-savvy competitors



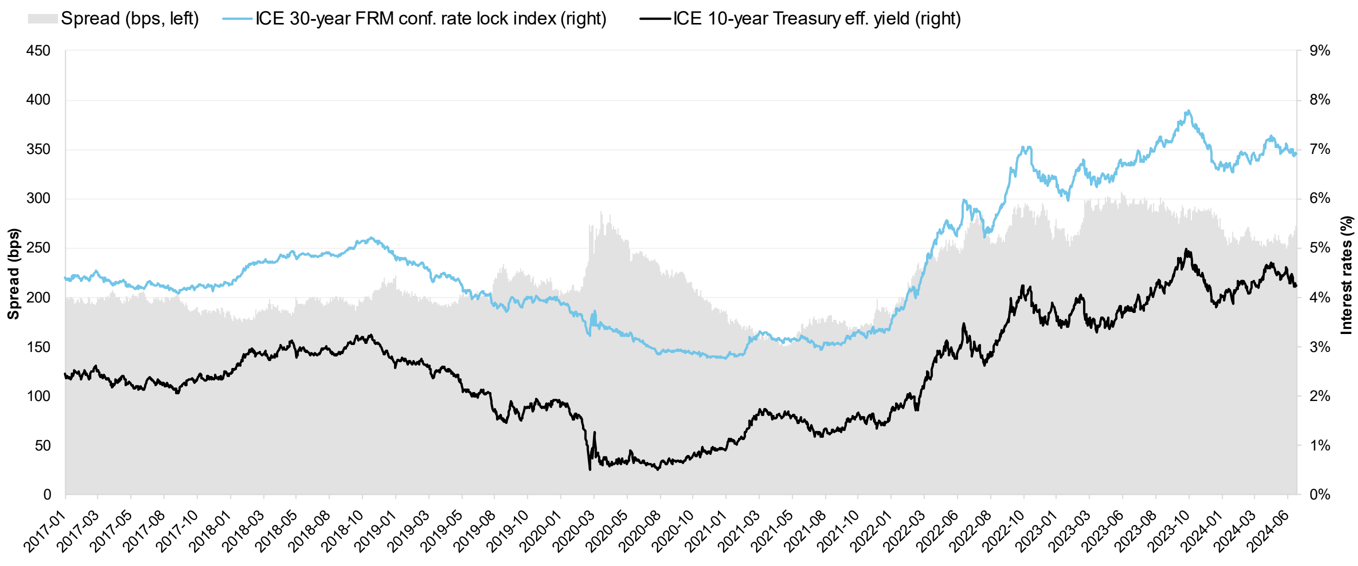


Source: ICE Mortgage Technology 2024 Borrower Insights Survey

Survey results; rate, refinance and retention trends

- According to the ICE Index Platform, the 10-year Treasury effective yield eased to 4.24% on June 13, following the Fed meeting
- The conforming 30-year fixed mortgage rate fell to 6.87% – the lowest level since April 1 – and has held near that level since
- Spreads have continued to hold relatively constant, averaging 256 bps and staying within the 245-265 bps range since April 1
- 10-year Treasury yields are now only 45 bps above their December 2023 lows of 3.79%, while 30-year fixed mortgage rates are only 29 bps above the December 2023 low of 6.58%
- Mortgage rates are now around 90 bps below their October peak, and up only 20 bps from the same time last year
- Composite industry forecasts (MBA and FNMA) now have mortgage rates ending 2024 near 6.65%, shifting up another 15 bps from last month's projections, and are expected to end 2025 at 6.15% – 20 bps up from last month's forecast

30-year mortgage to 10-year Treasury yield spread

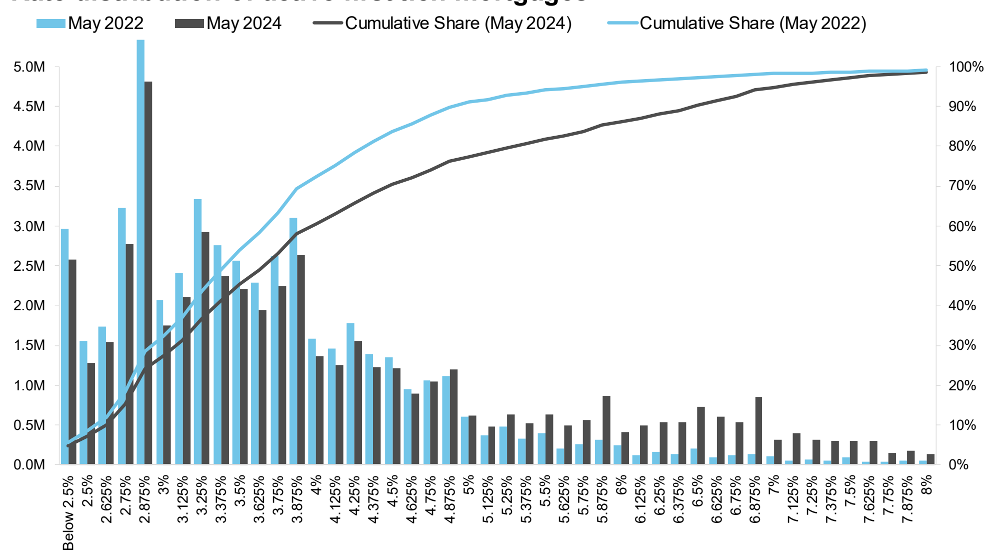


Source: ICE Rate Lock Index
Data through June 20, 2024

Survey results; rate, refinance and retention trends

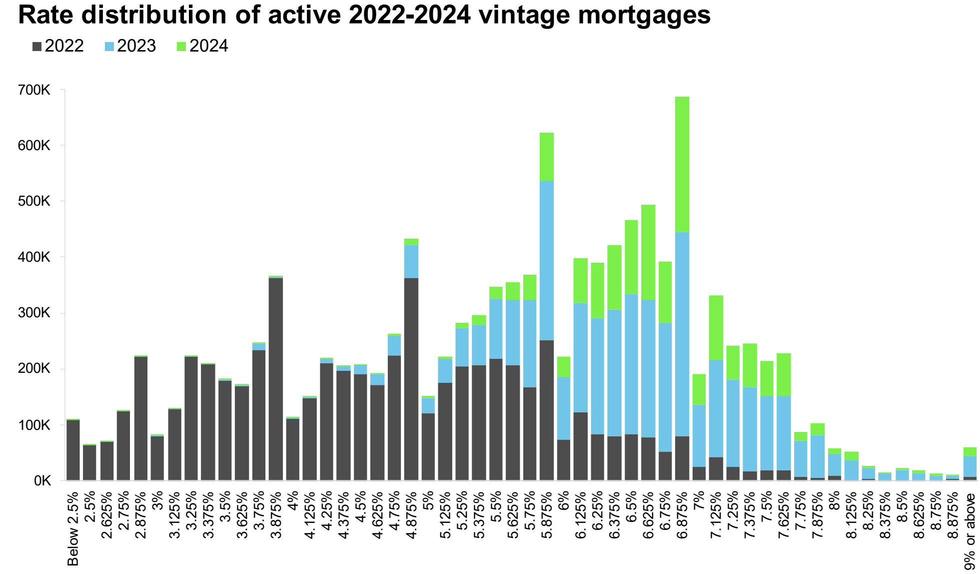
- The active mortgage population continues to slowly transition to a higher rate environment, although with many homeowners still locked into lower fixed rate mortgages it will continue to be skewed toward the low end for some time
- As of May, 24% of mortgage holders had a current interest rate at or above 5%, up from 10% two years ago
- All in, there are 5.8M fewer mortgages with rates below 5% than there were two years ago, and 4.8M fewer with rates below 4%, as borrowers with lower rates slowly sell their homes or, to a smaller degree, refinance to withdraw equity
- While the elevated rate environment in recent years has constrained origination volumes, it is also serving to slowly build a population of high-rate mortgages which will benefit lenders when 30-year rates finally begin to ease
- There are now 4M first lien mortgages originated since 2022 with 30-year rates above 6.5%, with 1.9M having rates of 7% or higher
- Looking at the distribution of interest rates in 0.125 percentage point increments, there are only ~240K mortgages in the 7-7.625% range and a noticeable spike at 6.875%, with 690K 2022-2024 vintage loans at rates just below 7%
- This is driven, in part, by borrowers buying rates down, presumably for the comfort of having a 6-handle in front of their mortgage rate
- That's worth understanding from a refinance perspective, as borrowers in the high 6% rate range are likely to serve as the tipping point toward more meaningful refinance volumes

Rate distribution of active first lien mortgages



Source: ICE McDash

Rate distribution of active 2022-2024 vintage mortgages

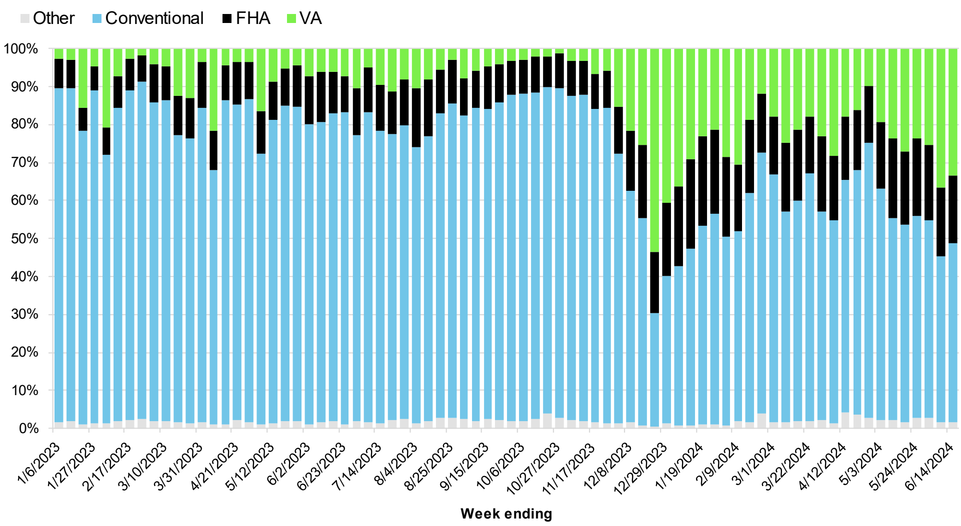


Source: ICE McDash

Survey results; rate, refinance and retention trends

- While approximately two thirds of refinance activity continues to be cash-out lending, which has dominated the refi market in recent years, a third of refis in recent weeks have been rate/terms
- Diving into rate/term refinance activity reveals a noticeable uptick in VA share
- After reaching a share of more than 40% of rate/term activity December, VA loans have accounted for more than 30% of rate/term related rate locks in recent weeks, up from less than 10% at the same time last year

Share of first lien rate/term refinance rate locks by product

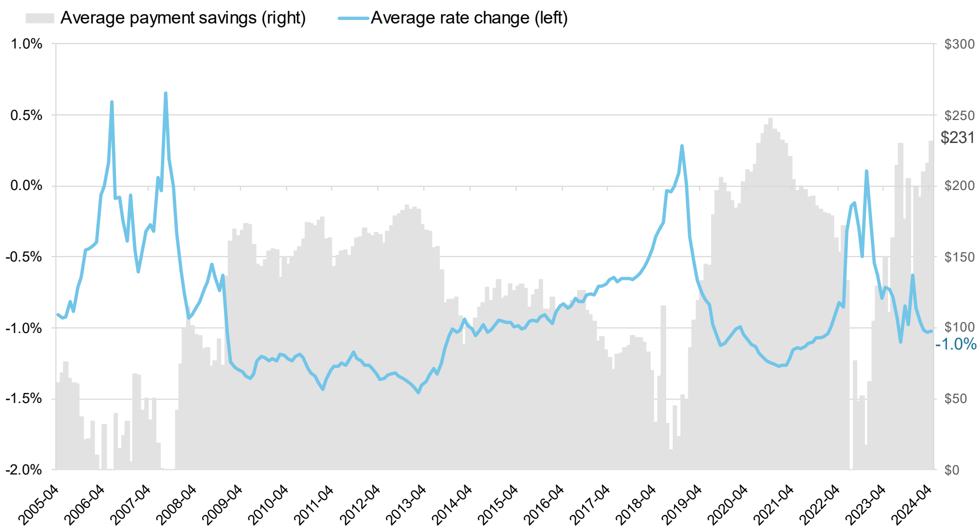


Source: ICE Rate Lock Data

Survey results; rate, refinance and retention trends

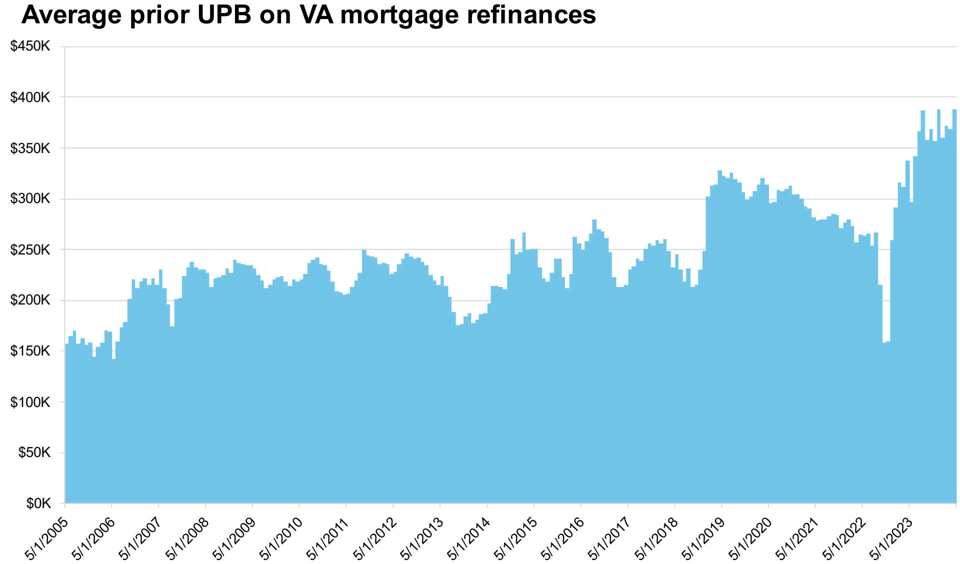
- McDash +Property data, which compares loan characteristics before and after refinance transactions, offers deeper insight into recent VA refinance activity
- An analysis of VA borrowers refinancing in early 2024 (loans closed in January through April) showed a high concentration of borrowers refinancing out of recently originated loans, with an average prior-loan age of just 11 months
- These borrowers also had very high loan balances – borrowers that refinanced into a new VA loan in April had an average loan balance prior to refinance of $388K, an all-time high
- Borrowers realized meaningful rate and payment improvements through such refinances, despite what is still a relatively high rate environment – the average VA refinance in April resulted a 1.02 percentage point reduction in rate with an average reduction of $231 in monthly principal and interest payments
- That said, the data also shows both loan balances and loan-to-value ratios climbing through such transactions, suggesting borrowers may be buying down their rate and financing closing costs to reduce monthly expenses – trading equity for improvement in monthly cashflow

Payment savings and rate change on VA mortgage refinances



Source: ICE McDash +Property

Average prior UPB on VA mortgage refinances

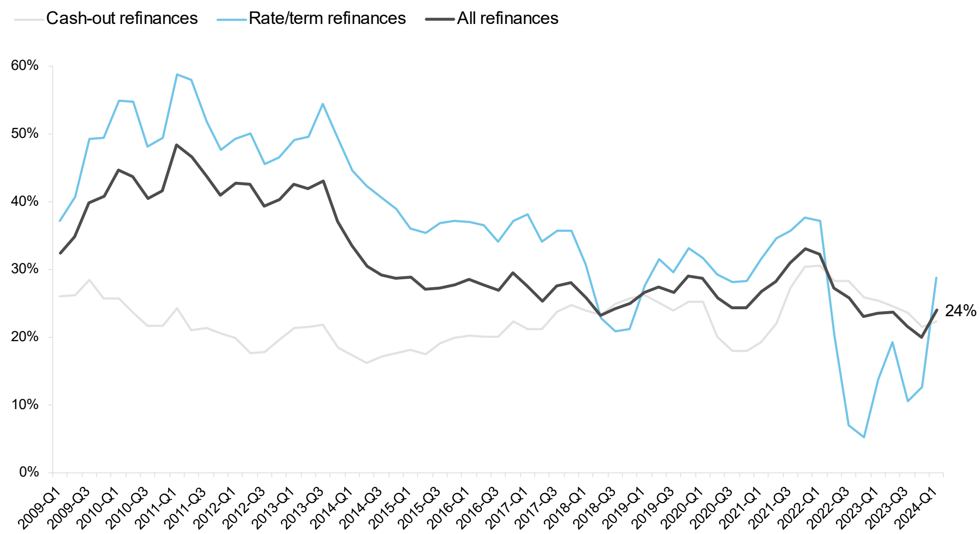


Source: ICE McDash +Property

Survey results; rate, refinance and retention trends

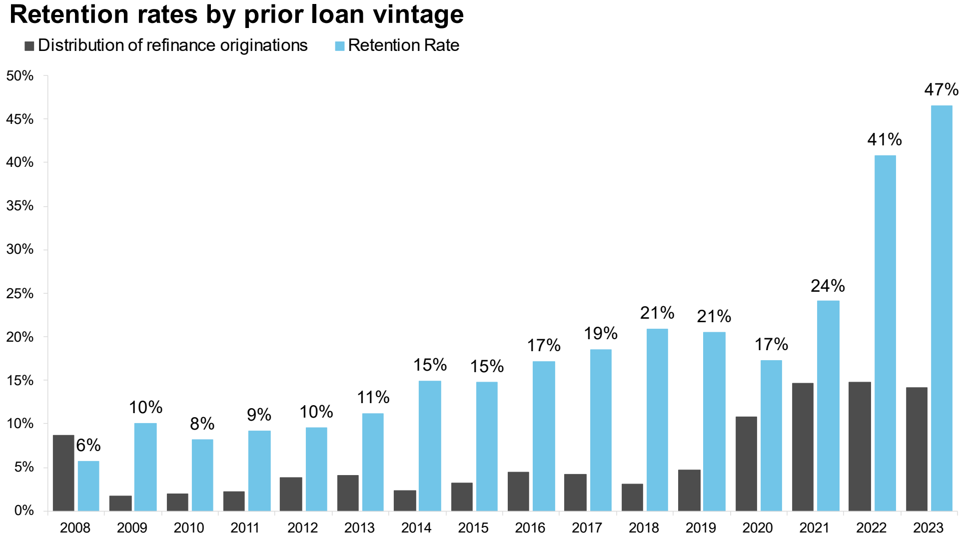
- After hitting a 17-year low in Q4, servicer retention of refinancing borrowers rebounded in Q1, driven by a spike in retention among rate/term refinances
- Lenders retained 29% of rate/term refis (up from 13% the prior quarter), the highest share in two years
- Retention among cash-out refis also improved in the quarter, but the improvement was much more modest, rising slightly from 21% to 22%
- Perhaps equally noteworthy is the retention rate among borrowers refinancing fairly recent mortgages
- Servicers retained 41% of borrowers refinancing out of 2022 vintage loans and 47% out of 2023, suggesting a recent lending relationship plays a vital role in driving refinance leads and retention of servicing portfolios
- That could bode well for future retention rates given the share of upcoming refinance activity that could be driven by the 4M 2022-2024 vintage loans with rates at or above 6.5%
- It will be important for lenders and servicers to remain engaged with these borrowers so that they can be ready with a competitive offering when the opportunity arises

Servicer retention rate of refinance transactions



Source: ICE McDash +Property

Retention rates by prior loan vintage

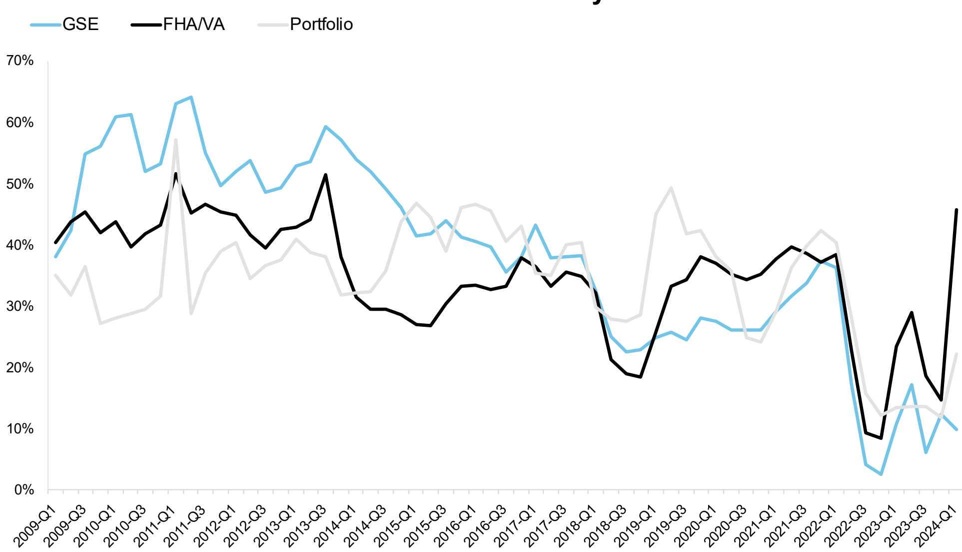


Source: ICE McDash +Property

Survey results; rate, refinance and retention trends

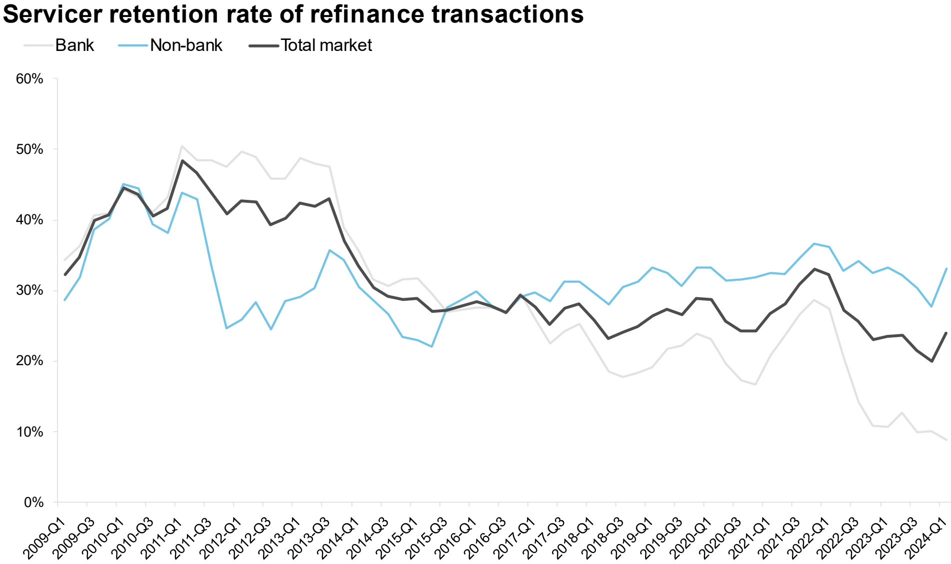
- Digging deeper into Q1 retention numbers reveals that strong retention among what has been a growing share of FHA and VA mortgages played a large part Q1's rise in overall retention
- The retention rate among FHA and VA rate/term refis tripled from 15% in Q4 to 46% in Q1 as servicers and lenders clearly placed an increased emphasis on such loans
- Retention also rose considerably among GSE rate/term refis, from 12% in Q4 to 22% in Q1, while retention among GSE refis overall actually dipped slightly in the quarter
- Non-banks drove the increase with retention among refis in non-bank servicing portfolios rising to 33% in Q1, while refi retention in bank servicing portfolios dipped slightly to 9%

Servicer retention rate of rate/term refinances by investor



Source: ICE McDash +Property

Servicer retention rate of refinance transactions



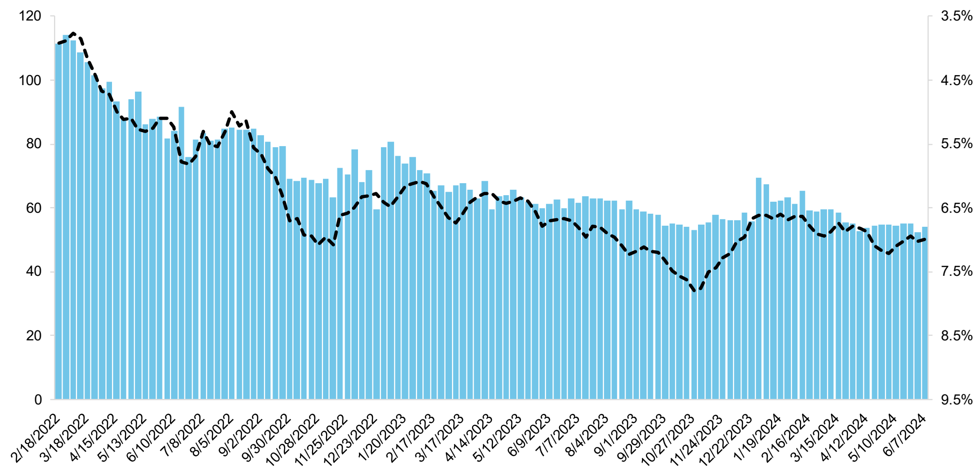
Source: ICE McDash +Property

Housing market update

With home affordability continuing to impact demand and transaction speeds, here we take a closer look at the inventory of homes for sale, affordability and home prices across the U.S. This information has been compiled from the ICE Home Price Index and ICE Valuation Analytics database, as well as third-party public and private data sources.

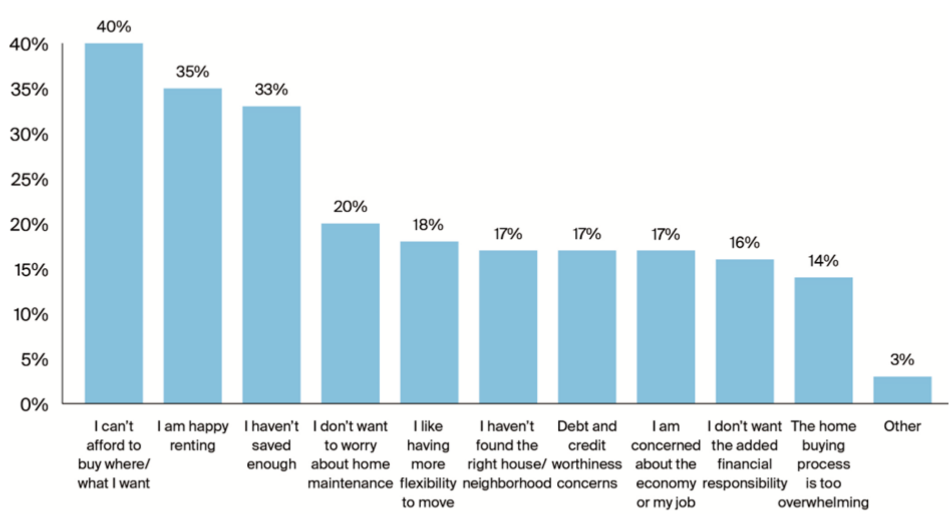
- While refinance applications have rebounded in recent months, purchase demand remains muted
- Purchase applications nudged modestly higher in the past couple of weeks but remain only slightly above the weakest level of the pandemic lull
- The MBA purchase applications index remains 45% below pre-pandemic same-week averages, despite 30-year rates edging below 7% in mid-June
- High home prices, elevated rates, and tight affordability continue to challenge prospective buyers
- According to the 2024 ICE Borrower Insights Survey, affordability was the #1 factor holding renters back from purchasing a home, with 40% of respondents saying they couldn't afford to buy in the area they wanted to live
- 33% said they hadn't saved enough money, which is understandable given the average down-payment hit a record $91K in May 2024, according to ICE Market Trends data
- Qualifying for a loan may also be a challenge for potential home buyers, with the average credit score among purchase mortgages also hitting a series high, according to that same data

Mortgage applications to purchase a home



Source: ICE, MBA

What are the main reasons you are currently renting?

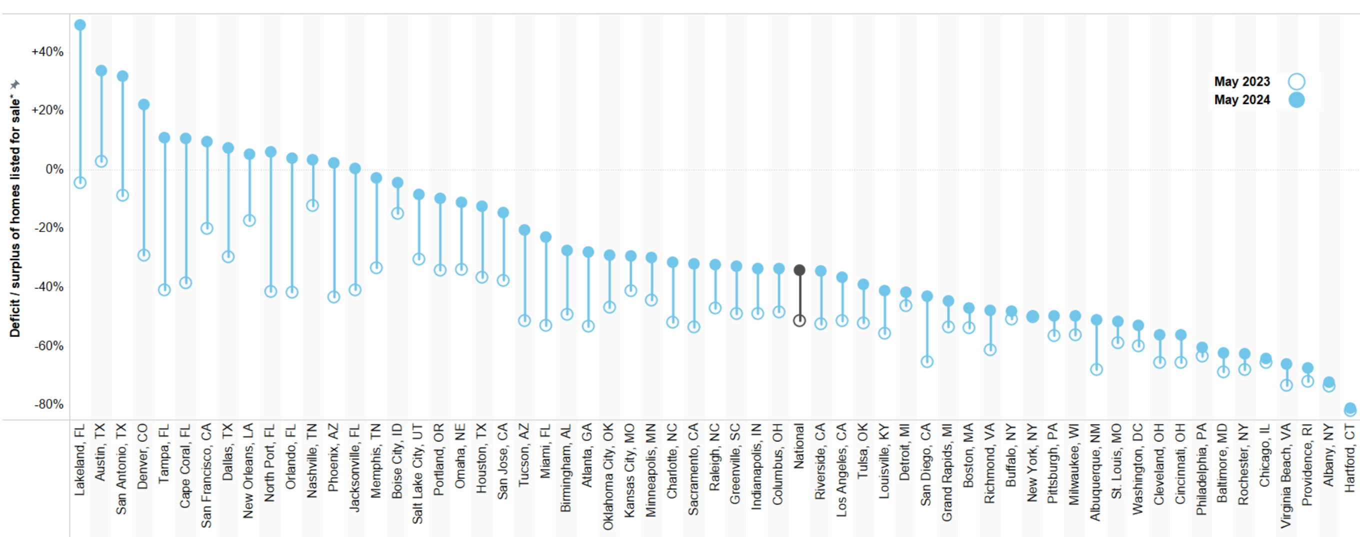


Source: ICE Mortgage Technology, 2024 Borrower Insights Survey

Housing market update

- For-sale inventory improved again in May, for the fourth consecutive month, and is now up 35% from the same time last year
- While inventory is still running 34% below pre-pandemic (2018/2019) same-month averages, that’s the shallowest such deficit since June 2020
- Inventory levels are at or above their 2017-2019 same-month averages in one of every five major markets, with another seven major markets now within 10% of pre-pandemic averages
- 60% of markets where inventory has normalized are in Florida or Texas, states where inventory has been on a sharp rise over the past 12 months
- In fact, every major Florida market has seen inventory grow by at least 56% over the past 12 months, with Tampa leading at 87%
- Outside of Florida, Phoenix (+80%) and Denver (+72%) have had the largest inventory increases, with both markets now back above pre-pandemic levels
- Nationally the deficit for active for-sale listings has fallen from -51% one year ago, to -34% today

Year-over-year change in for-sale inventory deficit/surplus



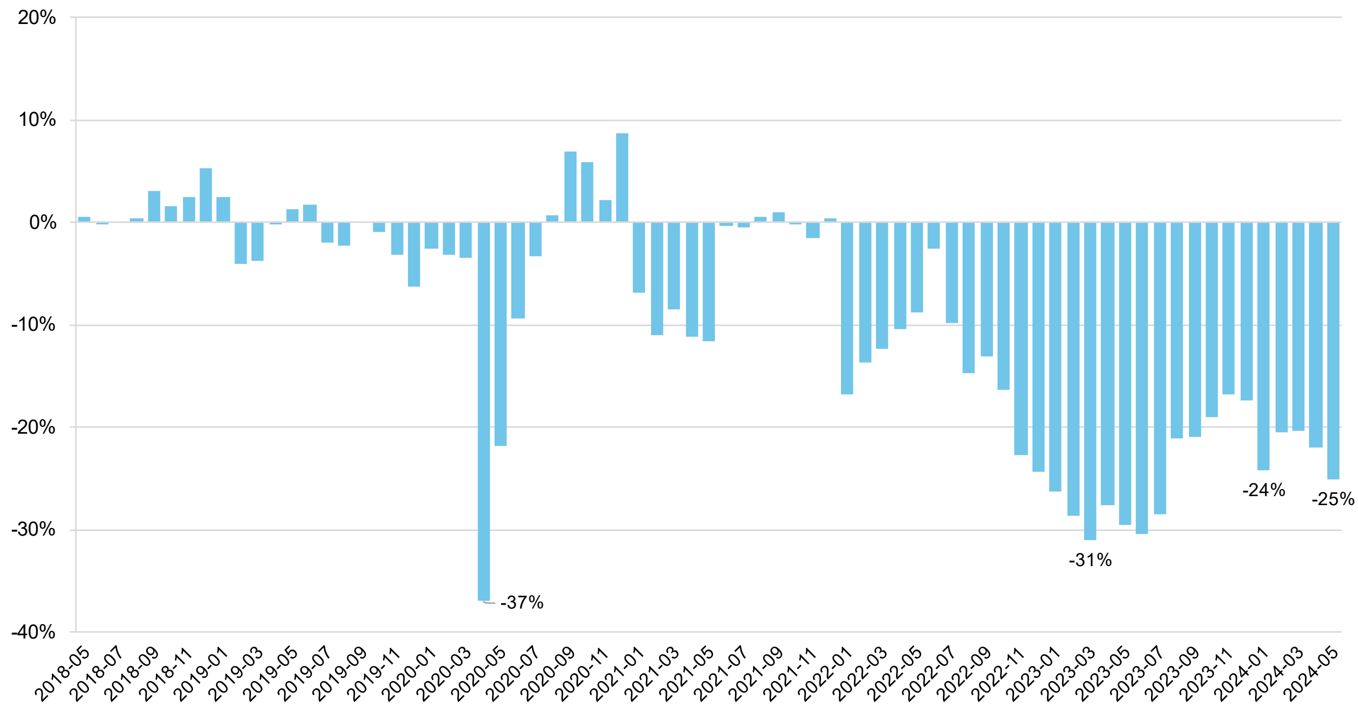
Source: ICE, Realtor.com
*Percent change in deficit / surplus from 2017-2019 same month average

Housing market update

- So why are inventories rising? Are borrowers' more willing to list homes for sale, or is a pullback in demand allowing inventory to grow?
- At a national level, the simple answer appears to be compression in demand due to elevated rates and tight affordability
- 25% fewer homes were listed for sale in May than in the comparable month average from 2017-2019
- That's the deepest new listing deficit so far this year, with deficits in the previous months ranging from -20% to -24%
- While May's deficit is an improvement from the -31% last spring, it still suggests many homeowners are reluctant to list
- Inflow of new listings is still running well below pre-pandemic levels, which suggests weak demand is driving the growing supply

Deficit of new real estate listings

% difference form 2017 - 2019 same month average

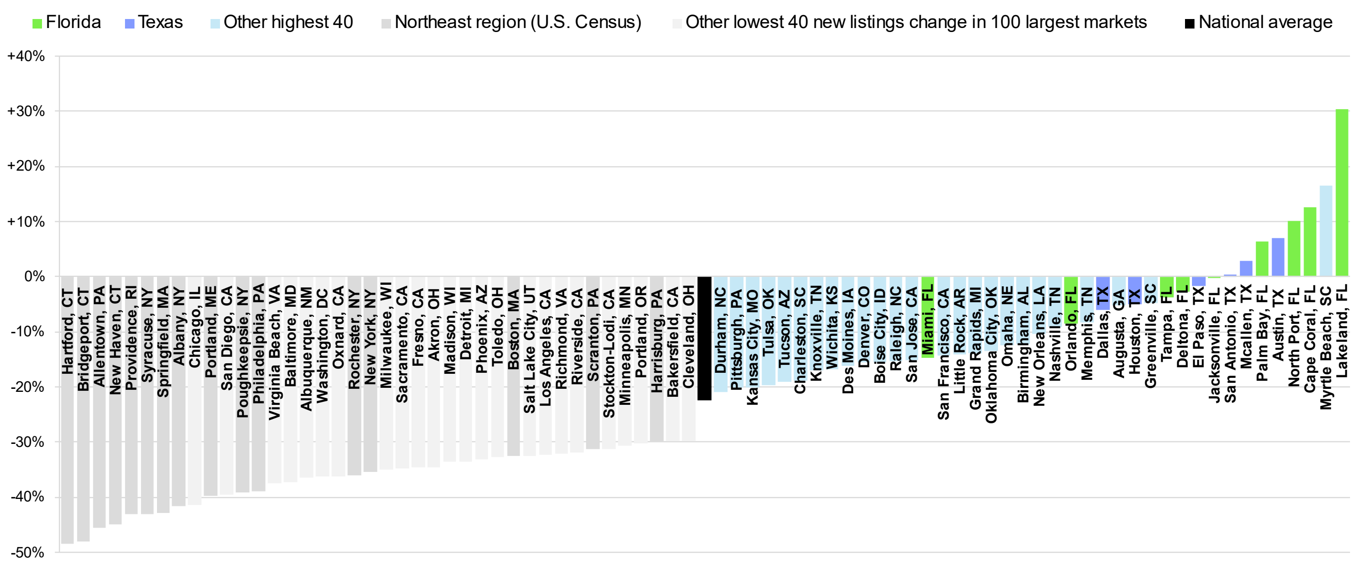


Source: ICE, Realtor.com

Housing market update

- While the new inflow of listings nationally has averaged a 23% deficit from pre-pandemic levels over the past three months, most Texas and Florida markets are seeing new listing volumes near or above pre-pandemic averages
- In fact, of the 19 markets with new listings volumes within 10% of their 2017-2019 same-month average, 14 are in Texas or Florida, including seven of the nine markets with surpluses
- Miami, at -15%, is the only major market in those two states still running a deficit of more than 10%, but is still markedly better than the national average
- So why are homeowners in those two states more willing to list their homes for sale?
- It may be partly due to home affordability, although in simple home price, income, and interest rate terms there are many other markets with more challenging affordability dynamics
- Higher interest rates in those areas may be creating a smaller lock-in effect, or a better supply of inventory providing a more fluid market where borrowers are able to trade up or down more easily
- And finally, it could be related to insurance costs; recent research from our sustainable finance team has shown how expensive insurance is in both of those states compared to other areas of the country

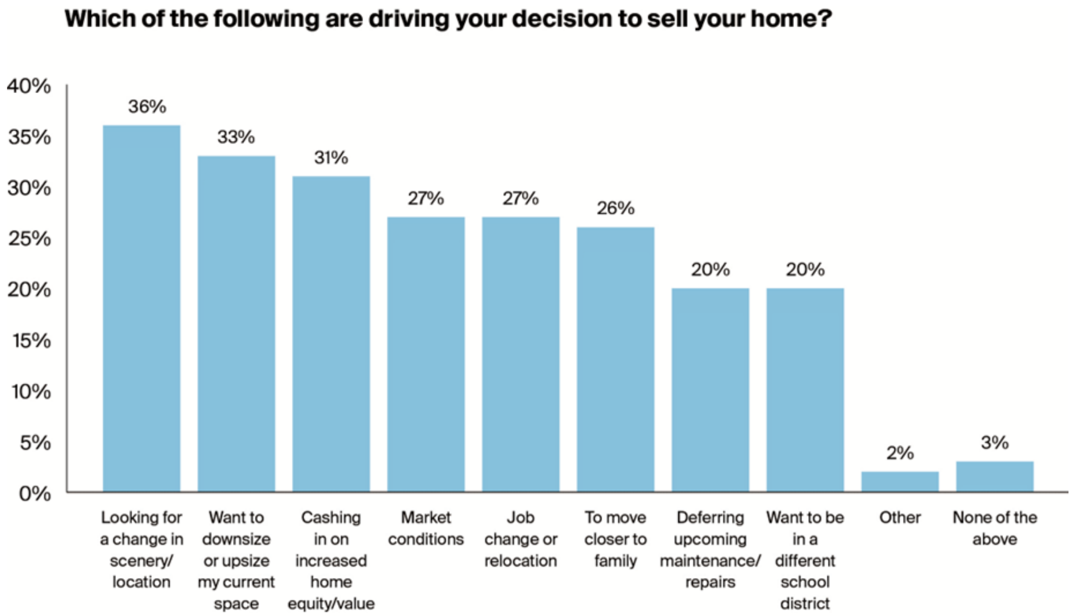
March-May new listings vs 2017-2019 same months average



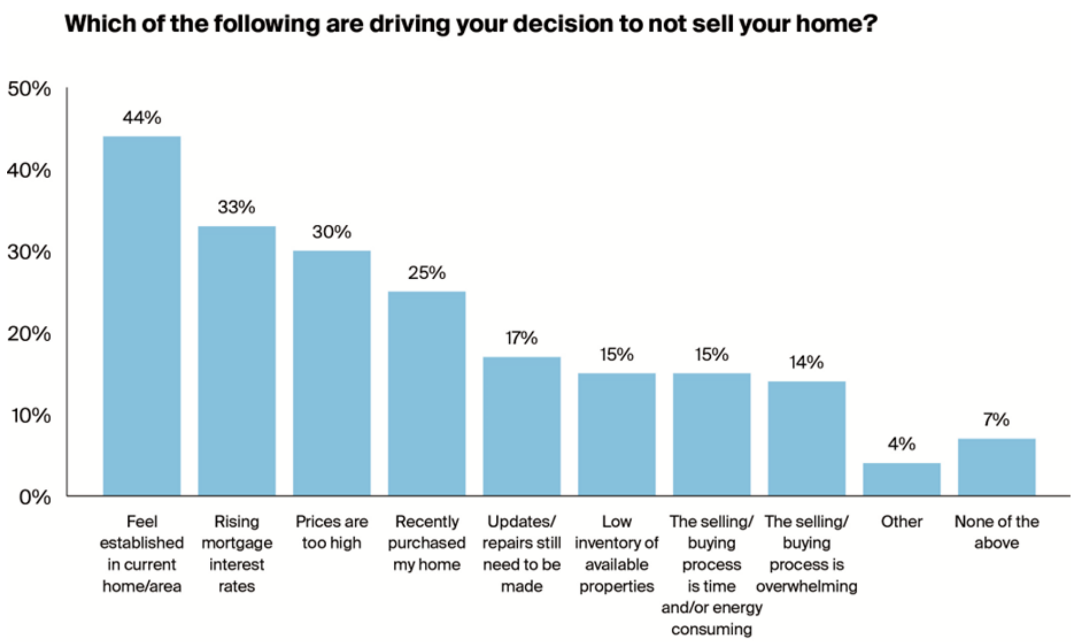
Source: ICE, Realtor.com

Housing market update

- The 2024 ICE Borrower Insights survey also shed some light on why homeowners are, or aren't, selling their homes in today's market
- Among those choosing not to sell, the top response was that they felt established in their current home (44%)
- The 'rate-lock' effect (33%) and elevated home prices (30%) came in second and third
- Among those who decided to sell, a change in scenery was the top reason (36%) followed by a desire to downsize (33%) and cashing in on the record levels of homeowner equity (31%) at number three



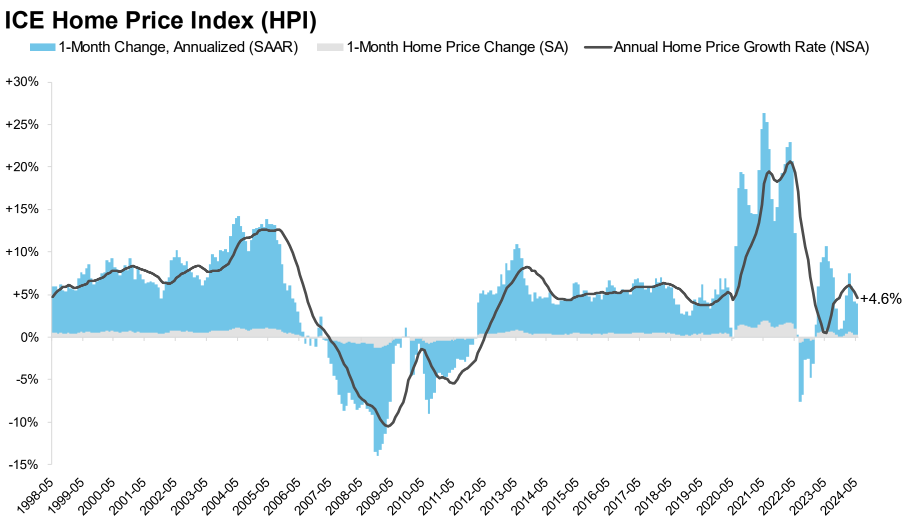
Source: ICE Mortgage Technology, 2024 Borrower Insights Survey



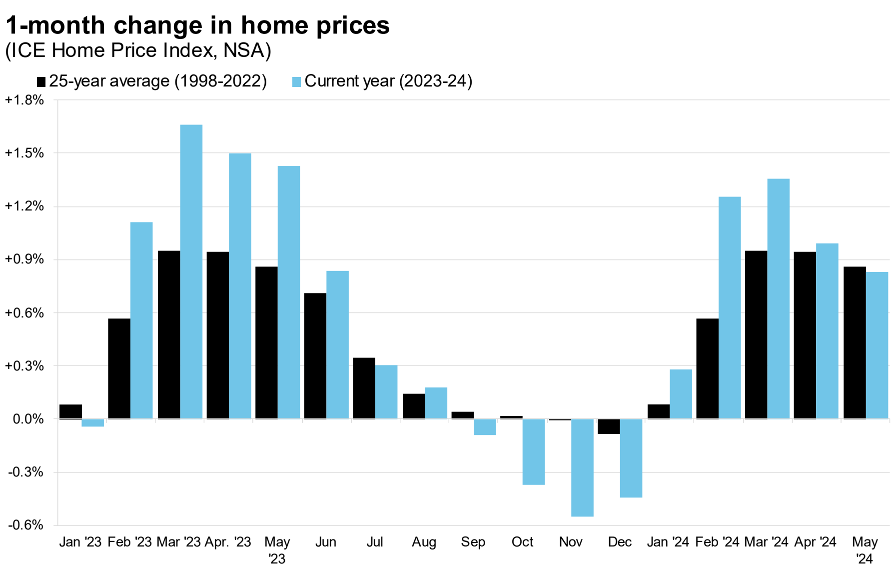
Source: ICE Mortgage Technology, 2024 Borrower Insights Survey

Housing market update

- Annual home price growth slipped to +4.6% in May – down from 5.3% in April – the slowest pace in seven months
- If current seasonally adjusted gains persist, that growth rate could dip below 4% by August, but could catch a little tailwind toward the end of the year as weaker growth from late last year rolls out of the backward-looking 12-month window
- On an adjusted basis, prices rose 0.33% in May, and while that marks three straight months of slowing gains amid rising interest rates that hampered affordability, it's only slightly below the 0.35% adjusted growth reported in April
- That is equivalent to a 4.0% seasonally adjusted annualized rate (SAAR), which, while modestly below the 25-year average growth rate of 4.9%, is still firmly in growth mode at the national level
- Weak purchase applications and continued inventory growth across the country signal a milder summer price environment, but signs of price declines so far have been limited and local



Source: ICE Home Price Index (HPI)

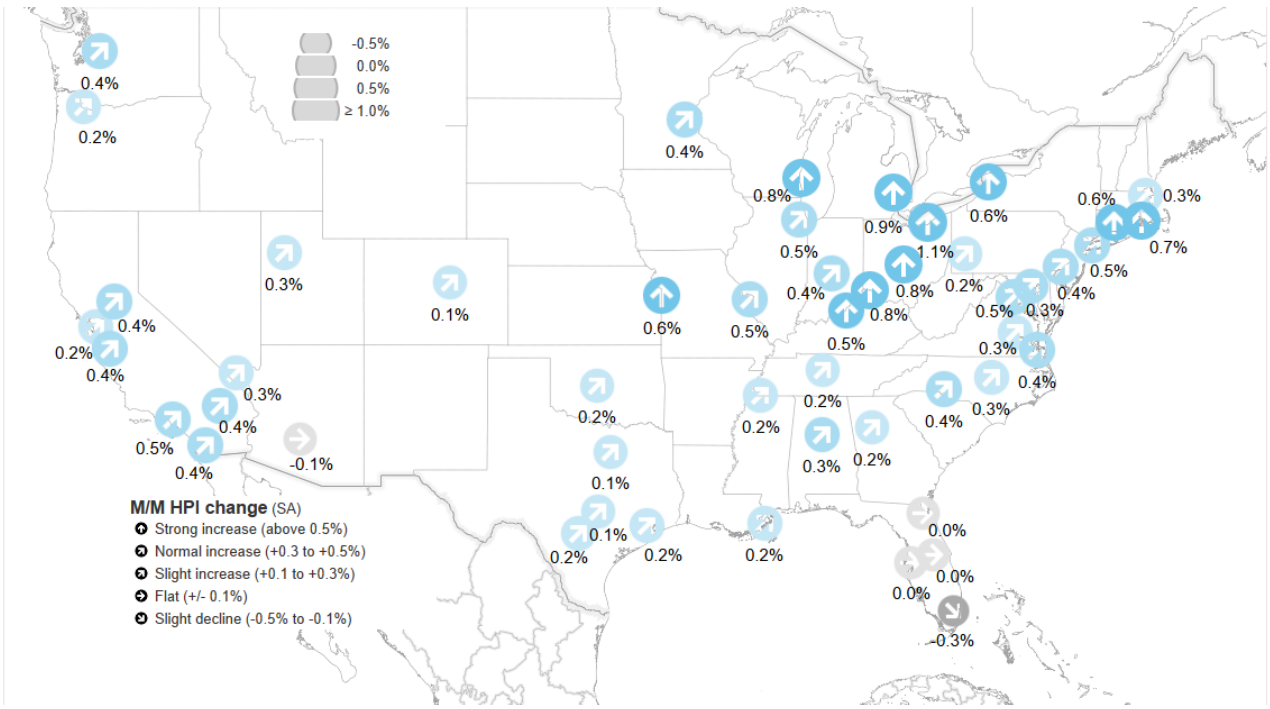


Source: ICE Home Price Index (HPI)

Housing market update

- At the local level, more than 90% of markets saw prices move in a positive direction in May on a seasonally adjusted basis
- Midwest markets showed the most strength, led by Cleveland (+1.1%), Detroit (+0.89%), Columbus (+0.85), Cincinnati (+ 0.84%) and Milwaukee (+0.79%), outpacing the Northeast for the top five spots with SAARs of 9.4% to 12.7%
- Florida's nine major markets accounted for most of the bottom 12 (among the largest 100 markets), with prices falling in seven of those Florida markets
- Phoenix – another market where inventory levels have climbed back above pre-pandemic norms – was the only non-Florida market to see (modest) price declines at -0.05% in May
- Despite growing inventory surpluses, Austin (+0.13%) and Dallas (+0.14%) saw modestly positive price movement in May
- California remains volatile, with price growth above the national average in May in most major California markets following a soft April

One-month home price growth (seasonally adjusted)



Source: ICE Home Price Index (HPI)
May 2024

Highest home price growth rates				
Rank	Geography (CBSA)	1-month home price growth rate (SA)	Annual home price growth rate	Seasonally adjusted annualized rate (SAAR)
1	Cleveland, OH	**+1.06%**	+7.5%	▲ +12.7%
2	Detroit, MI	**+0.89%**	+7.4%	▲ +10.7%
3	Columbus, OH	**+0.85%**	+6.8%	▲ +10.2%
4	Cincinnati, OH	**+0.84%**	+7.6%	▲ +10.0%
5	Milwaukee, WI	**+0.79%**	+7.4%	▲ +9.4%
6	Providence, RI	**+0.73%**	+10.3%	▼ +8.8%
7	Buffalo, NY	**+0.63%**	+6.1%	▲ +7.5%
8	Hartford, CT	**+0.58%**	+10.4%	▼ +6.9%
9	Kansas City, MO	**+0.57%**	+4.8%	▲ +6.8%
10	Louisville, KY	**+0.51%**	+5.8%	▲ +6.1%
11	Los Angeles, CA	**+0.49%**	+6.3%	▼ +5.8%
12	Riverside, CA	**+0.36%**	+5.4%	▼ +4.3%
13	New York-Newark, NY-NJ	**+0.48%**	+8.7%	▼ +5.8%
14	St. Louis, MO	**+0.48%**	+3.4%	▲ +5.8%
15	Chicago, IL	**+0.48%**	+7.2%	▼ +5.7%

Arrows indicate whether the seasonally adjusted annualized rate is higher (▲) or lower (▼) than the annual growth rate

Lowest home price growth rates				
Rank	Geography (CBSA)	1-month home price growth rate (SA)	Annual home price growth rate	Seasonally adjusted annualized rate (SAAR)
36	Houston, TX	**+0.23%**	+2.1%	▲ +2.8%
37	San Antonio, TX	**+0.21%**	-0.5%	▲ +2.5%
38	New Orleans, LA	**+0.21%**	-0.2%	▲ +2.5%
39	San Francisco, CA	**+0.20%**	+2.6%	▼ +2.4%
40	Oklahoma City, OK	**+0.17%**	+2.3%	▼ +2.0%
41	Atlanta, GA	**+0.16%**	+4.2%	▼ +2.0%
42	Nashville, TN	**+0.16%**	+3.2%	▼ +1.9%
43	Dallas, TX	**+0.14%**	+2.0%	▼ +1.6%
44	Denver, CO	**+0.13%**	+1.5%	▲ +1.6%
45	Austin, TX	**+0.13%**	-1.9%	▲ +1.5%
46	Jacksonville, FL	**+0.03%**	+2.5%	▼ +0.3%
47	Orlando, FL	**-0.02%**	+3.4%	▼ -0.2%
48	Tampa, FL	**-0.05%**	+1.7%	▼ -0.6%
49	Phoenix, AZ	**-0.05%**	+3.7%	▼ -0.6%
50	Miami, FL	**-0.26%**	+4.5%	▼ -3.1%

Definitions

Total active count	All active loans as of month-end, including loans in any state of delinquency or foreclosure. Post-sale loans and loans in REO are excluded from the total active count.
Delinquency statuses (30, 60, 90+, etc.)	All delinquency statuses are calculated using the MBA methodology based on the payment due date provided by the servicer. Loans in foreclosure are reported separately and are not included in the MBA days delinquent.
90-day defaults	Loans that were less than 90 days delinquent in the prior month and were 90 days delinquent, but not in foreclosure, in the current month.
Foreclosure inventory	The servicer has referred the loan to an attorney for foreclosure. Loans remain in foreclosure inventory from referral to sale.
Foreclosure starts	Any active loan that was not in foreclosure in the prior month that moves into foreclosure inventory in the current month.
Non-current	Loans in any stage of delinquency or foreclosure.
Foreclosure sale / new REO	Any loan that was in foreclosure in the prior month that moves into post-sale status or is flagged as a foreclosure liquidation.
REO	The loan is in post-sale foreclosure status. Listing status is not a consideration; this includes all properties on and off the market.
Deterioration ratio	The ratio of the percentage of loans deteriorating in delinquency status vs. those improving.

Extrapolation methodology: Mortgage statistics are scaled to estimate the total market performance based on coverage within the McDash database.

Disclosures

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Mortgage Monitor disclosures

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