AtClose Research – HMI and Forbearance 2022

The mortgage industry moderately steadied as it approached the midway point of the first quarter of 2022 but continued fluctuating after, keeping up with the mortgage industry's swings since last year. Even though the digital revolution breathed new life into the mortgage sector, certain factors still persisted in causing disruption.

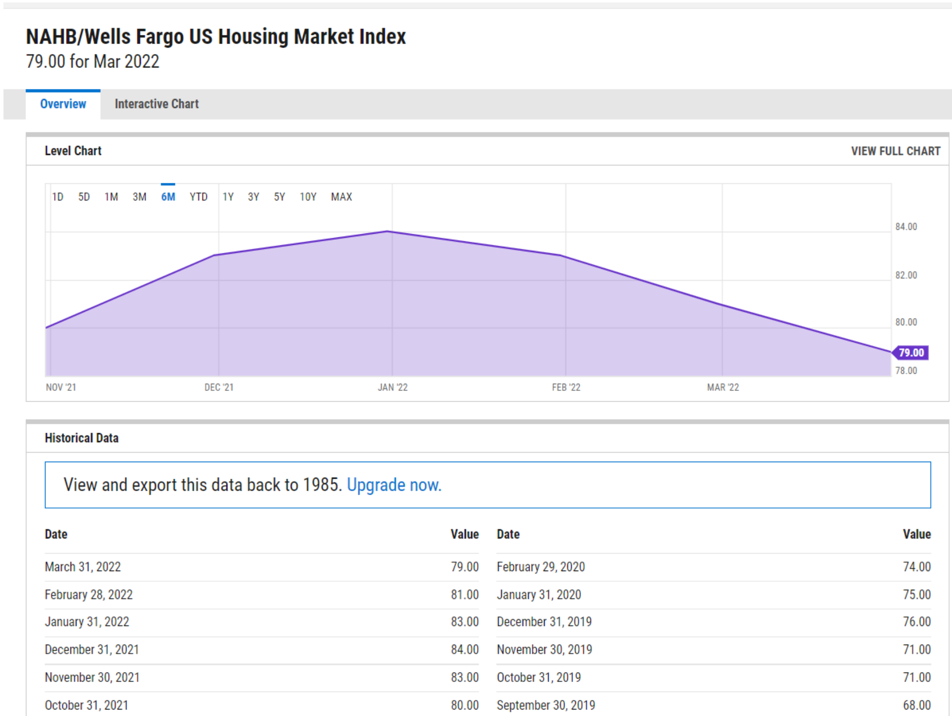
AtClose is able to proactively provide estimates on new home sales volumes at national, regional, and metro levels. Additionally, this data also encompasses different types of loans available and used by new home buyers. Official new home projections are made on a monthly basis, which includes data on new house sales when a contract is signed, which is usually around the same time as the mortgage applications[1].

AtClose also examines forbearance rates in subsequent months and supports fintech professionals in analyzing the scope and impact of mortgage rates. Forbearance is a type of support for borrowers that enables lenders to agree to a temporary suspension of mortgage payments. This time period can be viewed as a relief period in terms of creditor foreclosing.

The Teetering Single-Family Housing Market

According to the NHAB/Wells Fargo Market Housing Index (HMI), the continued drop in builder sentiment couldn't meet the buyer demands in February 2022. The single-family housing market, indicated by HMI, scored a figure of 81 in February, down from 83 in January and further lowered to 79 in March 2022, followed by a solid 80 or above mark following the past three months. The chart below describes the Housing Market Index (HMI) for the last six months:

[1] February New Home Purchase Mortgage Applications Decreased 3.9 Percent | MBA



NAHB/Wells Fargo US Housing Market Index
79.00 for Mar 2022

Overview | Interactive Chart

Level Chart VIEW FULL CHART

Historical Data

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Date	Value	Date	Value
March 31, 2022	79.00	February 29, 2020	74.00
February 28, 2022	81.00	January 31, 2020	75.00
January 31, 2022	83.00	December 31, 2019	76.00
December 31, 2021	84.00	November 30, 2019	71.00
November 30, 2021	83.00	October 31, 2019	71.00
October 31, 2021	80.00	September 30, 2019	68.00

Source: NAHB/Wells Fargo US Housing Market Index (ycharts.com)

The rise in mortgage rates changed the mortgage landscape

Owing to the tremendous spike in mortgage rates in February 2022 since 2019, the mortgage landscape has faced various fluctuations in February relative to January 2022. According to the Mortgage Bankers Association's (MBA) monthly loan monitoring census, mortgage loans under forbearance decreased by a total of 12 points in February, falling from 1.30 percent to 1.18 percent in one month. Additionally, applications for new home mortgages slowed down by 1 percent in February compared to January 2022, reported Builder Application Survey (BAS).

Mortgage industry dynamics within the timeframe of January-February, 2022.

Mortgage loans under forbearance	Decrease in new home mortgage applications	Decrease in New family home sales seasonally adjusted annual rates	No Change in Unadjusted new family home sales remain
1.18% (Previous Month 1.3%)	**1%**	**3.7%**	–

Other Findings:

According to MBA estimates based on the BAS data, seasonally adjusted annual rates for new family home sales were reduced by 3.7% from January (with 821,000 units) to February 2022 (with 791,000 units). Unadjusted estimates for new home sales accounted for 66,000 units in February, not different from January 2022. Additionally, as of March 2022, 59,000 homeowners were recorded in forbearance plans.

MBA's Estimates for New Family Home Sales

Seasonally adjusted annual rates in January 2022	Seasonally adjusted annual rates in February 2022	Homeowners in forbearance plans in March 2022
821,000 units	**791,000 units**	**59,000**

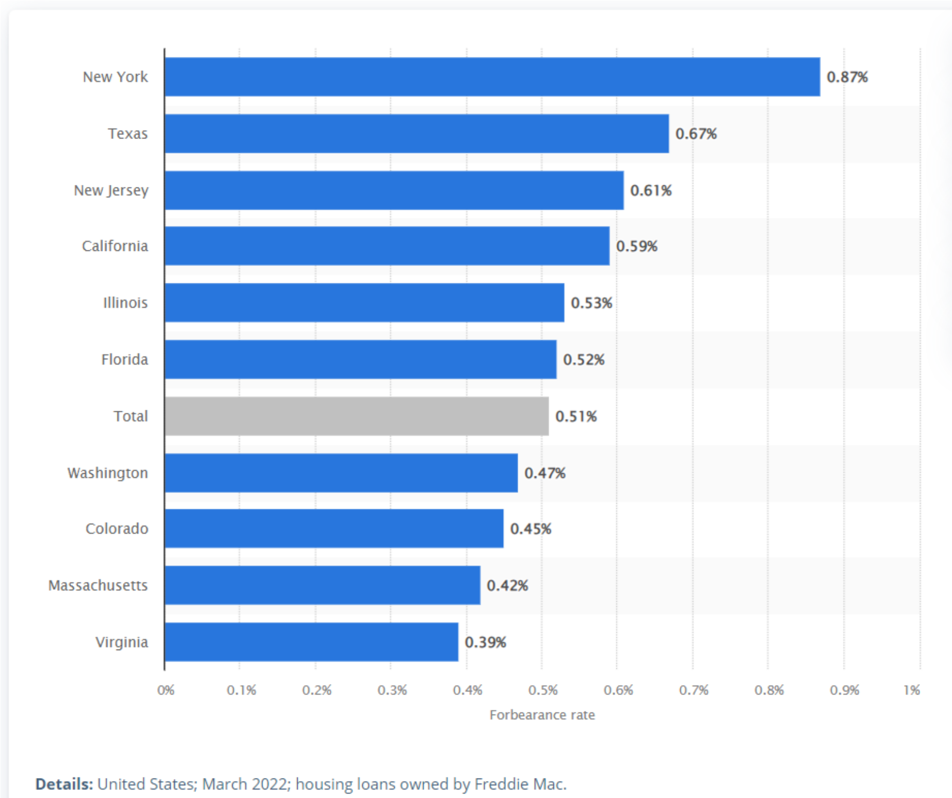
States exhibiting the highest and lowest share of loans

Below are the five states that shared the highest and the lowest share of current loans as a percentage of the servicing portfolio, upsurging from 94.91% in January to 94.94% in February 2022.

Highest	**Lowest**
Idaho	Louisiana
Washington	Mississippi
Colorado	New York
Utah	Indiana
Oregon	Oklahoma

Source

In March 2022, New York was recorded to be one of the states where forbearance rates were high. The table below describes forbearance rates for various states:



Forbearance rates for Freddie Mac single-family housing loans with approximately 1 percent of current loans in forbearance

Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting shared his analysis on the new home purchase activities and added

"New home sales declined for the third consecutive month, hitting the lowest sales pace in seven months at 791,000 units. Over the last three months, mortgage rates have increased over 70 basis points, and combined with elevated sales prices, that is putting a weight on purchase activity. The decline in activity was also consistent with somewhat weaker homebuilder sentiment and increased uncertainty for the industry as the crisis in Ukraine has worsened the situation for building material prices and availability." (Source)

Additional factors that contributed to Forbearance Rates:

Marina Walsh, MBA's vice president of industry analysis, shared her thoughts on the decline in the number of borrowers in forbearance and stated that "There were many positive results in overall mortgage performance in February. The percentage of current borrowers on their mortgage payments increased to almost 95% – 350 basis points higher than one year ago. Finally, the percentage of borrowers with existing loan workouts who were current on their mortgage payments improved for the first time since June 2021."

"These three results," she continued, "the lower forbearance rates and higher performance rates for both total borrowers and borrowers in workouts, are especially favorable given that there is typically a dip in mortgage performance in February," as the month has fewer days to complete the payment.

Walsh attributed the improved results to a number of factors including the availability of effective loss-mitigation solutions, lower unemployment (now below 4 percent), strong income rise, and rising capital appreciation.

Source: National Mortgage Professional

MBA's Forbearance within the timeframe of February 28, 2022

As a percentage of servicing portfolio volume, the total monthly forbearance requests decreased in relation to the previous month by 12 basis points. However, it was recorded that the sum of loans which were in forbearance the previous month decreased from 1.30% to 1.18%. Further classification showed us that by investor type the Fannie Mae and Freddie Mac, Ginnie Mae loans in forbearance decreased from 0.64 to 0.56%, and 1.60 to 1.50% respectively. Lastly, the various other loans including portfolio and PLS in forbearance decreased from 3.02 to 2.72%.

Aggregate forbearance exits within the timeframe of Jun 01, 2020 to February 28, 2022

Loan modifications or trial loan modification **15.2%**	Loan Deferral/Partial Claim **29.2%**	Borrowers who continued monthly payments **19.1%**
Borrowers who exited forbearance without making payments **17.0%**	Reinstatements of past-due amounts are paid back **11.5%**	Loans paid through refinancing **6.8%**

Loans in forbearance as a share of servicing portfolio volume as of February 28, 2022

Total	IMBs	Depositories
1.18% (previous month: 1.30%)	1.44% (previous month: 1.59%)	0.97% (previous month: 1.06%)

Loans in forbearance within the timeframe of January-February, 2022.

Decrease in Ginnie Mae loans in forbearance decreased by	Decrease in Fannie Mae and Freddie Mac loans in forbearance	Decrease in other loans (PSL and portfolio) in forbearance
1.60 to 1.50%	**0.64 to 0.56%**	**3.02 to 2.72%**

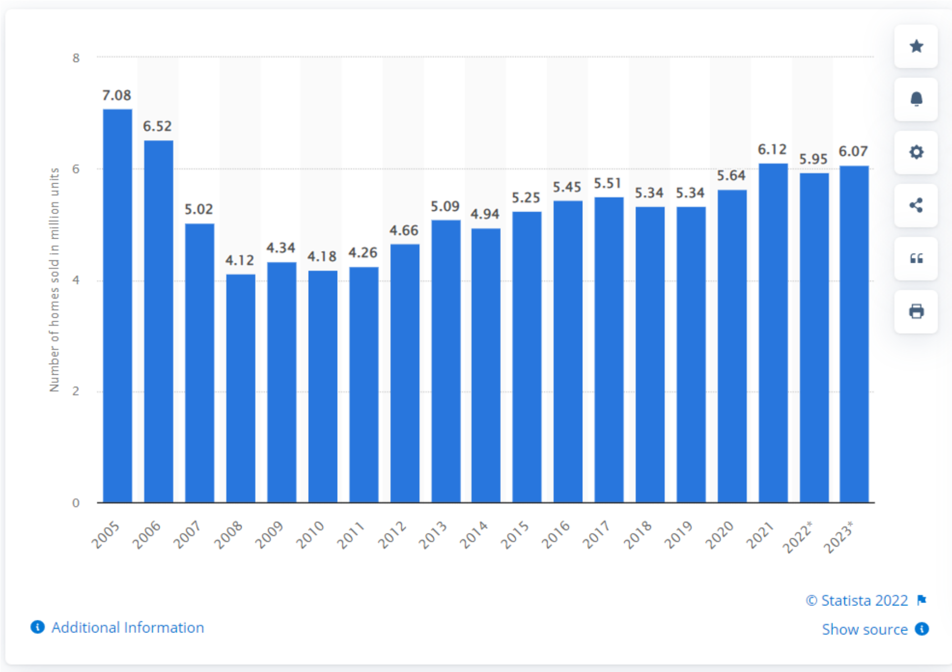
Source: MBA Bankers Association (MBA)
[Mortgage Bankers Association's (MBA) monthly loan monitoring survey.]
[February New Home Purchase Mortgage Applications Decreased 3.9 Percent | MBA]

Stages of Forbearance loans within the time frame of February 1 – February 28 2022

Initial forbearance plan stage	Forbearance extension stage	Forbearance re-entry stage (including extension re-entries)
30.1 %	**57.0 %**	**12.9 %**

What to expect from the US housing market next few year?

As per Statista estimates, the US home sales market experienced a slight decline in 2021, followed by an upsurge in 2006, but is projected to expand again in 2023.

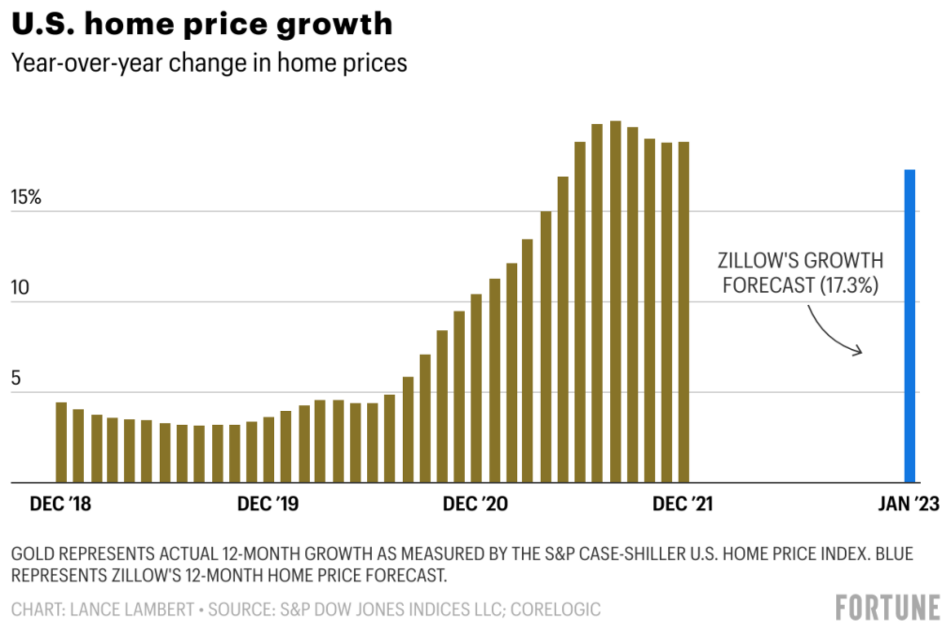


Source: [Statista]

According to industry experts, we're in the unplumbed territory: Some forecast models suggest that the housing boom will go on until 2023, while others expect that rising interest rates will cause the market to cool significantly.

As per Zillow, the house-listing service projects that the year-over-year rate of home price growth will climb to a new high of 22% by May. However, Zillow forecasts only a fair downshift in the increase rate. Zillow estimates that by January 2023, the year-over-year home price growth is expected to reach 17.3 percent, or nearly four times the average yearly increase (4.6 percent) since 1989.

[The housing market enters uncharted waters | Fortune]



Source

[VIDEO] The housing market enters uncharted waters | Fortune

Conclusion

AtClose keeps a firm check on the state of affairs of the mortgage industry. Forbearance rates have a massive impact and are important to keep tabs on as they can reflect how the mortgage industry is performing or where the future is headed. Get in touch with one of our experts and enter the future of seamless digitized mortgages.