

KEEPING CURRENT MATTERS

May 2022

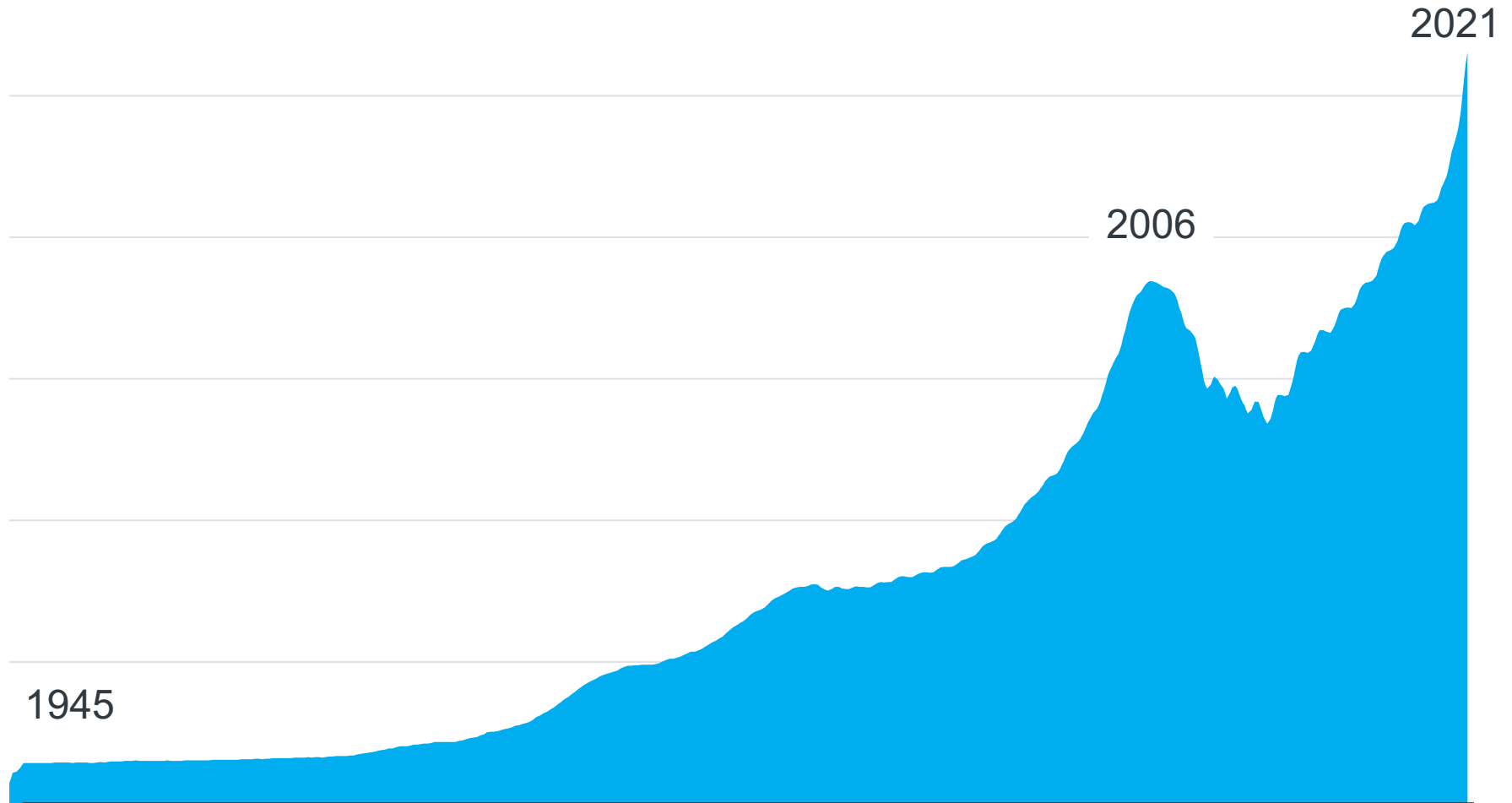




Why We're Not Headed for a Housing Bubble

Home Price Appreciation Since WWII

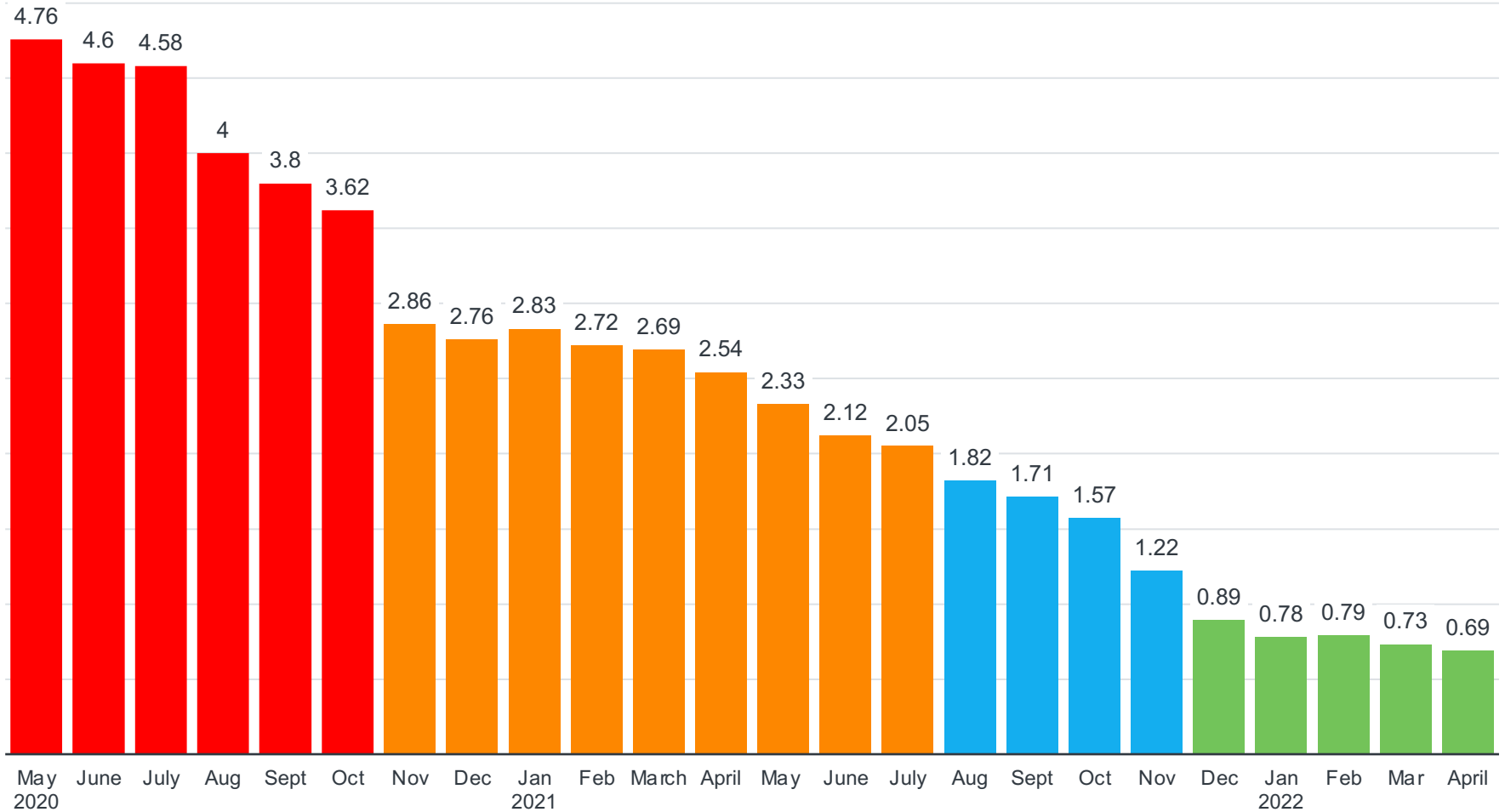
Historical Housing Market Data



Source: Robert Shiller Online Data

Forbearance Number Edges Downward

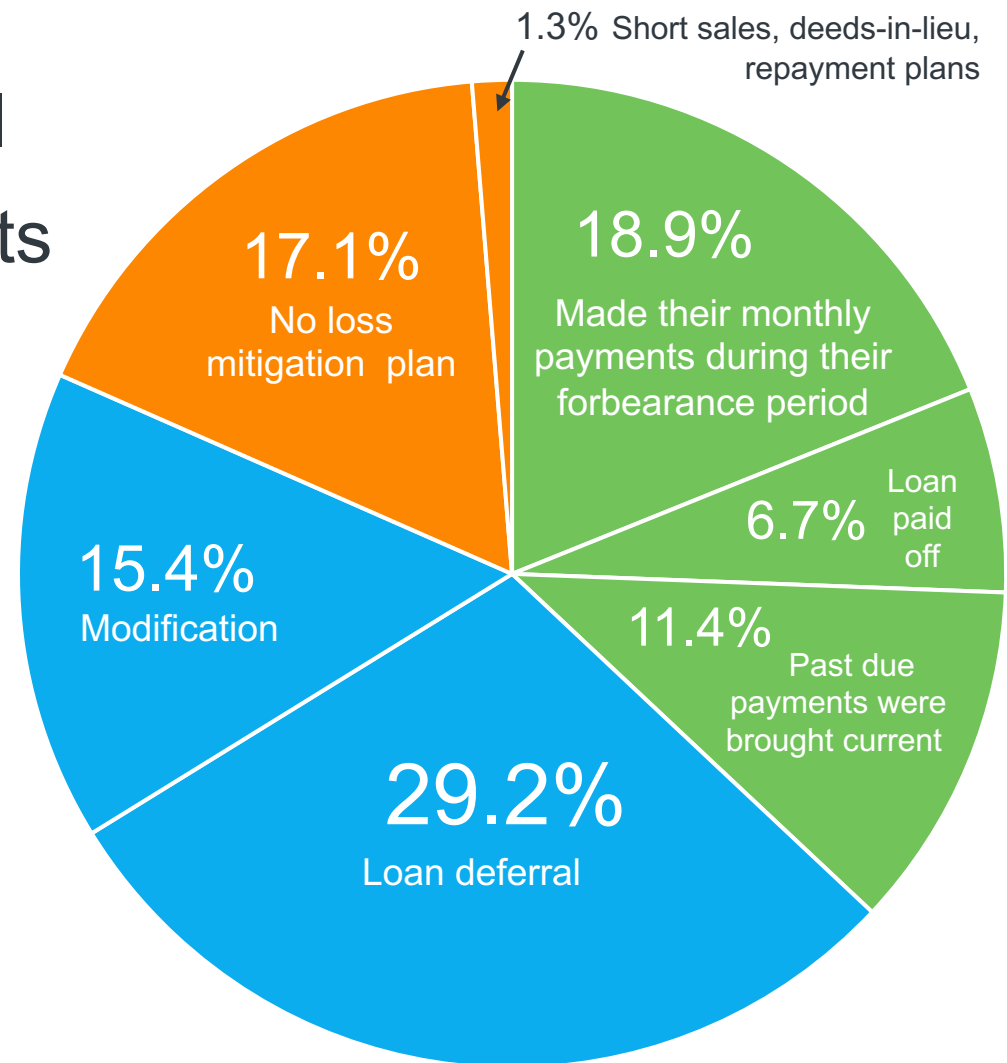
Monthly Number of Loans in Active Forbearance (in millions)



Source: Black Knight

Loans Upon Exiting Forbearance Program

- 37% were paid in full
- 44.6% were work outs or repayment plans
- 18.4% were still in trouble



Cumulative forbearance exits for the period from June 1, 2020 through March 31, 2022

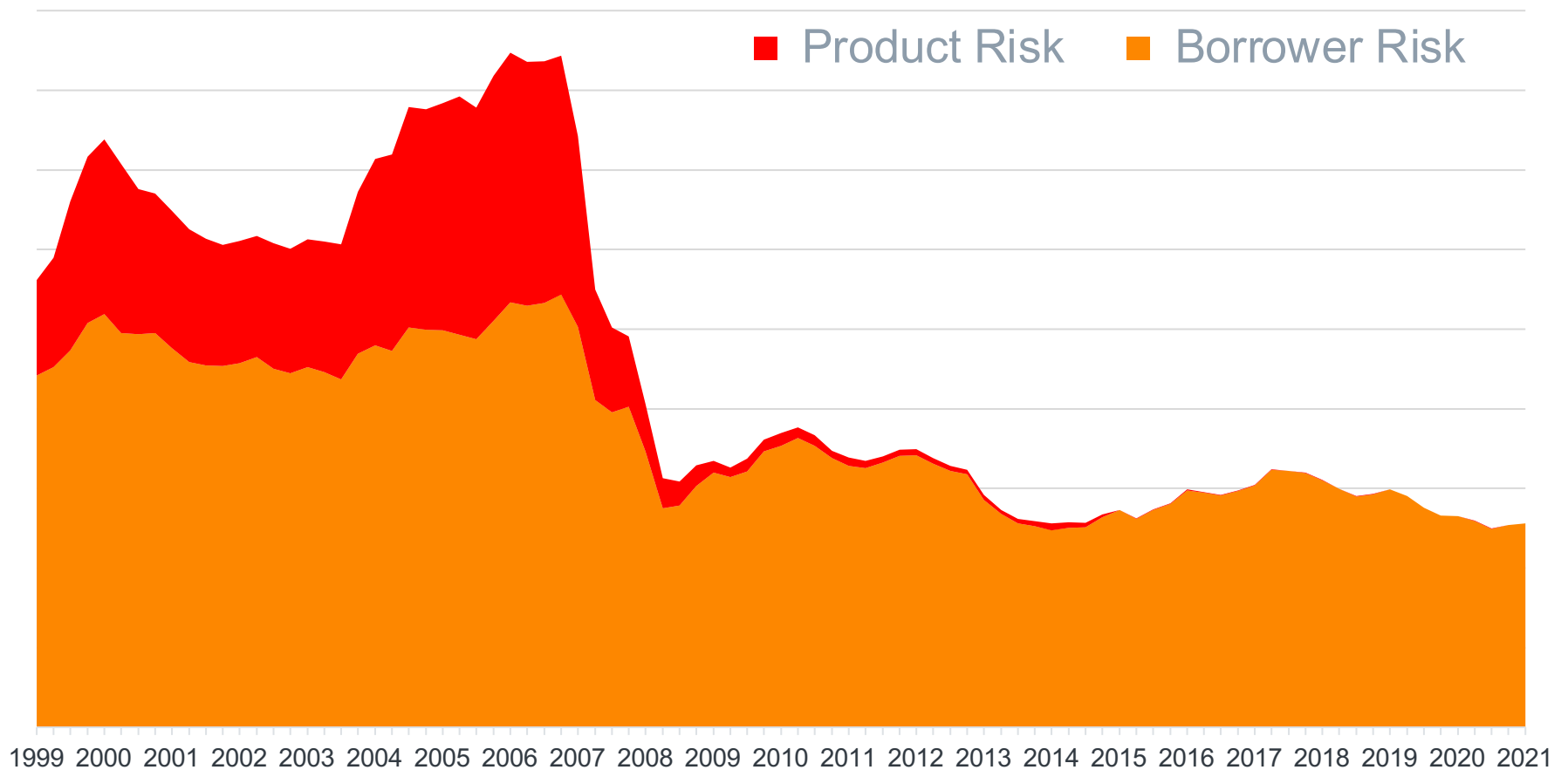


We have learned from history that prices can fall. The more important question is if it's going to happen right now. **And that's hard to say.**

- **Danielle Hale**, Chief Economist, [realtor.com](https://www.realtor.com)

Lending Standards Nothing Like Early 2000s

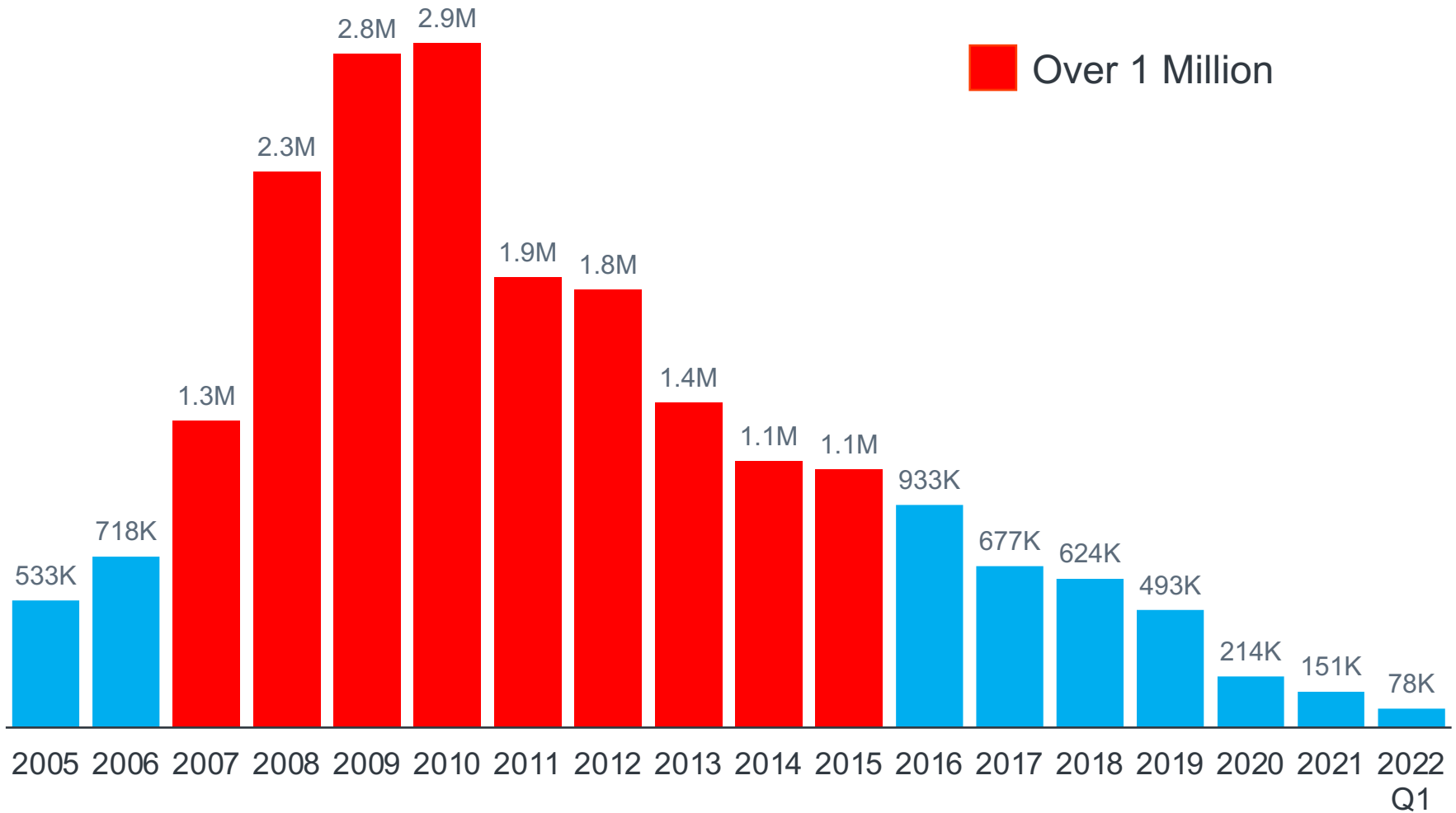
Default Risk in the Mortgage Market (1999-2021)



Source: Urban Institute

Foreclosure Activity at an All-Time Low

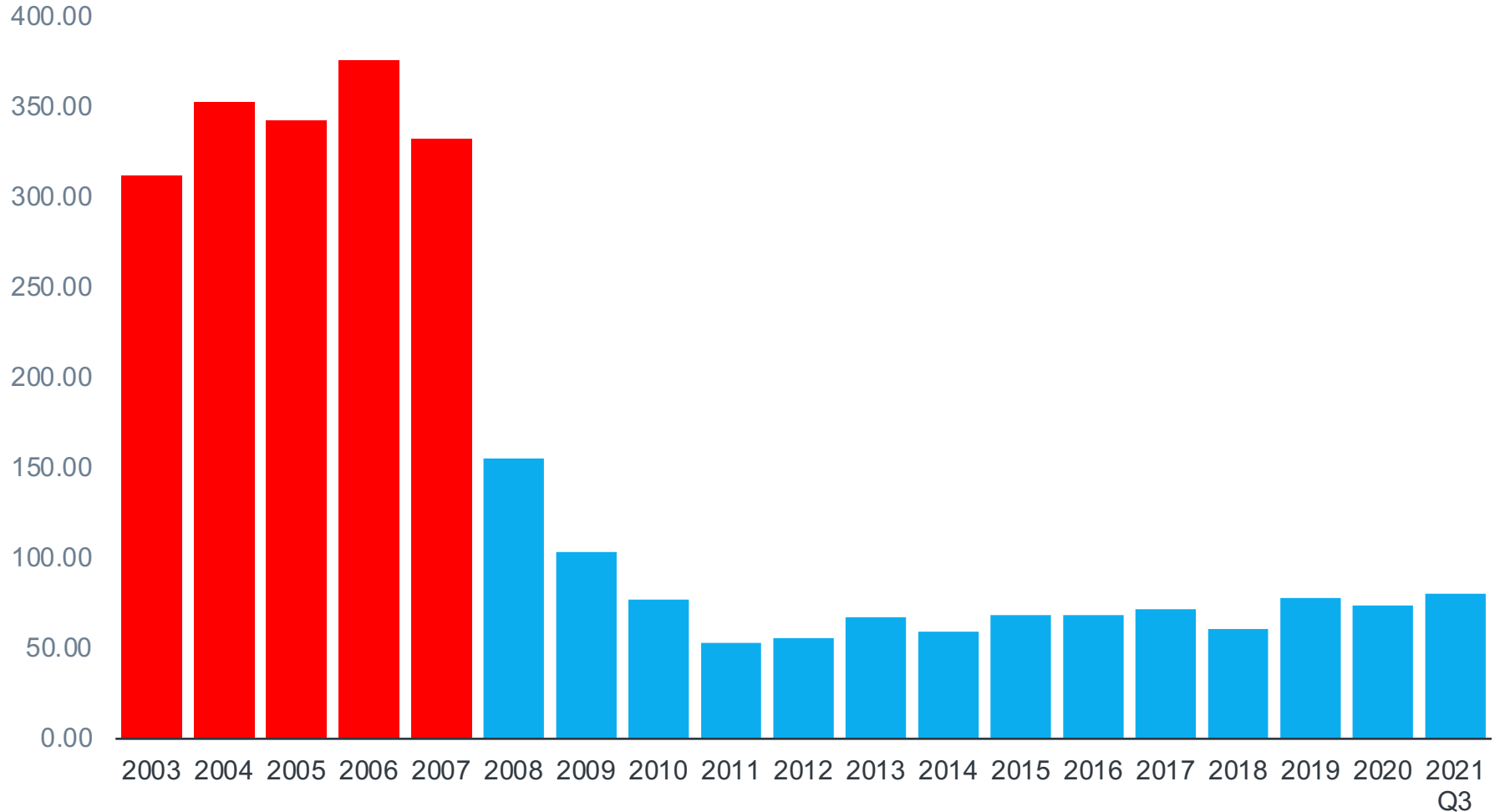
U.S. Properties with Foreclosure Filings: ATTOM 2021 Year-End Report



Source: ATTOM Data Solutions

Lending Standards Tighter Since Crash

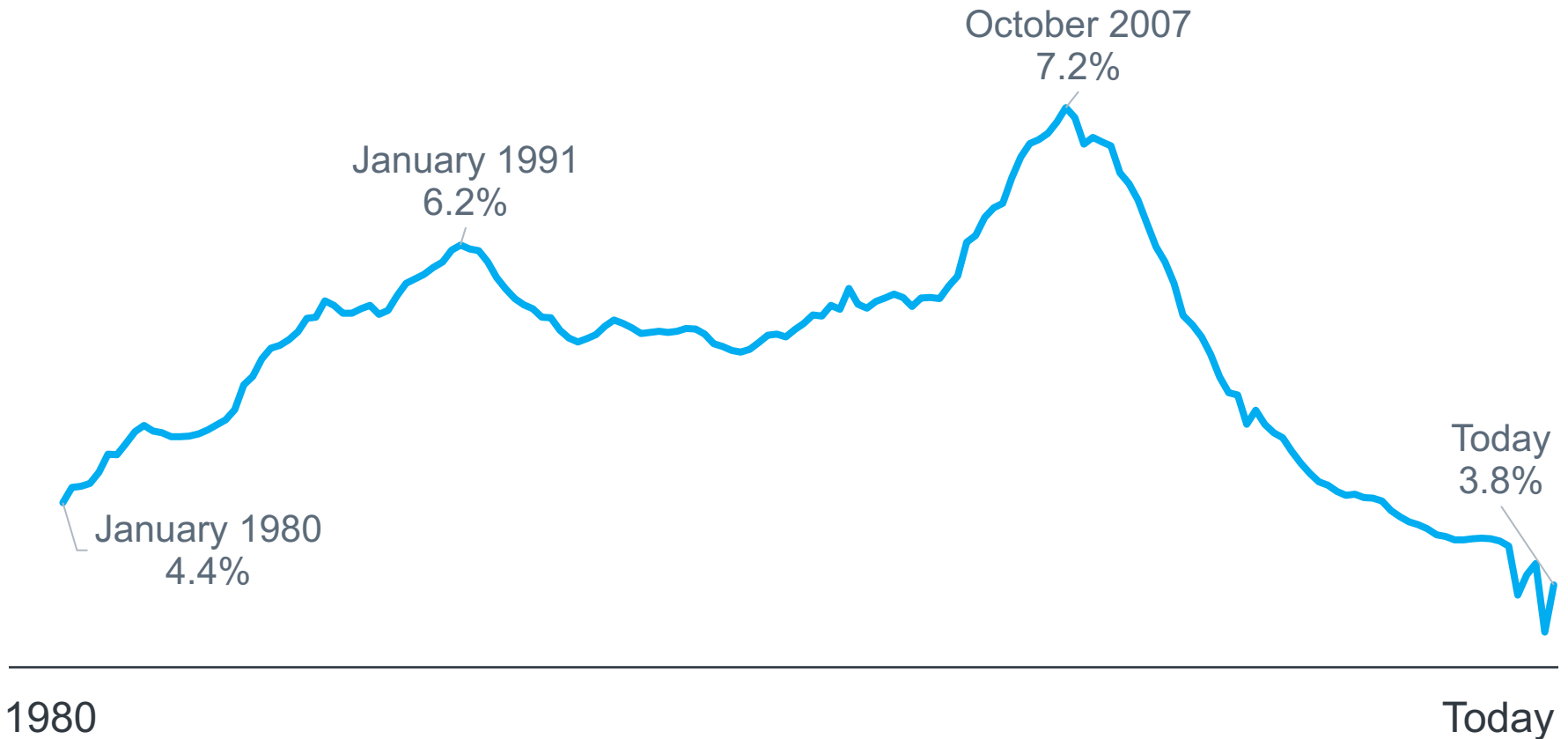
Volume of Loans in Billions with a Credit Score < 620



Source: Federal Reserve

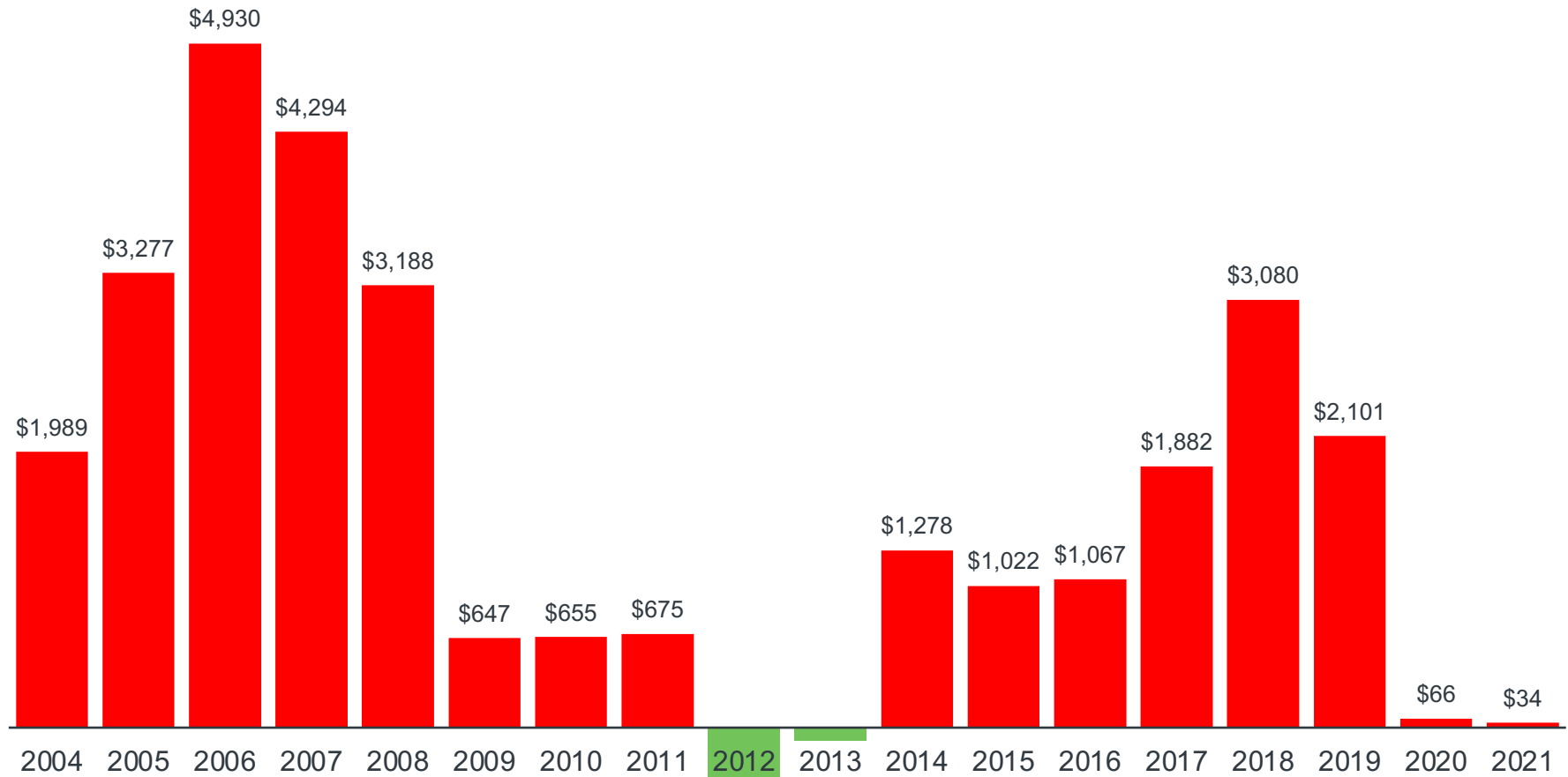
Mortgage Debt Is Not a Challenge

Household Debt Service Ratio for Mortgages as a Percentage of Disposable Personal Income. (*Total quarterly required mortgage payments divided by total quarterly disposable personal income*)



Mortgage Payments Virtually Unaffected

Difference in Annual Mortgage Payment for Cash-Out Refinances



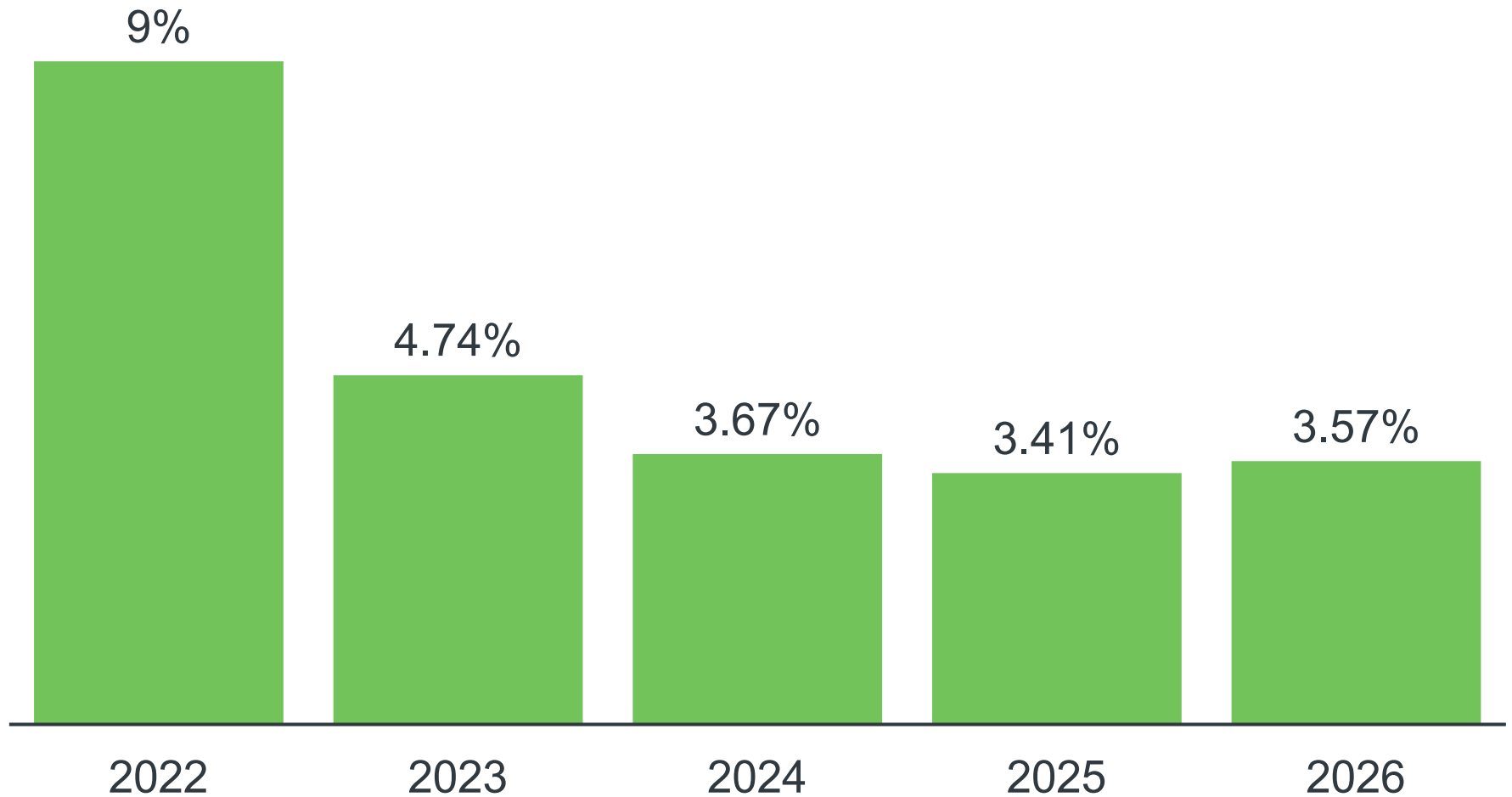
Source: Freddie Mac



What's Ahead?

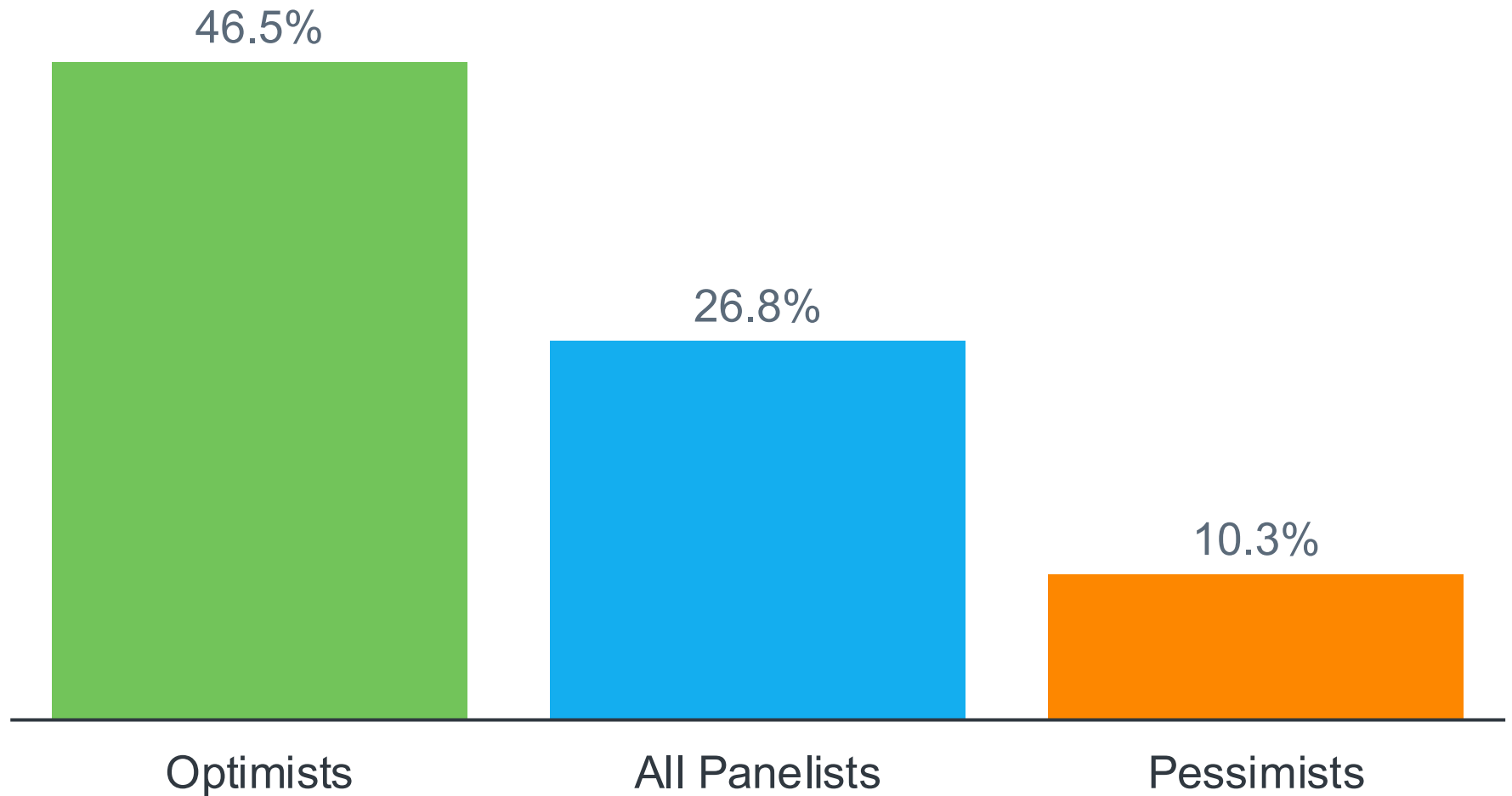
Estimated Home Price Performance

January to January, as Forecasted in Q1 2022

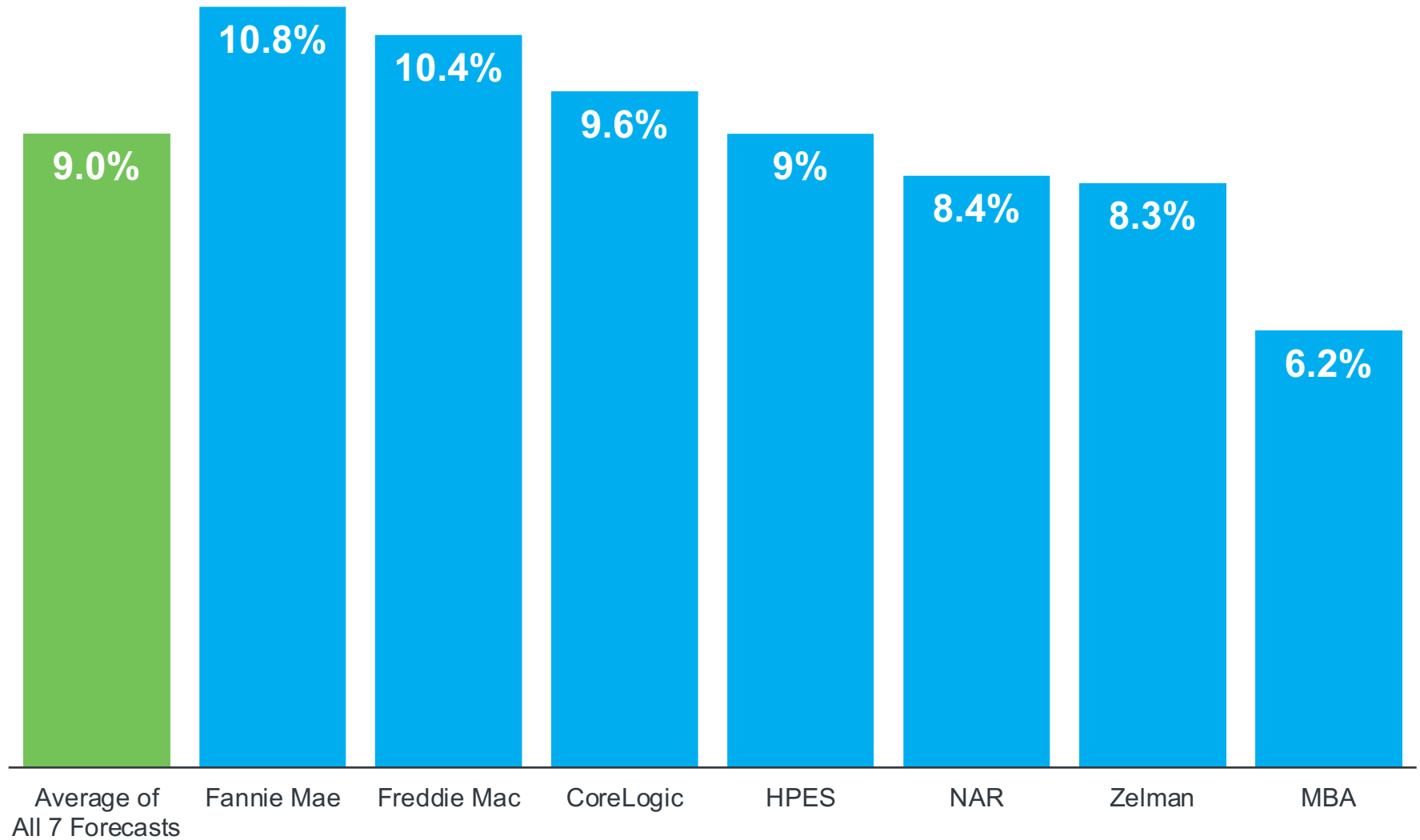


Cumulative House Appreciation by 2026

As Forecast in Q1 2022



Home Price Forecasts for 2022





Based on the current estimate for the peak Fed Funds rate (3.25% to 4.0%), **the 30-year fixed mortgage will likely peak at between 5.0% and 5.7%. There is some variability in the relationship, so we might see rates as high as the low 6% range.** (This all depends on inflation and the Fed Funds rate - but I don't expect rates to move much higher than the current rate - although 6% is possible).

- **Bill McBride**, Author, [Calculated Risk Blog](#)



Affordability



New data from the Harris Poll show **84% of Americans plan to cut back spending as a result of price spikes...** More than 70% of respondents said they're feeling the effects of inflation the most in gas prices and groceries.

- Bloomberg

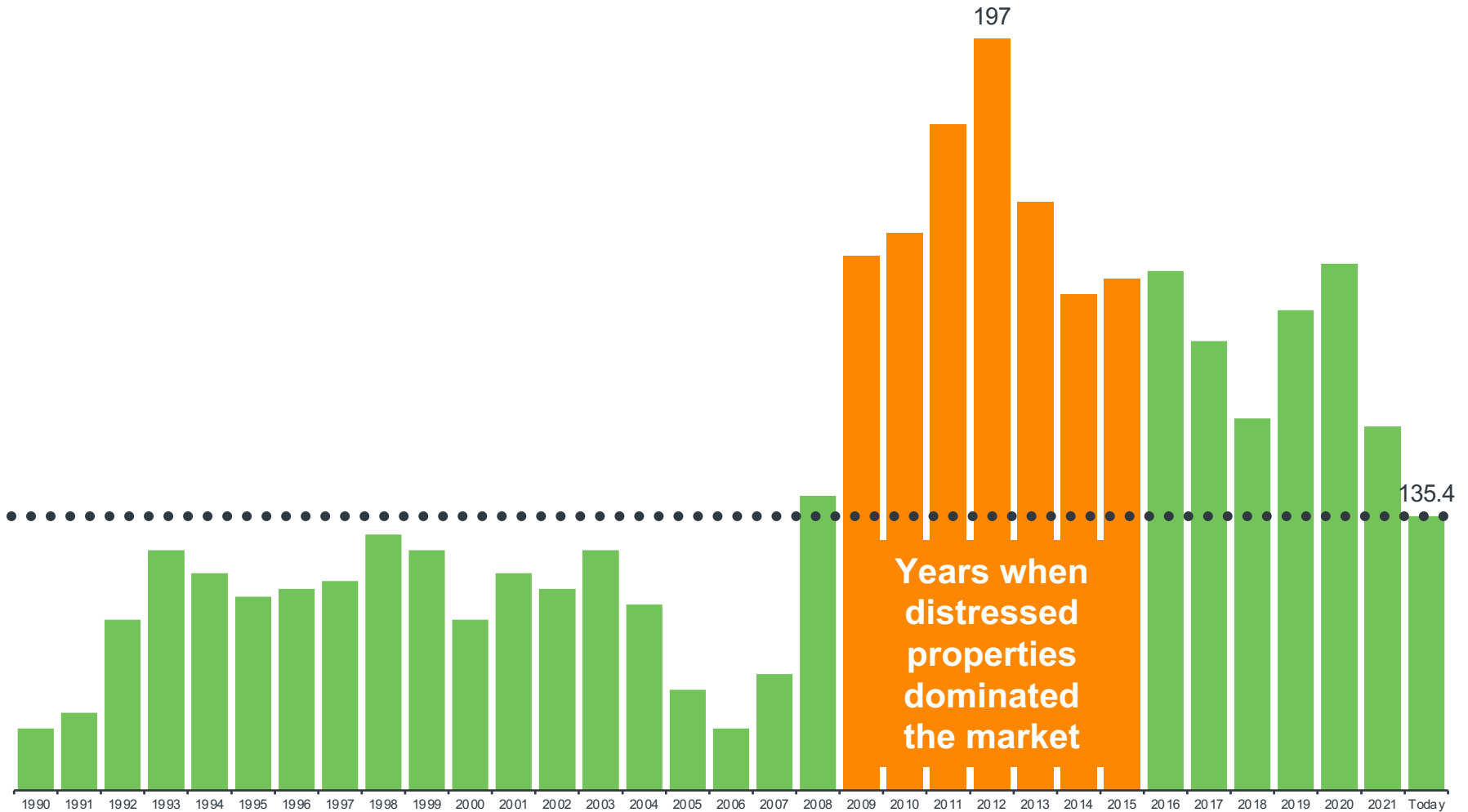
Change in Mortgage Payment

Loan Amount of \$300K, Principal and Interest Payments Only*

	January 2021	April 2021	July 2021	October 2021
Average Mortgage Rate	2.73%	3.06%	2.87%	3.07%
Monthly Payment*	\$1,221.55	\$1,274.54	\$1,243.88	\$1,276.17
	December 2021	January 2022	Current	Oct 2022?
Average Mortgage Rate	3.09%	3.44%	5.27%	5.5%
Monthly Payment*	\$1,279.42	\$1,337.11	\$1,660.33	\$1,703.37

Affordability Approaching Historical Levels

Housing Affordability Index: 1990 to Today





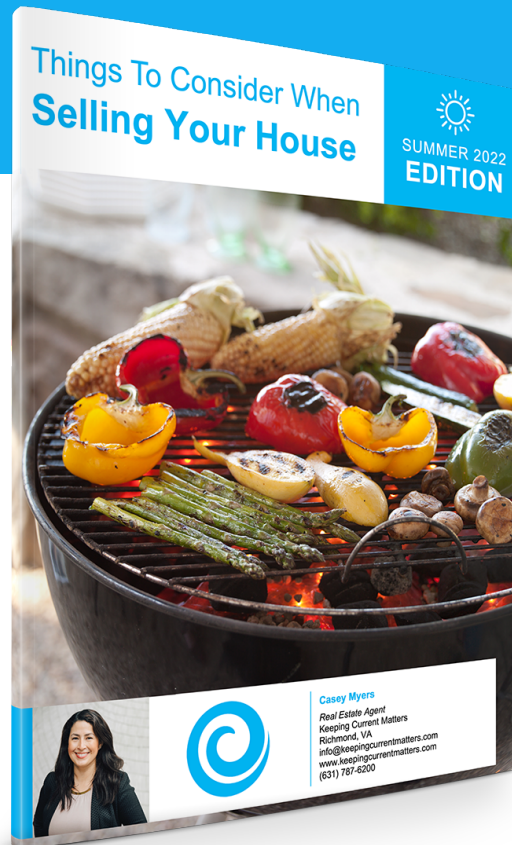
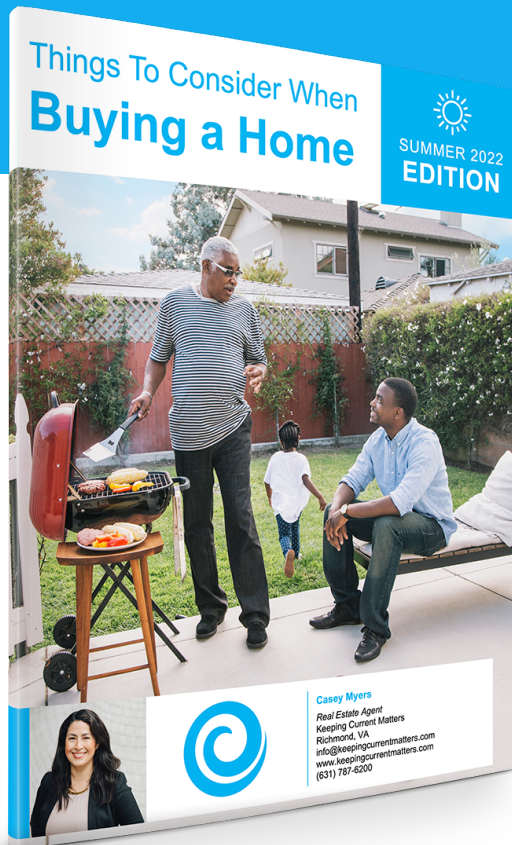
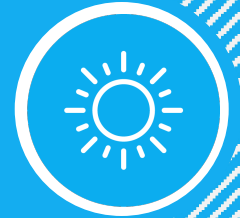
The average consumer is spending an additional \$429 monthly for items other than shelter. Meanwhile, average weekly wages rose just \$212 per month, so the consumer is short by \$217 per month. . . . **This means that the average consumer will be looking for a home that is \$41,793 cheaper.**

- **Scholastica (Gay) Cororaton**, Research Economist, NAR



**Do I have a relevant
market opinion
based upon facts?**

Summer Buyer & Seller Guides: June 3, 2022



Resources

Slide(s)	Description	Link(s)
3	Price Appreciation Graph	http://www.econ.yale.edu/~shiller/data.htm
4	Forbearance Graph	https://www.blackknightinc.com/blog-posts/forbearance-plans-edge-higher/
5	Loans Upon Exiting Forbearance	https://www.mba.org/news-research-and-resources/newsroom
6	Hale Quote	https://www.realtor.com/news/trends/why-home-prices-could-flatten-or-dip-this-year/
7	Lending Standards: Default Risk	https://www.urban.org/policy-centers/housing-finance-policy-center/projects/housing-credit-availability-index
8	Foreclosure Activity	https://www.attomdata.com/news/market-trends/foreclosures/attom-q1-2022-u-s-foreclosure-market-report/ https://www.attomdata.com/news/market-trends/foreclosures/attom-year-end-2021-u-s-foreclosure-market-report/

Resources

Slide(s)	Description	Link(s)
9	Lending Standards: Volume of Loans	https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/xls/HHD_C_Report_2021Q3.xlsx
10	Mortgage Debt	https://fred.stlouisfed.org/series/MDSP
11	Mortgage Payments	http://www.freddiemac.com/research/insight/20211029_refinance_trends.page
13, 14	HPES Price Forecasts	https://pulsenomics.com/surveys/#home-price-expectations
15	2022 Price Forecasts	https://www.mba.org/docs/default-source/research-and-forecasts/forecasts/mortgage-finance-forecast-apr-2022.pdf https://cdn.nar.realtor/sites/default/files/documents/forecast-q2-2022-us-economic-outlook-04-27-2022.pdf https://www.fanniemae.com/media/43346/display https://www.freddiemac.com/research/forecast/20220418-quarterly-forecast-purchase-market-will-remain-solid-even-mortgage-rates-rise https://pulsenomics.com/surveys/#home-price-expectations https://www.corelogic.com/intelligence/u-s-home-price-insights/ https://www.zelmanassociates.com/

Resources

Slide(s)	Description	Link(s)
16	McBride Quote	https://calculatedrisk.substack.com/p/how-high-will-mortgage-rates-rise?s=r
18	Bloomberg Quote	https://www.bloomberg.com/news/articles/2022-04-12/how-high-is-inflation-most-americans-cut-back-spending-on-gas-food-sports
19	Change in Mortgage Payment	https://www.freddiemac.com/pmms https://www.mortgagecalculator.net/
20	Affordability Graph	https://www.nar.realtor/blogs/economists-outlook/ https://www.nar.realtor/blogs/economists-outlook/housing-affordability-declines-in-february
21	Cororaton Quote	https://www.nar.realtor/blogs/economists-outlook/rising-inflation-means-homebuyers-will-be-looking-for-homes-that-are-40000-cheaper



Updates

Resources

Slide(s)	Description	Link(s)
31, 51, 61	Confidence Index	https://www.nar.realtor/research-and-statistics/research-reports/realtors-confidence-index
32-34, 42, 44, 45, 52-56	Existing Home Sales	https://www.nar.realtor/topics/existing-home-sales
35-38	New Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf http://www.census.gov/newhomesales
39	Total Home Sales	http://www.census.gov/construction/nrs/pdf/newressales.pdf https://www.nar.realtor/topics/existing-home-sales
40, 41	Pending Home Sales	https://www.nar.realtor/research-and-statistics/housing-statistics/pending-home-sales
46-48	Case Shiller	https://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-20-city-composite-home-price-nsa-index/#news-research
49	CoreLogic Price Forecast	https://www.corelogic.com/intelligence/u-s-home-price-insights/
52-58	Inventory	https://www.nar.realtor/topics/existing-home-sales http://www.census.gov/construction/nrs/pdf/newressales.pdf

Resources

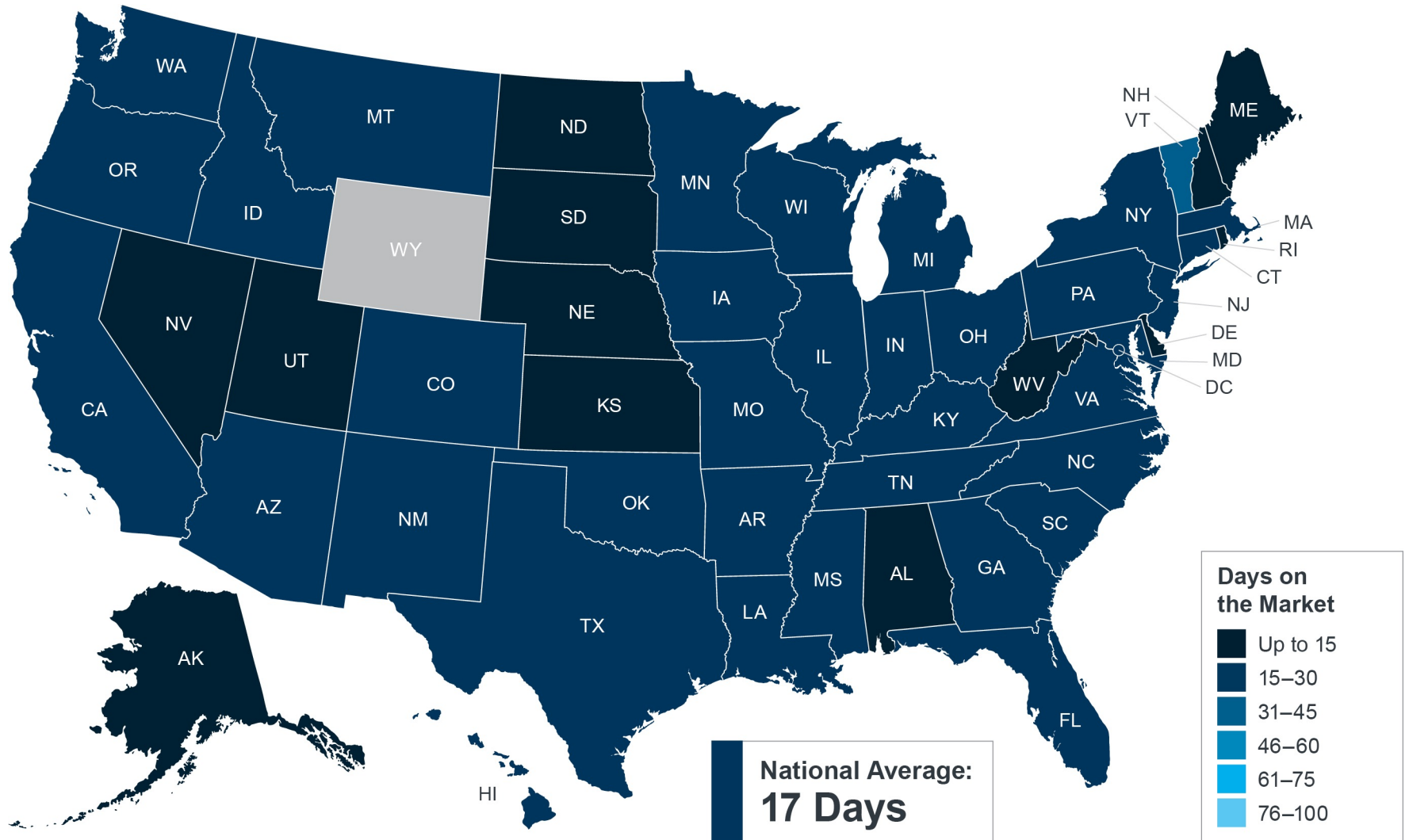
Slide(s)	Description	Link(s)
60	Showing Activity	https://www.showingtime.com/blog/march-2022-showing-index-results/
63, 64, 66, 67	Mortgage Rates	http://www.freddiemac.com/pmms/pmms_archives.html http://www.freddiemac.com/research/forecast/
65	Mortgage Rate Projections	http://www.freddiemac.com/research/forecast/ http://www.fanniemae.com/portal/research-insights/forecast.html https://www.mba.org/news-research-and-resources/research-and-economics/forecasts-and-commentary https://www.nar.realtor/research-and-statistics
69, 70	Mortgage Credit Availability	https://www.mba.org/news-research-and-resources/newsroom https://www.mba.org/news-research-and-resources/research-and-economics/single-family-research/mortgage-credit-availability-index



Home Sales

Average Days on the Market

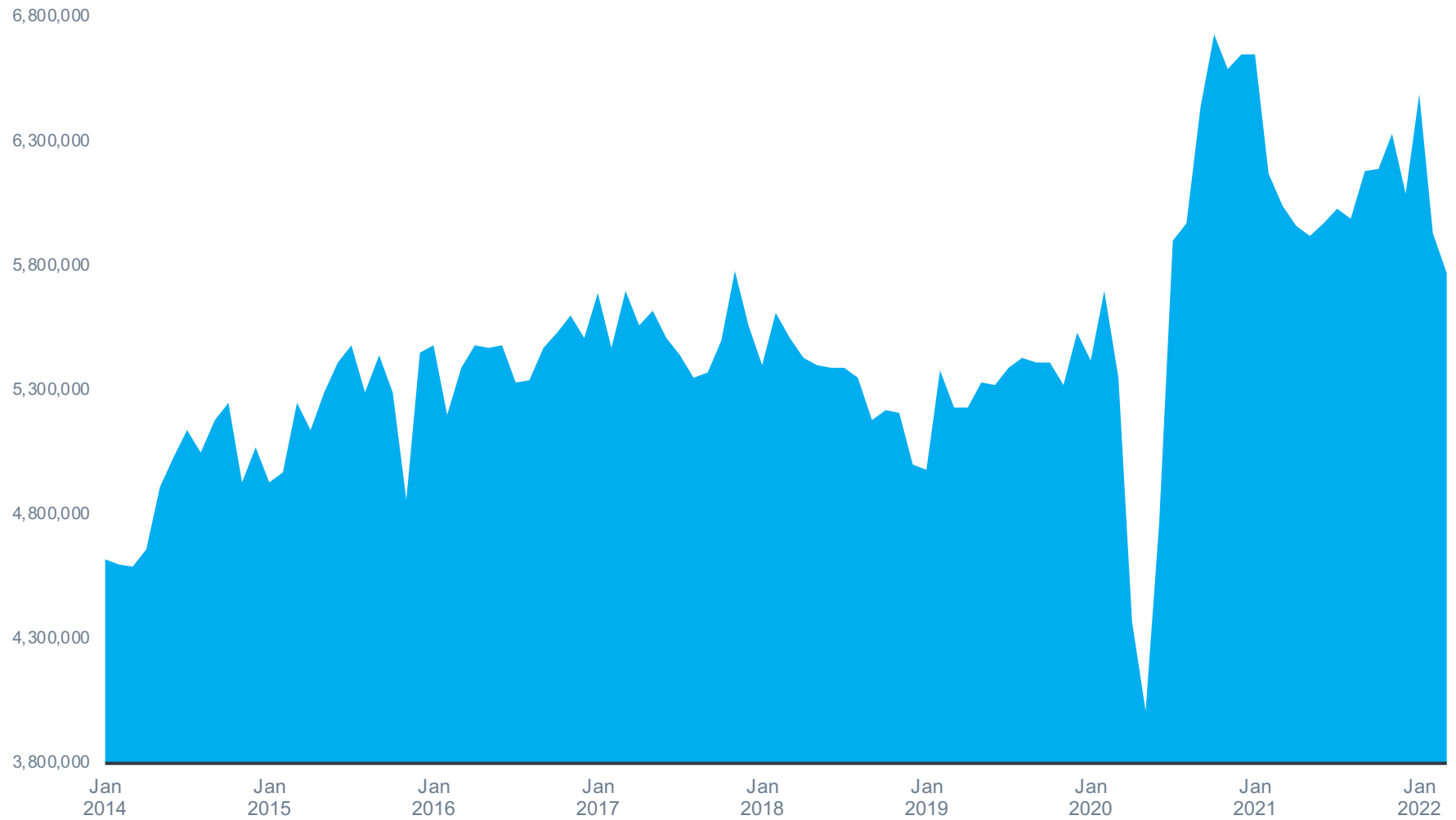
March 2022



Source: NAR

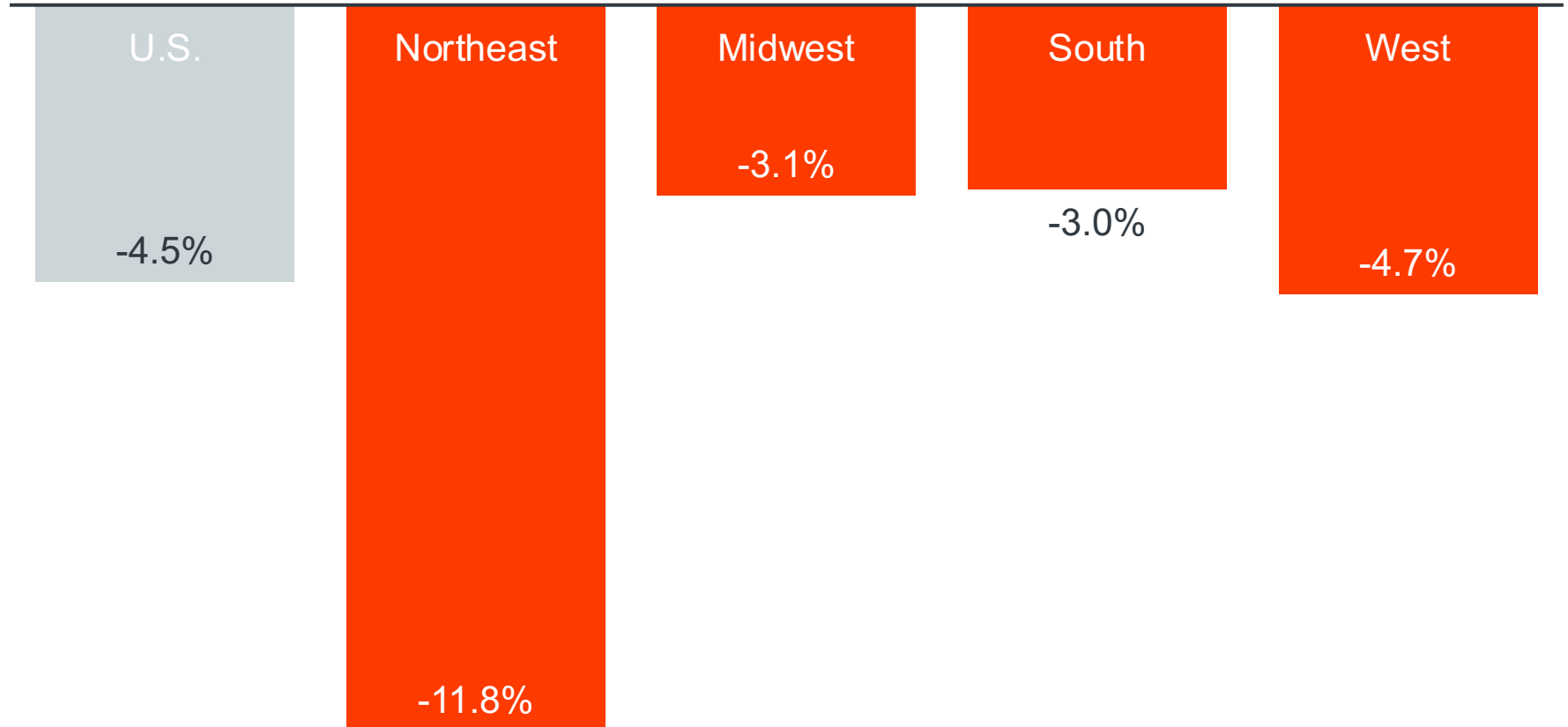
Existing Home Sales

Since January 2014



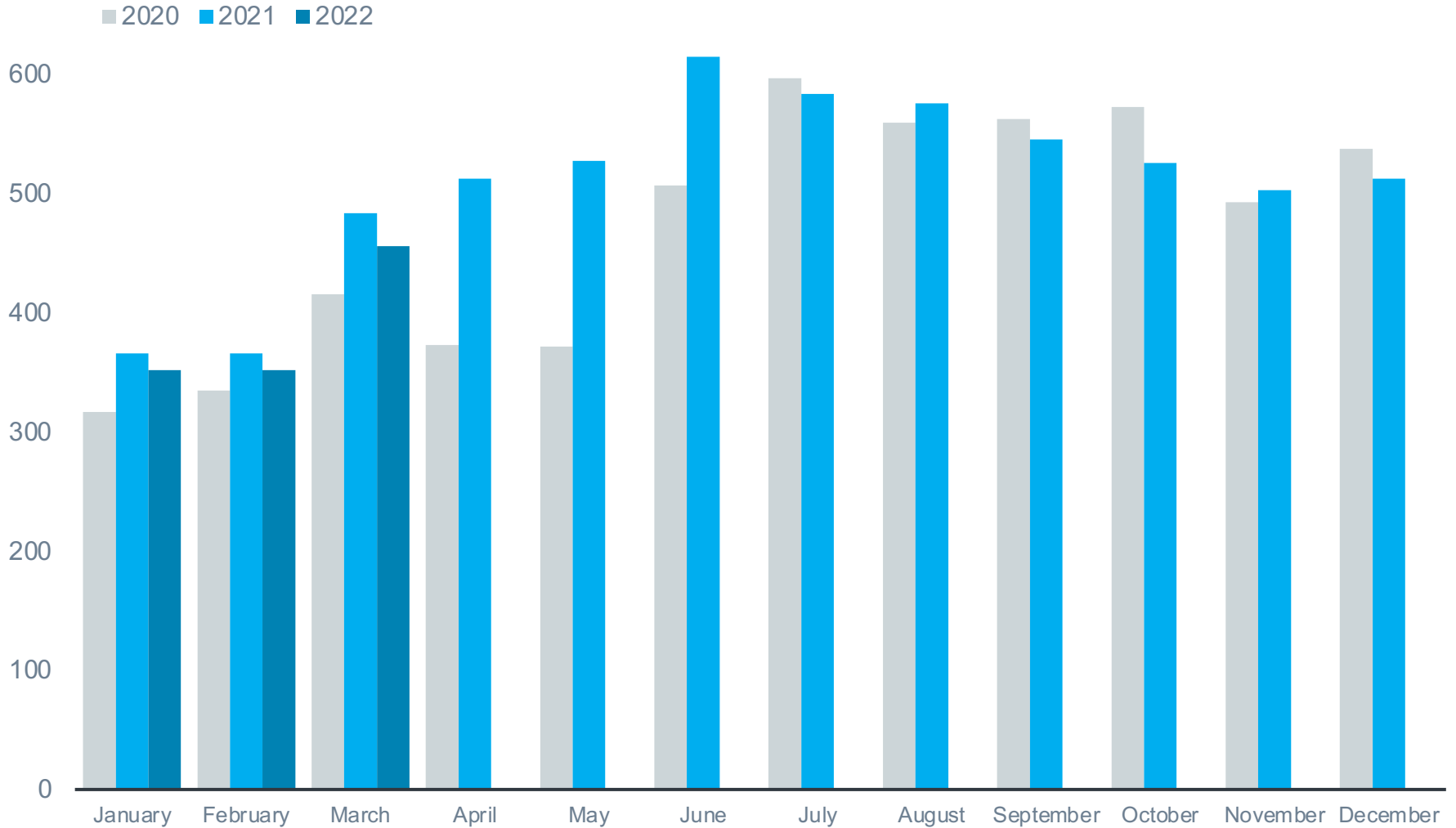
Existing Home Sales

Year-Over-Year, by Region



Existing Home Sales

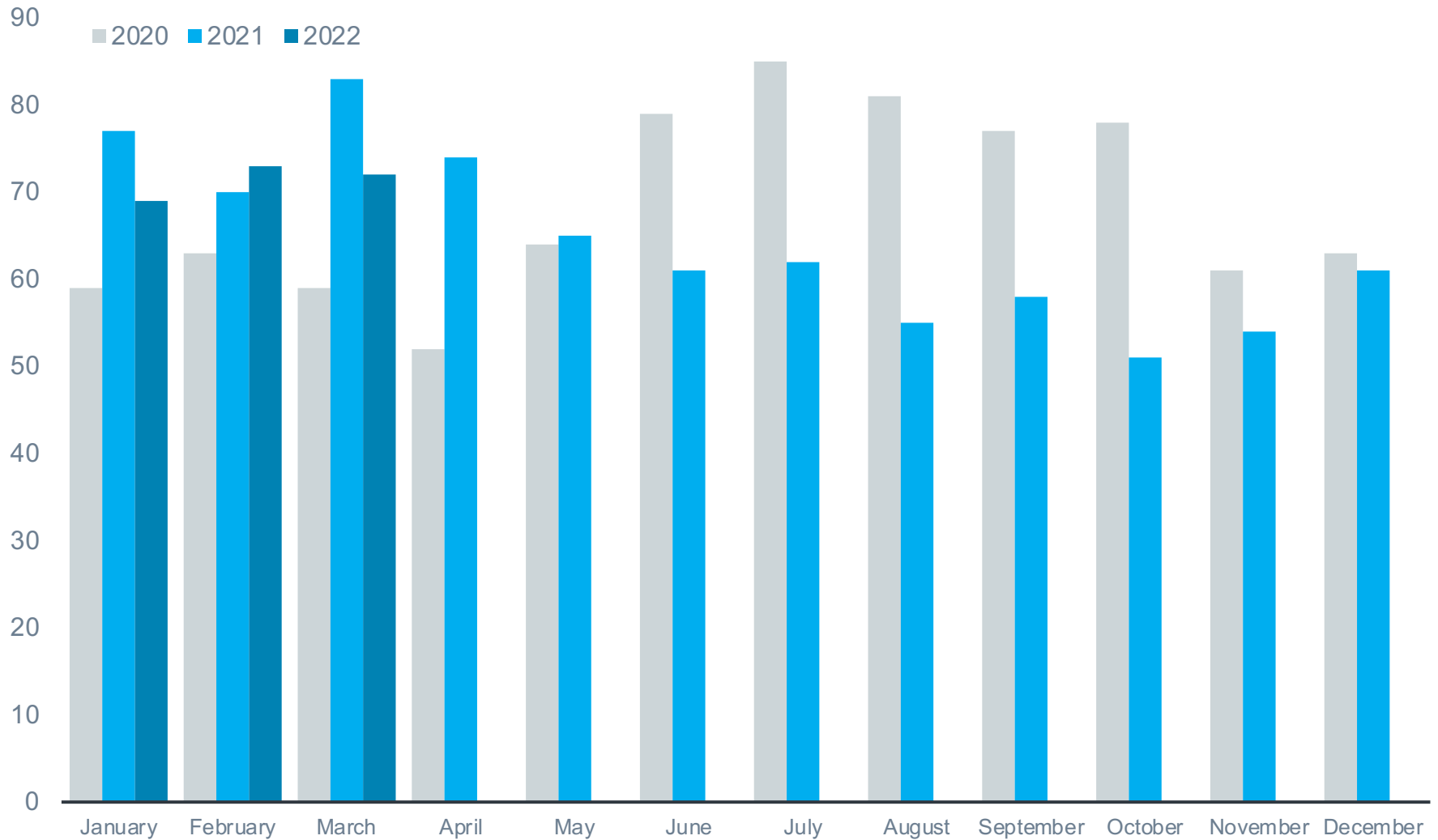
In Thousands



Source: NAR

New Home Sales

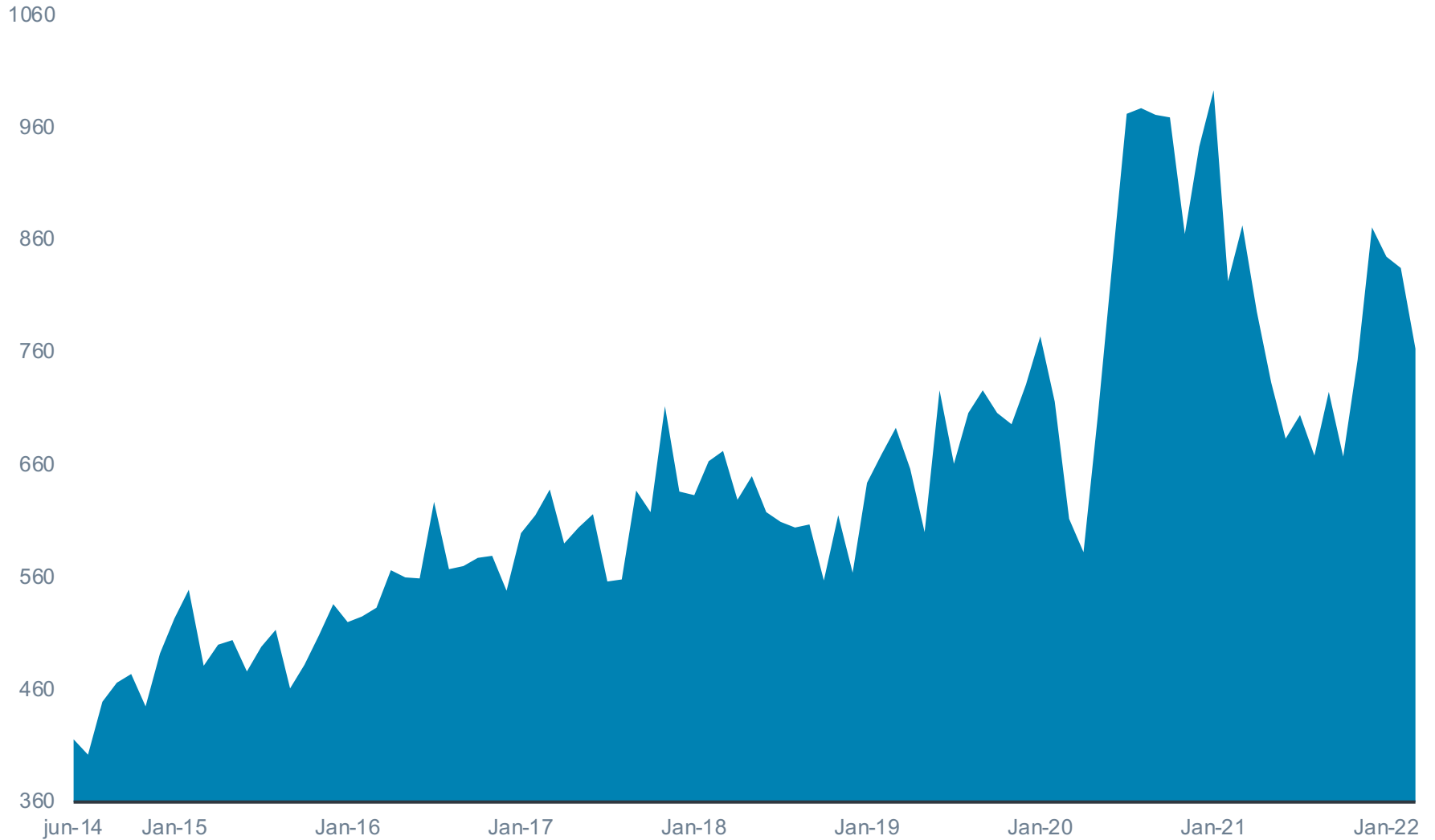
In Thousands



Source: Census

New Home Sales

Annualized in Thousands

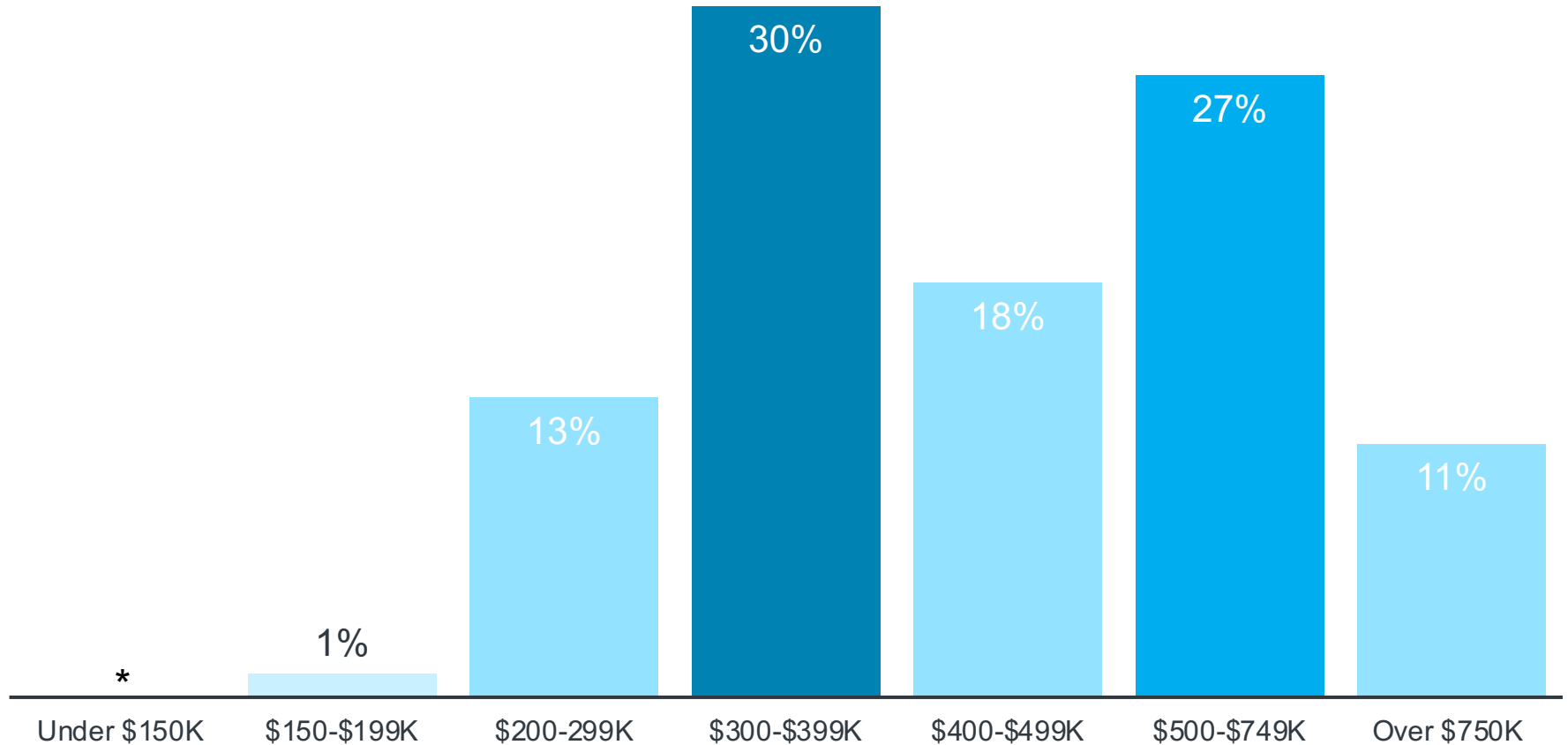


Source: Census

New Home Sales

Percent of Distribution by Price Range

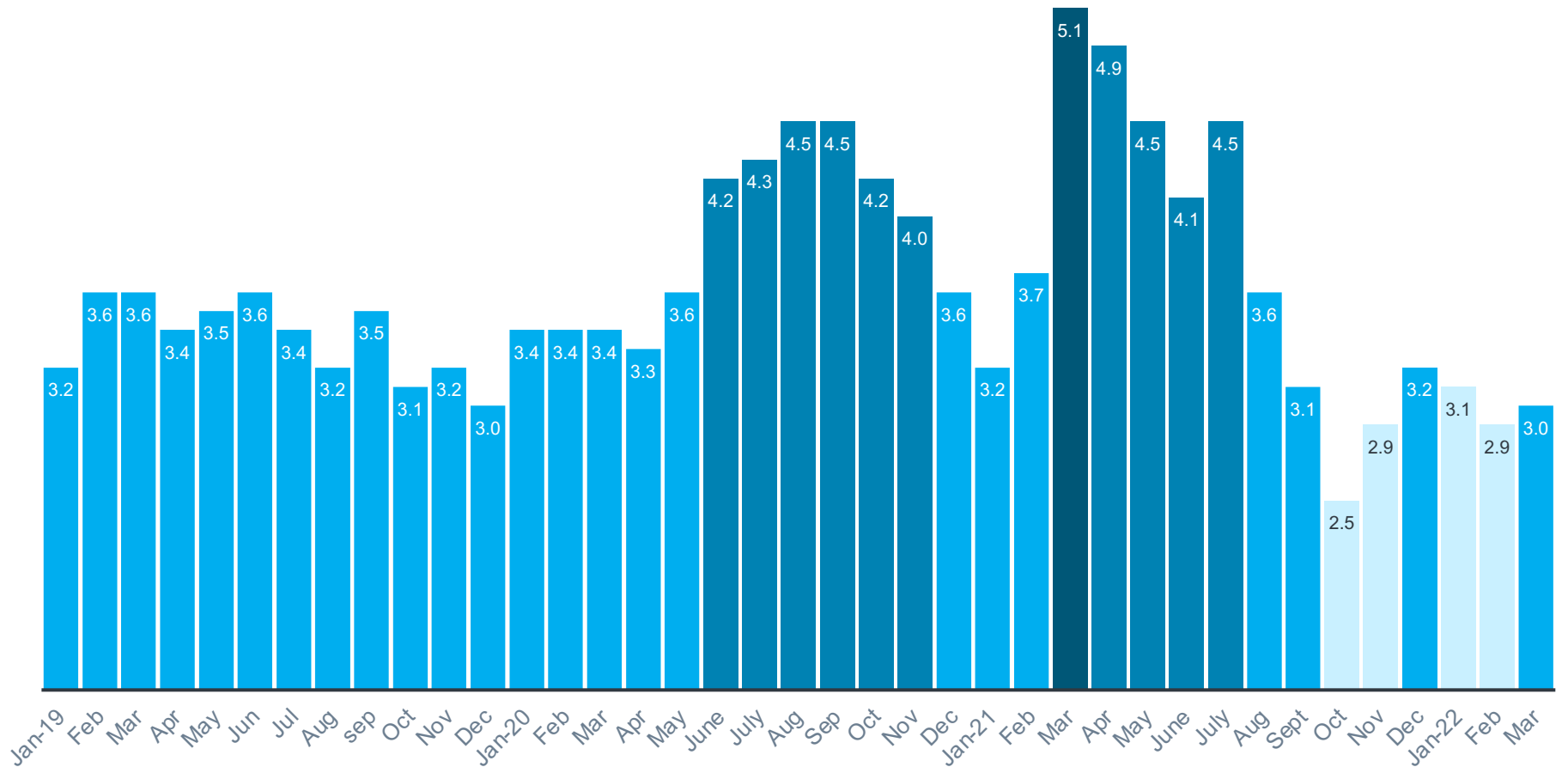
* Less Than 500 Units or Less Than 0.5 Percent



Source: Census

New Homes Selling Fast

Median Months from Completion to Sold

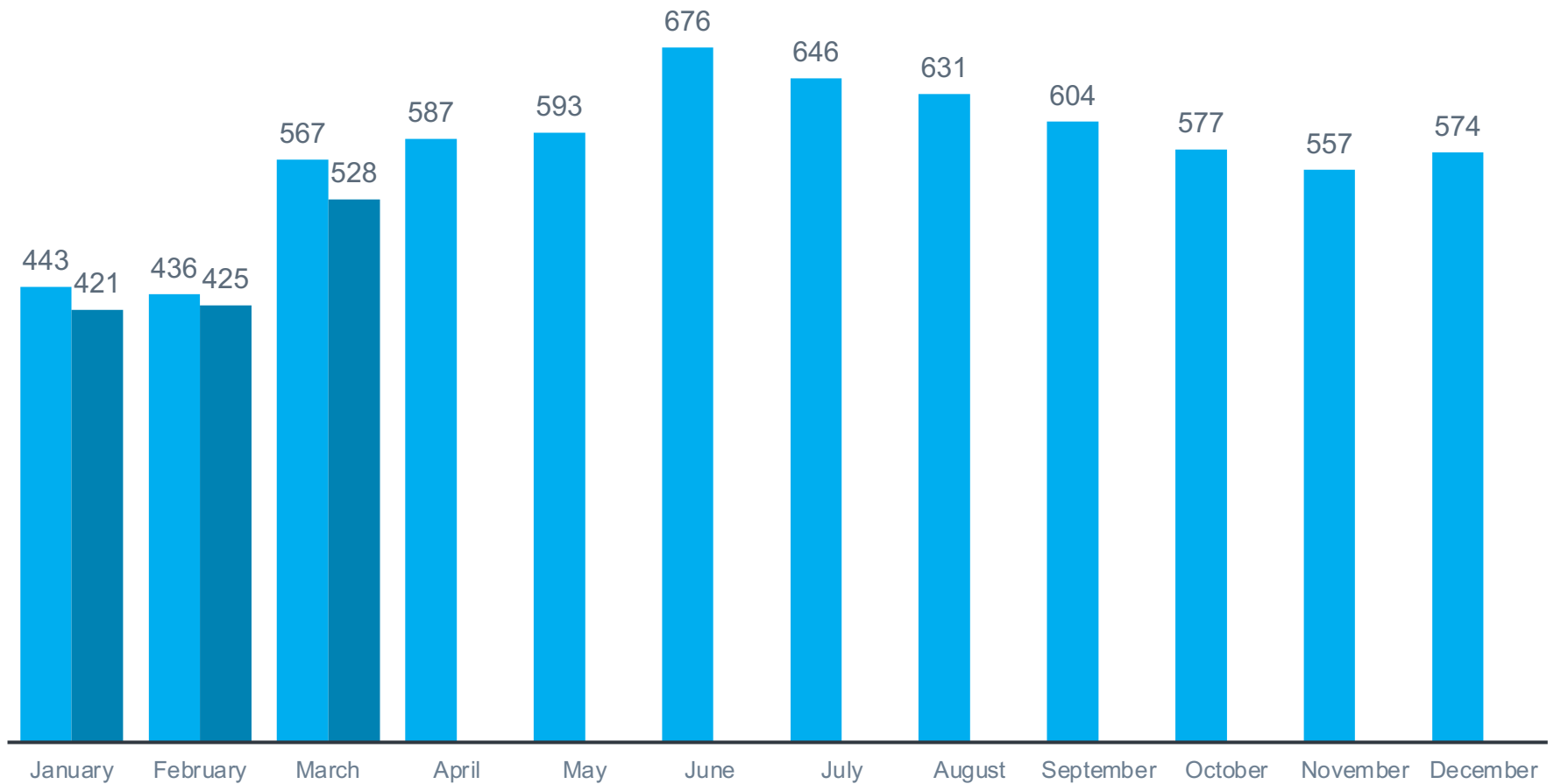


Source: Census

Total Home Sales

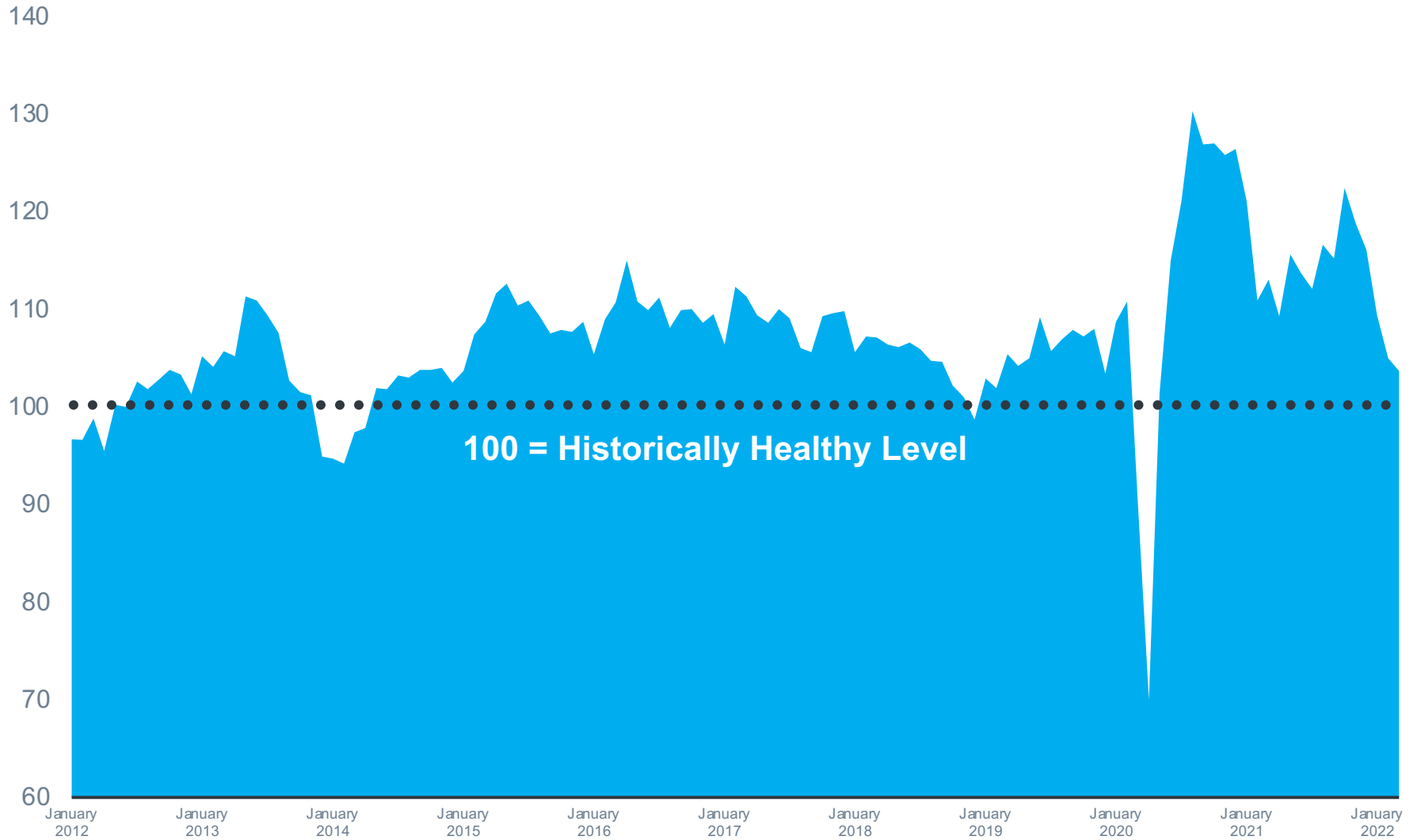
In Thousands

■ 2021 ■ 2022



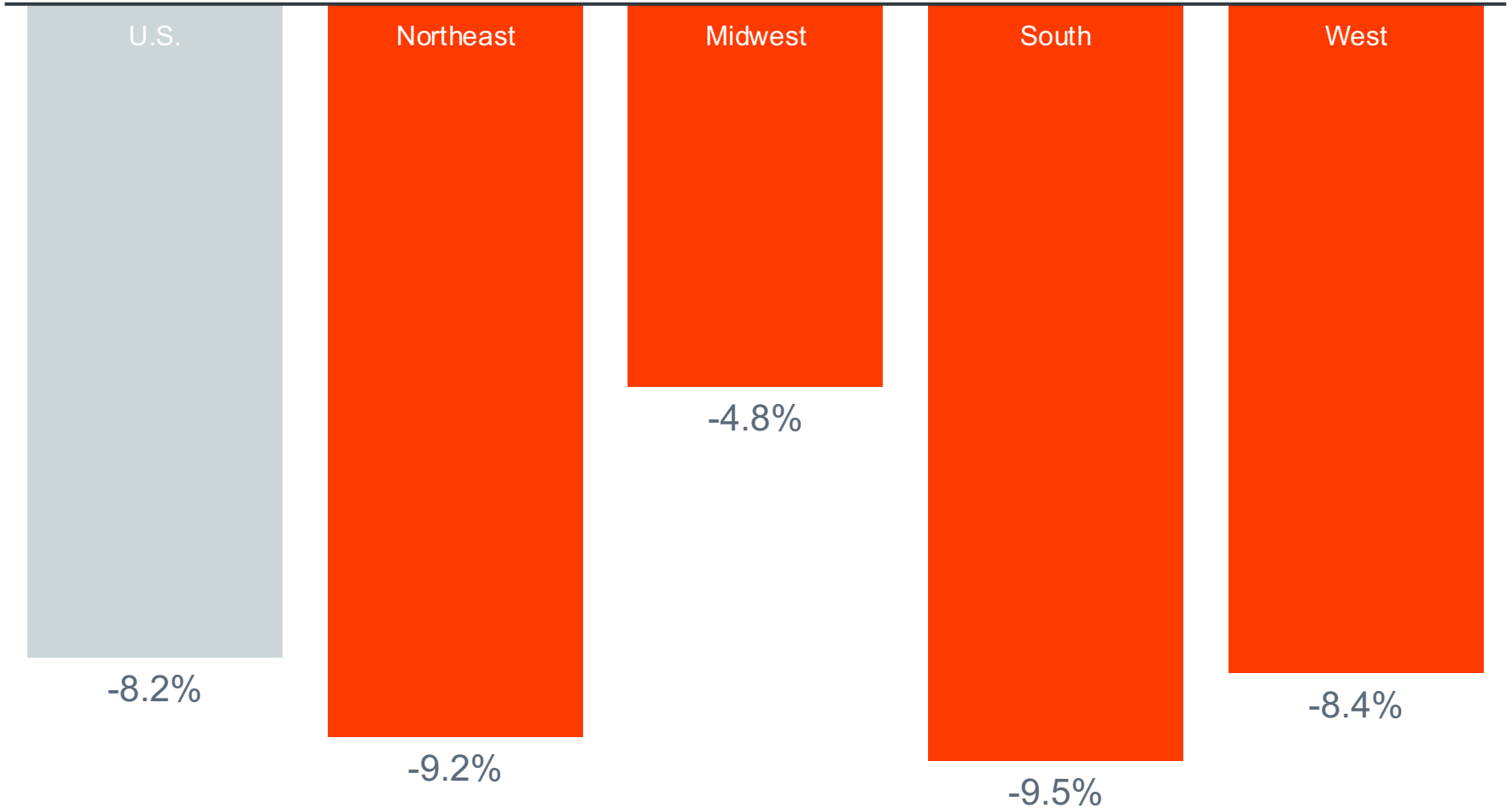
Source: Census

Pending Home Sales



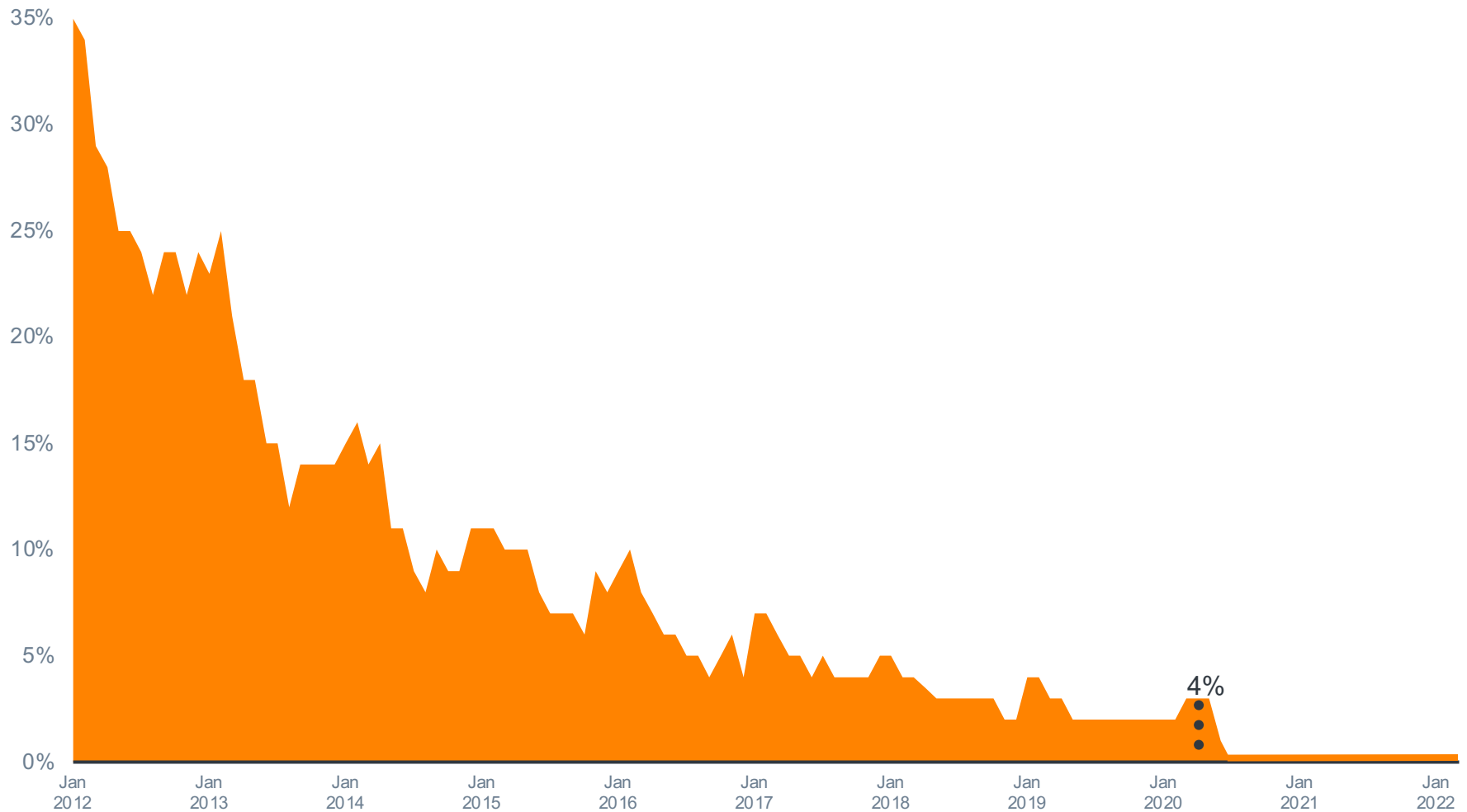
Pending Home Sales

Year-Over-Year by Region



Percentage of Distressed Property Sales

Distressed Sales (*Foreclosures and Short Sales*) represented Less Than 1% of Sales in March.

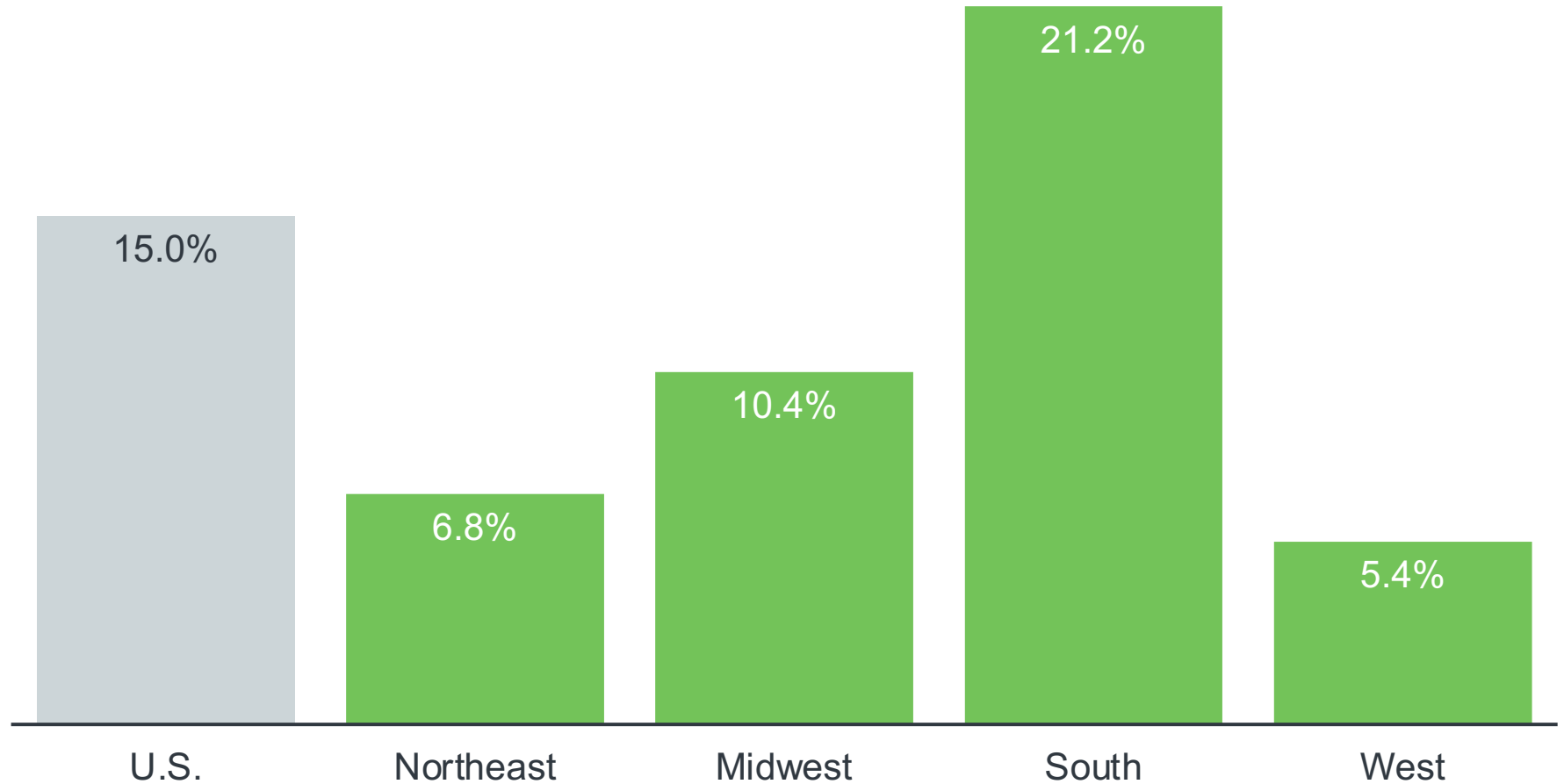




Home Prices

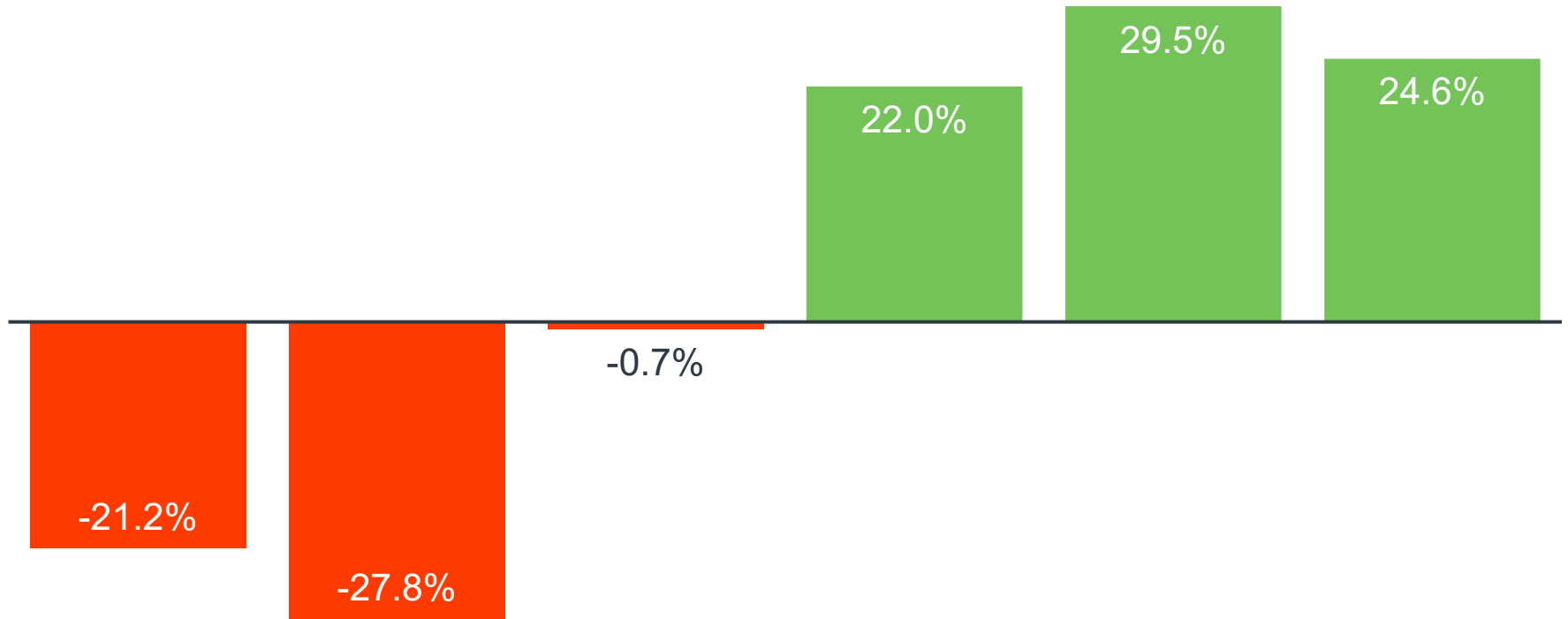
Sales Price of Existing Homes

Year-Over-Year, by Region



% Change in Sales

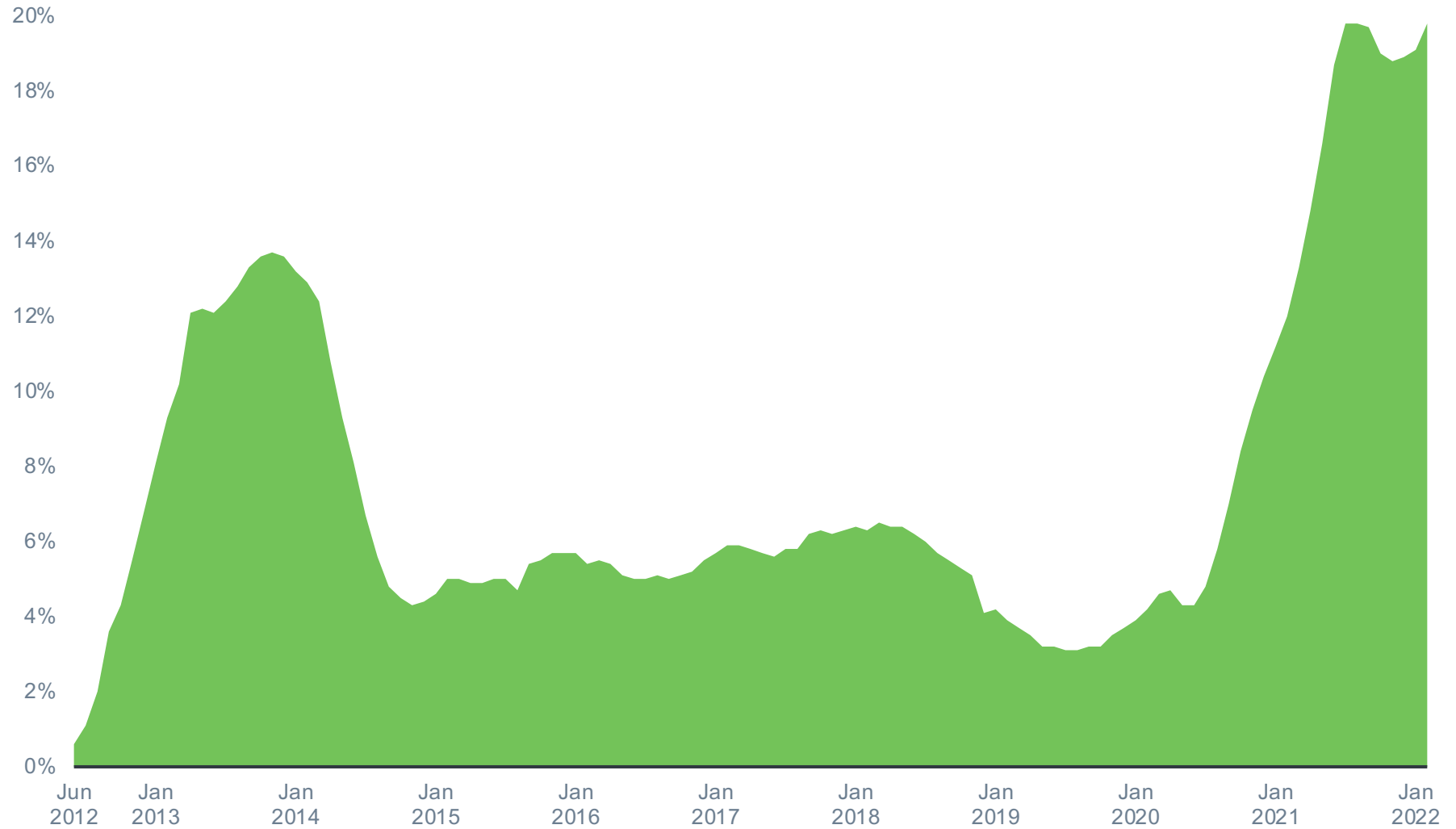
Year-Over-Year, by Price Range



	\$0-100K	\$100-250K	\$250-500K	\$500-750K	\$750K-1M	\$1M+
%	-21.2%	-27.8%	-0.7%	22.0%	29.5%	24.6%

Change in Home Prices

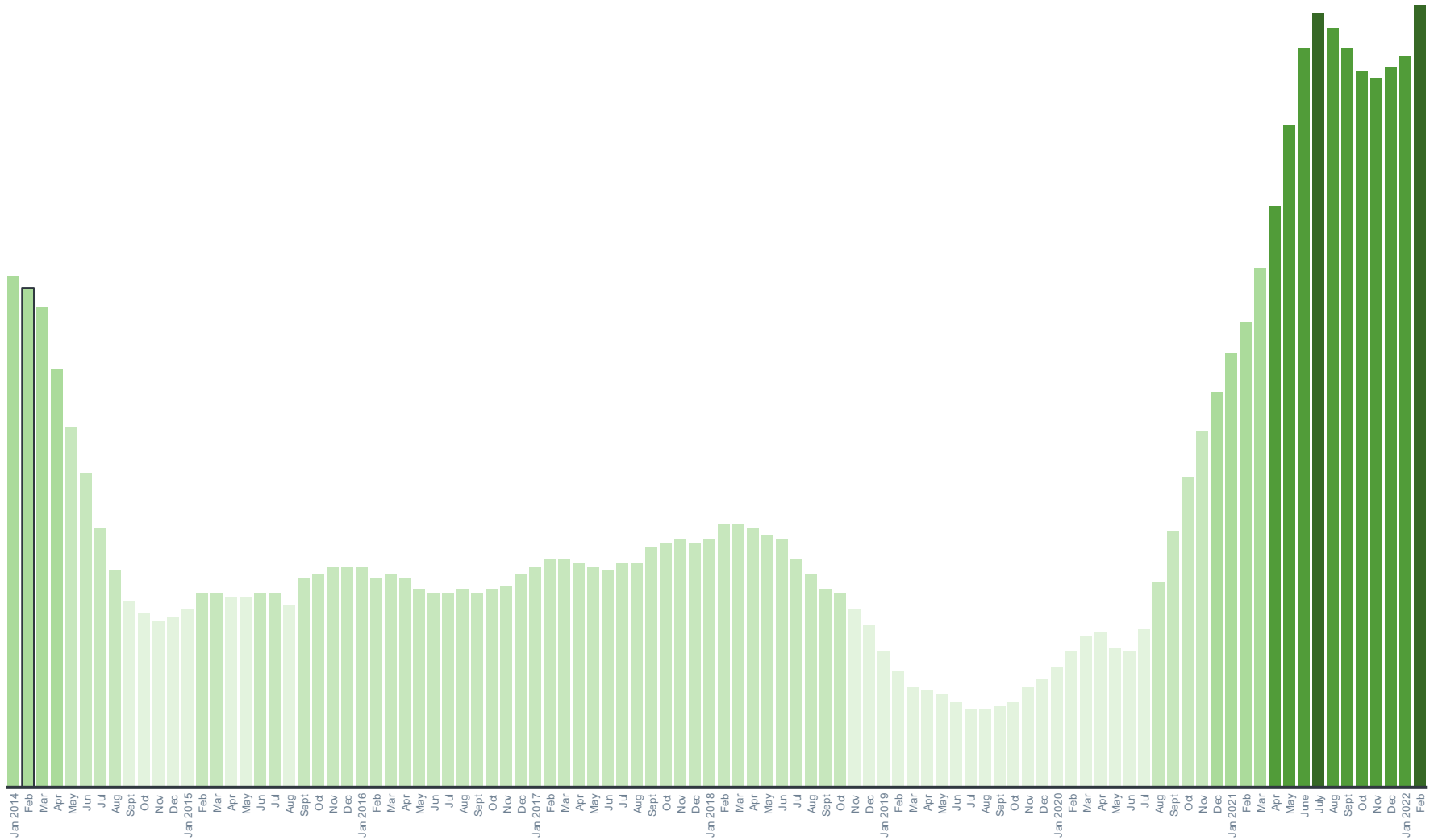
Year-Over-Year



Source: S&P Case-Shiller

Change in Home Prices

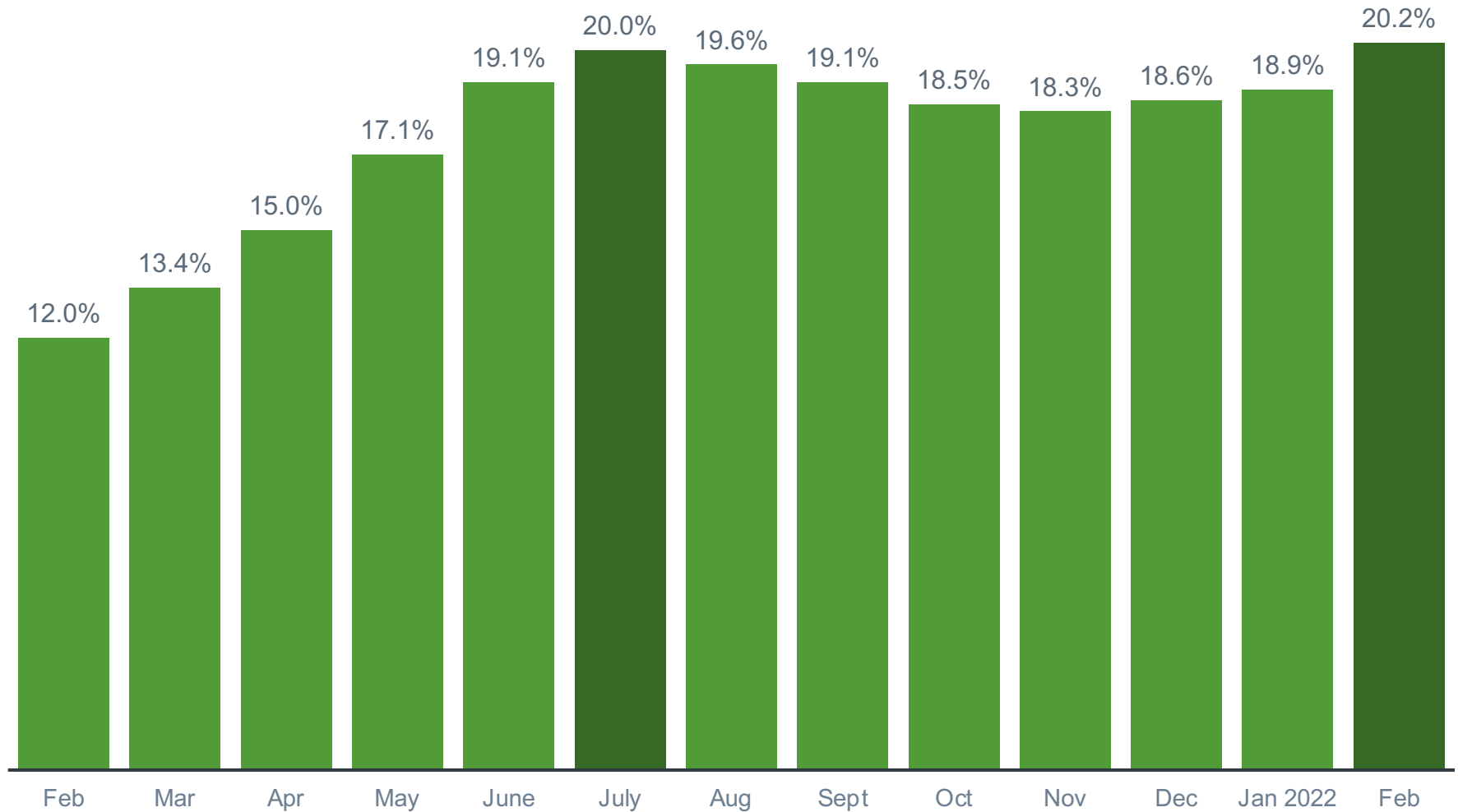
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Change in Home Prices

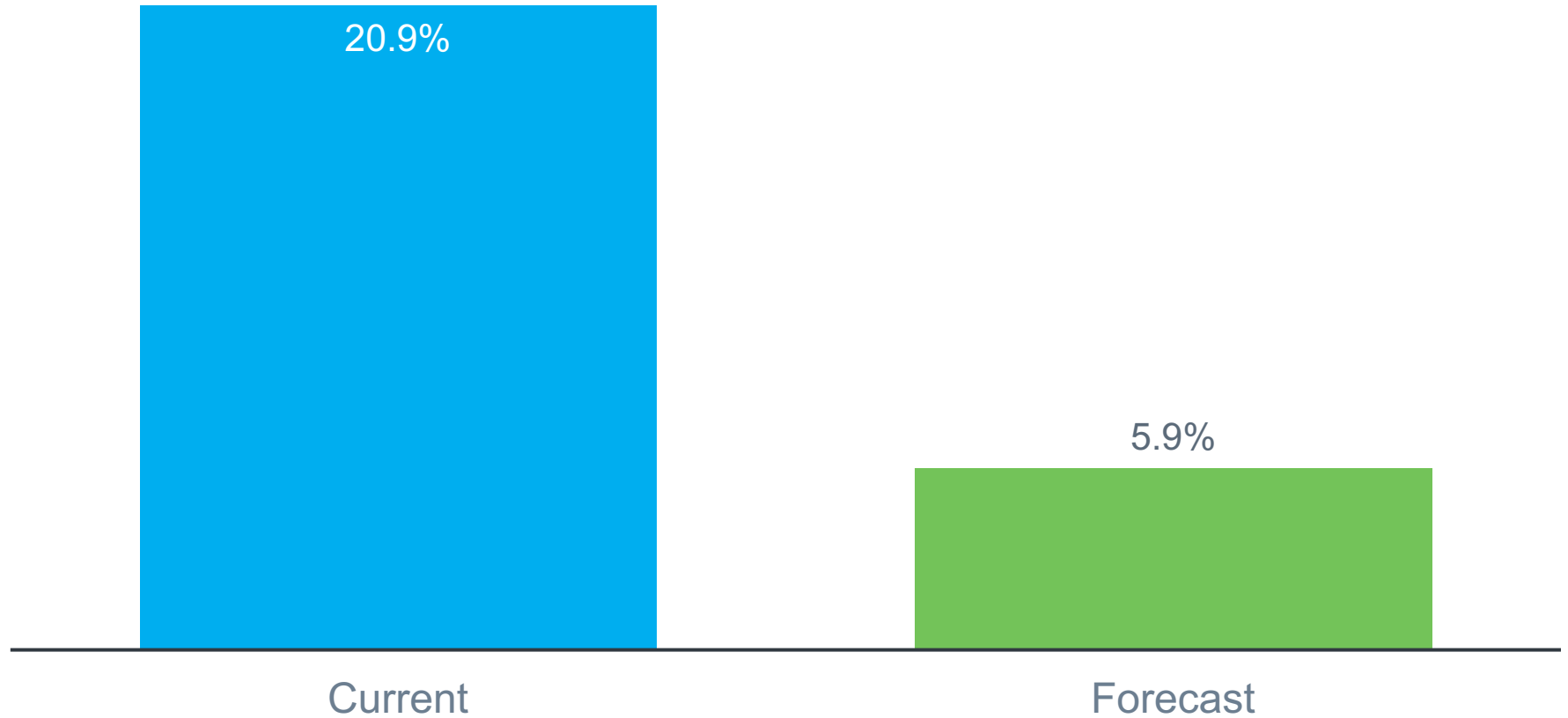
Year-Over-Year, 20 City Composite



Source: S&P Case-Shiller

Year-Over-Year % Change in Price

March 2022

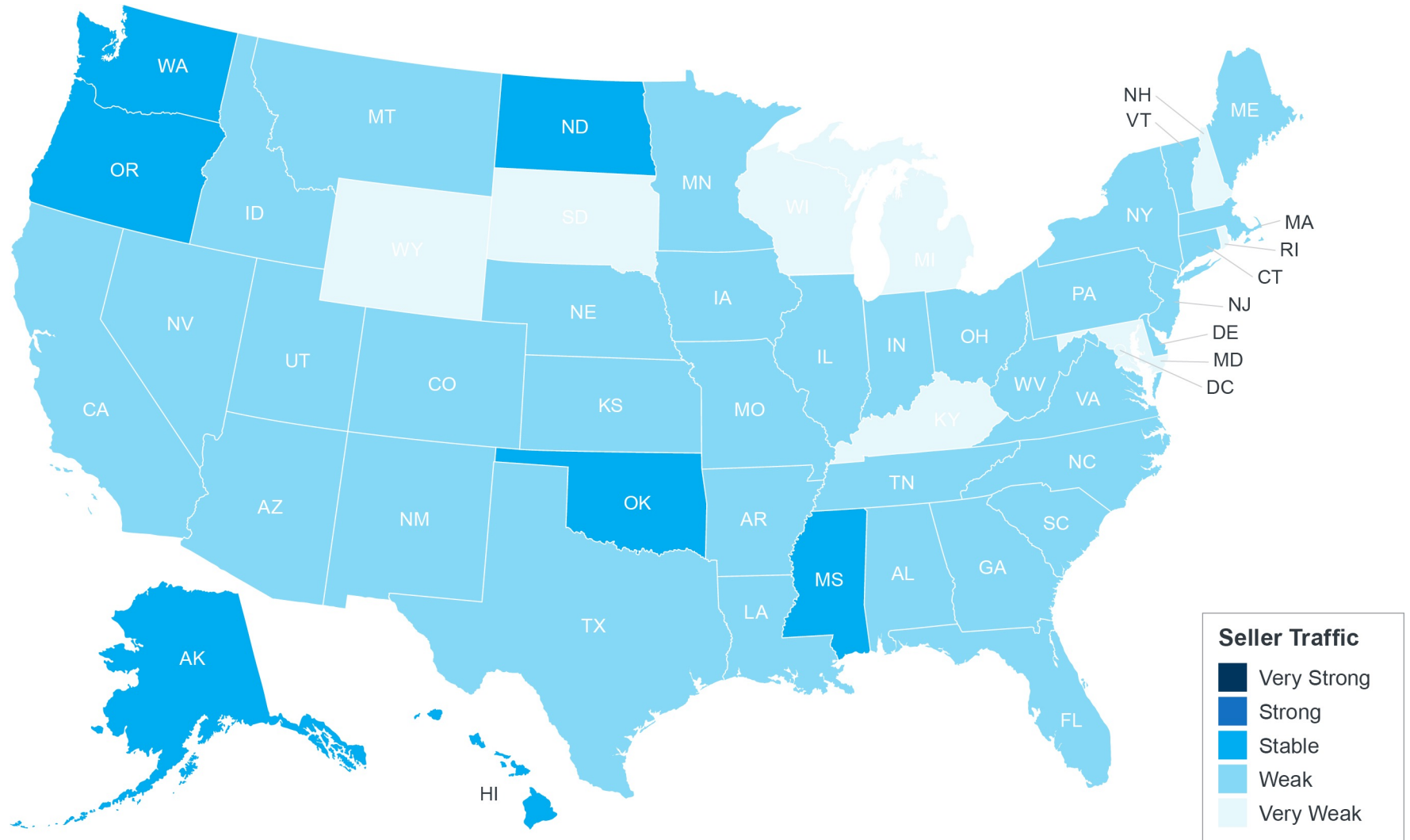




Housing Inventory

Seller Traffic Index

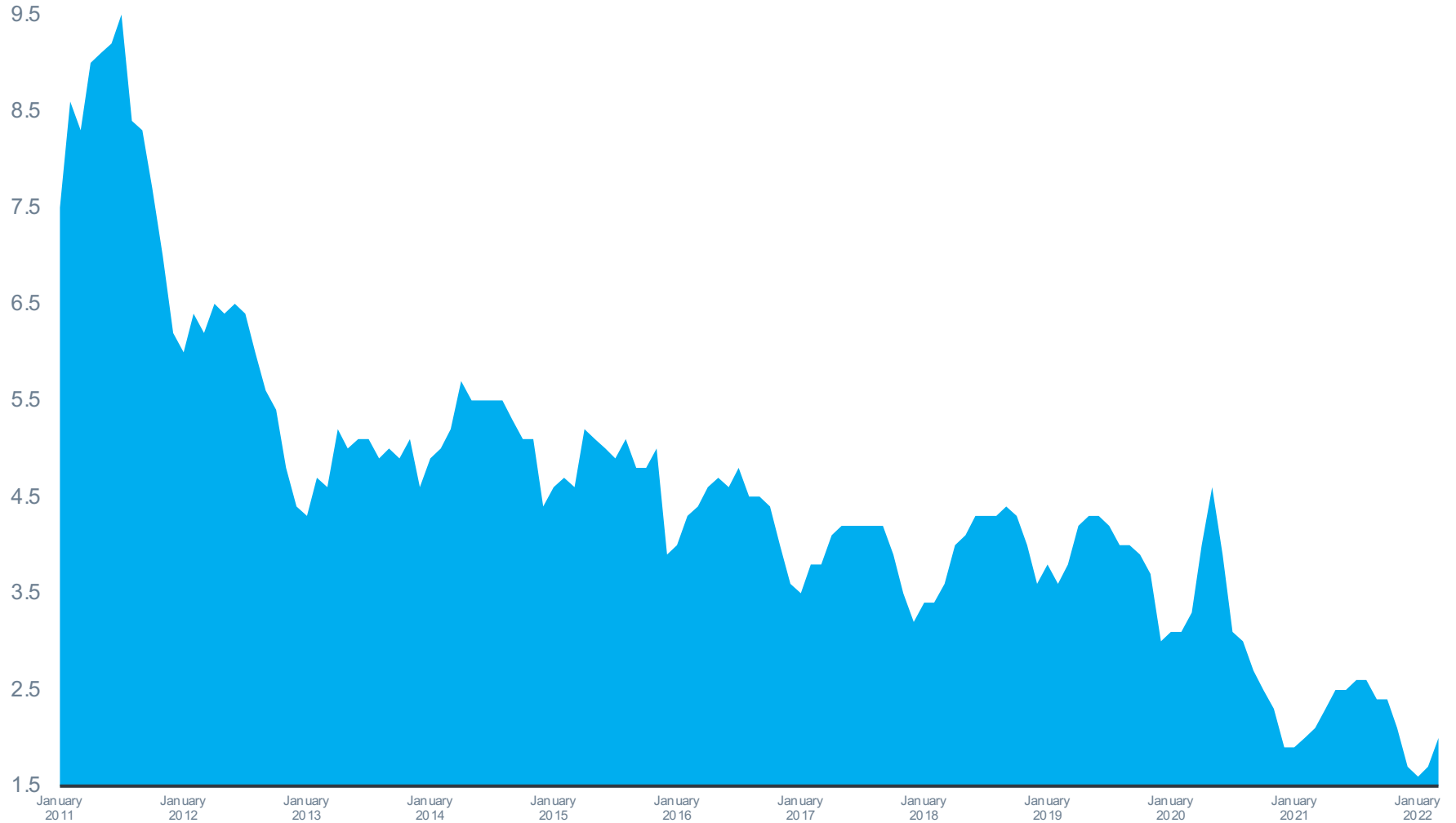
March 2022



Source: NAR

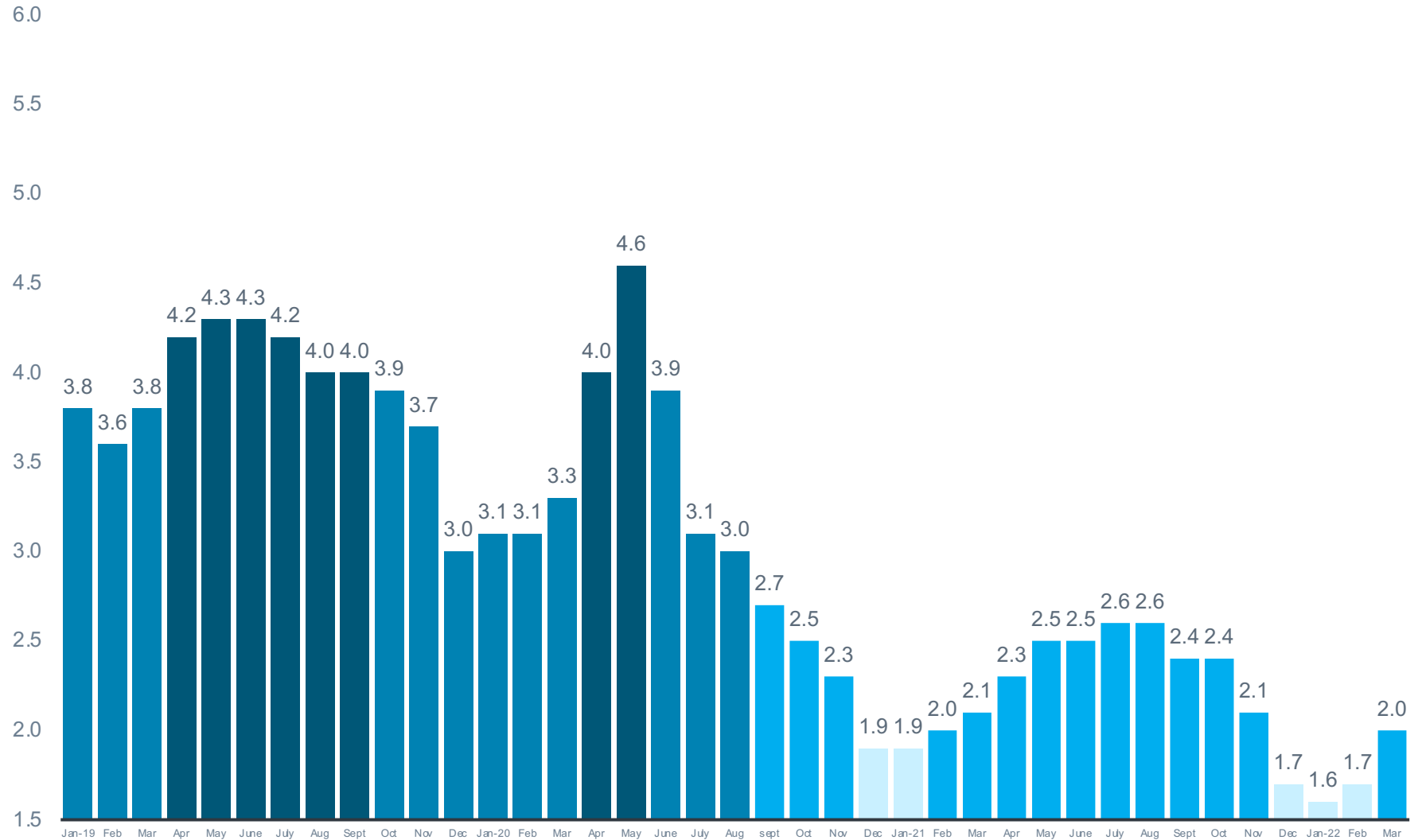
Months Inventory of Homes for Sale

2011 - Today



Months Inventory of Homes for Sale

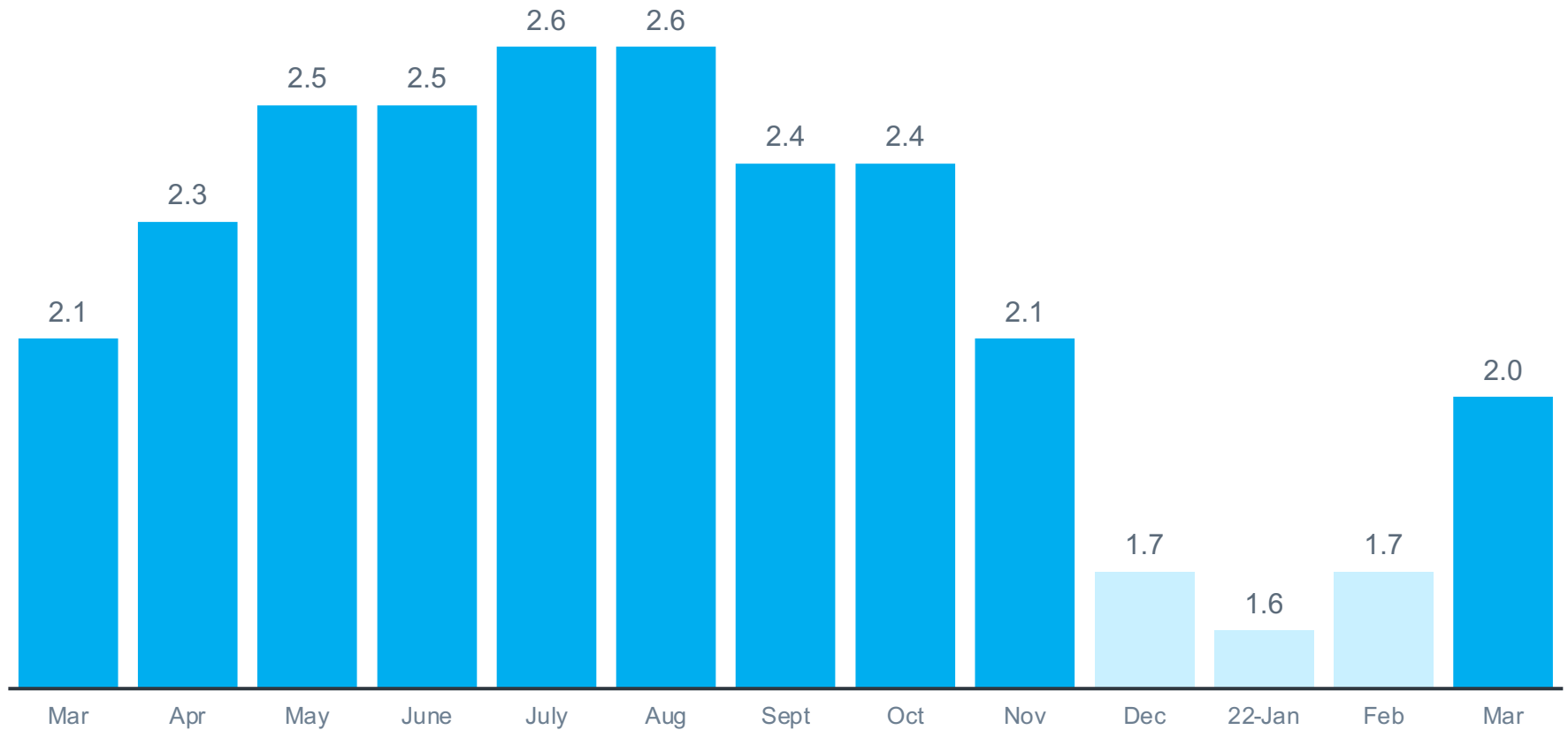
Since 2019



Source: NAR

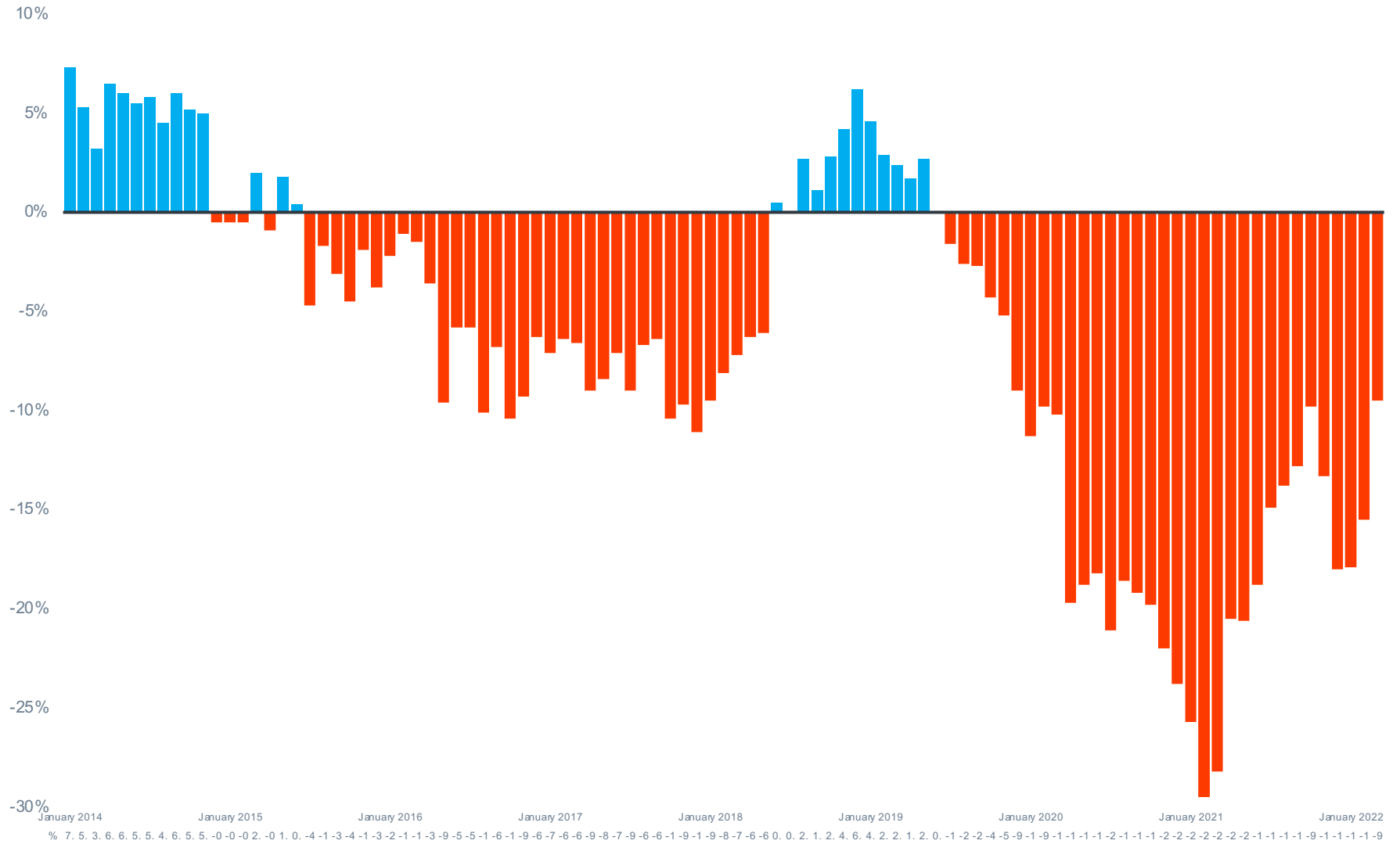
Months Inventory of Homes for Sale

Last 12 Months



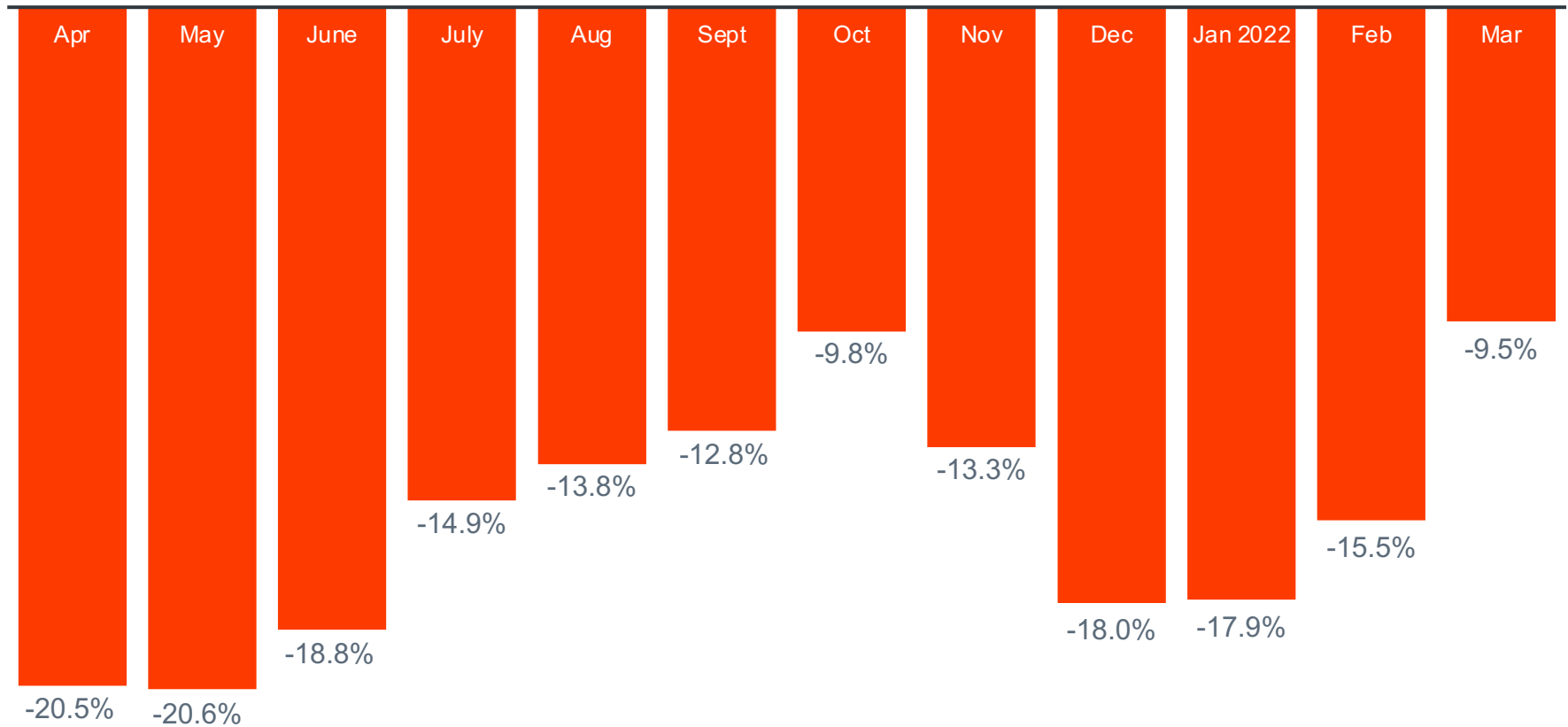
Source: NAR

Year-Over-Year Inventory Levels



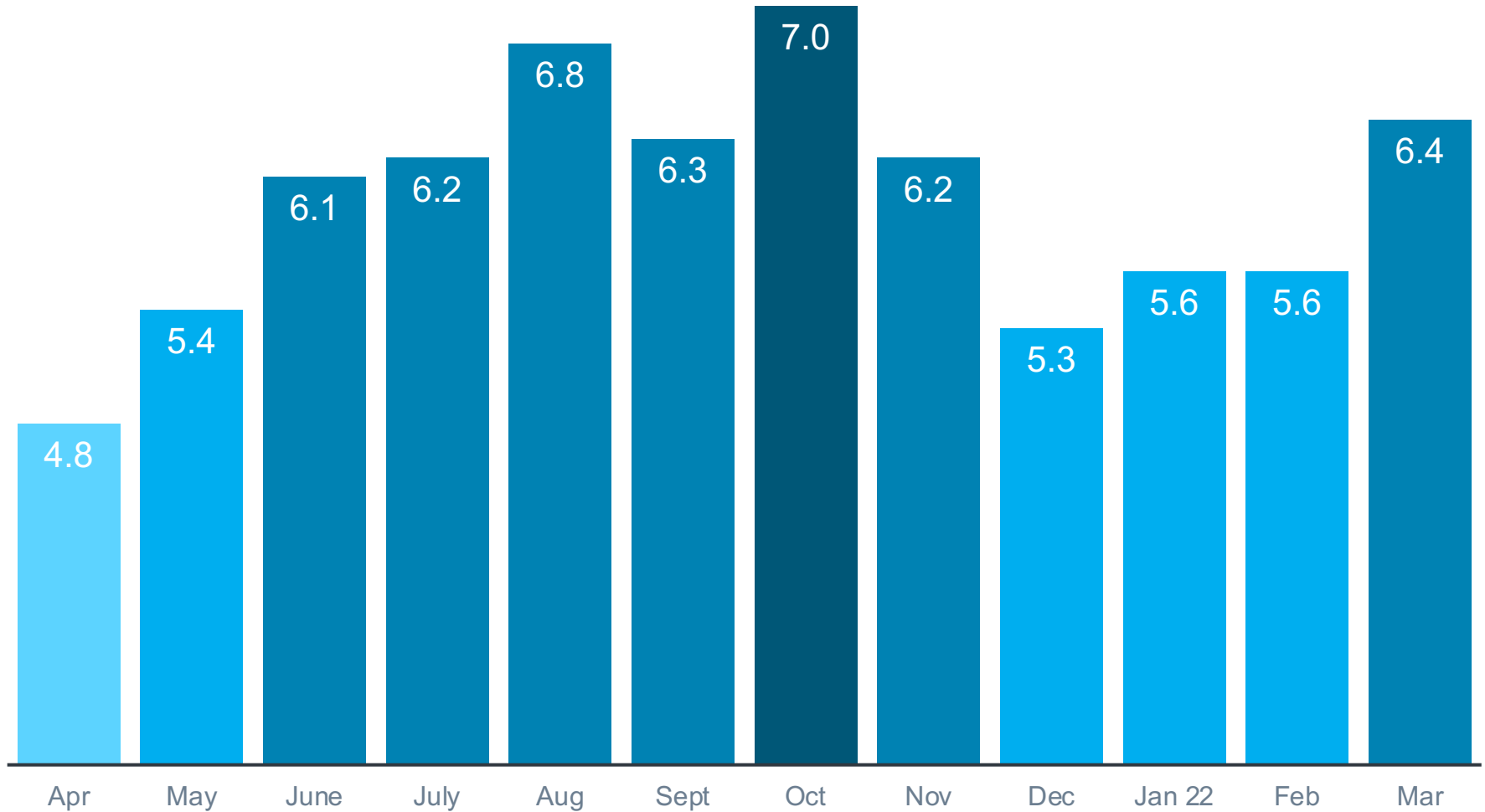
Year-Over-Year Inventory Levels

Last 12 Months



New Home Monthly Inventory

Seasonally Adjusted, Last 12 Months

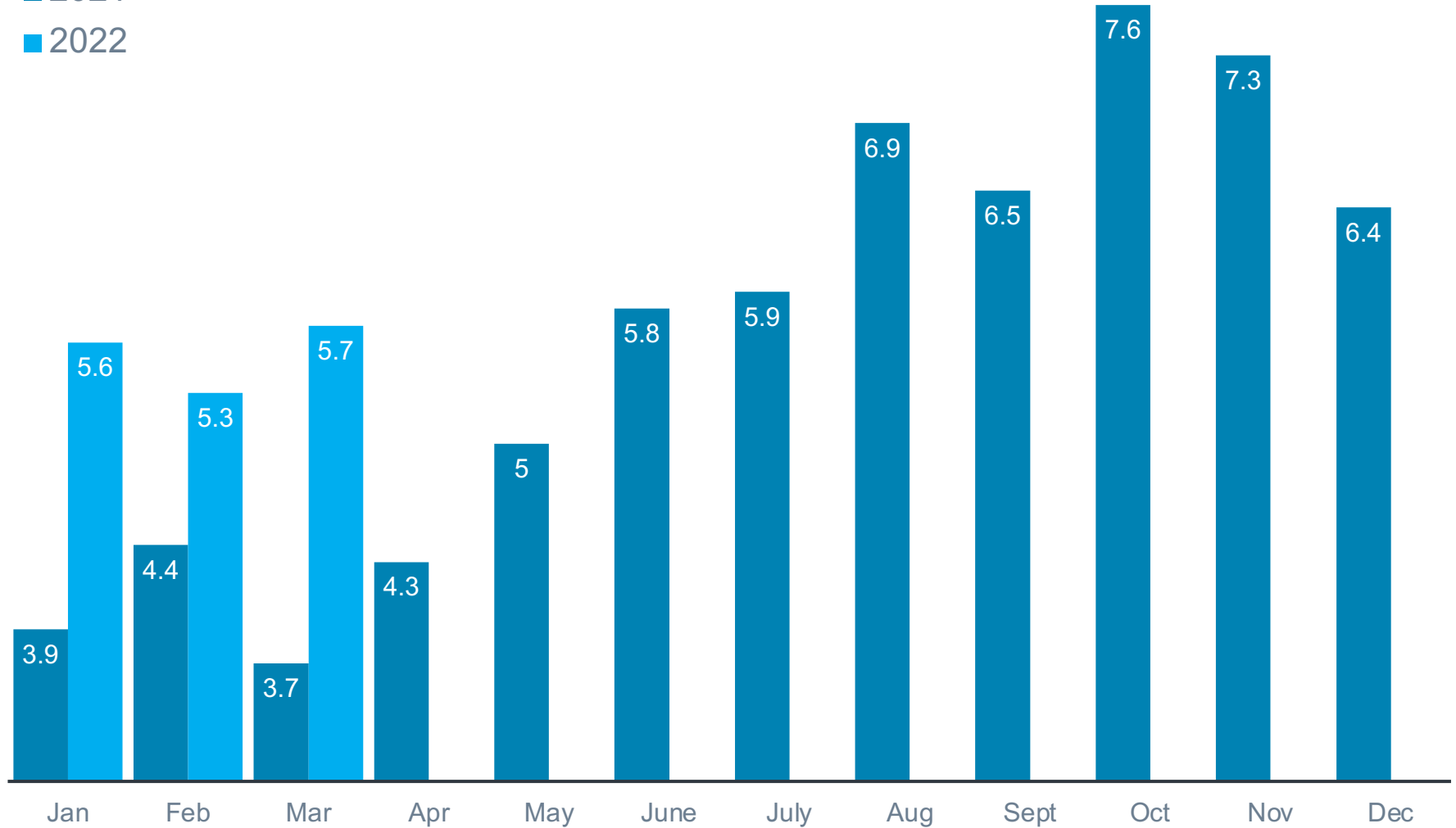


Source: Census

New Home Monthly Inventory

Non-Seasonally Adjusted

- 2021
- 2022



Source: Census



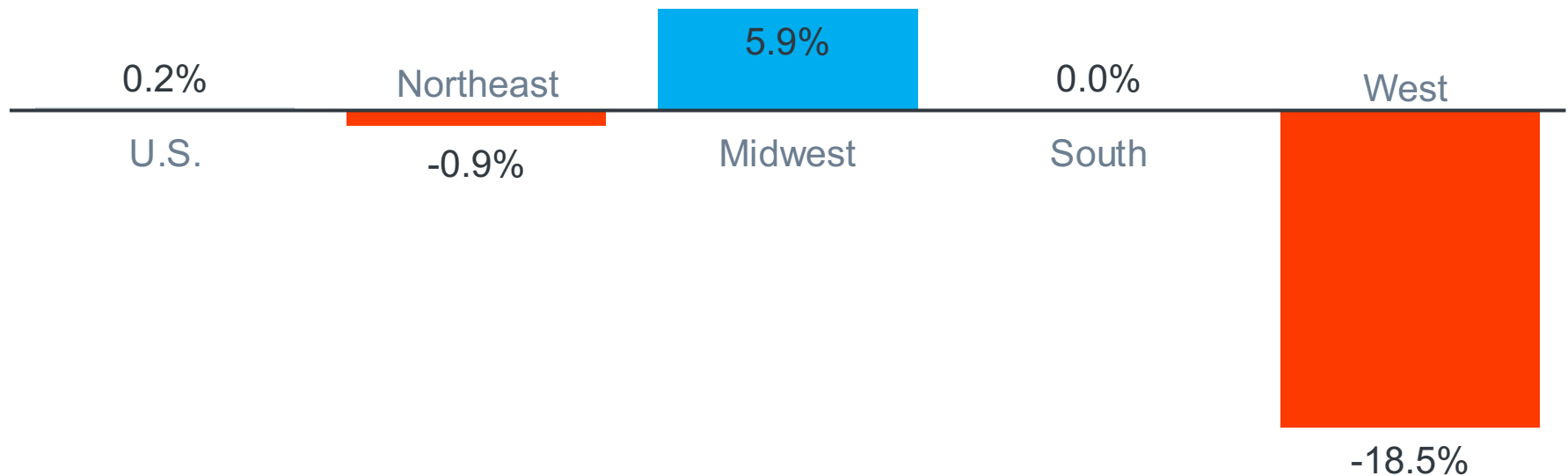
Buyer Demand

121 Markets Nationwide See Double-Digit Home Showings Per Listing

Year-Over-Year Increase in Showing Activity, March 2022

Michael Lane, Vice President & General Manager, Showing Time

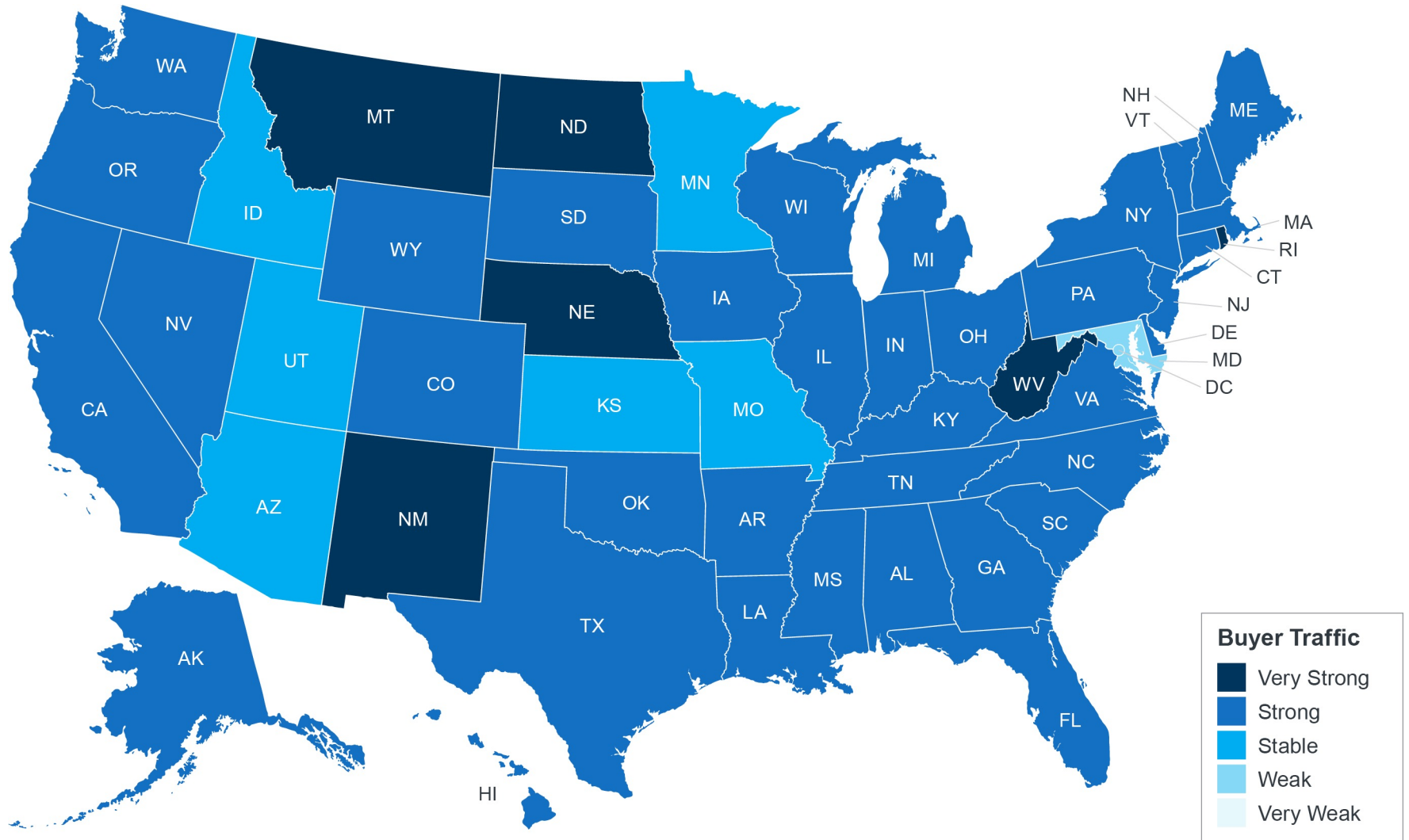
“We are sensing a slight slowdown in the Western region of the U.S. in year-over-year Showing Index values, although **there is still very strong activity. . . . The demand per listing is still at historically unprecedented levels, but for the first time in the last 12 months it is neutral.**”



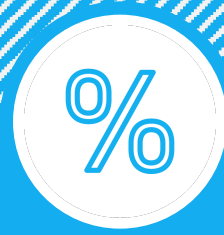
Source: ShowingTime

Buyer Traffic Index

March 2022



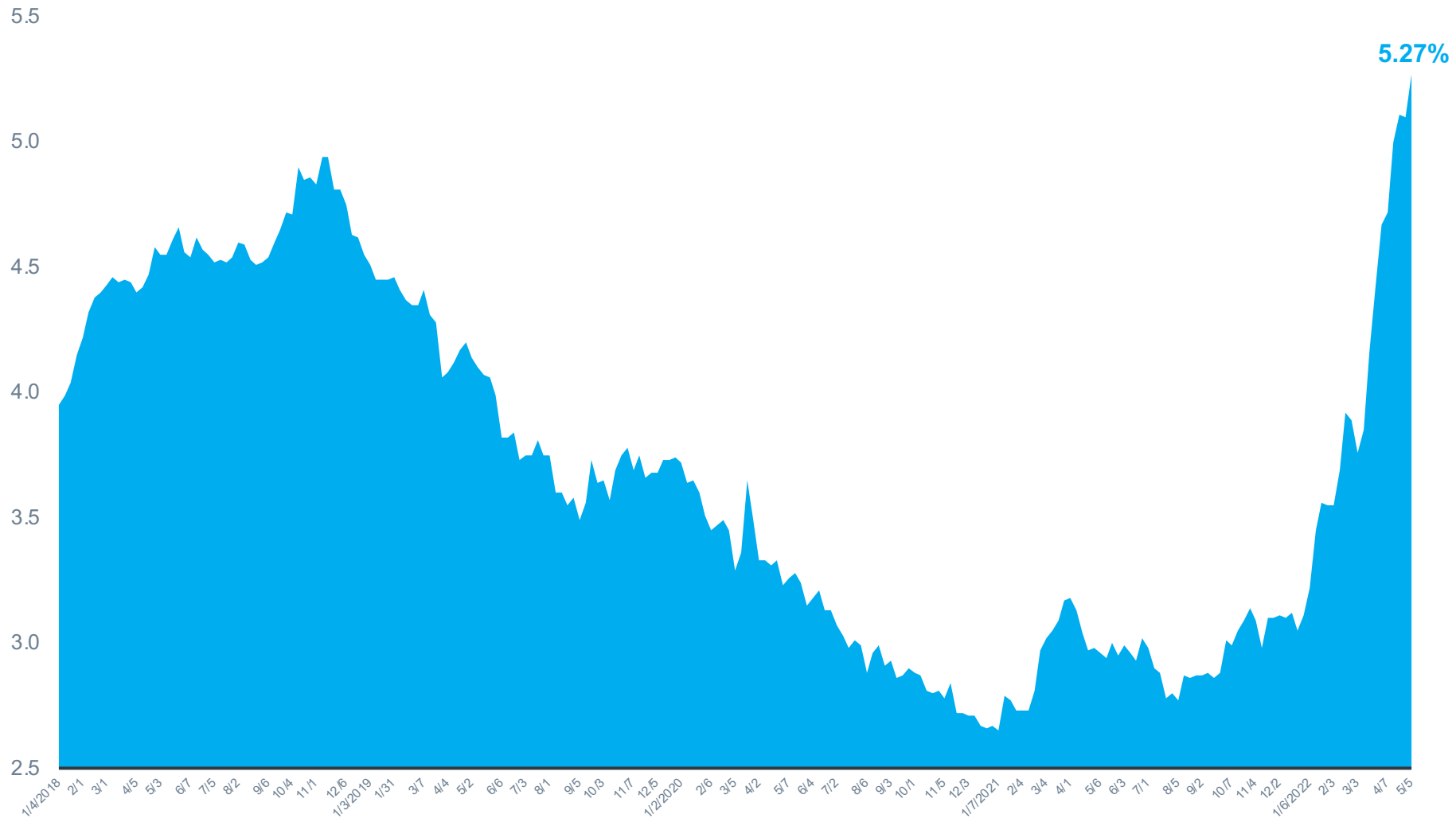
Source: NAR



Mortgage Rates

Mortgage Rates

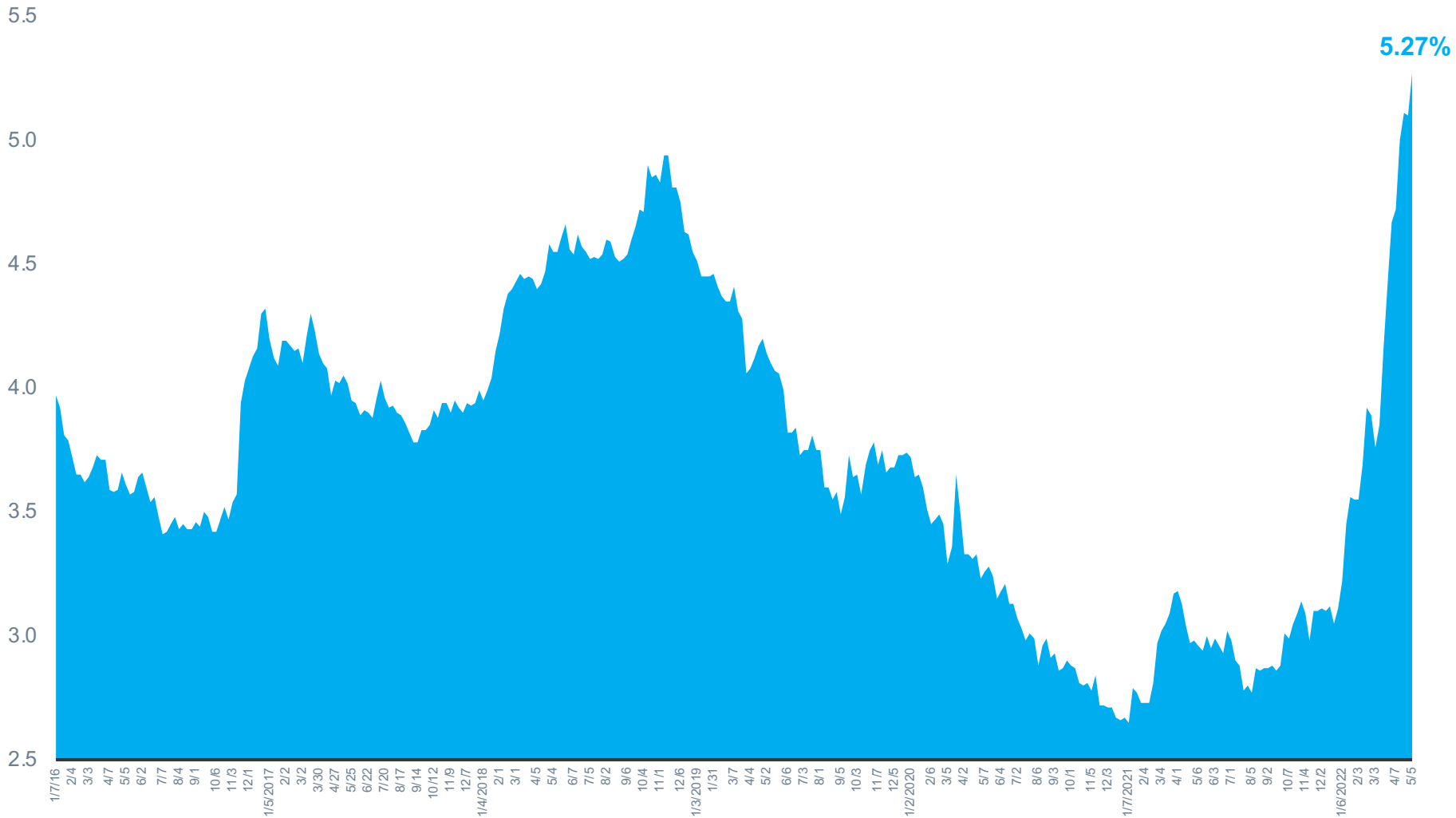
30-Year Fixed Rate, January 2018–Today



Source: Freddie Mac

Mortgage Rates

30-Year Fixed Rate, January 2016–Today



Source: Freddie Mac

Mortgage Rate Projections

April 2022

Quarter	Freddie Mac	Fannie Mae	MBA	NAR	Average of All Four
2022 3Q	4.8	4.5	4.8	5.2	4.83%
2022 4Q	5.0	4.5	4.8	5.3	4.90%
2023 1Q	5.0	4.5	4.8	5.3	4.90%
2023 2Q	5.0	4.5	4.8	5.4	4.93%

Mortgage Rates

30-Year Fixed Rate

5.5

5.0

4.5

4.0

3.5

3.0

2.5

2018 2/1 3/1 4/5 5/3 6/7 7/5 8/2 9/6 10/4 11/1 12/6 2019 1/31 3/7 4/4 5/2 6/6 7/3 8/1 9/5 10/3 11/7 12/5 2020 2/6 3/5 4/2 5/7 6/4 7/2 8/6 9/3 10/1 11/5 12/3 2021 2/4 3/4 4/1 5/6 6/3 7/1 8/5 9/2 10/7 11/4 12/2 2022 2/3 3/3 4/7 5/5

January 2018 – Today
Actual Interest Rates

4.8

5.0

5.0

5.0

Where Are They Going?

2022 Q3

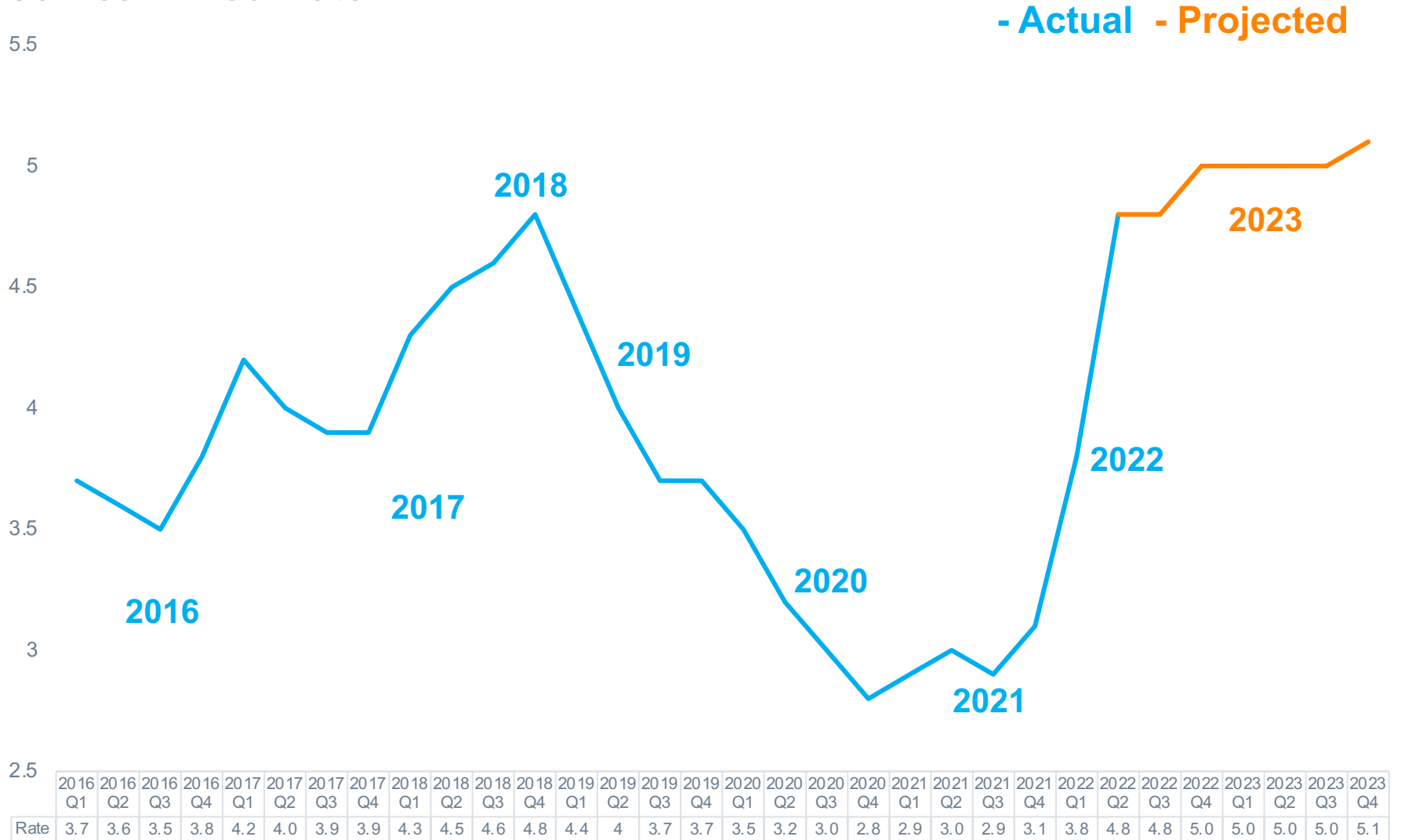
2022 Q4

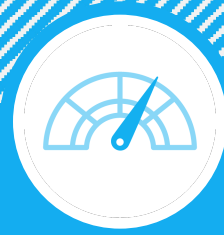
2023 Q1

2023 Q2

Mortgage Rates

30-Year Fixed Rate

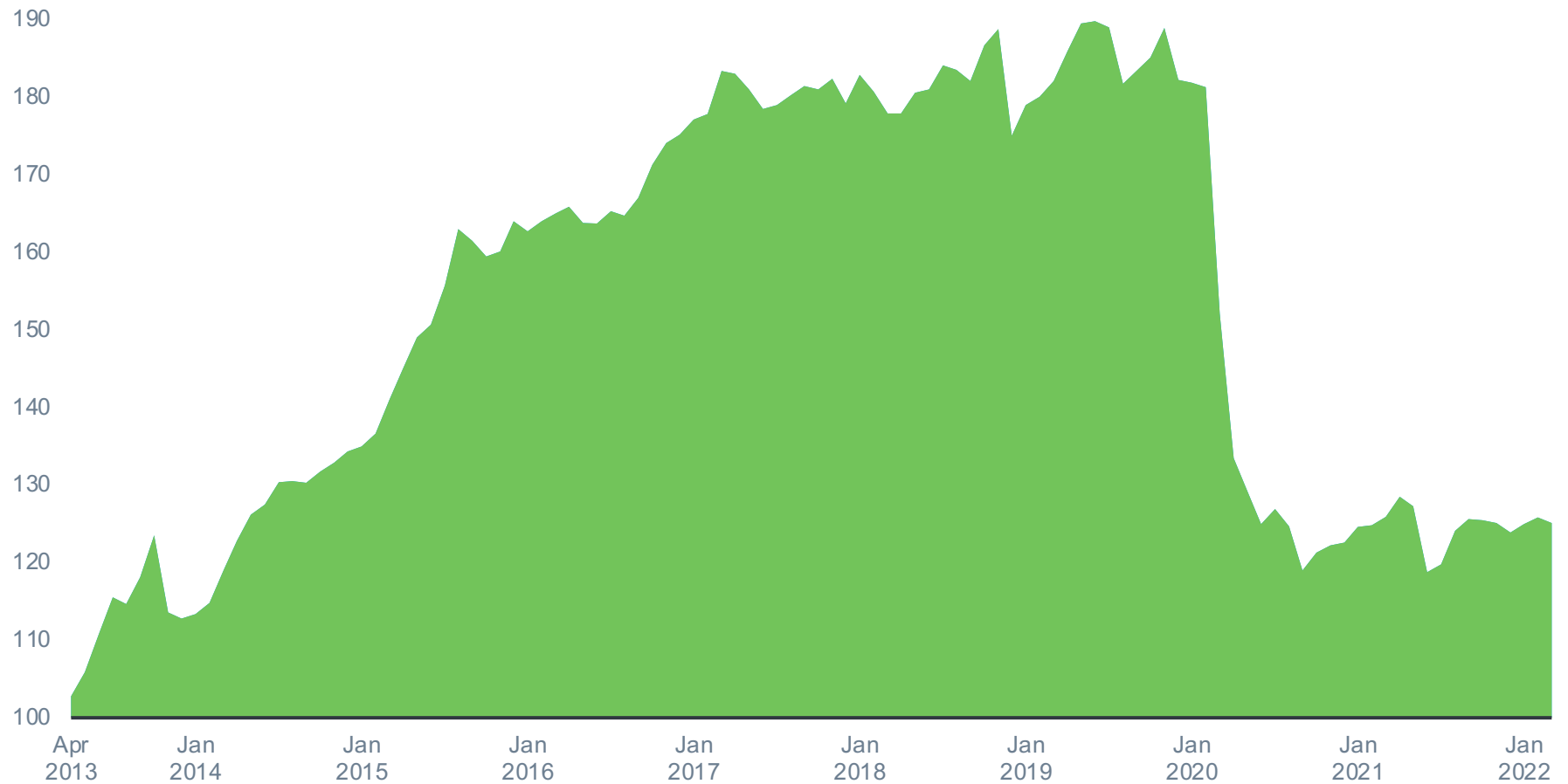




Mortgage Credit Availability

Mortgage Credit Availability Index (MCAI)

March 2022



Source: MBA

Lending Standards Still Under Control

Historic Data for the Mortgage Credit Availability Index (MCAI)

