
MSR Monthly Snapshot

December Month-End Review

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MSR Market Activity

RECENT SALE ACTIVITY

In early January, SitusAMC closed on a deal totaling \$18.2 billion of FNMA and FHLMC servicing, and currently have four deals totaling \$2.1 billion of FNMA and FHLMC servicing in the process of closing.

DEALS IN THE MARKET

No deal currently in the market

DEALS COMING TO MARKET

SitusAMC is working a \$1.5 billion conventional offering, \$712 million conventional and GNMA offering, a ~\$750 million conventional and GNMA offering, a mid-size conventional offering, a mid-sized GNMA offering, and a smaller conventional offering.

SUPPLY

NON-BANKS:

\$5bn to \$30bn per month

BANKS:

\$0 to \$15bn per month

- Limited but ongoing cash needs from mid- to large-size originators
- **Opportunistic sellers**, looking to take advantage of higher execution levels
- Banks looking to resize their MSR portfolios/sell non-core customers

DEMAND

- Demand remains very strong across the coupon stack for Conventional MSR.
- Several non-bank buyers remain flush with cash and axed to buy
- Several banks need to acquire their first (or second) bulk package of the year.
- MSRs **not providing** excess yield to other asset classes

EXECUTION LEVELS

- Executions levels **above or at** fair value levels for out-of-the-money servicing
- Executions levels **above, at, or behind** fair value levels for at-the-money servicing (large variance in seller's book values on higher coupon)
- Demand remains above supply for conventional MSRs.
- Channel/realized speeds matters on **higher** coupon conventional MSRs

SUPPLY

NON-BANKS:

\$5bn to \$10bn per month

BANKS:

\$0 to \$30bn per month

- Supply decreasing as GNMA issuance from small to medium size IMBs is decreasing

DEMAND

- Consistent** demand from several non-bank GNMA servicers
- Strong demand for out-of-the-money, seasoned GNMA servicing
- Strong demand for higher credit in-the-money, GNMA servicing
- Reduced demand** to take on significant amount of delinquencies
- Realized speeds and origination channel impact demand

EXECUTION LEVELS

- 0 to 10 bps below** fair value levels on out-of-the-money GNMA servicing
- Close to or slightly above** fair value levels on at-the-money, **higher credit** GNMA servicing
- Higher yield required by buyers on lower-FICO servicing, GNMA ARMs, VA IRRRLs without appraisals, and down payment assistance loans

- Banks will remain price leaders on low coupon bulk conventional MSRs until they reach their goals
- Seasoned, lower coupon GNMA MSRs and newly originated discount GNMA MSRs will continue to trade at strong levels
- Secondary market execution for riskier GNMA MSRs will continue to be choppy
- GNMA EBO market will continue to grow (assuming rates don't increase)
- Realized recapture rates will decide strength of correspondent, co-issue, and higher coupon bulk markets
- Artificial intelligence and technology improvements will disrupt servicing economics
 - Lower cost to service
 - Increased ability to efficiently and effectively get in front of borrowers

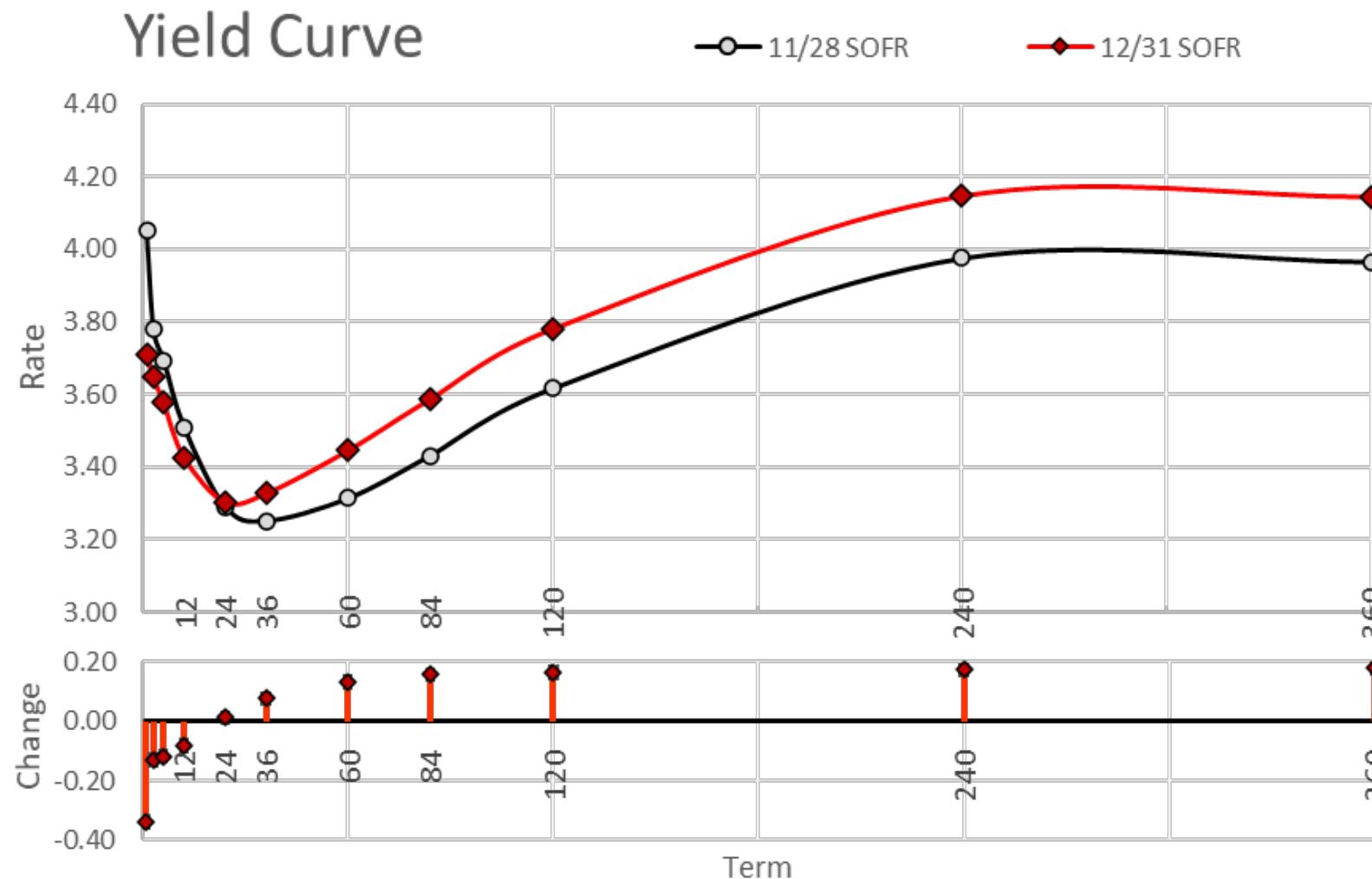
Interest Rate Environment

Interest Rates

	11/28/2025	12/31/2025	BP Chg
Primary Rate*	6.14	6.16	2
Secondary Rate	5.04	5.04	0
Treasury Index Rate	3.88	4.04	16

* Optimal Blue 30Y Conforming Fixed Rate

Expiry & Tenor	BP Vol Chg	Black Vol Chg
1Y1Y	-2.1	0.0%
1Y2Y	-2.1	-1.7%
1Y5Y	-2.6	-1.8%
1Y10Y	-3.4	-1.7%
2Y1Y	-0.2	0.0%
2Y2Y	-0.2	-1.4%
2Y5Y	-3.0	-2.0%
2Y10Y	-3.1	-1.6%
5Y1Y	-1.0	0.0%
5Y2Y	-1.0	-1.3%
5Y5Y	-2.1	-1.4%
5Y10Y	-2.0	-1.2%



Value Change Attribution

Attribution	11/28 - 12/31		2025 Q4	
	BPS	%	BPS	%
1Y	-0.01	0%	-0.01	-2%
2Y	-0.01	-1%	0.08	10%
5Y	-0.15	-14%	-0.07	-9%
7Y	0.14	12%	0.08	11%
10Y	0.32	28%	0.24	30%
30Y	0.82	73%	0.94	120%
Swap	1.11	98%	1.25	160%
Mortgage	-0.04	-4%	-0.38	-49%
Volatility	0.10	9%	0.13	17%
Expected Change	1.17	104%	1.00	128%
Actual Change	1.13	100%	0.78	100%
Unexplained	-0.04	-4%	-0.22	-28%

MSR Valuation Issues

- *Prepay Speeds*
- *Recent Headlines*

Quick Rate Drop After GSE Purchase Announcement



📅 NOV 28, 2025 - JAN 20, 2026



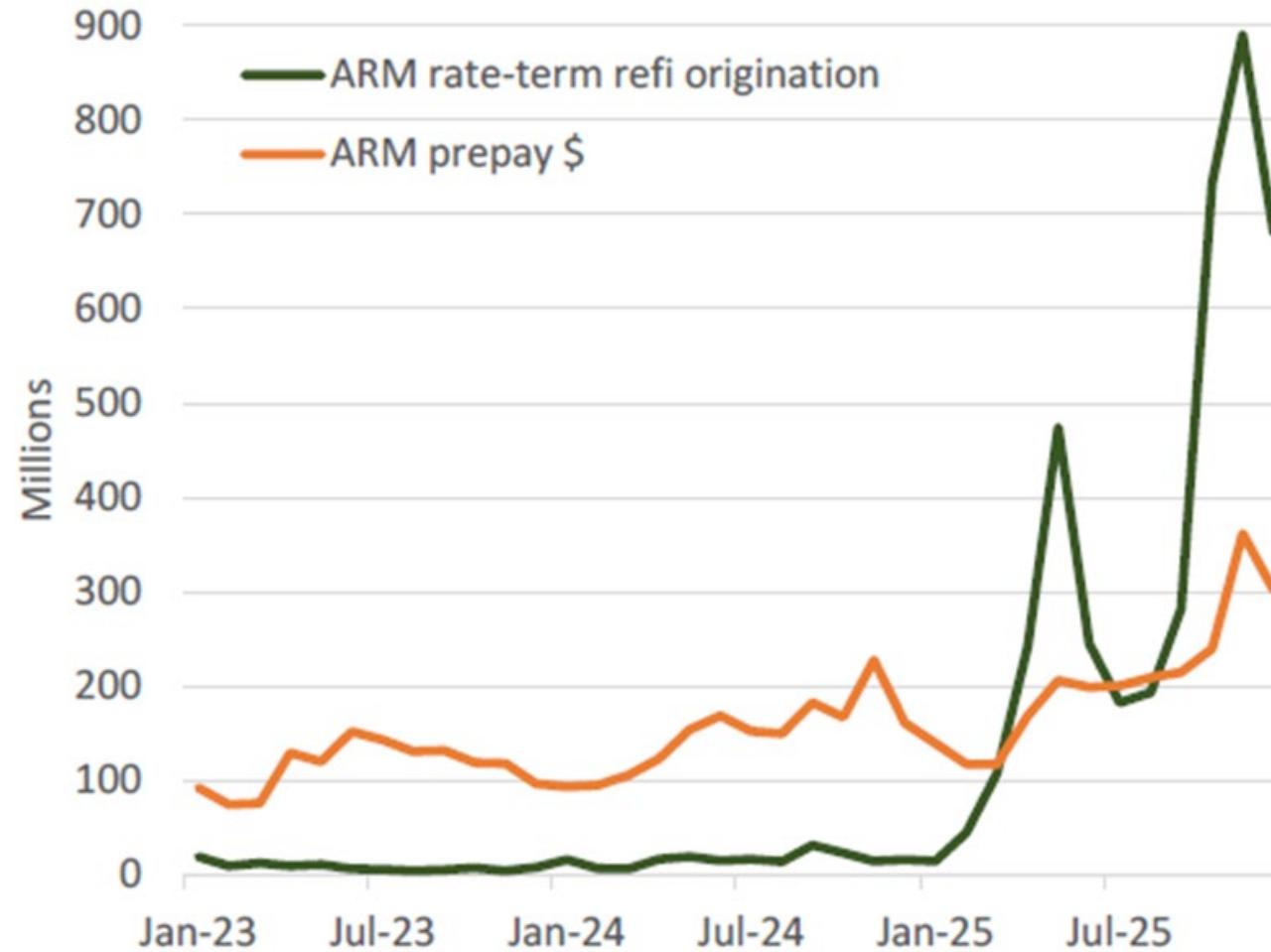
UMBS Speeds Slightly Up With More to Come?



Coupon	%ChgCPR	ChgCPR	Dec-25 CPR	Nov-25 CPR	UPB (MM)	WAC	WAM	WALA
FN30	+5.18%	+0.43	8.83	8.40	2,906,910	4.37	293	58
1.50	+6.46%	+0.19	3.14	2.95	68,685	2.50	292	60
2.00	+8.78%	+0.33	4.12	3.79	670,411	2.87	294	58
2.50	+11.08%	+0.52	5.21	4.69	522,390	3.30	294	58
3.00	+13.26%	+0.69	5.93	5.24	303,596	3.71	261	89
3.50	+9.39%	+0.55	6.37	5.82	222,416	4.12	250	99
4.00	+15.50%	+0.94	6.99	6.05	184,153	4.66	259	90
4.50	+4.48%	+0.29	6.84	6.55	140,315	5.26	284	67
5.00	+6.74%	+0.48	7.66	7.18	195,307	5.91	318	36
5.50	-0.81%	-0.10	12.68	12.78	257,742	6.46	327	26
6.00	+0.24%	+0.05	21.57	21.52	224,815	6.91	331	23
6.50	+2.98%	+0.93	32.12	31.19	92,758	7.37	328	25
7.00	+10.62%	+3.76	39.13	35.37	22,060	7.79	328	24

Fixed to ARM Refinances Helping to Drive Refis?

Bloomberg

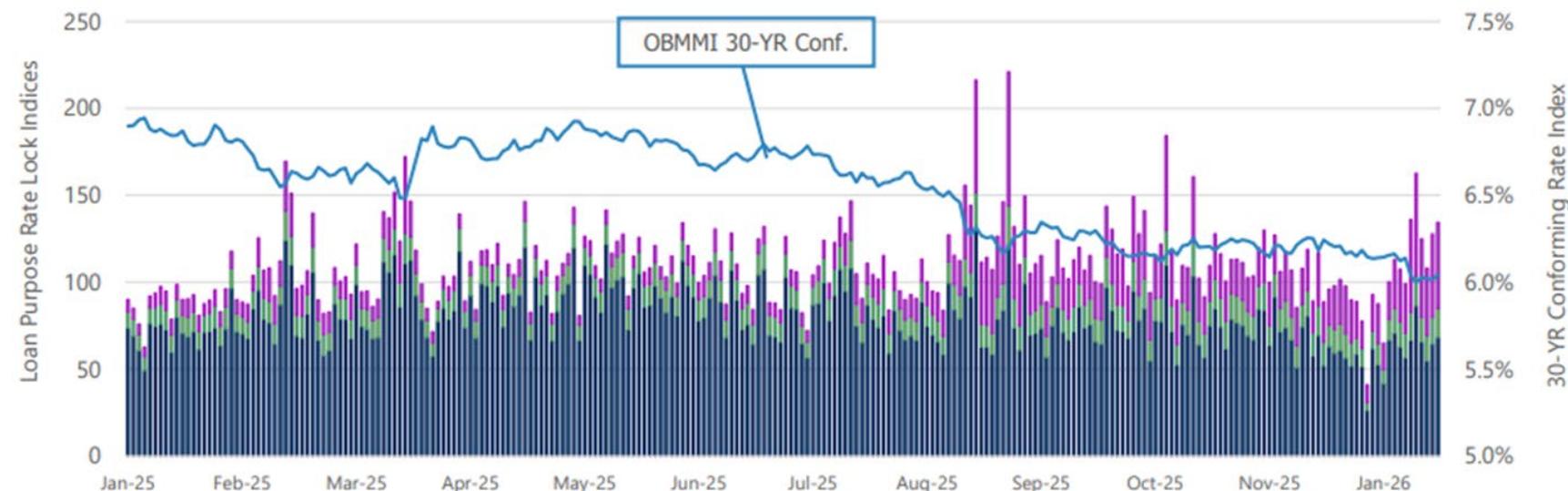


Source: Fannie Mae, Freddie Mac, Bloomberg LP

Rate Term Refis Jump After Announcement



RATE LOCK VOLUME BY LOAN PURPOSE



Market Volume Index (Total Volume indexed to 100 on 1/2/2020)	Current Value	1-Day % Change	7-Day % Change	4-Week % Change
Purchase	68	5.9%	2.2%	8.4%
Cash-out Refinance	17	8.6%	5.2%	36.5%
Rate-Term Refinance	49	3.5%	(6.9%)	137.7%
Total	134	5.3%	(1.0%)	40.0%
Refinance Share*	49.4%	(28 bps)	(159 bps)	1479 bps

*Refinance Share changes reflect inter-period delta

FED MEETING NEXT WEEK

**Trump Directs GSEs to Buy
\$200B in Mortgage Bonds**
– *HousingWire*

**HUD Proposes Eliminating
Disparate Impact Rule**
– *HousingWire*

**Rates Plummet to 3 Year Lows,
But There Are Caveats**
– *MND*

**Home Sales Expected to
Increase 14% Nationwide in 2026**
- *NAR*

MSR Valuation Issues

FHA Credit Performance

MSR Assumptions

Short Term Speeds

Factors in Pricing but Not Necessarily in Models

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FHA Credit Performance – From January 2024 to August 2025

FHA Delq Rates								
	Units	All Past Due	30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq
1/31/2024	7,613,635	11.37	5.74	1.87	2.85	0.44	0.47	3.76
2/28/2024	7,630,910	11.69	5.90	1.97	2.91	0.44	0.47	3.81
3/31/2024	7,654,977	12.42	6.55	2.04	2.95	0.42	0.46	3.84
4/30/2024	7,677,670	11.77	6.07	2.00	2.83	0.42	0.45	3.70
5/31/2024	7,704,544	11.56	5.86	2.03	2.82	0.40	0.45	3.67
6/30/2024	7,730,383	12.52	6.49	2.18	3.01	0.40	0.44	3.85
7/31/2024	7,758,946	12.56	6.31	2.19	3.21	0.40	0.45	4.05
8/31/2024	7,787,328	12.20	5.96	2.13	3.25	0.40	0.46	4.10
9/30/2024	7,808,911	12.18	5.90	2.10	3.35	0.39	0.44	4.18
10/31/2024	7,829,959	12.00	5.82	1.99	3.38	0.38	0.43	4.19
11/30/2024	7,851,909	12.31	6.02	2.11	3.36	0.38	0.44	4.18
12/31/2024	7,883,223	12.14	5.69	2.08	3.51	0.40	0.46	4.37
1/31/2025	7,919,571	12.02	5.67	1.96	3.52	0.41	0.46	4.39
2/28/2025	7,945,571	12.85	6.15	2.11	3.70	0.43	0.46	4.58
3/31/2025	7,969,683	12.65	5.97	2.07	3.72	0.41	0.48	4.61
4/30/2025	7,995,166	12.32	5.83	2.04	3.57	0.41	0.47	4.45
5/31/2025	8,020,755	12.38	5.85	2.07	3.60	0.40	0.46	4.47
6/30/2025	8,054,947	12.56	5.95	2.10	3.62	0.42	0.47	4.50
7/31/2025	8,089,085	12.59	5.94	2.06	3.64	0.48	0.47	4.59
8/31/2025	8,120,561	12.45	5.82	2.04	3.67	0.43	0.49	4.58

Percentage Change from January 2024						
30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq	
0%	0%	0%	0%	0%	0%	
3%	5%	2%	0%	0%	1%	
14%	9%	4%	-5%	-2%	2%	
6%	7%	-1%	-5%	-4%	-2%	
2%	9%	-1%	-9%	-4%	-2%	
13%	17%	6%	-9%	-6%	2%	
10%	17%	13%	-9%	-4%	8%	
4%	14%	14%	-9%	-2%	9%	
3%	12%	18%	-11%	-6%	11%	
1%	6%	19%	-14%	-9%	11%	
5%	13%	18%	-14%	-6%	11%	
-1%	11%	23%	-9%	-2%	16%	
-1%	5%	24%	-7%	-2%	17%	
7%	13%	30%	-2%	-2%	22%	
4%	11%	31%	-7%	2%	23%	
2%	11%	26%	-9%	-2%	19%	
4%	12%	27%	-5%	0%	20%	
3%	10%	28%	9%	0%	22%	
1%	9%	29%	-2%	4%	22%	

Percentage Change from January 2025						
30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq	
0%	0%	0%	0%	0%	0%	
8%	8%	5%	5%	0%	4%	
5%	6%	6%	0%	4%	5%	
3%	4%	1%	0%	2%	1%	
3%	6%	2%	-2%	0%	2%	
5%	7%	3%	2%	2%	3%	
5%	5%	3%	17%	2%	5%	
3%	4%	4%	5%	7%	4%	

FHA Credit Performance – by FICO Band

1/31/25	Units	All Past Due	30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq
Loans with Credit Scores	6,740,247	13.42	6.12	2.28	4.13	0.43	0.46	5.01
< 500	0.06	25.41	10.99	4.00	7.51	1.44	1.47	10.42
500-579	1.59	22.34	9.74	3.84	6.98	0.82	0.96	8.77
580-619	8.84	22.92	9.83	3.97	7.58	0.73	0.80	9.11
620-659	33.46	18.58	8.45	3.21	5.73	0.55	0.65	6.93
660-719	39.33	10.49	4.92	1.75	3.13	0.34	0.35	3.82
720-850	16.72	4.05	1.94	0.65	1.15	0.18	0.12	1.45

8/31/25	Units	All Past Due	30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq
Loans with Credit Scores	6,970,937	12.98	6.15	2.18	3.72	0.44	0.49	4.65
< 500	0.06	24.31	11.20	3.91	6.42	1.52	1.26	9.20
500-579	1.62	21.51	9.85	3.70	6.29	0.75	0.94	7.97
580-619	8.92	21.90	9.87	3.81	6.66	0.74	0.82	8.22
620-659	32.93	18.06	8.48	3.09	5.22	0.58	0.69	6.49
660-719	39.19	10.29	5.01	1.68	2.85	0.36	0.39	3.60
720-850	17.28	3.93	1.98	0.59	1.04	0.18	0.13	1.35

FHA Credit Performance – Down Payment Assistance Programs

1/31/25	Units	All Past Due	30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq
All Sources of Funds	7,919,571	12.88	5.91	2.18	3.91	0.42	0.46	4.79
Government	10.25	15.46	6.77	2.72	4.91	0.52	0.53	5.97
Relative	16.80	17.15	7.78	2.96	5.38	0.50	0.52	6.40
Other	1.62	17.07	7.69	2.95	5.17	0.57	0.69	6.43
Seller Funded	0.34	22.13	9.89	3.59	6.68	0.82	1.15	8.65
No DPA	71.00	11.36	5.29	1.89	3.37	0.38	0.43	4.18

8/31/25	Units	All Past Due	30 Day	60 Day	90 + Day	Foreclosure	Bankruptcy	Serious Delq
All Sources of Funds	8,122,996	12.51	5.97	2.10	3.53	0.43	0.48	4.44
Government	10.58	15.13	6.92	2.55	4.56	0.58	0.53	5.67
Relative	16.92	16.40	7.72	2.85	4.78	0.51	0.54	5.83
Other	1.59	16.55	7.69	2.78	4.89	0.53	0.66	6.09
Seller Funded	0.32	21.08	9.80	3.69	5.75	0.78	1.06	7.59
No DPA	70.59	11.05	5.36	1.82	3.04	0.38	0.46	3.87

MSR Valuation Issues

FHA Credit Performance

MSR Assumptions

Short Term Speeds

Factors in Pricing but Not Necessarily in Models

When managing MSR portfolios, we often think about timing of updating components of the MSR assumption set:

- There's a variety of timing around updating certain assumptions
 - Some are updated constantly
 - Rates – mortgage rates, risk free rates, float rates and advance rates
 - MSR financing rates for return on equity calculations and purchase price decisions
 - Collateral data relative to deriving MSR assumptions
 - Others are updated seasonally
 - Escrow related assumptions often the 1st quarter of the calendar year
 - Foreclosure related timeframes
 - Others are based upon an as-needed basis or with the appearance of certain trends
 - Speed – changes to the prepay model to align with realized levels
 - Credit – from risk considerations to improvements/worsening credit performance
 - Yield/OAS/Discount rates
 - Yet others are updated on a less frequent basis
 - Cost
 - Ancillary
 - Loss exposure upon default

When managing a MSR portfolio we often have to think about the timing of updating the MSR assumption set:

- Understanding which assumptions tend to be more internally focused (based upon a combination of your economics and market) vs more externally focused (mostly focused on industry practice)
 - Economic-leaning assumptions
 - Realized ancillary late charge income
 - Recapture cash flows
 - Prepay speeds
 - Credit performance
 - Custodial float earning rates
 - Cost of advances
 - Market/Industry assumptions
 - Cost to service
 - Yield/OAS /Discount rates
 - Losses upon completion into default (CDR)
 - Foreclosure timeframes
 - Custodial float earning timeframes (float and advance days)
 - Setup costs
 - The above might change as technology improves

MSR Valuation Issues

FHA Credit Performance

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Factors in Pricing but Not Necessarily in Models

Short Term Speeds

There have been several periods in the recent past when mortgage rates dropped for a short window before rising back over a period of only a few weeks

- In each case, there was a spike in short term prepayment speeds that often lasted only a few months
- Our prepayment models are often not well suited to account for these short-term spikes in prepayment

Additionally, models often are not well suited to account for what will likely be a super charged short term prepayment level when/if rates were to fall into the mid 5% range

- While par coupon will likely experience speeds in the 9% to 12% lifetime range
- A 50bps drop in primary mortgage rates could see prepay speeds double or even triple in the short run
- Most mortgage bankers are reporting a duration (relative change in value for a given change in rate) in the mid 20% range meaning
 - A 50 bps rate incentive will increase modeled speeds from the low teens into the mid teens
 - When the reality is mid 20's to mid 30's may be more likely

Entity-level considerations impacting both short and long term prepayment speeds

- Many mortgage bankers are aggressively offering mortgage loans below industry par coupon levels to drive greater production levels
 - In many cases, these are short term in nature and impact speeds accordingly

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While there's been a good deal of discussion around recapture cash flows making their way into MSR fair values, that is only one of several factors which commonly go into bulk market pricing but not necessarily into MSR fair value (or into our models)

- These type of considerations often impact both market and fair value pricing
 - GNMA servicing has far more considerations like
 - Higher recapture rates
 - Early pool buyouts
 - Modifications & re-securitization
 - Enterprise considerations
 - Many times, adding servicing to the portfolio has little to do with the return of the asset
 - Maintaining or growing new production volumes
 - Attaining short term strategic goals
 - Deployment of capital
 - Use of credit lines to purchase the MSR asset
 - Making up for shortfalls in production volumes of certain channels
 - Banks attracting new customers in their footprint (cross selling of other products)

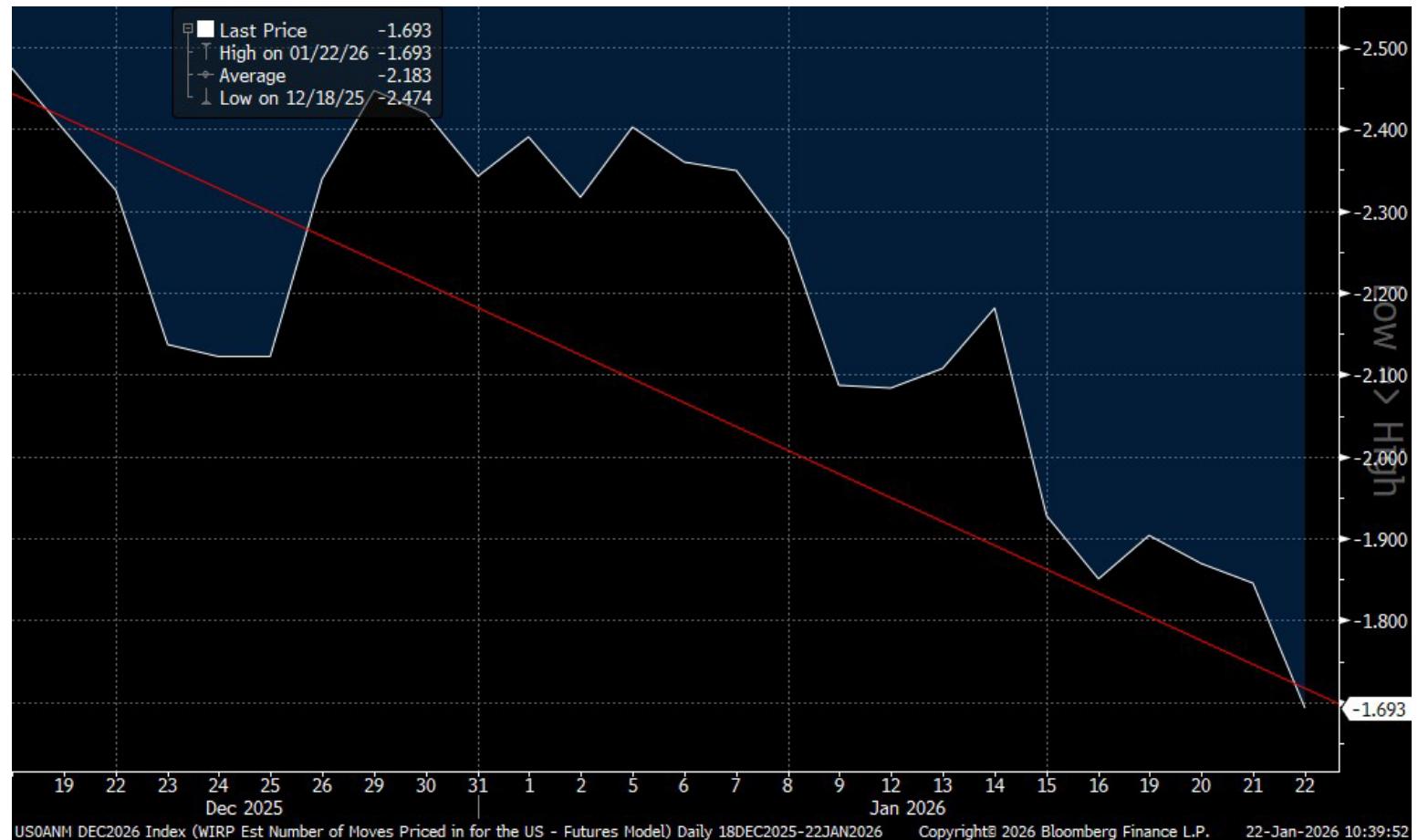
MSR Hedging

Economic Release Data

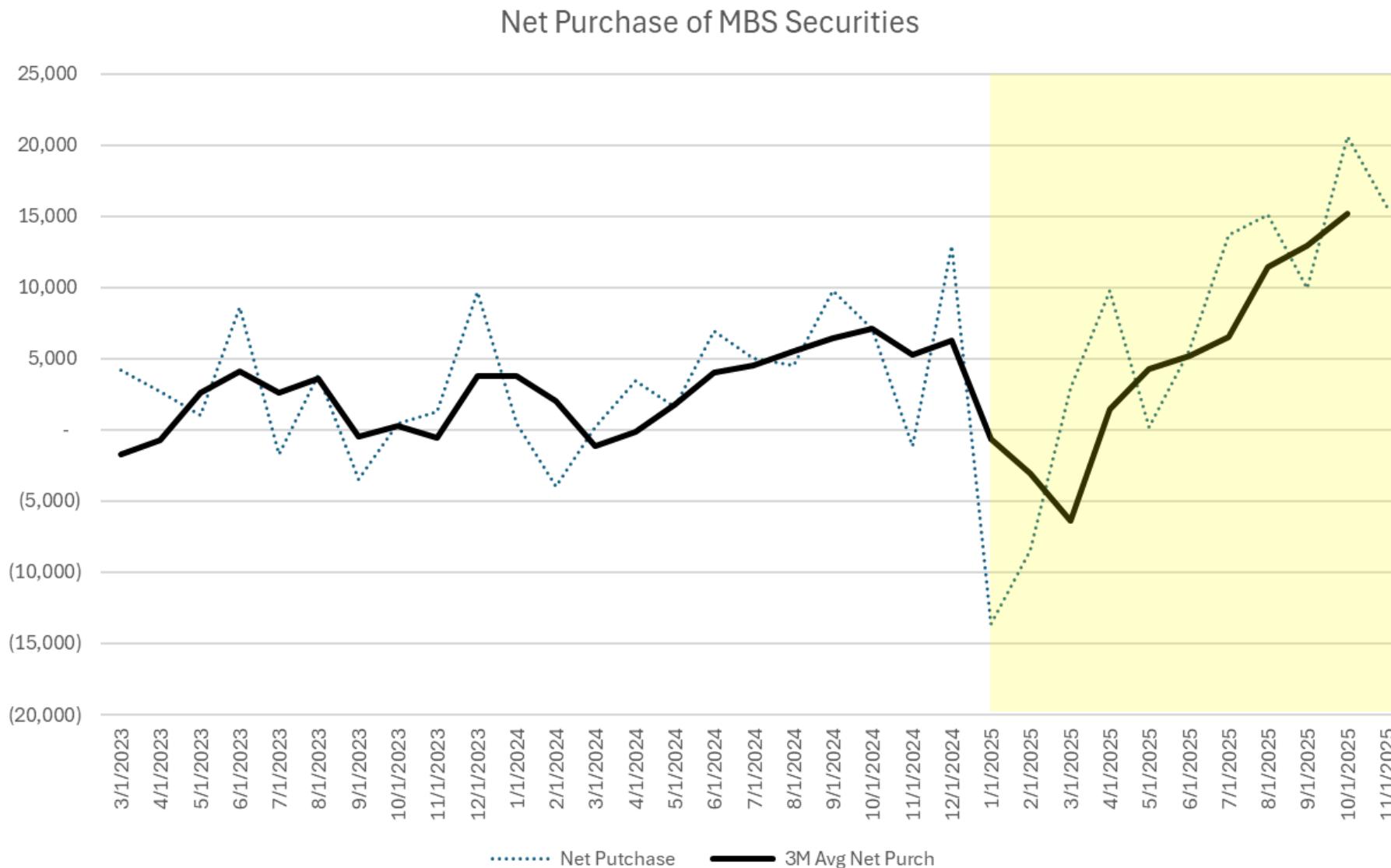
Date	Time	Event	Period	Surv(M)	Actual
12/23	07:30	GDP Annualized QoQ	3Q S	3.3%	4.3%
12/24	07:30	Initial Jobless Claims	Dec 20	224k	214k
12/31	07:30	Initial Jobless Claims	Dec 27	218k	199k
01/05	09:00	ISM Manufacturing	Dec	48.4	47.9
01/07	07:15	ADP Employment Change	Dec	50k	41k
01/07	09:00	ISM Services Index	Dec	52.2	54.4
01/08	07:30	Initial Jobless Claims	Jan 3	212k	208k
01/09	07:30	Change in Nonfarm Payrolls	Dec	70k	50k
01/09	07:30	Unemployment Rate	Dec	4.5%	4.4%
01/13	07:30	CPI MoM	Dec	0.3%	0.3%
01/13	07:30	CPI YoY	Dec	2.7%	2.7%
01/14	07:30	PPI Final Demand MoM	Oct	0.1%	0.1%
01/14	07:30	PPI Final Demand MoM	Nov	0.2%	0.2%
01/15	07:30	Empire Manufacturing	Jan	1	7.7
01/15	07:30	Initial Jobless Claims	Jan 10	215k	198k

Date	Time	Event
1/11/2026		Federal Reserve Subpoena
1/17/2026		Greenland Tariffs
1/20/2026		JPY Yields Jump

Expected 2026 Fed Rate Cuts (Inverted):



GSE Purchases of MBS Securities



GSE Purchases of MBS Securities

Change in Current Coupon TBA Rates Relative to 3 Point Treasury Rate Index (2025):



Thank you