

Economic and Mortgage Market Outlook

Prepared for SitusAMC

January 2025

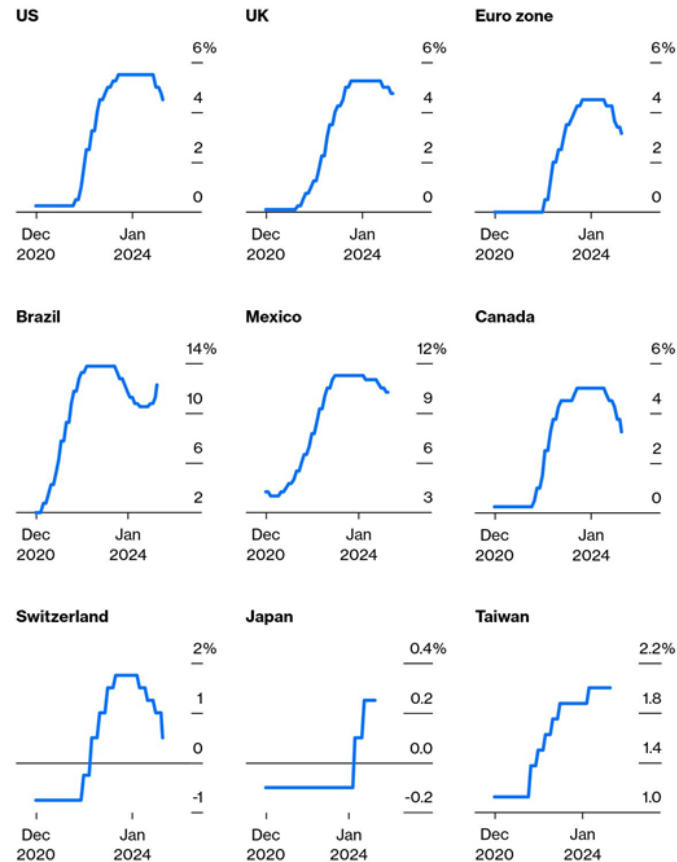
Presented by:

Mike Fratantoni, Ph.D., Chief Economist and Senior Vice President



Central Banks Around the World Are Cutting Rates

Central Banks Avoided Table Mountain
But there are no interest rate Matterhorns

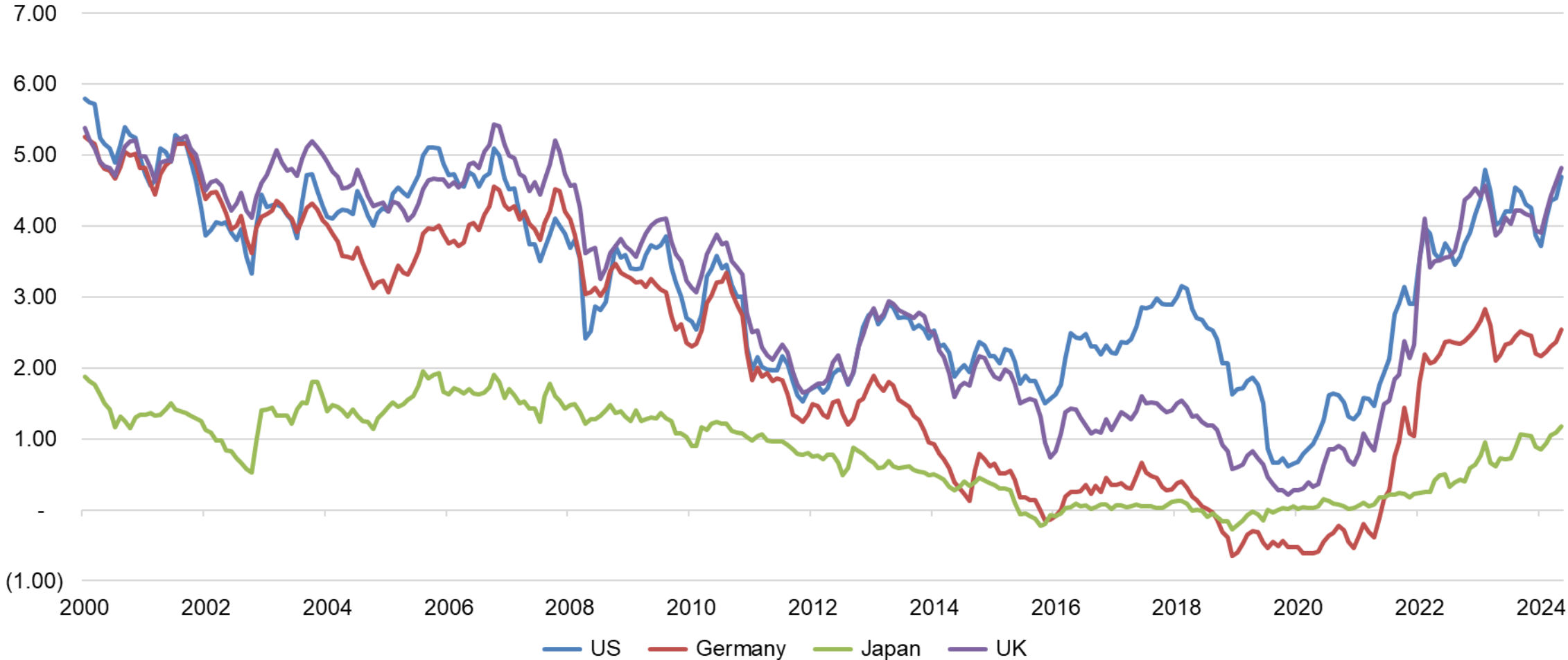


Source: Bloomberg
Note: Data as of Dec. 18, 2024.

Bloomberg Opinion

Global Yields Have Turned Higher

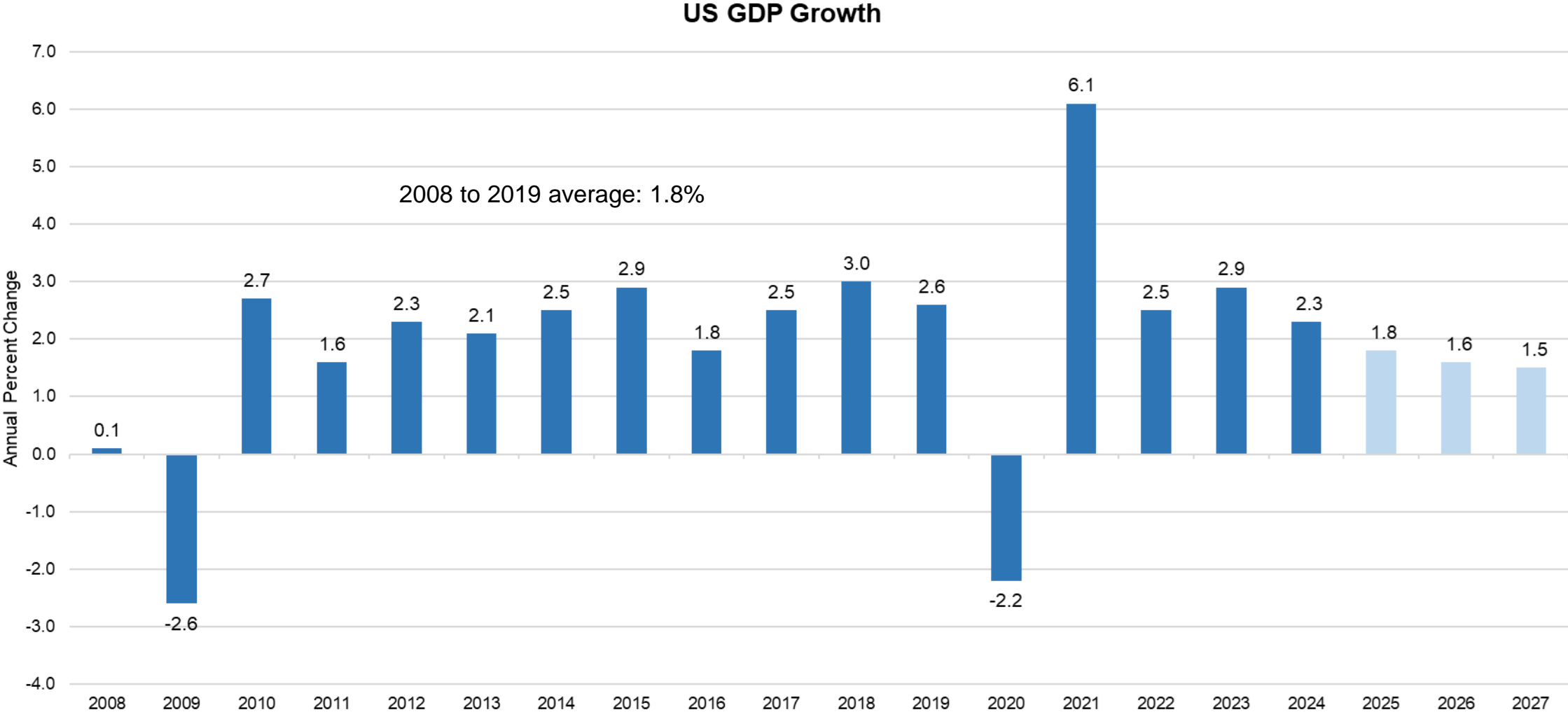
Comparison of 10-Year Bond Yields



Source: Federal Reserve Bank of St Louis FRED

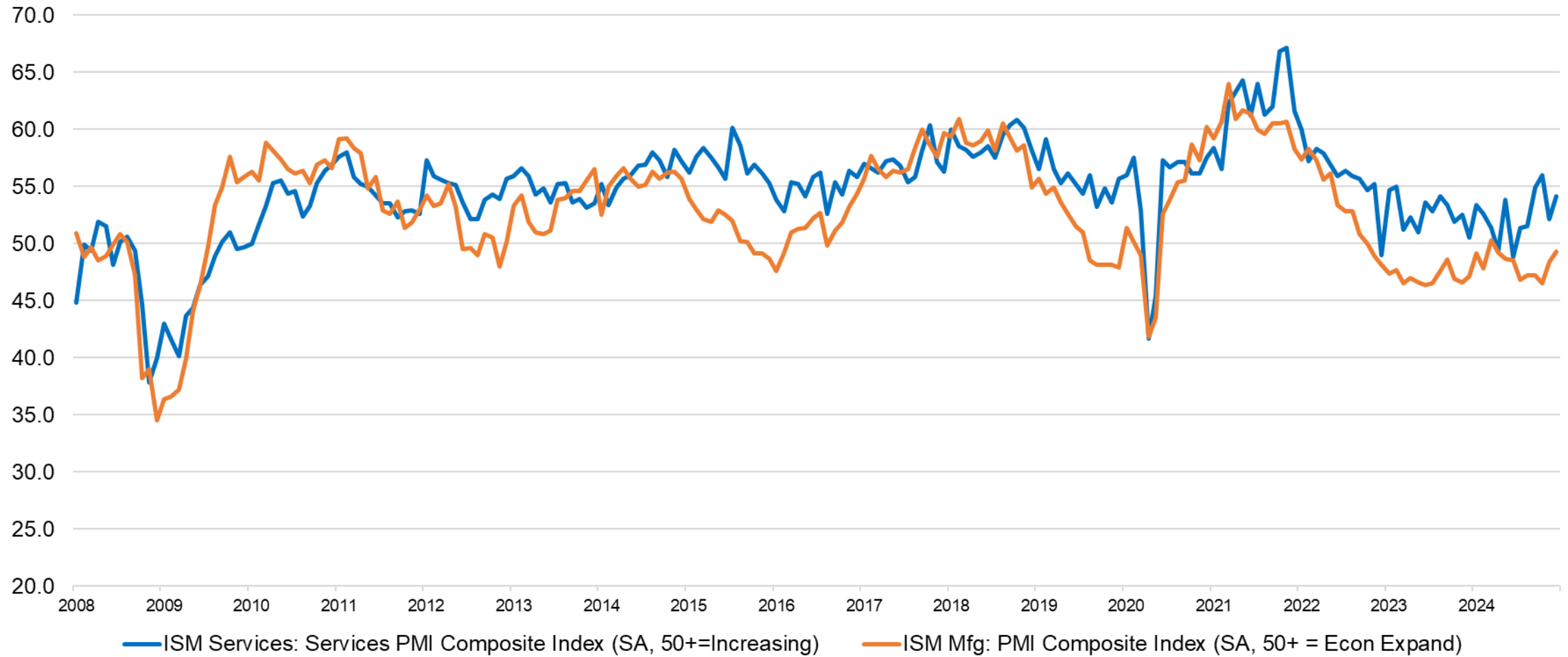


US GDP Historical and Forecast



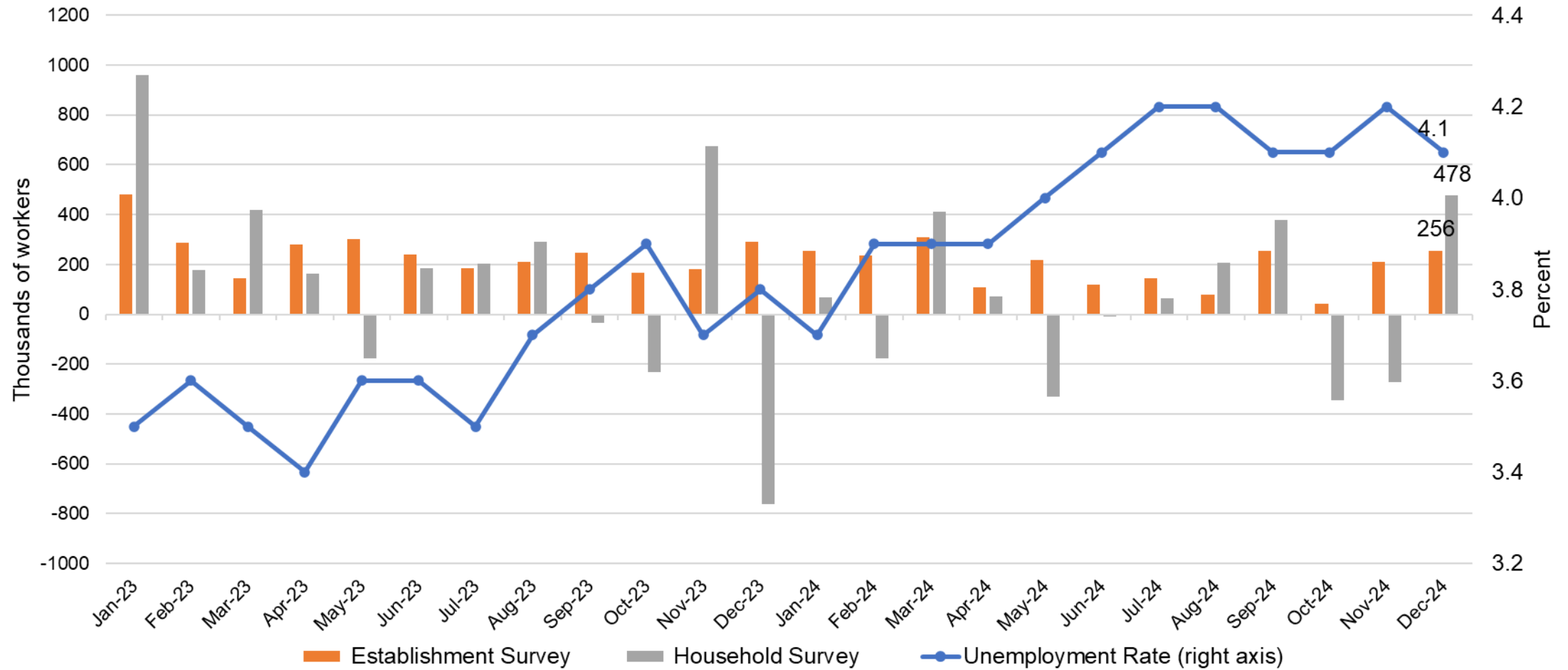
Manufacturing Still Sputtering

ISM Manufacturing and Services

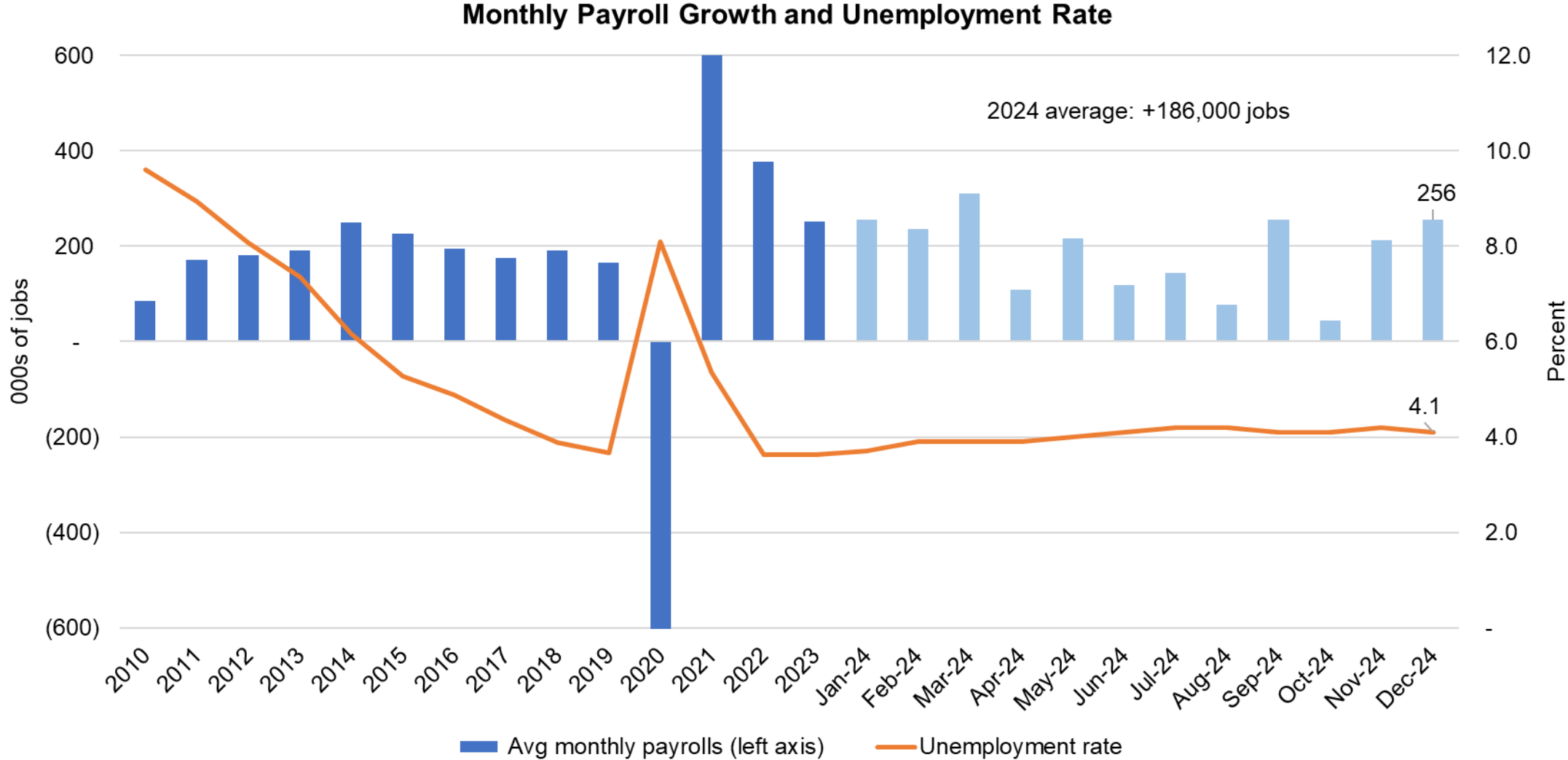


Strong December Employment Jobs Report

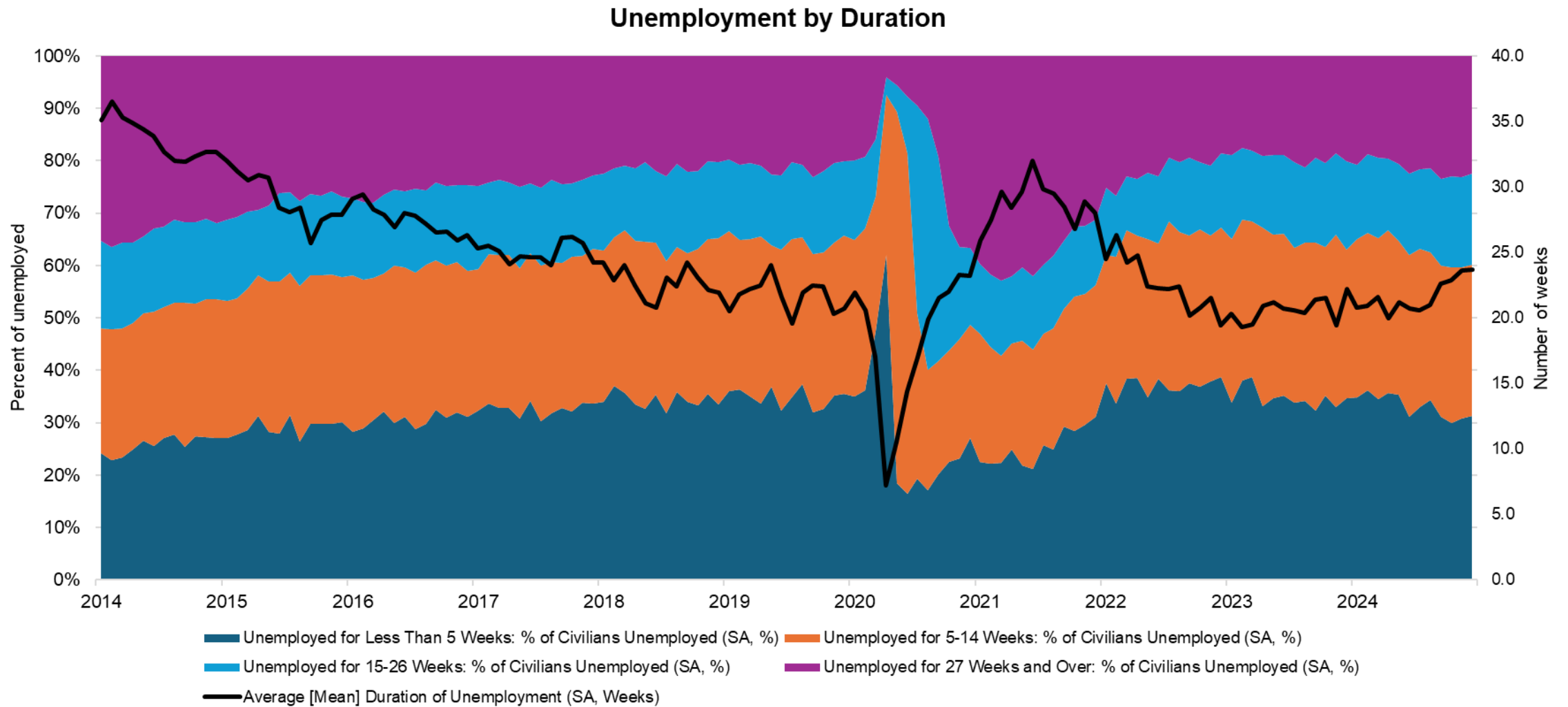
Monthly Employment Changes and Unemployment Rate



U.S. Job Market: A Changing Picture?

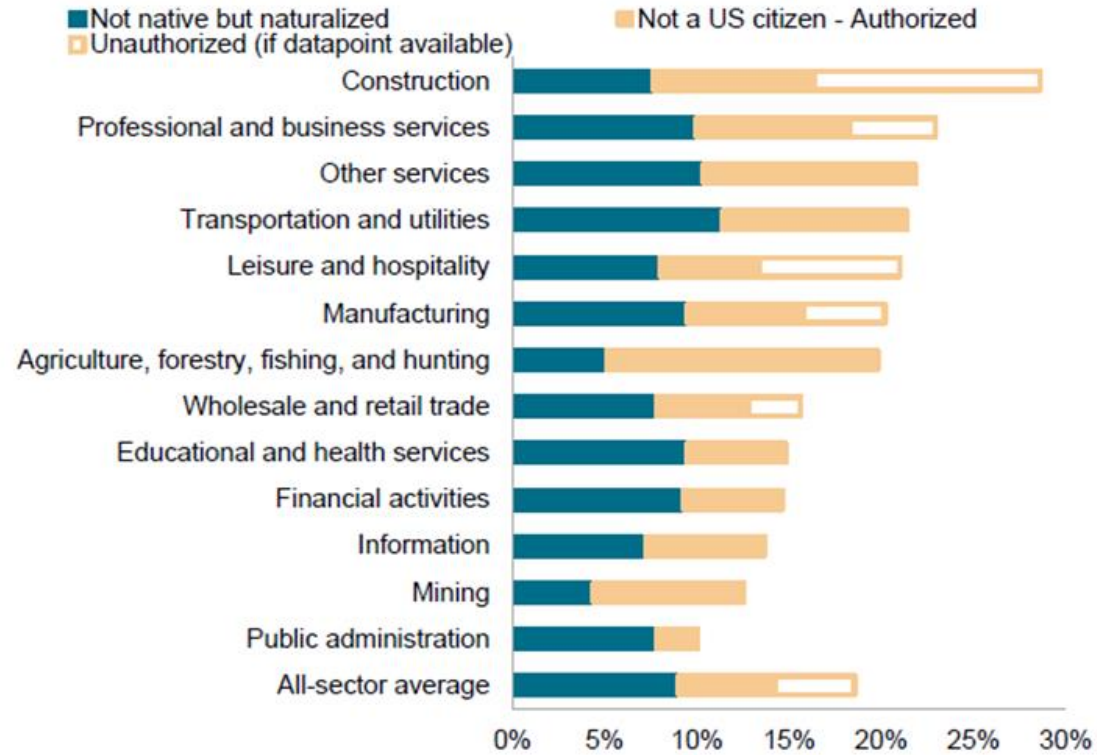


More Workers Unemployed for Longer



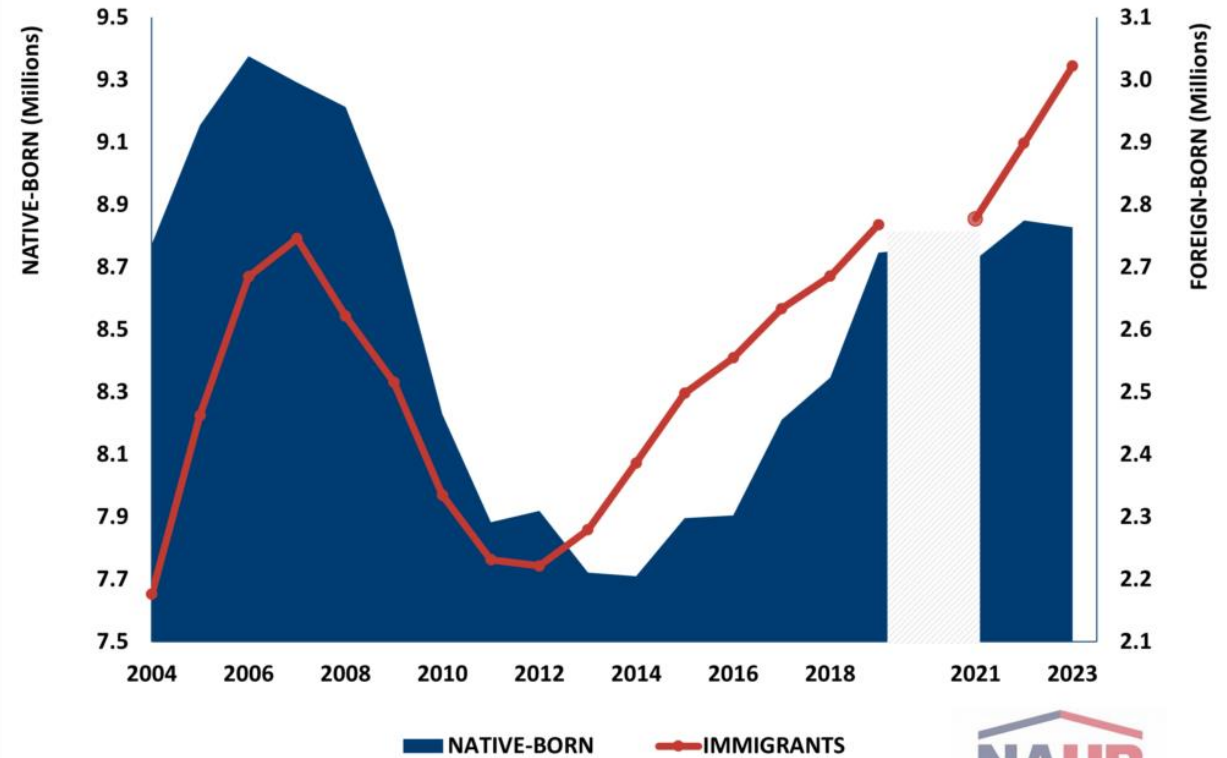
Industries Dependent on Foreign-Born Employment

United States - Share of foreign-born employment by industry 2023



As of Jan. 2024.
Source: US Census Bureau.
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U.S. CONSTRUCTION LABOR FORCE



Source: 2004-2023 ACS PUMS; NAHB analysis



<https://eyeonhousing.org/2024/11/immigrant-share-in-construction-sets-new-record/>

Fiscal Picture is Grim

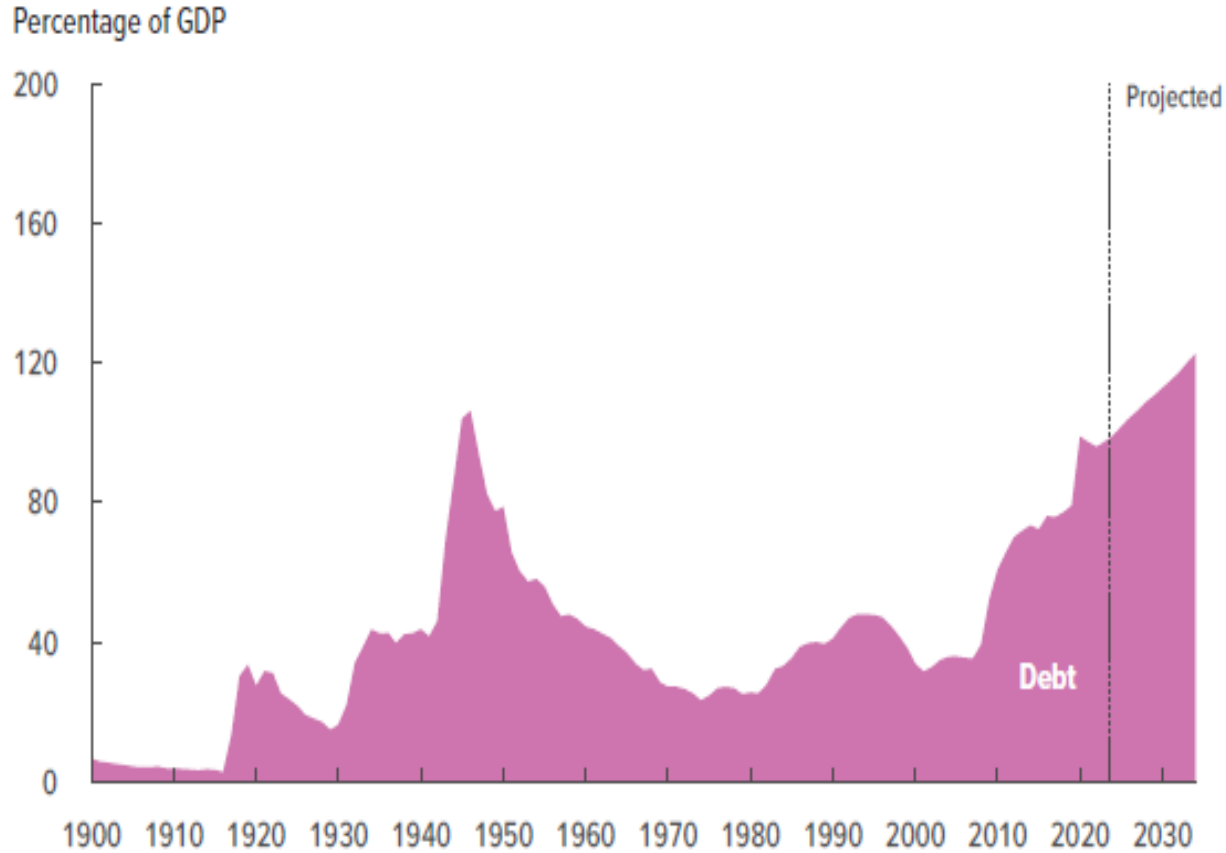
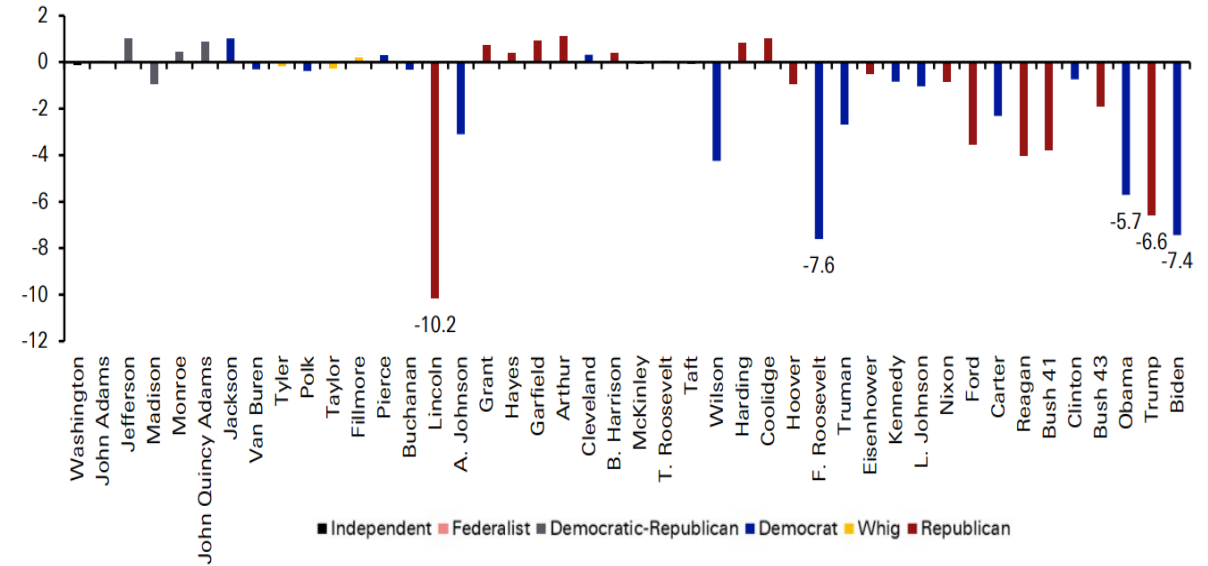
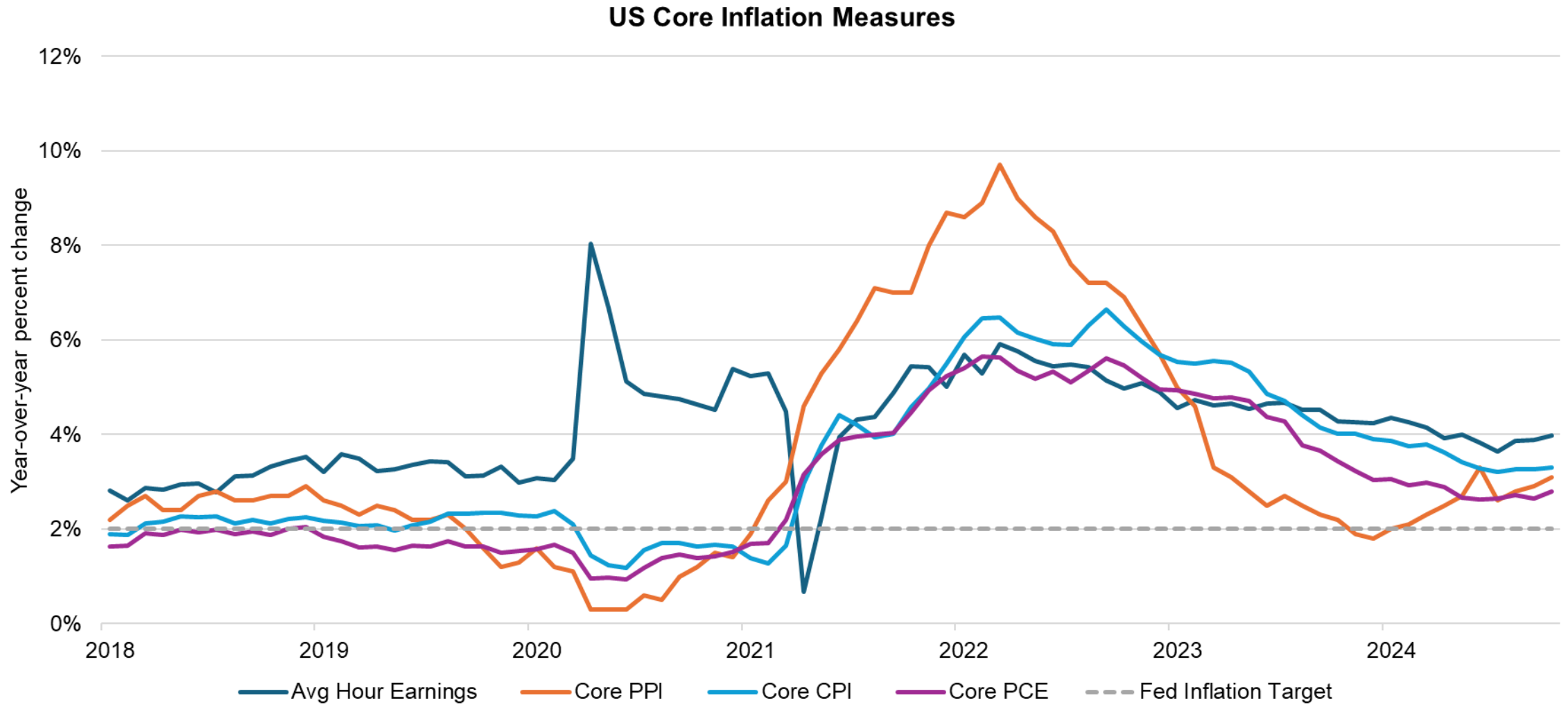


Figure 1: Average annual US budget deficit (% of GDP) under each President since George Washington. Colour coded by party and with top 5 annotated



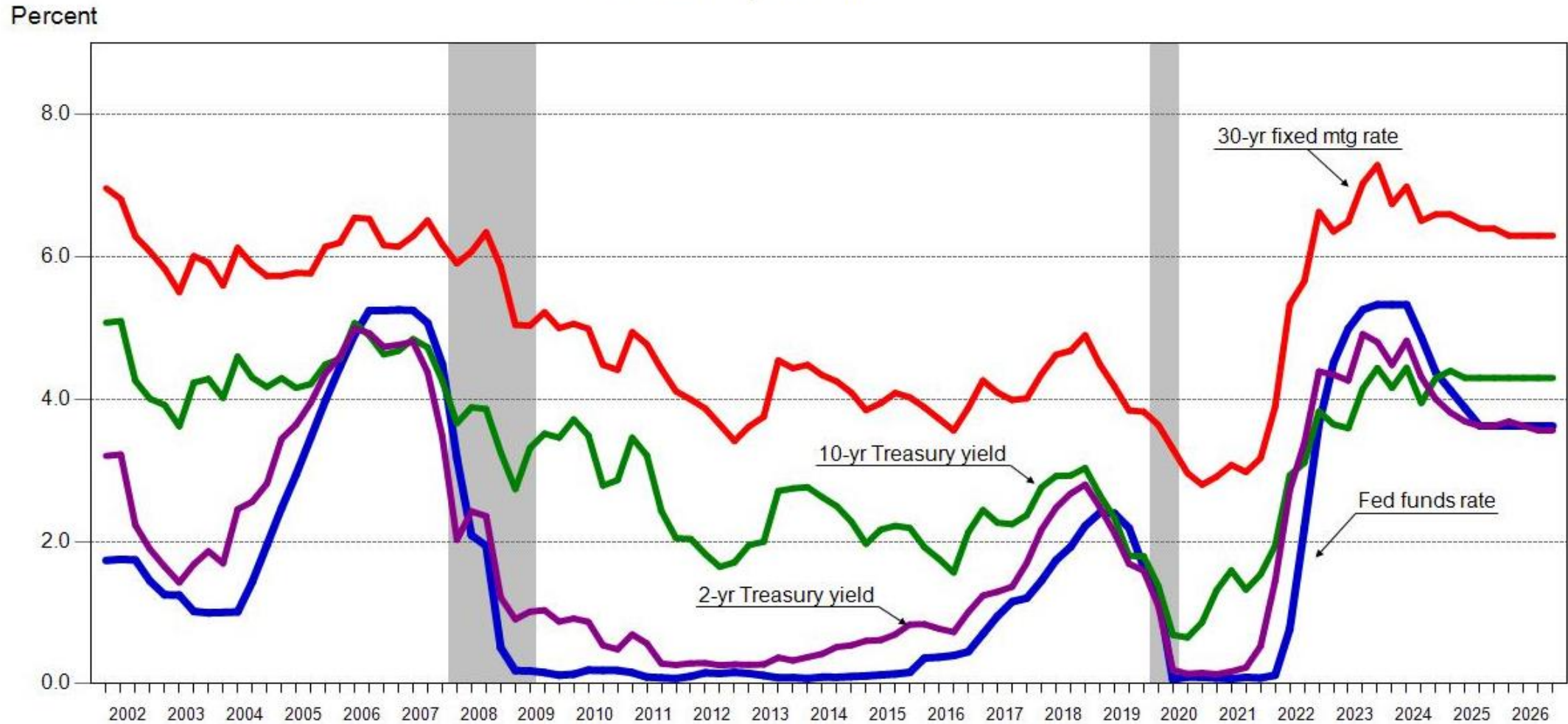
Source : GFD, FRED, Deutsche Bank
 Note: Each year's annual deficit assigned to the President who was in office for the largest part of that year. William Henry Harrison excluded as President for only 31 days. Grover Cleveland's non-consecutive terms both included as one. Data for George Washington only available from 1791.

Latest Inflation News...



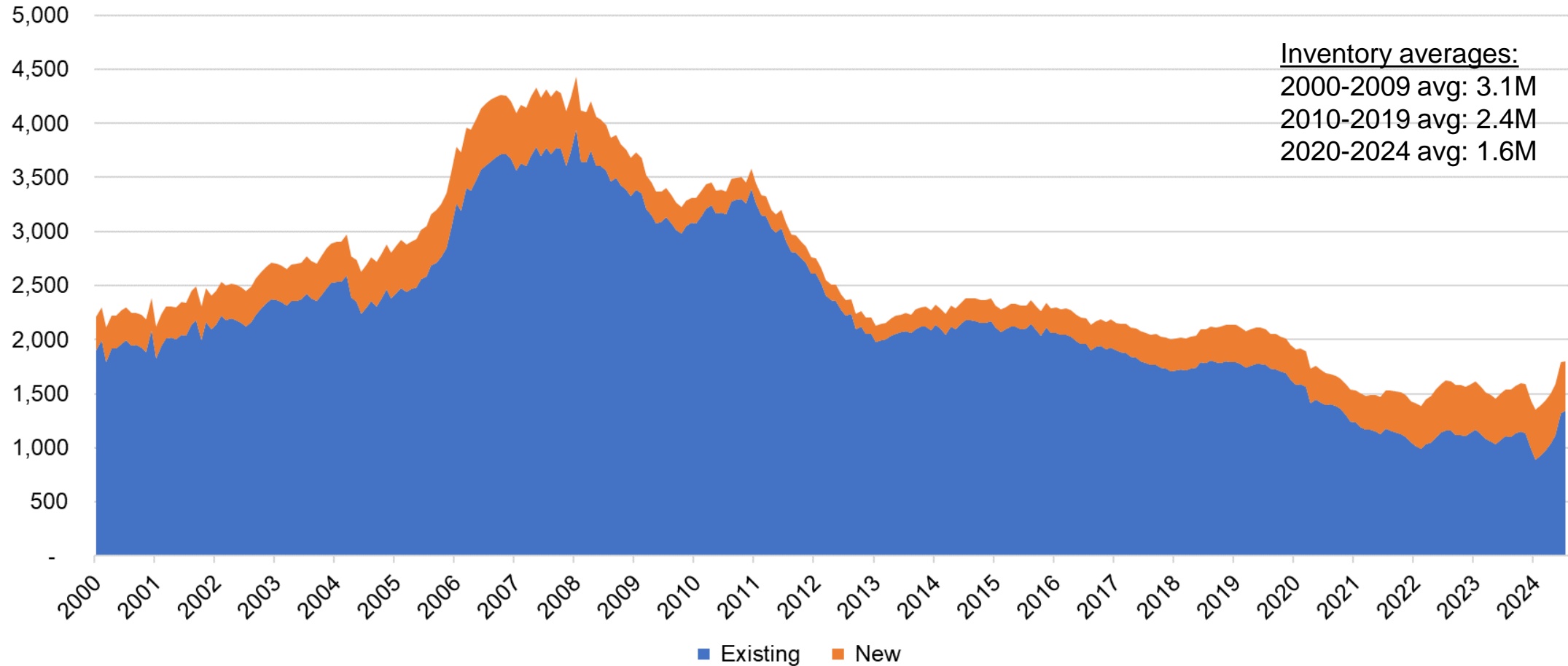
Rate Outlook: How Much More Will the Fed Cut?

Rate History and Forecast

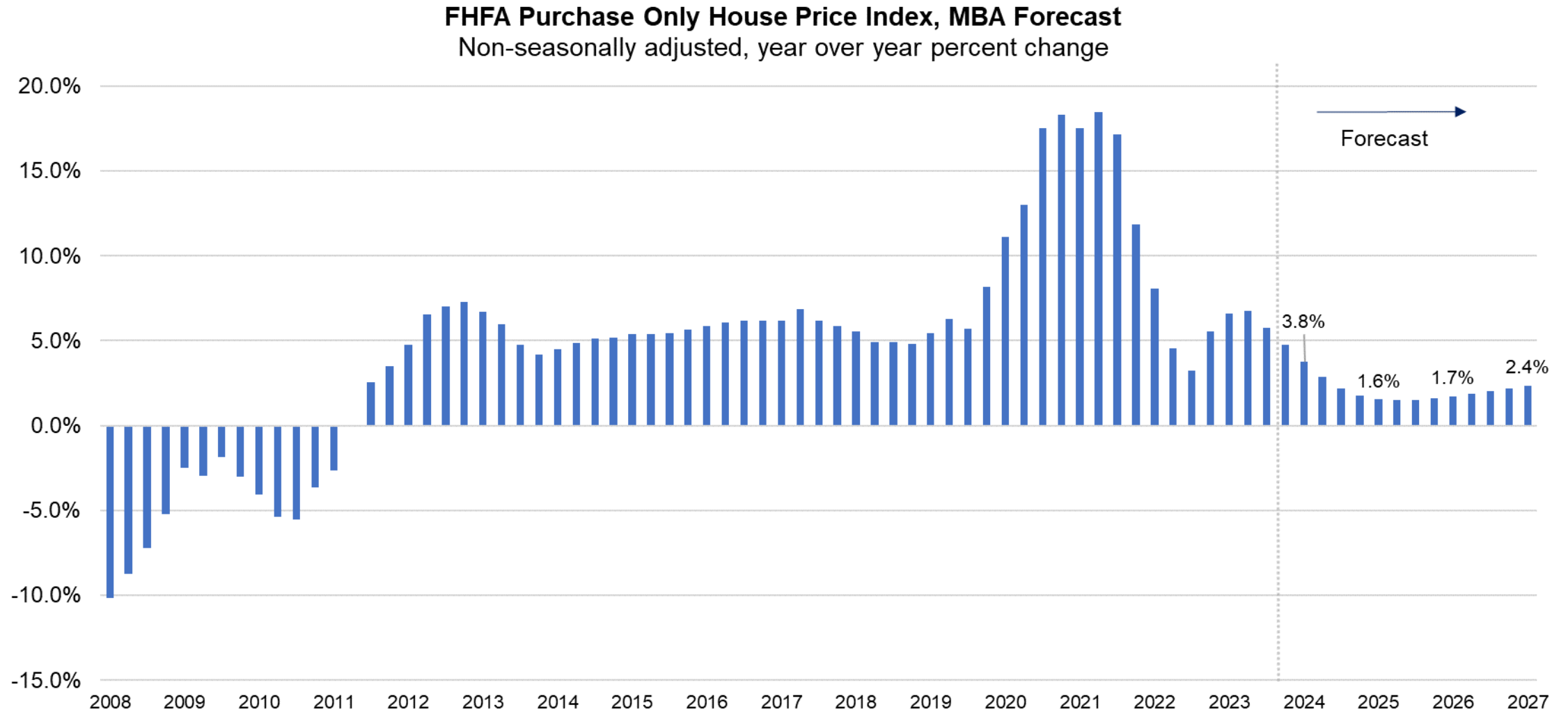


Housing Inventory Still Tight, But Growing

Housing Units Available for Sale
Seasonally adjusted, thousands

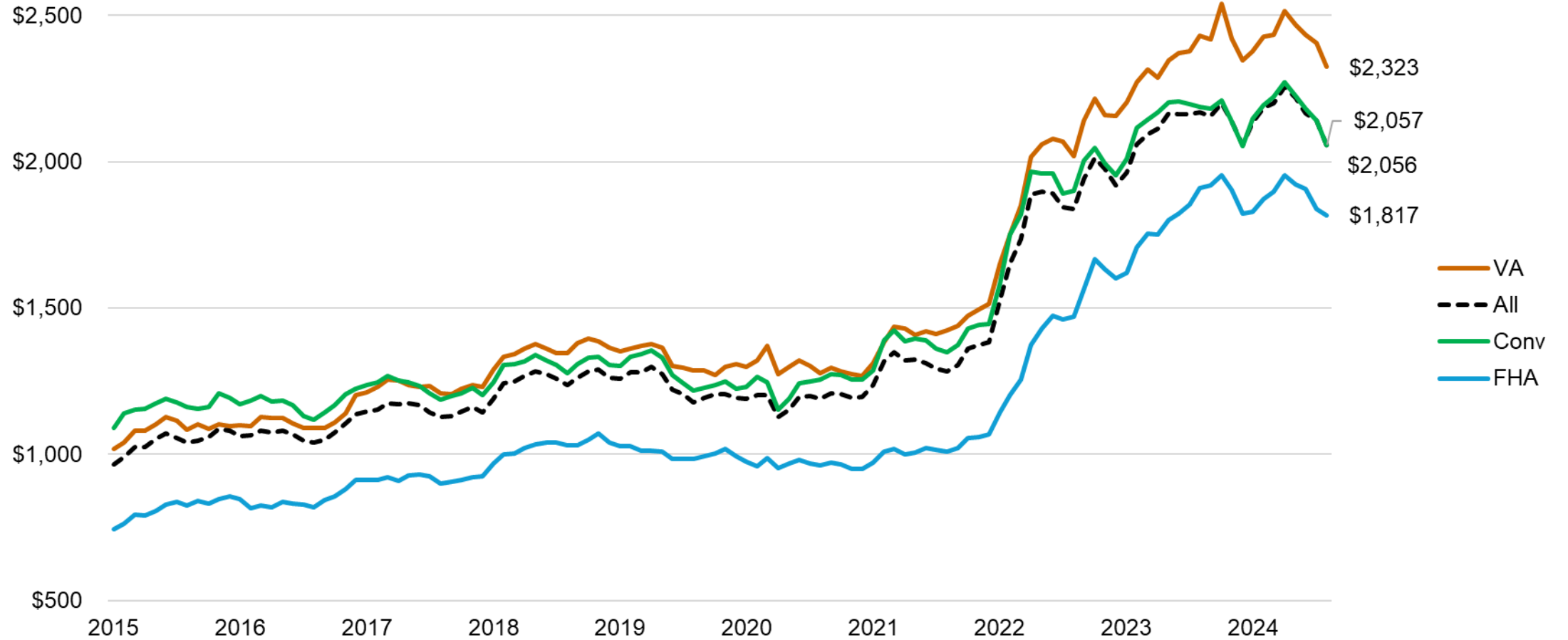


House Price Appreciation Moderating But Expected to Remain Positive



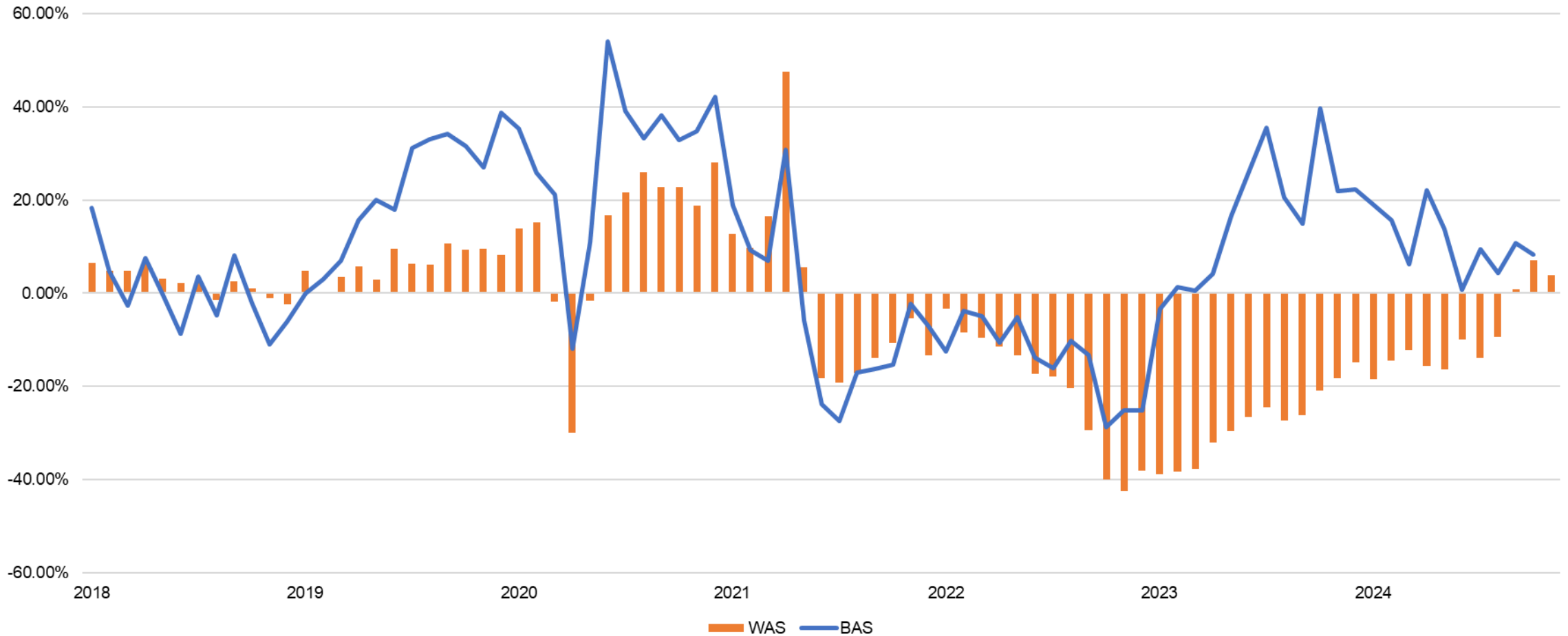
Affordability Still A Challenge

Median Home Purchase Payment by Loan Type



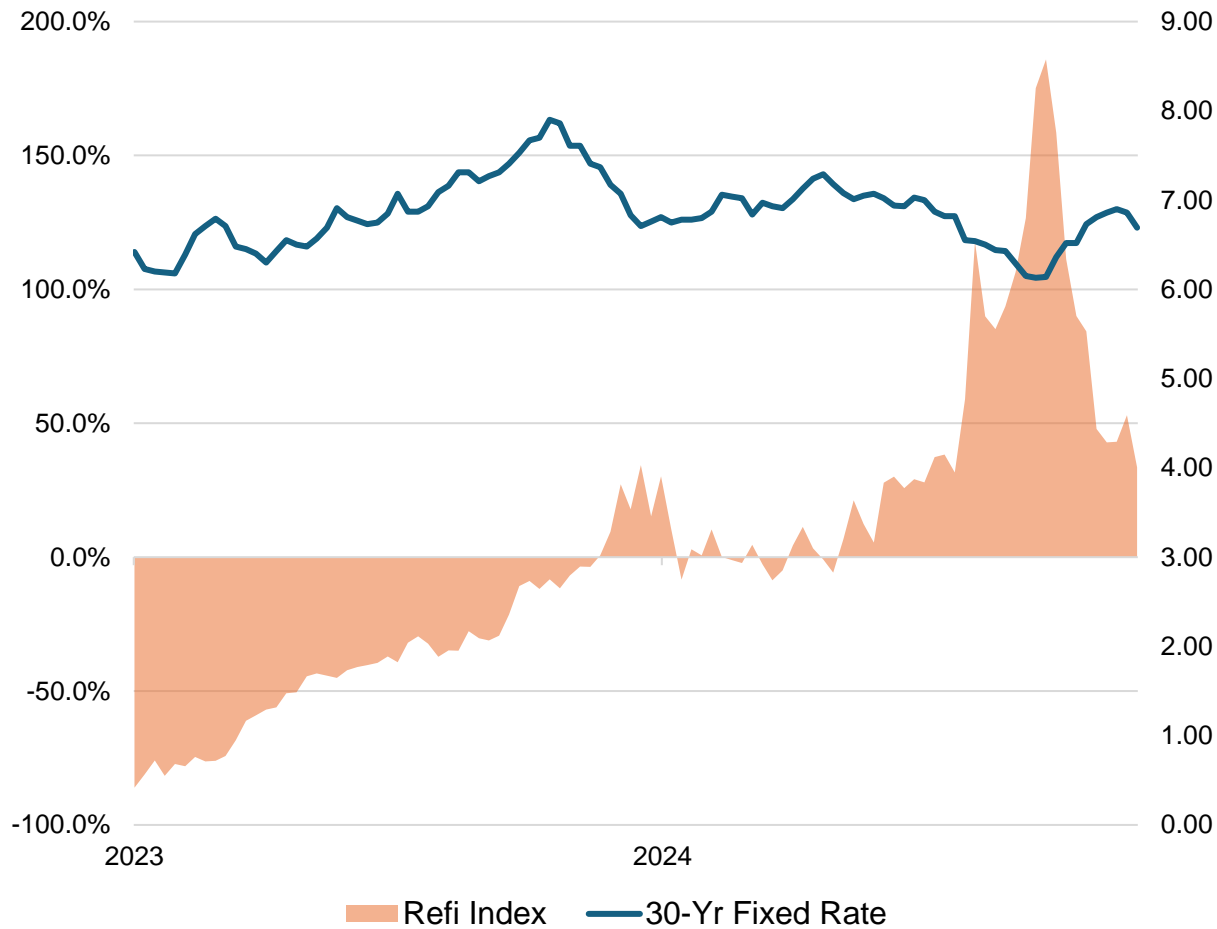
Purchase Applications: Green Shoots?

Builder Applications Index vs Weekly Purchase Applications Index
Non-seasonally adjusted, year over year percent change

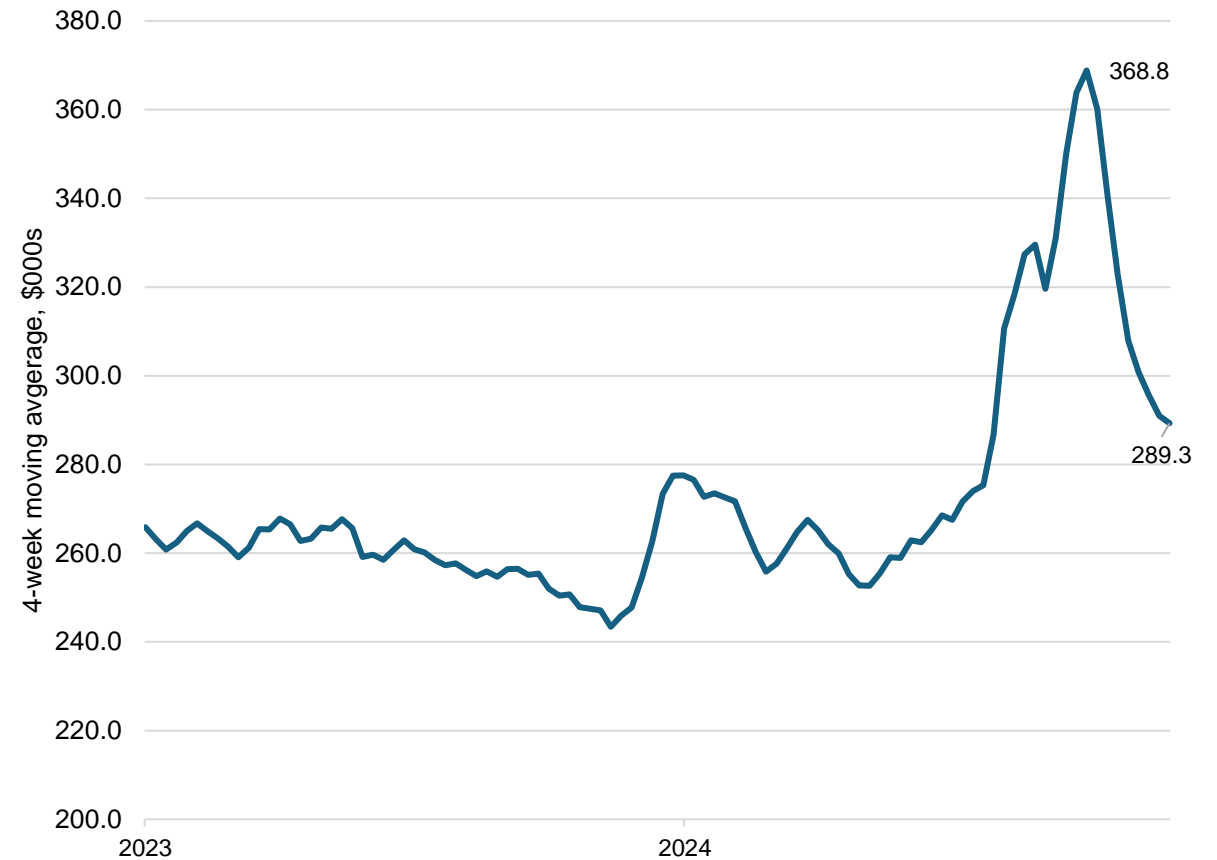


Refinance Applications: Moments of Opportunity

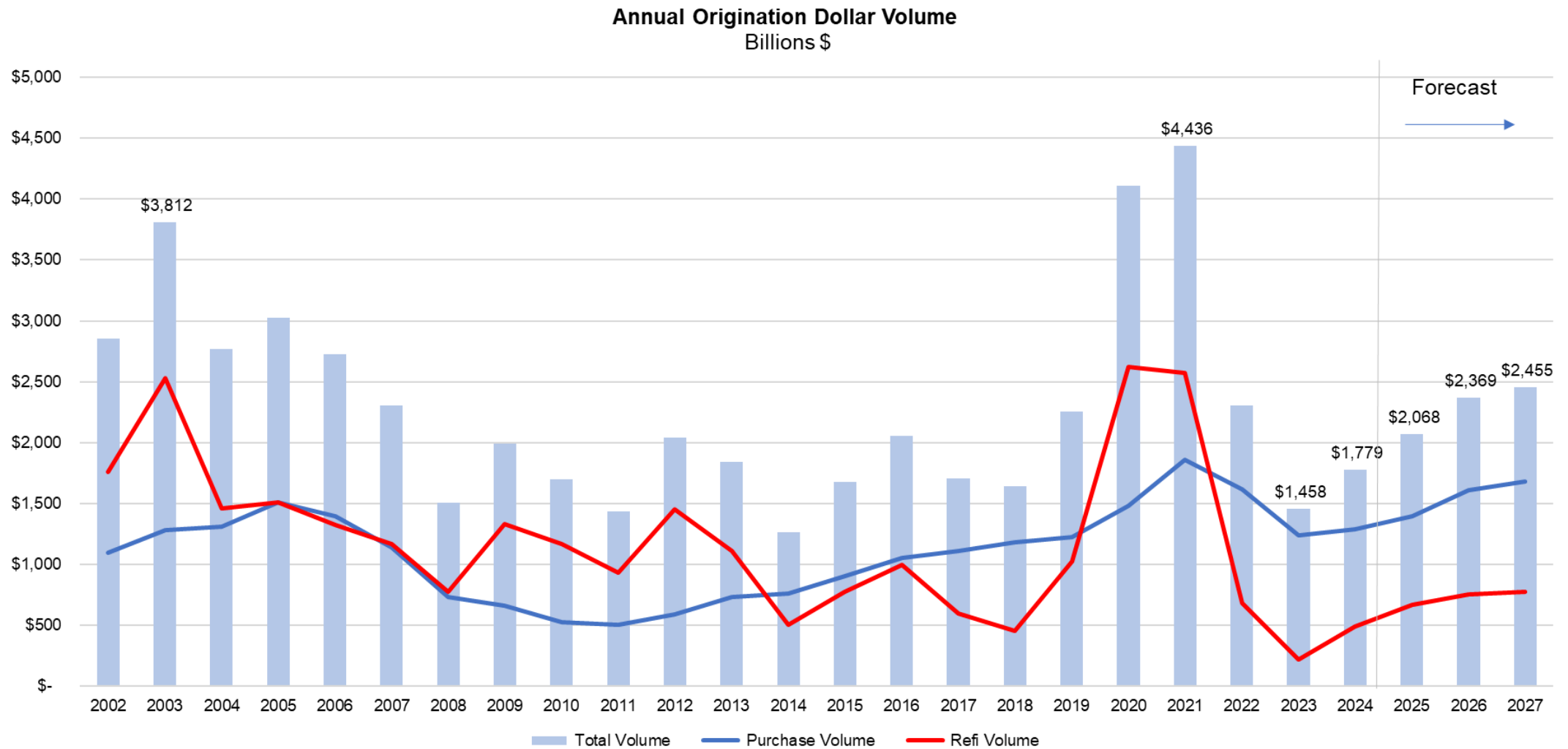
Refinance Applications
YOY pct chg, based on # loans



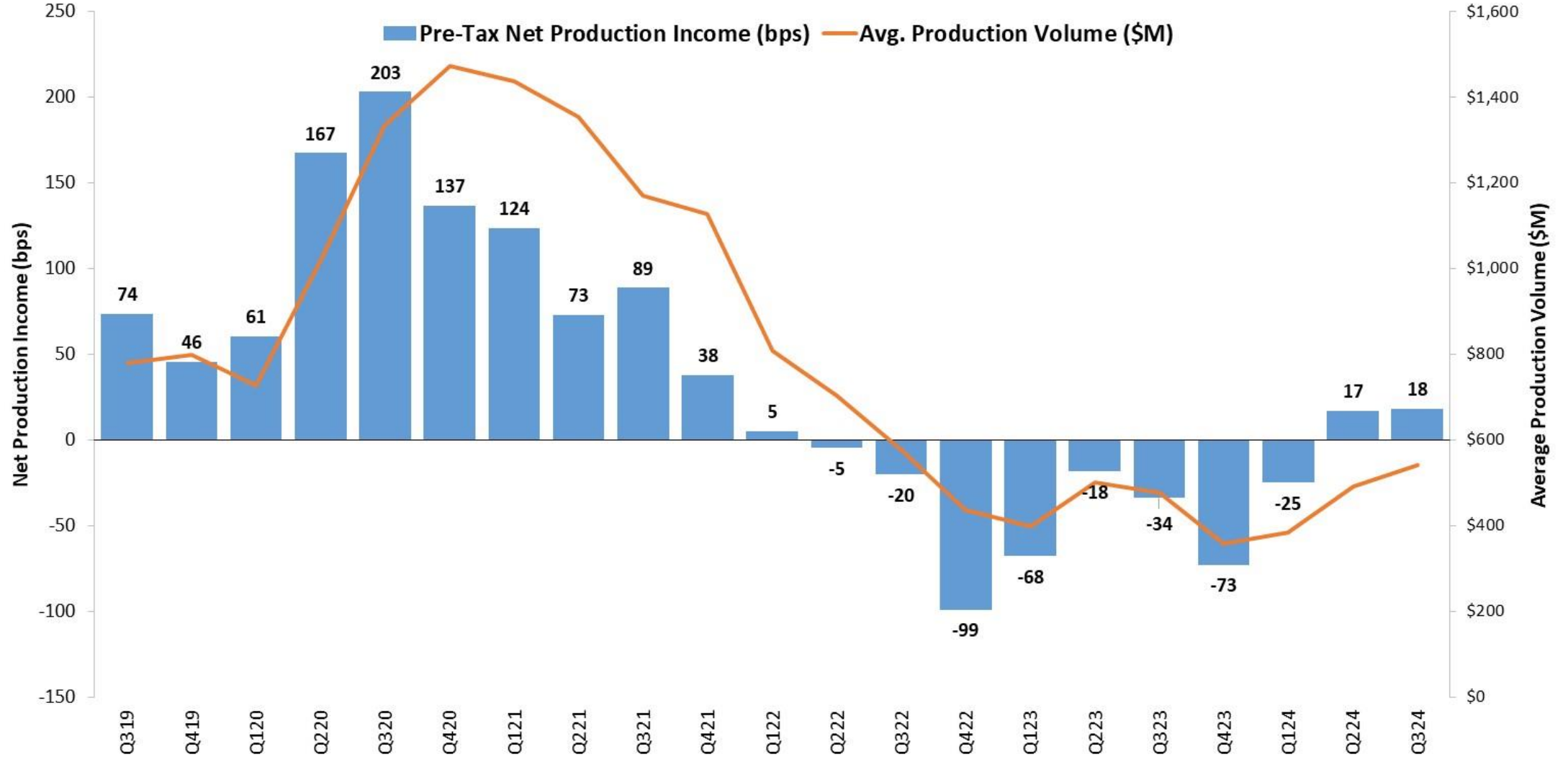
Refinance Applications - Average Loan Size



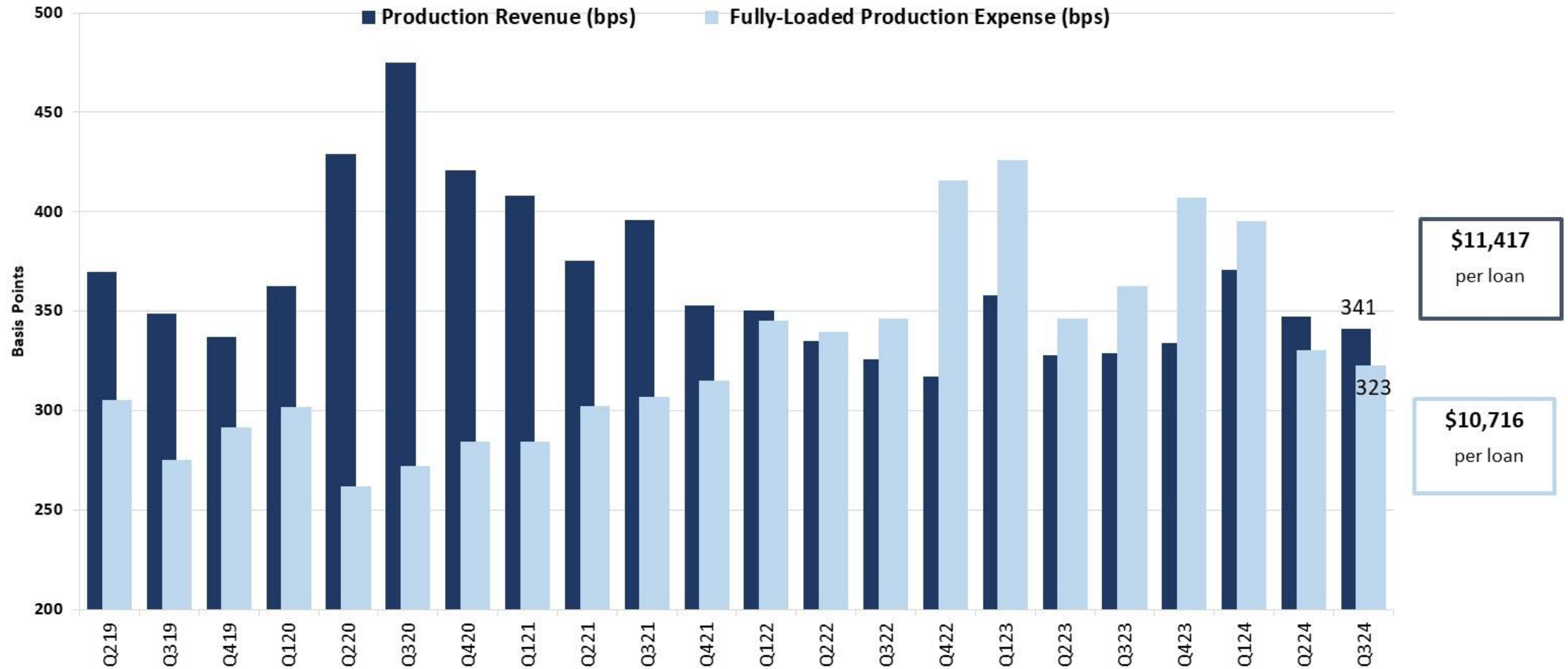
Origination Forecast – December 2024



Tough Conditions for Pre-Tax Net Production Profits Over Past Three Years



IMB Production Revenues and Expenses (basis points)



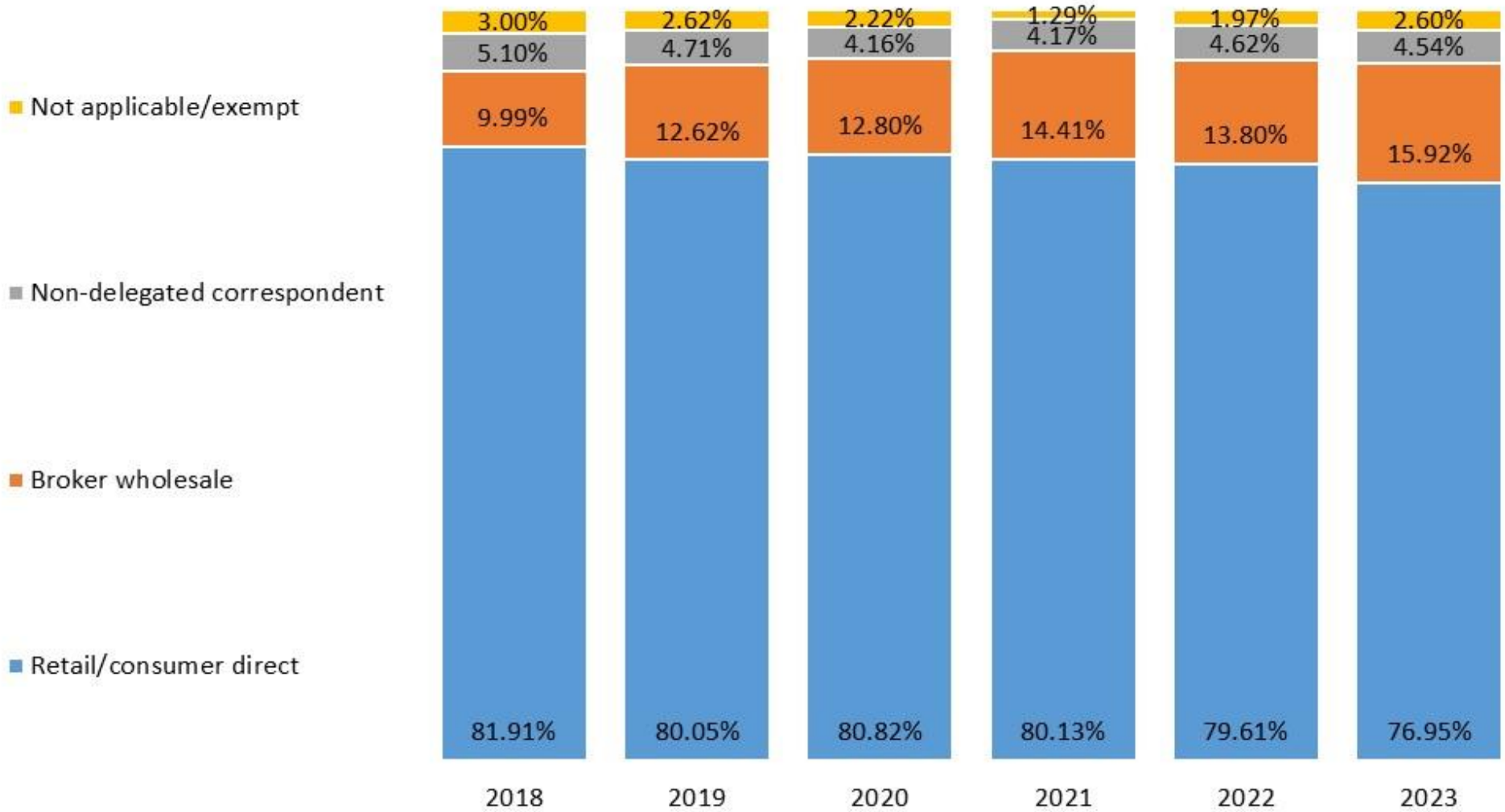
Source: MBA Quarterly Mortgage Bankers Performance Report for IMBs: www.mba.org/performance-report

Retail Channel: LO Productivity by Group (Loans Closed per LO per Month)



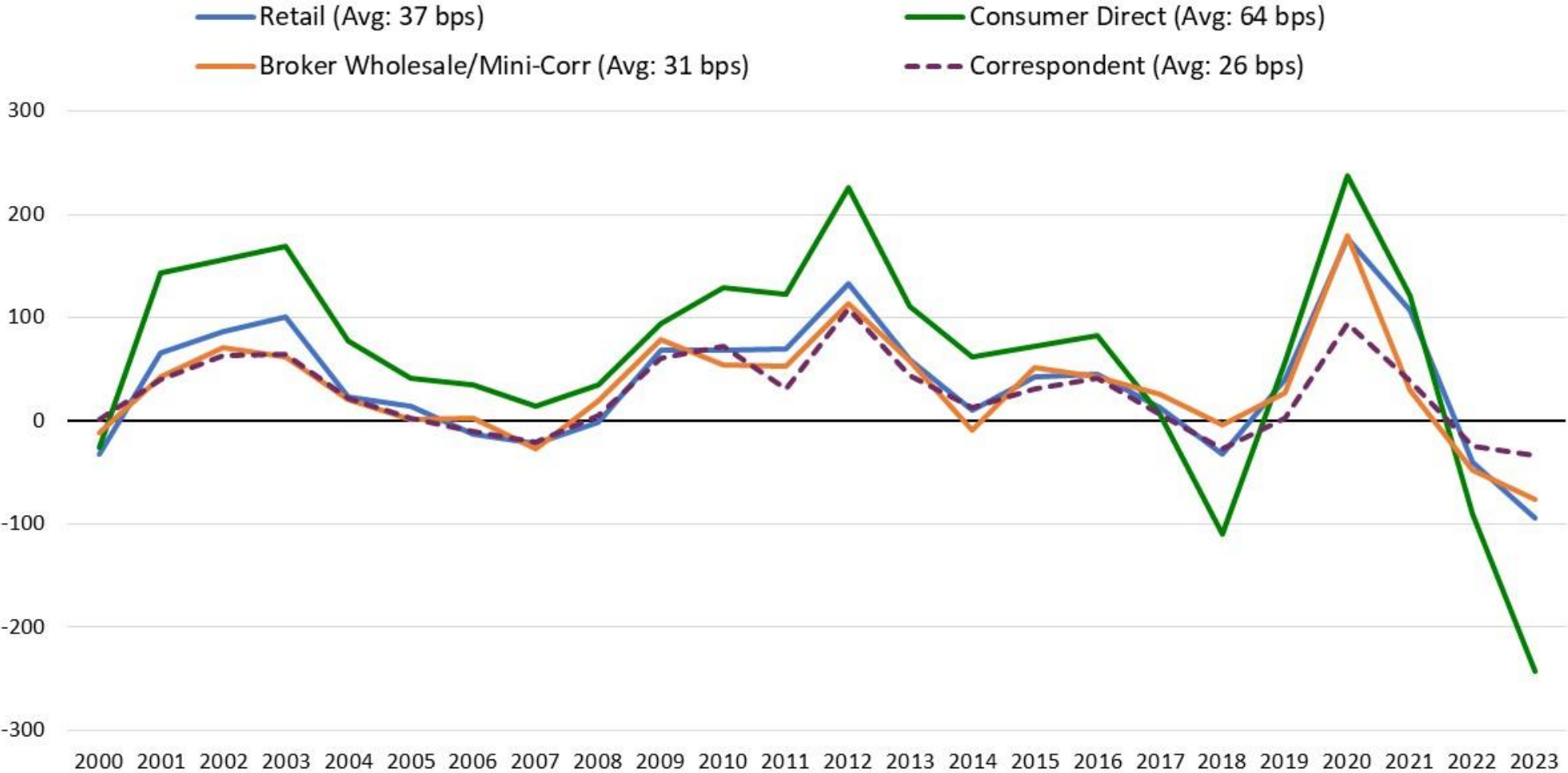
Source: FCR, MBA and CTR/MORT Pool Group Readable Program, 1H 2024. Large Lenders Only. www.mba.org/pgr

Production Channel Mix (% of \$): More Share to Broker Wholesale



Source: MBA Analysis of 2019-2023 Home Mortgage Disclosure Act (HMDA); excl. delegated Correspondent Channel; www.mba.org/hmda

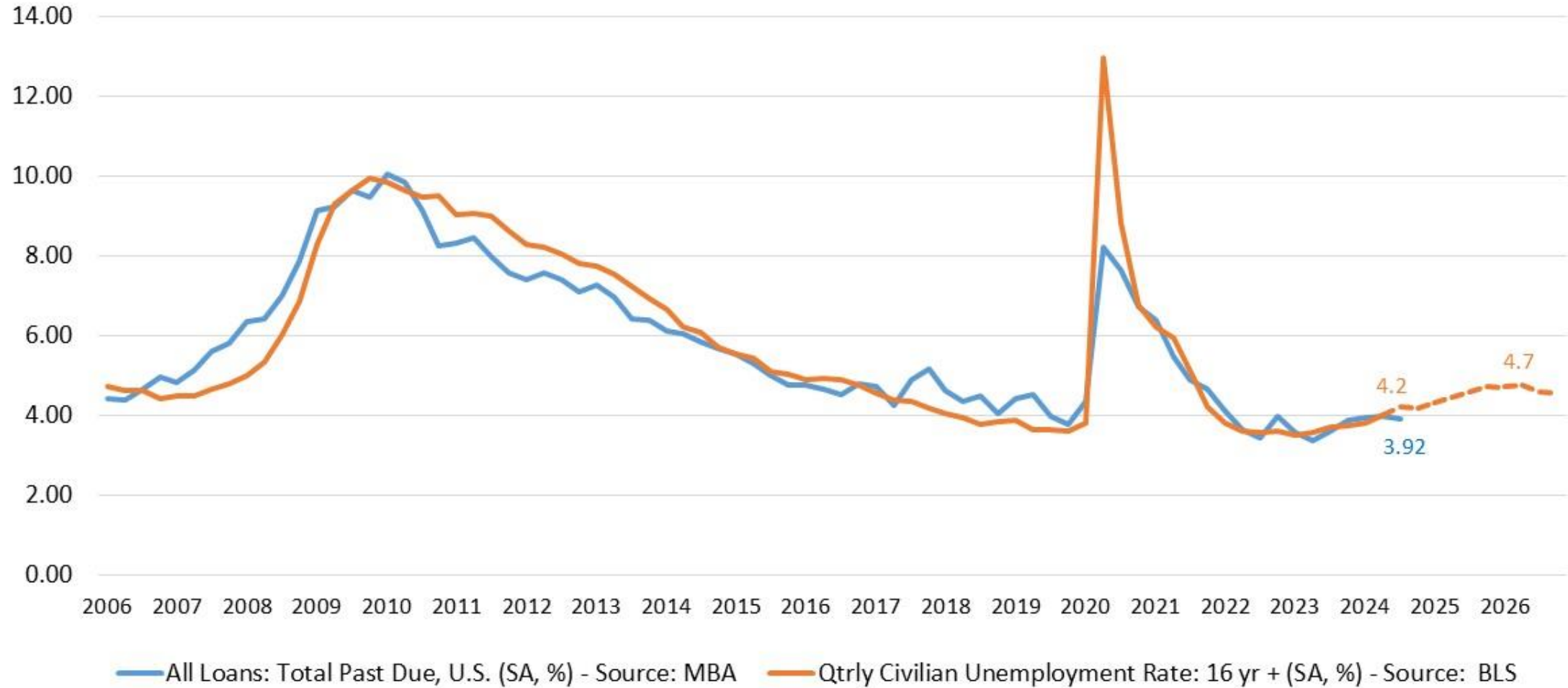
Net Production Income by Production Channel (Basis Points): Consumer Direct the Historical Winner



Source: PGR: MBA and STRATMOR Peer Group Roundtable Program: www.mba.org/pgr

Mortgage Delq. Rate Tracking with Unemployment Rate

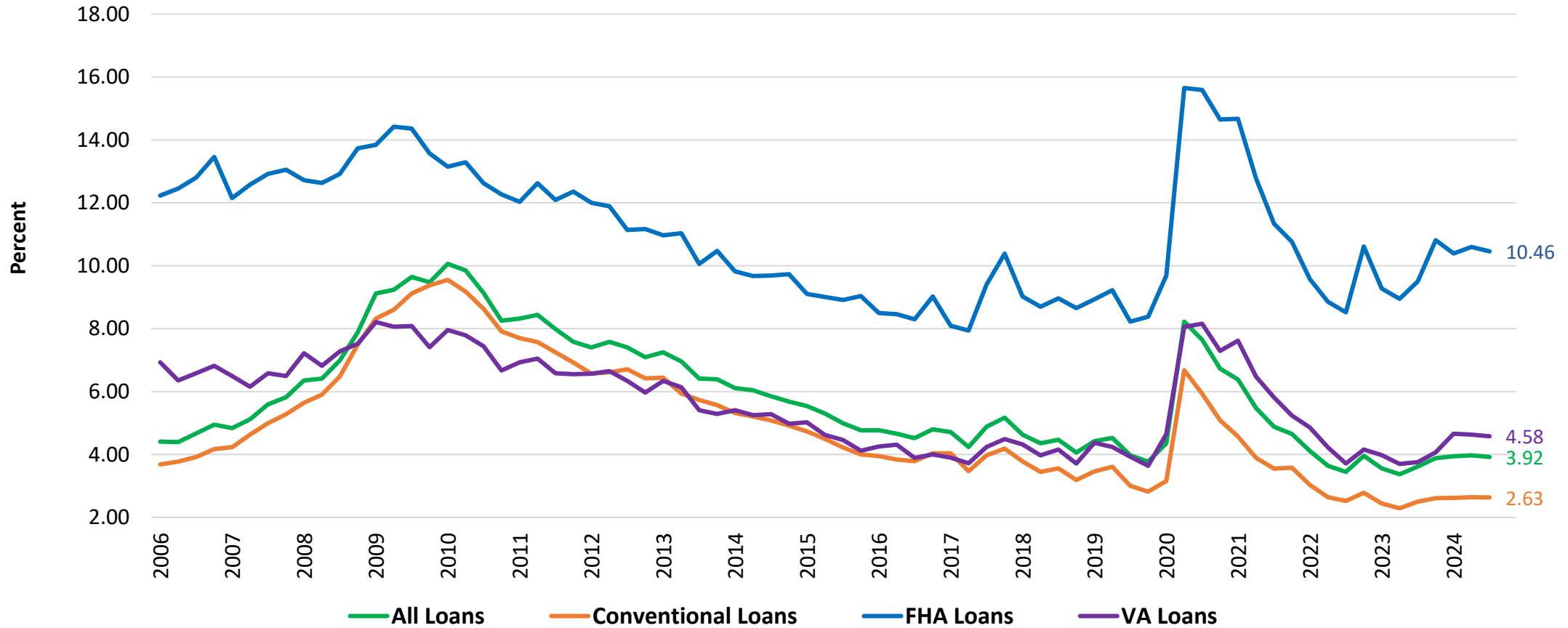
Mortgage Delinquency Rate and Unemployment Rate
Seasonally adjusted, percent



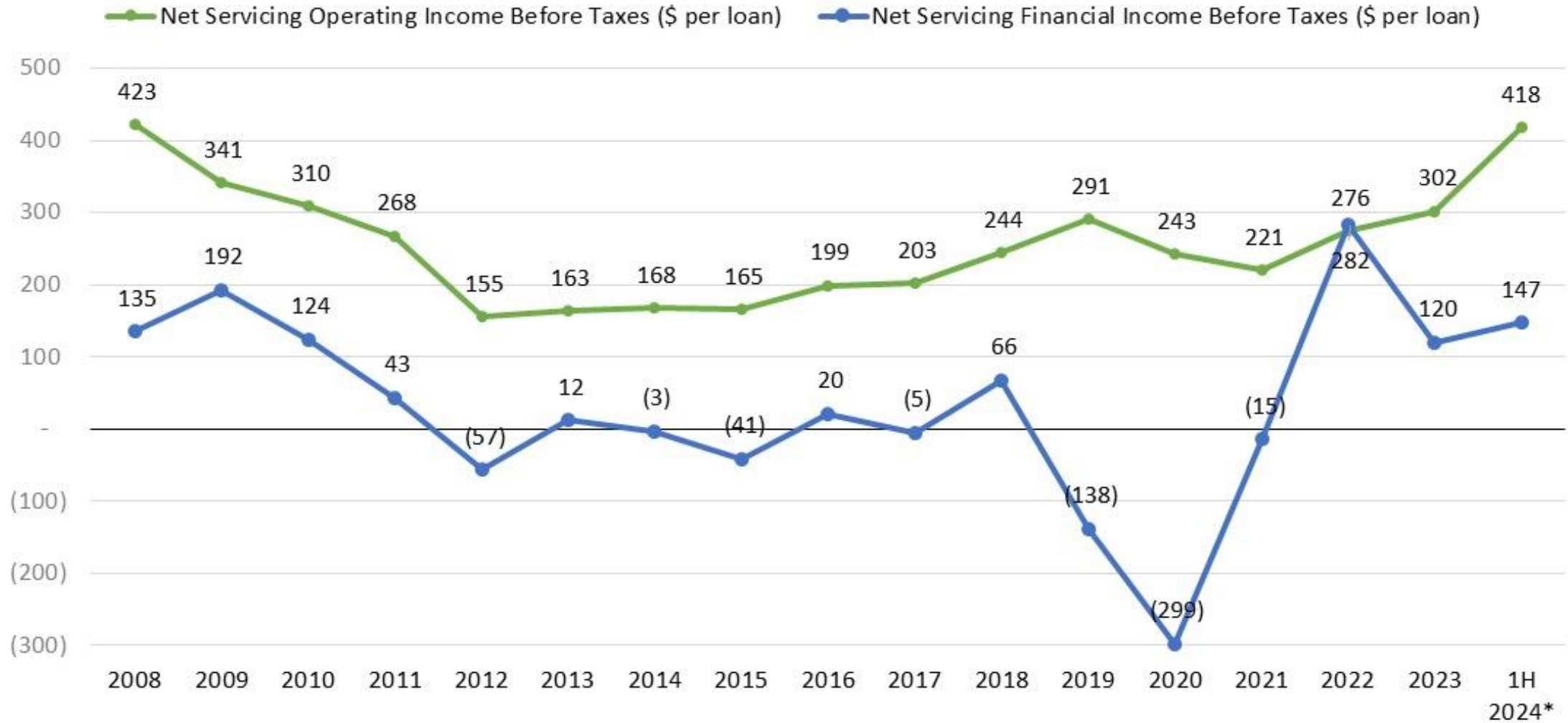
Source: MBA's National Delinquency Survey: www.mba.org/nds; BLS

FHA DQ Rates Above Pre-pandemic Level

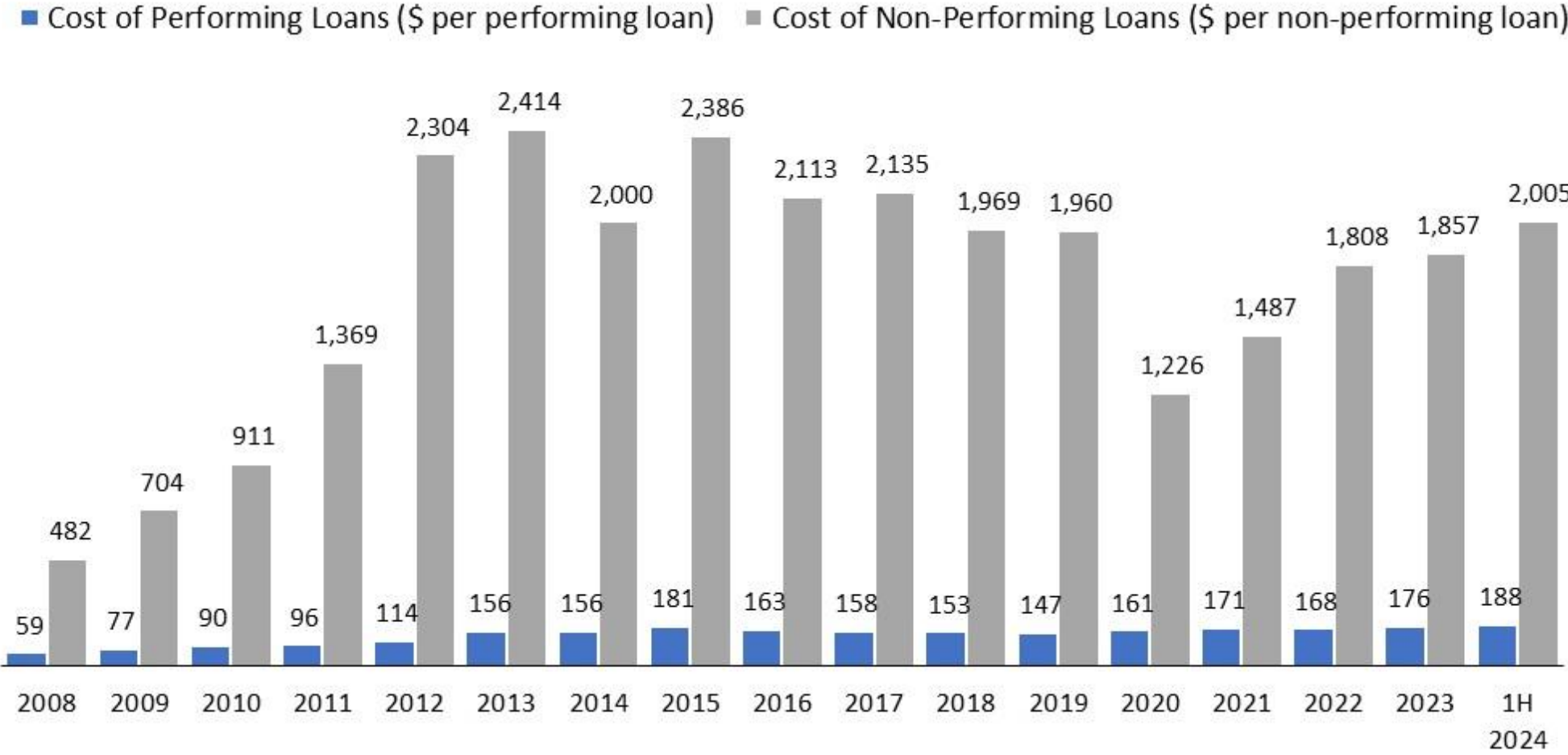
Mortgage Delinquency Rates by Loan Type
Seasonally adjusted, based on loan counts, excludes loans in foreclosure



Servicing Net Operating Income at Highest Level Since 2008



Cost of Performing and Non-Performing Loans Substantially Different



Source: SOSE: MBA's Servicing Operations Study and Forum: www.mba.org/sosf; 1H 2024 data: PGR Program



Contact Information and MBA Resources

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MB Forecasts and Commentary: <https://www.mba.org/news-and-research/forecasts-and-commentary>

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