

Where are interest rates going and what are the implications for mortgages?

NVAR Finance Summit
May 2017

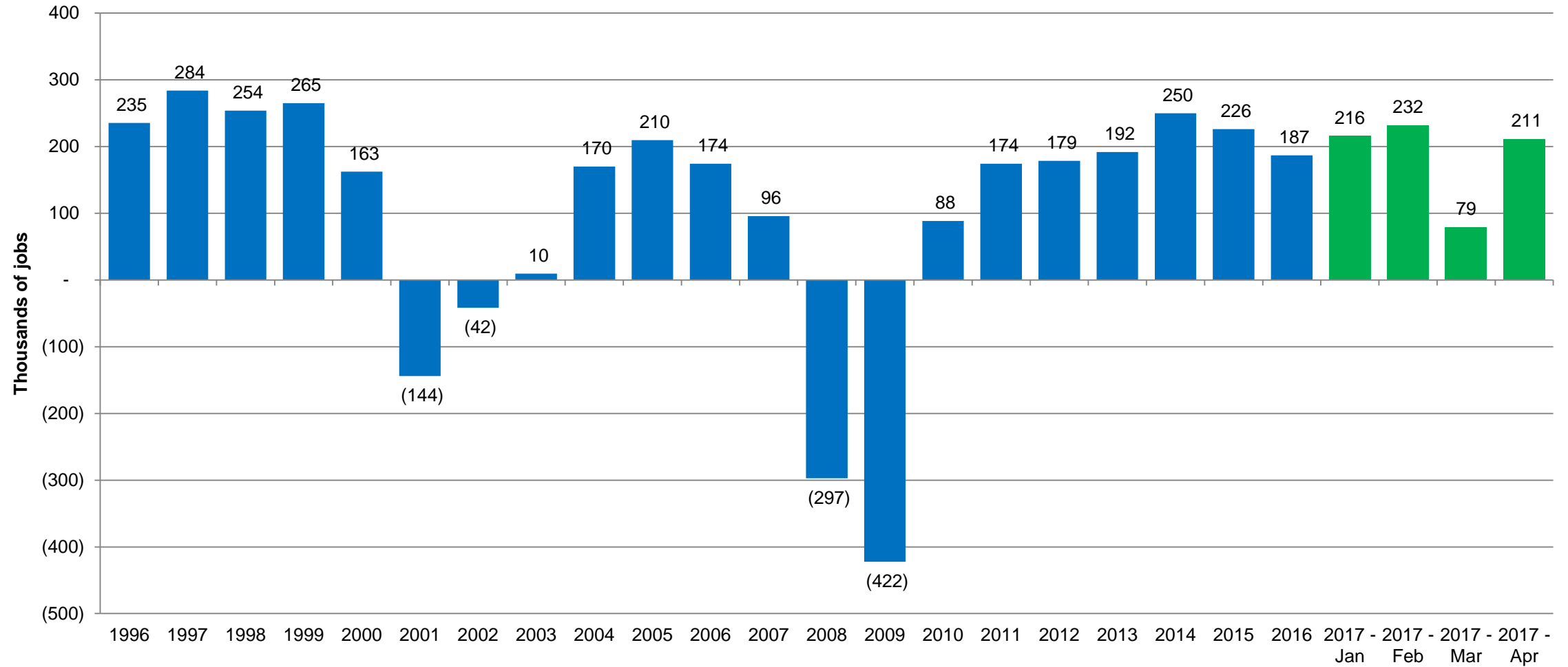
Presented by
Lynn Fisher
Mortgage Bankers Association

Summary of the MBA Outlook

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
GDP Growth	2.0%	2.1%	1.9%	1.7%
Inflation	1.3%	2.4%	2.3%	2.5%
Unemployment	4.9%	4.4%	4.3%	4.4%
Fed Funds	0.625%	1.375%	2.375%	3.125%
10-year Treasury	1.8%	2.6%	3.1%	3.5%
30-year Mortgage	3.6%	4.3%	5.0%	5.4%
New home sales (000s)	560	631	694	729
Existing home sales (000s)	5,440	5,779	6,020	6,104
Purchase originations (\$B)	990	1,081	1,178	1,245
Refi originations (\$ B)	901	515	410	395
Total originations (\$B)	1,891	1,596	1,588	1,640
Mortgage debt outstanding (\$B)	9,670	10,041	10,437	10,806

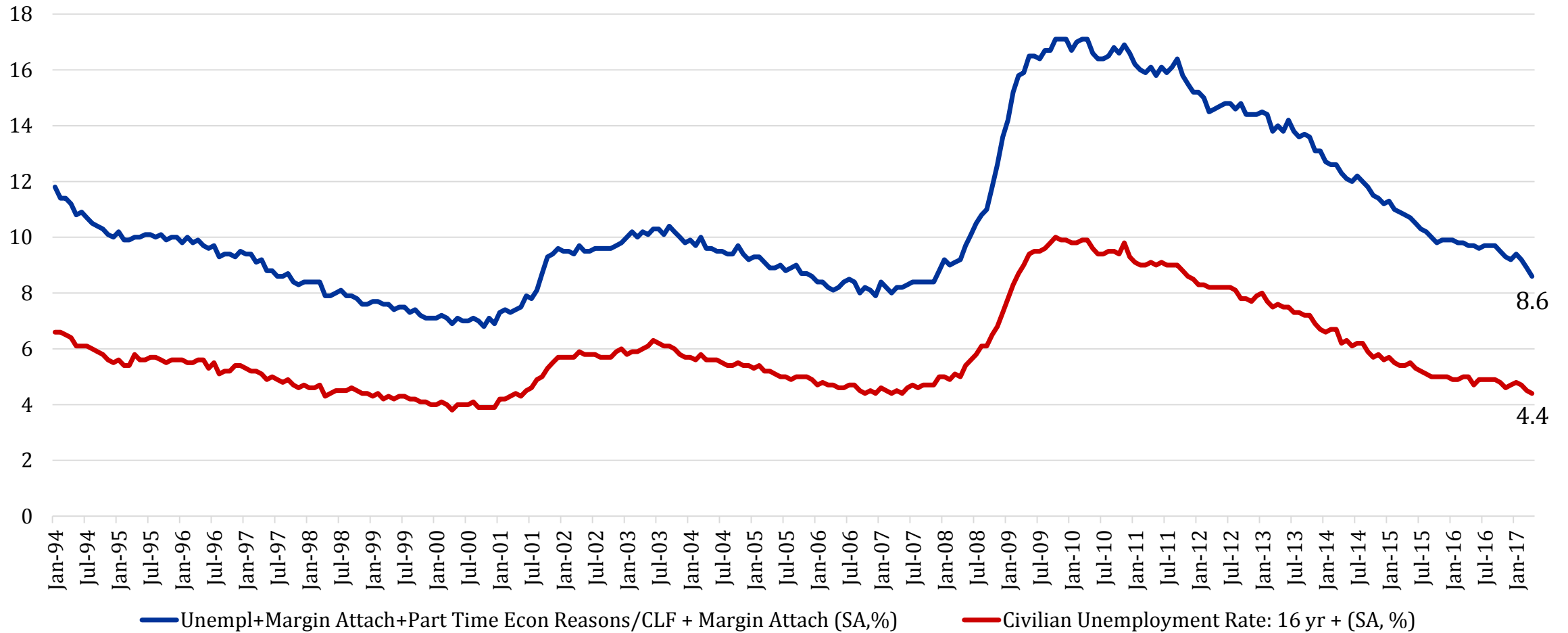
Job Growth Starting Off Strong in 2017

Average Monthly Payroll Growth



Tightness Building in Labor Markets

Unemployment and Underutilization Rates

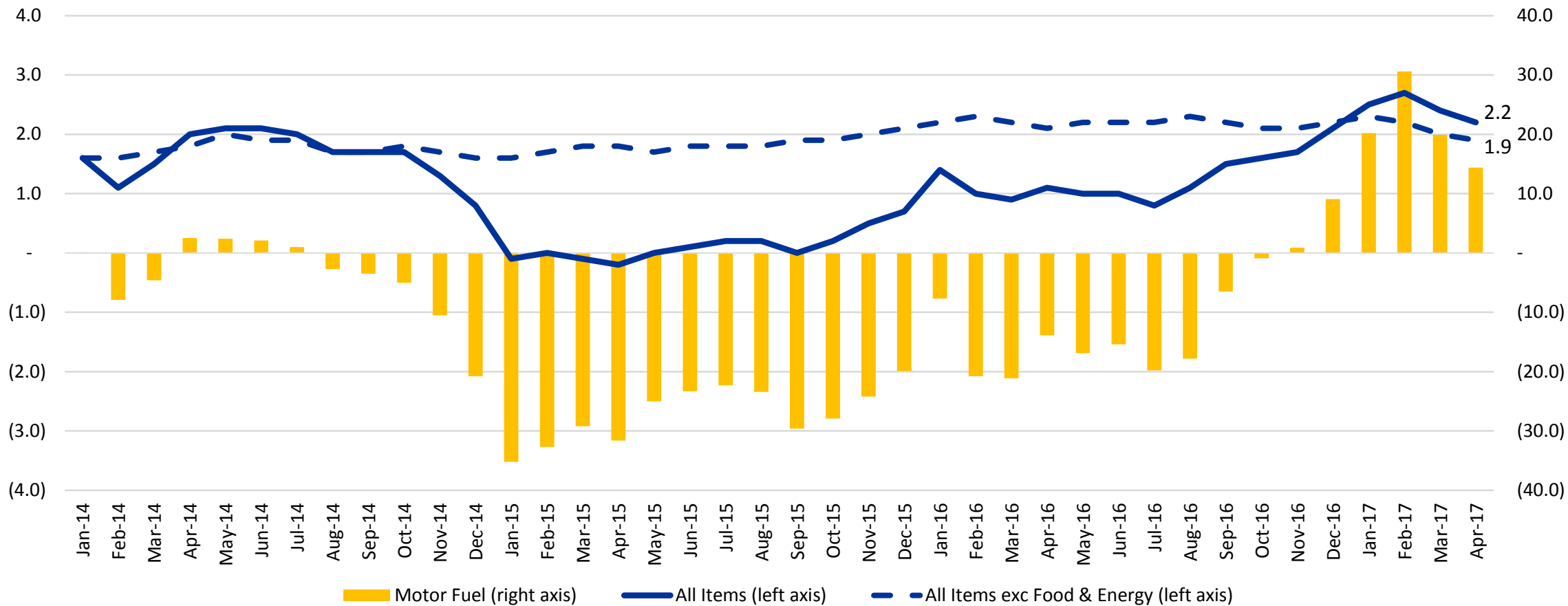


Steady Increase in Recent Wage Growth



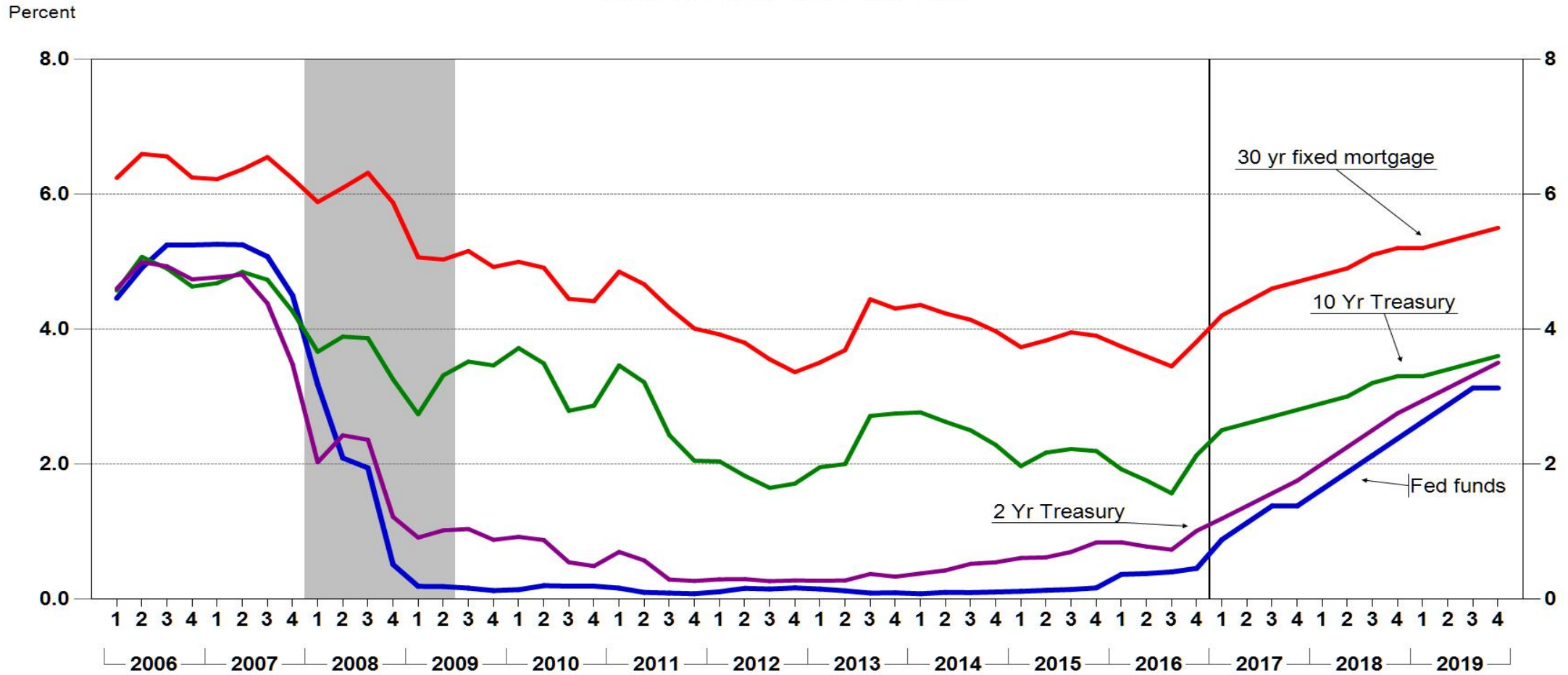
Inflation Near 2 Percent Threshold

CPI and Selected Components
Year over year percent change



Rates Expected to Increase

Rate History and Forecast



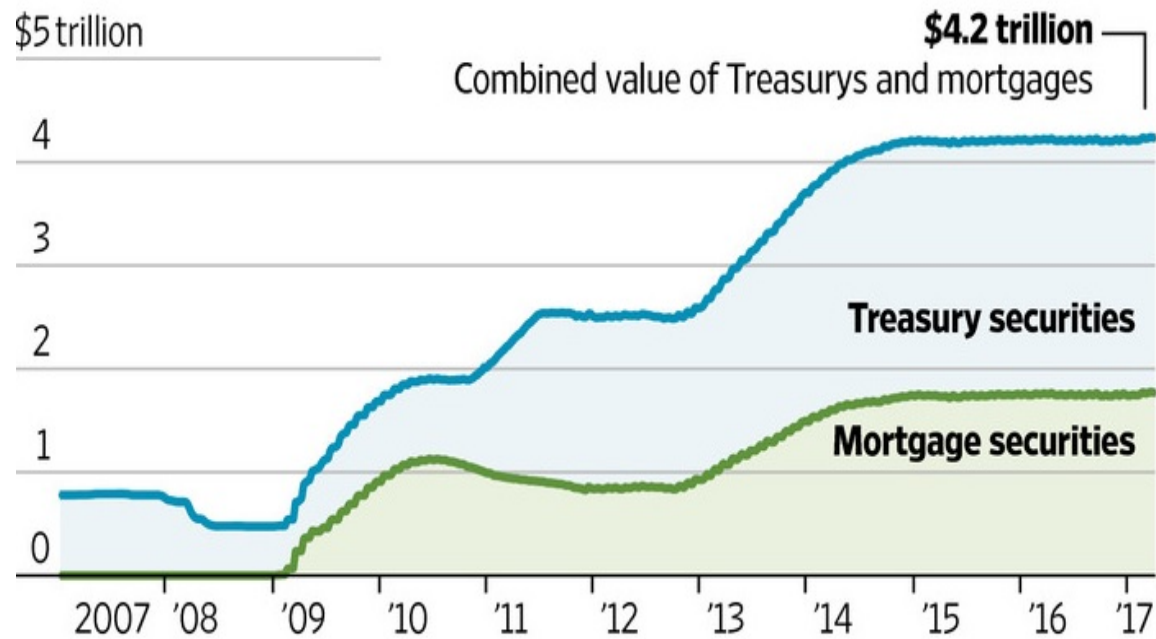
Source: Federal Reserve, Freddie Mac, MBA Forecast

Changes to Fed's Balance Sheet Are Coming...

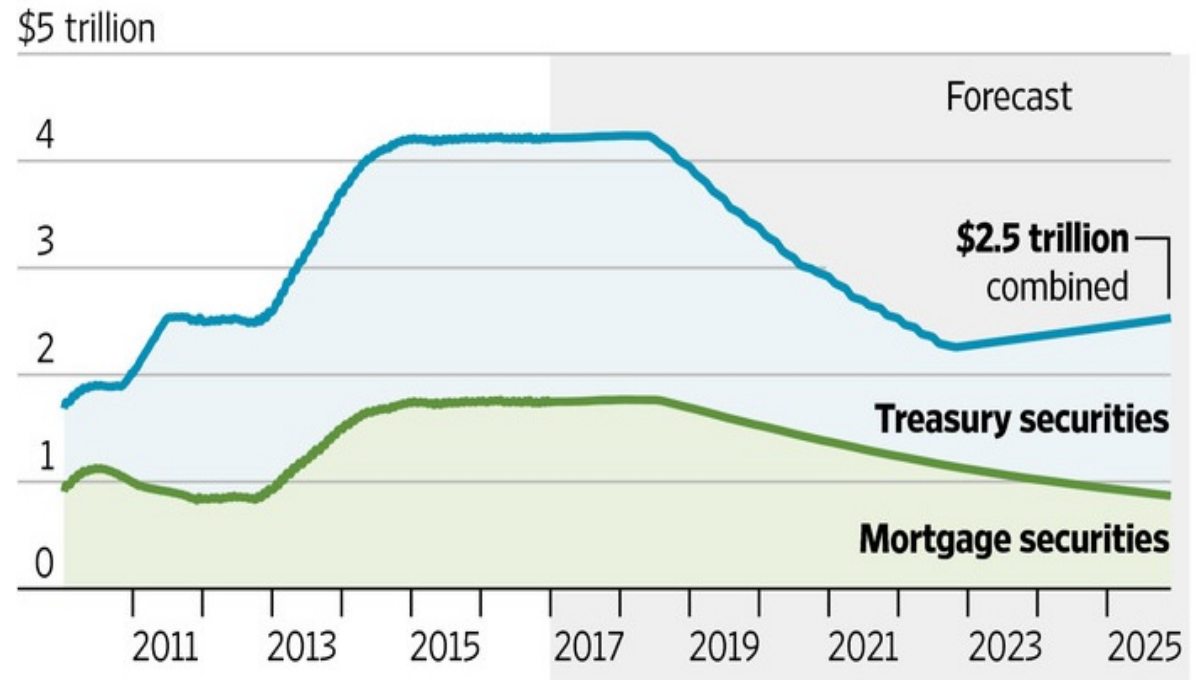
Ramp Down

After loading up on mortgage and Treasury securities, the Fed is developing a plan to wind them down.

Fed's balance sheet growth during the financial crisis and its aftermath



Simulation of how it could go postcrisis, based on a Fed board paper released in January*

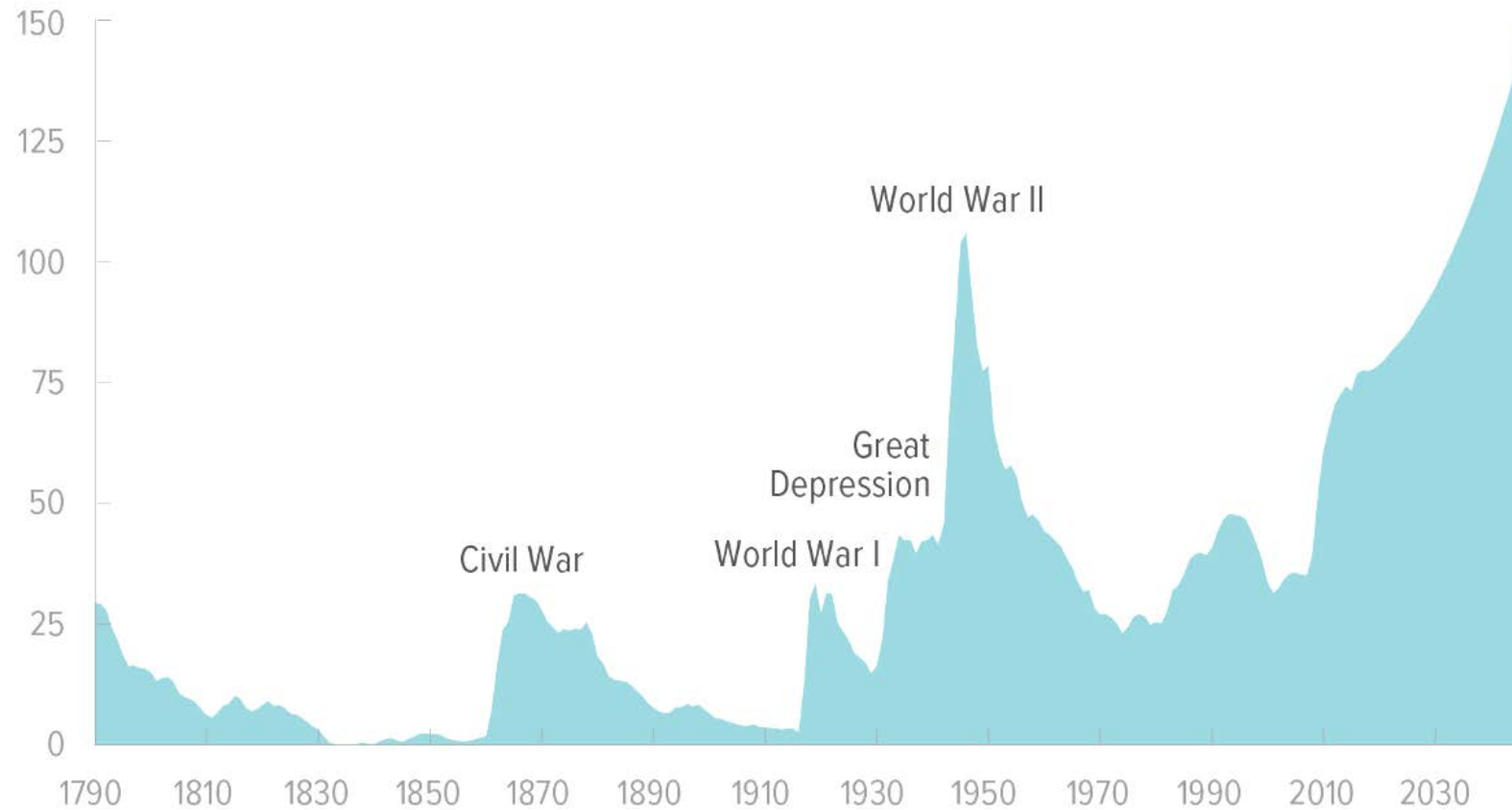


*2007-16 figures are weekly; 2017-25 figures are monthly

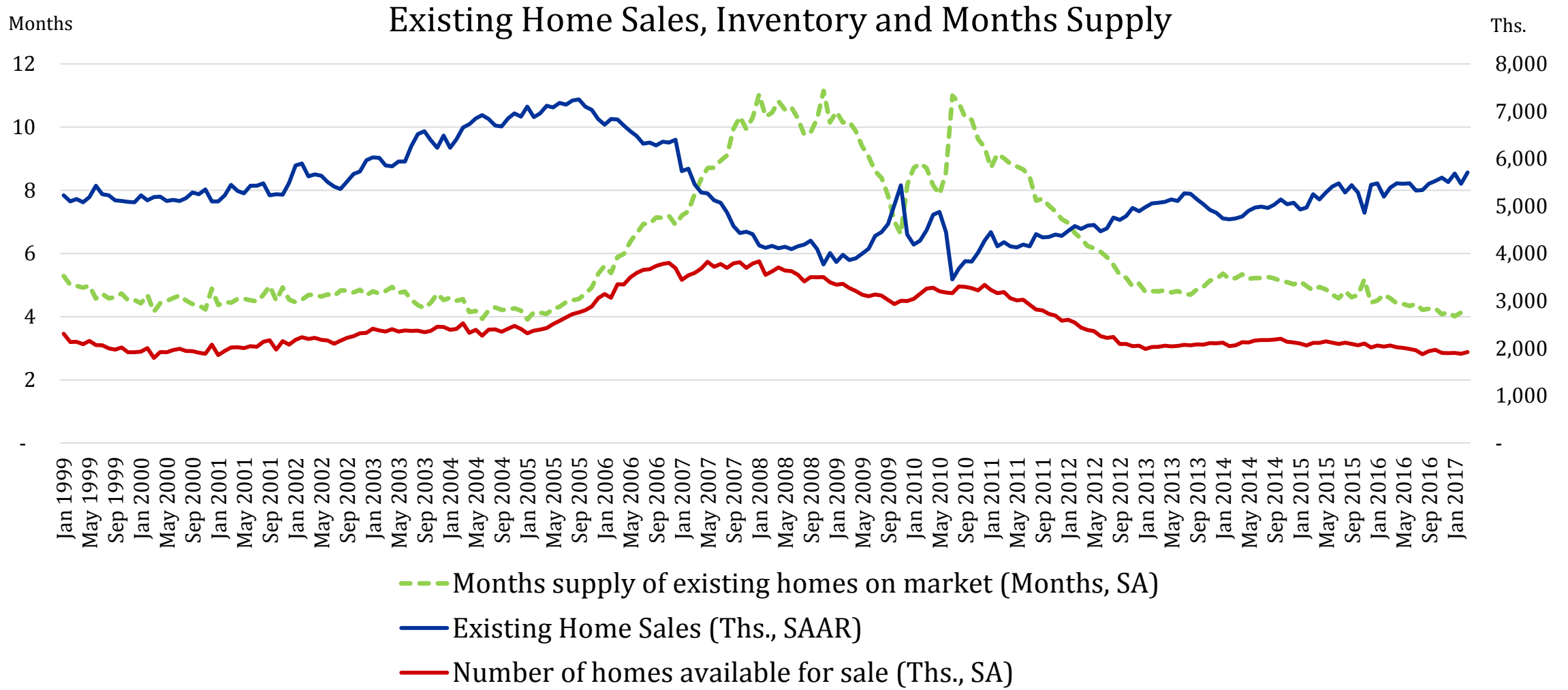
Growing Federal Debt Looming

Federal Debt Held By the Public

Percentage of GDP

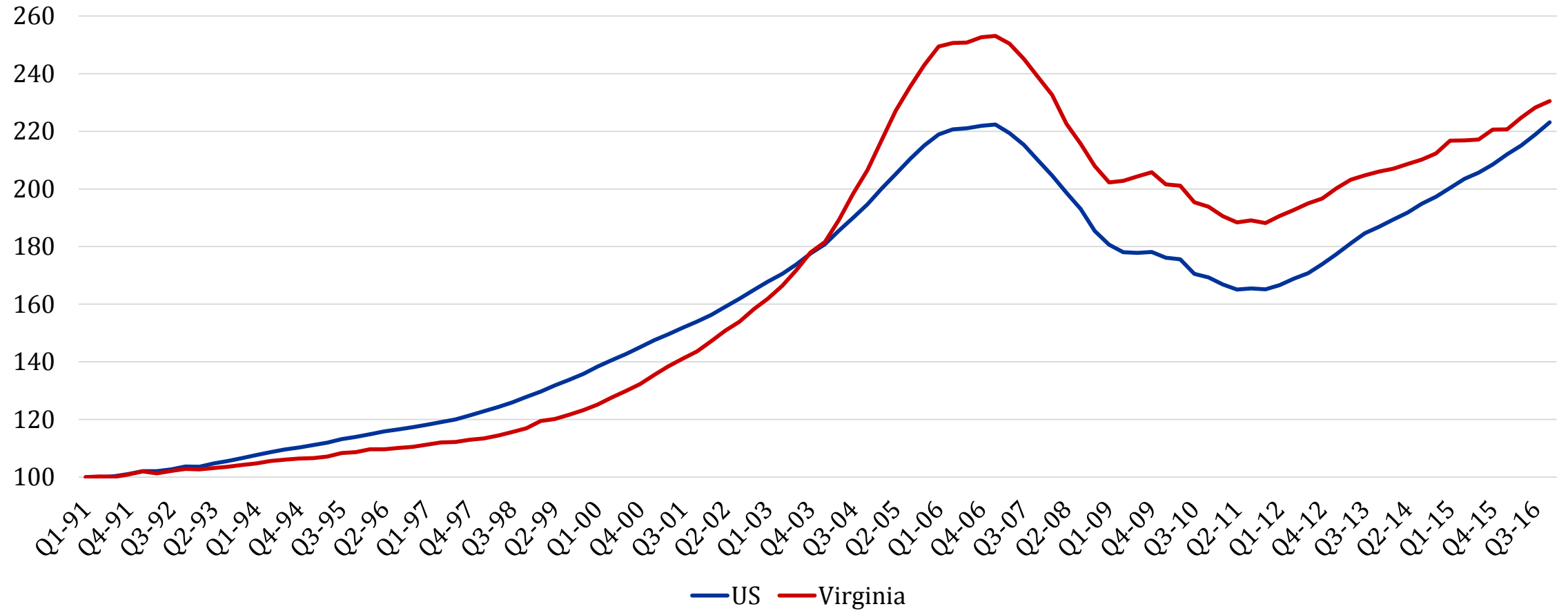


Low Inventories of Existing Homes for Sale



Continued Strong House Price Growth

FHFA Expanded House Price Index
(quarterly, SA, 1991Q1 = 100)



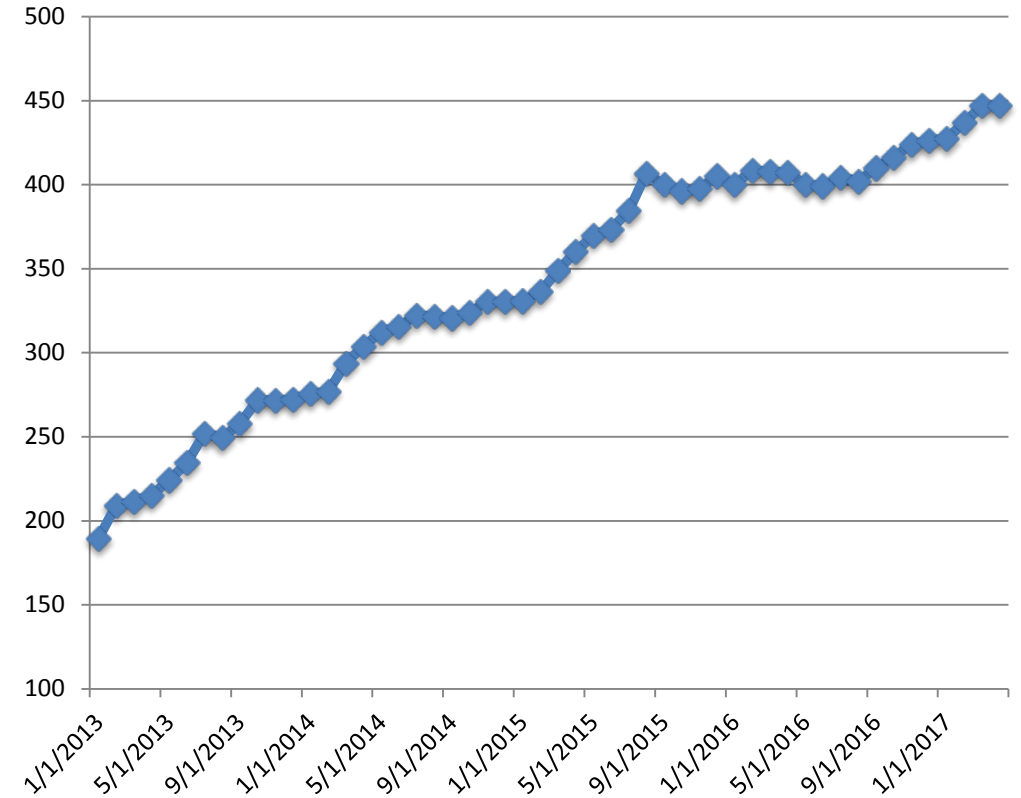
The Supply of Non-Jumbo Mortgage Credit

Conforming Index
(NSA, 3/2012=73.5)



Source: Mortgage Bankers Association; Powered by AllRegs Market Clarity

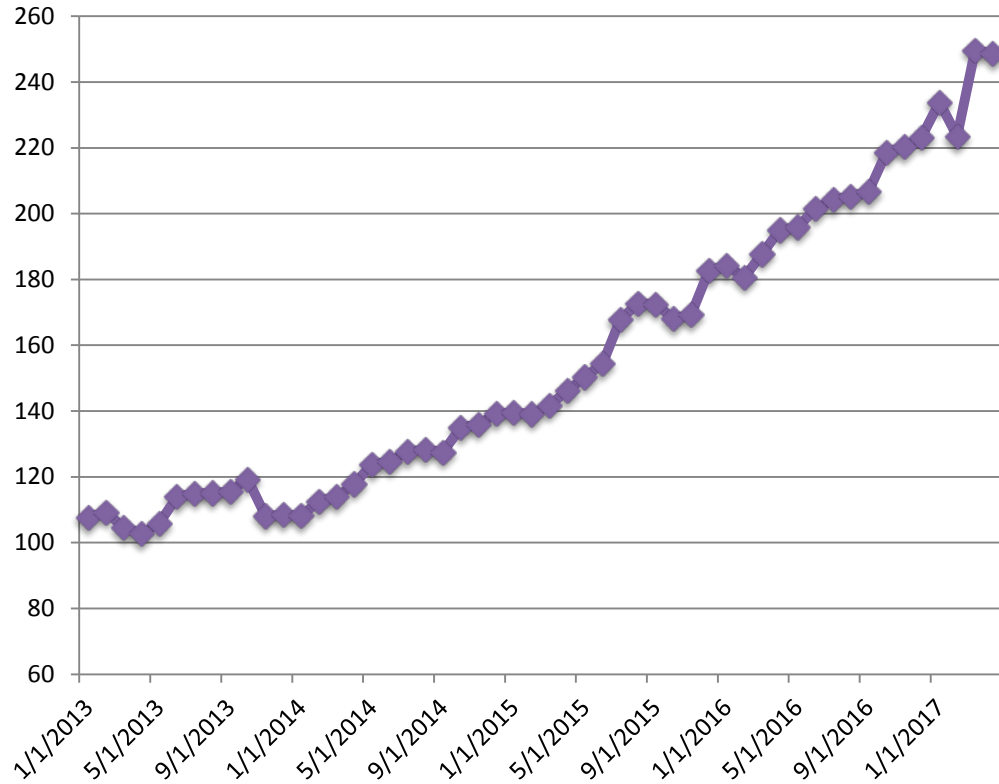
Government Index
(NSA, 3/2012=183.5)



Source: Mortgage Bankers Association; Powered by AllRegs Market Clarity

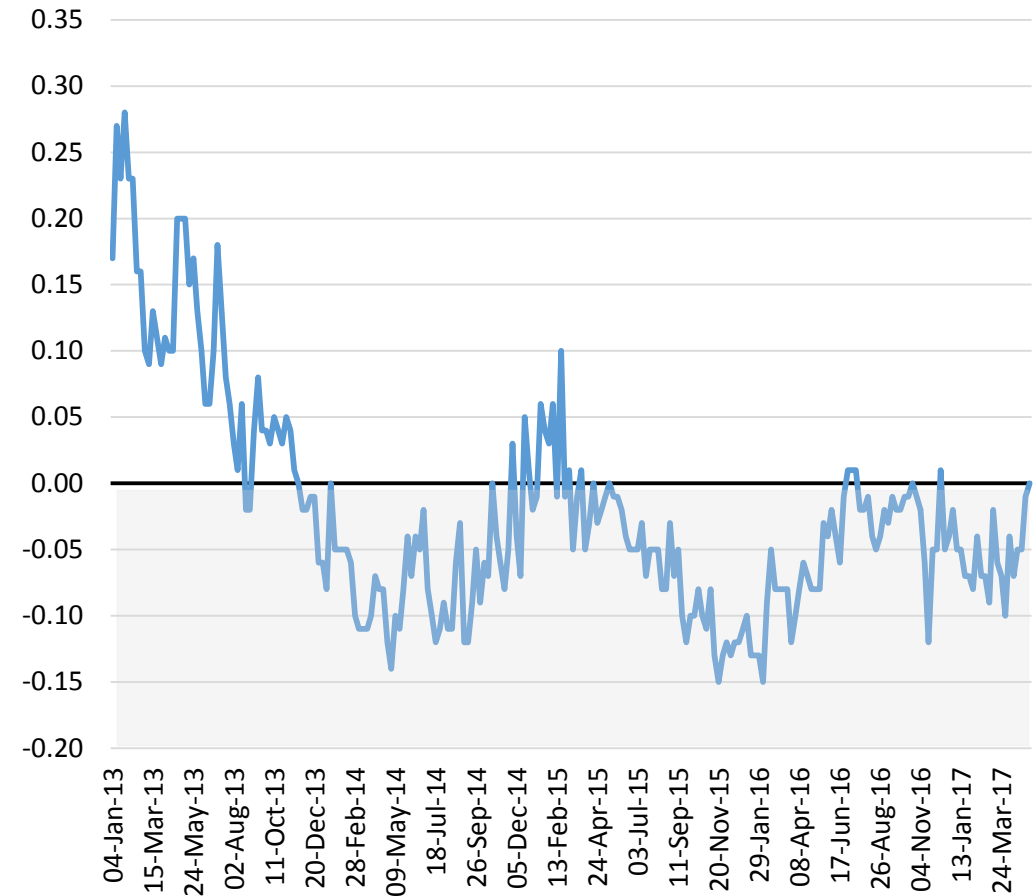
Positive Trend in the Supply of Jumbo Credit

Jumbo Index
(NSA, 3/2012=100)

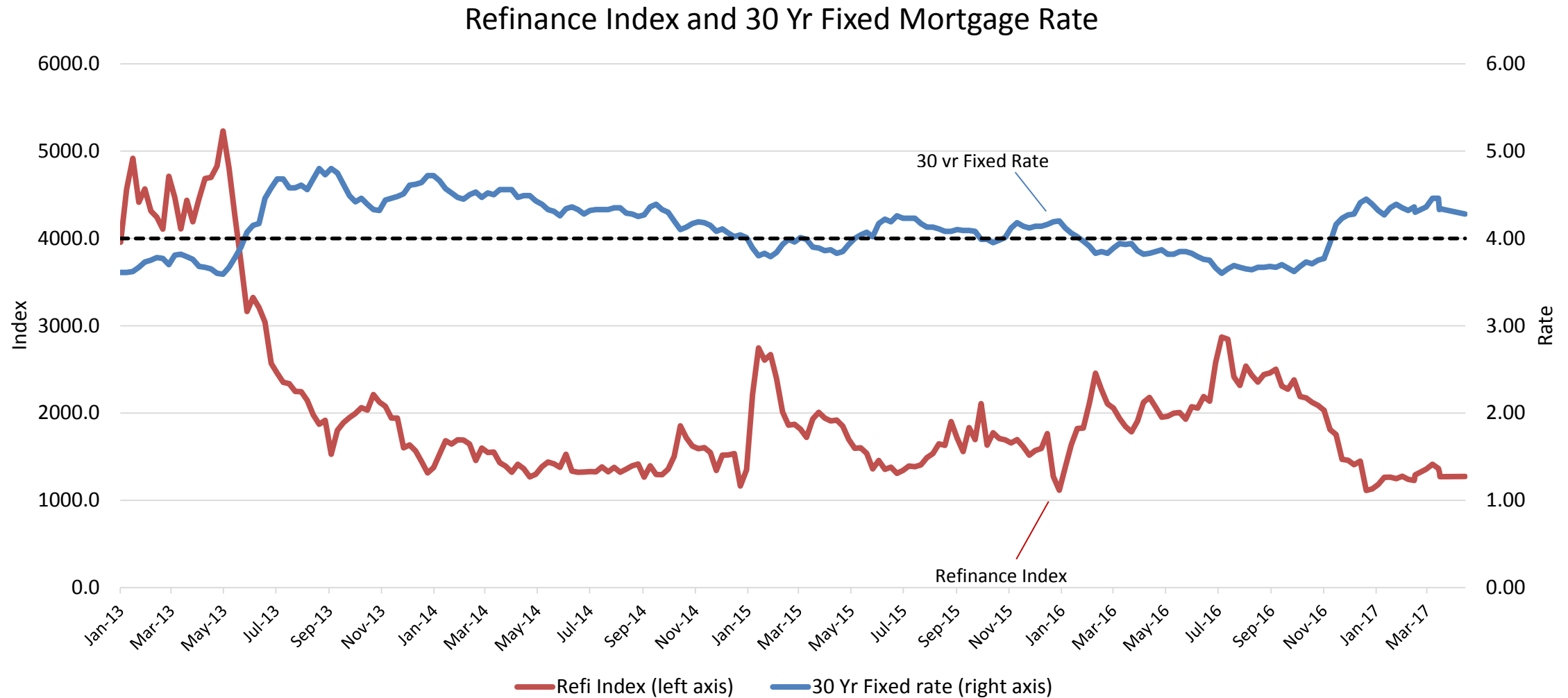


Source: Mortgage Bankers Association; Powered by AllRegs Market Clarity

Jumbo Minus Conforming Interest Rate

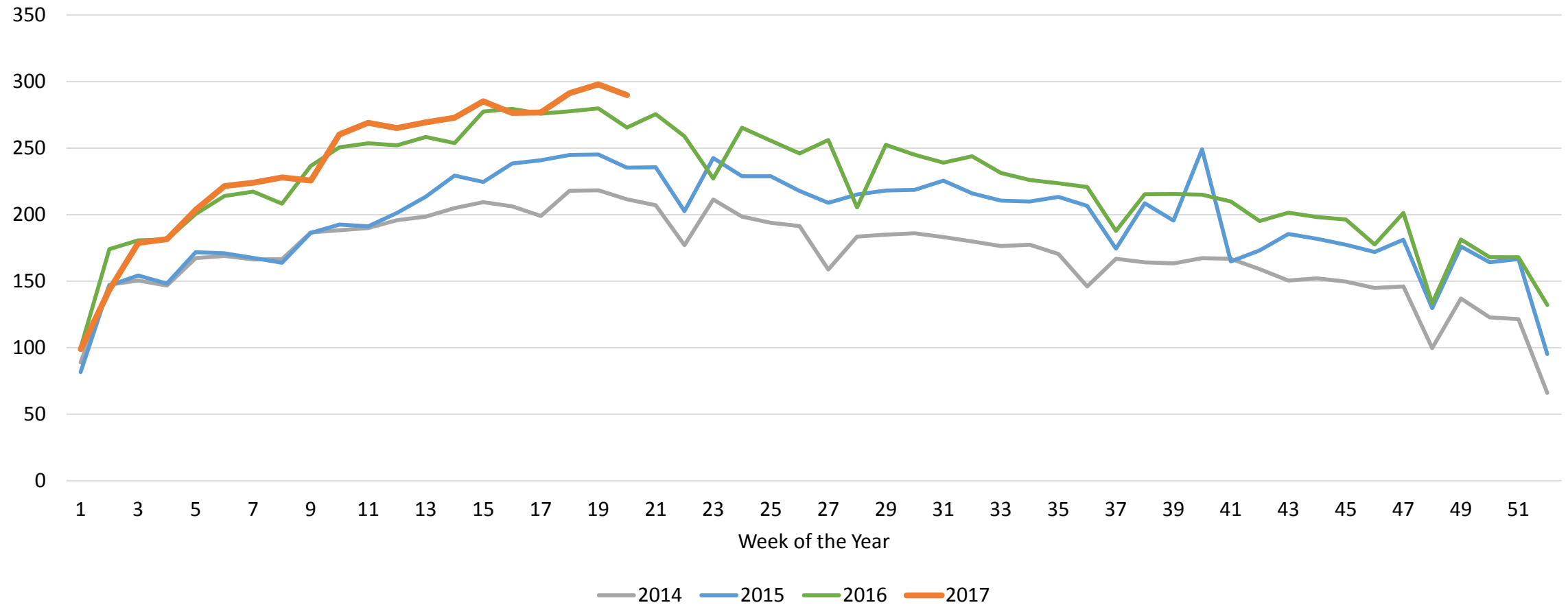


Refinance Activity Has Declined Sharply



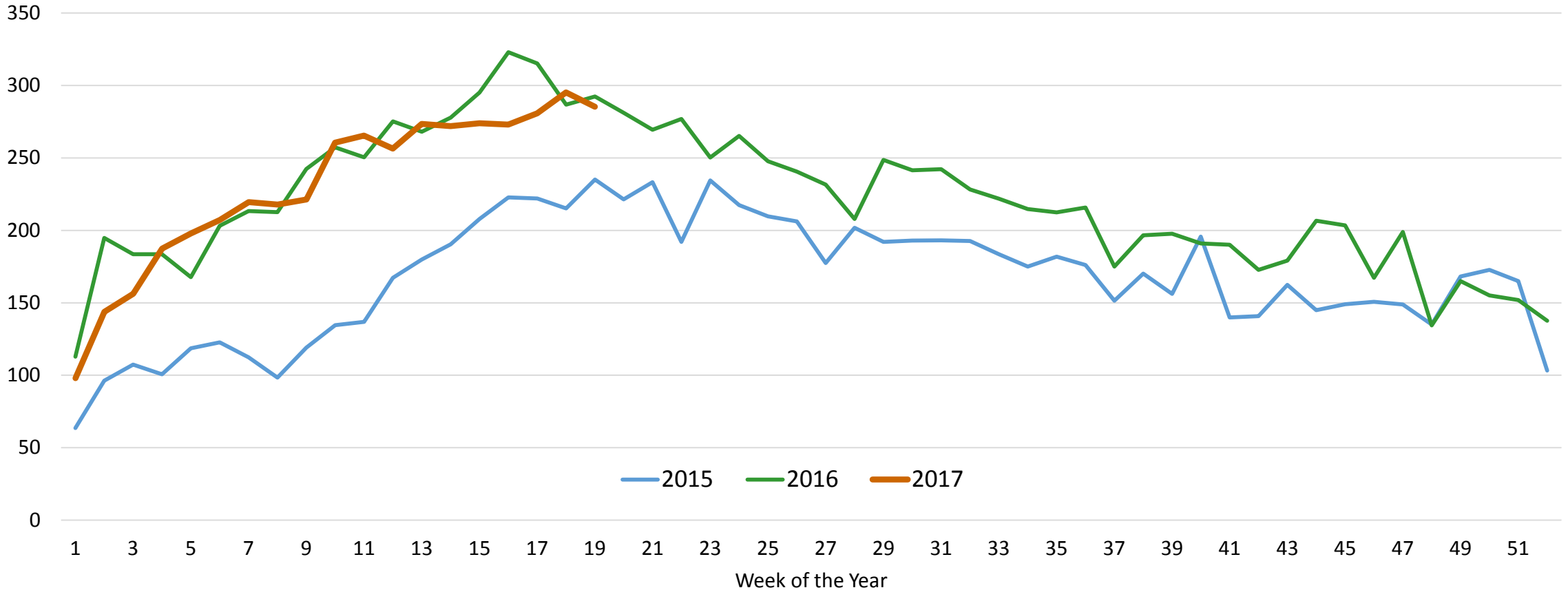
Purchase Apps Running Slightly Ahead of 2016

Purchase Mortgage Applications Index
(by week of the year, NSA)



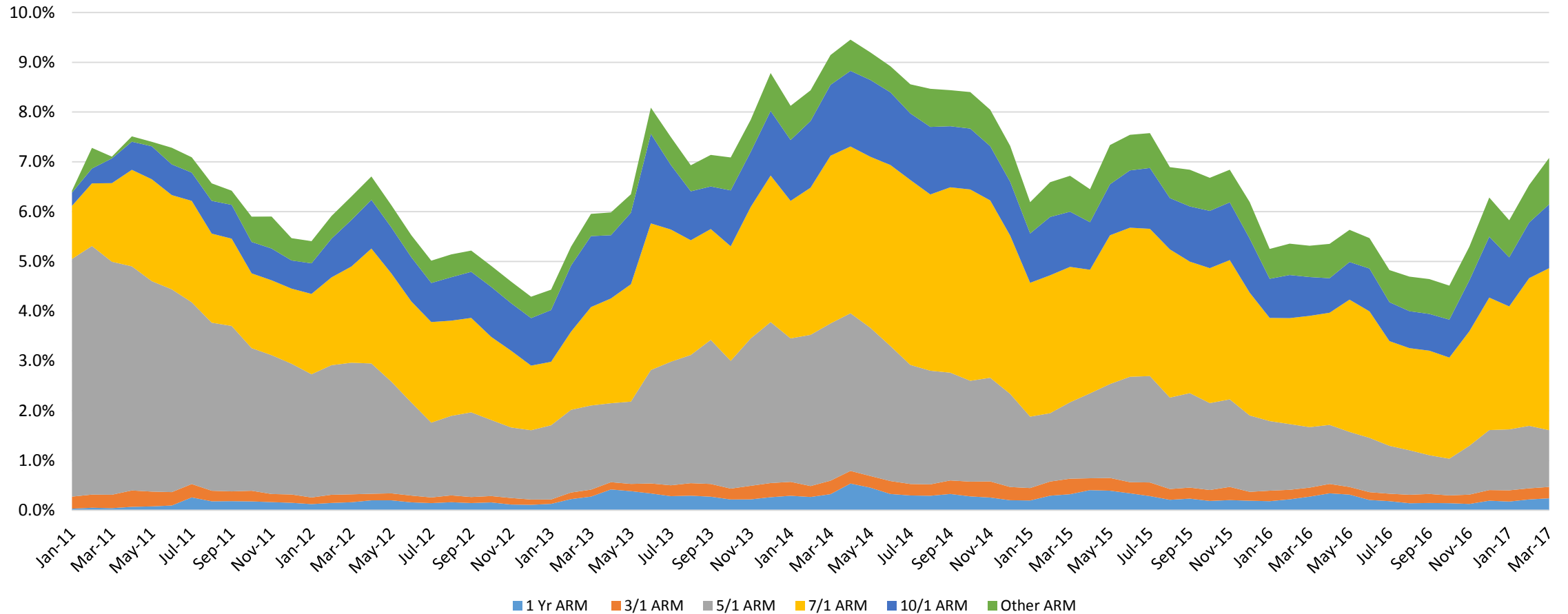
Purchase Applications Flat in Virginia

Purchase Mortgage Applications Index - Virginia
(by week of the year, NSA)



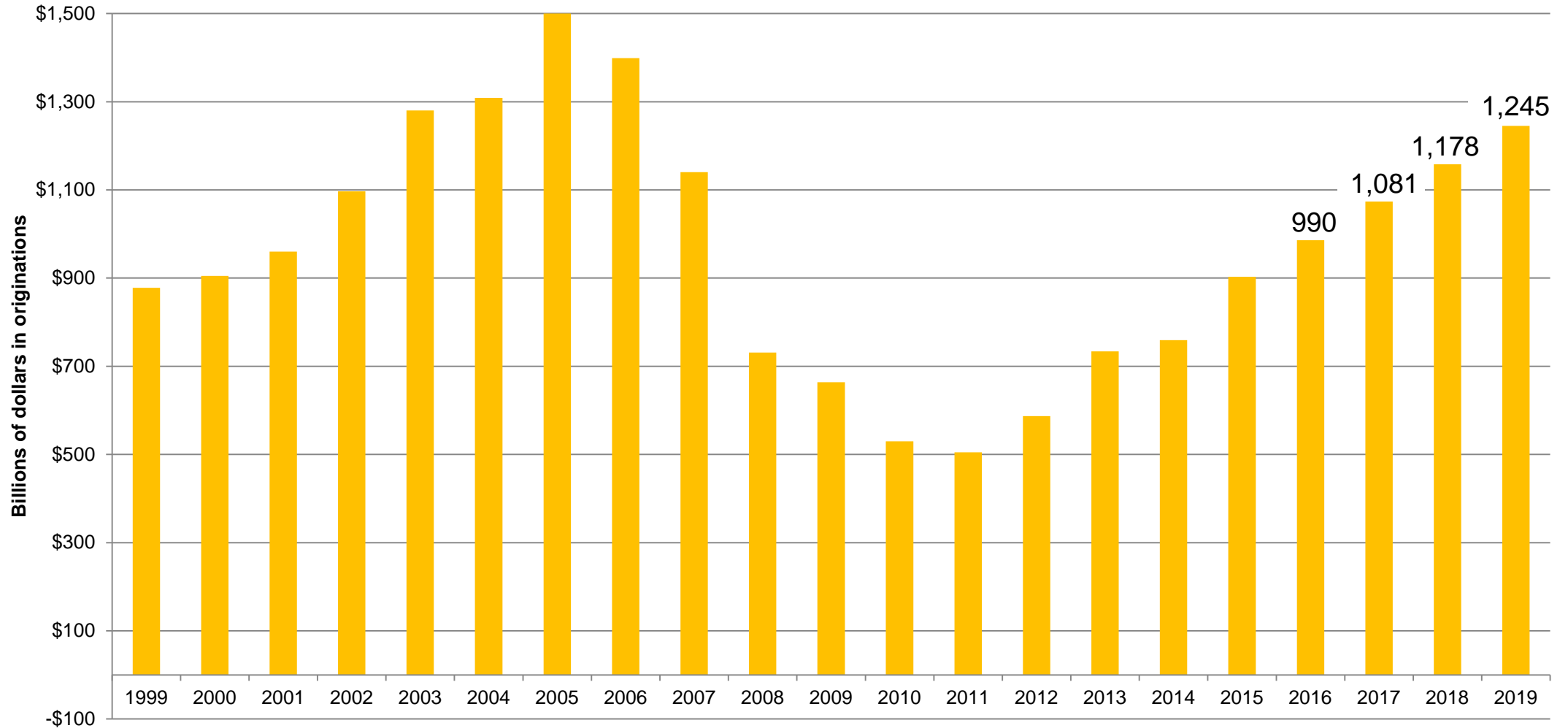
ARM Share of Purchase Applications Increasing

ARM Loans as Share of Home Purchase Applications
NSA, based on loan count



MBA Originations Forecast

Purchase Mortgage Originations: 1999-2019



Contact Information & MBA Resources

Lynn Fisher, Ph.D.

Vice President & Executive Director of RIHA | Research and Economics

202-557-2739

lfisher@mba.org

MBA Research:

www.mba.org/research

RIHA:

www.housingamerica.org