

# ECONOMIC MARKET SNAPSHOT

WINTER 2024 | ISSUE NO. 25

## NATIONAL MI IS PLEASED TO BRING YOU OUR Winter 2024 Edition of the Economic Market Snapshot

### The economy and housing are starting the new year in much better shape than one year ago.

John Burns Research & Consulting reports that housing optimism persists as mortgage rates stabilize at the 6.6%-6.8% range through the first half of January. Stabilizing mortgage rates, now well below last October's 8% cycle peak, are gradually lifting buyers and seller confidence, supporting the call for both resale and new home price appreciation along with sales growth in 2024.

Home prices are picking up steam despite still historically poor affordability.

- Resale home prices are rising steadily, now up 5.5% nationally, according to the Burns Home Value Index™.
- Both new home sales and pending existing home sales show signs of momentum.

- Existing homes sold to first-time buyers rose to 32% in 2023.

The labor market remains strong, and we do not expect outright job losses in 2024, although we are still wary of the lagged impacts of the fastest rate hike cycle in decades.

John Burns Research & Consulting reports scenarios most likely to play out for housing in 2024.

- Single-family permits will rise 6% in 2024.
- They expect 2.5% price appreciation in 2024.
- Low inventory on the resale side will continue to support prices for both new and existing homes, though inventory is rising unseasonably in some markets currently.

- Rate Buydowns will continue to improve affordability concerns and draw buyers away from the resale market.

Key economic indicators signal steady growth and reduced uncertainty.

- 1.9% YOY employment growth in December, above the historical average of 1.2% over the last two years.
- Less angst around inflation, now running at 2.6% -3.9% across key gauges, with consumers and businesses expecting more certainty on price stability ahead, as is the Fed.

Affordability will remain stretched and limit aggregate housing demand in 2024. Land buying is picking up, which is a good leading indicator for permits/new home construction.

PLEASE REFER TO OUR

[Economic Market Snapshot webpage](#) for previous editions of this report

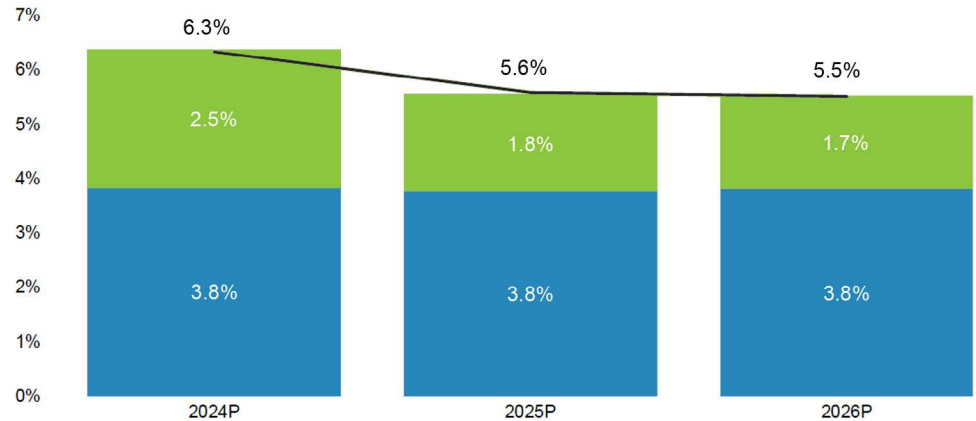
# We Base Our Mortgage Rate Forecast on Market Pricing for 10-Year Treasuries and Our View of the Mortgage Premium

Currently, the spread for mortgage rates over the 10-year Treasury is higher than normal (typically 170bps). The elevated spread is due to uncertainty around interest rates and less demand for mortgage-backed securities since the Fed stopped purchasing MBS in 2022. We expect the spread to normalize in the coming years as interest rates stabilize.

## ANNUAL AVERAGE 30-YEAR FIXED CONFORMING MORTGAGE RATE FORECAST

**12-month average**

- 30-year fixed rate conforming mortgage spread
- Bond market 10-year Treasury expectations (Bloomberg: FWCM)
- JBREC 30-year fixed rate conforming mortgage forecast



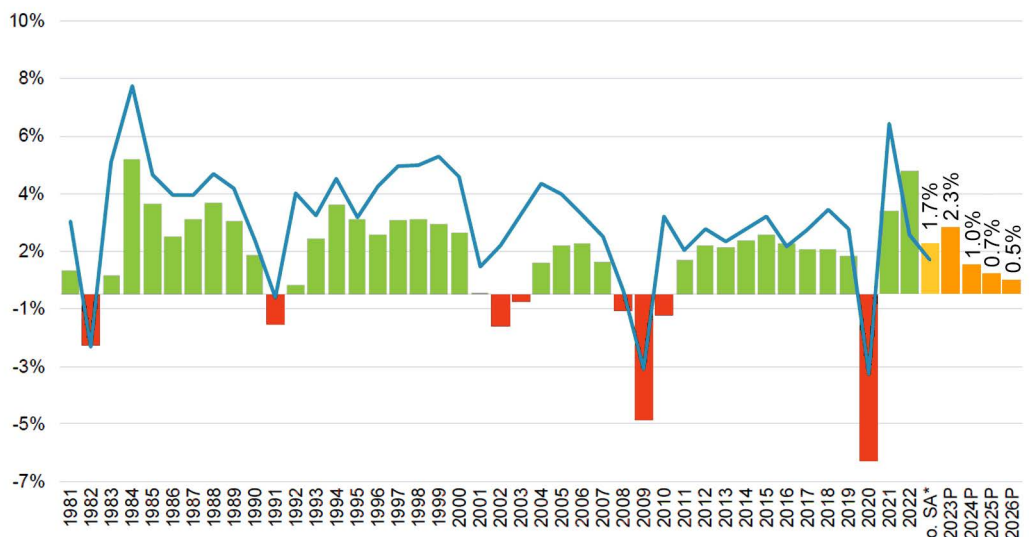
SOURCES: Bloomberg; John Burns Research & Consulting, LLC (Data: Dec-23, Pub: Jan-24)

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## National Employment Growth Rates

We expect employment will rise 1% in 2024 and 2025 as the impact of sustained high interest rates slows hiring.

## NATIONAL EMPLOYMENT ANNUAL GROWTH RATES



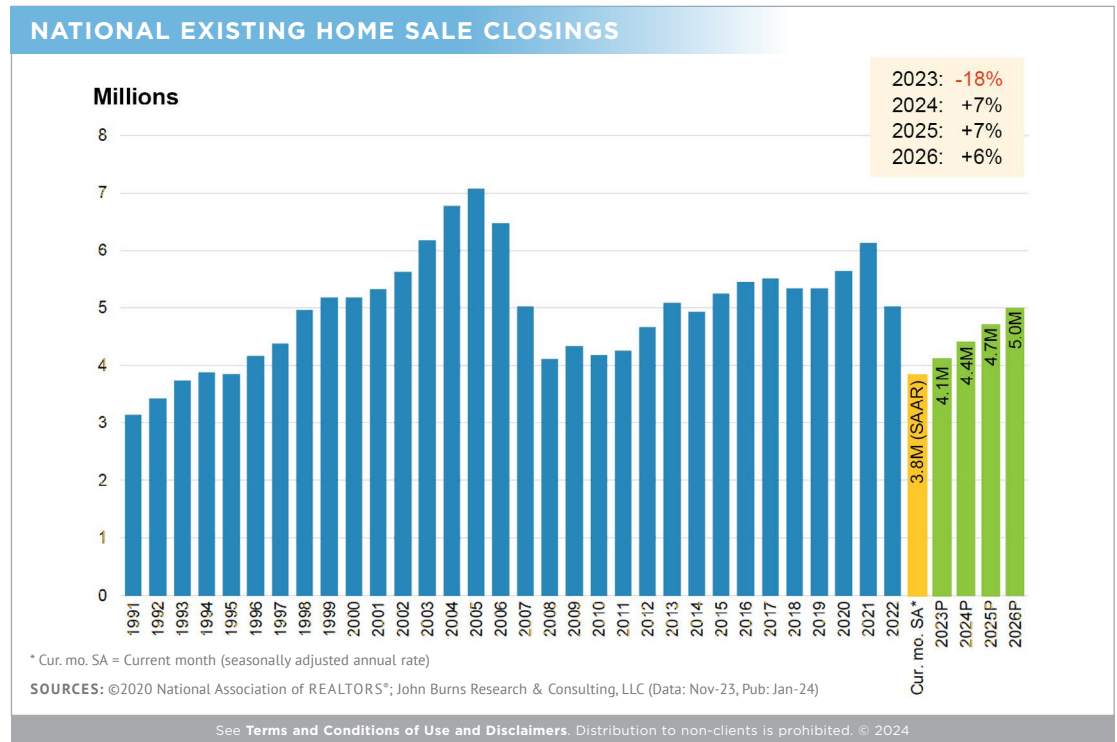
\* Cur. mo. SA = Current month (seasonally adjusted annual rate)  
 SOURCES: BLS with JBREC projections (Data: Dec-23, Pub: Jan-24)

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# We Forecast that Existing Home Sales Will Remain Low Relative to History in 2024

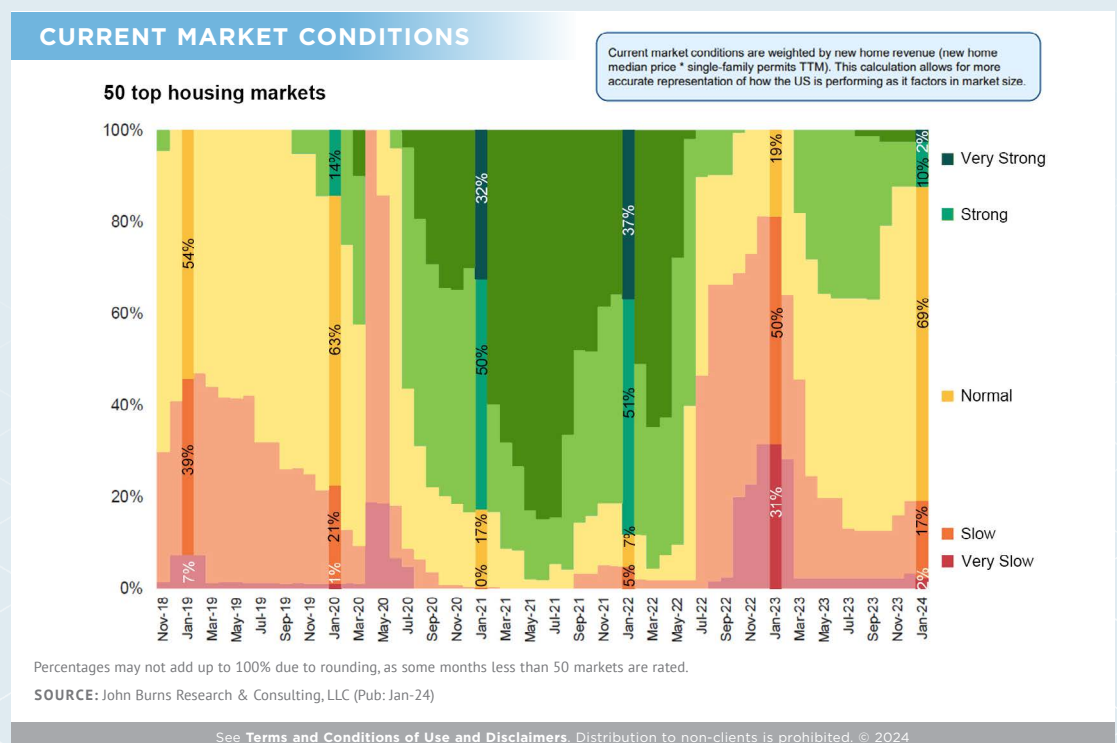
We forecast that existing home sales will remain low relative to history in 2024 due to:

- still elevated mortgage rates
- limited inventory
- inability to compete with builder rate buydowns
- a slowing economy



## Current Market Conditions: 81% of the Markets are Normal to Very Strong

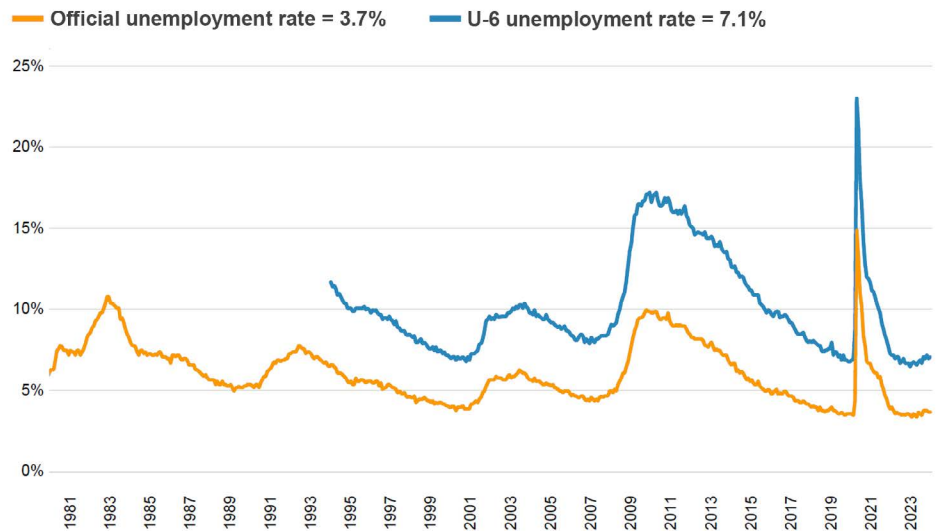
Sales and pricing conditions are Strong or Very Strong in 12% of markets. 69% of markets are Normal, which reflects 2-3/month sales per community with rising net prices.



# Unemployment is Historically Low But is Beginning to Rise Slightly

The unemployment rate remained flat at 3.7% in December. The U-6, a broader measure of unemployment that captures underemployment and discouraged workers, rose to 7.1%.

## LABOR FORCE UNEMPLOYMENT RATE (SA)



The U-6 unemployment rate is a broader measure of unemployment that covers part-time workers who would like full-time work and those who have given up looking for work.

SOURCE: Bureau of Labor Statistics (Data: Dec-23, Pub: Jan-24)

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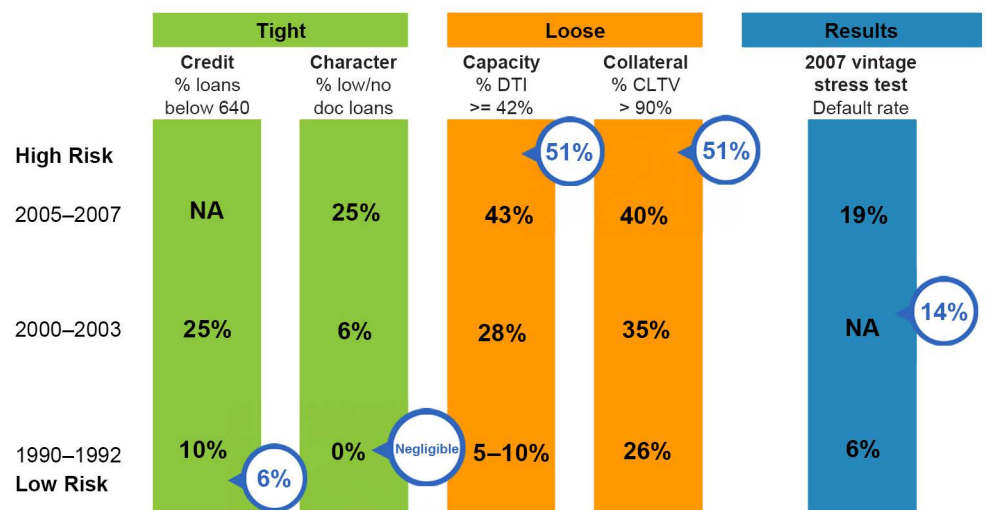
# Lending Standards on Government-Backed Loans: 80% of All Loans

Current lending standards are tight on credit and documentation, but not on DTI and LTV.

This chart only includes primary purchase loans guaranteed by the five government agencies (Fannie Mae®, Freddie Mac, FHA, VA, and RHS). These loans currently account for 70% of all primary purchase loans (by count). Our current percentage of low/no document loans is based on JBREC analysis. The DTI numbers shown include only back-end DTI percentages.

## LENDING STANDARDS

○ Current value



SOURCES: American Enterprise Institute; John Burns Research & Consulting, LLC (Data: Jul-23, Pub: Jan-24)

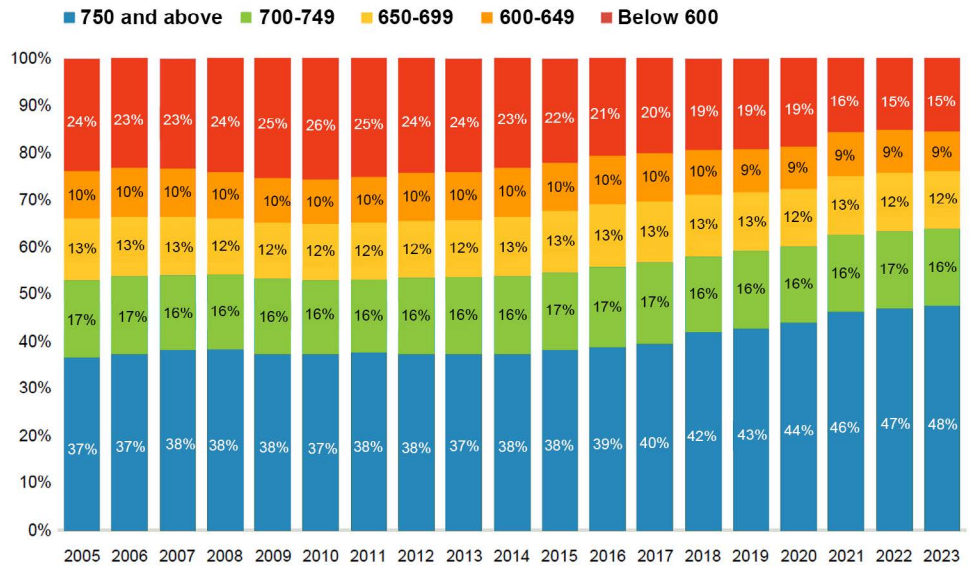
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# Only 15% of Consumers Have a Credit Score Below 600

Consumers have slowly rebuilt their credit profiles. In 2023, 64% had FICO scores above 700, and 85% had FICO scores above 600.

Scores are based on the following five categories in order of weighting: payment history (35%), amounts owed (30%), length of credit history (15%), new credit (10%), and types of credit used (10%).

## NATIONAL FICO® SCORE DISTRIBUTION FOR ALL CONSUMERS



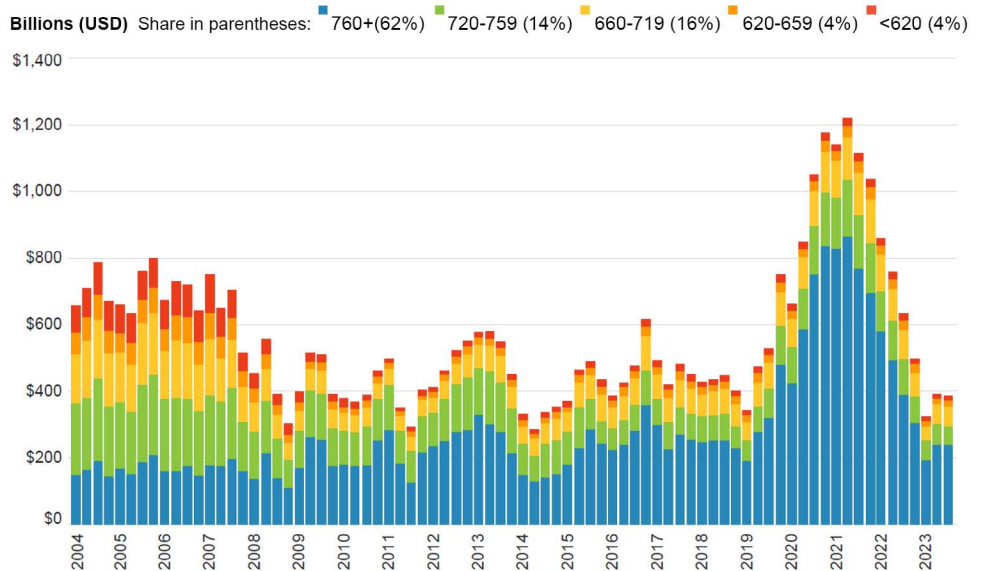
SOURCE: FICO® Banking Analytics Blog (Data: Apr-23, Pub: Jan-24)

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# 86% of Mortgages Originated in 3Q23 Went to Borrowers with 720+ Credit Scores

In 1Q07, 15% of mortgage originations were to subprime borrowers with a credit score of <620. As of 3Q23, only 4% of mortgages went to borrowers with a credit score less than 620.

## MORTGAGE ORIGINATIONS BY CREDIT SCORE\*



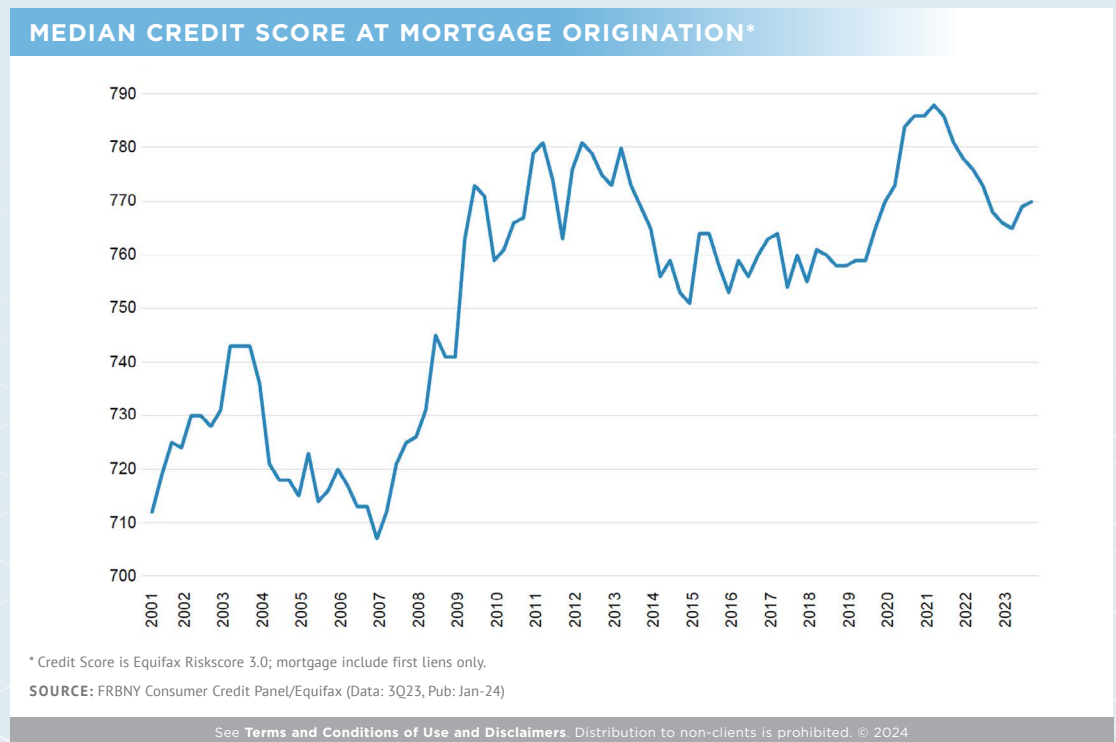
\* Credit Score is Equifax Riskscore 3.0

SOURCE: FRBNY Consumer Credit Panel/Equifax (Data: 3Q23, Pub: Jan-24)

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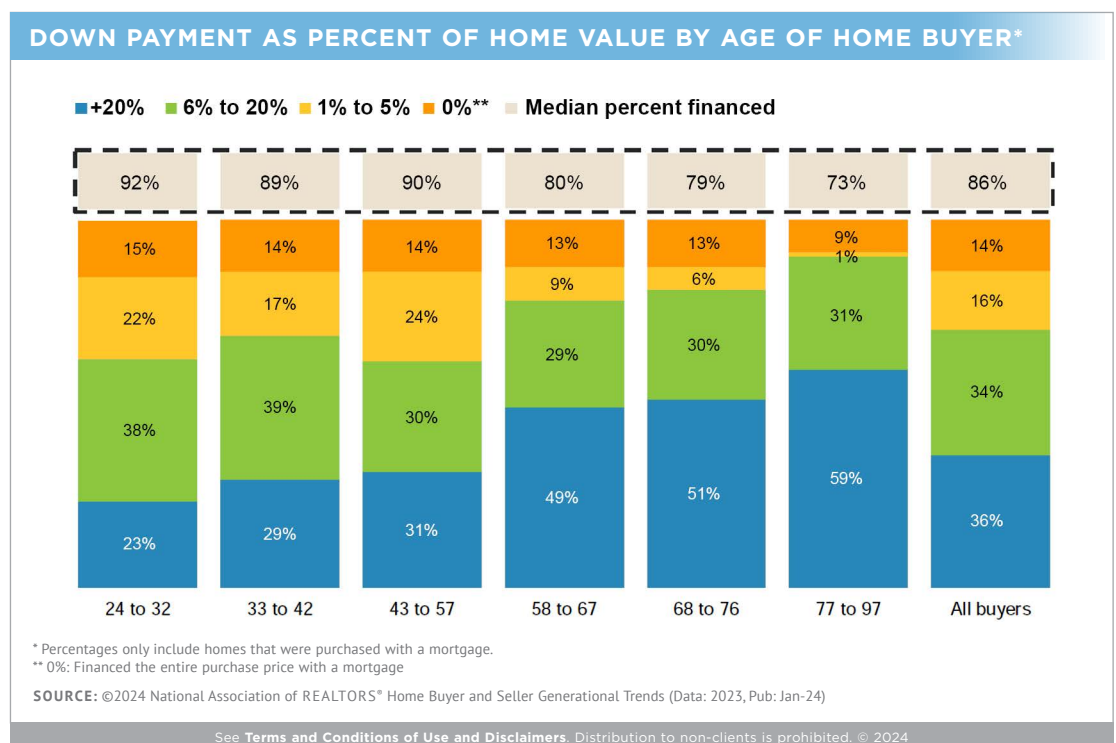
# Median Credit Scores at Origination are Much Higher Today Than Pre-Global Financial Crisis

The median credit score at mortgage origination fell to 707 during the heyday of 2006. Since then, creditors have tightened standards. As of 3Q23, median score at origination was 770.



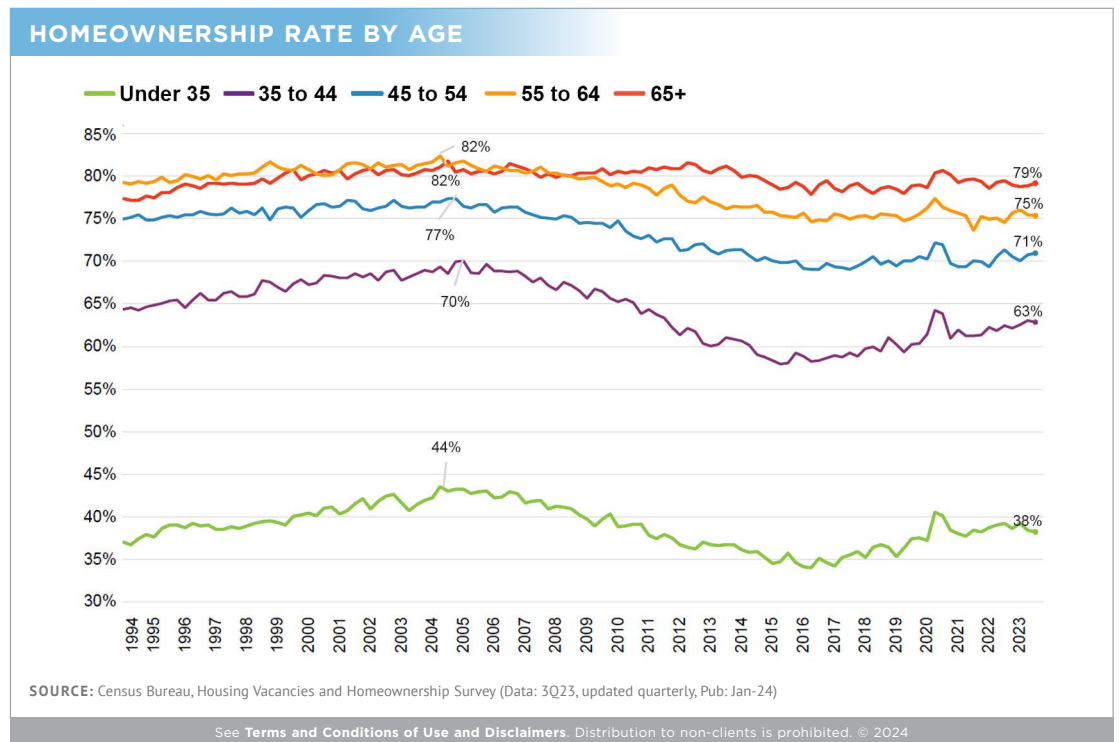
# Older Buyers Tend to Put Down Larger Down Payments

30% of all home buyers who use a mortgage are putting 5% or less down. The figure jumps to 37% among those 32 and younger. Only 19% of 68- to 76-year-olds have an LTV of +95%.



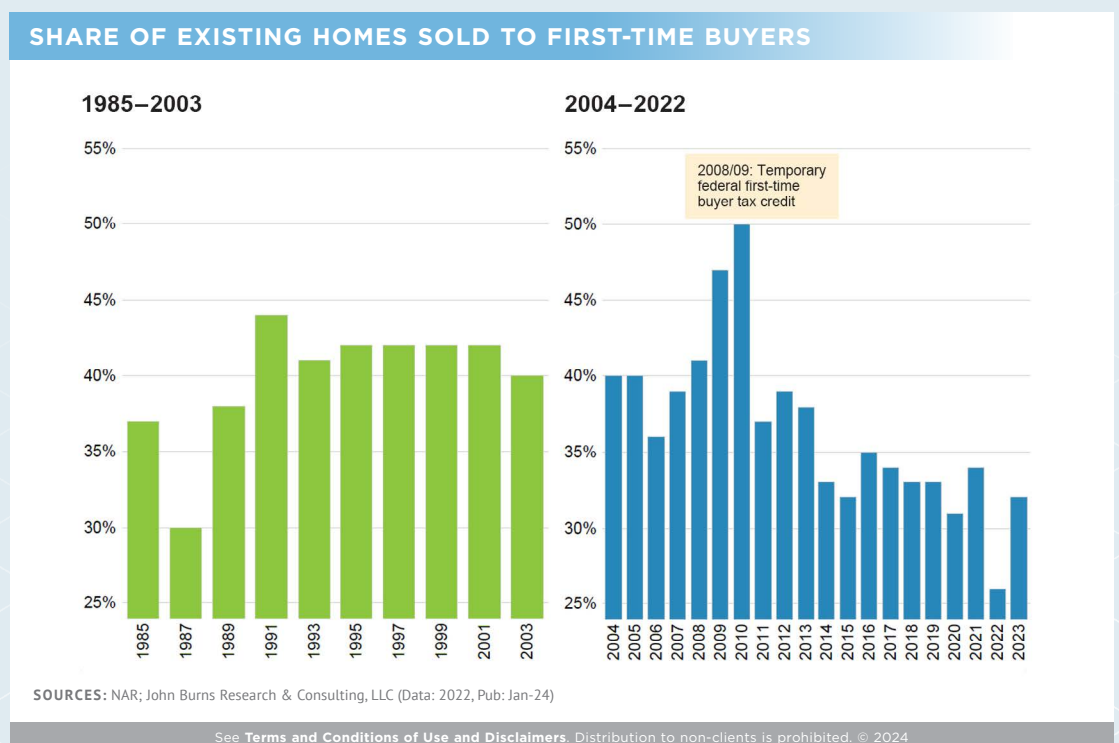
# Homeownership Has Been Flat to Rising in Recent Years for Most Groups

Note: The pandemic complicated the Census Bureau's collection process in 2020. We advise using caution in comparing data from this time period.



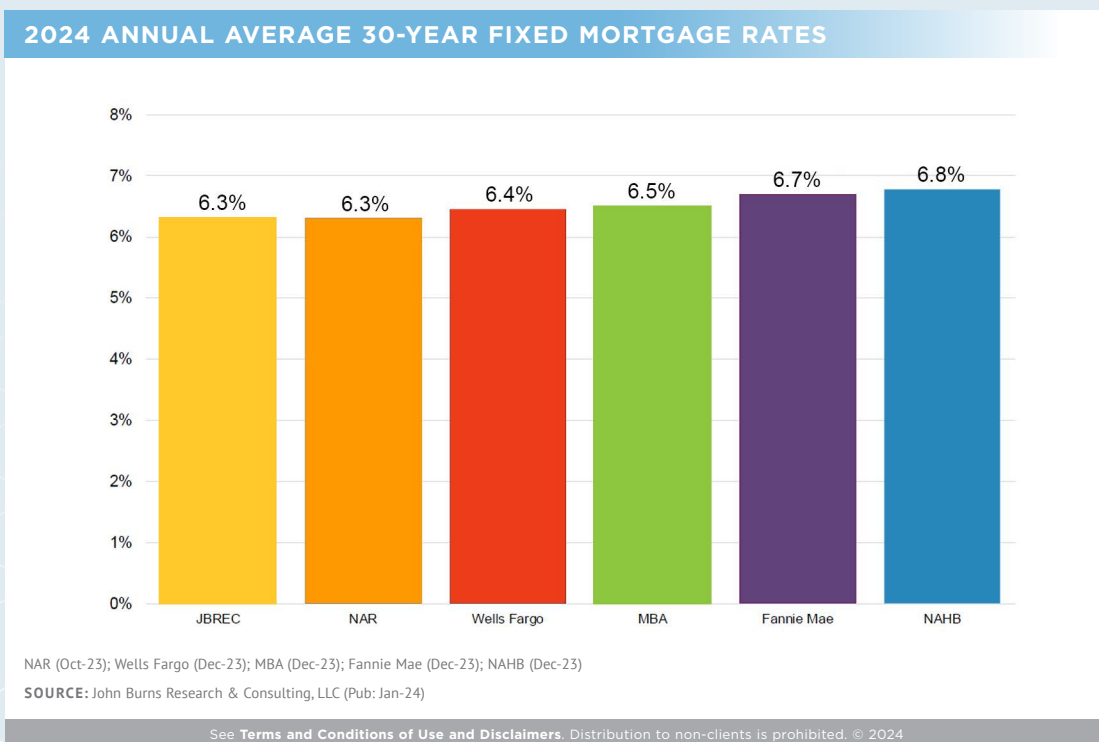
# The Share of Existing Homes Sold to First-Time Buyers rose to 32% in 2023

Peak share was reached in 2010 when 50% of buyers were first-time buyers due to temporary tax credits.

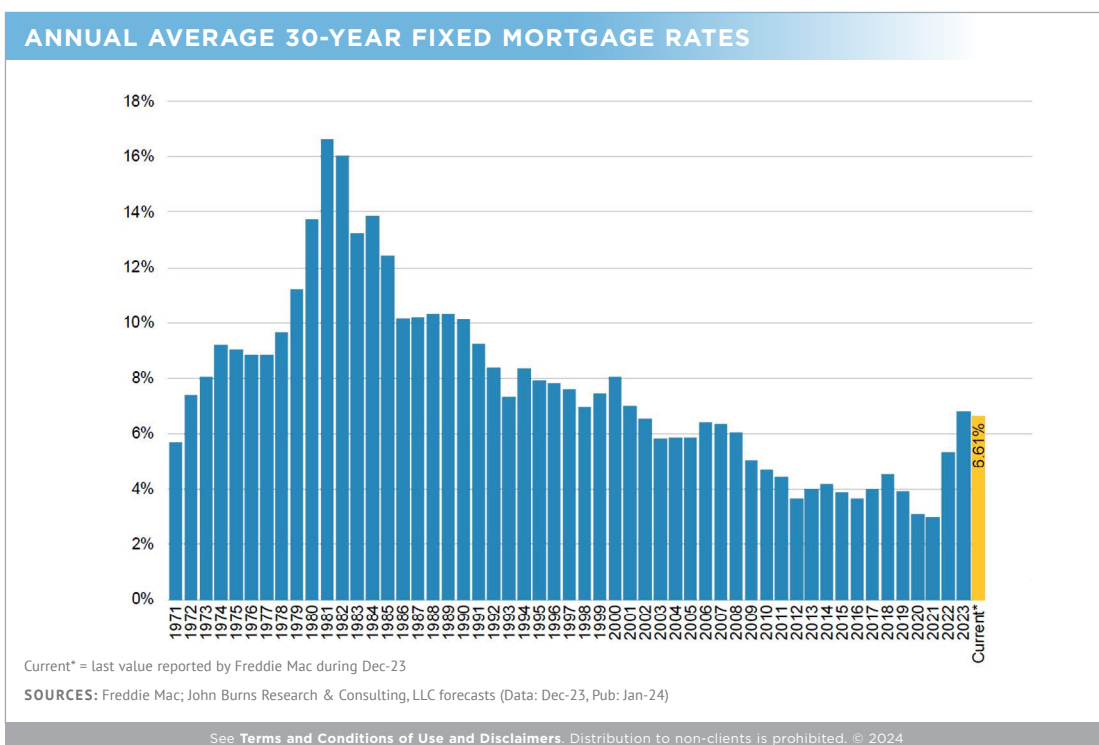


# Key Assumptions for 2024:

We are below all other forecasters on mortgage rates.



## The Bond Market Expects Mortgage Rates Will Average 6.3% in 2024





# Trusted Analysis FOR **Executive Decisions**

**John Burns Research and Consulting** helps executives make informed housing industry decisions. Our clients engage with us in two primary ways:



## RESEARCH

An ongoing, retainer-based relationship, providing clients with our published research, client services, and exclusive events.



## CONSULTING

A specific contracted engagement to help clients with a housing-related strategic decision.

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While we continuously strive to adequately collect all of the data and address all of the issues, it is your responsibility to identify errors and omissions in this report.

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WE ARE PROUD TO CONTINUE OUR PARTNERSHIP IN 2024

\$**24** FOR **24** { National MI will donate **\$.24** per new loan insured to help keep families with ill or injured children in their homes **365** days a year.

Your support has helped families get:



**172** months of groceries for a family of 4

Avg. cost of groceries per month for a family of 4: \$914



**28,589** gallons of gas to get them from home to their treatment facility.

Avg. cost of gas in CA: \$5.50/gallon



**374** two-night stays in a hotel near an affiliate hospital

Avg. cost of 2-night hotel stay near an affiliate hospital: \$424



**4,914** dinners for 4 at McDonalds

Average cost of dinner for 4 at McDonalds: \$32



**13,103** parking days in a hospital parking garage

Average cost to park at a hospital for one day: \$12



**105** months of childcare for a family in need

Average cost of child for a month: \$1,500



National MI engages with the community through formal philanthropic programs such as **The MBA Opens Doors Foundation**. To learn more visit: [mbaopensdoors.org](http://mbaopensdoors.org)

LEARN MORE:

Contact your Account Manager to learn more or visit [nationalmi.com](http://nationalmi.com).



Cautionary Note Regarding Forward Looking Statements

This Market Snapshot report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause actual events to differ materially from those expressed in such forward-looking statements. Forward-looking statements in this report include, without limitation, statements regarding certain economic and market indicators that impact the U.S. residential mortgage and mortgage guaranty insurance markets. Any or all of the forward-looking statements in this report may turn out to be inaccurate. More information about the risks, uncertainties and assumptions affecting National MI can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings we make with the Securities and Exchange Commission. All forward-looking statements are necessarily only estimates of future trends, and actual events may differ materially from expectations. You are, therefore, cautioned not to place undue reliance on such statements. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

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