ECONOMIC MARKET SNAPSHOT

SUMMER 2024 | ISSUE NO. 27

NATIONAL MI IS PLEASED TO BRING YOU OUR

Summer 2024 Edition of the Economic Market Snapshot

John Burns Research & Consulting (JBREC) is optimistic on housing and the economy.

The housing market is slowing as inventory rises, but normalizing economic data and the potential for easing financial conditions could provide some relief later this year and next year.

According to Fed Chair Jerome Powell at the July Congressional hearing, "The labor market appears to be fully back in balance." This implies that the Fed is now only waiting on cooler inflation data before beginning to cut rates (rather than also waiting on cooler labor market data).

JBREC key assumptions for 2024.

- Forecast reflects +1% new home sales and +1.5% new home price appreciation (net of incentives). We expect mortgage rates to average 6.8% in 2024, bolstering builder performance vs. resale.
- Resale inventory remains low relative to history, but is rising, particularly in certain pockets of the country (FL/TX).
- Newly built homes remain an important source of supply for buyers, but poor affordability and rising resale competition will keep new home transactions and price growth muted.
- Still, recent history has shown that builders thrive when prevailing mortgage rates are between 5.5% and 7% since rate buydowns and other incentives are most effective for the largest number of buyers in this range.

JBREC forecasts that single-family permits will rise +3% in 2024.

- Builders are cautiously ramping up permit activity, given construction already in the pipeline and elevated 6%+ mortgage rates.
- Limited resale supply and builders buying down rates are helping new home demand, though rising resale supply is causing some builders to proceed with caution.
- Builders can offer move-in-ready inventory—an advantage over the roughly 1/3 of resale inventory that requires repairs before move-in.
- Expect variation in price growth by market depending on inventory levels. Markets where inventory has risen significantly will likely keep price growth muted.

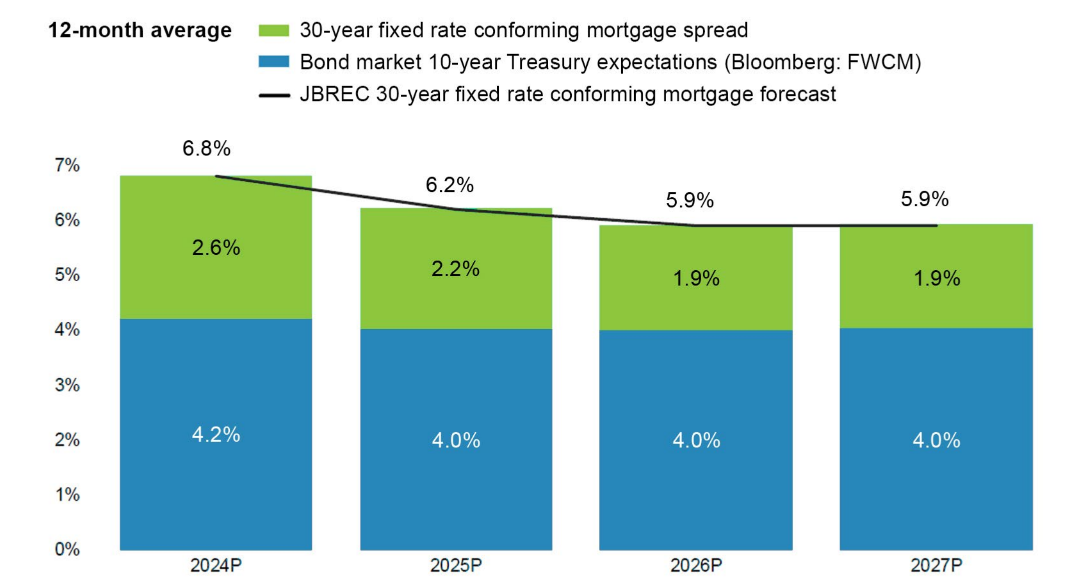
Affordability remains stretched as mortgage rates hold firm at 7% or above and spreads remain elevated.

PLEASE REFER TO OUR Economic Market Snapshot webpage for previous editions of this report

JBREC 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 190bps). 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. JBREC expects the spread to normalize in the coming years as interest rates stabilize.

ANNUAL AVERAGE 30-YEAR FIXED CONFORMING MORTGAGE RATE FORECAST

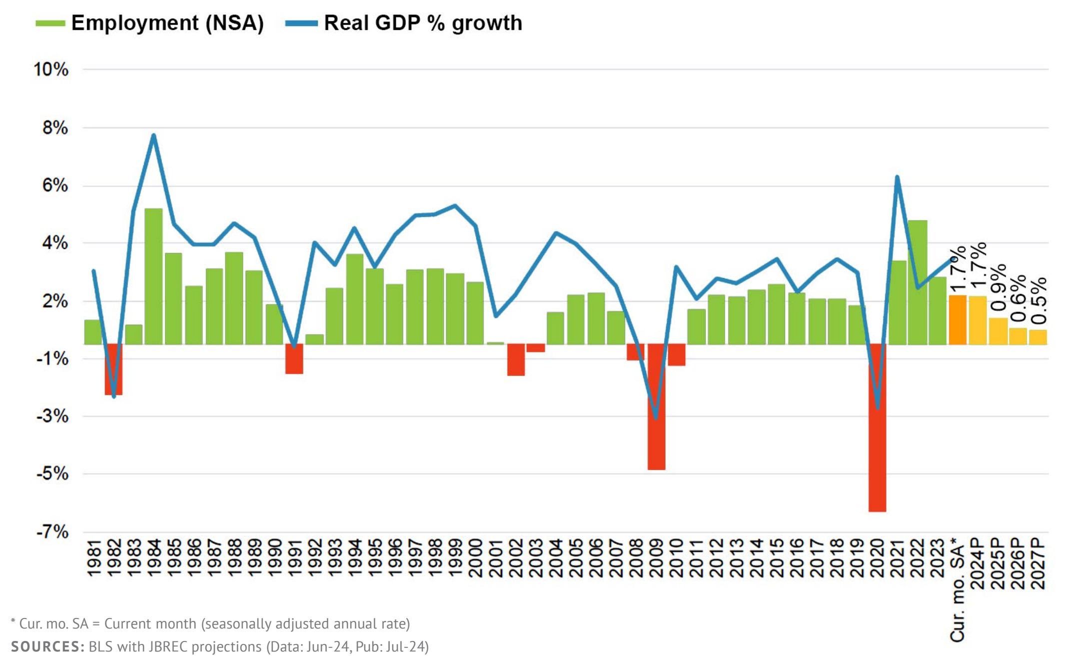


SOURCES: Bloomberg; John Burns Research & Consulting, LLC (Data: Jun-24, Pub: Jul-24)

National Employment Growth Rates

JBREC expects employment will rise +1.7% in 2024 and +0.9% in 2025 as sustained high rates and slower immigration slow hiring.

NATIONAL EMPLOYMENT ANNUAL GROWTH RATES



* Cur. mo. SA = Current month (seasonally adjusted annual rate)

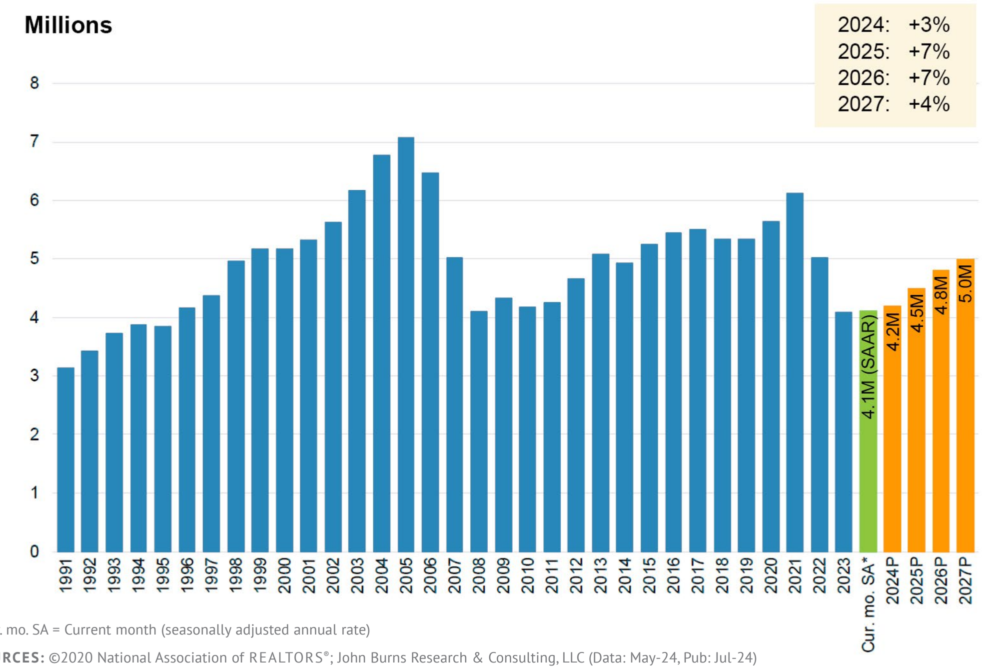
SOURCES: BLS with JBREC projections (Data: Jun-24, Pub: Jul-24)

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

JBREC 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
- the lagged economic impact of high interest rates

NATIONAL EXISTING HOME SALE CLOSINGS



* Cur. mo. SA = Current month (seasonally adjusted annual rate)

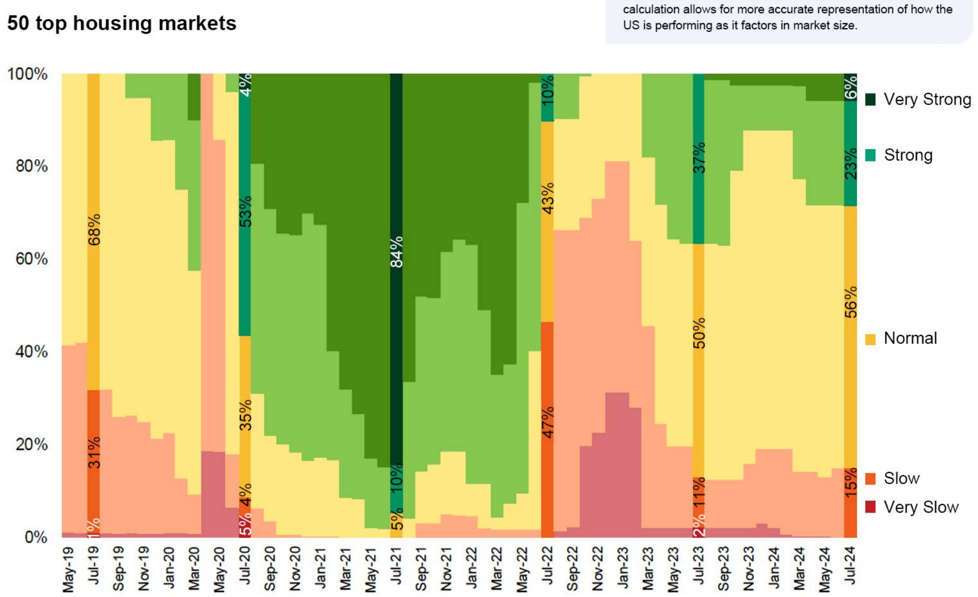
SOURCES: ©2020 National Association of REALTORS®; John Burns Research & Consulting, LLC (Data: May-24, Pub: Jul-24)

Current Market Conditions: Sales and Pricing Conditions are Strong

Sales and pricing conditions are Strong or Very Strong in 29% of markets. 56% of markets are Normal, which reflects 2-3 sales per community per month with rising net prices.

CURRENT MARKET CONDITIONS

Current market conditions are weighted by new home revenue (new home median price * single-family permits TTM). This calculation allows for more accurate representation of how the US is performing as it factors in market size.



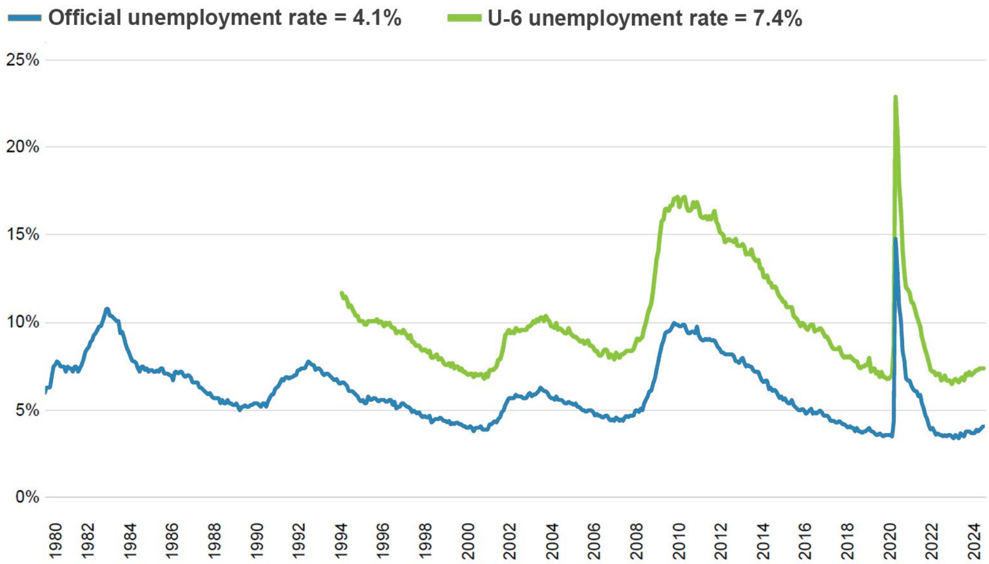
Percentages may not add up to 100% due to rounding, as some months less than 50 markets are rated.

SOURCE: John Burns Research & Consulting, LLC (Pub: Jul-24)

Unemployment is Historically Low But is Beginning to Rise Slightly

The unemployment rate rose to 4.1% in June. The U-6, a broader measure of unemployment that captures underemployment and discouraged workers, remained flat at 7.4%.

LABOR FORCE UNEMPLOYMENT RATE (SA)



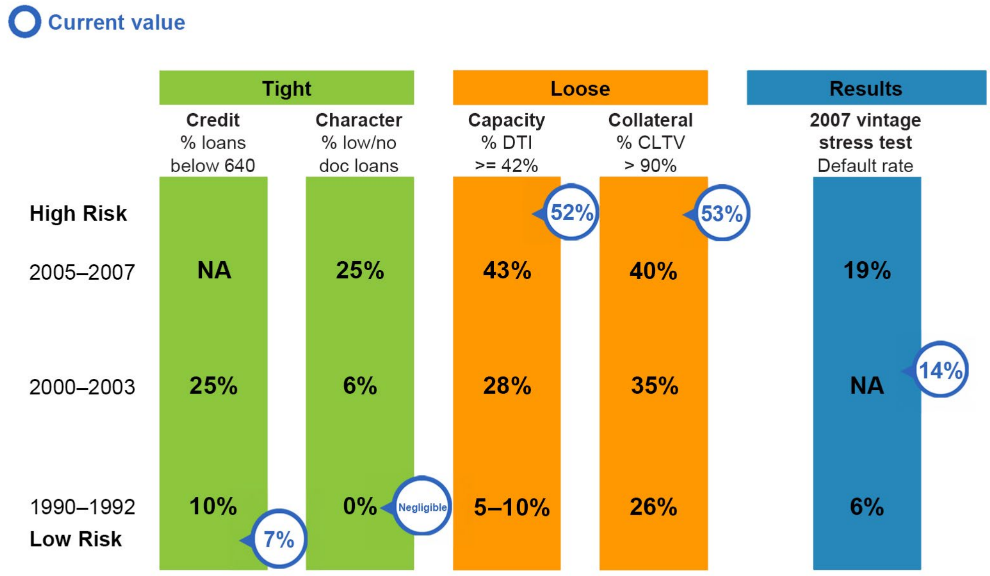
The U-6 unemployment rate is a broader measure of unemployment that covers part-time workers who would like full-time work and those who have given up looking for work.

SOURCE: Bureau of Labor Statistics (Data: Jun-24, Pub: Jul-24)

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

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

LENDING STANDARDS



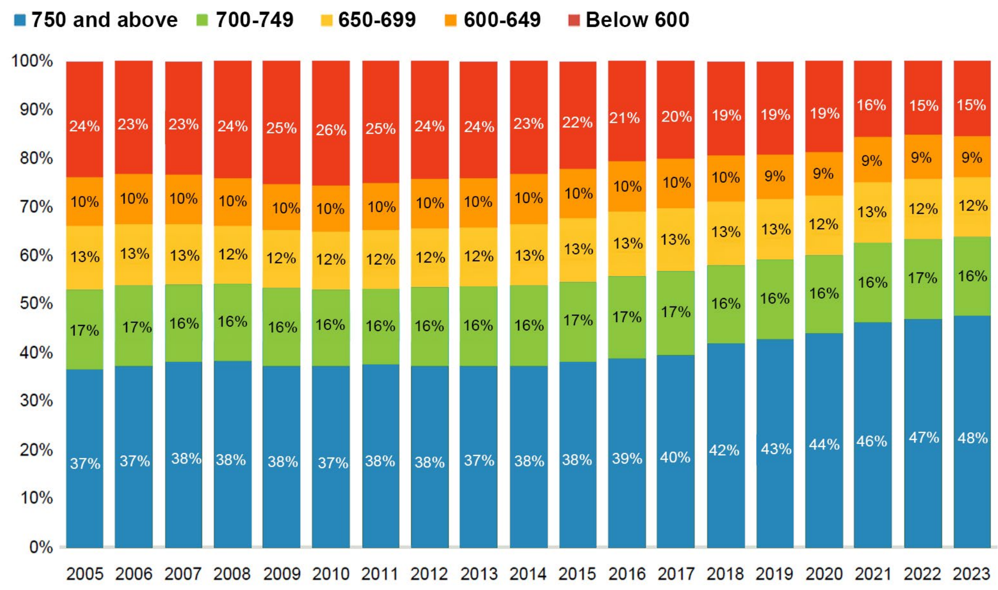
SOURCES: American Enterprise Institute; John Burns Research & Consulting, LLC (Data: Jan-24, Pub: Jul-24)

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

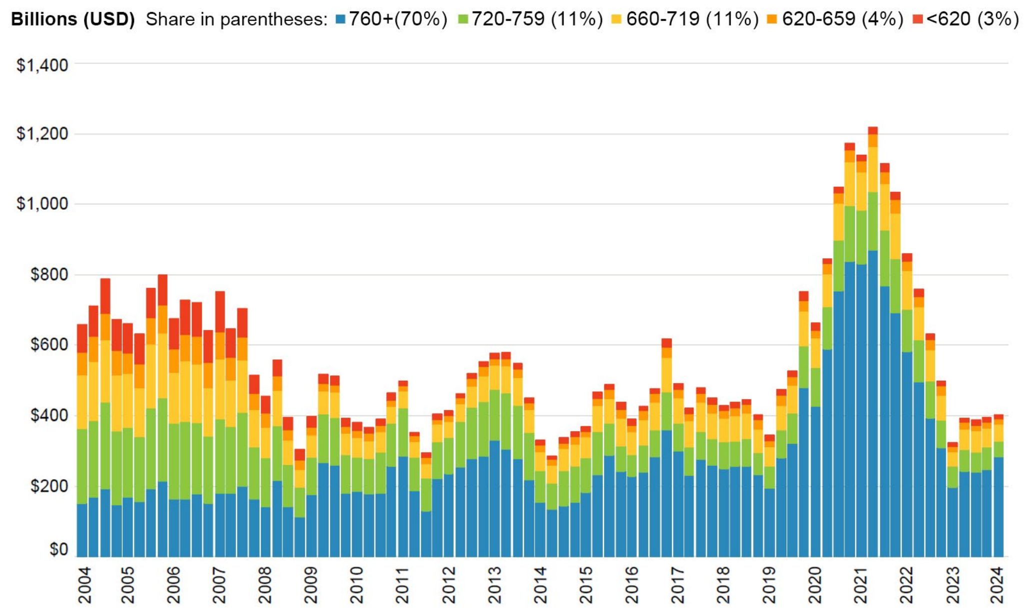


SOURCE: FICO® Banking Analytics Blog (Data: Apr-23, Pub: Jul-24)

81% of Mortgages Originated in 1Q24 Went to Borrowers with 720+ Credit Scores

In 1Q2007, 15% of mortgage originations were to borrowers with a credit score of less than 620. As of 1Q2024, only 3% of mortgages went to borrowers with a credit score less than 620.

MORTGAGE ORIGINATIONS BY CREDIT SCORE*



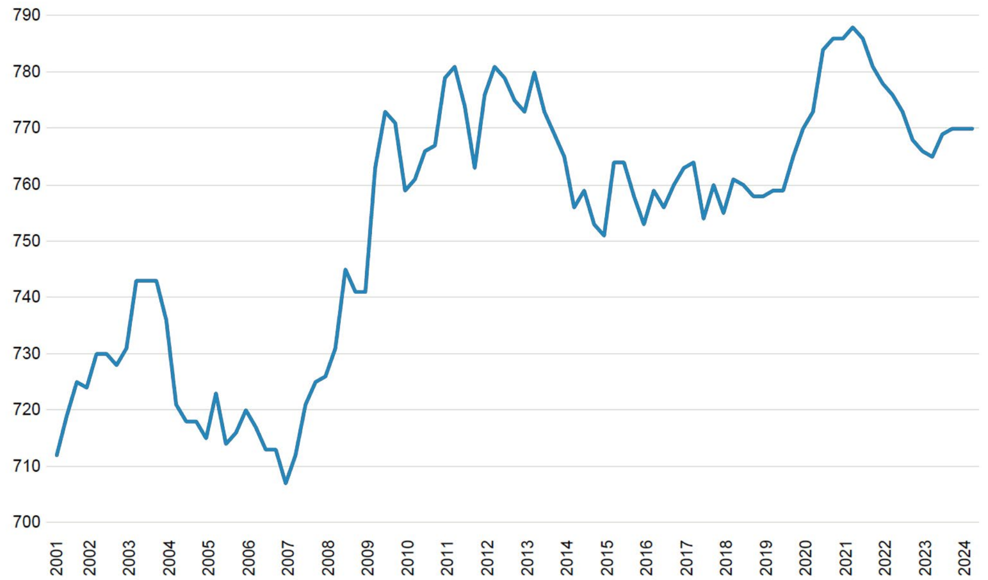
* Credit Score is Equifax Riskscore 3.0

SOURCE: FRBNY Consumer Credit Panel/Equifax (Data: 1Q24, Pub: Jul-24)

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 1Q24, median score at origination was 770.

MEDIAN CREDIT SCORE AT MORTGAGE ORIGINATION*



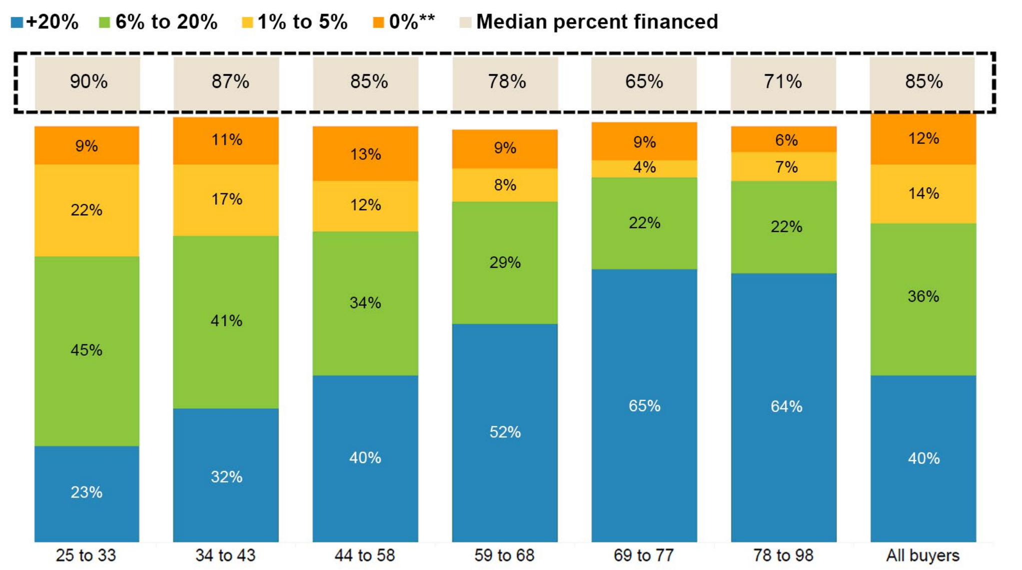
* Credit Score is Equifax Riskscore 3.0; mortgage include first liens only.

SOURCE: FRBNY Consumer Credit Panel/Equifax (Data: 1Q24, Pub: Jul-24)

Older Buyers Tend to Put Down Larger Down Payments

26% of all home buyers who use a mortgage are putting 5% or less down. The figure jumps to 31% among those 33 and younger. Only 13% of 69- to 77-year olds have an LTV of +95%.

DOWN PAYMENT AS PERCENT OF HOME VALUE BY AGE OF HOME BUYER*



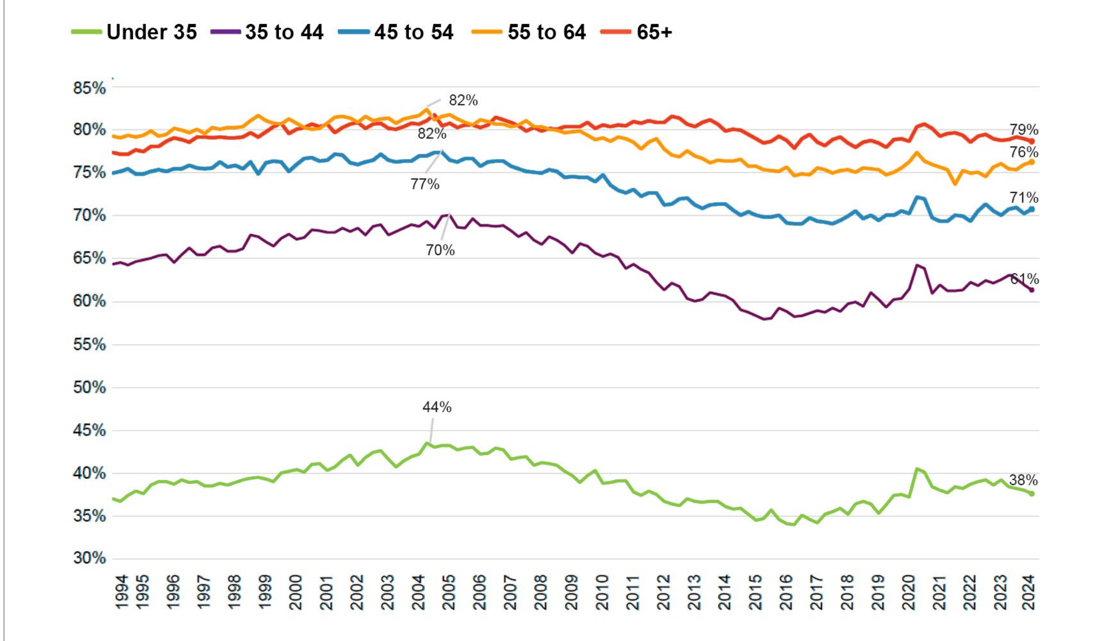
* Percentages only include homes that were purchased with a mortgage.
** 0%: Financed the entire purchase price with a mortgage

SOURCE: ©2024 National Association of REALTORS® Home Buyer and Seller Generational Trends (Data: 2024, Pub: Jul-24)

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.

HOMEOWNERSHIP RATE BY AGE

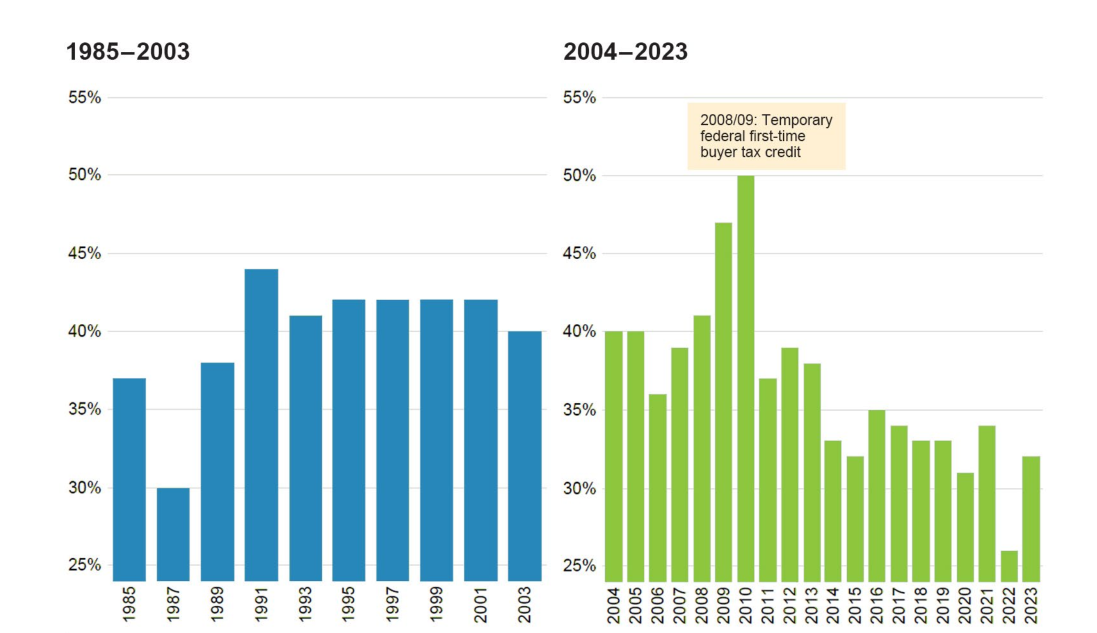


SOURCE: Census Bureau, Housing Vacancies and Homeownership Survey (Data: 1Q24, updated quarterly, Pub: Jul-24)

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.

SHARE OF EXISTING HOMES SOLD TO FIRST-TIME BUYERS

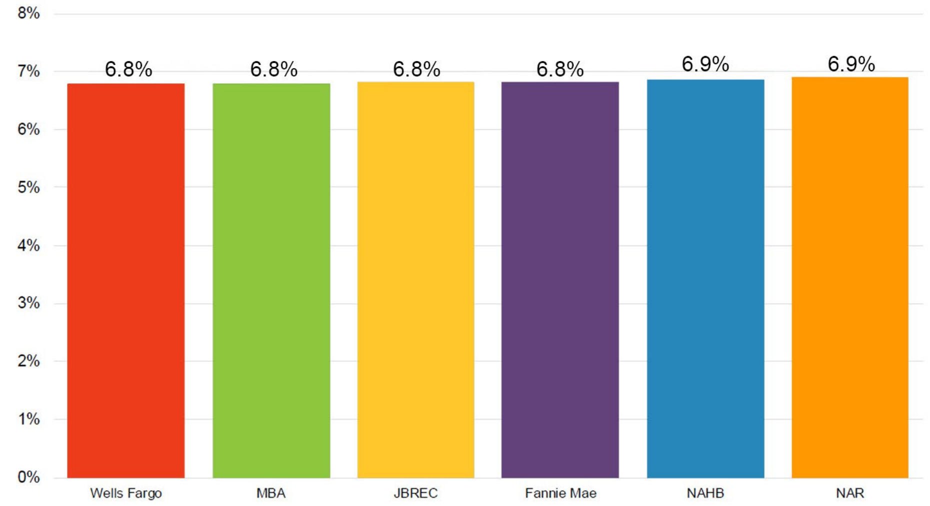


SOURCES: NAR; John Burns Research & Consulting, LLC (Data: 2023, Pub: Jul-24)

Key Assumptions for 2024:

We are roughly in line with other forecasters on mortgage rates.

2024 ANNUAL AVERAGE 30-YEAR FIXED MORTGAGE RATES

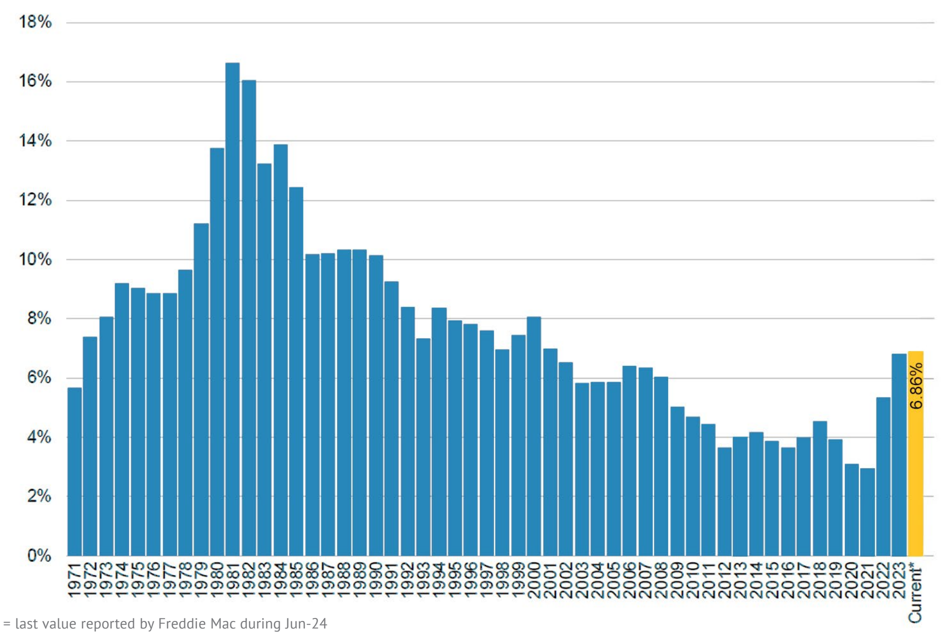


Wells Fargo (Jun-24); MBA (Jun-24); Fannie Mae (Jun-24); NAHB (Jun-24); NAR (Jun-24)

SOURCE: John Burns Research & Consulting, LLC (Pub: Jul-24)

The Bond Market Expects Mortgage Rates Will Average 6.8% in 2024

ANNUAL AVERAGE 30-YEAR FIXED MORTGAGE RATES



Current* = last value reported by Freddie Mac during Jun-24

SOURCES: Freddie Mac; John Burns Research & Consulting, LLC forecasts (Data: Jun-24, Pub: Jul-24)

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@ info@realestateconsulting.com

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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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