

October Housing Finance Agency Prepayment Report, Delinquency Trends, and Outlook

HFA voluntary prepayment ratios to generic counterparts continued to move up on 2.5s and 3s, and eased on higher coupons in the October. New prod Tier 3 ratios continued to be pushed up more notably by UT speeds, potentially driven by an available refi program. These ratios for new production Tier 1 remain in the single digits to teens percent, and Tier 2 in the 20s to 30s percent. Tier 3 ratios are in the 60s to 80s percent in aggregate. In the Ginnie sector, buyouts in HFA MBS were mixed – higher than September on Lakeview serviced pools, flat on bank serviced pools, and continued near zero prints on mission focused HFA serviced pools. This absence of a pick-up in buyouts in the delinquency pipelines of HFA servicers suggests that there are frictions limiting traction for FHA's simplified modification program that servicers were required to offer to seriously delinquent borrowers by late August. This delay in modifications/buyouts translates into additional carry for investors in MBS backed by these loans.

Tom Kozlik

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