

U.S. Housing and MBS Market

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

HFA voluntary prepayment ratios to generic counterparts moved up in the August report across tiers potentially driven by aging on new prod and longer lags on seasoned HFA paper. Tier 3 ratios were pushed up more notably by UT speeds. These ratios for new production Tier 1 remain mostly 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 mostly comparable to July on bank and Lakeview serviced pools, and continued near zero prints on mission focused HFA serviced pools.

Ginnie 30-day delinquencies at the coupon level mostly remained stable for a second month in August after an uptick in June, remaining below March levels, and clearly below pre-Covid levels across various HFA programs and generic counterparts. Aggregate figures across 2.5s through 5.5s continued to drift lower across servicers.

60-day delinquencies were roughly flat compared to July in aggregate, remaining at or below pre-Covid levels. Buyout rates (SMMs) by bank servicers appear to have returned to their pre-Covid normal and should remain so.

The cure pattern in 120+ delinquencies we noted last month continued in August. As we noted last month, 120+ delinquencies have declined by several percentage points in recent months across servicers, including at mission focused HFA entities as forbearance terms have drawn to a close. A majority of these transitioning borrowers appear to have resumed payments with partial claims, thus becoming current. Higher coupons appear to have a higher “cure rate” in terms of absolute percentage points, but as a share of the 120+ percent these cure rates are comparable across coupons.

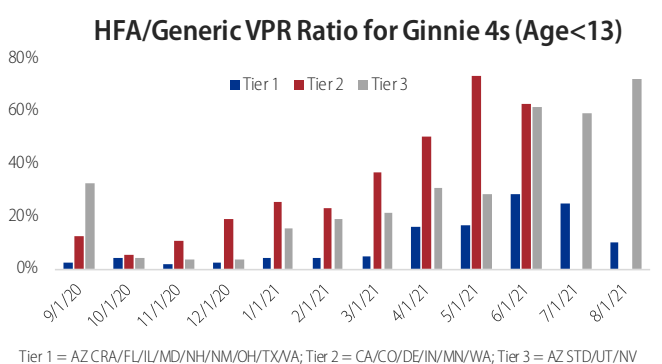
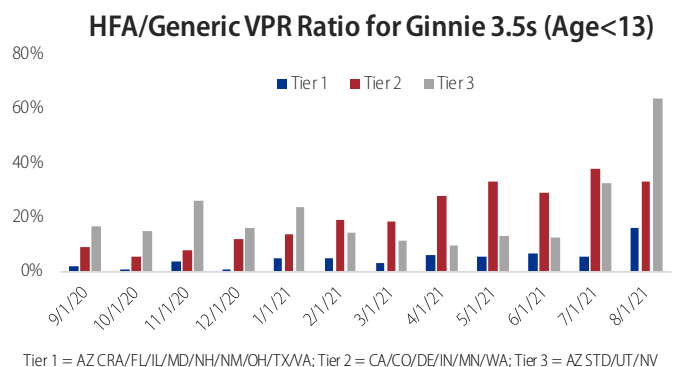
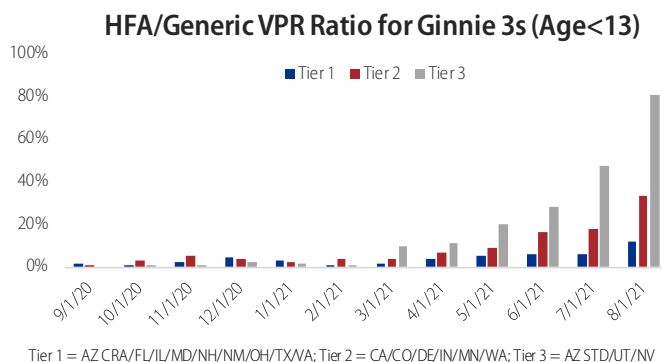
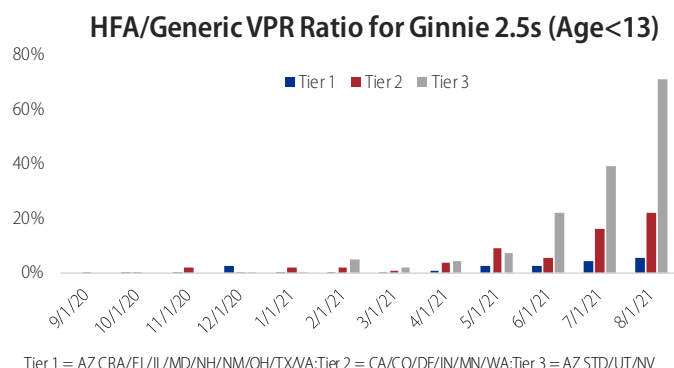
Last month’s FHA announcement requiring servicers to offer simplified modifications with payment deferral to borrowers by August could start showing early results next month. This could translate to increased buyouts out of the deeply delinquent pipeline in HFA serviced books in the September report. However, as we have noted before, the pace of buyouts should ramp up starting in October.

Continued on page 2.

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Ginnie 30-day delinquencies at the coupon level mostly remained stable for a second month in August after an uptick in June, remaining below March levels, and clearly below pre-Covid levels across various HFA programs and generic counterparts.

VPR ratios to Generic counterparts illustrate solid call protection across the HFA coupon stack and Tiers although the ratios have increased recently



Source: Bloomberg, RiskSpan, YieldBook, FHFA, and HilltopSecurities.

This excerpt is a brief summary of our HTS August 2021 HFA prepay report. For more details, please contact us at the MBS Strategy desk or your HTS salesperson.

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