

U.S. Housing and MBS Market

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

HFA voluntary prepayment ratios to generic counterparts were flat to slightly lower except for a slight uptick in 2.5s in December. New prod Tier 3 ratios (especially in 2.5 and 3.5 coupons) continued to be pushed up more notably by speeds on the UT and AZ programs. 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 range from 65 to 120 percent in aggregate depending on the coupon.

In the Ginnie sector, buyouts in HFA MBS were mixed – lower than November on Lakeview serviced pools representing a second month of declines, flat on bank serviced pools, and continued minimal prints on mission focused HFA serviced pools although showing a slight uptick. This continued absence of a noticeable pick-up in buyouts in the delinquency pipelines of HFA servicers reinforces the idea that there are frictions limiting traction for FHA's simplified modification program that servicers are required to offer to seriously delinquent borrowers. Although there were some Ginnie "ET" pools (which are backed by modified loans with terms longer than 30-years) in the market, the availability of this product has not yet translated to buyouts by HFA servicers. We continue to monitor volumes in this product to see if it manages to spur buyouts in the coming months.

Aggregate Ginnie 30-day delinquencies continued to increase slightly across the coupon stack and servicers in the December report. Within the HFA sector these were flat month-over-month in general and slightly lower for IdahoHFA on coupons below 5. 60-day delinquencies dipped slightly in aggregate for most servicers, although still above October levels. Again, IdahoHFA was the exception, with a monthly increase.

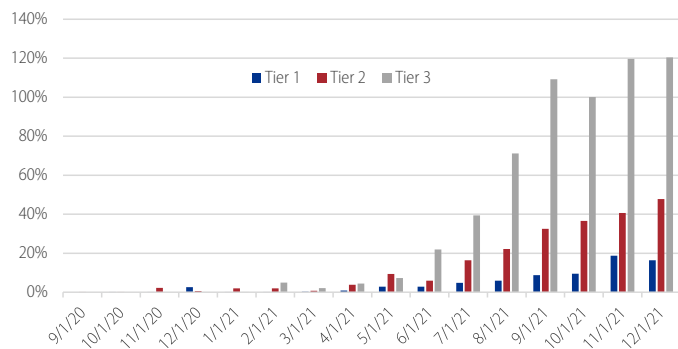
The cure pattern in 120+ delinquencies we have noted in recent months continued in December. 120+ delinquencies continue to decline, including at mission focused HFA entities as forbearance terms have drawn to a close. The absolute magnitude of the improvements from 120+ continued to decline potentially reflecting a remaining population that is more challenging to cure. Notably, the 120+ bucket has dropped to minimal levels for servicers that actively buyout, such as bank affiliated entities and Lakeview. Buyouts/modifications to date remain minimal for the HFA servicers supporting the idea that these improvements are likely occurring with partial claims. In December, the percentage of borrowers who are current ticked up across servicers reversing the slight dip for IdahoHFA in November.

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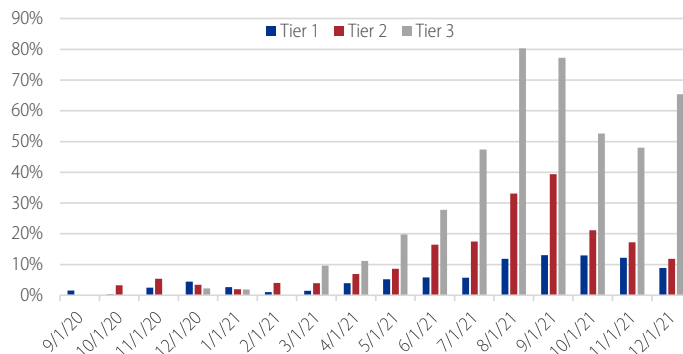
VPR ratios to Generic counterparts illustrate solid call protection across the HFA sector.
The 100%+ Tier 3 ratio is due to UT and AZ.

HFA/Generic VPR Ratio for Ginnie 2.5s (Age<13)



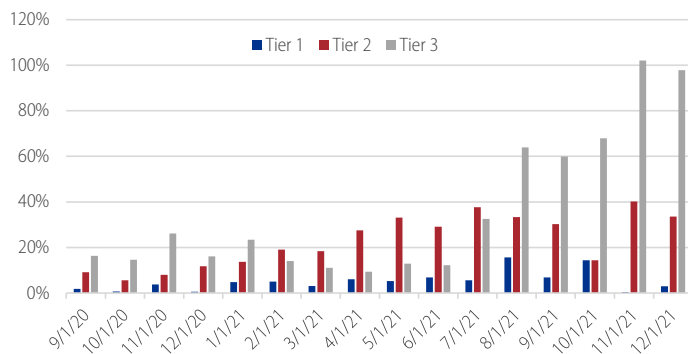
Tier 1 = AZ CRA/FL/IL/MD/NH/NM/OH/TX/VA; Tier 2 = CA/CO/DE/IN/MN/WA; Tier 3 = AZ STD/UT/NV

HFA/Generic VPR Ratio for Ginnie 3s (Age<13)



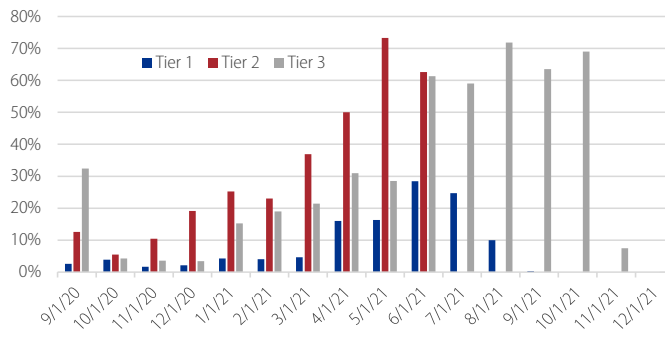
Tier 1 = AZ CRA/FL/IL/MD/NH/NM/OH/TX/VA; Tier 2 = CA/CO/DE/IN/MN/WA; Tier 3 = AZ STD/UT/NV

HFA/Generic VPR Ratio for Ginnie 3.5s (Age<13)



Tier 1 = AZ CRA/FL/IL/MD/NH/NM/OH/TX/VA; Tier 2 = CA/CO/DE/IN/MN/WA; Tier 3 = AZ STD/UT/NV

HFA/Generic VPR Ratio for Ginnie 4s (Age<13)



Tier 1 = AZ CRA/FL/IL/MD/NH/NM/OH/TX/VA; Tier 2 = CA/CO/DE/IN/MN/WA; Tier 3 = AZ STD/UT/NV

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

This excerpt is a summary of our HTS December 2021 HFA prepay report released earlier today. For more details please contact us at the MBS Strategy desk or your HTS salesperson.

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