U.S. Housing and MBS Market

April HFA Prepay Report Delinquency Trends and Outlook

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April HFA voluntary prepayment ratios to generic counterparts were generally flat to lower from March in most Tiers 1 and 2 programs. Tier 3 ratios generally increased. The ratios on new production Tier 1 and Tier 2 Ginnie 2.5s were 25% and 41%, and teens percent on higher coupons. In Tier 3, the ratio for 2.5 was 102% and in the 40s and 50s percent for higher coupons. These trends are consistent with early signs of a normalization of HFA S-curves in higher coupons.

In the Ginnie sector, buyouts by mission-driven servicers ticked down slightly after last month's pick-up but are still meaningfully higher than prior months. Lakeview's and USBank's buyouts continued to decline. Buyouts remain concentrated in 4% coupon and higher, with CBRs ranging from 5 to 14 on Idaho HFA and Colorado HFA serviced pools. In a contrast, Alabama HFA's buyouts remain minimal, but we anticipate that this could happen in the coming months. Overall, we expect buyouts to continue to increase in HFA serviced pools since 7.5+ percent of their servicing book is 90+ days delinquent with a sizeable 60-day delinquent volume behind it and GinnieMae's exemption of loans in forbearance from counting towards servicer delinquency ceilings is set to expire in July 2022.

The upcoming report in May is likely to show prepayment declines of 15% to 20% MoM. A roughly 25bp higher driving mortgage rate and a 13% decrease in the number of collection days in April compared to March are contributors.

Aggregate Ginnie 30-day delinquencies declined more than 70bp on several key servicers' books and 60-day delinquencies were roughly flat to slightly lower month over month in the latest report.

The cure pattern in 120+ delinquencies for HFA servicers ticked up meaningfully again after last month's uptick. This is especially notable for Idaho HFA serviced pools. This sharp improvement in serious delinquencies in Idaho HFA's book appears to be occurring with a high share of partial claims although buyouts are also contributing. If this improvement trend continues, it may reduce the need for an aggressive buyout program. The 120+ bucket remains at minimal levels for servicers that actively buyout, such as bank affiliated entities and Lakeview.

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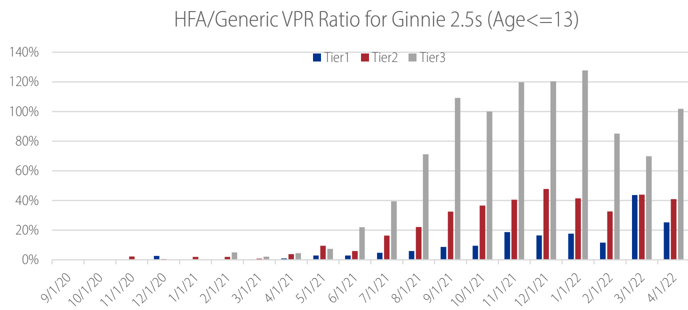
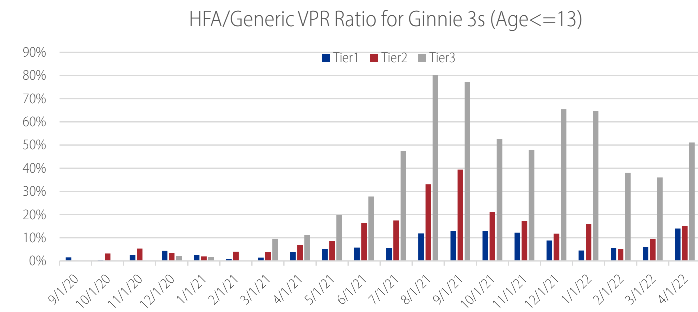
This excerpt is a summary of our HTS April 2022 HFA prepay report released yesterday. For more details, please contact us at the MBS Strategy desk or your HTS salesperson.

Please see disclosure starting on page 2.

VPR ratios to Generic counterparts illustrate solid call protection across the HFA sector. These ratios are roughly flat MoM except for Tier 3, which are higher.



Tier1 = AZ CRA/FL/IL/MD/NH/NM/OH/TX/VA;Tier2 = CA/CO/DE/IN/MN/WA;Tier3 = AZ STD/UT/NV



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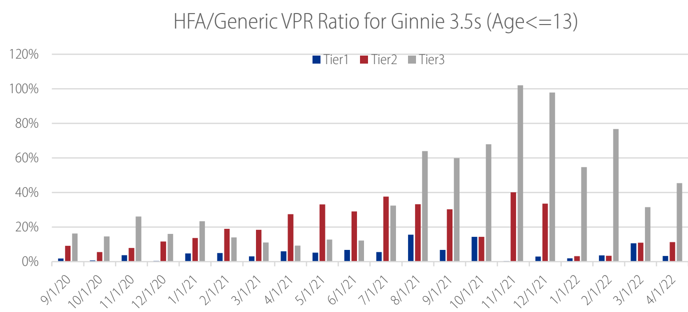

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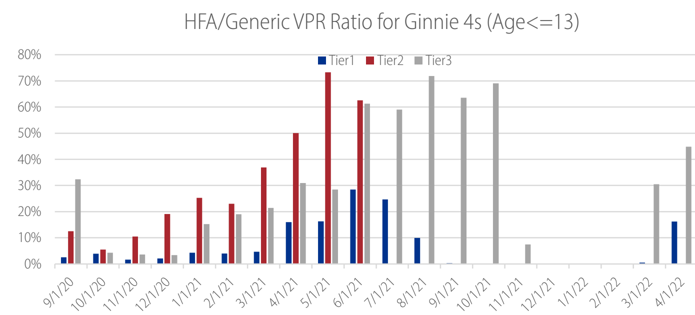

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Source: HilltopSecurities, Bloomberg, RiskSpan, YieldBook, and FHFA.

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