

TWENTY TWENTY TWO



February

Housing Update



Homeownership as a Hedge Against Inflation

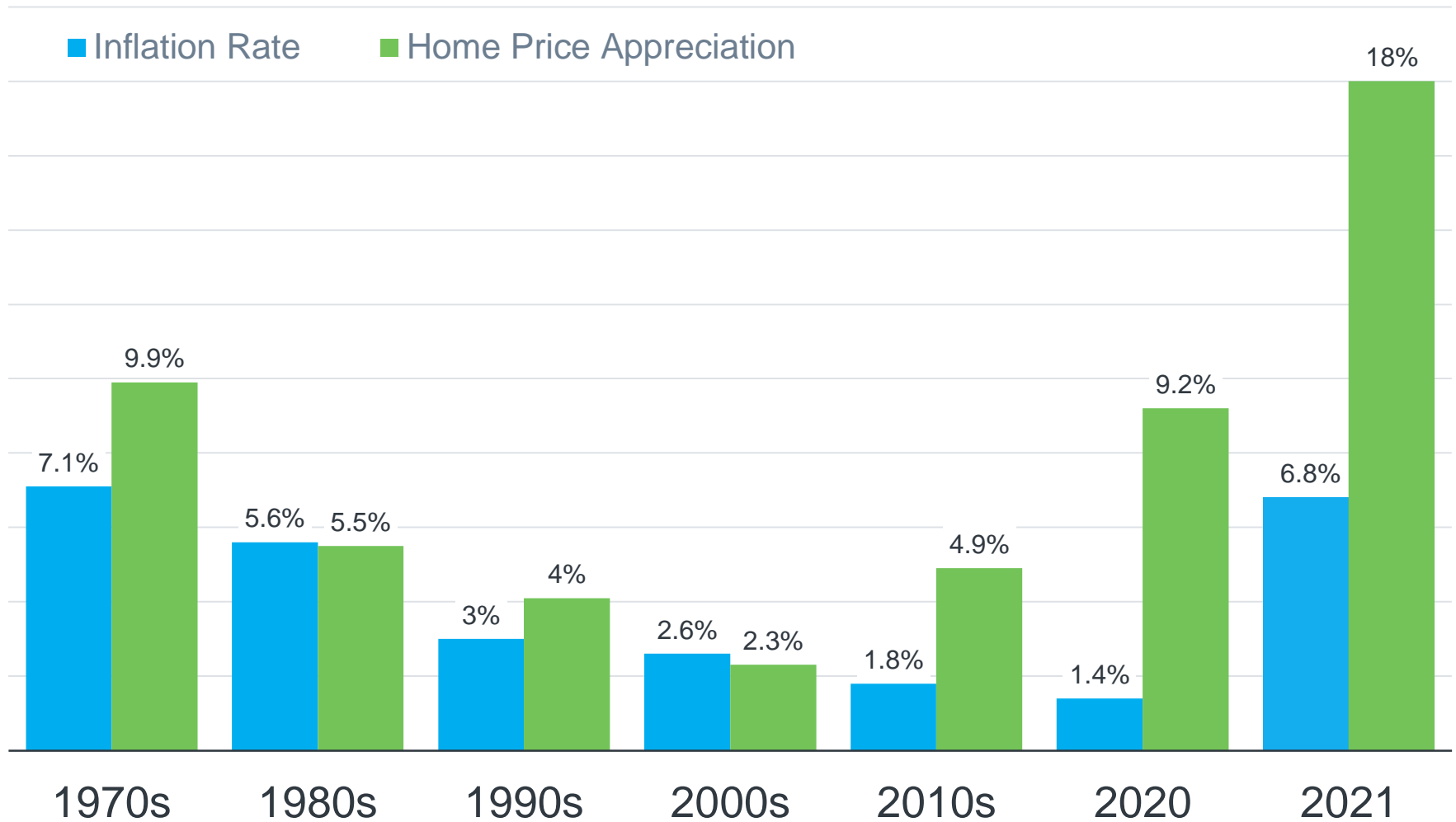


Real estate is one of the time-honored inflation hedges. It's a tangible asset, and those tend to hold their value when inflation reigns, unlike paper assets. More specifically, as prices rise, so do property values.

- **Mark P. Cussen**, Financial Writer, Investopedia

Homeownership: a Hedge Against Inflation

Home Price Appreciation vs. Consumer Price Increases over the Decades



Source: NAR, CoreLogic, Consumer Price Index

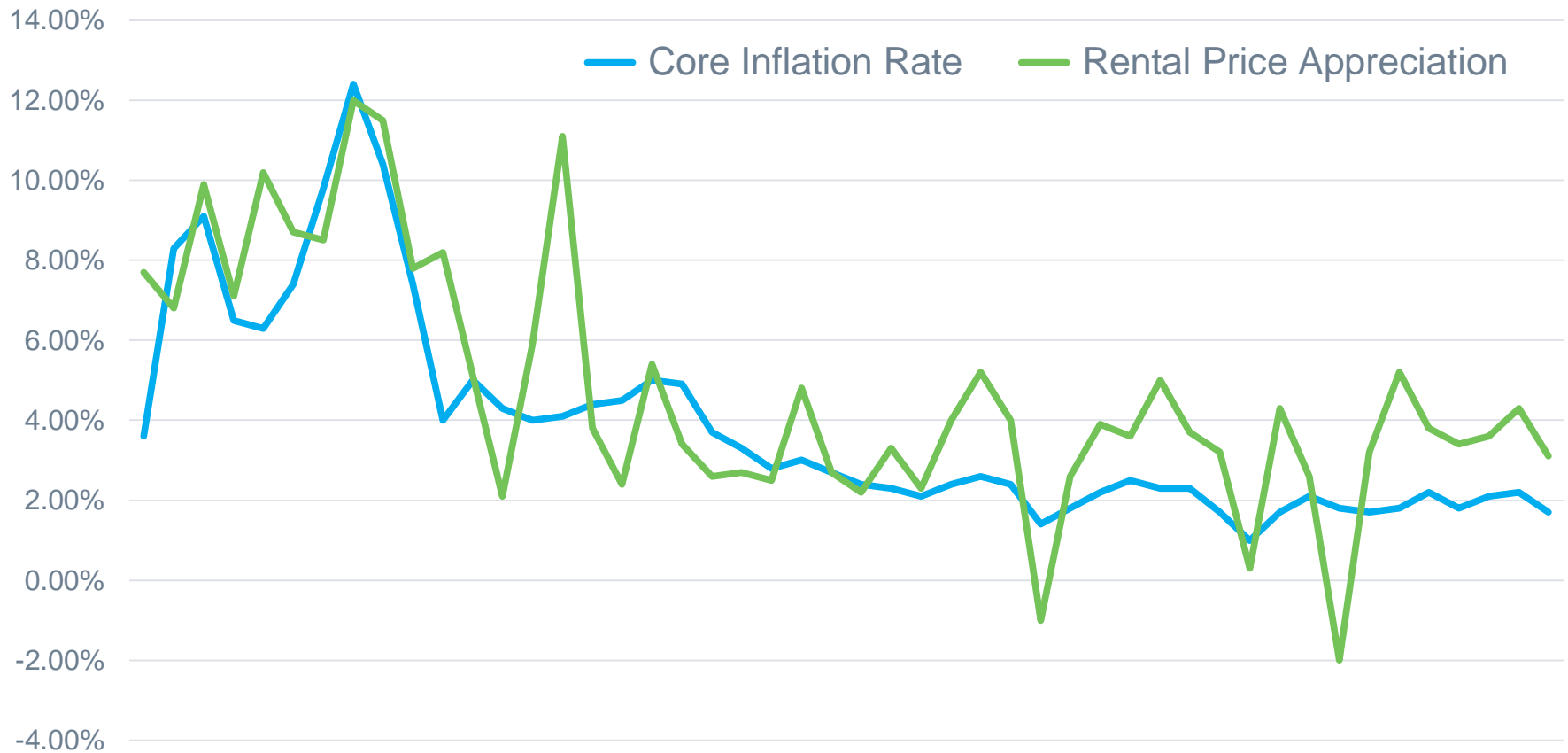


A fixed-rate mortgage allows you to maintain the biggest portion of housing expenses at the same payment. Sure, property taxes will rise and other expenses may creep up, but your monthly housing payment remains the same. **That's certainly not the case if you're renting.**

- **James Royal**, Senior Wealth Management Reporter, Bankrate

Rent Increase Greater Than Inflation Most Years

Rental Price Appreciation and Core Inflation Rate from 1973 – 2020



Source: iProperty Management and U.S. Inflation Calculator

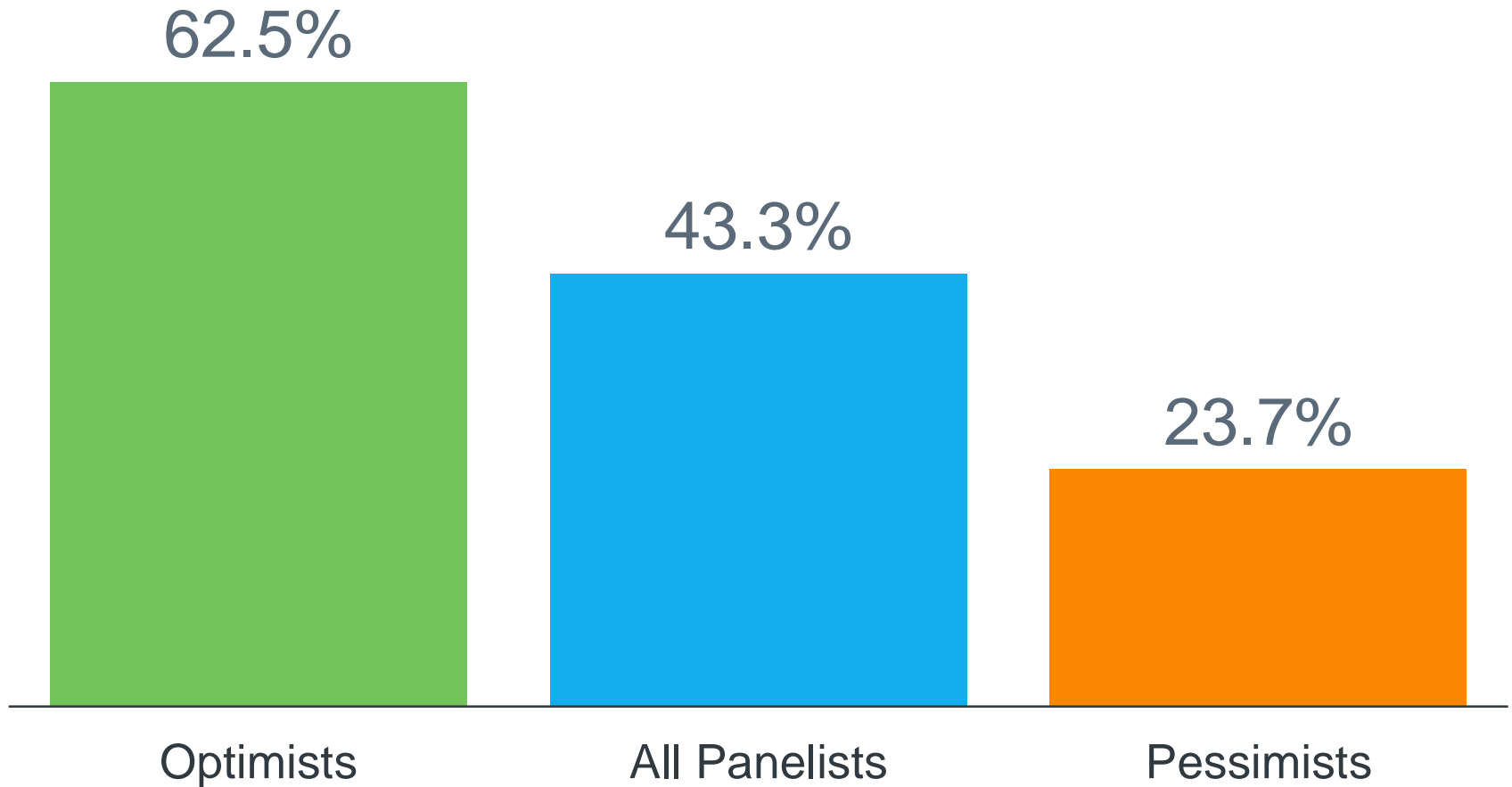


Homeowners are shielded from mounting rental prices because their cost is fixed, regardless of what's happening in the market. . . . Tangible assets like real estate get more valuable over time, which makes buying a home a good way to spend your money during inflationary times.

- **Natalie Campisi**, Advisor Staff, Forbes

Cumulative House Appreciation by 2026

As forecasted in Q4 2021





Mortgage Rates

Mortgage Rates Remain Unchanged from Last Week

February 3, 2022

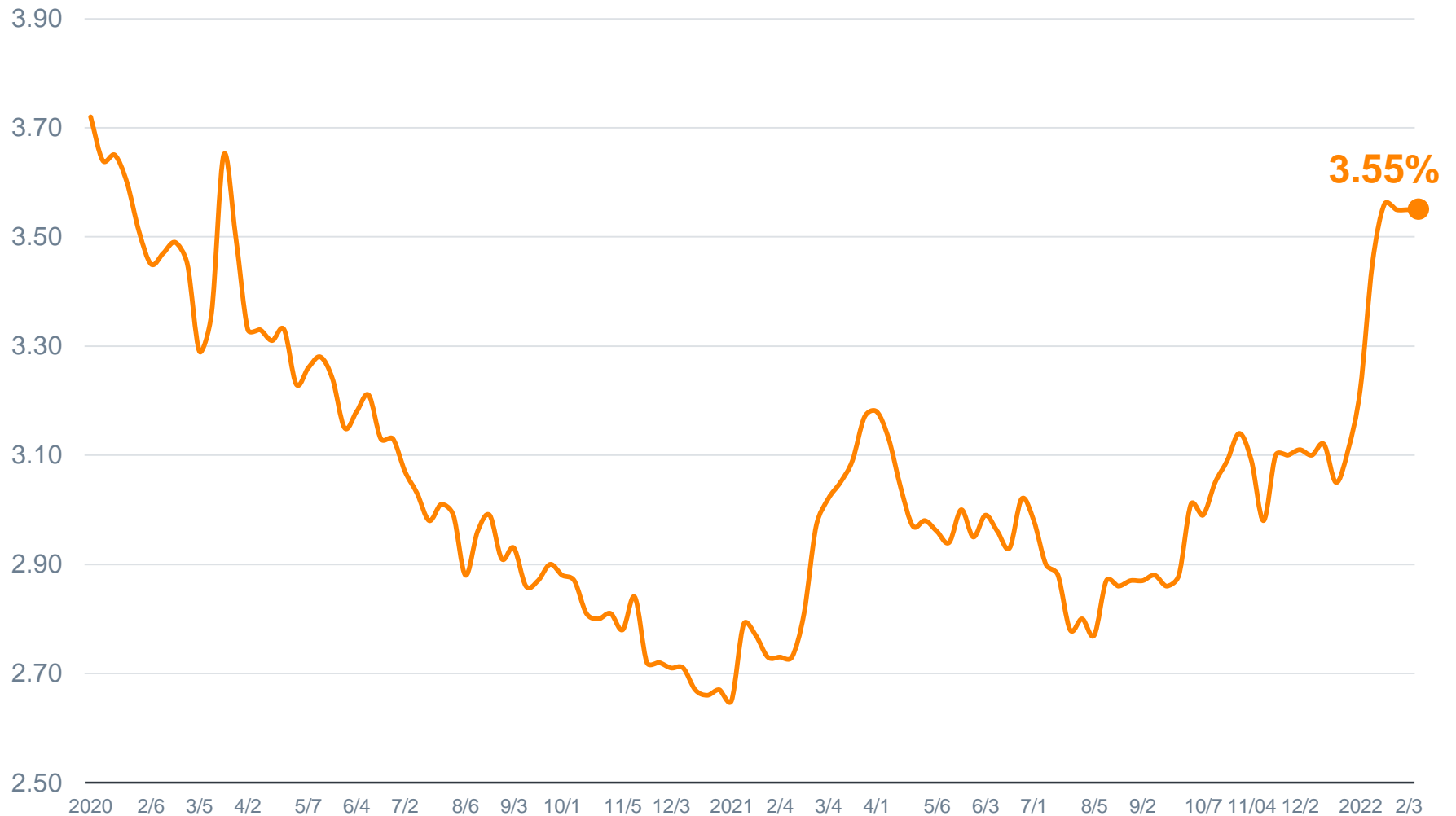
Sam Khater, Chief Economist, Freddie Mac:

“The economy lost some momentum in January, leaving mortgage rates unchanged from last week and relatively flat for the third consecutive week. This stagnation reflects the economic impact of the Omicron variant of COVID-19, which we believe will subside in the coming months. As economic recovery continues going into the spring and summer, mortgage rates are expected to resume their upward trajectory. In the meantime, recent data suggests that homebuyer demand continues to be elevated as supply remains low, driving higher home prices.”

Primary Mortgage Market Survey®					
U.S. Weekly Averages As Of 02/3//2022					
30-Yr FRM		15-Yr FRM		5/1-Yr FRM	
3.55%	0.00 1-Wk	2.77%	▼0.03 1-Wk	2.71%	▲0.01 1-Wk
	▲0.82 1-yr		▲0.56 1-yr		▼0.07 1-yr
0.8 Fees/Points		0.7 Fees/Points		0.2 Fees/Points	

Mortgage Rates

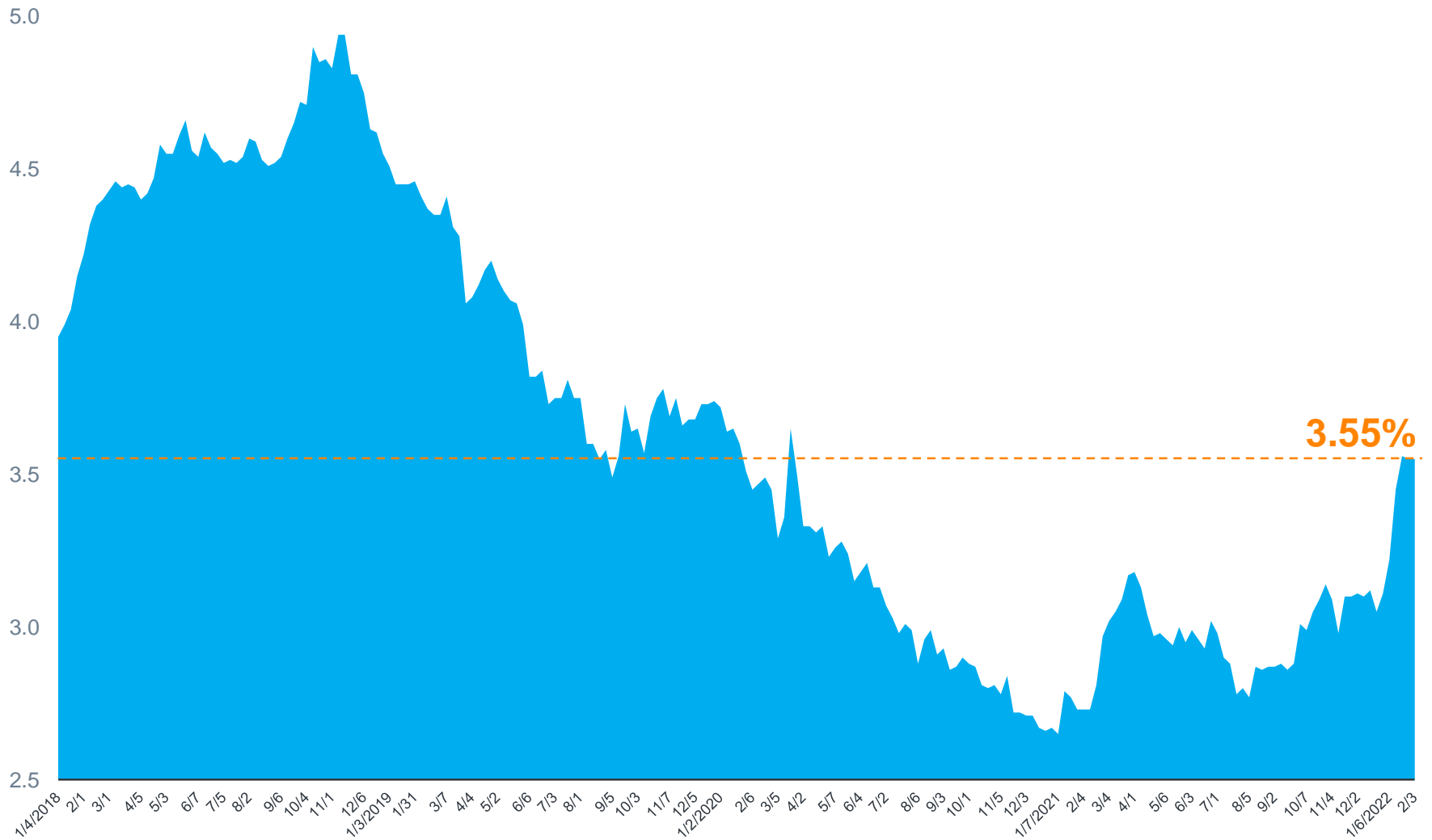
30-Year Fixed Rate, January 2020 – Today



Source: Freddie Mac

Mortgage Rates

30-Year Fixed Rate, January 2018 – Today



Source: Freddie Mac

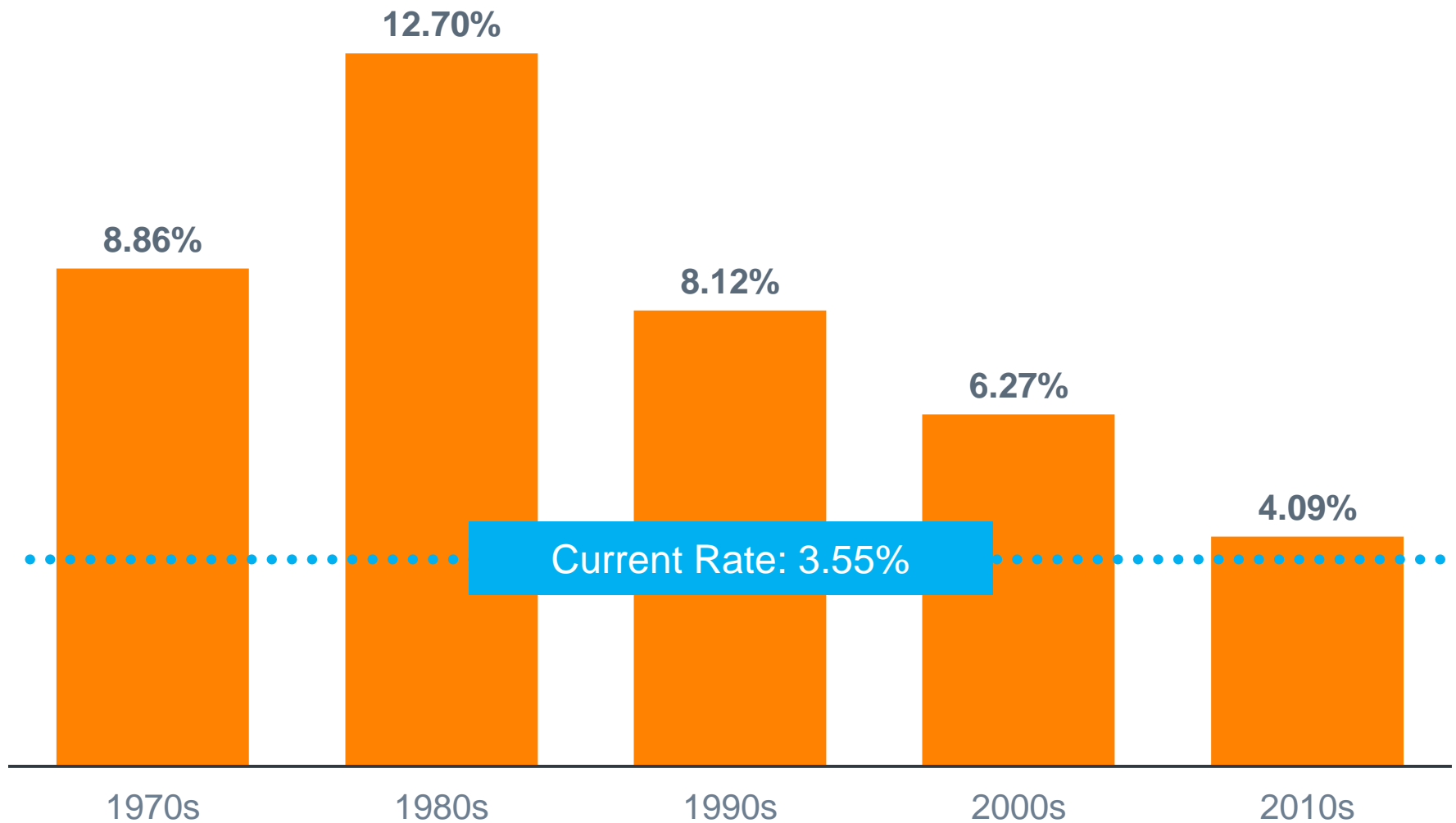


As mortgage rates rise, we do expect some moderation in housing demand, causing house price growth to temper. However, the combination of a large number of entry-level homebuyers facing a shortage of entry-level inventory of homes for sale should keep the housing market competitive...

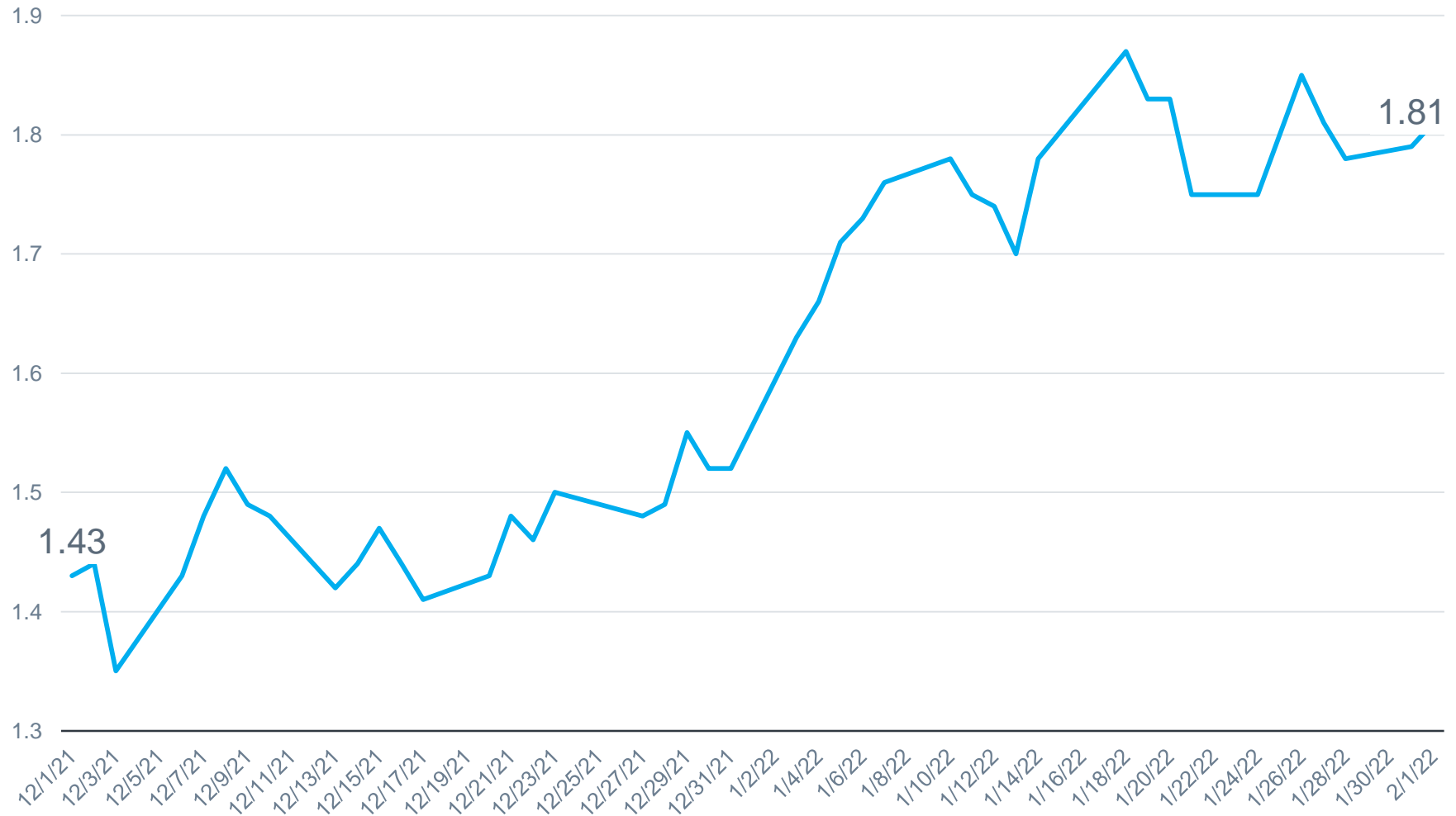
In 2022, we expect purchase originations to grow from \$1.9 trillion in 2021 to \$2.1 trillion in 2022 while refinance activity is anticipated to decrease from \$2.7 trillion in 2021 to \$1.2 trillion in 2022.

- Sam Khater, Chief Economist, Freddie Mac

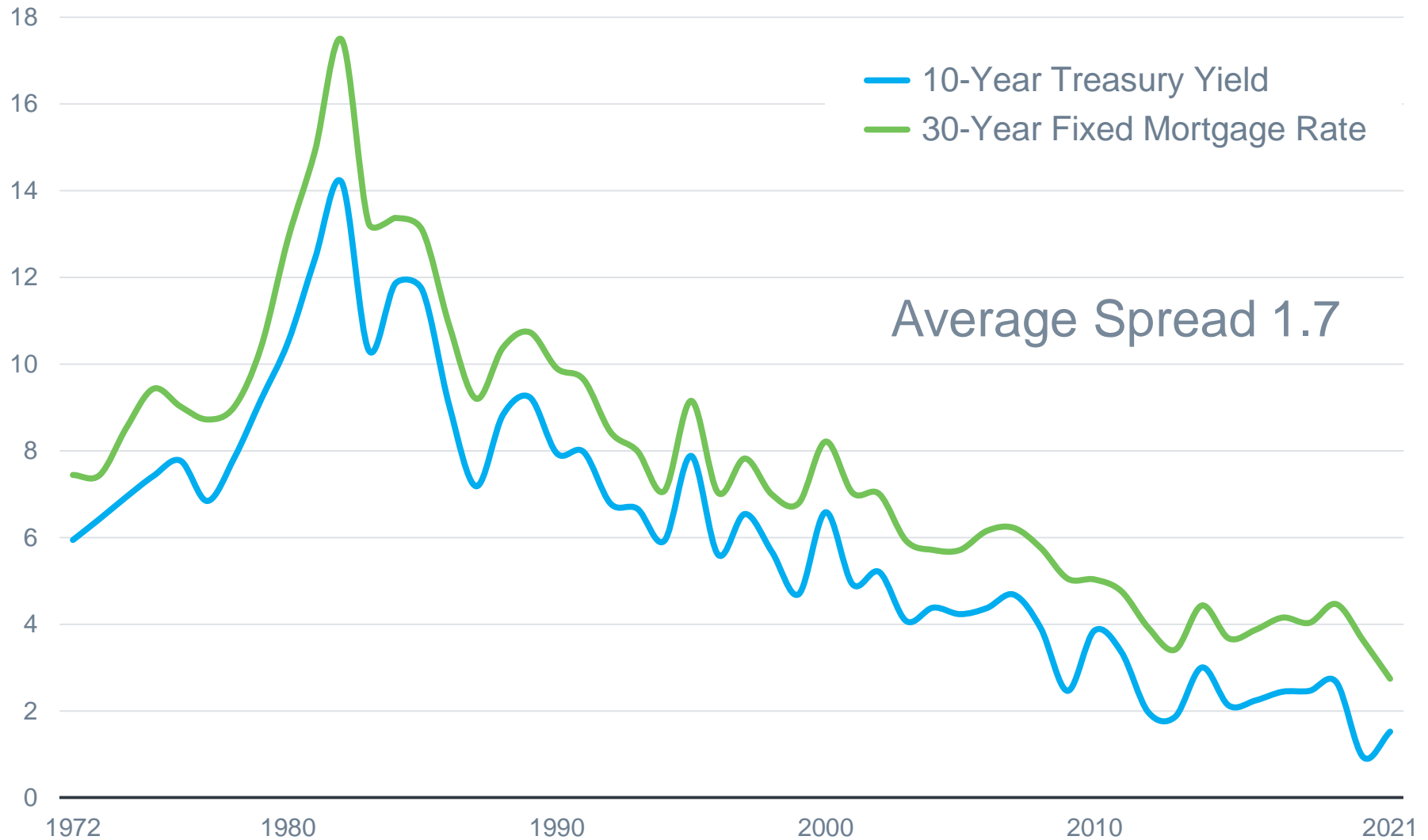
Current Mortgage Rate Compared to the Last Five Decades



10-Year Treasury Yield Skyrocketing



The Relationship Between the Mortgage Rate and the 10-Year Treasury Yield over the Last 50 Years





Mortgage rates hit their highest levels since March 2020, leading to the slowest pace of refinance activity in over two years.

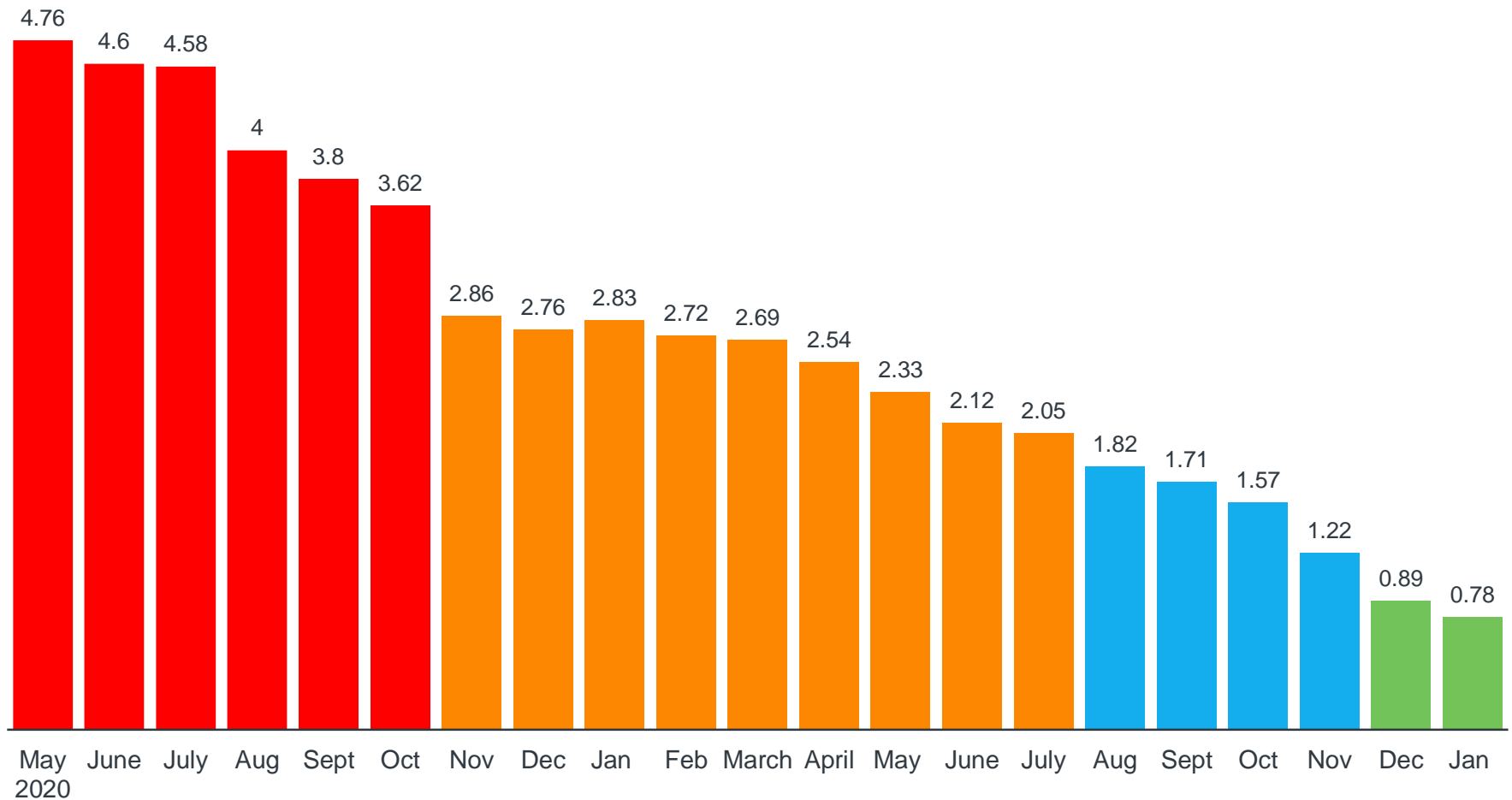
- **Joel Kan**, Associate VP of Economic and Industry Forecasting, MBA



Forbearance

Loans in Forbearance Fall Below 1 Million

Monthly Number of Loans in Active Forbearance (in millions)



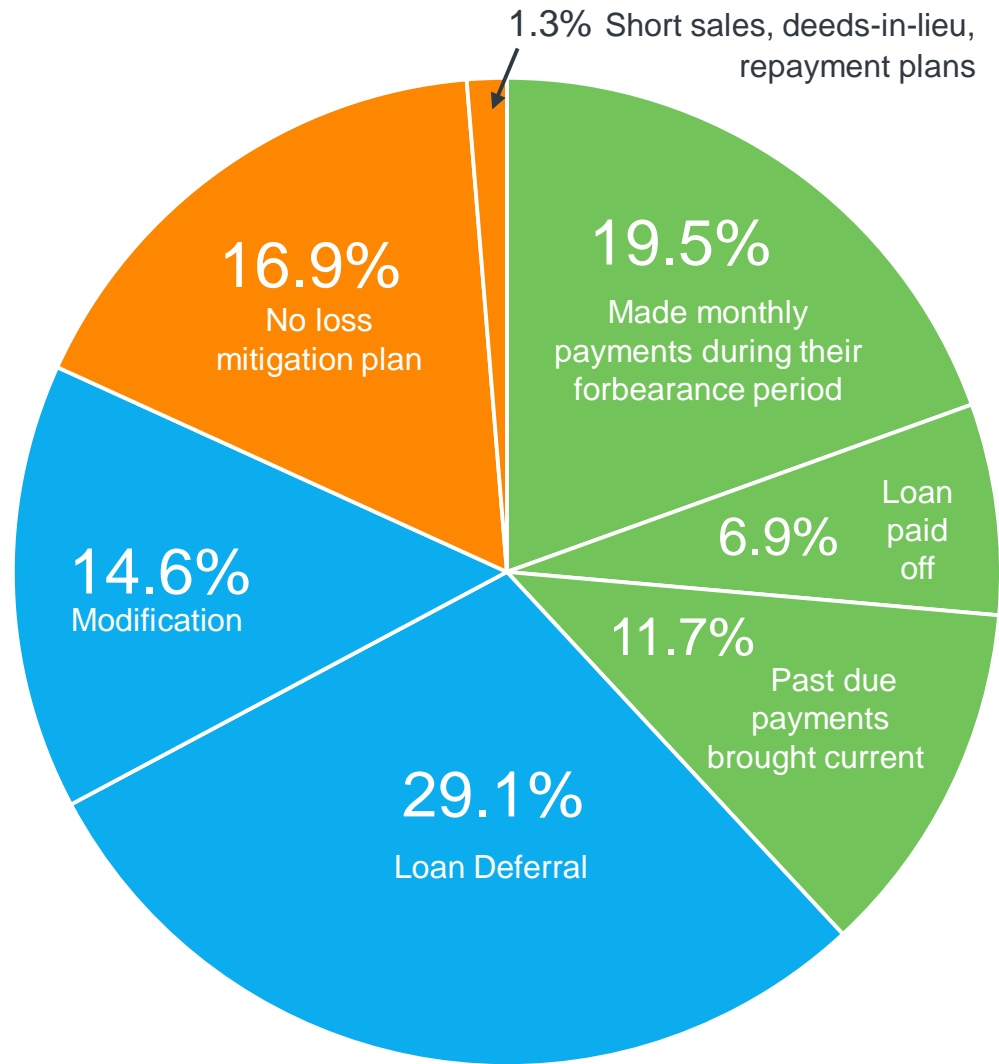


As the COVID-19 pandemic continues to create uncertainty in the global economy, the overwhelming majority (89%) of single-family homeowners who sought financial assistance through COVID-related mortgage payment forbearance plans have exited those plans.

- **Andy Walden**, VP of Market Research, Black Knight Data

Loans Upon Exiting Forbearance Program

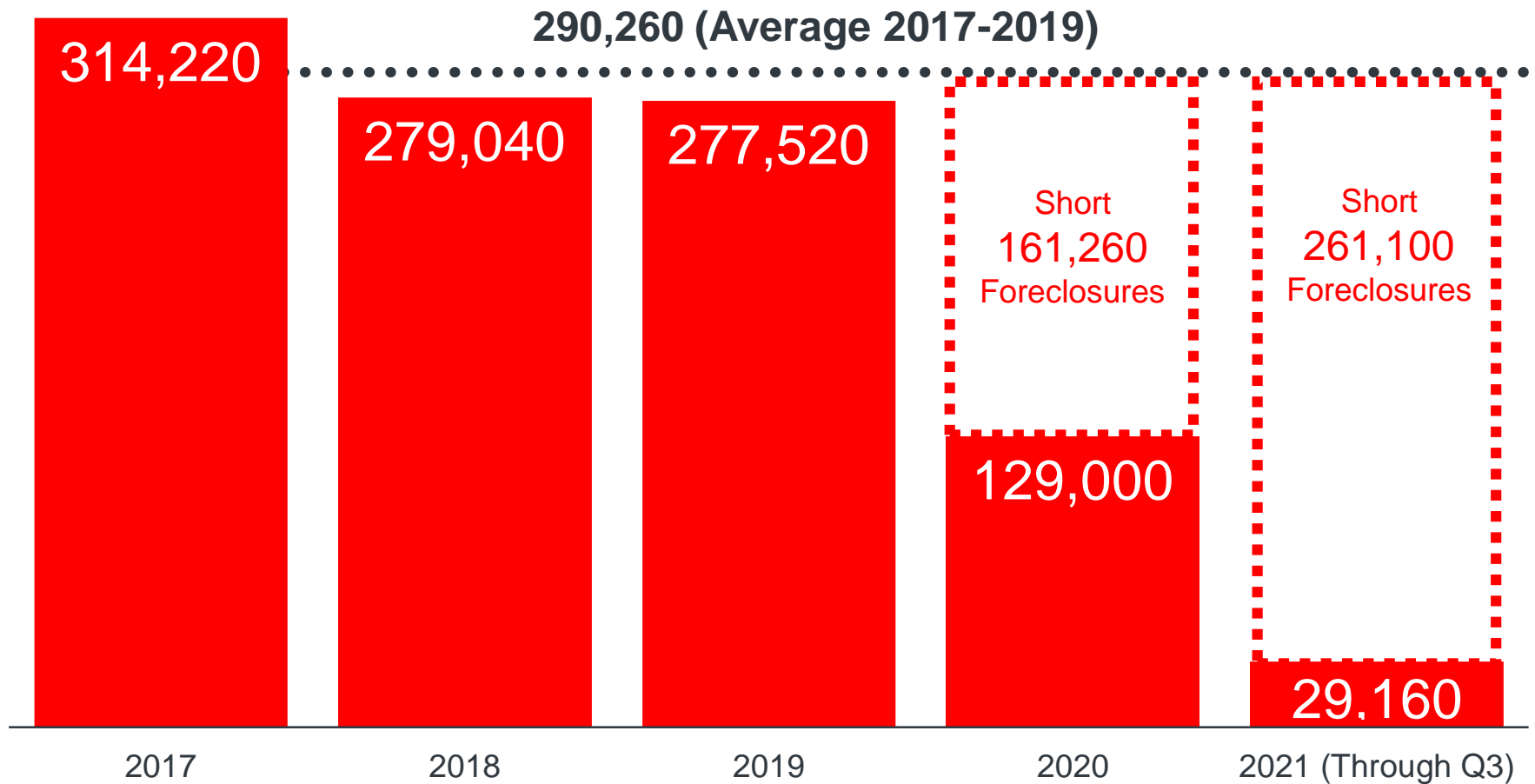
- 38.1% paid in full
- 43.7% work outs or repayment plans
- 18.2% still in trouble



*Cumulative forbearance exits
for the period from 6/1 2020
through 12/31 2021*

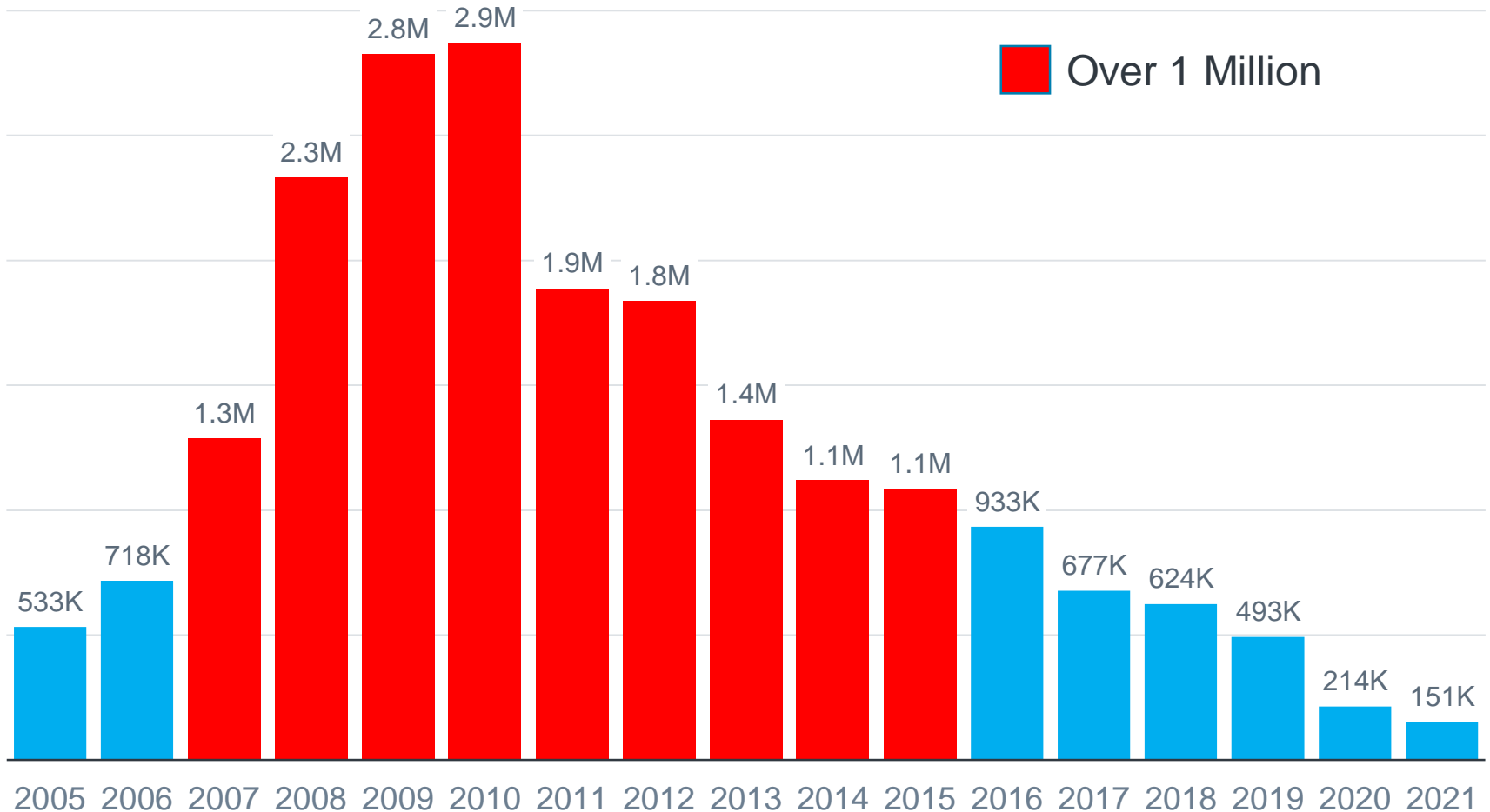
422,360 Fewer Foreclosures over the Last Two Years

Number of Consumers with New Foreclosures



Foreclosure Activity at an All-Time Low

U.S. Properties with Foreclosure Filings: ATTOM 2021 Year-End Report





We may see a little bit of an uptick in foreclosure rates in 2022. Just an uptick though, from an extraordinarily low level, we're not expecting to see a big increase. . . . **We expect delinquency rates overall on home mortgages to actually continue to remain quite, quite low.**

- **Maiclaire Bolton-Smith**, Senior Leader of Research, CoreLogic

Spring Buyer & Seller Guides: Available March 4, 2022



Resources

Slide(s)	Description	Link(s)
3	Cussen Quote	https://www.investopedia.com/articles/investing/060916/top-5-ways-hedge-against-inflation.asp
4	Homeownership: Hedge Against Inflation	https://cdn.nar.realtor/sites/default/files/documents/2021-11-12-residential-economic-issues-and-trends-lawrence-yun-presentation-slides-11-12-2021.pdf https://www.bls.gov/news.release/archives/cpi_01132021.pdf https://www.corelogic.com/intelligence/find-stories/home-prices-topple-expectations-surging-at-the-end-of-2020/
5	Royal Quote	https://www.bankrate.com/investing/inflation-hedges-to-protect-against-rising-prices/
6	Rent & Inflation	https://ipropertymanagement.com/research/average-rent-by-year https://www.usinflationcalculator.com/inflation/united-states-core-inflation-rates/
7	Campisi Quote	https://www.forbes.com/advisor/author/ncampisi/
8	HPES Appreciation	https://pulsenomics.com/surveys/#home-price-expectations

Resources

Slide(s)	Description	Link(s)
10	Mortgage Rates Unchanged from Last Week	https://freddiemac.gcs-web.com/node/24781/pdf
11	Mortgage Rates Since 2020	https://freddiemac.gcs-web.com/node/24781/pdf http://www.freddiemac.com/pmms/
12	Mortgage Rates Since 2018	http://www.freddiemac.com/pmms/ http://www.freddiemac.com/pmms/pmms_archives.html
13	Khater Quote	http://www.freddiemac.com/fmac-resources/research/pdf/Quarterly_Forecast_January2022_Press_Release.pdf
14	Mortgage Rates vs. Last 5 Decades	http://www.freddiemac.com/pmms/pmms_archives.html
15	10-Year Treasury Yield	https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart

Resources

Slide(s)	Description	Link(s)
16	Mortgage Rate & Treasury Yield	https://ycharts.com/indicators/10_year_treasury_rate www.freddiemac.com
17	Kan Quote	https://www.mba.org/2022-press-releases/january/mortgage-applications-increase-in-latest-mba-weekly-survey-x288554
19	Forbearances	https://www.blackknightinc.com/blog-posts/
20	Walden Quote	https://www.blackknightinc.com/blog-posts/forbearance-plan-exits-moderate-in-second-week-of-january/
21	Upon Exiting Forbearance	https://www.mba.org/news-research-and-resources/newsroom https://www.mba.org/2022-press-releases/january/share-of-mortgage-loans-in-forbearance-decreases-to-141-percent-in-december-2021
22	Foreclosures Since 2017	https://www.newyorkfed.org/microeconomics/hhdc.html
23	Foreclosures All-Time Low	https://www.attomdata.com/news/market-trends/foreclosures/attom-year-end-2021-u-s-foreclosure-market-report/
24	Bolton-Smith Quote	https://www.corelogic.com/intelligence/whats-in-store-for-2022/