

U.S. Housing and MBS Market

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

Tier 1 and Tier 2 HFA MBS prepayments in July increased comparably to generic counterparts in, leaving CPR and VPR ratios to generics roughly flat as expected, while Tier 3 increases pushed up their ratios. These ratios for new production remain mostly in the single digits to teens except for higher coupon Tiers 2 and 3, which range from 30% to 60% in aggregate. In the Ginnie sector, buyouts in HFA MBS were mostly lower compared to June on bank serviced pools, continued near prints on mission focused HFA serviced pools, and moderately higher on Lakeview serviced pools.

Ginnie 30-day delinquencies remained stable in July after an uptick in June, remaining below March levels, and clearly below pre-Covid levels across various HFA programs and generic counterparts. We continue to monitor this for further clarity in the coming months.

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

We note that 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 Friday, FHA, VA, and USDA provided additional details on their Covid modification programs. Two key details increase the reach of FHA's Covid modification programs despite still sticking to a 30-year max term for the moment:

- A principal deferral option is added that allows up to 25% of UPB (less any partial claims) to be deferred to the end of the term. This increases the range of note rates that can still achieve a 25% payment reduction with a 30-year term.
- For borrowers who cannot achieve a 25% payment reduction even with principal deferral, the lowest payment option available must be offered by the servicer.

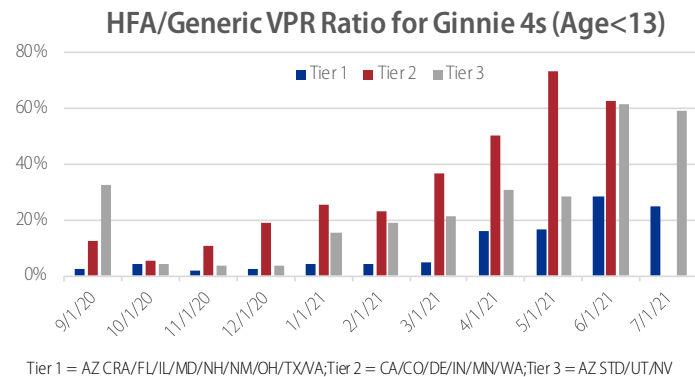
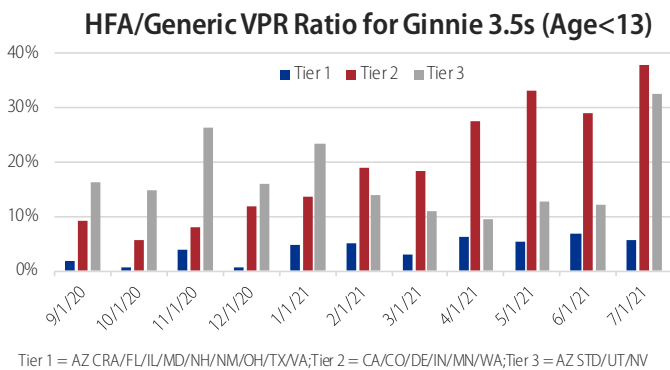
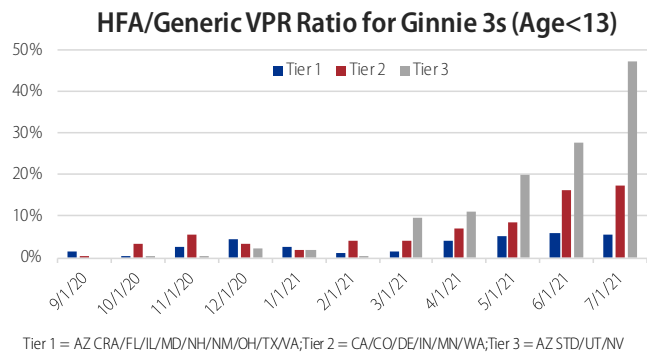
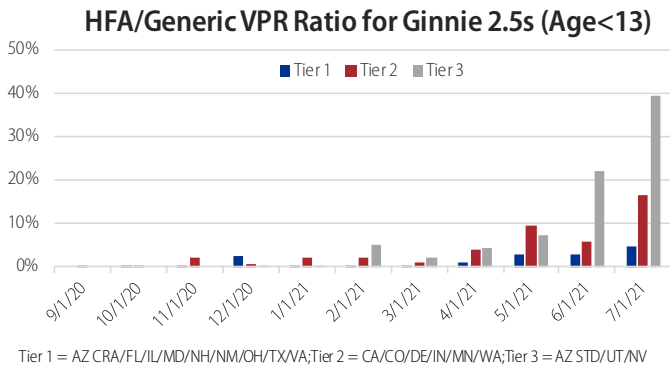
These offers must be made by August 24, 2021 and no Trial Payment Program is needed for the borrower to be moved to the modified terms. These details increase

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Ginnie 30-day delinquencies ticked up somewhat notably in June, but remain below March levels and clearly below pre-Covid levels across various HFA programs and generic counterparts.

the potential uptake of these programs and the related efficiency of servicer buyouts of deeply delinquent loans.

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 July 2021 HFA prepay report released Wednesday, July 28. For more details, please contact us at the MBS Strategy desk or your HTS salesperson.

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