



*“Your Trusted Capital Markets Partner”*

# Market Outlook, Preparedness, and Profitability

*Webinar 1/20/22*



# MCT Presenters



**Phil Rasori**  
COO  
MCT



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Chief Economist and SVP of  
Research and Industry Tech.  
MBA

# MCT Agenda

- Market cycles in the mortgage industry
- The outlook for the market in 2022
- MCT client metrics and MBA forecasts
- Preparing and limiting swings in profitability
- Q&A



# Question for Attendees

What percentage drop in volume do you expect in 2022?

- <10%
- 10%-25%
- 25%-50%



# Question for Attendees

What is the purchase versus refinance share you expect in 2022?

- >85% purchase
- 75-85% purchase
- 50-75% purchase
- <50% purchase



# Focus Areas by Stage

**Falling Rates / Rising Volume**

- Margin Manage to Capacity
- Protect Liquidity for Funding
- Expand/Protect Trading Line Capacity
- Expand Operational Capacity
- Rate Renegotiation Opportunities

**Rising Rates / Rising Volume**

- Maintain Margin
- Healthy Growth
- Don't Overextend
- Prepare for a Rainy Day
- Focus on Increasing Profitability Through Efficiency

Rates

**Falling Rates / Falling Volume**

- Manage Costs
- Plan for Growth
- Focus on Automation & Technology
- Make Process Improvements & Operational Changes

**Rising Rates / Falling Volume**

- Competitive Pressure on Margins
- Efficiency & Lean Operations Win
- Leverage Efficiency & Technology Advantages Built in Other Phases

Volumes



# Question for Attendees

What is your biggest concern for this year?

- Maintaining market share
- Managing margin
- Hiring or firing
- Regulatory Policy
- Fed Policy
- Unease in the housing market



# Question for Attendees

What are you most excited about in 2022?

- MCT Exchange and other live conferences
- Continuing a strong 2020/2021 from a profitability perspective
- Proper lead time on FHFA and regulatory changes
- New opportunities in the origination space
- Modernize capital markets technology and processes



# MCT 2022 Market

- Market Volatility/Rising Rates
- Substantial change in Fed and Market sentiment
- FHFA Fee Increase Announcement - gave lead time and will bring private money into the market with a price adjustment rather than a cap
- Broader Market Decline

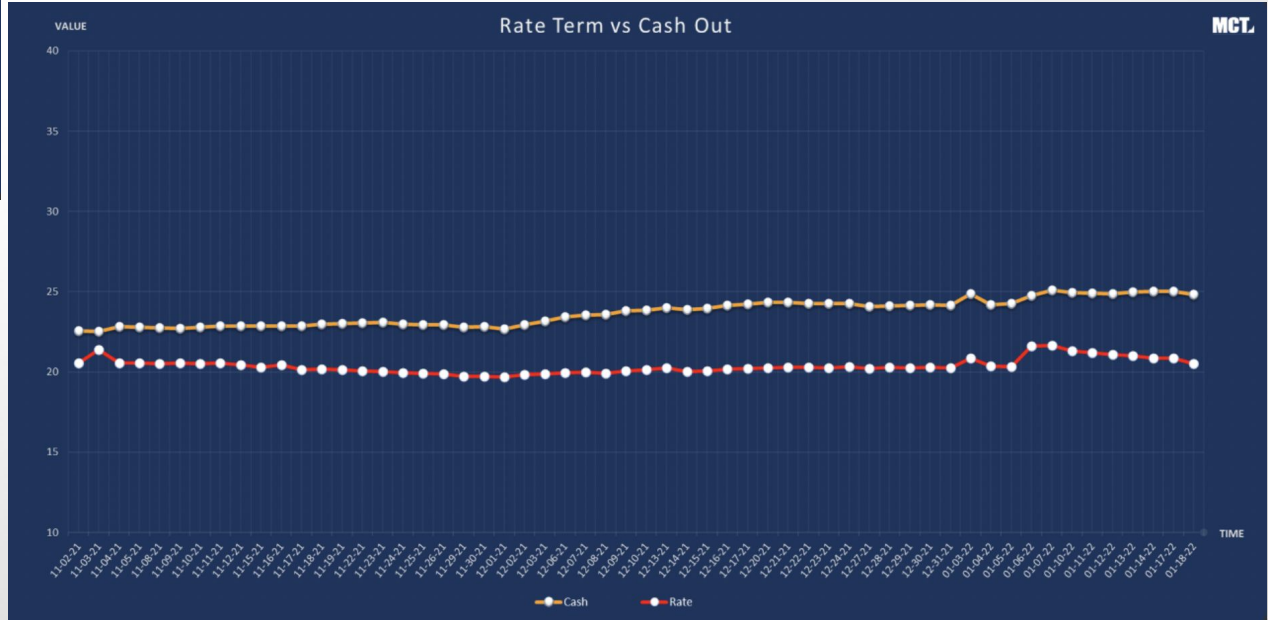
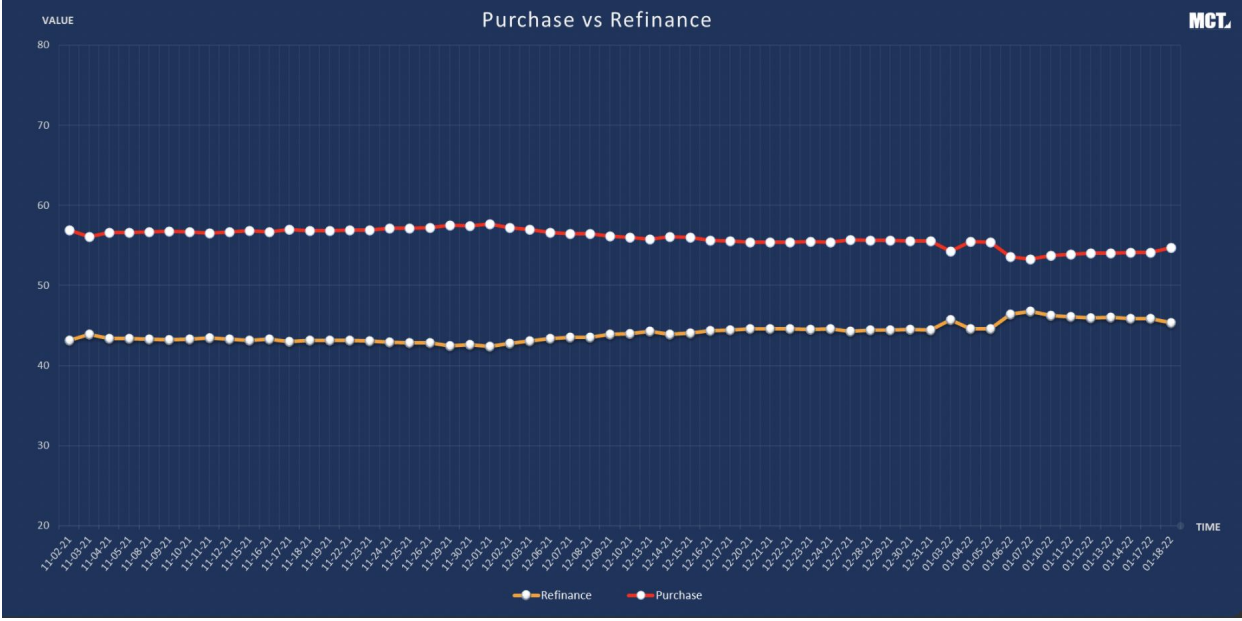


# MBS New Year Deja Vu





# Pipeline Breakdown





# 2022 MBA Economic Forecast

## MBA Economic Forecast

December 21, 2021

	2021				2022				2023								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022	2023	2024
<b>Percent Change, SAAR</b>																	
Real Gross Domestic Product	6.3	6.7	2.1	7.1	4.9	4.2	3.9	3.0	2.3	2.2	2.1	2.1	-2.3	5.5	4.0	2.2	1.9
Personal Consumption Expenditures	11.4	12.0	1.7	6.1	4.8	2.4	1.8	1.5	1.4	1.8	2.4	2.4	-2.4	7.7	2.6	2.0	2.9
Business Fixed Investment	12.9	9.2	1.5	4.0	11.0	7.1	6.4	5.3	4.6	4.1	4.0	3.7	-3.8	6.8	7.4	4.1	3.1
Residential Investment	13.3	-11.7	-8.3	0.7	1.5	3.5	4.3	4.2	3.0	3.2	2.5	2.1	15.7	-2.0	3.4	2.7	-1.0
Govt. Consumption & Investment	4.2	-2.0	0.9	-2.1	3.1	1.9	2.7	1.9	1.2	1.1	0.9	1.0	1.2	0.2	2.4	1.1	0.8
Net Exports (Bil. Chain 2012\$)	-1033.0	-1048.4	-1108.2	-1077.0	-1121.9	-1130.2	-1118.7	-1096.7	-1081.2	-1069.7	-1080.2	-1095.9	-785.1	-1066.7	-1116.9	-1081.8	-1160.3
Inventory Investment (Bil. Chain 2012\$)	-75.1	-143.3	-62.2	23.8	41.9	93.2	131.4	141.6	141.5	134.1	124.9	116.8	-35.9	-64.2	102.0	129.3	98.6
Consumer Prices (YOY)	1.9	4.8	5.3	6.4	5.6	4.2	3.8	3.0	2.9	2.6	2.2	2.0	1.2	6.4	3.0	2.0	1.9
<b>Percent</b>																	
Unemployment Rate	6.2	5.9	5.1	4.3	4.0	3.7	3.5	3.5	3.5	3.5	3.5	3.5	8.1	5.4	3.7	3.5	3.7
Federal Funds Rate	0.125	0.125	0.125	0.125	0.125	0.375	0.625	0.875	0.875	1.125	1.375	1.625	0.125	0.125	0.875	1.625	2.125
10-Year Treasury Yield	1.3	1.6	1.3	1.5	1.8	1.9	2.1	2.3	2.4	2.4	2.5	2.5	0.9	1.5	2.3	2.5	2.5

### Notes:

The Fed Funds Rate forecast is shown as the mid point of the Fed Funds range at the end of the period.

All data except interest rates are seasonally adjusted

The 10-Year Treasury Yield is the average for the quarter, while the annual value is the Q4 value

Forecast produced with the assistance of the Macroeconomic Advisers' model

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# 2022 MBA Mortgage Finance Forecast

## MBA Mortgage Finance Forecast

December 21, 2021

	2021				2022				2023								
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022	2023	2024
<b>Housing Measures</b>																	
Housing Starts (SAAR, Thous)	1,599	1,588	1,555	1,610	1,637	1,644	1,670	1,697	1,692	1,700	1,706	1,700	1,397	1,588	1,662	1,700	1,622
Single-Family	1,156	1,107	1,094	1,120	1,174	1,202	1,239	1,285	1,312	1,335	1,354	1,368	1,004	1,119	1,225	1,342	1,317
Two or More	443	482	461	490	463	442	431	412	380	365	352	332	393	469	437	357	305
Home Sales (SAAR, Thous)																	
Total Existing Homes	6,303	5,833	6,057	6,310	6,361	6,464	6,448	6,511	6,542	6,618	6,624	6,603	5,678	6,126	6,446	6,597	6,417
New Homes	896	737	738	780	832	919	960	984	994	1,032	1,043	1,054	828	788	924	1,031	1,025
FHFA US House Price Index (YOY % Change)	12.7	17.4	17.6	16.1	13.2	10.1	7.3	5.1	4.0	3.4	3.5	4.1	10.9	16.1	5.1	4.1	5.4
Median Price of Total Existing Homes (Thous \$)	313.5	351.3	356.6	359.3	363.6	361.2	362.6	359.6	364.4	365.6	362.8	360.3	295.4	345.2	361.7	363.3	362.2
Median Price of New Homes (Thous \$)	364.9	380.9	403.3	412.9	412.4	405.9	403.5	400.3	407.1	408.5	405.3	401.9	335.0	390.5	405.5	405.7	402.9
<b>Interest Rates</b>																	
30-Year Fixed Rate Mortgage (%)	2.9	3.0	2.9	3.1	3.3	3.5	3.7	4.0	4.1	4.2	4.3	4.3	2.8	3.1	4.0	4.3	4.3
10-Year Treasury Yield (%)	1.3	1.6	1.3	1.5	1.8	1.9	2.1	2.3	2.4	2.4	2.5	2.5	0.9	1.5	2.3	2.5	2.5
<b>Mortgage Originations</b>																	
Total 1- to 4-Family (Bil \$)	1,094	1,050	954	834	677	697	625	610	553	693	648	632	4,108	3,932	2,609	2,526	2,530
Purchase	320	460	442	390	360	492	449	438	378	526	482	464	1,482	1,612	1,739	1,850	1,784
Refinance	774	590	512	444	317	205	176	172	175	167	166	168	2,625	2,320	870	676	746
Refinance Share (%)	71	56	54	53	47	29	28	28	32	24	26	27	64	59	33	27	29
FHA Originations (Bil \$)													302	285	164	159	147
Total 1- to 4-Family (000s loans)	3,146	2,926	2,714	2,325	1,806	1,880	1,755	1,714	1,500	1,867	1,705	1,707	13,696	11,112	7,155	6,779	6,566
Purchase	974	1,341	1,302	1,124	997	1,302	1,254	1,264	1,043	1,402	1,243	1,267	4,917	4,741	4,817	4,955	4,600
Refinance	2,172	1,585	1,412	1,201	809	578	501	450	457	465	462	440	8,780	6,370	2,338	1,824	1,966
Refinance Share (%)	69	54	52	52	45	31	29	26	30	25	27	26	64	57	33	27	30
<b>Mortgage Debt Outstanding</b>																	
1- to 4-Family (Bil \$)	11,042	11,200	11,386	11,554	11,715	11,916	12,131	12,338	12,525	12,718	12,908	13,085	10,925	11,554	12,338	13,085	13,749

### Notes:

As of the Sep. 2021 forecast, the 2020 originations numbers have been revised based on the 2020 Home Mortgage Disclosure Act data.

Total 1-to-4-family originations and refinance share are MBA estimates. These exclude second mortgages and home equity loans.

Mortgage rate forecast is based on Freddie Mac's 30-Yr fixed rate which is based on predominantly home purchase transactions.

The 10-Year Treasury Yield and 30-Yr mortgage rate are the average for the quarter, but annual columns show Q4 values.

The FHFA US House Price Index is the forecasted year over year percent change of the FHFA Purchase-Only House Price Index.

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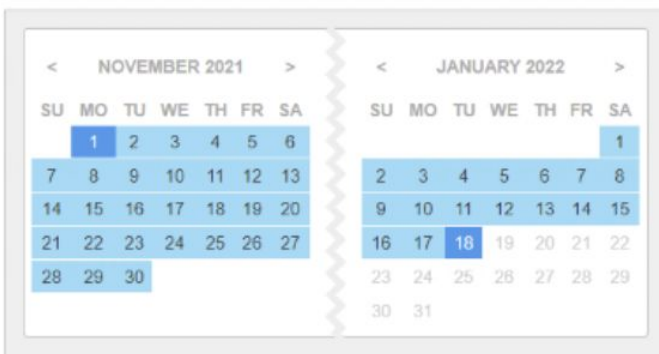




# MCT Client Metrics

Chart for:  Daily Locked Volume

Show Filters: ☐



Query

Convert to Units

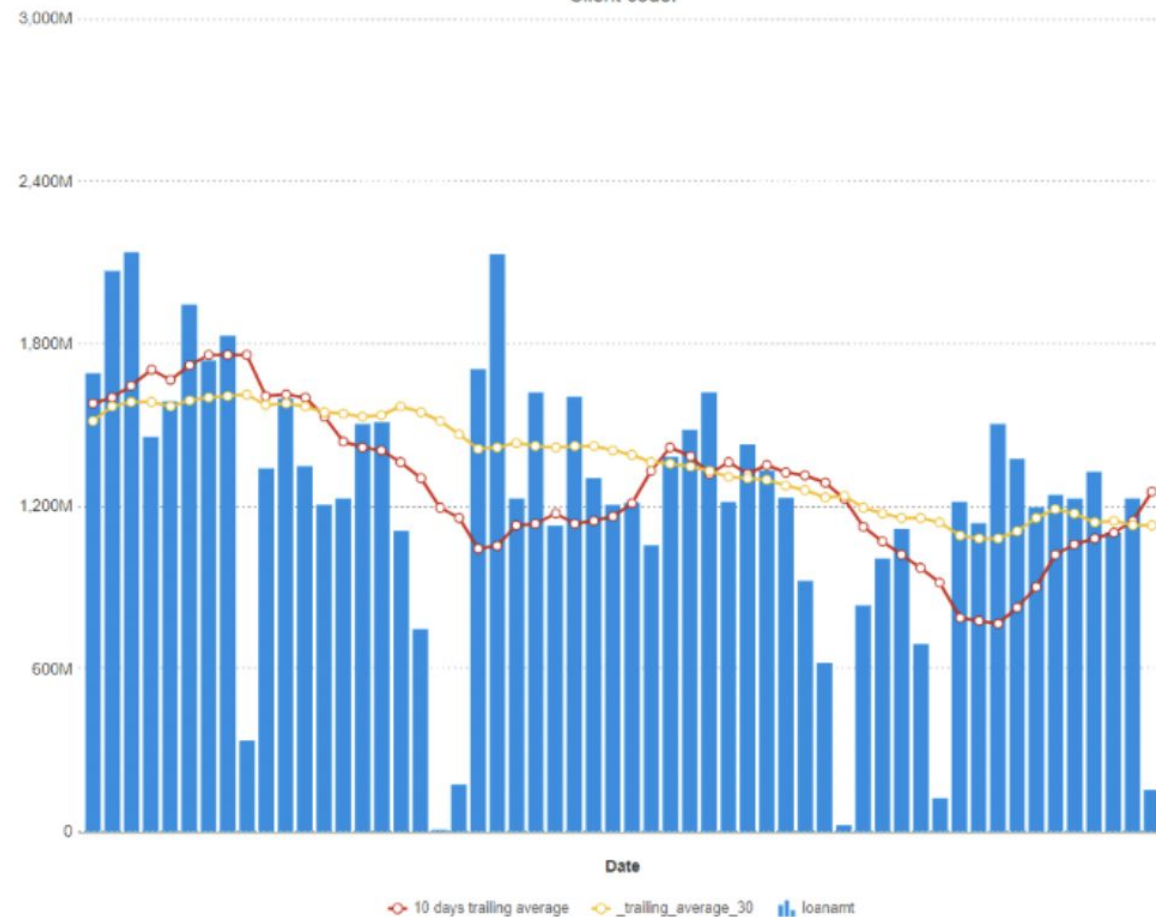
Overlay 10/30 Day Moving Average

Overlay % of Total

Category	Locked	Global
Ave Loan Size		317,610
Ave Note Rate		3.59

Daily pipeline Volume

Client code:





# MCT Trade Desk Recommendations

- Trade with higher frequency
- Match market levels of hedge positions to front end locks
- Take advantage of Assignment of Trade
- Paradoxically AOTs can provide cash flow benefits during market sell offs
- Intraday market sell offs may warrant holding large loan sales until the next trading day (fully hedge for sale production)
- Pipeline Management
  - No more free extensions
  - Need to look at specific loan profitability



**Any Questions?**

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