

U.S. Housing and MBS Market

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

HFA MBS February prepayments slowed in line with the broader Agency MBS universe, leaving the HFA/Generic ratios mostly stable. In the GinnieMae sector, Lakeview’s buyouts unexpectedly slowed sharply (43% month over month in aggregate), with concentrated drops in the 3 and 3.5 coupons. Buyouts by mission focused HFA servicers remain minimal. We expect Lakeview Servicing’s lower coupon buyouts to bounce back based on delinquency trends, but the timing for HFA servicer buyouts could be delayed to 2021Q4 or later. This follows an announcement by HUD last week of the availability of two additional three-month forbearance extensions for borrowers whose 12-month limits are slated to end prior to June 2021.

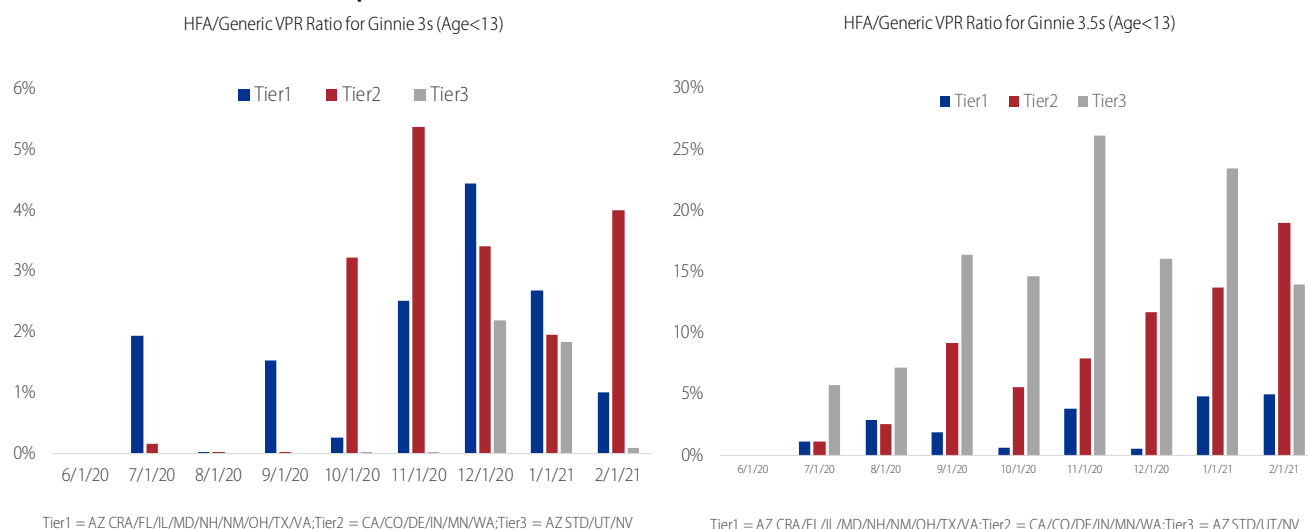
Mahesh Swaminathan, CFA
Managing Director, MBS/ABS Strategist
917.206.3676
mahesh.swaminathan@hilltopsecurities.com

The broad trend is a decline in GinnieMae 30-day delinquencies back toward or below pre-Covid levels across various HFA programs and generic counterparts. As we have noted before, the exceptions are those in AZ and NV HFA 3 and 3.5 coupons, where the trend has been choppy to sideways. This appears to be related to seasoning of new coupons that did not exist pre-Covid and the pattern is somewhat similar in 4 and 4.5 coupons, which were production coupons in late 2019/early 2020. We will continue to monitor this for potential deviations.

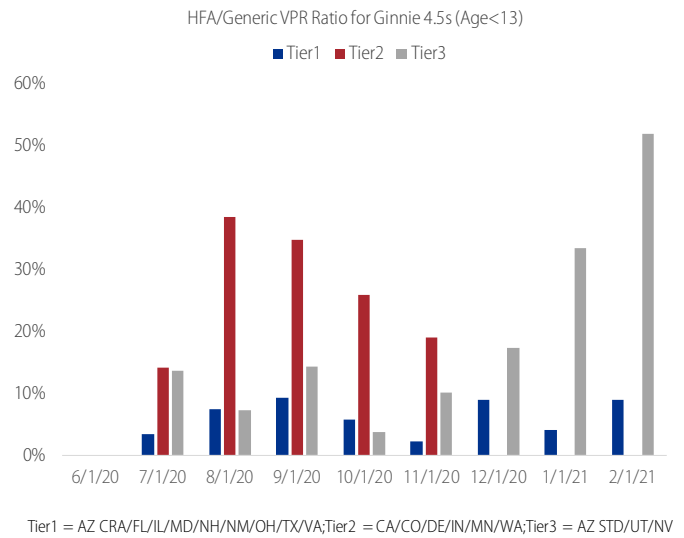
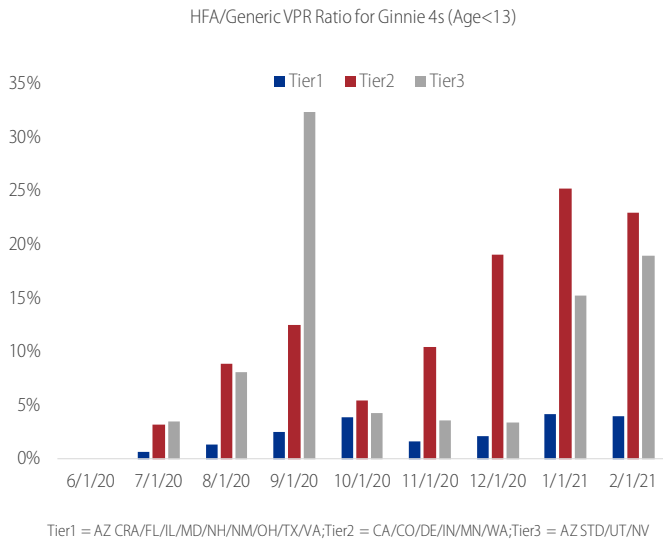
The broad trend is a decline in GinnieMae 30-day delinquencies back toward or below pre-Covid levels across various HFA programs and generic counterparts.

60-day delinquencies have flattened to slightly above pre-Covid levels. This points to continued elevated buyouts by bank servicers and potentially Lakeview, although the absolute levels are well below those in late 2020.

Historical VPR ratios to Generic Counterparts Illustrate Consistently Solid Call Protection Across the HFA Coupon Stack and Tiers



Source: RiskSpan and HilltopSecurities.



Source: RiskSpan and HilltopSecurities.

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

The paper/commentary was prepared by Hilltop Securities (HTS). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS as of the date of the document and may differ from the views of other divisions/departments of affiliate Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. This material has not been prepared in accordance with the guidelines or requirements to promote investment research, it is not a research report and is not intended as such. Sources available upon request.

Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 1201 Elm Street, Suite 3500, Dallas, Texas 75270, (214) 859-1800, 833-4HILLTOP