

U.S. Housing and MBS Market

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

March speeds in HFA MBS increased in proportion with generics, leaving the HFA/Generic ratios stable at levels from the past two months. In the Ginnie sector, Lakeview's buyouts slowed again (25% month over month in aggregate), with concentrated drops in 4s and higher, contrasted by increases in 3s and 3.5s as expected. Buyouts by mission focused HFA servicers remain minimal, as they have since the beginning of Covid forbearance. We expect these trends to continue near-term.

Roughly 90% of GinnieMae borrowers in forbearance programs are currently delinquent, with voluntary and all-in prepayments at 10%-15% and 40%-50% of counterparts that are not in forbearance. A look at the post-forbearance performance of conventional borrowers suggests that borrowers who availed of a [Covid-19 Payment Deferral](#) (which adds the forborne P&I as an interest-free balance due at maturity or pay-off of the loan) at the end of their forbearance prepay roughly 20% slower than counterparts who did not go through forbearance. Over 90% of these post-forbearance borrowers are current, a few percentage points below that for their counterparts. Clearly, this is early data and many borrowers who recently exited forbearance could still be facing frictions to refinancing. But, over time, this friction could erode if the economy/employment picture continues to improve. In GinnieMae MBS, most traditional servicers are likely to buyout loans out of forbearance as the employment picture improves. Under this backdrop, the relatively slow pace of buyouts by mission-focused HFA servicers would continue to dampen speeds. To the extent the forborne P&I is attached to the end of the loan, this incremental zero interest balance could offer a modest amount of additional call protection.

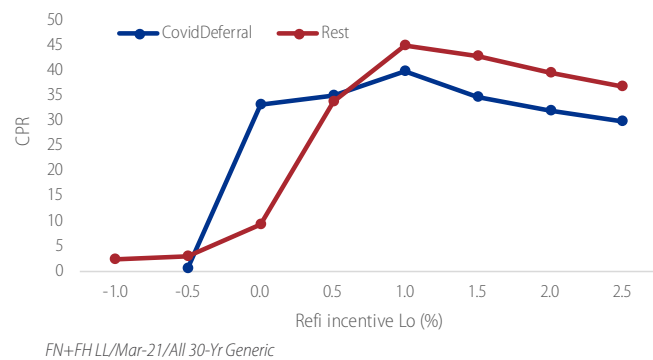
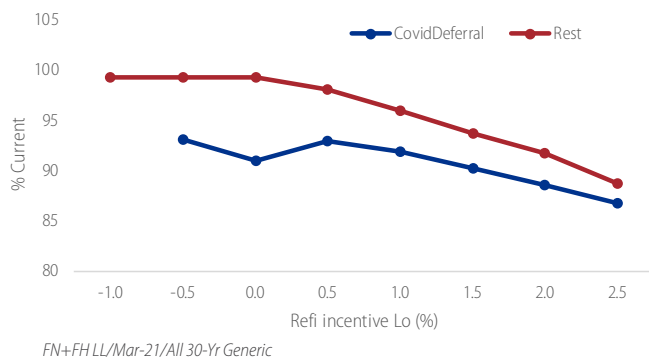
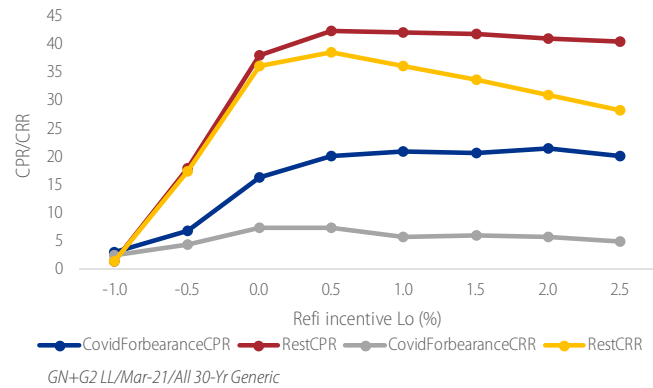
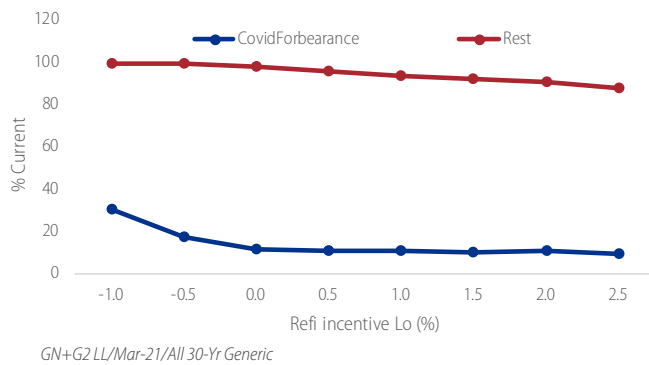
Ginnie 30-day delinquencies have mostly drifted to pre-Covid levels or below across various HFA programs and generic counterparts. As we have noted before, the exception is in AZ and NV HFA 3s and 3.5s, where the trend has been choppy to sideways, and 2.5s which are ramping up across all programs. This appears to be related to seasoning of new coupons that did not exist pre-Covid. We will continue to monitor this for potential deviations.

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.

Maresh Swaminathan, CFA
Managing Director, MBS/ABS Strategist
917.206.3676
maresh.swaminathan@hilltopsecurities.com

Roughly 90% of GinnieMae borrowers in forbearance programs are currently delinquent, with voluntary and all-in prepayments at 10%-15% and 40%-50% of counterparts that are not in forbearance.

Slightly over 10% of Ginnie borrowers under forbearance are current and prepay at roughly 10% of their non-forbearance counterparts. Delinquencies on conventional borrowers exiting forbearance with a Covid Deferral Plan are slightly higher than non-forbearance counterparts. The borrowers with deferral are initially prepaying roughly 20% slower than the latter.



Source: RiskSpan and HilltopSecurities.

This excerpt is a brief summary of our HTS March 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