U.S. Housing and MBS Market

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

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HFA MBS prepayments in May declined less than generic counterparts, pushing up CPR and VPR ratios. This is consistent with the idea that HFA borrowers potentially react with somewhat longer lags compared to generic borrowers. These ratios could tick up again next month as aggregate speeds decline slightly. That said, these ratios are still mostly in the single digits to teens except for higher coupon Tiers 2 and 3. In the Ginnie sector, Lakeview's buyouts declined as expected, while buyouts by mission focused HFA servicers remain minimal.

Ginnie 30-day delinquencies mostly remain below pre-Covid levels across various HFA programs and generic counterparts. The levels on 2.5s remain flat versus April after an initial ramp that started to stabilize last month. We expect this to tick down gradually in the coming months, in line with trends in higher coupons.

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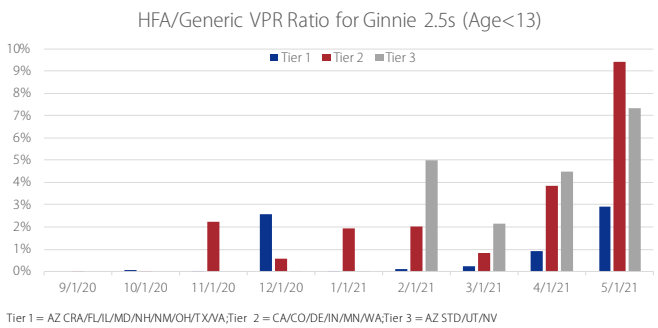
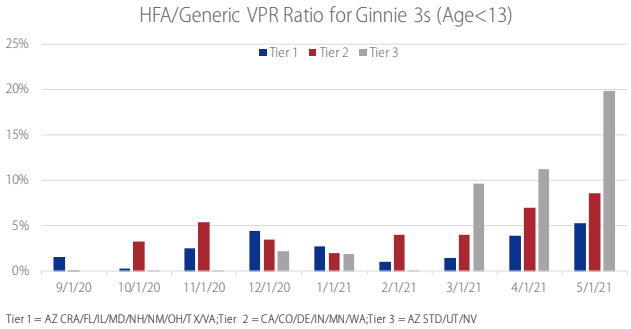
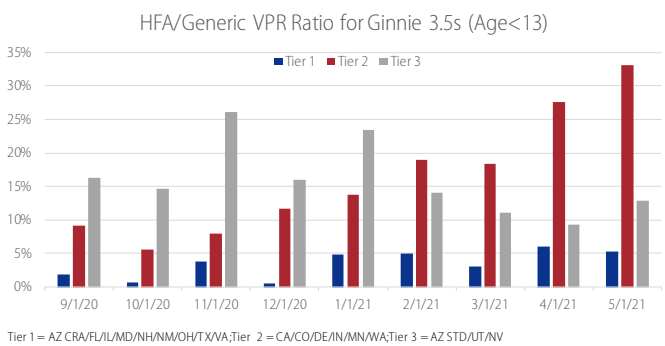
60-day delinquencies have flattened to pre-Covid levels. This suggests a return to a normalized rate of buyouts by bank servicers in the coming months. We expect Lakeview's buyout to dip further next month given a drop in 60-day delinquencies, followed by a gradual return to a normalized buyout rate, although a pent-up pipeline of 120+ delinquencies could trigger occasional buyout spikes. We continue to think that the mission driven HFA servicers will likely have minimal buyouts until we approach the end of forbearance at the end of 2021.

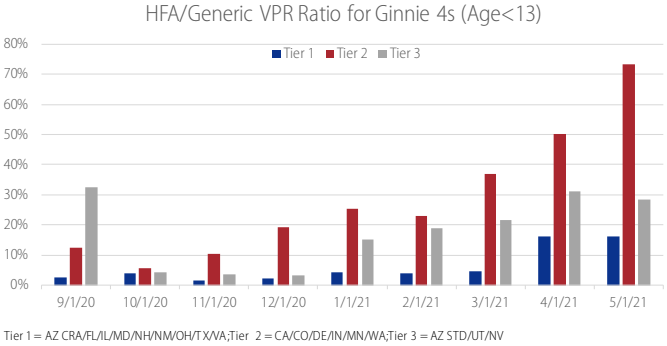
Please view HFA/Generic VPR Ratios on page 2.

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 May 2021 HFA prepay report released earlier this week. For more details, please contact us at the MBS Strategy desk or your HTS salesperson.

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