

# Top Market Themes Q4 2021

Market Research and Insights

January 2022





## U.S. Macroeconomic Outlook

- COVID-19 cases are at an all-time high.
- The unemployment rate falls below 4%, but the Great Resignation continues.
- Inflation is at levels not seen since the 1980's.



## U.S Housing Market Outlook

- Mortgage rates are rising, and affordability still remains high.
- Inventory for available homes are near record lows while demand remains strong.
- Due to the lack of supply and high demand, house prices continue to increase 17% YoY in November 2021.



## U.S. Mortgage Market Outlook

- New mortgage borrowers have exceptionally high credit scores contributing to historically low rate of new delinquencies.
- Foreclosures have dropped as a result of forbearance and other policies.
- Refinance activity slowing down due to higher mortgage rates.
- As refinance activity slows, mortgage originations are set to decline from record 2020.

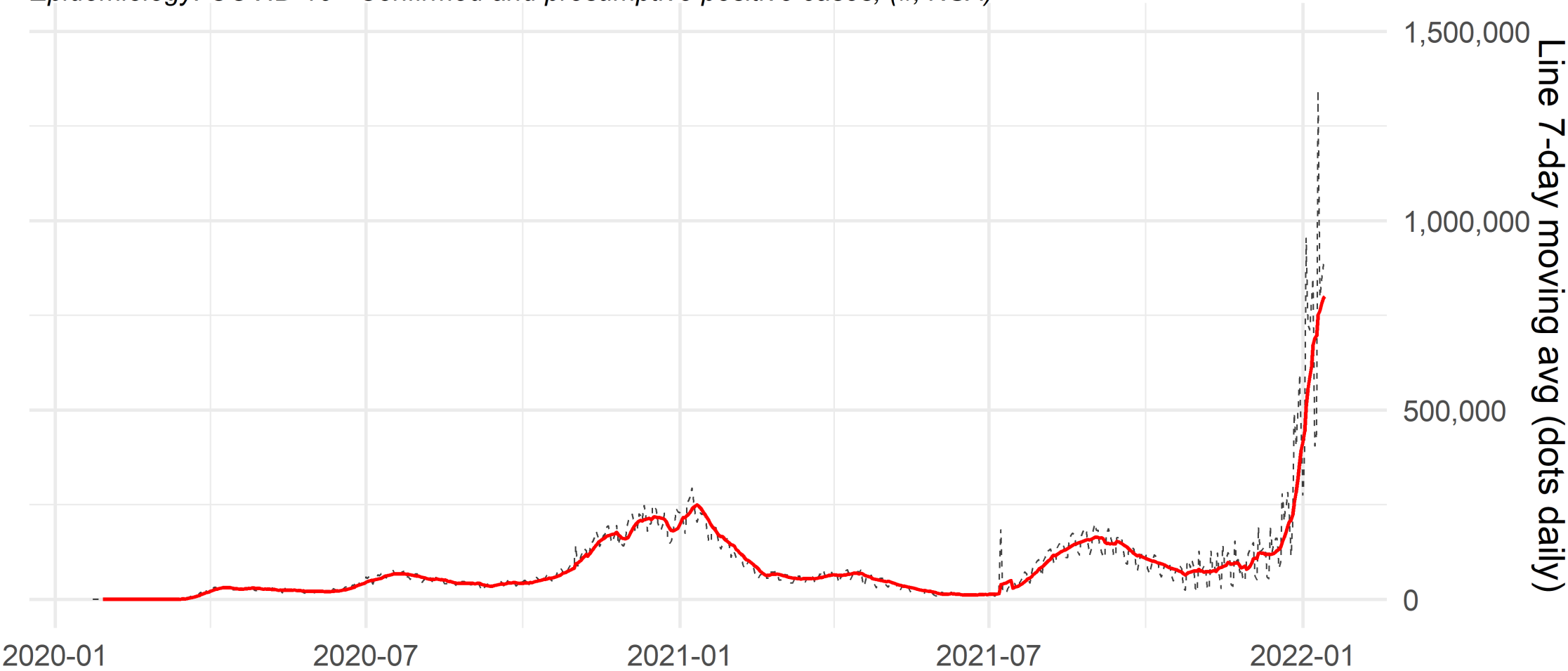


# U.S. Macroeconomic Outlook

# COVID Case Rates on the Rise as Omicron Sweeps through the U.S.



Epidemiology: COVID-19 - Confirmed and presumptive positive cases, (#, NSA)

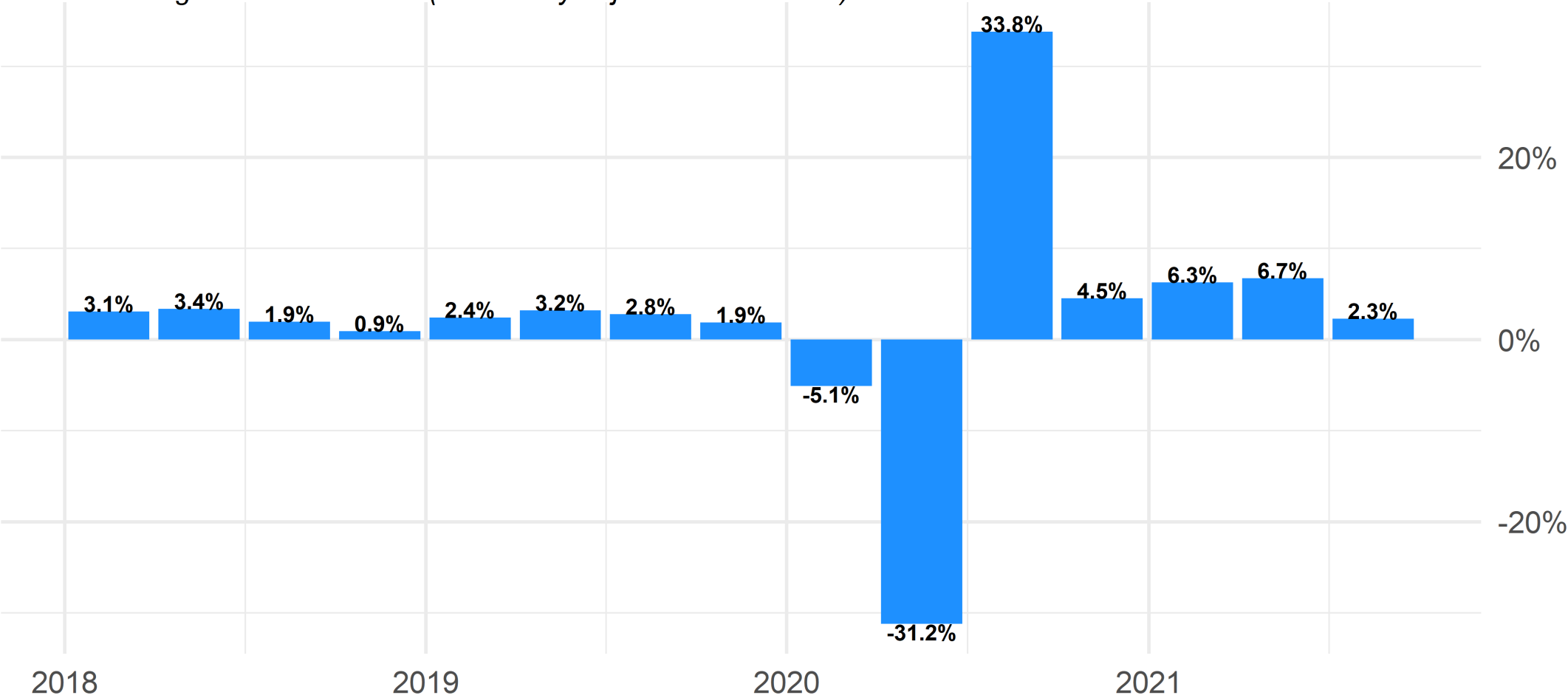


U.S. Centers for Disease Control and Prevention (CDC): COVID-19 Situation Summary (material is otherwise available on the agency website free of charge)

# U.S. Economic Growth Decelerates in the 3<sup>rd</sup> Quarter of 2021



Percent Change in US Real GDP (seasonally adjusted annual rate)

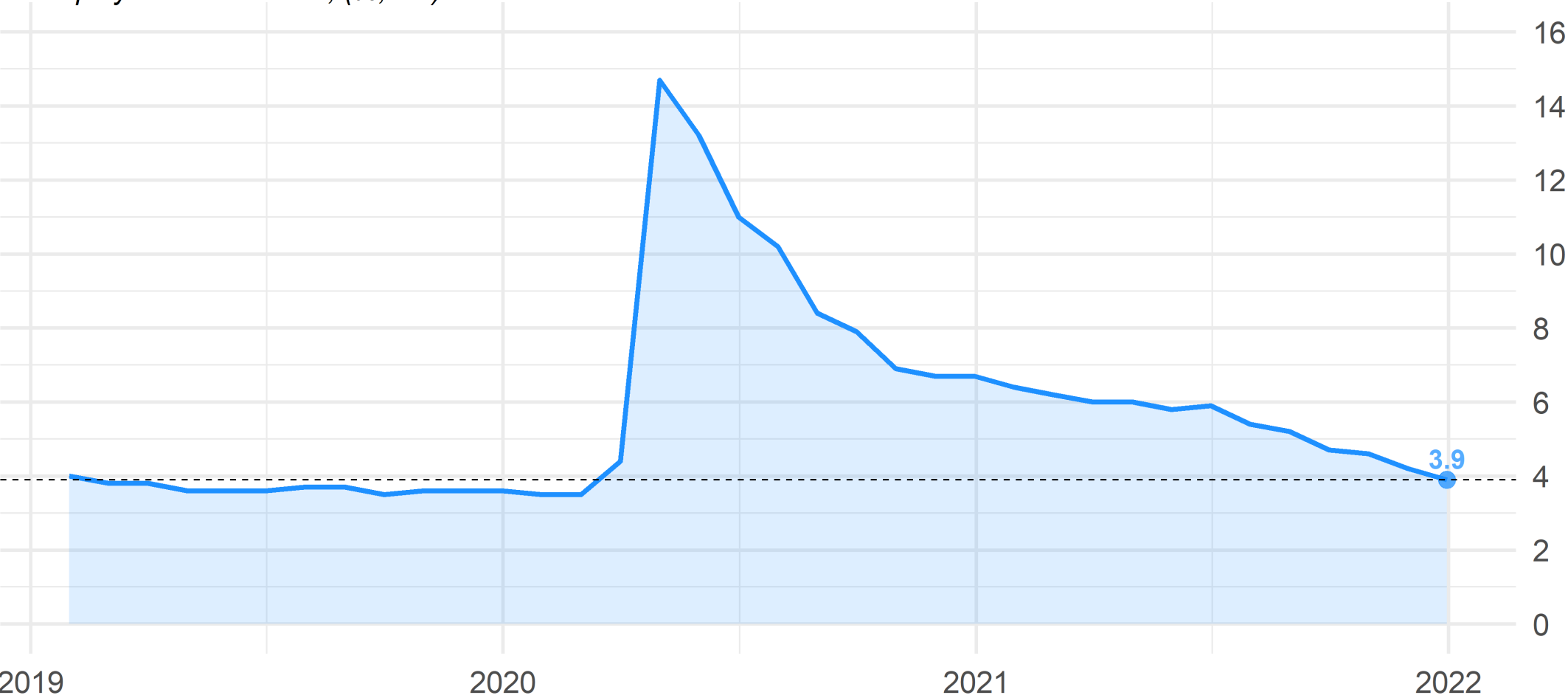


Source: U.S. Bureau of Economic Analysis

# Unemployment Rate Falls Below 4% in December 2021



Unemployment rate: Total, (% , SA)



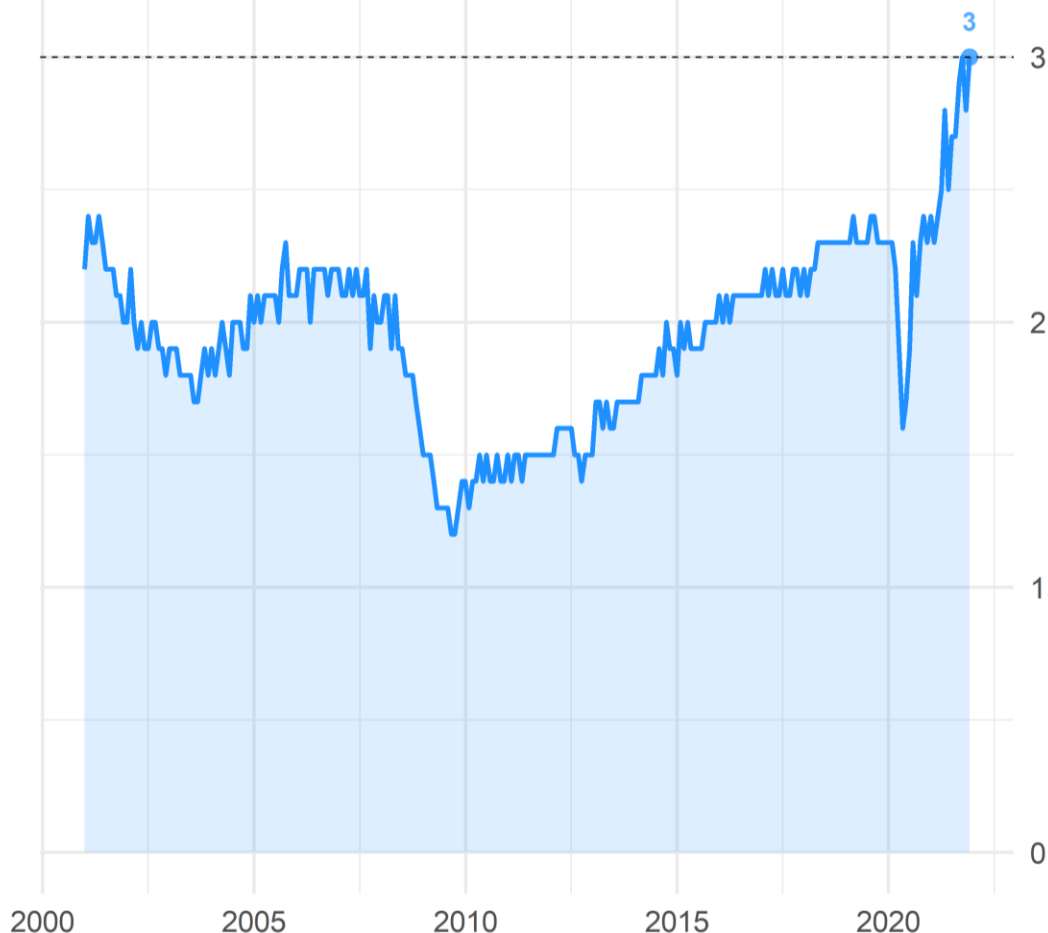
U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS) [Household Survey - LNS14000000]

# The Great Resignation: Workers Quit and Exit Labor Force



## Quits Rate at a Series High

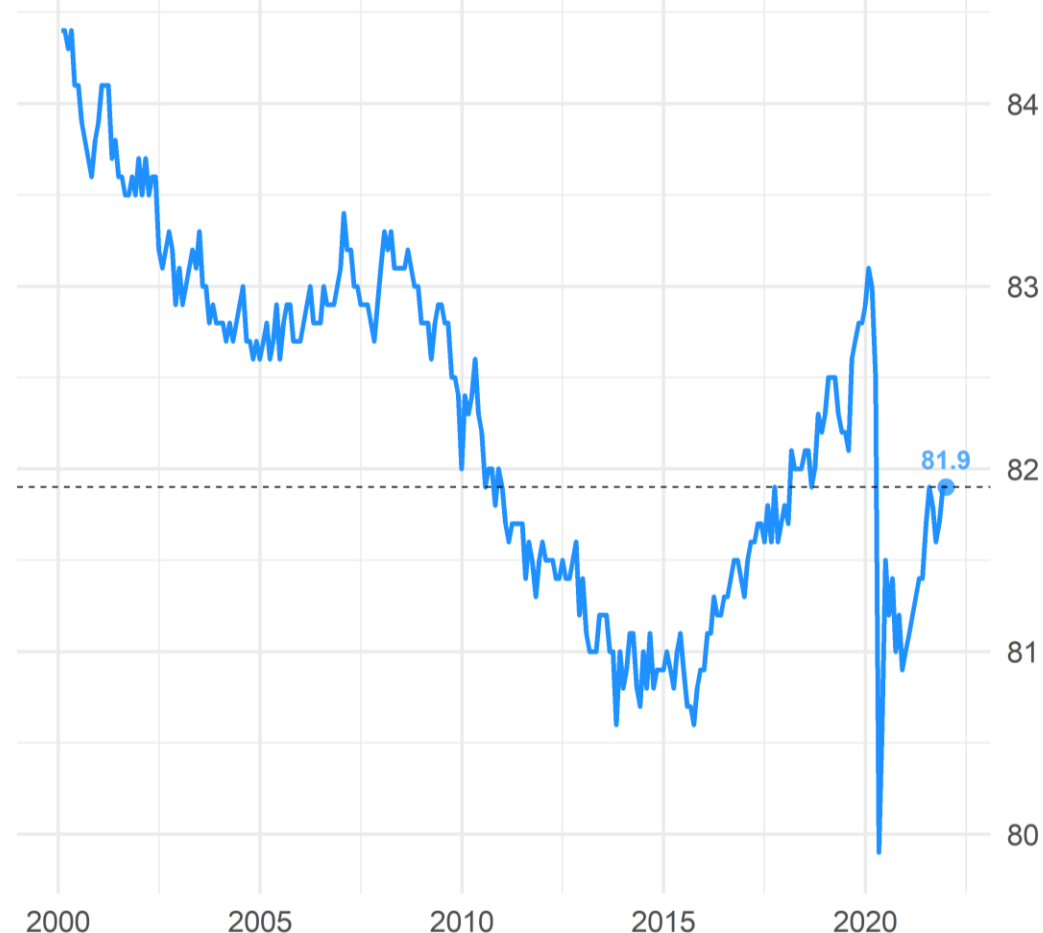
Job Openings and Labor Turnover: Quits rate - Total nonfarm, (% , SA)



U.S. Bureau of Labor Statistics (BLS): Job Openings and Labor Turnover Survey (JOLTS) [Series ID = JTS0000000000QUR]

## Labor Force Participation lags pre-COVID rate

Labor force participation rate: Civilian Population 25-54 yrs., (% , SA)



U.S. Bureau of Labor Statistics (BLS): Current Population Survey (CPS) [Household Survey - LNS11300060]

# Consumer Price Inflation Heats Up



Annual percent change in CPI: Urban Consumer - All items, (Index 1982-84=100, SA)



U.S. Bureau of Labor Statistics (BLS): Consumer Price Index (CPI) [Series ID = CUSR0000SA0]





# U.S. Housing Market Outlook

# At the Start of 2022, Mortgage Interest Rates on the Rise

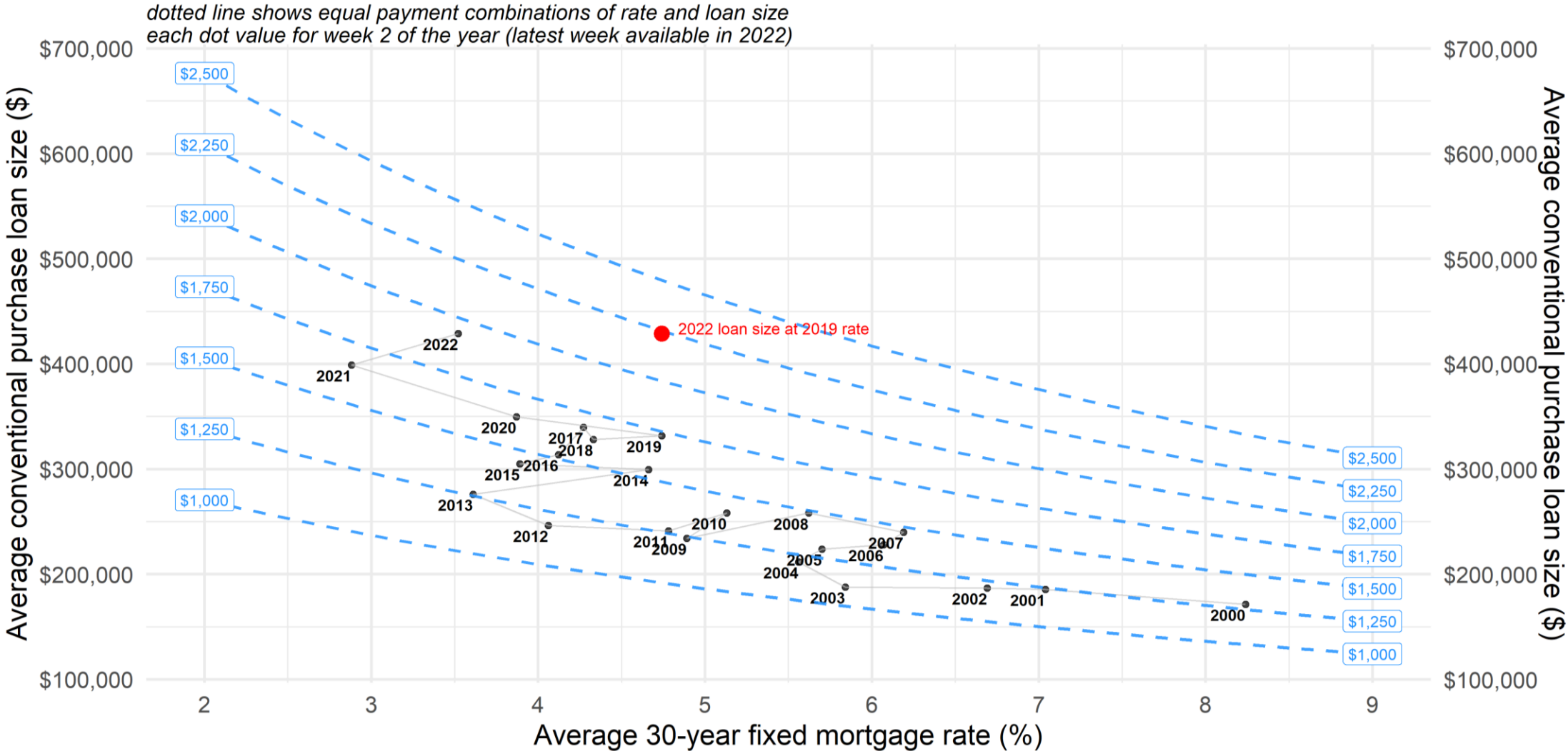


U.S. weekly average 30-year fixed mortgage rate (%)



Source: Freddie Mac Primary Mortgage Market Survey

# Higher Mortgage Rates and Home Values Reduce Affordability



Data source: MBA  
payments principal and interest (P&I) for 30-year fixed mortgage

# Inventory of Homes Available for Sale Near Record Low



Existing + New Single-family Houses for Sale (Millions, SA)



Source: National Association of Realtors, U.S. Census Bureau

# Housing Demand Remains Strong as Sales Climb



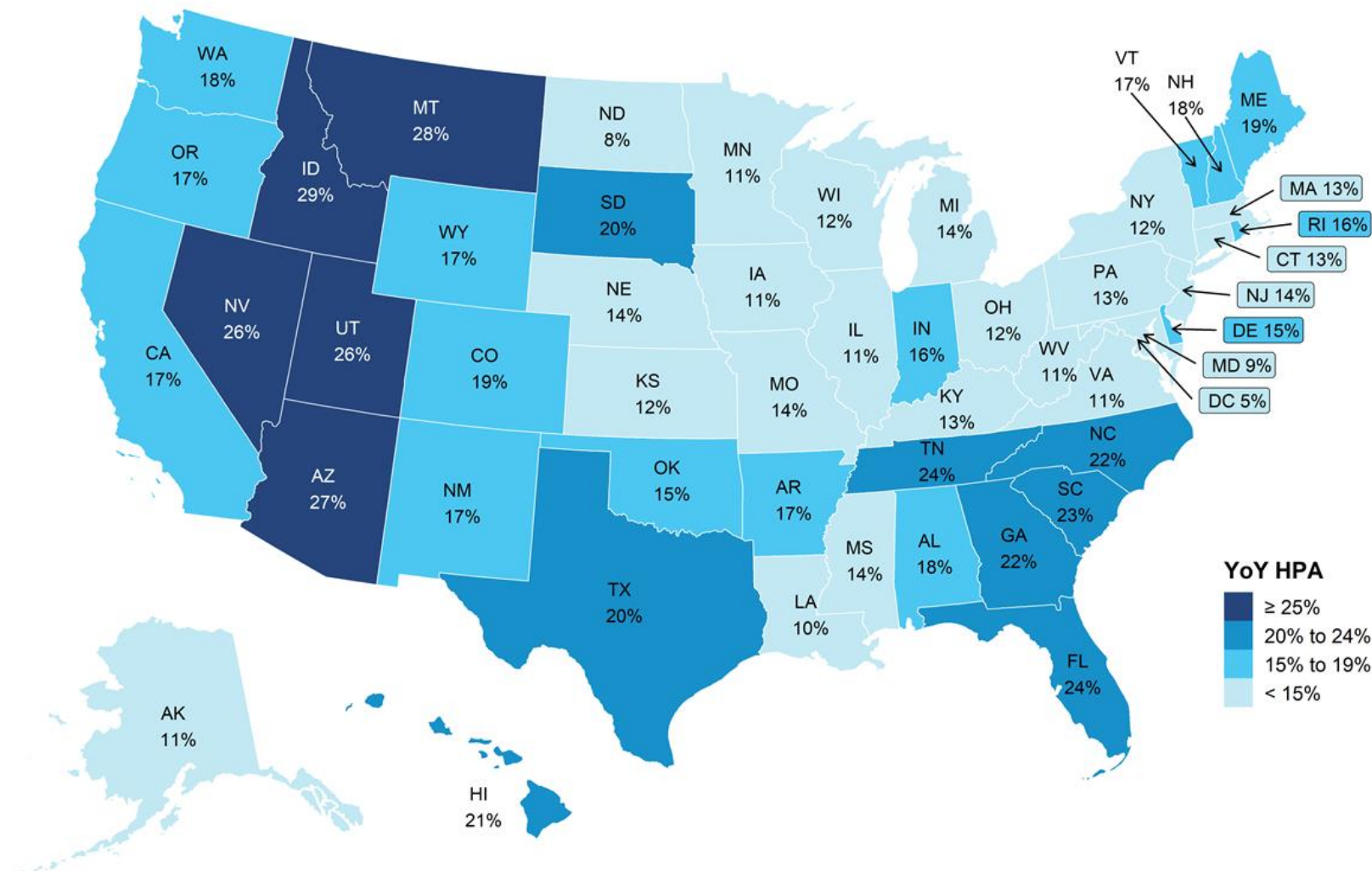
Existing + New Houses Sold (Millions, SA)



Source: National Association of Realtors, U.S. Census Bureau

# Robust Demand, Limited Supply Put Intense Pressure on House Prices

## U.S. House Prices Increased 17% y/y in November 2021



Source: Freddie Mac House Price Index, November 2021

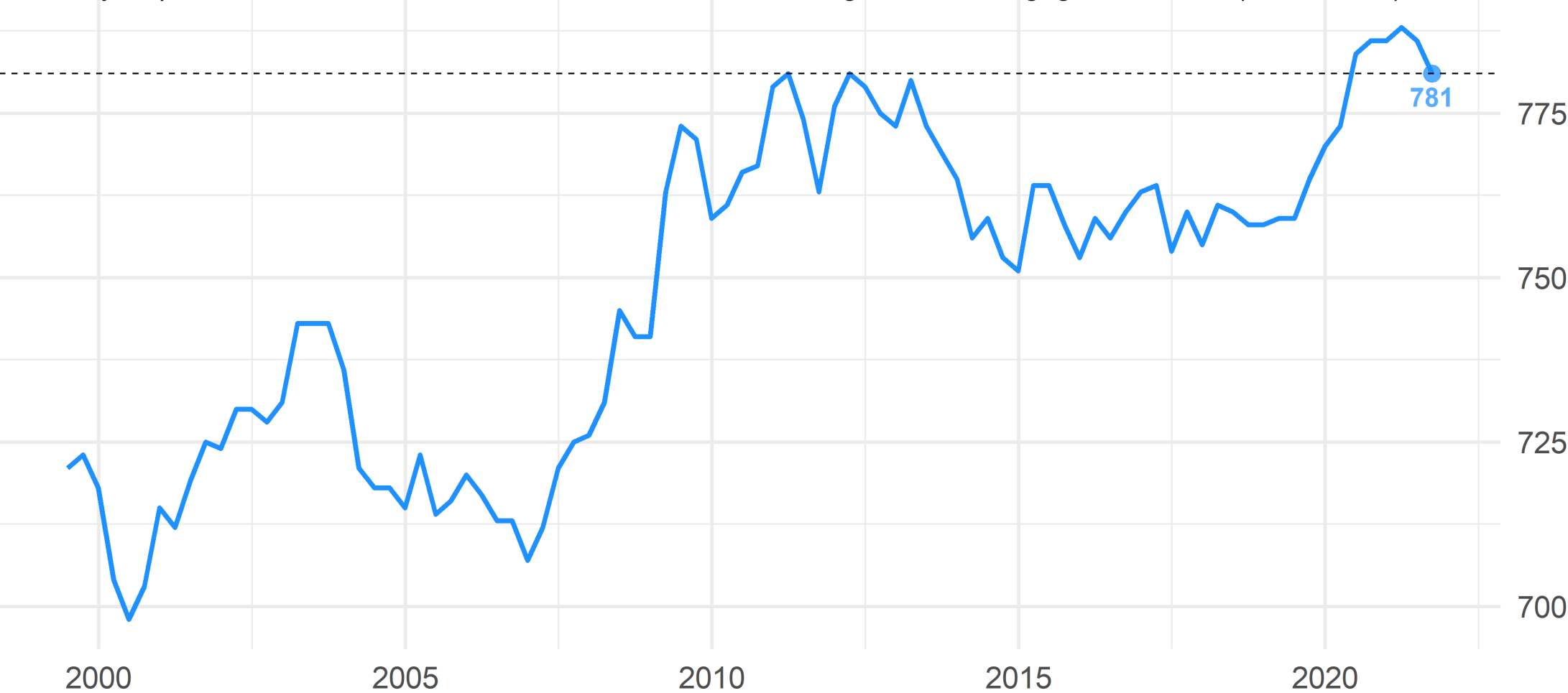


# U.S. Mortgage Market Outlook

# New Mortgage Borrowers Have Exceptional Credit



Quarterly Report on Household Debt and Credit: Credit score at origination - Mortgages - Median, (Score, NSA)



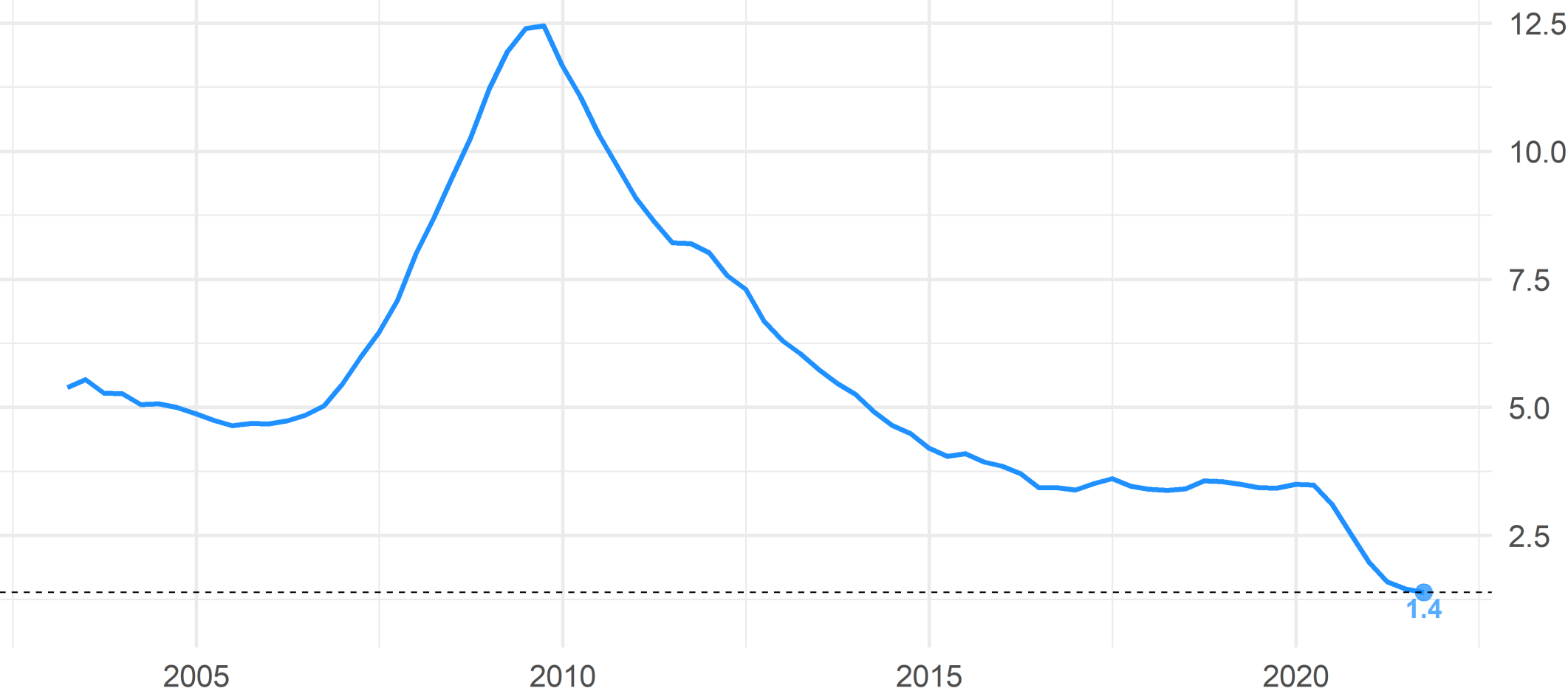
Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - Credit Score at Origination - Mortgages



# Historically Low Rate of Newly Delinquent Mortgage Borrowers



Quarterly Report on Household Debt and Credit: New delinquent balances by loan type - Mortgage, (% , NSA)

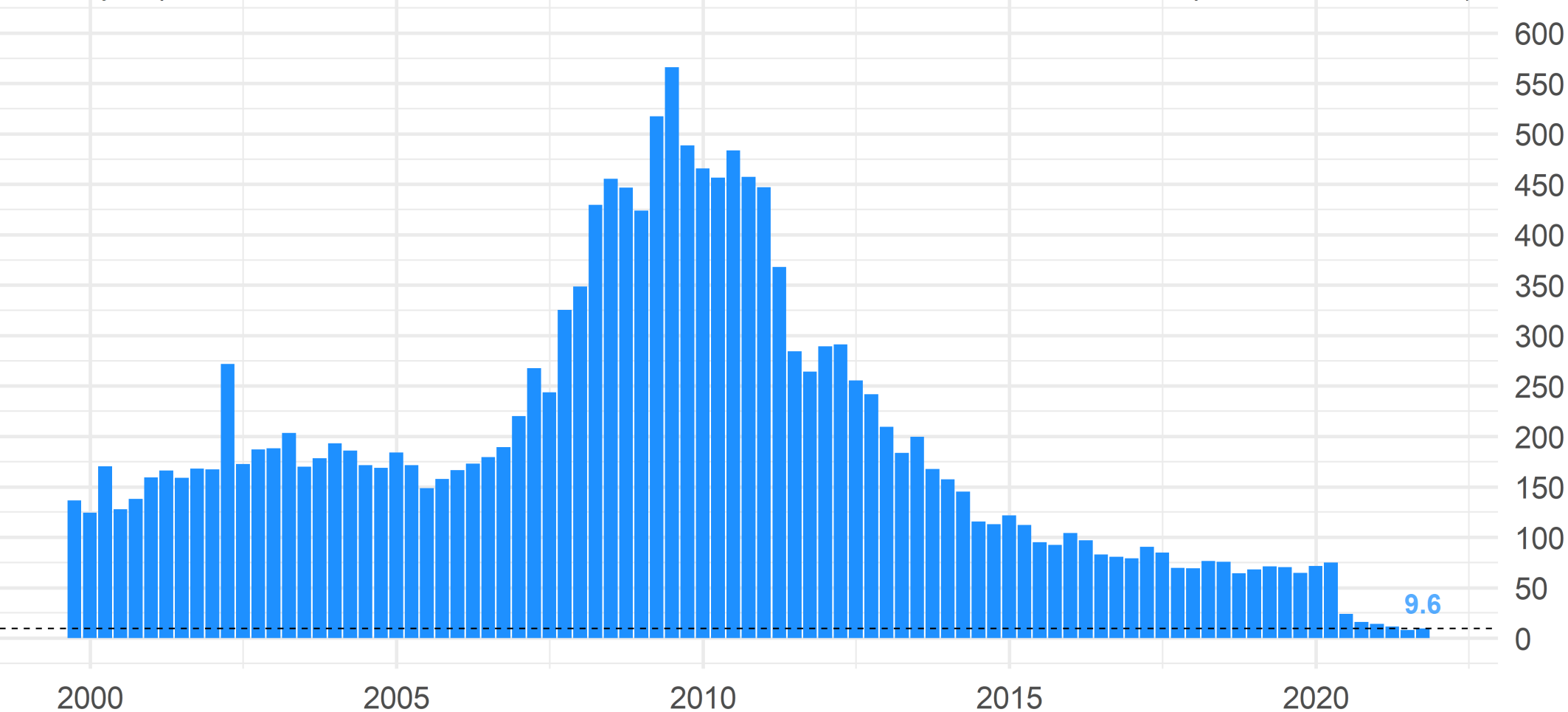


Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - New Delinquent Balances by Loan Type

# Forbearance and Other Policies Have Nearly Eliminated Foreclosures



Quarterly Report on Household Debt and Credit: Consumers with new foreclosures and bankruptcies - Foreclosure, (Ths. #, NSA)

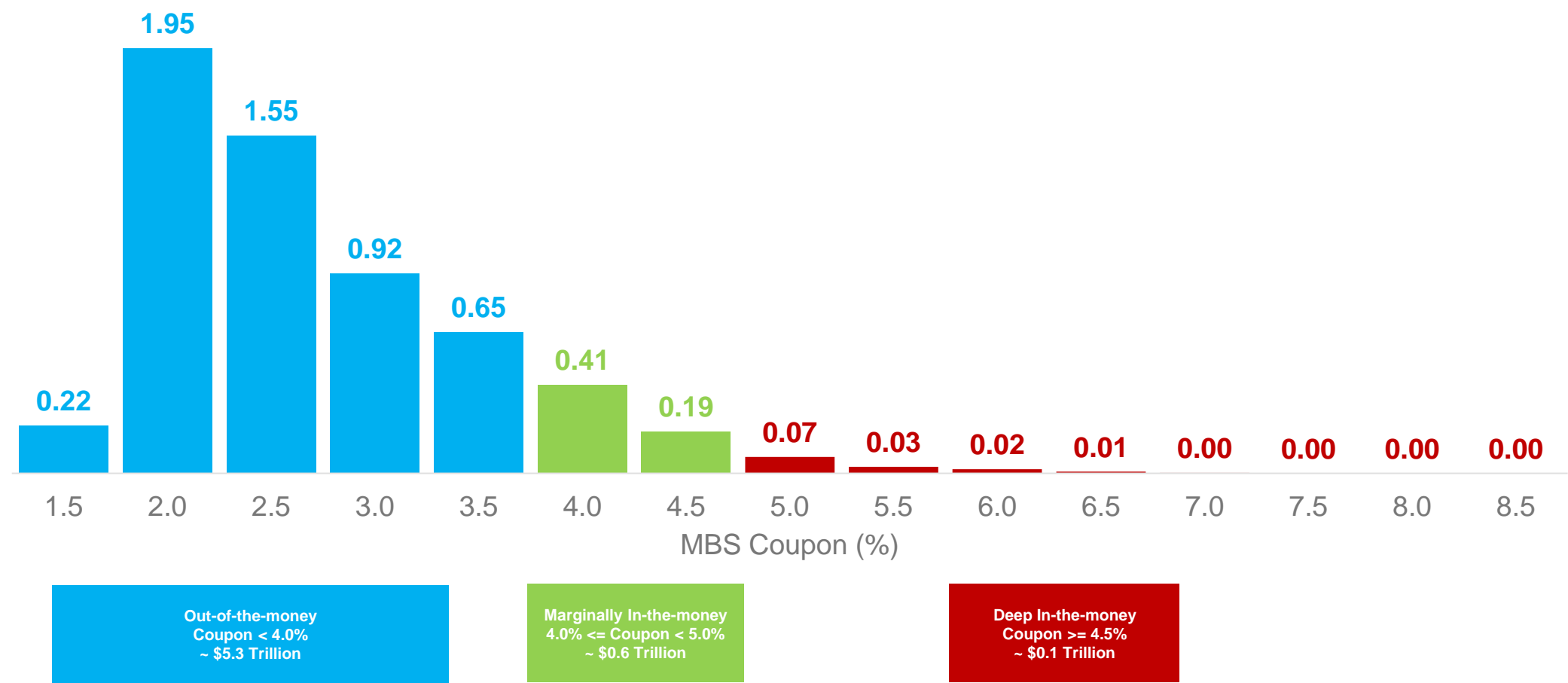


Federal Reserve Bank of New York (FRBNY): Quarterly Report on Household Debt and Credit [HHDC] - Number of Consumers with New Foreclosures and Bankruptcies

# Higher Mortgage Rates Will Drive Down Refinance Activity



Outstanding 30-year Conforming Balance by Coupon (\$T's)

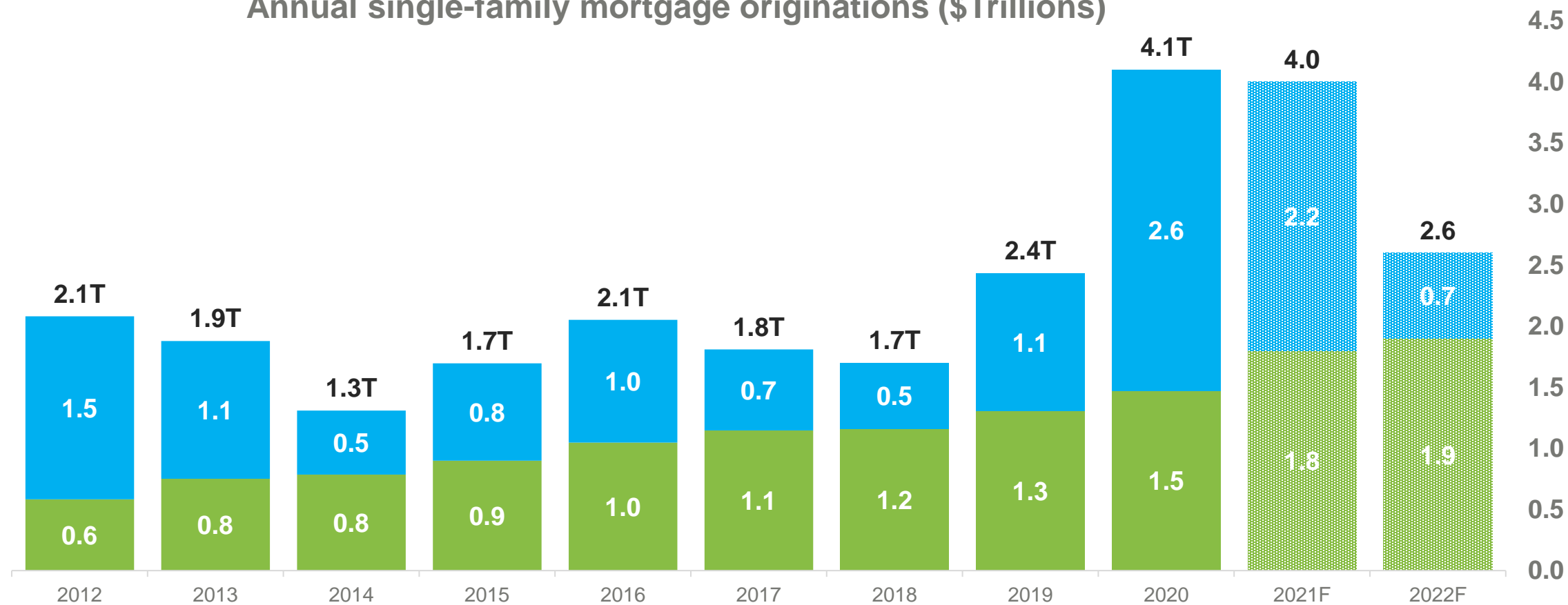


Source: Bloomberg as of 12/8/2021  
Conforming includes Freddie Mac, Fannie Mae, Ginnie Mae 30-year fixed MBS Outstanding (UMBS, GNMA1, GNMA 2)

# Mortgage Originations Hit a Record High in 2020, Set to Decline as Refinances Fade



Annual single-family mortgage originations (\$Trillions)



Source: Freddie Mac Q32021 Economic and Housing Research Outlook  
Note: Totals may not add due to rounding ; \* Includes only 1st liens



# Disclaimer

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