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# What are the latest trends in the mortgage industry?

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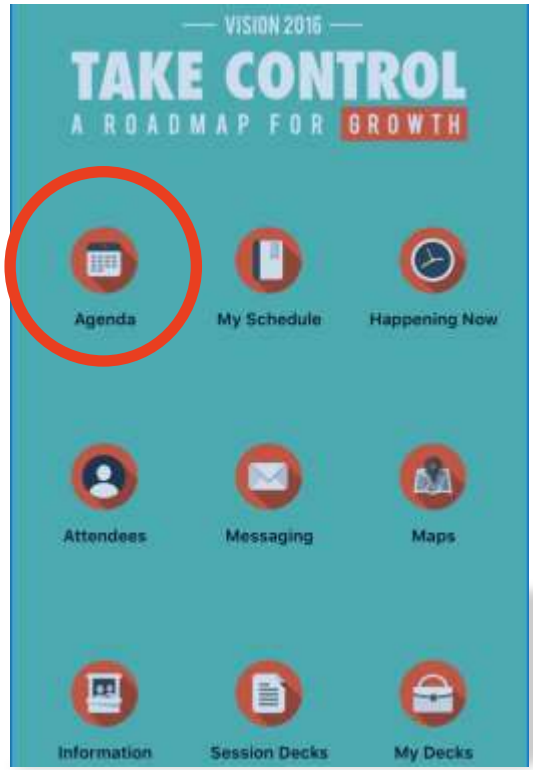
# Audience polling instructions

## Step 1

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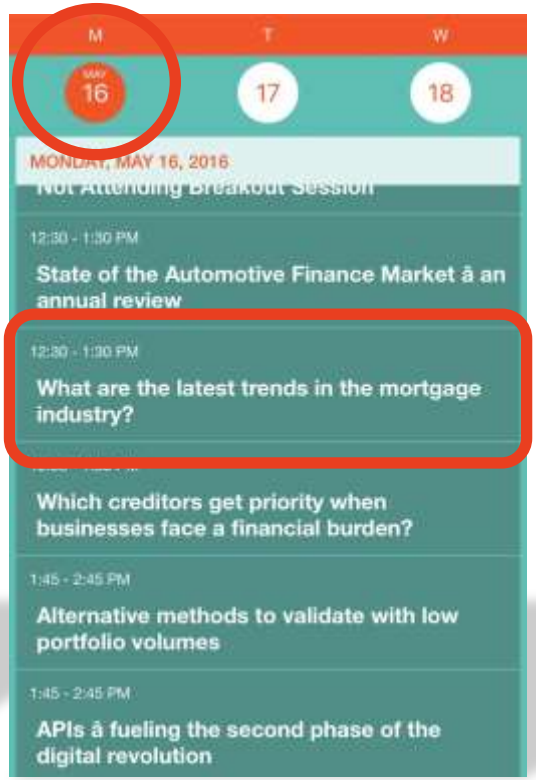


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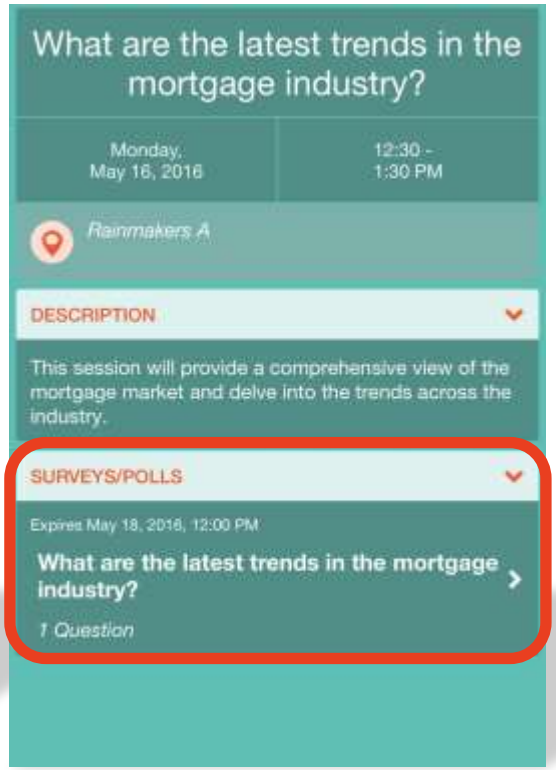


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## A ROADMAP FOR GROWTH

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# Introducing:

- **Frank Nothaft**
  CoreLogic
- **Renae Sherman**
  Experian

Experian

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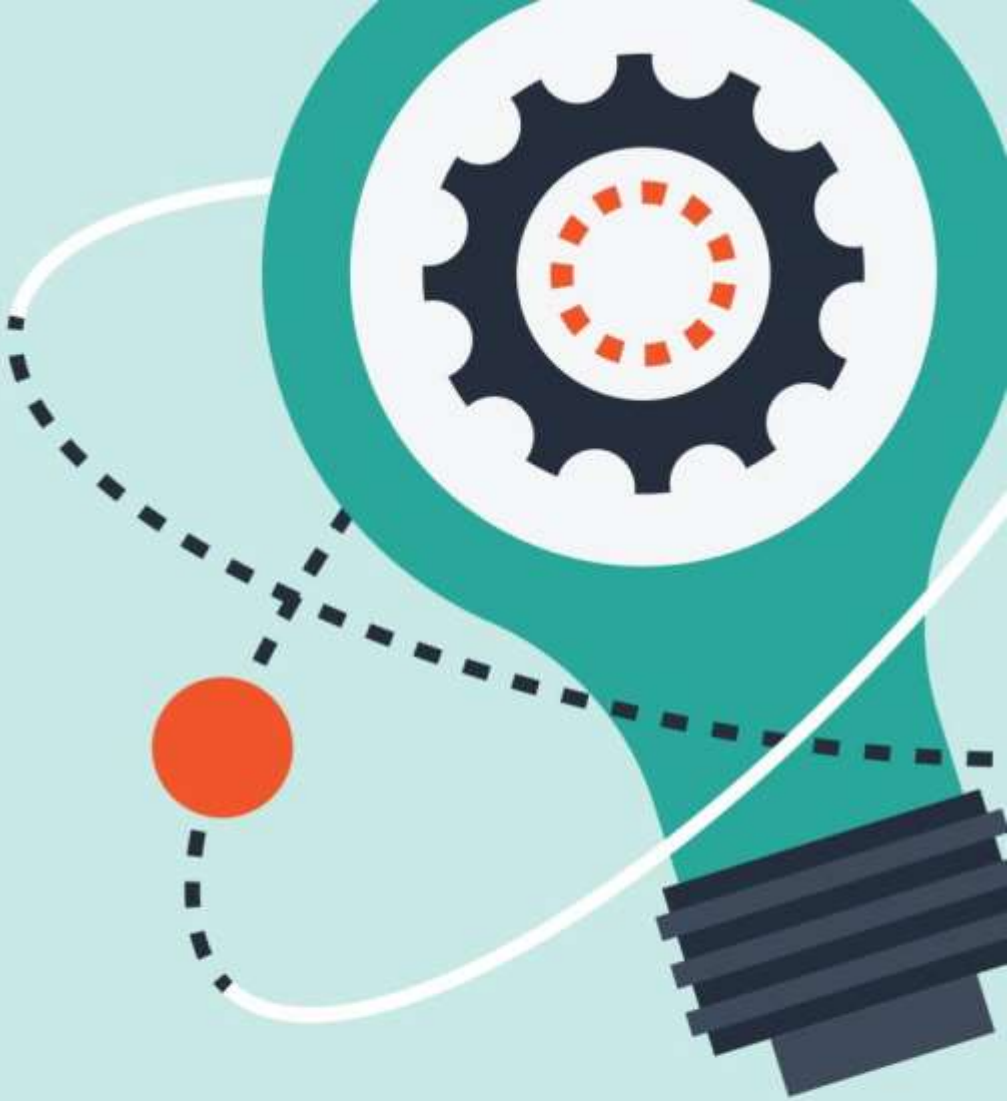
“No one can see a bubble. That’s what makes it a bubble.”

**— The Big Short**



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# Macroeconomic and mortgage credit trends

Frank Nothaft

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# State of the mortgage market

- Overall mortgage performance steadily improving, but still not ‘normal’
- Underwriting is relatively tight
- New originations performing best in 20 years
- Legacy loans remain a large risk
- Price gains have built home equity



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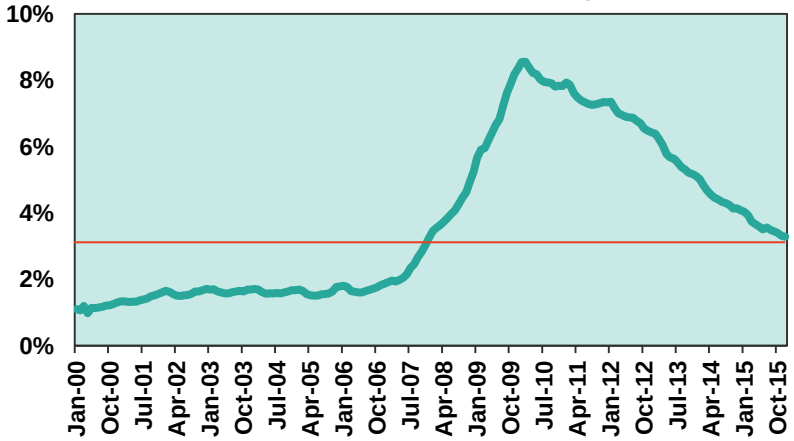
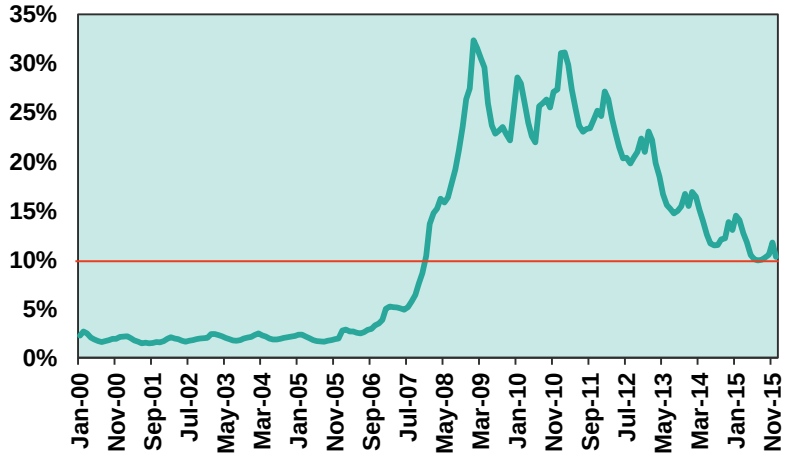
# Mortgage performance improving

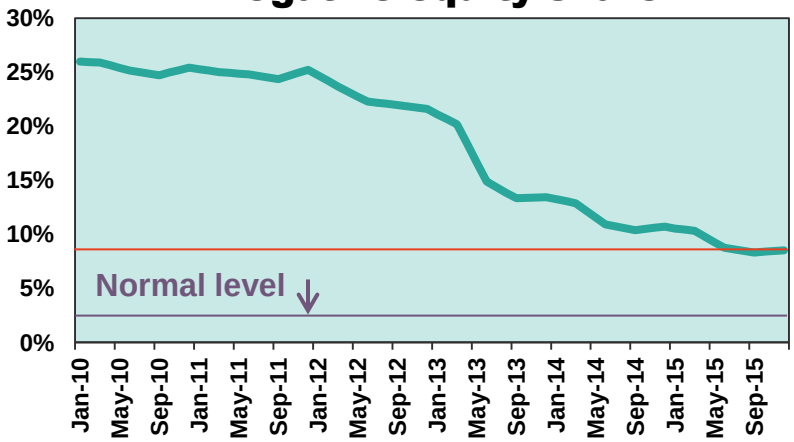
## Serious delinquency rate



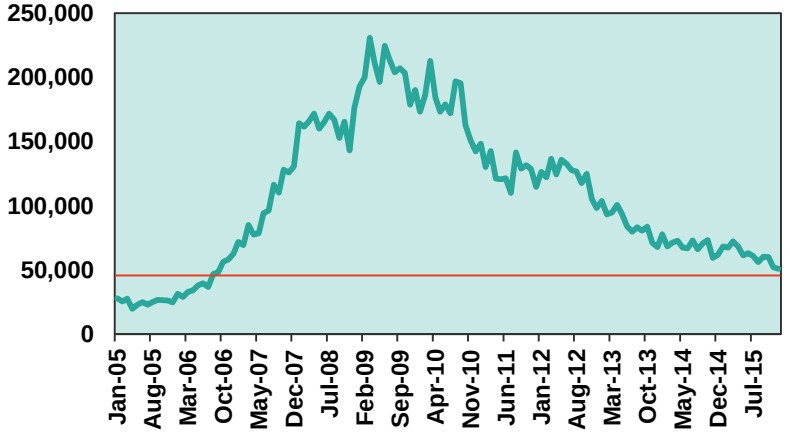

## Distressed sale share




## Negative equity share




## Foreclosure starts

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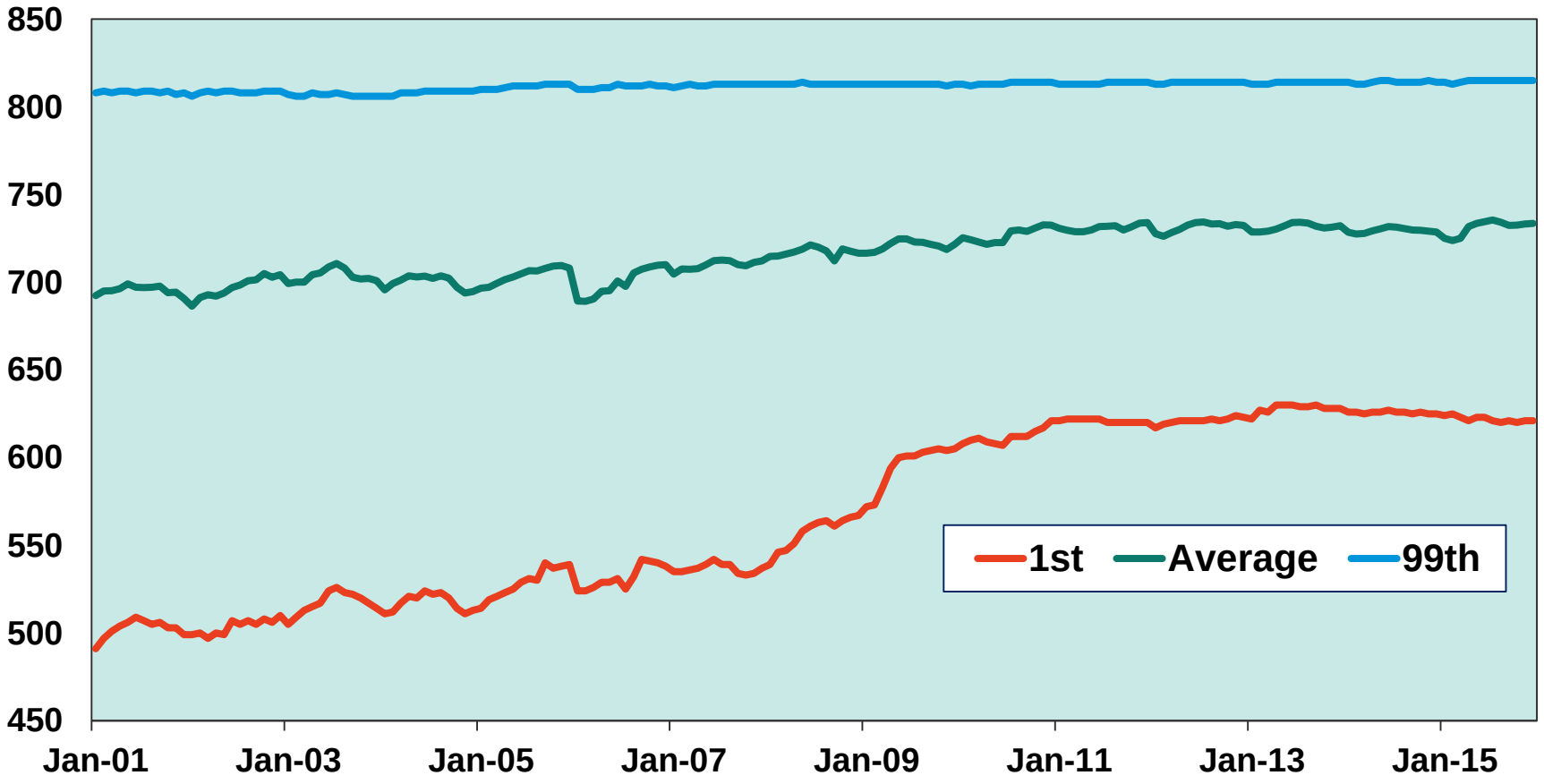
# Access to credit is tight relative to early 2000s

## Average credit score of purchase loans by percentile

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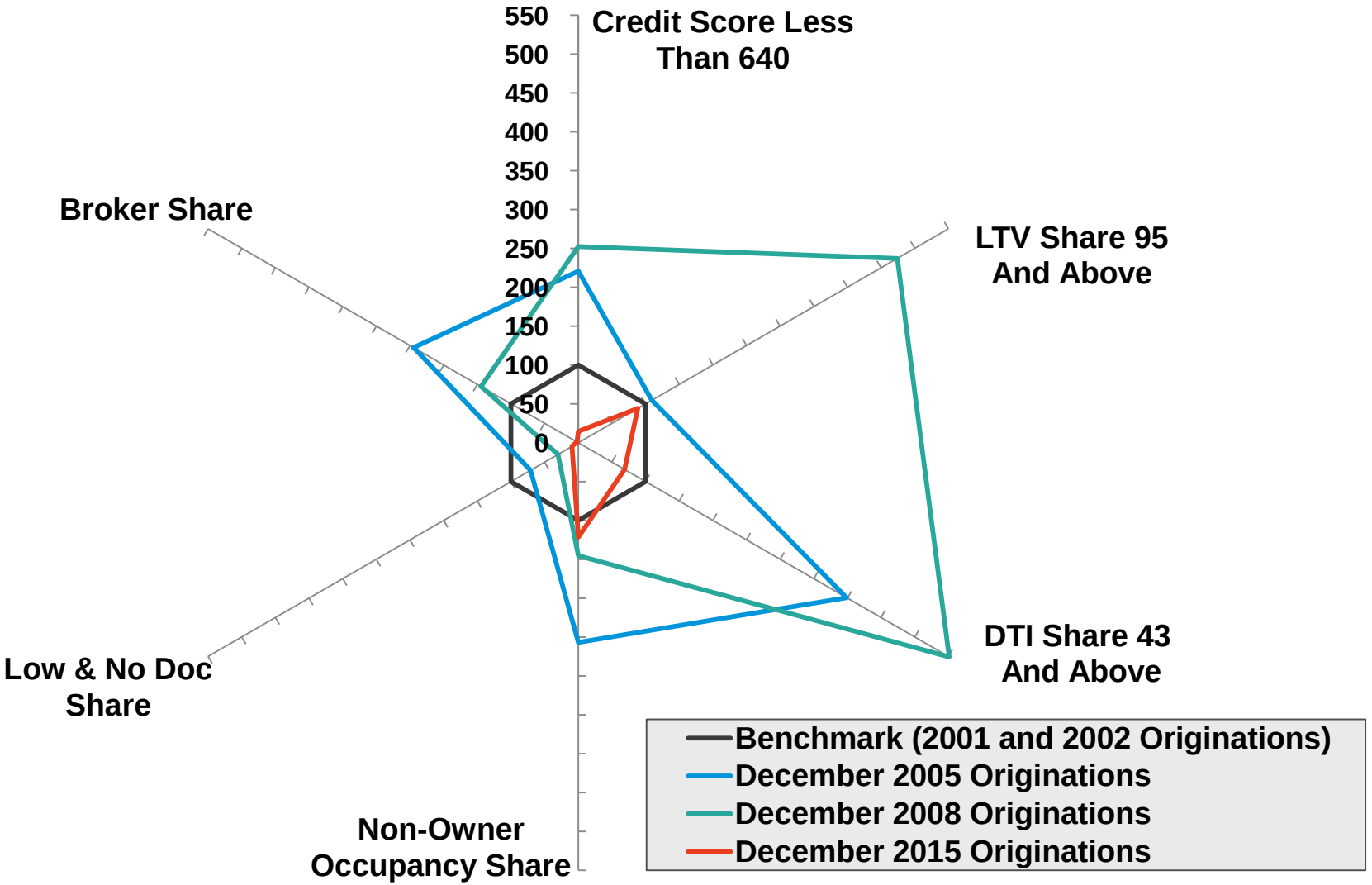
# In which dimension is credit constrained?

## Mortgage underwriting along six dimensions for purchase loans

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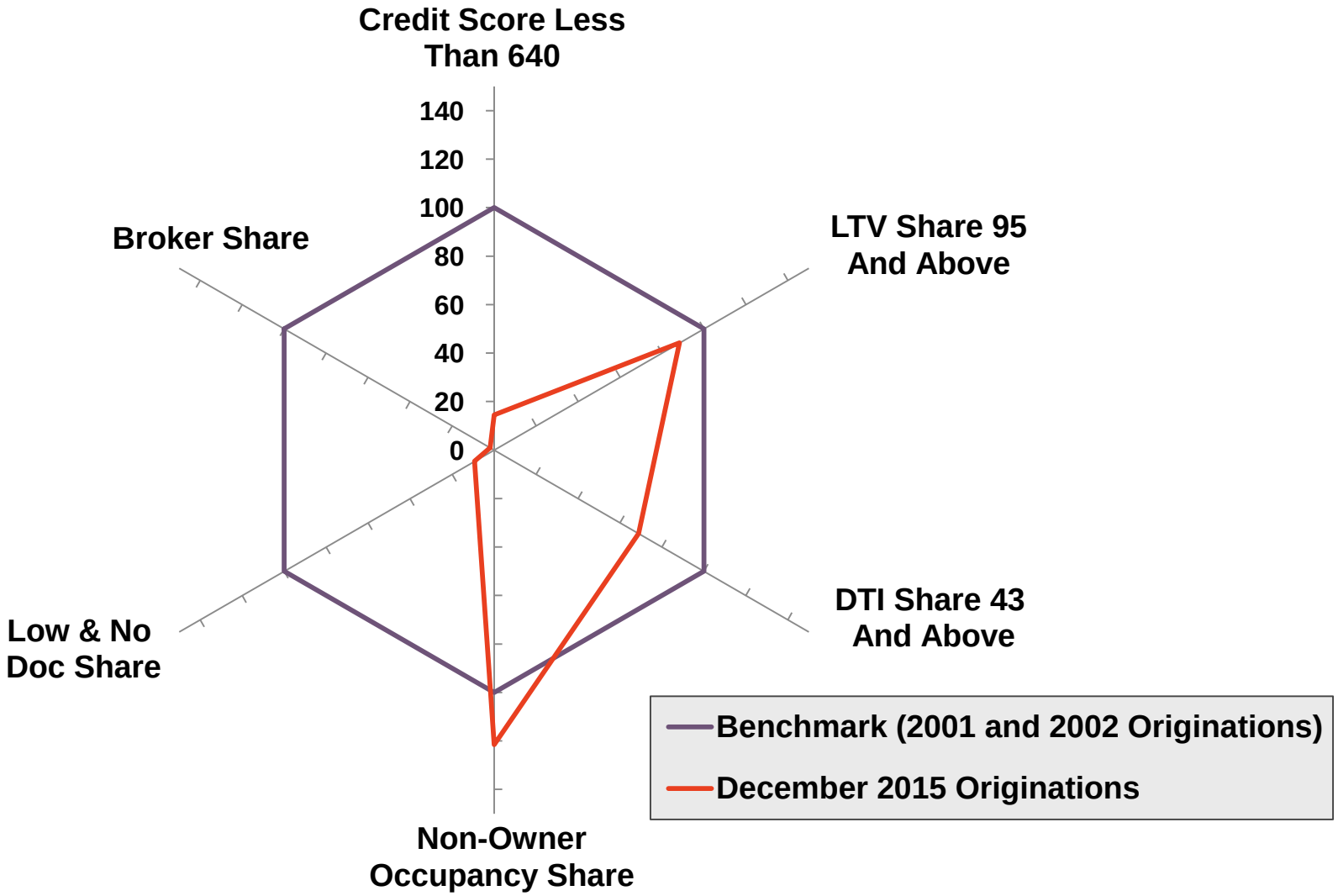
# In which dimension is credit constrained?

## Mortgage underwriting along six dimensions for purchase loans

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# Housing Credit Index

- Uses principal components to measure variability of mortgage underwriting characteristics
- Utilizes CoreLogic prime and subprime loan level servicing data
- Index is benchmarked to 2001-2002
- Inputs include:
  - Origination credit score
  - Origination loan-to-value ratio (LTV)
  - Debt-to-income ratio (DTI)
  - Broker share
  - Owner-occupancy status (owner vs. investor)
  - Documentation type (full, low, no)



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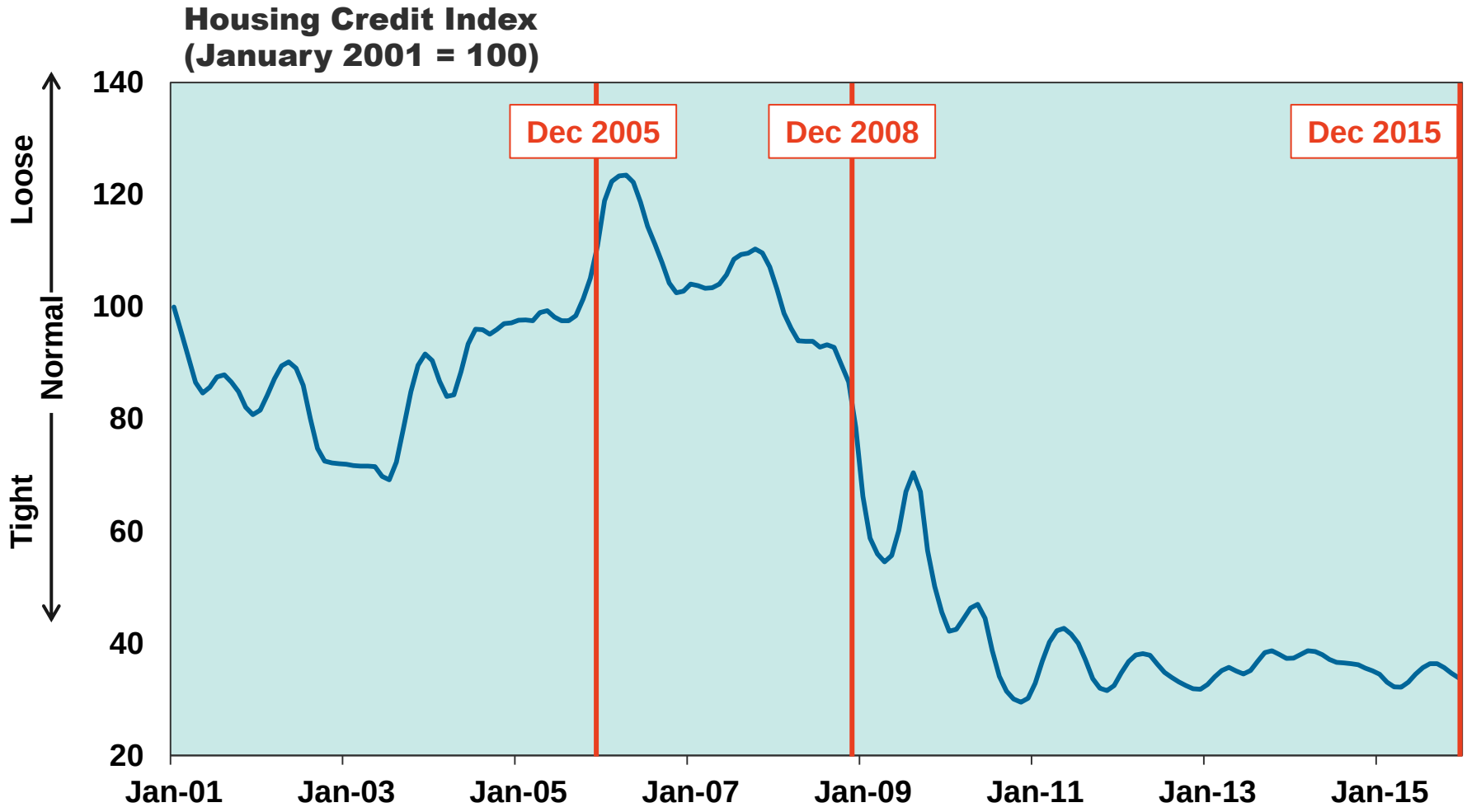
# Underwriting remains cautious




Source: CoreLogic

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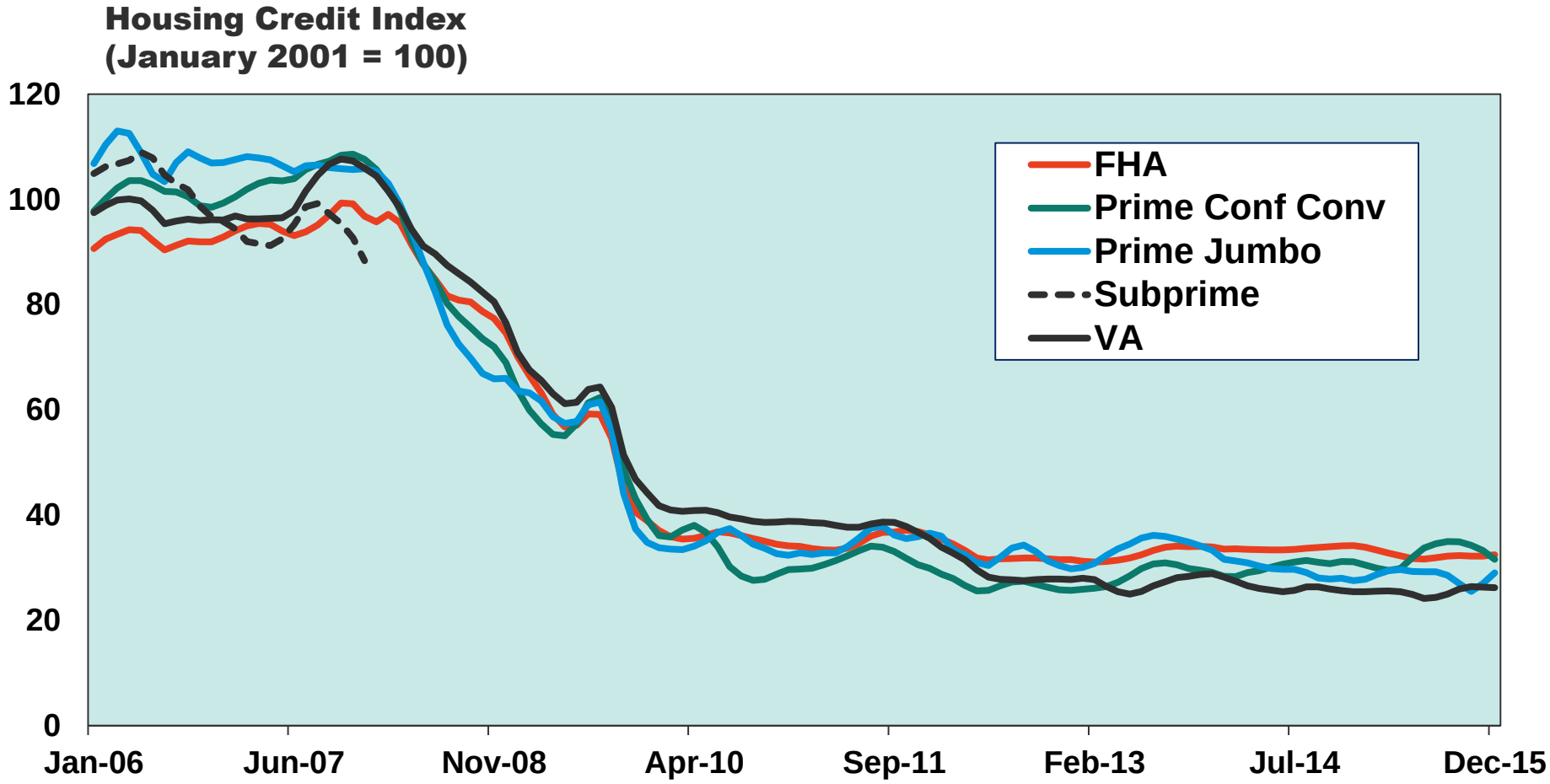
# Purchase Housing Credit Index




Source: CoreLogic

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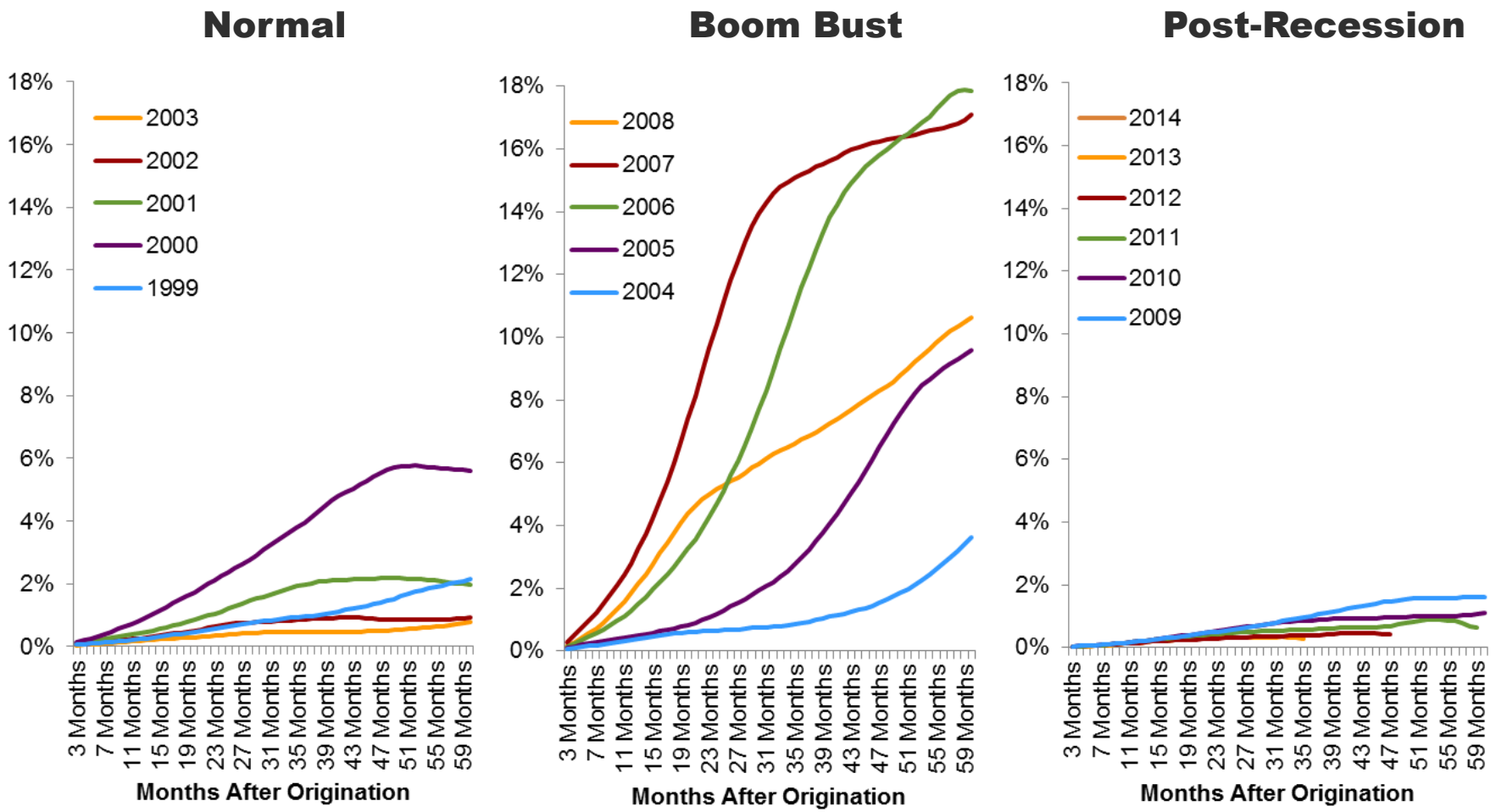
# Recent vintages exhibit pristine performance

## Seriously delinquency rate by origination cohort




Source: CoreLogic

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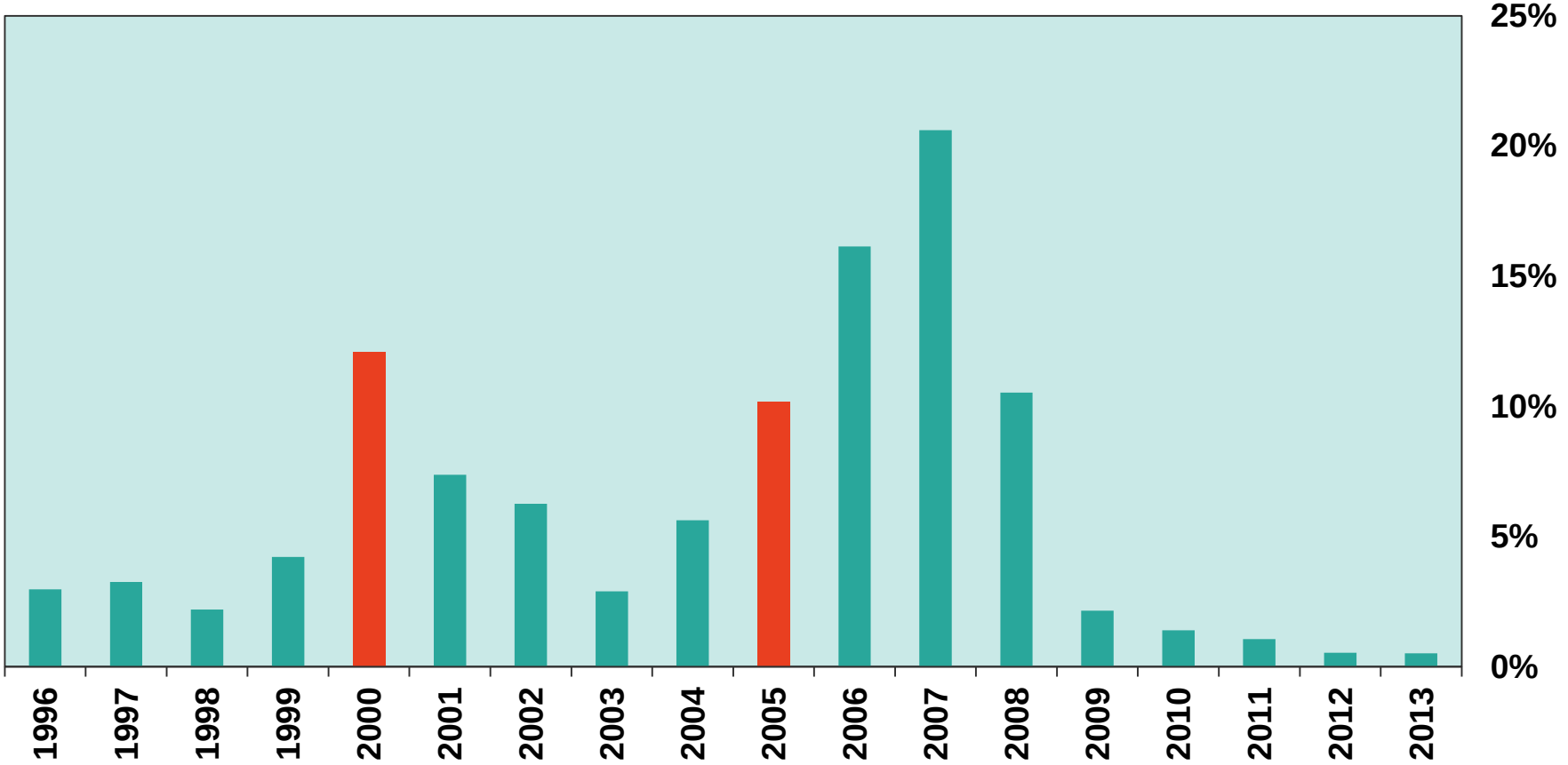
# Economic risk

## Economic growth important for mortgage performance

**Seriously delinquent rate for borrowers with 80% to 85% LTV loans, 24 months after origination**




Source: CoreLogic

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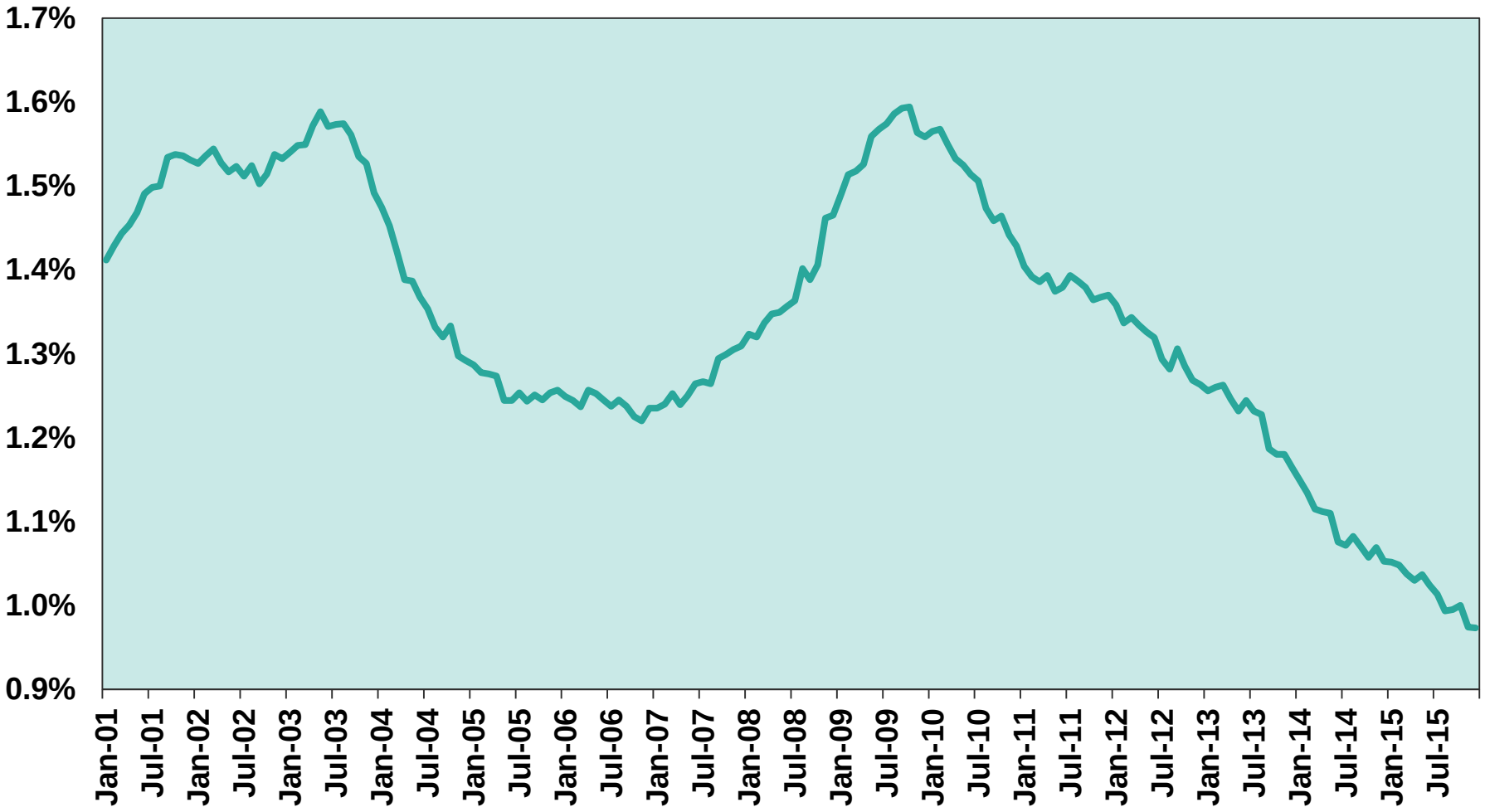
# Front end delinquency transition rates at 15-year lows

## Current to 30-day delinquency rates for first lien loans

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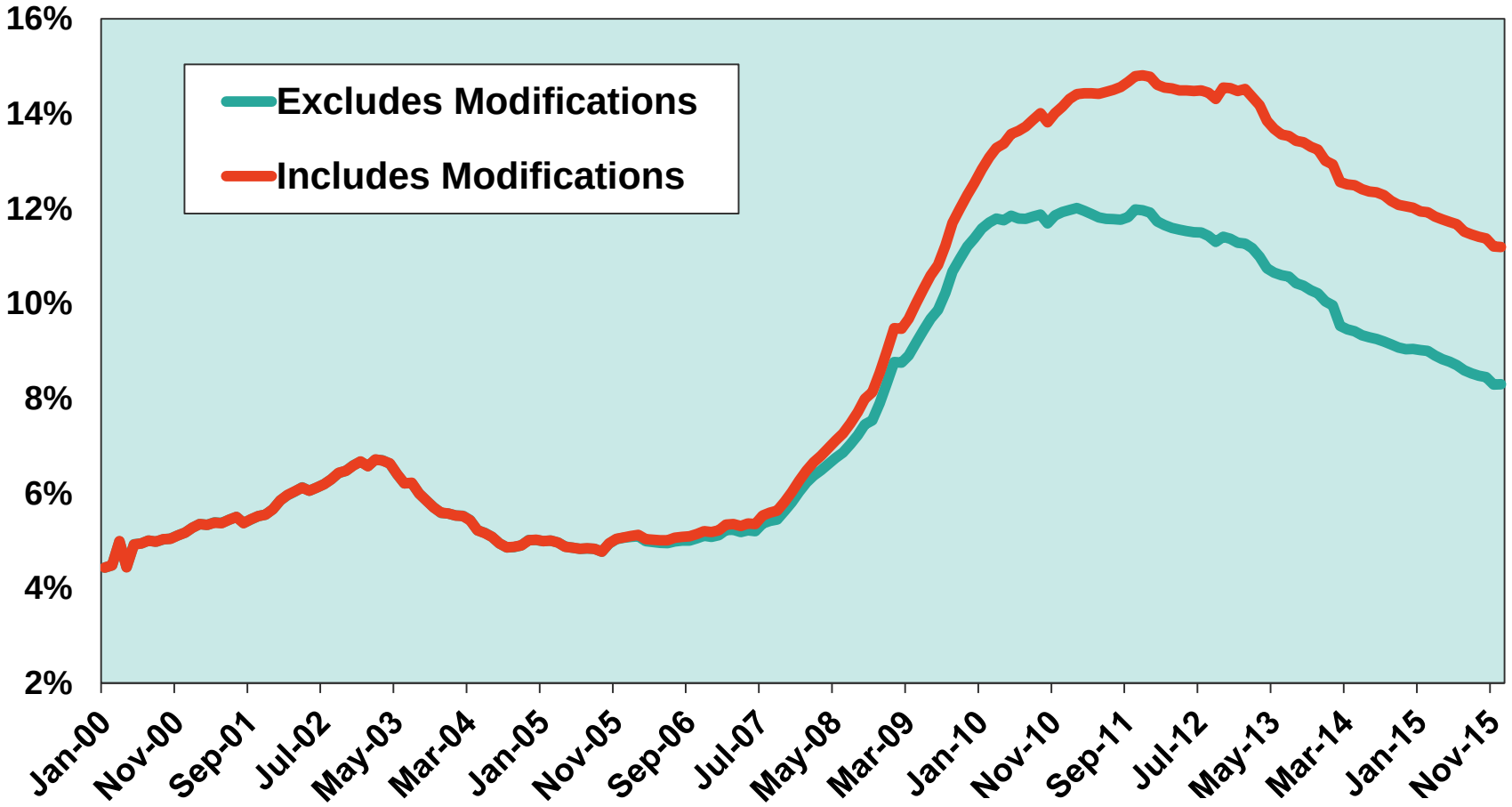
# Legacy loans still an issue

## Percent of loans ever 60+ delinquent

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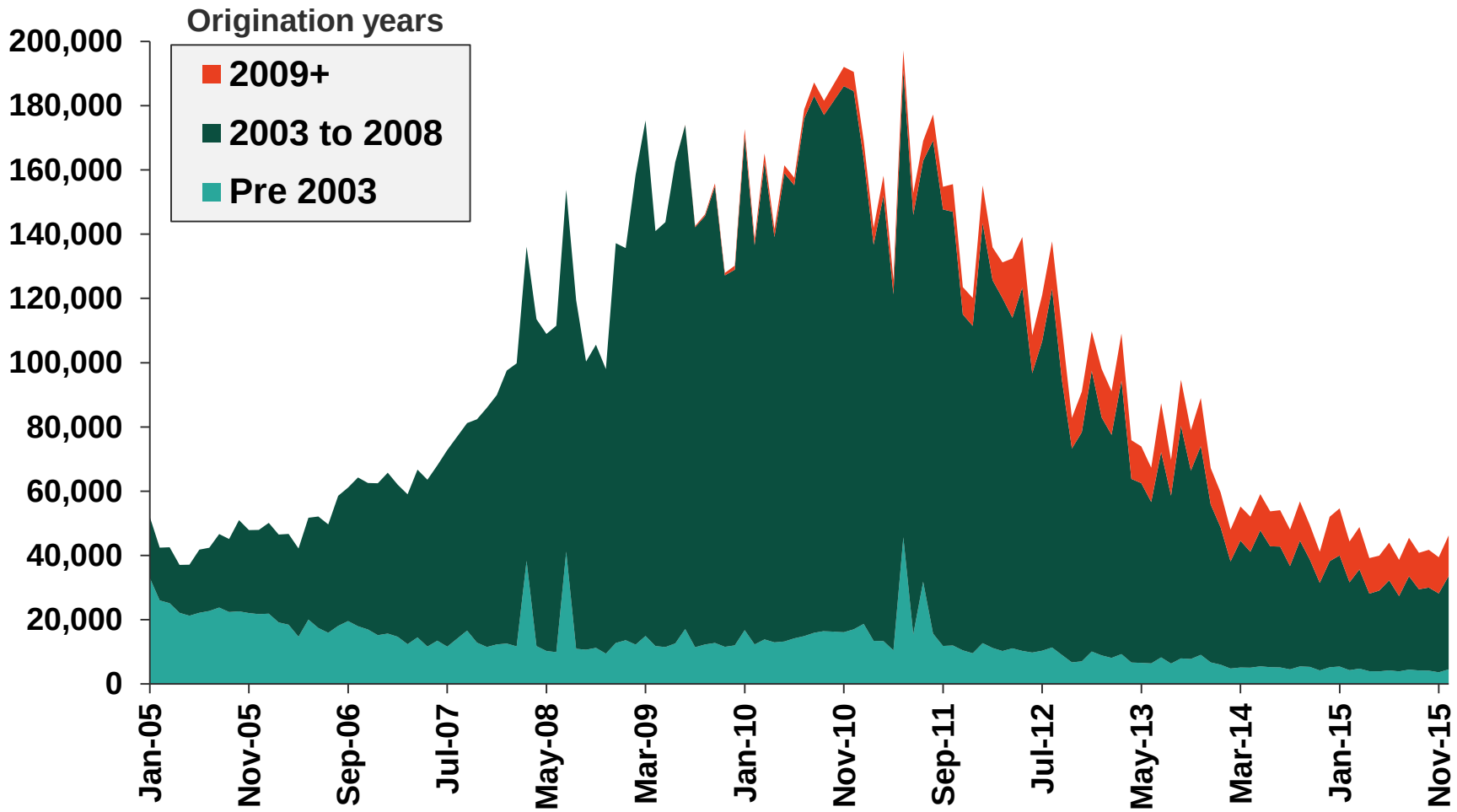
# Foreclosure starts by year of origination

## Bulk of new foreclosures starts are legacy loans

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# Debt trends of consumers with open first mortgage

Renae Sherman

Experian

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# Trended analysis

## Analysis covers three specific time periods

- Dec 2005 (pre-recession)
- Dec 2008 (recession)
- Dec 2015 (post-recession)

## Data approach:

- 10% sample (weighted up)
- Recently opened first mortgages



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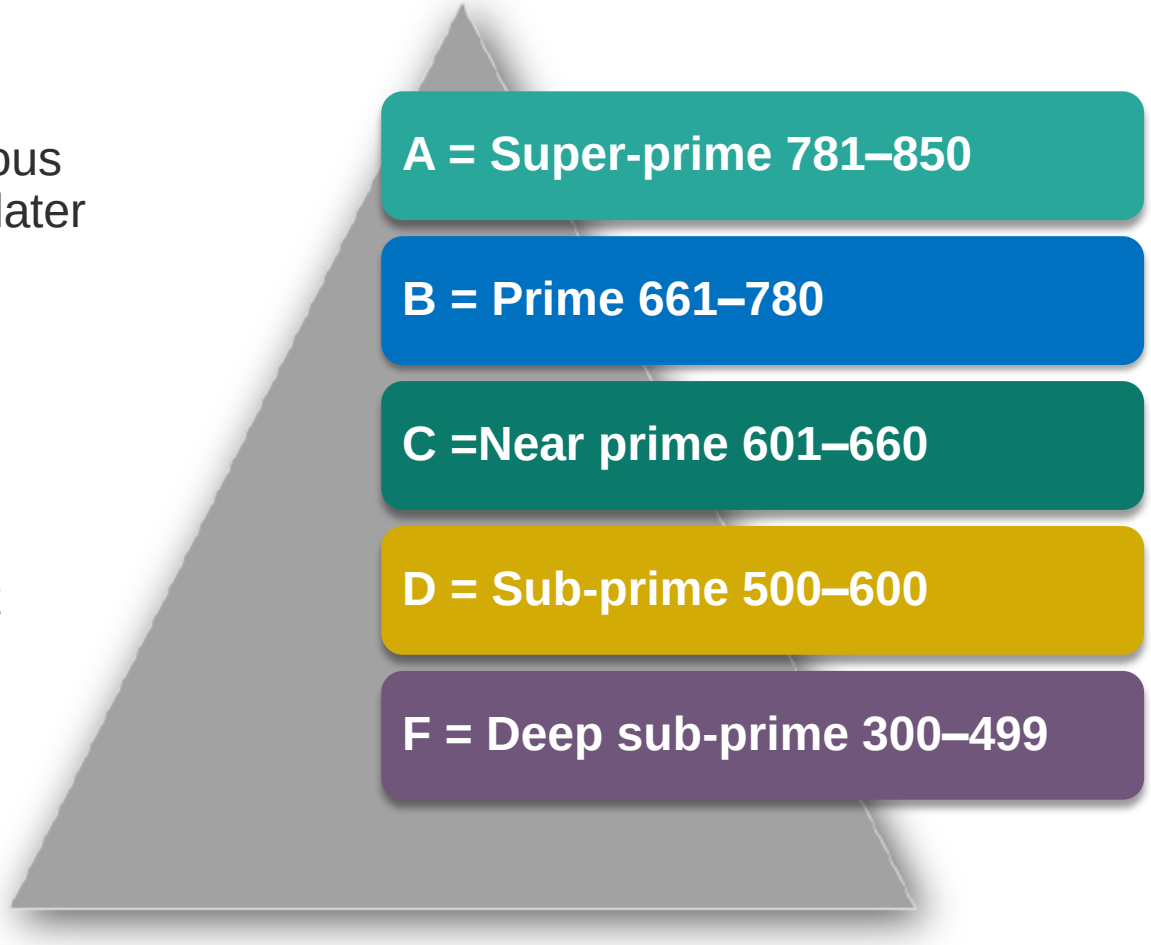
# VantageScore® 3.0
## Model overview

- Predicts risk of borrower
  - Likelihood of future serious delinquencies (90 days later or greater)
  - Any type of account
- 24-month performance
- Score range of 300–850
  - Higher scores represent a lower likelihood of risk
  - Lower scores are higher risk



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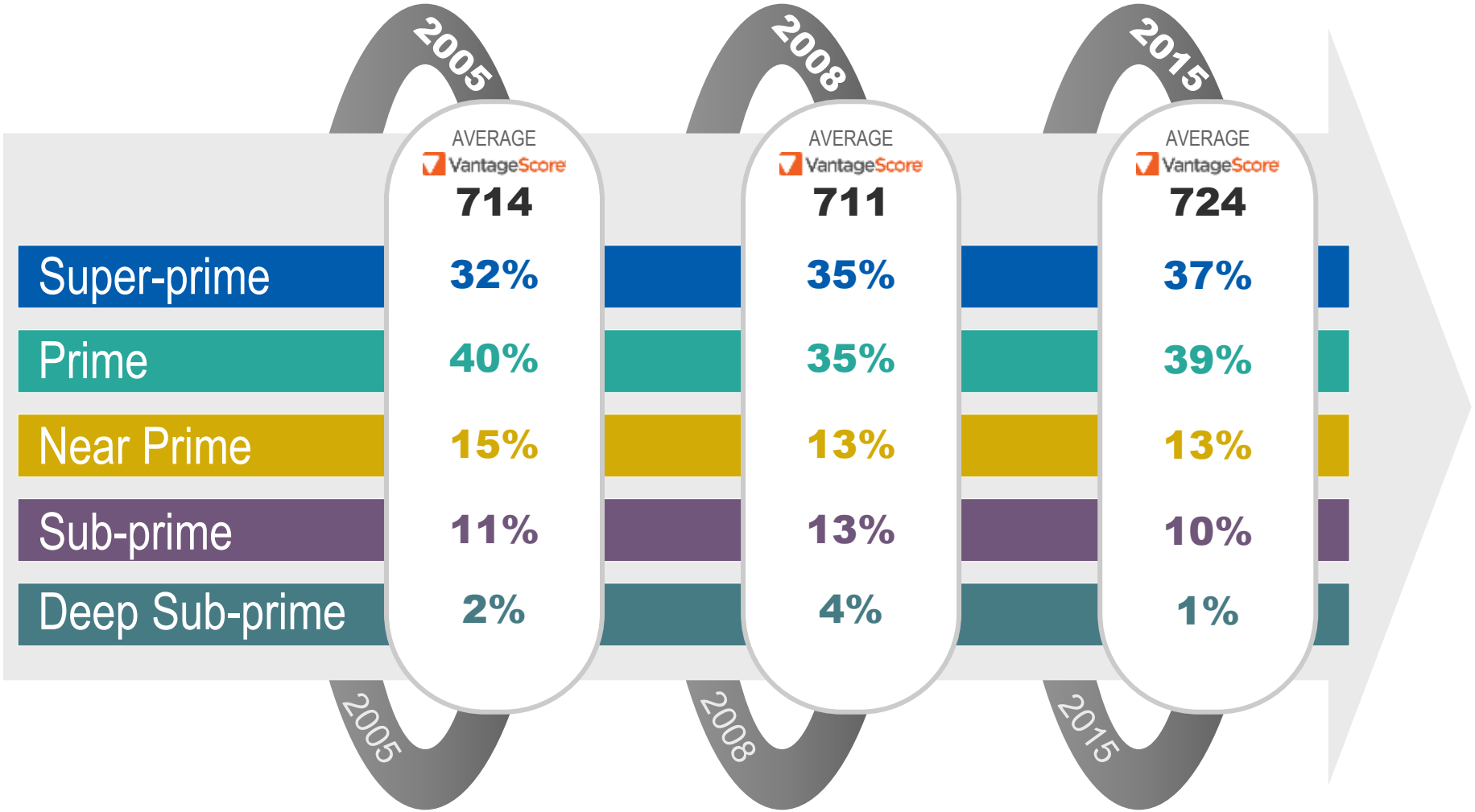
# VantageScore® by score band compared across time periods

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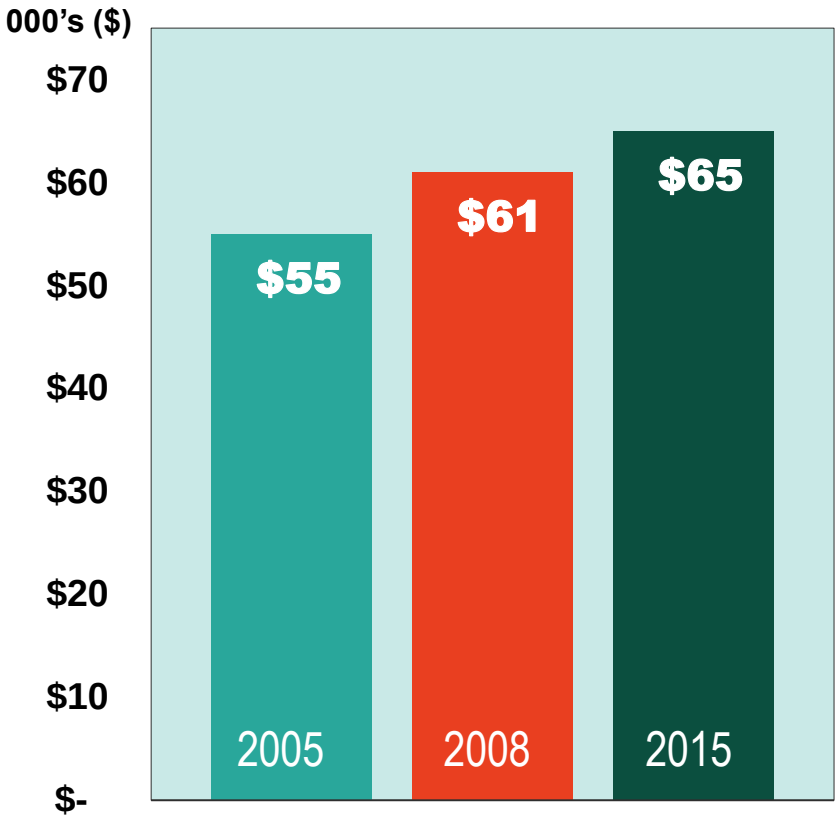
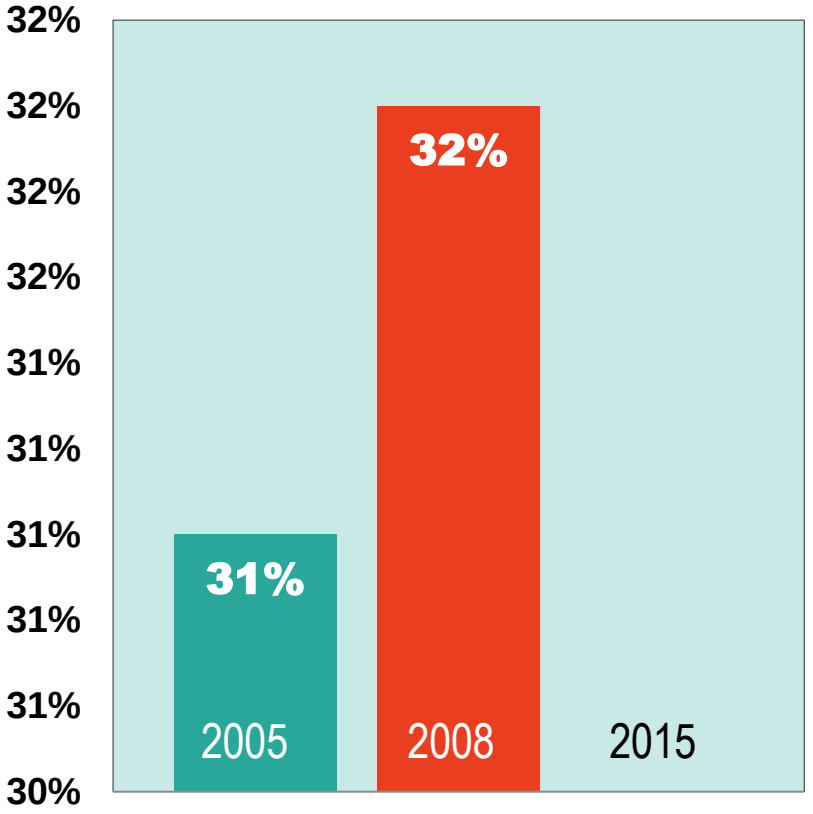
# Income trending over reviewed time periods

## Income Insight W2SM and Debt-to-Income Insight W2SM




Average Income Insight W2SM




Average Debt-to-Income Insight W2SM

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# Audience survey question

**What was the Debt-to-Income ratio for mortgage borrowers in 2015?**

A. 34%

B. 37%

C. 26%

D. 28%



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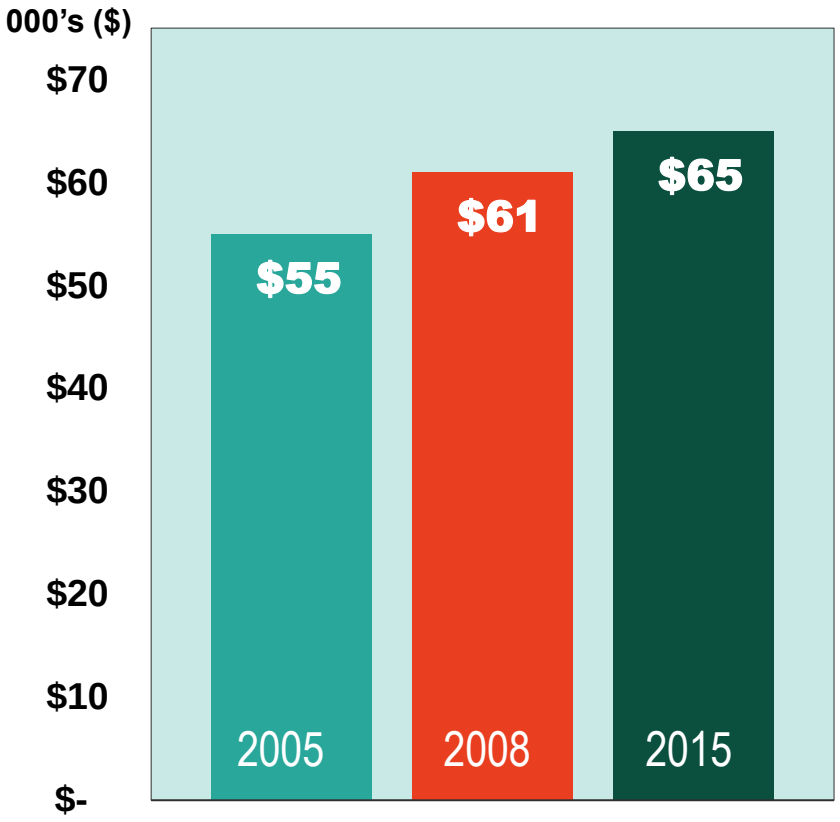
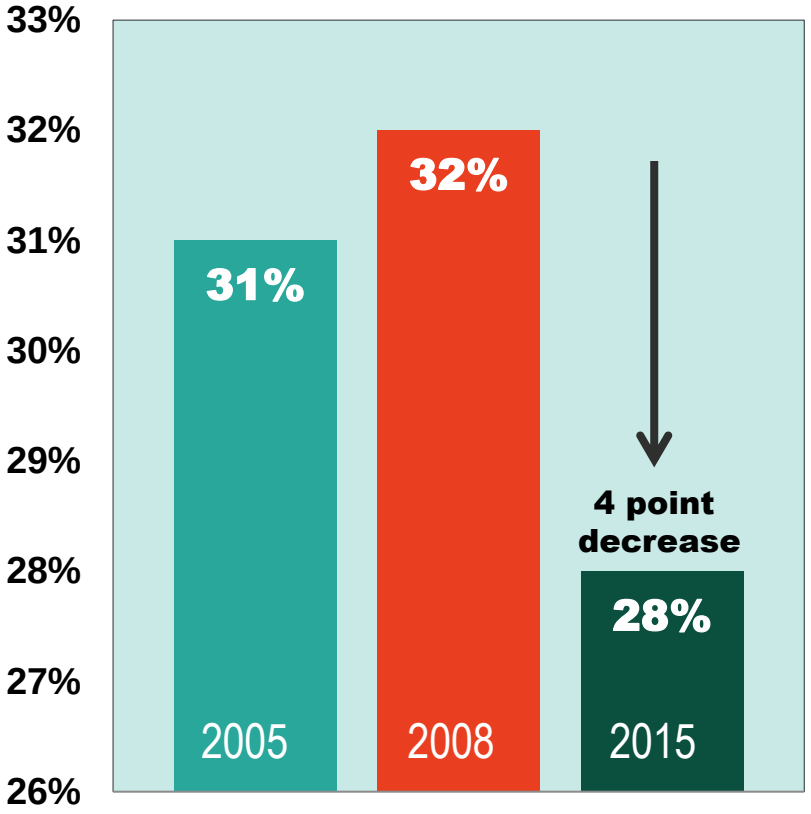
# Income trending over reviewed time periods

## Income Insight W2SM and Debt-to-Income Insight W2SM




Average Income Insight W2SM




Average Debt-to-Income Insight W2SM

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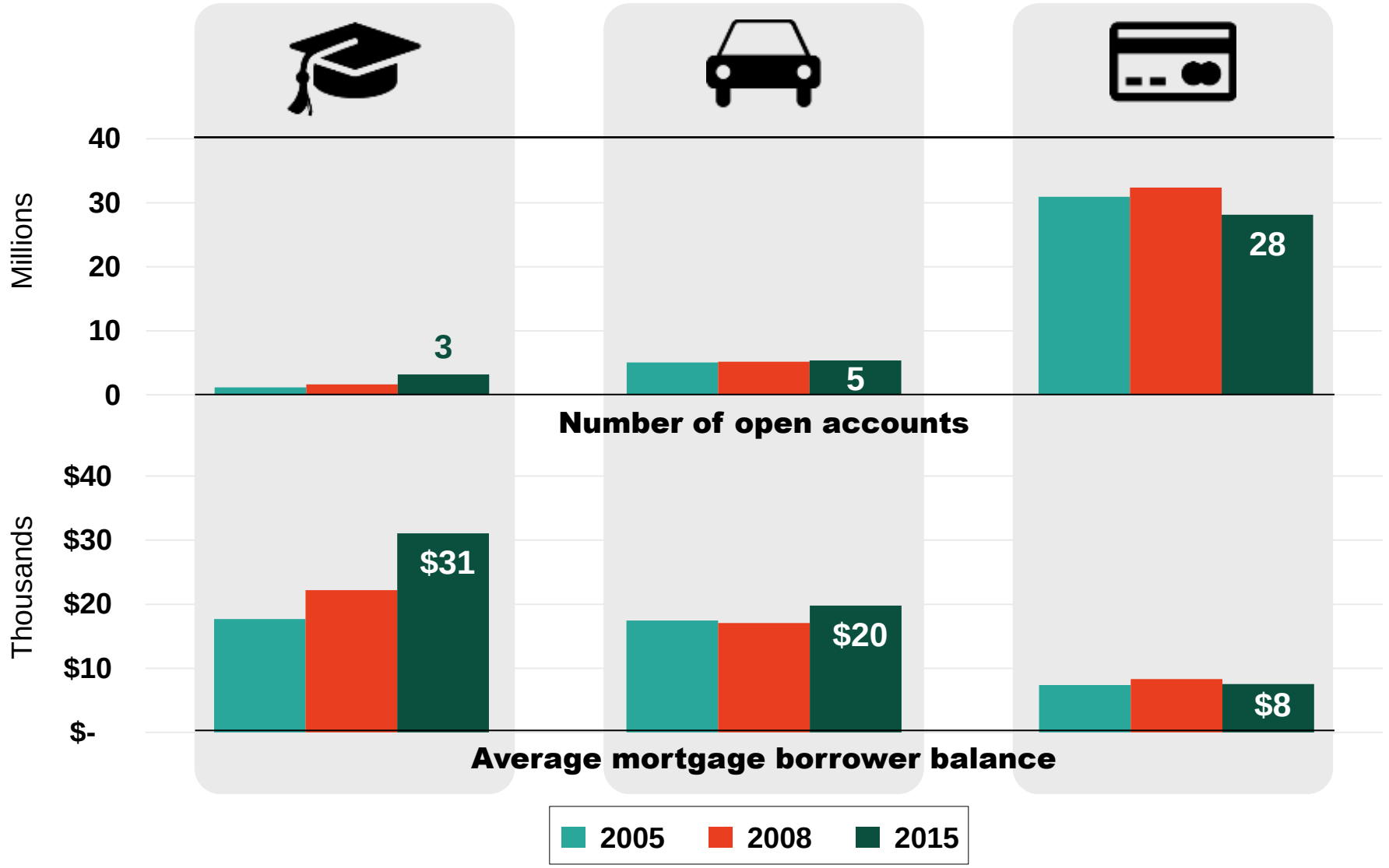
# Open accounts and average balances

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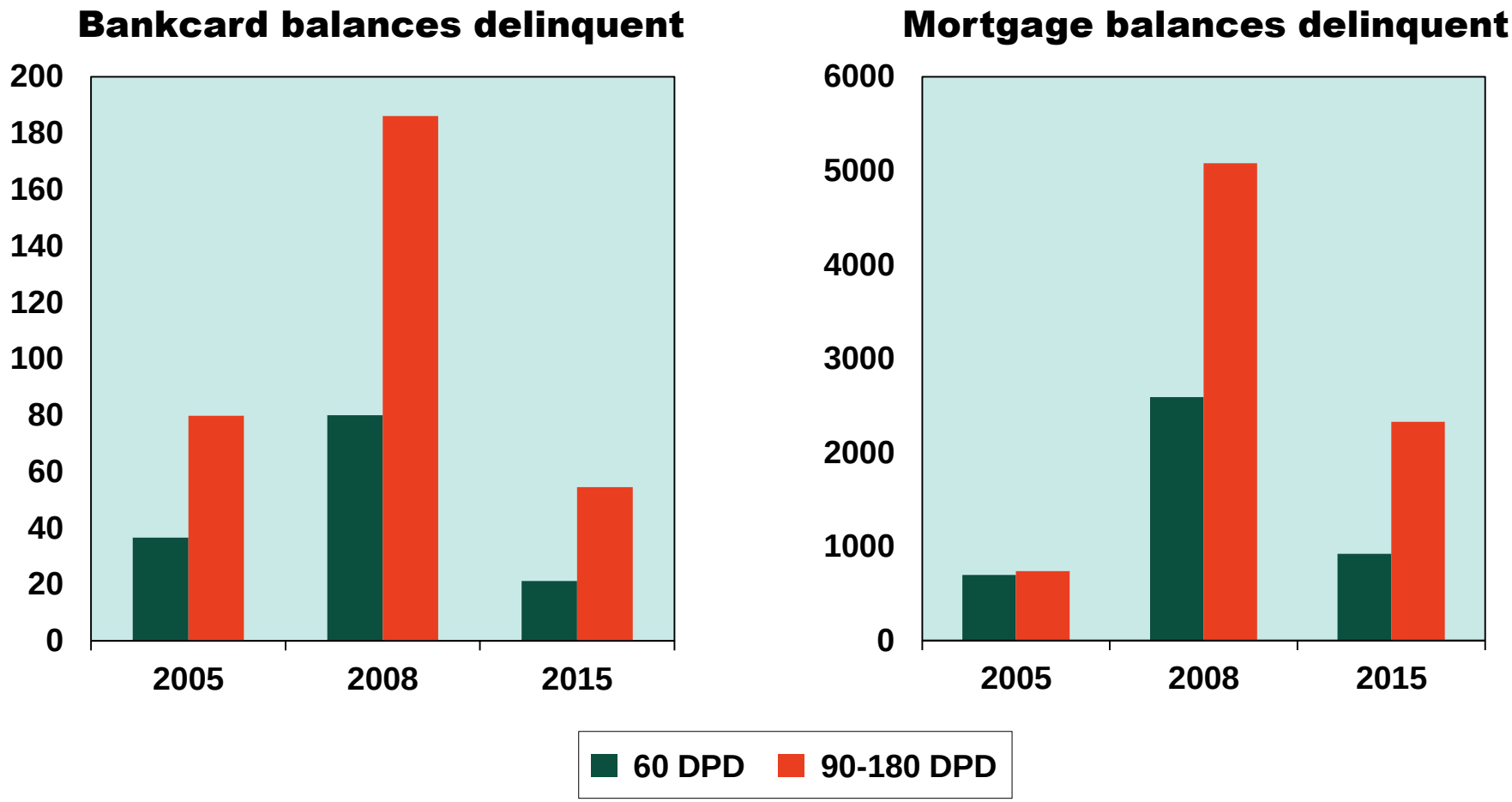
# Average balances delinquent

## 60 DPD and 90-180 DPD

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# Average VantageScore® by generation

December 2015

850
800
750
700
650
600

**Millennials**
Ages 19-34

704

**Gen X**
Ages 35-49

705

**Baby Boomers**
Ages 50-68

733

**Silent**
Ages 69-87

750

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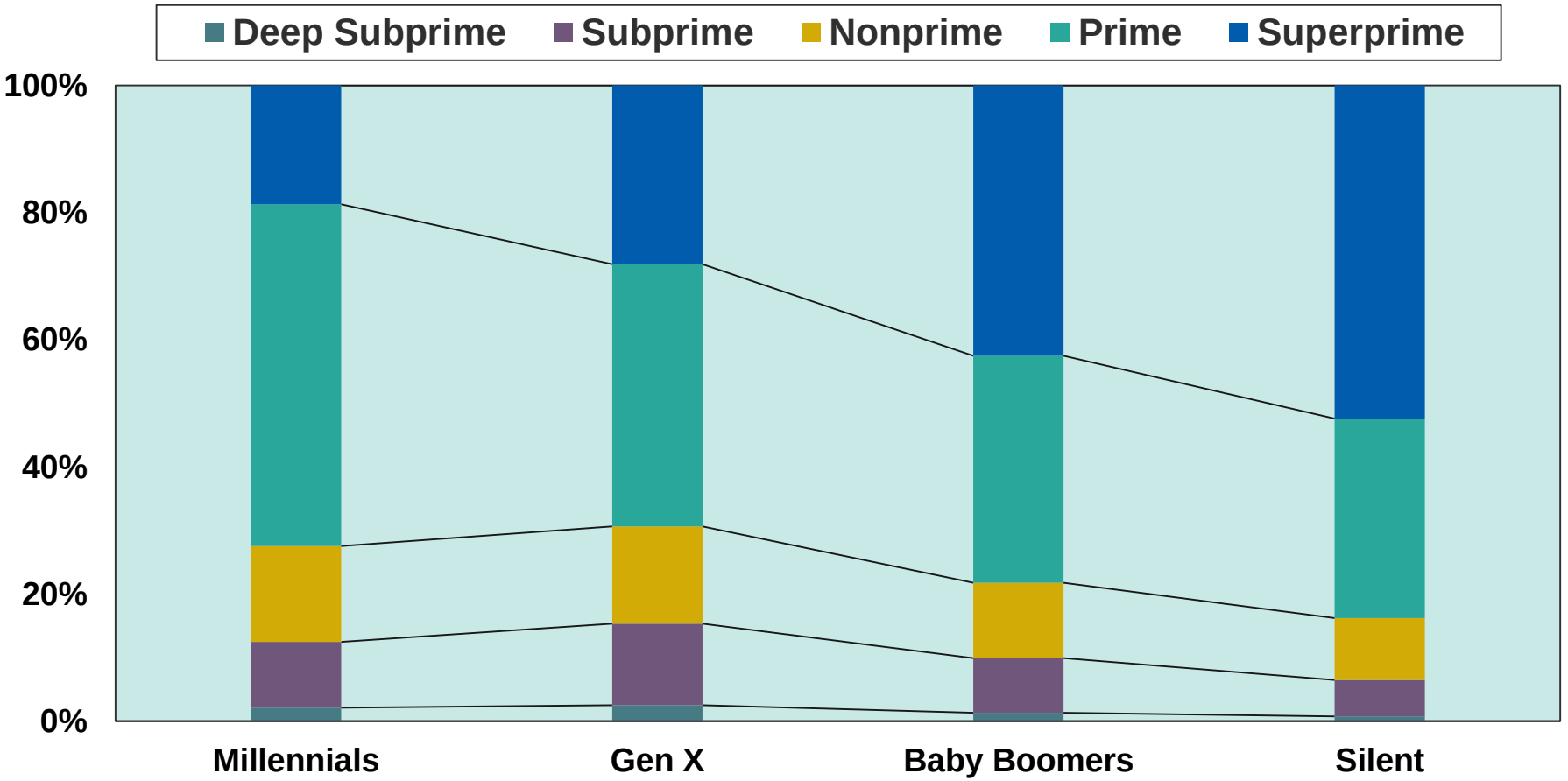
# VantageScore® by score band and generation

December 2015

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# Mortgage interest rate

## Payment and interest rate

| | Millennials | Gen X | Baby Boomers | Silent |
|---|---|---|---|---|
| Estimated Principal + Interest | $1,084 | $1,347 | $1,242 | $1,033 |
| Estimated Interest Rate | 4.55% | 4.69% | 4.84% | 4.94% |

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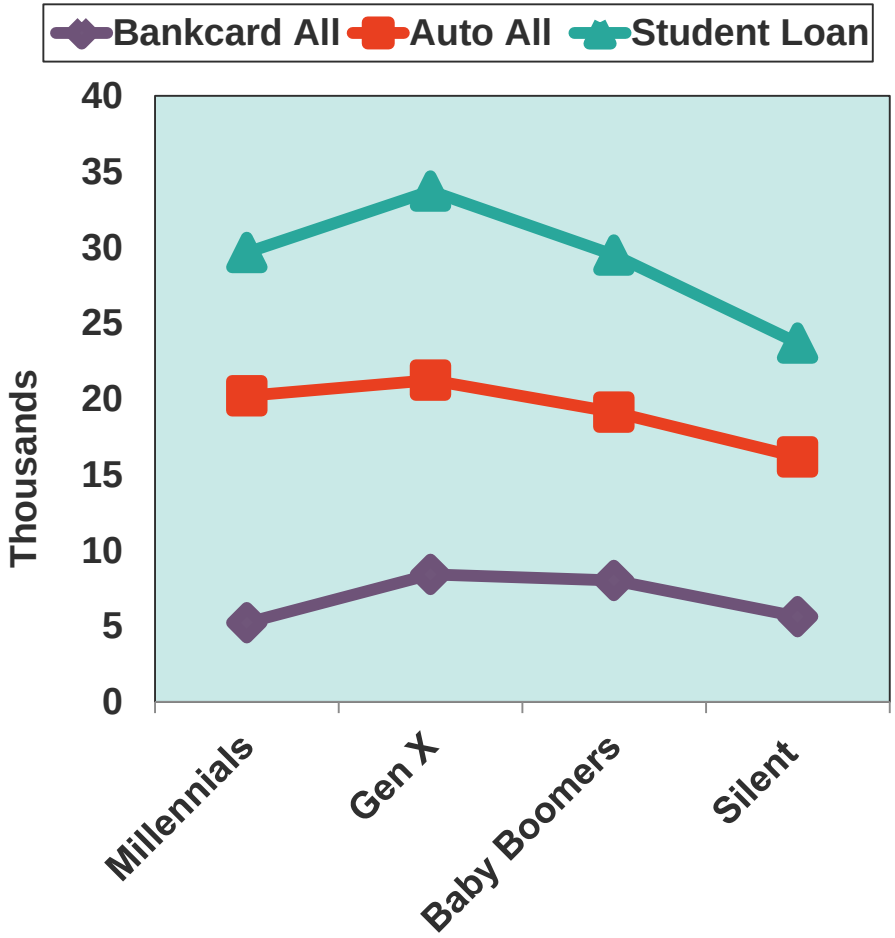
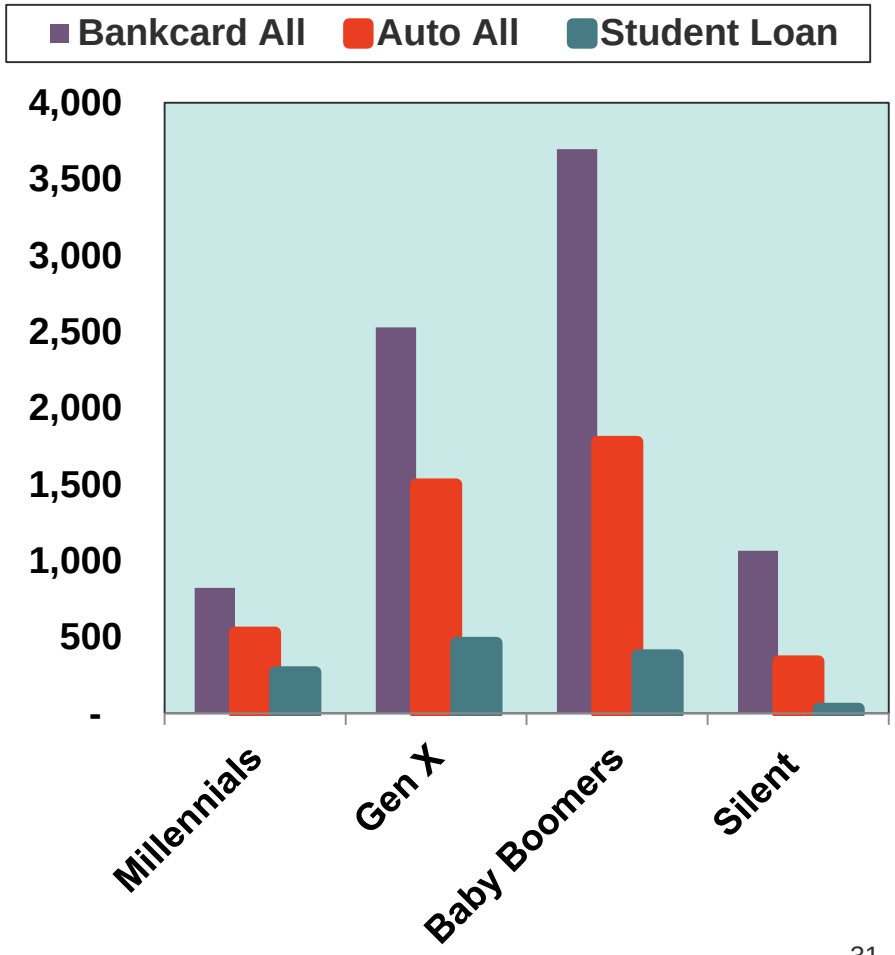
# Non-mortgage debt metrics

December 2015

## Average balance




## Number of consumers

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# Looking ahead

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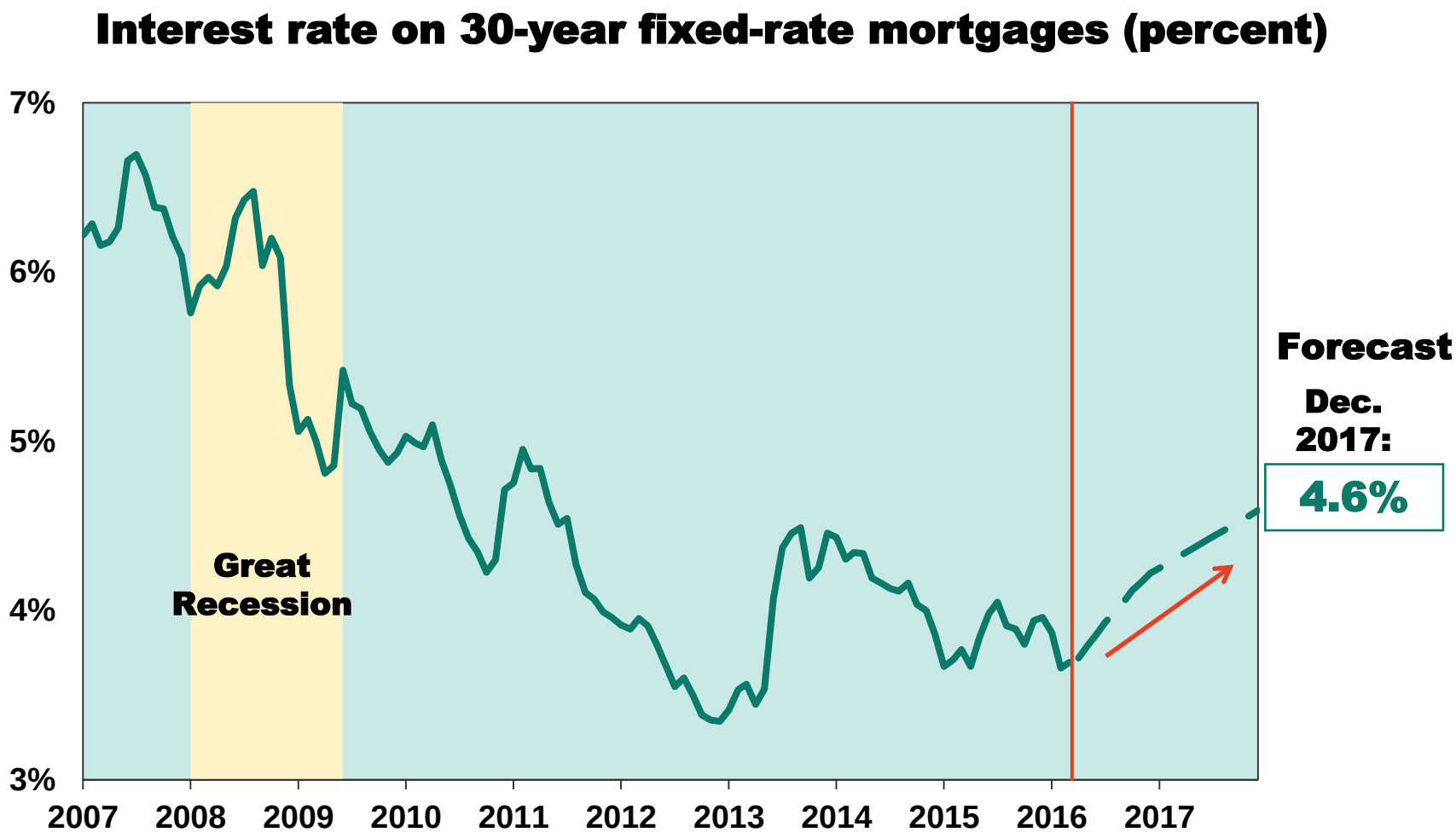
# Mortgage rates expected to rise (soon)




Source: Freddie Mac Primary Mortgage Market Survey®, IHS Global Insight April 2016 projection.

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# Audience survey question

**What do you think will happen to house prices within the next year?**

A. Rise more than 3%

B. Stay about the same

C. Fall by more than 3%



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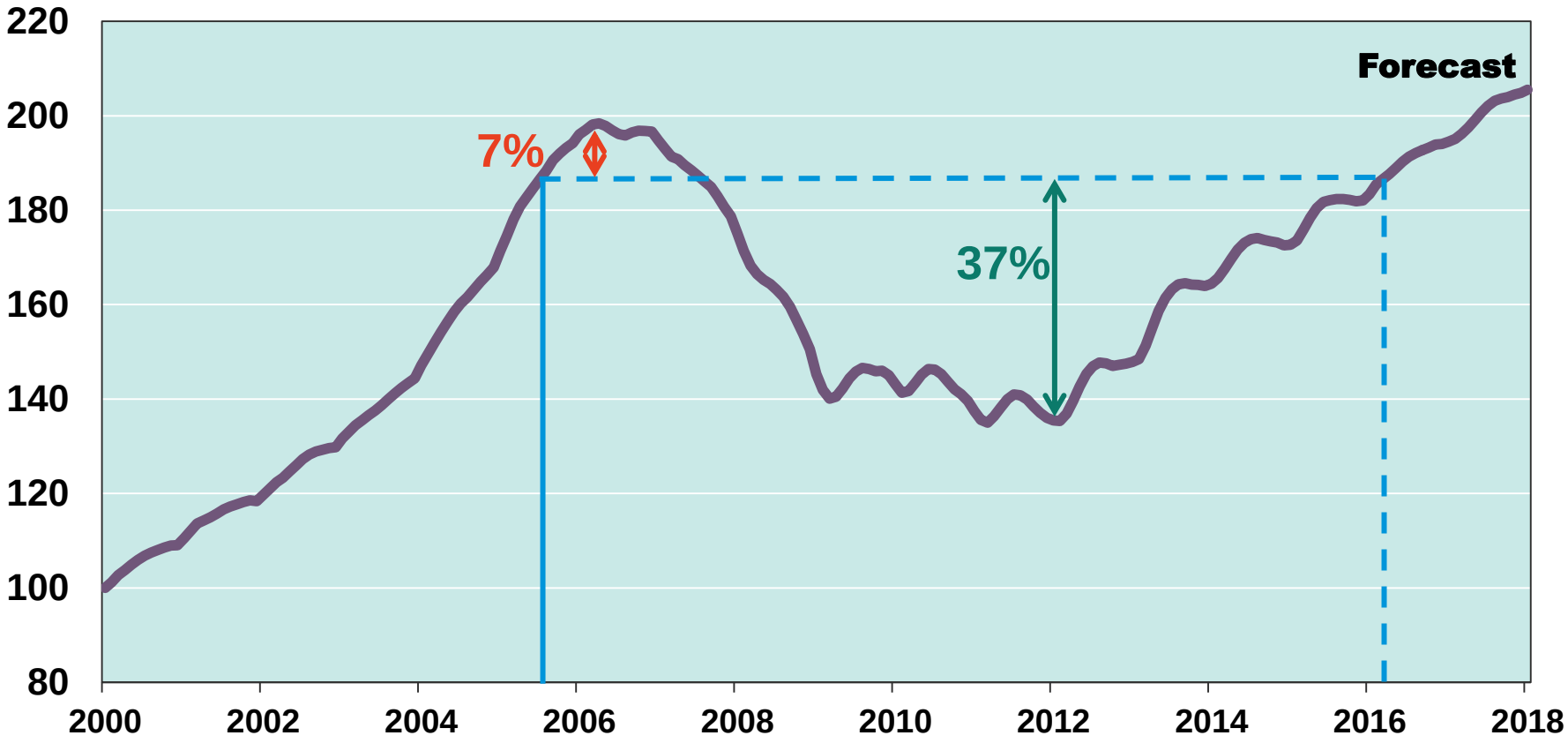
# U.S. home prices projected to rise in 2016

**Projected to reach prior peak by mid-2017**
(But still 18% below 2006 peak in real $)




Source: CoreLogic Home Price Index™, January 2000 = 100 (April 5, 2016 Release)

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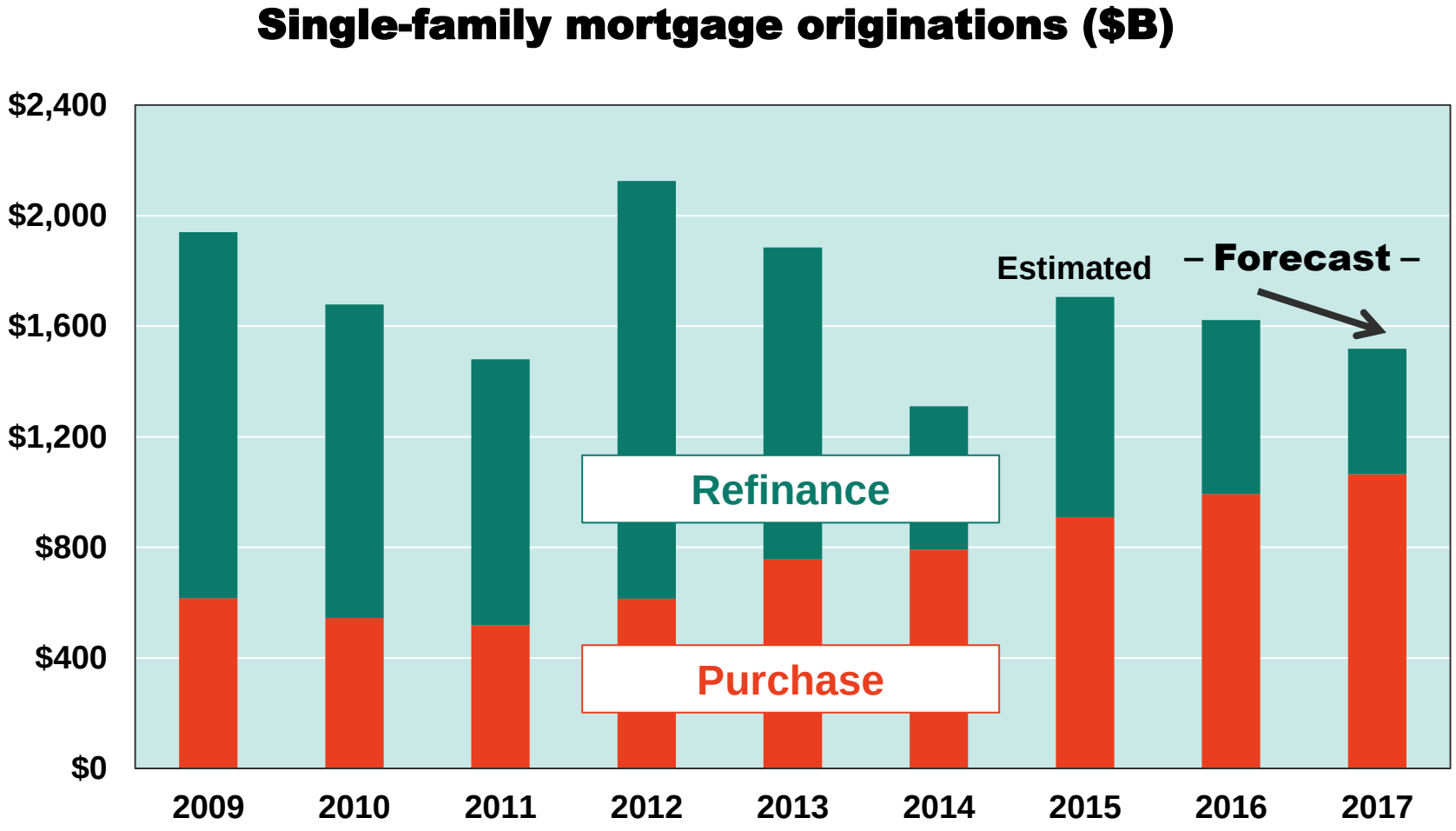
# Single-family originations

## More purchase, less refinance, less volume in 2016




Source: Originations for 2015-2017 are an average of the latest projections released by Mortgage Bankers Association, Fannie Mae, and Freddie Mac. 2009-2014 are benchmarked to HMDA.

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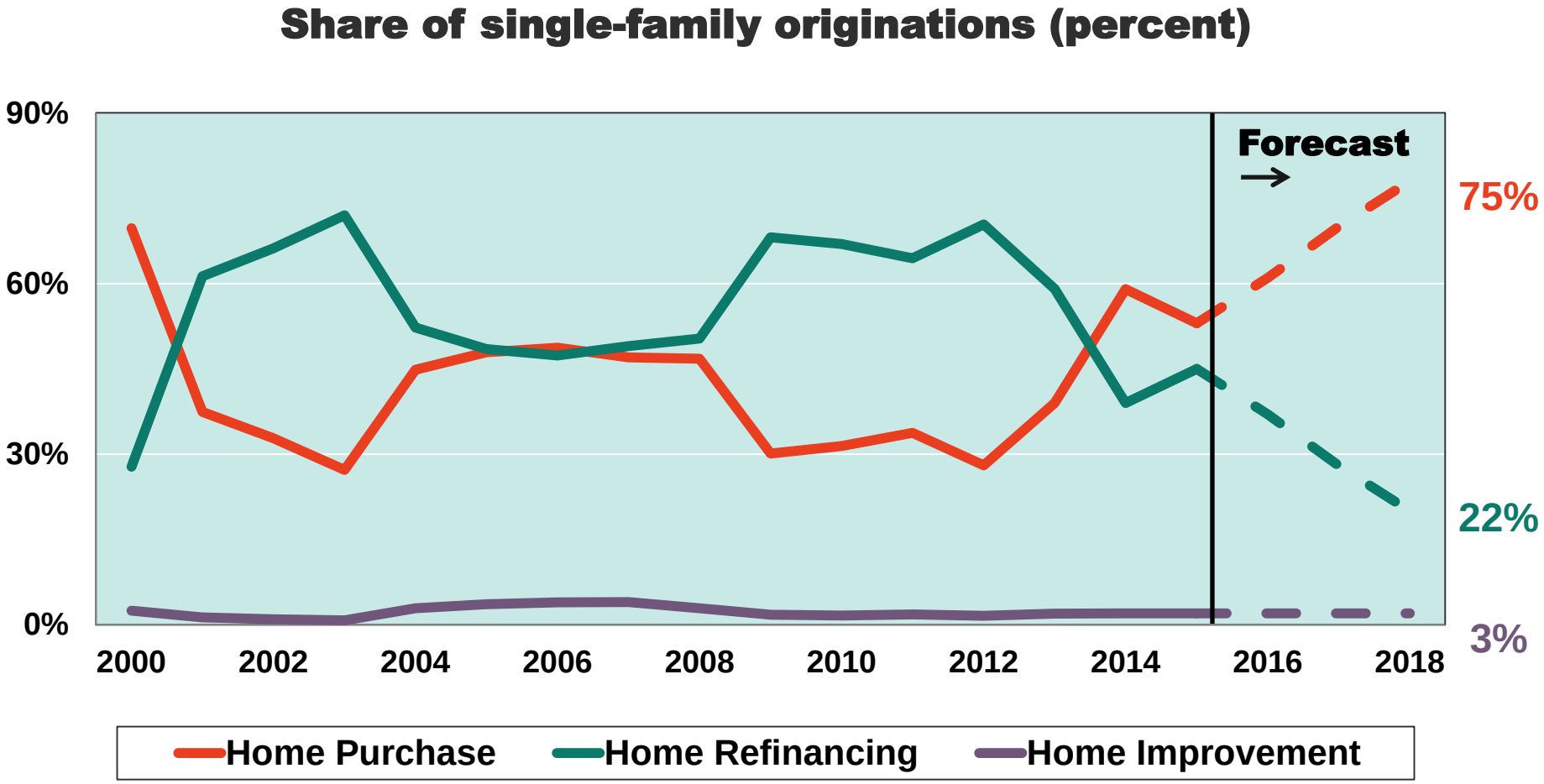
# Purchase-money emerges

## Part of the 'new normal'?




Source: HMDA (2000-2014), CoreLogic public records (2015), projections average of MBA, Freddie Mac, Fannie Mae (2016-2017) with trend extrapolated

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# For additional information, please contact:

Renae.Sherman@experian.com

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# Share your thoughts about Vision 2016!

Please take the time now to give us your feedback about this session.
You can complete the survey in the mobile app or request a paper survey.

Vision Conference
Breakout Session Survey

Experian

1. How would you rate the presenters' knowledge?
☐ Excellent ☐ Above average ☐ Average ☐ Below average ☐ Poor

2. How would you rate the presenters' delivery?
☐ Excellent ☐ Above average ☐ Average ☐ Below average ☐ Poor

3. How would you rate the presenters' time management?
☐ Excellent ☐ Above average ☐ Average ☐ Below average ☐ Poor

4. How useful was the session information?
☐ Very useful ☐ Somewhat useful ☐ Neutral
☐ Somewhat not useful ☐ Not useful

5. How would you rate the session on being current?
☐ Very current ☐ Somewhat current ☐ Neutral
☐ Somewhat not current ☐ Not current

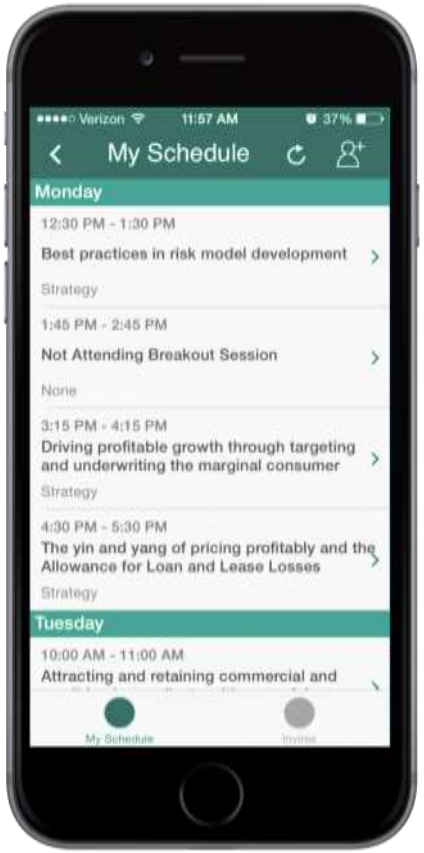
6. How relevant was the session content to the title and description?
☐ Very relevant ☐ Somewhat relevant ☐ Neutral
☐ Somewhat not relevant ☐ Not relevant

7. How would you rate the level of content?
☐ Too advanced ☐ Just right ☐ Too basic

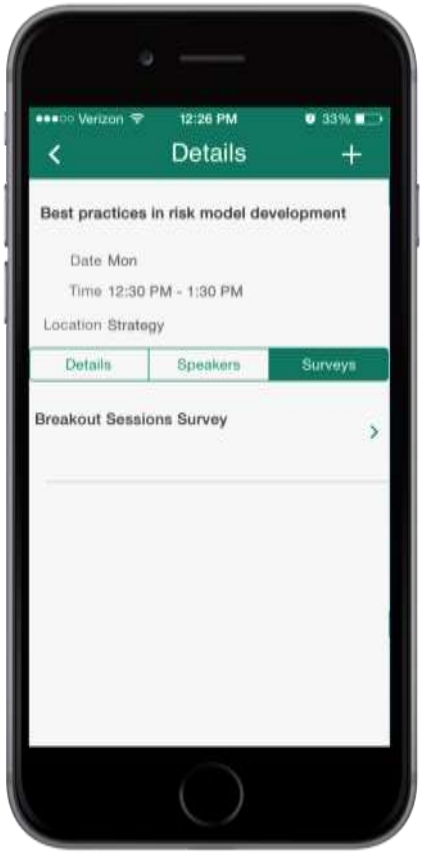
8. Why did you attend this session? (Check all that apply.)
☐ Relates to my business ☐ The presenter(s) ☐ Interest in new product
☐ Compelling session description ☐ Increase product knowledge

9. Do you have any additional comments?

1 Select the Survey button and complete




2 Select the breakout session you attended

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35TH ANNIVERSARY

VISION 2016

# TAKE CONTROL

## A ROADMAP FOR GROWTH

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