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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Default risk for U.S.-backed mortgages increases in Q2 2021, driven by fewer refinance loans, increased borrower risk

Milliman Mortgage Default Index increases for Ginnie Mae loans from 7.41% in Q1 to 8.75% in Q2

SEATTLE – NOVEMBER 19, 2021 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the second quarter (Q2) 2021 results of the Milliman Mortgage Default Index (MMDI), which shows the latest monthly estimate of the lifetime default risk of U.S.-backed mortgages.

During Q2 2021, the default risk for government-sponsored enterprise (GSE) acquisitions (purchased and refinanced loans backed by Freddie Mac and Fannie Mae) increased, from 1.20% in Q1 2021 to 1.48% for acquisitions originating in Q2 2021. For Ginnie Mae loans, the MMDI rate also increased from 7.41% to 8.75% during the same time period. While purchase loans remained strong during Q2, a rise in interest rates led to 30% fewer refinance loans, which are typically viewed as lower-risk.

“We’ve been seeing default risk climb throughout the first half of 2021, driven primarily by increased economic and borrower risk for new purchase loans,” says Jonathan Glowacki, a principal at Milliman and author of the MMDI. “And while today’s housing market faintly echoes that of 2007, before the global financial crisis, we see a number of important key factors that differentiate this increase in default risk.”

For an in-depth look at the housing market during the global financial crisis compared to the market during the COVID-19 pandemic, go to: <https://us.milliman.com/en/insight/housing-market-madness-an-in-depth-comparison-of-the-housing-markets>

The MMDI reflects a baseline forecast of future home prices. For more on the MMDI, go to www.milliman.com/mmdi/.

To access additional mortgage market thought leadership, go to <https://www.milliman.com/en/products/milliman-m-pire>.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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